

Paper 5- Financial Accounting

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Full Marks:100

Time allowed: 3 hours

[All workings must form part of your answer.]
Section A

1. Answer the following questions [5 × 1 = 5]

(a) Multiple choice questions:

- (I) Bank Reconciliation Statement is:
 - (i) Ledger Account
 - (ii) Part of cash book
 - (iii) A separate statement
 - (iv) A subsidiary of Journal
- (II) Excess of minimum rent over actual royalty is known as
 - (i) Maximum Rent
 - (ii) Excess workings
 - (iii) Short workings
 - (iv) Deficiency of actual royalty
- (III) Income & Expenditure A/c shows subscriptions `10,000; Subscriptions accrued in the beginning of the year and at the end of the year were `1,000 and `1,500 respectively. The figure of subscription received appear in receipts and payments account will be:
 - (i) ` 9,500
 - (ii) ` 10,000
 - (iii) ` 10,500
 - (iv) ` 12,000
- (IV) In the hire purchase system interest is charged by vendor is calculated on the basis of
 - (i) Outstanding cash price
 - (ii) Hire purchase price
 - (iii) Installment amount
 - (iv) None of the above
- (V) A non-performing asset is:
 - (i) Money at call and short notice.
 - (ii) Cash balance with bank
 - (iii) An asset that ceases to generate income
 - (iv) None of the above

(b) Match the following: [5 × 1 = 5]

	Column 'A'		Column 'B'
1.	AS-3	A	Insurance claims
2.	Maximum loss method	B	Accounting for fixed assets
3.	AS-10	C	Hire purchase system
4.	Average clause	D	Piece meal distribution
5.	Repossess the goods	E	Cash flow statement

(c) State whether the following statements are true or false [5 × 1 = 5]

- (i) Joint Venture is temporary partnership.
- (ii) As per AS-2, inventory should normally be valued at historical cost or market value whichever is lower.

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- (iii) When the goods are returned by branch goods sent to branch account will be credited in the books of head office.
- (iv) Transactions are recorded on accrued basis in the income and expenditure account.
- (v) The contract of insurance is a contract of guarantee.

(d) Answer the following:

[5 × 2 = 10]

- (i) In preparing the Bank Reconciliation Statement for the month of June 2015, AB Company has the following data.
Balance as per bank statement ` 15,375.
Cheques issued but not presented ` 1,725
Bank service charges ` 100.
Compute the bank balance as per cash book.
- (ii) Golden Ltd furnished the following particulars:
Debtors ledger include ` 7,500 due from Das & Co. whereas creditors ledger include ` 4,500 due to Das & Co. Show the journal entry.
- (iii) ` 30,000 is the annual installment to be paid for three years (given present value of an annuity of ` 1 p.a. @ 5% interest is 2.7232. Ascertain the cash price increase of hire purchase.
- (iv) Sales ` 3,00,000; Gross Profit is 20% on sales. Compute cost of goods sold.
- (v) An industry borrowed ` 40,00,000 for purchase of machinery on 1-6-2012. Interest on loan is 9% p.a. The machinery was put to use from 1-1-2013. What is the amount to be charged for the year ended 31-3-2013 to record the borrowing cost of loan as per AS – 16.

Section B

Answer any five from the following.

Each question carries 15 marks [5 × 15 = 75]

2. (a) The Bank statement of Mr. J. White dated 31.12.2013 showed a balance with his Bank of ` 924. On verification of his Cash Book the following were noted:
- (i) During December, the Bank had paid `200 for a yearly contribution of Mr. White, made to a local charity, as per his standing order. This amount appeared in the Bank statement but not in the Cash Book.
 - (ii) The Bank had credited his account with `28 interest and had collected on his behalf `230 as dividends. No corresponding entries were made in the Cash Book.
 - (iii) A cheque of `65 deposited into the Bank on 28.12.2013 was not cleared by the Bank till after 31.12.2013.
 - (iv) A cheque of `150 deposited into and cleared by the Bank before 31.12.2013 was not entered in the Cash Book, through an oversight.
 - (v) Cheques drawn by and posted to parties by Mr. White on 31.12.2013 for `73, `119 and `46 were presented for payment to the Bank only on 3.1.2014.

