

**Paper 5- Financial Accounting**

**Full Marks:100**

**Time allowed: 3 hours**

**[This paper contains 7 questions. All questions are compulsory, subject to instruction provided against each question. All workings must form part of your answer.]**

**1. Answer All questions (give workings)**

**[2 x 10=20]**

- (i) On 01.01.2012, M/s. Three Star and Co. Ltd. purchased machinery for ₹ 2,00,000. Subsequently, ₹1,00,000 was paid for installation. Assuming that the rate of depreciation was 10% on Reducing Balance Method, determine the Closing Book Value of the Machine as at 31.12.2014.
- (ii) A trader acquired Machinery for ₹1,00,000 but included the same in purchase account. He paid ₹20,000 to a supplier which was omitted to be recorded in the books. State the types of errors and pass journal entries to rectify the errors.
- (iii) Salary debited to Income and Expenditure Account for the year was ₹96,000. Outstanding salary paid in the beginning of the year and the outstanding salary at the end of the year were ₹12,000 and ₹15,000 respectively. Compute the amount of Salary to be shown in Receipts and Payments Account.
- (iv) Working capital of a company is ₹ 21,28,000 and total debts are ₹ 42,50,000. If the company's long term debts are ₹ 27,30,000 then calculate the current ratio.
- (v) Calculate the interest income to be recognised for Save Here Bank Ltd. for the year ended 31.03.2013 from the following information:

(₹ in Crores)

Interest	Total Interest collected	Earned but not collected	
		On PA	On NPA
Interest on Cash Credit	5,000	2,000	2,100
Interest on Overdraft	1,500	500	1,750
Interest on Term Loan	5,000	200	2,500

- (vi) Discuss the treatment of Trade Discount and Quantity Rebates under AS – 9.
- (vii) Calculate the Gross Profit lost during the claim Period if the Turnover lost during the Claim Period is ₹ 15,00,000 and the agreed G.P. Ratio is 20%.
- (viii) On 1<sup>st</sup> April, "A" purchased 12% debentures in S Ltd. for ₹6,50,00. The face value of these debentures were ₹6,00,000. Interest on debentures falls due on 30<sup>th</sup> June and 31<sup>st</sup> December. Compute the cost of acquisition of debentures.
- (ix) Namitha Ltd. furnished the following particulars:  
Debtors ledger include ₹12,000 due from Mitra Ltd. whereas creditors ledger include ₹ 7,200 due to Mitra Ltd.  
Journalise the above.
- (x) List the constituents of Central Electricity Regulatory Commission (CERC)?

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### **2. (Answer any two)**

**(a)** X's accounting year ends on 30.06.2013 but actual stock was not taken till 08.07.2013 on which date it is valued at ₹29,700. The following additional information is available :

- Sales are entered in the sales book on the date of dispatch and returns inward entered in the credit note register on the day goods are received back.
- Purchases are entered in the purchase book on the day invoices are received.
- Sales from 01.07.2013 to 08.07.2013 are ₹34,400
- Purchases invoiced from 01.07.2013 to 08.07.2013 are ₹2,640 out of which goods ₹240 was not received upto 08.07.2013.
- Invoices for goods purchased upto 30.06.2013 were of ₹2,000 of which goods worth ₹1,400 were received between 01.07.2013 to 08.07.2013
- Rate of G.P. 33.33% on cost.

Find out the value of stock on 30.06.2013.

**[4]**

**(b)** Write a note on accounting Life Cycle.

**[4]**

**(c)** On 30<sup>th</sup> Sept. 2014 my Cash Book (Bank Column of Account No. 1448870) showed a bank Overdraft of ₹ 49,350. On going through the Bank Pass Book for reconciling the Balance , I found the following:

**(i)** Out of cheques drawn on 26<sup>th</sup> Sept. those for ₹3,700 were cashed by the bankers on 2<sup>nd</sup> October.

**(ii)** A crossed cheque for ₹ 750 given to Amrita was returned by her and a bearer cheque was issued to her in lieu on 1<sup>st</sup> Oct.

**(iii)** Cash and cheques amounting to ₹3,400 were deposited in the bank on 29<sup>th</sup> Sept, but cheques worth ₹1,300 were cleared by the Bank on 1<sup>st</sup> Oct. and one cheque for ₹ 250 returned by him as dishonoured on the latter date.

**(iv)** My bankers seem to have given me wrong credit for ₹500 paid in by me in No.1226650 account and a wrong debt in respect of a cheque for ₹300 drawn against my No. 1226650 account. **[4]**

### **3. (Answer any two)**

**(a)** (i) Show what journal entries would be passed by the Delhi Head Office to record the following transactions in their Books on 31<sup>st</sup> March, 2014, the closing date :

- A remittance of ₹ 70,000 made by Noida Branch to Head Office on 29<sup>th</sup> March, 2014 and received by the Head Office on 5<sup>th</sup> April, 2014.
- Goods of ₹ 1,26,000 sent by the Head Office to the Ajmer Branch on 28<sup>th</sup> March, 2014 and received by the later on 4<sup>th</sup> April, 2014.
- Noida Branch paid ₹ 60,000 as salary to a visiting Head Office Official. **[3]**

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(ii) Mithil Mukherjee sells two products manufactured in her own factory. The goods are made in two departments, X and Y, for which separate sets of accounts are maintained. Some of the manufactured goods of department X are used as raw materials by department Y, and vice versa.

