

Paper 5- Financial Accounting

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Full Marks : 100

Time allowed: 3 hours

PART – I

Answer Question Number 1. All parts of this question are compulsory.

1. Answer the following questions

(a) Multiple choice questions:

[10×1=10]

- (i) Which of the following is are part of financial statements?**
 - (A) Balance Sheet**
 - (B) Bank Reconciliation Statement**
 - (C) Fund Flow Statement**
 - (D) Trial Balance**
- (ii) In which Book of Original Entry are credit sale of goods are recorded?**
 - (A) Brought Journal**
 - (B) Cash Book**
 - (C) Sales Day Book**
 - (D) Bills Receivable Book**
- (iii) Which of the following is/are a part of inventory as per AS – 2?**
 - (A) Finished Stock held for sale in ordinary course of business**
 - (B) Work-in-progress in the process of production**
 - (C) Machinery**
 - (D) Both (A) and (B)**
- (iv) AS-7 is related to**
 - (A) Revenue Recognition**
 - (B) Cash Flow Statement**
 - (C) Construction Contract**
 - (D) Disclosure of Accounting policies**
- (v) Which of the following is/are the advantage/s of Customized Accounting package?**
 - (A) Requirement specifications are incomplete or ambiguous resulting in a defective or incomplete system**
 - (B) Bugs may remain in the software because of Inadequate testing**
 - (C) It provides many MIS reports as per the specification of the organisation**
 - (D) Documentation may not complete**
- (vi) On the admittance of a new partner, unless otherwise agreed, the Profit Sharing Ratio between the existing partners will**
 - (A) Increase**
 - (B) Reduce**
 - (C) Remain same**
 - (D) None of the above**
- (vii) The apportionment of Bad debts among departments is done in the proportion of_____.**
 - (A) Sales of each department**
 - (B) Number of units sold each department**
 - (C) Cost of sales of each department**
 - (D) Production cost of each department**

(viii) Which of the following is an example of Revenue Expenditure?

- (A) Inventory of raw materials, work-in-progress and finished goods;
- (B) Insurance premium;
- (C) Taxes and legal expenses;
- (D) All of the above.

(ix) Expense Account will always have a _____ balance

- (A) Debit
- (B) Credit
- (C) Nil
- (E) None of the above

(x) Which of the following is /are the function(s) of Journal ?

- (A) Analytical Function
- (B) Recording Function
- (C) Historical Function
- (D) All of the above

(b) Match the following:

[5×1=5]

Column-I		Column-II	
(i)	Consignee	(A)	Abnormal Losses
(ii)	Dissolution of Firm	(B)	Agent
(iii)	Property, Plant and Equipment	(C)	Recurring in Nature
(iv)	Revenue Receipts	(D)	AS-10
(v)	Stock destroyed by fire	(E)	Realisation A/c

(c) Fill in the blanks:

[5×1=5]

- (i) _____ is a person to whom the business owes money or money's worth.
- (ii) Income & Expenditure Account is similar to _____ Account.
- (iii) Unexpired Insurance Premium means _____ Insurance.
- (iv) Annual subscriptions are _____ to Income & Expenditure Account on accrual basis.
- (v) Under double entry system preparation of trial balance is possible whereas it is not possible to prepare a trial balance in _____.

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

[5×1=5]

- (i) When complete sequence of Accounting Procedure happens frequently and repeated in same directions during an Accounting Period that is called an Accounting Procedure.
- (ii) A Liability is a resource owned by the business with the purpose of using it for generating future profits.
- (iii) Event is a transaction or change recognized on the financial statements of an accounting entity.
- (iv) Depreciation on any particular asset is restricted to its working life.
- (v) Assets like brand value, copy rights and goodwill are Intangible Assets.