Prepare Bank Reconciliation Statement as on 31-12-2013 and find out Cash Book Balance. [7]

- (b) A firm of contractors obtained a contract for completion of bridges across river Revathi. The following details are available in the records kept the year ended 31st March, 2012:

Particulars	` in Lakhs
Total Contract Price	1,000
Works Certified	500
Works not Certified	105
Estimated further cost	495
Progress payment received	400
Progress payment to be received	140

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Prepare Contract Account as per AS-7 "Accounting for Construction Contract". [8]

3. (a) Messrs, Dalal, Banerjee and Malick is a firm sharing profits and losses in a ratio of 2:2:1. Their balance sheet as on 31st March, 2003 is as given below:

Liabilities	`	Assets	`
Sundry Creditors	12,850	Land and buildings	25,000
Outstanding Liabilities	1,500	Furniture	6,500
General reserve	6,500	Stock of goods	11,750
Capital Accounts : Dalal	12,000	Sundry Debtors	5,500
Banerjee	12,000	Cash on hand	140
Malick	5,000	Cash at bank	960
	49,850		49,850

The partners have agreed to take Mr. Mistry as a partner with offset from 1st April, 2003 on the following terms:

- (i) Mr. Mistry shall bring ` 5,000 towards his capital.
- (ii) The value of the stock should be increased by ` 2,500
- (iii) Bad debts amounting to ` 550 should be written off.
- (iv) The furniture should be depreciated by 10%.
- (v) The value of land and buildings should be enhanced by 20%
- (vi) The value of goodwill be fixed at ` 15,000
- (vii) The new profit sharing ratio shall be 5 : 5 : 3 : 2

The goodwill account shall be written back after Mr. Mistry's admission.

Outstanding liabilities include ` 1,000 due to Mr. Sen which has been paid by Mr. Dalal. Necessary entries were not made in the books.

Prepare (i) Revaluation account, (ii) The capital accounts of the partners, (iii) The balance sheet of the firm as newly constituted. [15]

4. (a) Prepare the Creditors Ledger Adjustment Account as it would appear in General Ledger and General Ledger Adjustment Account as it would appear in Creditors Ledger for the year ended 31st March, 2012 from the following particulars.

Particulars	Amount (`)
Sundry Creditors (on 1-4-2011) (Cr.)	10,000
(Dr.)	1,000
Purchases (including Cash purchase of ` 10,000)	50,000
Returns outward	2,000
Cash paid to Creditors	20,000
Discount allowed by Creditors	3,000
Trade Discount	1,000
Bills Receivable endorsed to Creditors	2,000
Bills Payable issues during the year	4,000
Bills Payable dishonoured	2,000
Bills Payable renewed	1,000
Interest on Bills Payable renewed	100
Sundry Charges paid for dishonor of Bills Payable	100
Total of set-off in Debtors Ledger	3,000
Sundry Creditors (on 31-3-2012) (Dr.)	4,000

[9]

- (b) A machinery was purchased on 1-1-2012 for ` 3,00,000. On 1-10-2012 purchased another machinery for ` 1,00,000. They provided depreciation at 10% p.a. on written down value method. On 1st October, 2013 first machine was sold for ` 2,20,000. Prepare machinery account for two years. [6]

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5. (a) From the following Receipts and Payments of Nethajee Sports Club, prepare income and expenditure A/c for the year ended on 31-3-2012.

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d (01-04-2011)	23,000	By Salaries	16,000
To Subscriptions	13,000	By Stationery	3,000
To Interest	1,000	By Rent	1,000
To Sale of Old Furniture (Book Value ₹ 2,000)	1,600	By Sports Material Purchased	12,000
To Entrance Fees	8,000	By Balance c/d (31-3-2012)	12,000
	46,600		46,600

Additional Information:

(a) Subscriptions include ₹ 1,000 received for the last year.

(b) Rent includes ₹ 600 paid for the last year.

