

**Paper 5- Financial Accounting**

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Full Marks : 100

Time allowed: 3 hours

### Section - A

#### 1. Answer the following questions

##### (a) Multiple choice questions:

[10x1=10]

- (i) Excess of hire purchase price over cash price is known as  
(a) Installment  
(b) Cash down payment  
(c) Interest  
(d) Capital value of asset
- (ii) Creditors ledger adjustment account is opened in  
(a) General Ledger  
(b) Debtors Ledger  
(c) Creditors Ledger  
(d) Either (B) or (C)
- (iii) Which of the following is/are revenue expenditure?  
(a) Consumable Stores  
(b) Taxes and legal expenses  
(c) Rent of factory building  
(d) All of Above
- (iv) AS-9 is related to  
(a) Revenue Recognition  
(b) Cash Flow Statement  
(c) Accounting for Fixed Assets  
(d) Disclosure of Accounting policies
- (v) The person to whom bill is endorsed is known as \_\_\_\_\_.  
(a) Endorsee  
(b) Drawee  
(c) Drawer  
(d) None of the above
- (vi) Ground rent or Surface rent means  
(a) (a)Maximum rent  
(b) Excess workings  
(c) Short workings  
(d) None of the above
- (vii) The following account has a credit balance  
(a) Plant and Equipment A/c  
(b) Loans A/c  
(c) Purchase A/c  
(d) None of the above
- (viii) Which of the following is/are feature/features of Income and Expenditure Account  
(a) It follows Nominal Account  
(b) All Capital incomes and expenditures are excluded  
(c) Profit on sale of asset is credited

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(d) All of the above

(ix) The debts which are not bad is known as

- (a) Good debt
- (b) Bad Debt
- (c) Doubtful Debt
- (d) None of the above

(x) Accounting standards in India are issued by

- (a) Comptroller and Auditor general of India
- (b) Reserve bank of India
- (c) The Institute of Accounting standards of India
- (d) The Institute of Chartered Accountants of India

(b) Match the following:

[5x1=5]

	Column 'A'		Column 'B'
1.	GAAP	A	Encourages prompt payment by the debtor
2.	Cash receipt voucher	B	Amount owed by business to others
3.	Capital Receipt	C	Generally Accepted Accounting Principles
4.	Liabilities	D	Denotes receipt of cash
5.	Cash Discount	E	It is non-recurring in nature

(c) Fill in the blanks:

[5x1=5]

- (i) The amount invested by owners into business is called \_\_\_\_\_.
- (ii) As per \_\_\_\_\_ \_\_\_\_\_ concept business is assumed to exist for an indefinite period .
- (iii) \_\_\_\_\_ \_\_\_\_\_ Cash Book has one amount column on each side.
- (iv) In case of departmental accounting each department is considered to be an \_\_\_\_\_ Centre.
- (v) \_\_\_\_\_ accounting package can suitably match with the organisational structure of the company.

(d) State whether the following statements are true or false:

[5x1=5]

- (i) In case of Hire Purchase ownership passes at the time of sale.
- (ii) Minimum rent is also called dead rent or fixed rent.
- (iii) Revenue expenditure is the outflow of funds to acquire an asset that will benefit the business for not more than one accounting period.
- (iv) Dishonour of a Bill means that the acceptor refuses to honour his commitment on due date and payment of the bill on presentation does not take place.
- (v) Independent Branches maintain independent accounting records.

## Section - B

Answer any five from the following. Each question carries 15 marks (5x15=75)

2. (a) On 1st April, 2014, Om Ltd. purchased a machine for ₹66,000 and spent ₹5,000 on shipping and forwarding charges, ₹7,000 as import duty, ₹1,000 for carriage and installation, ₹500 as brokerage and ₹500 for an iron pad. It was estimated that the machine will have a scrap value of ₹ 5,000 at the end of its useful life which is 15 years. On 1st January, 2015 repairs and renewals of ₹ 3,000 were carried out. On 1st October, 2016 this machine was sold for ₹ 50,000. Prepare Machinery Account for the 3 years. [7]

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- (b) VISHAN for mutual accommodation of TITHAN and himself drew upon the latter a three months bill for ₹ 24,000 on 1st July, 2015, which was duly accepted. Vishan discounted the bill at 6% p.a. on 4th July, 2015 and remitted  $\frac{1}{2}$  of the proceeds to Tithan.