From the following particulars, you are required to ascertain the total cost of goods manufactured in department X and Y:

Particulars	Department X	Department Y
Total units manufactured	10,00,000	5,00,000
Total cost of manufactured	₹10,000	₹5,000

Department X transferred 2,50,000 units to Department Y and the latter transferred 1,00,000 units to the former. [7]

(iii) Define Partnership as per Partnership Act, 1932. [2]

(b) (i) X and Y are partners in a firm sharing profit/loss in the ratio 5:3. They admit their manager Z in the firm for 1/4<sup>th</sup> share in profit, which would be not less than the remuneration received by him as Manager. As Manager, Z is entitled for a salary of ₹ 32,000 per quarter and a commission of 10% on the net profit after charging such salary and commission. If the profit of the firm for the year ended 31<sup>st</sup> March, 2014 amounted to ₹ 4,80,000, show the distribution of firm's profit among the partners. [5]

(ii) On 1.1.2014 B Ltd. purchased a Truck from T Ltd. on hire purchase system. At the time of Agreement a sum of ₹ 1,92,000 was paid out of the cash down price of the Truck and the balance was be payable in 3 equal installments together with interest @ 5% p.a. The amount of last installment including interest was ₹ 2,68,800 .

Show the calculation of Cash Price, the interests paid and the Hire Purchase Price of the Truck. [7]

(c) (i) On April 1, 2012 the Provision for Doubtful Debts Account of PPL Ltd. showed a balance of ₹ 80,000 and the Debtors amounted to ₹18,00,000. Out of these, during the year ended March 31, 2013, Debtors amounting in all to ₹12,25,000 paid their dues in full, but the following debts provide bad or doubtful:

Amir (₹ 30,000)	bad to the full extent
Abir (₹ 60,000)	insolvent, estate expected to pay 50 paise in the rupee and
Asif (₹ 15,000)	$33\frac{1}{3}\%$ paid in full settlement

The remaining debts were considered somewhat doubtful on March 31. The following further debts became due during 2012-2013 but were outstanding on March 31, 2012:

Dolon (₹ 40,000)	expected to prove wholly bad
Era (₹ 35,000)	expected to prove 8%
Fullara (₹ 3,00,000)	expected to prove bad to some extent
Gungun (₹ 5,00,000)	expected to provie 5% bad
Harshbardhan (₹ 4,00,000)	expected to prove wholly good

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It was decided to write off actual bad debts to create provision of 5% on debts of unknown and doubtful nature.

Show the Provision for Doubtful Debts Accounting for the year 2012-2013. **[8]**

- (ii) On March 31, 2014, Ping-Pong Ltd. traded in an old machine having a carrying amount of ₹ 3,36,000, and paid cash difference of ₹ 1,20,000 for a new machine having a total cash price of ₹ 4,10,000. On March 31, 2014, what amount of loss should Ping-Pong Ltd. recognize on this exchange? **[4]**

#### **4. (Answer any two)**

- (a) Rectify or adjust the following affecting ledgers maintained under self-balancing system:

(i) Purchase Day Book under cast by ₹2,000.

(ii) Sales to Mr. B of ₹2,600 was entered in the books as ₹260.

(iii) A cheque of ₹5,000 received from Milan & Co. was recorded as received from Mill One & Co.

(iv) A debit balance of ₹300 in the account of Pritam in Sales Ledger was set off against his account in the creditors ledger. But this has not been recorder. **[4]**

- (b) A firm keeps its sold and bought ledgers on self-balancing system. From the following particulars, prepare the adjustment account in the sold ledger.

Trade Debtors on 1st April, 2013—₹ 62,000; Trade Creditors on 1st April, 2013—₹ 25,000; Credit Purchases— ₹ 1,03,000; Credit Sales—₹ 1,34,000; Cash received from trade debtors—₹ 78,000; Returns Inward— ₹ 3,000; Acceptances given—₹ 40,000; Returns Outward—₹ 2,500; Acceptances from trade debtors dishonoured— ₹ 5,000; Discount allowed to trade debtors—₹ 1,000; Bad Debts written off—₹ 2,000; Bad Debts written off in the previous years now recovered—₹ 5,000; Trade Creditors on 31st March, 2014 — ₹ 10,500; Trade Debtors on 31st March, 2014 — ₹ 1,17,000. **[4]**

- (c) Discuss Contra Transaction. **[4]**

#### **5. (Answer any two)**

- (a) Nilima Construction Ltd. undertook a contract on 1<sup>st</sup> January to construct a building for ₹80 Lakhs. The Company found on 31<sup>st</sup> March that it had already spent ₹58,50,000 on the construction. Prudent estimate of additional cost for completion was ₹31,50,000.

