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) Outward Invoice issued is a source document of
(a) Purchase Book
(b) Sales Book
(c) Return Inward Book
(d) Return Outward Book

(ii) Which of the following is of capital nature?
(a) Commission on purchases
(b) Cost of repairs
(c) Rent of factory
(d) Wages paid for installation of machinery

(iii) If any stock is taken by a co-venturer, it will be treated as
(a) an income of the joint venture.
(b) an expense of the joint venture.
(c) to be ignored from joint venture.
(d) it will be treated in the personal books of the co-venturer.

(iv) In the hire purchase system interest charged by vendor is calculated on the basis of
(a) Outstanding cash Price
(b) Hire purchase Price
(c) Installment amount
(d) None of the above

(v) The person in whose favour the bill is endorsed is known as __________.
(a) Endorsee
(b) Drawee
(c) Drawer
(d) None of the above

(vi) ___________________________ is similar to the Profit and loss A/c
(a) Income and Expenditure A/c
(b) Receipts and Payments A/c
(c) Balance Sheet
(d) None of the Above

(vii) Which of the following is not a feature of Trial Balance
(a) It is a list of debit and credit balances which are extracted from various ledger accounts;
(b) It does not prove arithmetical accuracy which can be determined by audit;
(c) It is not an account. It is only a statement of account;
(d) All the transactions are primarily recorded in this book, hence it is the primary book of entry.

(viii) 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

(ix) Bad debts Recovered ₹750. It will be
(a) Credited to Bad debts A/c
(b) Credited to debtor's personal A/c
(c) Debited to creditor's personal A/c
(d) Credited to bad debts recovered A/c

(b) Match the following: **[5x1=5]**

Column-I		Column-II	
(i)	Garner Vs. Murray case	(A)	AS-10
(ii)	Purchases day book	(B)	Bills of Exchange
(iii)	Provision for unrealized profit	(C)	Insolvency of a partner
(iv)	Property, Plant and Equipment	(D)	Royalty Accounts
(v)	Noting Charges	(E)	Subsidiary Book
		(F)	Inter-departmental transfer at invoice price
		(G)	Retirement of a Partner

(c) Fill in the blanks: **[5x1=5]**

(i) According to AS-2 inventories should be valued at lower of cost and ________ value.
(ii) The withdrawal of money by the owner of business is called __________.
(iii) An allowance by a creditor to debtor for prompt payment is _________ ________.
(iv) Income & Expenditure Account is similar to _________ _________ A/c.
(v) Profit means excess of ___________ over _____________.

(d) State whether the following statements are true or false: **[5x1=5]**

(i) As per concept of conservatism, the Accountant should provide for all possible losses but should not anticipate profit.
(ii) Minimum rent is also called dead rent or fixed rent.
(iii) Hybrid Basis of Accounting is the combination of both Cash as well as Accrual basis.
(iv) Revenue expenditure is the outflow of funds to acquire an asset that will benefit the business for more than one accounting period.
(v) Honour of a Bill means that the acceptor refuses to honour his commitment on due date and for this, payment of the bill on presentation does not take place.

Section - B

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

2. (a) A company purchased some machineries for ₹1,00,000 on 1st April, 2007. It charges depreciation @ 10% p.a. on reducing balance method every year. On 30th September 2011, a part of the machinery was sold for ₹14,000, the original cost of the machine was ₹ 20,000. Calculate the profit or loss on sale of machinery if the company closes its books on 31st March every year. **[5]**

(b) Sunil owed Anil ₹ 80,000. Anil draws a bill on Sunil for that amount for 3 months on 1st April. Sunil accepts it and returns it to Anil. On 15th April, Anil discounts it with Citi Bank at a discount of 12% p.a. On the due date the bill was dishonoured, the bank paid noting charges ₹ 100.

Anil settles the bank's claim along with noting charges in cash. Sunil accepted another bill for 3 months for the amount due plus interest of ₹ 3,000 on 1st July. Before the new bill become due, Sunil retires the bill with a rebate of ₹ 500. Show journal entries in books of Anil. **[10]**

3. The Income and Expenditure Account of the Enjoy Club for the year 2014 is as follows:

Expenditure	₹	Income	₹
To Salaries	1,20,000	By Subscriptions	1,70,000
To Printing & Stationery	6,000	By Entrance Fee	4,000
To Postage & Telephone	2,000	By Contribution for Dinner	36,000
To General Expenses	12,000		
To Interest and Bank Charges	5,500		
To Audit Fees	2,500		
To Annual Dinner Expenses	25,000		
To Depreciation	7,000		
To Surplus	30,000		
	2,10,000		2,10,000

The account has been prepared after the following adjustments:

Subscriptions outstanding on 31.12.2013	16,000	The club owned a building since 2013	1,90,000
Subscriptions outstanding on 31.12.2014	18,000	The club had sports equipments on 31.12.2013 valued at	52,000
Subscriptions received in advance on 31.12.2013	13,000	At the end of the year after depreciation of ₹ 7,000	
Subscriptions received in advance on 31.12.2014	8,400	equipments amounted to	63,000
		In 2013, the club had raised a	
Salary outstanding on 31.12.2013	6,000	bank loan which is still unpaid	30,000
Salary outstanding on 31.12.2014	8,000	Cash in hand on 31.12.2014	28,500
Audit fees for 2013 paid during 2014	2,000	Audit fees for 2014 not paid	2,500

Prepare the Receipts and Payments Account of the Club for 2014 and the Balance Sheet as on 31st December, 2014. All workings should form part of your answer. **[15]**