On 1st August, 2015, Tithan drew and Vishan accepted a bill at 3 months for ₹ 9,600. On 4th August, 2015, Tithan discounted the bill at 6% p.a. and remitted half the proceeds to Vishan. At maturity Vishan met his acceptance, but Tithan failed to meet his and Vishan had to take up. Vishan drew and Tithan accepted a new bill at two months on 4th November, 2015, for the amount due to Vishan plus ₹ 200 as interest. On 1st January, 2016, Tithan became insolvent and a first and final dividend of 40 paises in the rupee was received from his estate on 31st March, 2016.

Note: Days of grace for discounting purposes may be ignored.

Required:

Pass the necessary Journal Entries in the Books of VISHAN.

[3+5=8]

3. The Income & Expenditure Account of Jayashree Sangha Club for the year ended 31.12.2015 as given below:

Expenditure	₹	Income	₹
To Salaries	20,500	By Subscription	52,000
To Newspaper	1,500	By Sale of Newspaper	2,500
To Audit Fees	2,500	By Admission Fees	12,000
To General Expenses	22,000	By Donation	15,000
To Printing & Stationery	7,500	By Miscellaneous Income	500
To Travelling Expenses	2,000		
To Rent	3,500		
To Depreciation of Furniture	2,500		
To Surplus	20,000		
	82,000		82,000

The following is the Balance Sheet of the Club as on 31.12.2014

Liabilities	Amount (₹)	Assets	Amount (₹)
Outstanding salary	2,000	Furniture	15,000
Subscription received in advance	2,500	Sports equipment	20,000
Accumulated fund	45,500	Accrued Subscription	5,000
		Cash at Bank	10,000
	50,000		50,000

Prepare Receipts & Payments Account for the year ended 31.12.2015 taking into account the following adjustments:

- (i) Subscription received in advance ₹ 1,500
- (ii) Salary due for ₹ 1,500 but not paid for the year

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- (iii) 60% of the admission fee to be capitalized  
 (iv) Subscription due for 2015 but not received ₹ 3,000.

[15]

4. P, Q, R and T have been carrying on business in partnership sharing profits and losses in the ratio of 4:1:2:3. The following is their Balance Sheet as on 31st March, 2016:

LIABILITIES	₹	₹	ASSETS	₹	₹
Capital Accounts:			Premises		2,80,000
P	7,00,000		Furnitures		30,000
T	3,00,000	10,00,000	Stock-in-Trade		2,00,000
Trade Creditors		3,00,000	Trade Debtors	3,50,000	
			Less: Provision for Bad Debts	50,000	3,00,000
			Cash at Bank		1,40,000
			Capital Accounts:		
			Q	2,00,000	
			R	1,50,000	3,50,000
		13,00,000			13,00,000

It has been agreed to dissolve the partnership on 1<sup>st</sup> April, 2016, on basis of following points agreed upon:

- (i) P is to take over Trade Debtors at 80% of Book Value (₹ 3,50,000);
- (ii) T is to take over the stock in Trade at 95% of the value; and
- (iii) R is to discharge Trade Creditors.
- (iv) The realisation is : Premises ₹ 2,75,000 and Furnitures ₹ 25,000.
- (v) The expenses of realisation come to ₹ 30,000.
- (vi) Q is found insolvent and ₹ 21,900 is realised from his estate.

Note: The loss arising out of capital deficiency may be distributed following decision in Garner vs. Murray.

You are required to Prepare:

- (a) Realisation Account
- (b) Bank/Cash Account
- (c) Capital Accounts of the Partners.