What amount should be charged to revenue and what amount of Contract Value to be recognised as Turnover in the accounts for the year ended 31<sup>st</sup> March as per provision of AS – 7 (revised)? **[4]**

- (b) Amra Sobai Society receives an entrance fee of ₹ 10,000 from new members. Members are also required to pay a membership fee of ₹3,000 at the time of entrance. The membership fee permits only membership and all other services or products are paid for separately. Give the accounting treatment for entrance fees and membership fees. **[4]**

- (c) Discuss the Development Stage of an Internally Generated Software. **[4]**

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### 6. (Answer any two)

- (a) (i) Prepare an Account Current to be received by A to M on 30<sup>th</sup> June 2013 considering rate of interest @ 5% p.a. from the given particulars:

2013		₹
Jan. 1	M owes to A	4,000
Feb. 1	M remits Cash	2,000
Mar. 1	A sold goods to Y (due on May 1)	8,000
Mar. 31	M sends a bill (due on Oct. 1)	2,000
May 30	M purchased goods (due on Aug.31)	40,000

**[6]**

- (ii) M Ltd. acquires 2000, 12% Debenture of S Ltd. on 1.4.2013 at ₹ 105 Cum-interest (face value of debentures ₹ 100). Interest is paid on 30<sup>th</sup> June and 31<sup>st</sup> December every year. Accounts are closed on 31<sup>st</sup> December 2013. Ascertain the amount of interest and cost of debentures. **[2]**

- (b) (i) On 1.1.2014, X draws a bill at 3 months on Y for ₹2,000. Y accepts it. X immediately discounts the bill at 5% p.a. On 15.3.2014, Y being unable to meet the bill offers X ₹ 1,500 and requests him to draw on him another bill for 3 months for the balance including interest therein @  $7\frac{1}{2}\%$ . X accepts the agreement and, on maturity, Y meets the bill. **[6]**

- (ii) Discuss the accounting treatment relating to the calculation of closing stock, if Joint Ventures is running for more than one accounting period. **[2]**

- (c) On 20<sup>th</sup> July, 2014 the godown and the business premises of a merchant were affected by fire. From the accounting records salvaged, the following information is made available to you:

Stock of Goods on 1 <sup>st</sup> April, 2013	₹1,00,000
Stock of Goods at 10% lower than cost on 31 <sup>st</sup> March, 2014	₹1,08,000
Purchases of Goods for the year 1 <sup>st</sup> April, 2013 to 31 <sup>st</sup> March, 2014	₹4,20,000
Sales for the same period	₹6,00,000
Purchases less returns from 1 <sup>st</sup> April, '14 to 20 <sup>th</sup> July, 2014	₹1,40,000
Sales Returns for the above period	₹3,10,000

Sales up to 20<sup>th</sup> July, 2014 included ₹40,000 for which goods had not been despatched. Purchases up to 20<sup>th</sup> July, 2014 did not include ₹20,000 for which purchase invoices had not been received from suppliers, though goods had been received at the godown.

Goods salvaged from the accident were worth ₹12,000 and these were handed over to the insured. Ascertain the value of the claim for the loss of goods/stock which could be preferred to the insurer. **[8]**

### 7. (Answer any two)

- (a) (i) The Life Insurance Fund of Bharat Life Insurance Co. Ltd. was ₹25 lakhs on 31.03.2014. Its actuarial valuation on 31.03.2014 disclosed a net liability of ₹21.25 lakhs. An interim bonus of ₹40,000 was paid to the policy holders during previous two years. It is now proposes to carry forward ₹75,000 and to divide the balance between policy holders and the shareholders.

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Show the — Valuation Balance Sheet; Net profit for the two-year period; and Distribution of profits. [5]

(ii) Discuss - State Electricity Commission (SEC). [3]

(b) Calculate depreciation as per 2009 regulations from the following information of PPP Power generation Project

Date of commercial operation/Work Completed Date	11-Jan-1996
Beginning of Current year	1-Apr-2011
Useful life	35 years

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(Figures in ₹ Crores)

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1. Capital Cost at beginning of the year 2011-12	222.000
2. Additional Capitalisation during the year: 2012-13	10.560
2013-14	29.440
3. Value of Freehold Land	12.000
4. Depreciation recovered up to 2009-10	48.600
5. Depreciation recovered in 2010-11	5.400

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Note: Capital Cost and Accumulated Depreciation at the beginning of the year are as per tariff order FY 2011-12 [8]

(c) (i) Calculate Rebate on Bills discounted as on 31 December, 2013 from the following data and show journal entries:

	Date of Bill	₹	Period	Rate of Discount
(i)	15.10.2011	50,000	5 months	8%
(ii)	10.11.2011	30,000	4 months	7%
(iii)	25.11.2011	40,000	4 months	7%
(iv)	20.12.2011	70,000	3 months	9%

[6]

(ii) List the statistical books to be maintained by a banking company. [2]