From the above particulars Prepare Income and Expenditure A/c for the year ending 31-3-2012. [6]

- (b) From the following information, compute the amount of claim under loss of Stock Policy:

Particulars	Amount (₹)
Sum insured	6,000
Accounting Year	Calendar Year
Reason for damage on 30-6-2013	Due to fire accident
Value of Salvaged Stock	5,000
G.P. Ratio	Uniform from year to year
Stock as on 1-1-2012	90,000
Stock as on 31-12-2012	70,000
Purchases during 2012	4,00,000
Sales during 2012	6,00,000
Purchases from 1-1-2013 to 30-6-2013	6,00,000
Sales from 1-1-2013 to 30-6-2013	8,80,000

You are informed that in 2013, the cost of purchases and selling prices have increased by 20% and 10% respectively above the levels prevailing in 2012. [9]

6. From the Following information relating to Swastik Mercantile Bank Ltd. Prepare Profit & Loss A/c for the Year ended 31st March, 2013

Rs. in thousands 2011-12	Particulars	Rs. in thousands 2012-13
1,286	Interest & discount	2,184
152	Interest on Balance with R.B.I	186
116	Income from Investments	113
14	Profit on sale of investments	87
667	Commission, Exchange and Brokerage	843
523	Interest on deposits	981
102	Interest to R.B.I	113
651	Payment for employees and provision	916
91	Rent & Taxes	103
32	Lighting	46
183	Printing and stationary	219
67	Advertisements	82
95	Depreciation on bank's property	95
186	Directors fees, Allowances A/c	200
105	Auditors Fees	105
86	Law charges	143

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43	Postage & Telegrams	53
05	Telephone	08
61	Repairs & Maintenance	73

Other Information:

- (i) Adjustments have been made with interest and Discount (Cr) in respect of the following:

	(Rs. in 000's)
Provision for Doubtful debts	84
Tax provision	153
Loss on Sale of Investments	09
Rebate on Bills Discounted	49

Appropriations 25% of profit is to be transferred to Statutory Reserve 5% of profit is to be transferred to revenue Reserve. [15]

7. (a) From the following information calculate Return on Equity as per Regulation 21 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014:

- (i) Date of Commercial Operation of COD = 1st April 2010.
(ii) Approved Opening Capital Cost as on 1st April 2010 = ` 15,00,000.
(iii) Details of allowed Additional Capital Expenditure. Repayment of Loan and Weighted Average Rate of interest on loan is as follows:

	1 st Year	2 nd Year	3 rd Year	4 th Year
Additional Capital Expenditure (Allowed)	1,00,000	30,000	20,000	10,000

[8]

- (b) Khan draws a bill for ` 1,20,000 and Sumit accepts the same for mutual accommodation of both of them to the extent of Khan 2/3rd and Sumit 1/3rd. Khan discounts it with bank for ` 1,12,800 and remits 1/3rd share to Sumit. Before the due date, Sumit draws another bill for ` 1,68,000 on Khan in order to provide funds to meet the first bill on same sharing basis. The second bill is discounted at ` 1,63,200. With these proceeds, the first bill is settled and ` 28,800 were remitted to Khan. Before the due date of the second bill, Khan becomes insolvent and Sumit receives a dividend of only 50 paise in a rupee in full settlement.

Pass journal entries in the books of Khan.

[7]

8. (a) Bombay Traders Ltd. sends to its Madras Branch at cost plus 25%. From the following particulars you are required to show the necessary ledger accounts in the Head Office books and find out profit of branch (Stock and Debtors System):

Particulars	Rs.
Opening stock at Branch at cost to Branch	20,000
Goods sent to Branch at invoice price	80,000
Loss-in-transit at invoice price	10,000
Pilferage at invoice price	4,000
Normal loss through wastage at invoice price	2,000
Sales	1,22,000
Expenses	32,000
Closing stock at Branch at cost to Branch	24,000
Received from Insurance company against loss-in-transit	6,000

[12]

- (b) Write a note on "Short Sales".

[3]

9. Write short notes on any three of the following

[3 × 5 = 15]

- (a) Contingent liabilities

- (b) Garner V Murray Rule.
- (c) Accounting Concepts
- (d) Differences between Hire Purchase System and Installment System.