[5+4+5+1=15]

5. (a) A Delhi head office passes one entry at the end of each month to adjust the position arising out of inter-branch transactions during the month. From the following inter-branch transactions in March 2017, make the entries in the books of Delhi Head office.

**(a) Kolkata Branch :**

- (i) Received goods from Patna branch ₹ 18,000 and Ahmedabad branch ₹ 12,000.
- (ii) Sent goods to Ahmedabad branch ₹ 30,000 and Patna branch ₹ 24,000.
- (iii) Sent acceptances to Patna branch ₹ 12,000 and Ahmedabad branch ₹ 6,000.

**(b) Kanpur branch** [apart from (a) above] :

- (i) Sent goods to Ahmedabad branch ₹ 18,000.
- (ii) Recived B/R from Ahmedabad branch ₹ 18,000.
- (iii) Recived cash from Ahmedabad branch ₹ 10,000.

[7]

- (b) The following details are extracted from the records of M/S BANDHAN & CO, a trader for the year ended March 31, 2016.

- (i) Total sales amounted to ₹ 1,80,000 including the sale of old Xerox Machine for ₹ 4,800 (Book value ₹ 8,000). The total Cash sales were 20% of the total Credit sales.

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- (ii) Collections from debtors amounted to 70% of the aggregate of the opening debtors and Credit sales for the period. Debtors were allowed a cash discount of ₹ 20,000.
- (iii) Bills Receivable drawn during the three months totalled ₹ 30,000 of which bills amounting to ₹ 10,000 were endorsed in favour of suppliers. Out of the endorsed Bills, one bill for ₹ 6,000 was dishonoured for non-payment as the party became insolvent, his estate realised nothing.
- (iv) Cheques received from customers ₹ 8,000 were dishonoured, a sum of ₹ 2,000 was irrecoverable. Bad Debt written off in the earlier years was realised ₹ 11,000.
- (v) Sundry Debtors as on 01.04.2015 stood of ₹ 50,000.

You are required to draw up the Debtors Ledger Adjustment Account in the General Ledger. [8]

6. (a) X Ltd. has taken out a fire policy of ₹ 3,20,000 covering its stock. A fire occurred on 31st March, 2017. The following particulars are available :

	₹
Stock as on 31.12.2016	1,20,000
Purchases to the date of fire	5,20,000
Sales to the date of fire	3,60,000
Carriage Inwards	3,200
Commission on purchase to be paid	@2%
Gross Profit Ratio @ 50% on cost.	

You are asked to ascertain (i) total loss of stock; (ii) amount of claim to be made against the Insurance Company assuming that the policy was subject to average clause. Stock salvage amounted to ₹ 82,720. [6]

- (b) A Ltd. obtained from P.P Ltd. a lease of some coal-bearing land, the terms being a royalty of ₹ 15 per ton of coal raised subject to a minimum rent of ₹ 75,000 p.a. with a right of recoupment of short-working over the first four years of the lease. From the following details, show (i) Short-working Account and (ii) Royalty Account in the books of A Ltd.

Year	Sales (Tons) ₹	Closing Stock (Tons) ₹
2012	2,000	300
2013	3,500	400
2014	4,800	600
2015	5,600	500
2016	8,000	800

[9]

7. (a) Calculate the contract revenue from the following details

Particulars	Year I	Year II	Year III
Initial contract revenue	6,000	6,000	6,000
Revenue increase due to escalation in II <sup>nd</sup> year	—	1,200	—
Claim			600
Incentive Payment			900
Penalties		300	—

[7]

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**(b)** Discuss disadvantages of Pre-packaged Accounting Software.

**[8]**

**8. Write short notes on any three of the following:**

**[3x5=15]**

- (a) Difference between Sale and Consignment;
- (b) Difference between Capital and Revenue Expenditure;
- (c) Difference between Cash Basis and Accrual Basis of Accounting;
- (d) Internal causes of depreciation.