PART – II

Answer any five questions from question numbers 2 to 8. Each question carries 15 marks
(5×15=75)

2. (a) Rectify the following errors by passing necessary journal entries:

- (i) Goods purchased by the proprietor of ₹3,000 for gift to his wife, out of business, were not recorded at all.
- (ii) ₹3,000 received from Amar against debts previously written off as bad debts have been credited to his personal account.
- (iii) Received interest ₹300, posted to loan account.
- (iv) Cheque of ₹4,000 from a debtor visual was directly received by the proprietor who deposited it into his personal bank account. [5]

(b) B of Balasore consigned 400 packages of coffee to K of Kolkata. The cost of each package was ₹300. A sum of ₹2,000 was paid towards freight and insurance by B. In the transit 60 packages were damaged. However, the consignor received ₹400 for the damaged packages from the Insurance Company.

The consignee accepted a Bill of Exchange for 60,000 for 60 days as an advance to B of Balasore. The operating statement from the consignee disclosed the following facts:

- (a) 280 packages were sold @ ₹360 per package;
- (b) The damaged packages were sold @ ₹100 per package;
- (c) K also paid ₹1,400 towards godown rent, ₹1,000 for carriage outward and ₹3,400 towards clearing charges.

The consignee is entitled to a commission of 10% on the sale proceeds. At the end of the consignment period, K of Kolkata sent a Bank draft to B of Balasore. Prepare the necessary accounts in the books of consignor B of Balasore. [10]

3. From the following Income and Expenditure Account of G Club for the year ended 31st March, 2022, prepare the receipts and payments Account of G Club for the year ended 31.03.2022.

Income and Expenditure Account for the year ended 31st March, 2022

Particulars	₹	Pparticulars	₹
To Salaries	19,500	By Subscription	68,000
To Rent	4,500	By Donation	5,000
To Printing	750		
To Insurance	500		
To Audit Fees	750		
To Games & Sports	3,500		
To Subscriptions written off	350		
To Miscellaneous Expenses	14,500		
To Loss on sale of Furniture	2,500		
To Depreciation:			
Sports Equipment	6,000		
Furniture	3,100		
To Excess of income over expenditure	17,050		
	73,000		73,000

Additional information:

	31-03-2021	31-03-2022
	₹	₹
Subscription in arrears	2,600	3,700
Advance Subscriptions	1,000	1,500
Outstanding expenses:		
Rent	500	800
Salaries	1,200	350
Audit Fee	500	750
Sports Equipment less depreciation	25,000	24,000
Furniture less depreciation	30,000	27,900
Prepaid Insurance	—	150

Book value of furniture sold is ₹7,000. Entrance fees capitalized ₹4,000. On 1st April, 2021 there was no cash in hand but Bank Overdraft was for ₹ 15,000. On 31st March, 2022 cash in hand amounted to ₹850 and the rest was Bank balance. [15]

4. S, P and V are partners in a firm, they are presently sharing profits & losses in the ratio of 5:3:2, decide to admit SD for 1/6th share with effect from 1st April, 2022. An extract of their Balance Sheet as at 31st March, 2022 is as follows:

Liabilities	₹	Assets		₹
Sundry Creditors	3,00,000	Land & Building		2,50,000
Outstanding Rent	10,000	Plant & Machinery		1,00,000
		Stock		80,000
		Debtors	3,00,000	
		Less: Provision	10,000	2,90,000

it is decided that:

- Land & Building are to be valued at ₹2,85,000.
- Plant & Machinery to be depreciated by 15%.
- Stock is found overvalued by ₹38,000.
- Provision for doubtful debts is to be made equal to 5% of the debtors.
- An item of ₹30,000 included in Sundry Creditors is not likely to be claimed.
- Rent of ₹4,000 still Outstanding.
- Out of the amount of insurance which was debited entirely to P&L A/c, ₹5,000 be carried forward as an unexpired insurance.
- Out of total commission received ₹3,000 is to be treated as advance commission. This amount was earlier credited to Profit & Loss Account.
- An unaccounted accrued income of ₹1,000 be provided for.
- A debtor whose dues of ₹5,000 were written off as bad debts paid ₹4,000 in full settlement.