4. Amit and Sumit are Partners sharing Profit and Losses as 3:2. Their Balance Sheet as on 31st March 2011is given below:

Equity & Liabilities	₹	Assets	₹
Capital Accounts:		Non-Current Assets:	
- Amit	1,76,000	Land & Building	3,20,000
- Sumit	2,54,000	Investments (Market Value ₹ 55,000)	50,000
General Reserve	30,000	Current Assets:	
Non-Current Liabilities:		Stock	1,10,000
Loan from Puneet	3,00,000	Debtors	
Current Liabilities:		Less: Provision for Doubtful Debts	2,90,000
Employer's Provident d Fund	10,000	[3,00,000 – (10,000)]	
Creditors	50,000	Cash at Bank	50,000
Total	8,20,00	Total	8,20,000

They decided to admit Puneet as a new Partner from 1st April 2012 on the following terms -

1. Amit will give 1/3rd of his share and Sumit will give ¼th of his share to Puneet.
2. Puneet's Loan Account will be converted into his Capital.
3. The Goodwill of the Firm is valued at ₹ 3,00,000. Puneet will bring his share of

Goodwill in Cash, and the same was immediately withdrawn by the Partners.
4. Land and Building was found undervalued by ₹ 1,00, 000.
5. Stock was overvalued by ₹ 60,000.
6. Provision for Doubtful Debts will be made equal to 5% of Debtors.
7. Investments are to be valued at their Market Price.

It was decided that the Capital of the Firm after admission of New Partner would be ₹ 10,00,000. Capital Accounts of Partners will be re-adjusted on the basis of their Profit Sharing Ratio and excess or deficiency will be adjusted in Cash.

Prepare - (a) Revaluation A/c,
(b) Partners' Capital A/cs, and
(c) Balance Sheet of the Firm after admission of New Partner. **[15]**

5. (a) ABC Ltd. has 3 departments, A, B, C. The following information is provided:

	A ₹	B ₹	C ₹
Opening Stock	6,000	8,000	12,000
Consumption of direct materials	16,000	24,000	-
Wages	10,000	20,000	-
Closing Stock	8,000	28,000	16,000
Sales	-		68,000

Stock of each department is valued at cost to the department concerned. Stocks of A department are transferred to B at a margin of 50% above departmental cost. Stocks of B department are transferred to C department at a margin of 10% above departmental cost. Other expenses were: Salaries ₹4,000, Printing & Stationery ₹2,000, Rent ₹12,000, Interest paid ₹ 8,000, Depreciation ₹ 6,000, Allocate expenses in the ratio of departmental gross profit. Opening figures of reserves for unrealised profits on departmental stocks were; Department B ₹2,000; Department C ₹ 4,000.

Prepare Departmental Trading and Profit & Loss Account for the year ended on March 31, 2015. **[10]**

(b) The following information is available from the books of the trader for the period 1st Jan. to 31st March 2015:

I. Total Sales amounted to ₹76,000 including the sale of old furniture for ₹10,000 (book value is ₹ 12,300). The total cash sales were 80% less than total credit sales.

II. Cash collection from Debtors amounted to 60% of the aggregate of the opening Debtors and Credit sales for the period. Discount allowed to them amounted to ₹2,600.

III. Cheques received from customer of ₹5,000 were dishonoured; a sum of ₹ 500 is irrecoverable.

IV. Bad Debts written-off in the earlier year realized ₹ 2,500.

V. Sundry debtors on 1st January stood at ₹ 40,000.

You are required to show the Debtors Ledger Adjustment Account in the General Ledger. **[5]**

6. (a) A fire occurred on 1st July 2014 in the premises of A. Ltd. and business was practically disorganised up to 30th November 2014. From the books of account, the following information was extracted:

		₹
(1)	Actual turnover from 1st July 2014 to Nov.2014	60,000
(2)	Turnover from 1st July to 30th Nov.2013	2,00,000
(3)	Net Profit for the last financial year	90,000
(4)	Insured Standing Charges for the last financial year	60,000
(5)	Turnover for the last financial	5,00,000
(6)	Turnover for the year ending 30th June 2014	5,50,000
(7)	Total standing Charges for the year	72,000

The company incurred additional expenses amounting to ₹9,000 which reduced the loss in turnover. There was also a sayings during the indemnity period of ₹2,486.

The company holds a 'Loss of Profit' policy for ₹1,65,000 having an indemnity period for 6 months. There has been a considerable increase in trade and it has been agreed that an adjustment of 20% be made in respect of upward trend in turnover.

Compute claim under 'Loss of Profit Insurance'. **[7]**

(b) Moon purchased a machine on Hire Purchase System. The total cost price of the machine was ₹ 15,00,000 payable 20% down and four annual installments of ₹ 4,20,000, ₹ 3,90,000, ₹ 3,60,000 and ₹ 3,30,000 at the end of the 1st year, 2nd year, 3rd year and 4th year respectively. Calculate the interest included in each year's installment assuming that the sales were made at the beginning of the year. **[8]**

7. (a) J C Ltd. undertook a contract on 1st January,2016 to construct a building for ₹80 lakhs. The company found on 31st March,2016 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 recognized as turnover in the final account for the year ended 31st march,2016 as per provisions of AS-7 (revised)? **[7]**

(b) Discuss the salient features of Computerised Accounting System. **[8]**

8. Write short notes on any three of the following: [3x5=15]

(a) Difference between Sale and Consignment;
(b) Capital and Revenue Losses;
(c) Types of Cash Book;
(d) Elements of cost as per AS – 10.