Pass the necessary Journal Entries and prepare Revaluation Account.

[15]

5. (a) X and Y are the proprietors of V Departmental Store who wish to derive the approximate separate net profits of their two particular departments P and Q for the year ended 31st March, 2022. It is not possible to take stock on that date. However, normal rates of Gross Profit (before charging direct expenses) for the department concerned were 40% and 30% on sales respectively. There are six departments in the stores. The following figures were extracted from the books for the year ending 31st March, 2022:

	Department P (₹)	Department Q (₹)
Stock (April 1, 2021)	3,00,000	2,80,000
Sales	14,00,000	12,00,000
Purchases	9,00,000	7,20,000
Direct Expenses	1,83,000	2,84,000

The total indirect expenses of all the six departments for the period were ₹3,60,000. These expenses (except one-third which is to be divided equally) are to be charged in proportion to departmental sales. The total sales of the other departments were ₹14,00,000. The Manager of each department is also entitled to a commission of 2 % on the turnover of his department. Prepare Departmental Trading and Profit & Loss Account in columnar form for the year ending 31st March, 2022 making a stock reserve of 5% for each department on the estimated value of stock on 31st March, 2022. [9]

(b) From the data provided below Prepare the Sales Ledger Control Account :

Particulars	Sales Ledger ₹	Purchase Ledger ₹
Debit balance as on 1.1.2022	1,50,000	1,000
Credit balance as on 1.1. 2022	200	1,25,000
Credit sales and purchases	4,00,000	3,80,000
Cheques received and paid	4,50,000	3,50,000
Advance paid to creditors	-	20,000
B/R received and B/P Accepted	50,000	50,000
Discounts allowed and received	5,000	3,000
Returns	10,000	5,000
Transfer from Purchases to Sales Ledger	10,000	10,000
Bad Debts	2,000	-
Reserves for Discounts	10,000	5,000
B/R BP Dishonoured	5,000	5,000
Debit Balance as on 31.12.2022	30,000	1,000
Credit Balance as on 31.12.2022	?	72,000

[6]

6. (a) The balance of Provision for doubtful debts as on 01.01.2022 was ₹48,000. The Bad Debts during the year were ₹9,000. The Sundry Debtors as on 31.12. 2022 stood at ₹4,04,000 out of which debtors of ₹4,000 are bad and cannot be realized. The Provision for Doubtful Debts is to be raised to 5% on Sundry Debtors. prepare the necessary ledger accounts and the balance sheet. [7]

(b) P purchased 5 Machines from Q. On 01.01.2020 Payment was to be made—20% down and the balance in four annual instalments of ₹2,80,000, ₹2,60,000, ₹2,40,000 and ₹2,20,000 commencing from 31.12.2020. The vendor charged interest @ 10% p.a. P, writes off depreciation @ 20% p.a. on the original cost.

On P's failure to pay the instalment due on 31.12.2021, Q repossessed all the machines on 01.01.2022 and valued them on the basis of 40% p.a. depreciation on W.D.V. basis. Q after incurring ₹6,000 on repairs sold the machines for ₹2,66,000 on 30th June 2022. Draw up the relevant accounts in the books of P. [8]

7. (a) Q Ltd's plant and machinery was ₹6,000 lakhs as on 01.04.2022. It provided depreciation at 15% per annum under WDV method. However it noticed that about ₹1,000 lakhs worth of imported asset, which is component of above plant and machinery acquired on 01.04.2022, would be obsolete in 2 years. Company wants to write-off this asset over 2 year Can Q Ltd. do so? Give comments. [4]

(b) (i) Enumerate the disadvantages of a customised accounting package. [8]

(ii) "Threat to Computerised Accounting System " _____ Discussed [3]

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

[3×5=15]

- (a) Items not included within the definition of "Revenue" as per AS 9.
- (b) Calculation procedures of the amount of claim under "loss of Profit" Policy;
- (c) Debts and its types
- (d) Distinctions between Revenue Receipts and Capital Receipts;