INTERMEDIATE EXAMINATION
Syllabus 2016

Paper 5: FINANCIAL ACCOUNTING (FAC)

Time Allowed: 3 Hours **Full Marks: 100**

There are Sections A, B, C and D to be answered subject to instructions given against each.
(Time allotted for Sections A and B shall be limited to a maximum of 50 minutes)

Section A **You are required to answer all the questions. Each question carries 1 mark.** **Instructions: Each question is followed by 4 Answer choices and only one is correct. You are required to select the choice which according to you represents the correct answer**					**20 x 1 = 20 Marks**
1					
	a.	Debtors Ledger Adjustment A/C is opened in the			
		(i)	Debtors Ledger		
		(ii)	Creditors Ledger		
		(iii)	General Ledger	A	
		(iv)	Both Creditors Ledger and General Ledger		
	b.	The commission given by consignor to consignee for motivating him to put up hard work in introducing new product in the market is called as			
		(i)	Del-credere commission		
		(ii)	Over-riding commission	A	
		(iii)	Hard work commission		
		(iv)	Ordinary commission		
	c.	Purchase of a laptop for office use if wrongly debited to purchases A/c will be an error of			
		(i)	Principle	A	
		(ii)	Omission		
		(iii)	Commission		
		(iv)	Wrong posting		
	d.	A resource owned by the business with purpose of using it for generating future profit, is known as			
		(i)	Capital		
		(ii)	Asset	A	
		(iii)	Liability		
		(iv)	Surplus		
	e.	A and B are entered into business of buy and sale of wheat for a period of one year, this agreement will be called as			
		(i)	Joint venture	A	
		(ii)	Consignment		
		(iii)	Partnership		
		(iv)	Lease		
	f.	Entries which need to be accounted for the books of accounts at the time of Preparing Final Accounts are called as			

		(i)	Opening entries		
		(ii)	Closing entries		
		(iii)	Adjustment entries	A	
		(iv)	Final Account entry		
	g.	The sales are Rs. 180 lakhs, purchases are 129 lakhs and opening stock is Rs. 33 lakhs. If the rate of gross profit is 50% on cost, then value of closing stock will be:			
		(i)	50 lakhs		
		(ii)	38 lakhs		
		(iii)	42 lakhs	A	
		(iv)	60 lakhs		
	h.	Normally Sacrifice ratio deals with the situation of			
		(i)	Dissolution of firm		
		(ii)	Admission of new partner	A	
		(iii)	Retirement of a partner		
		(iv)	Conversion of firm into company		
	i.	In partnership when a new Partner brings his share of Goodwill in cash, then the amount of such Goodwill will be credited to Partners' capital as per which ratio ?			
		(i)	Gain Ratio		
		(ii)	Old Profit Sharing Ratio		
		(iii)	Sacrifice Ratio	A	
		(iv)	None of the above		
	j.	When there is neither any possibility of bad debts nor any doubts about its realization, it is called			
		(i)	Good Debts	A	
		(ii)	Doubtful Debts		
		(iii)	Bad Debts		
		(iv)	Time Barred Debts		
	k.	Salary debited to Income and Expenditure Account for the year was Rs. 48,000. Outstanding salary paid in the beginning of the year and the outstanding salary at the end of the year were Rs. 6,000 and Rs. 7,500 respectively. The amount of Salary to be shown in Receipts and Payments Account will be			
		(i)	Rs. 48000		
		(ii)	Rs. 40500		
		(iii)	Rs. 54000		
		(iv)	Rs. 46500	A	
	l.	Income statement of a club is known as:			
		(i)	Statement of Profit and Loss		
		(ii)	Receipt and Payment A/c		
		(iii)	Income and Expenditure A/c	A	
		(iv)	Trading Account		
	m.	An amount spent for replacement of worn out part of machine is			

		(i)	Capital Expenditure		
		(ii)	Revenue Expenditure	A	
		(iii)	Deferred Revenue		
		(iv)	Capital Loss		
	n.	Excess of minimum rent over royalty is know as			
		(i)	Maximum Rent		
		(ii)	Short Workings	A	
		(iii)	Deficiency of actual royalty		
		(iv)	Excess Workings		
	o.	Under Hire Purchase Agreement there is no right to sale or otherwise transfer the goods since the legal position of the hire is			
		(i)	Owner		
		(ii)	Lessee		
		(iii)	Bailee	A	
		(iv)	None of the above		
	p.	Excess of hire purchase price over cash price is known as			
		(i)	Installment		
		(ii)	Cash Down Payment		
		(iii)	Interest	A	
		(iv)	Capital Asset Value		
	q.	The concept that business is assumed to exist for an indefinite period and is not established with the objective of closing down is referred to as			
		(i)	Money Measurement concept	A	
		(ii)	Going Concern concept		
		(iii)	Full Disclosure concept		
		(iv)	Dual Aspect concept		
	r.	AS - 9 does not deal in certain special types of transactions - Identify them			
		(i)	Revenue arising from construction contracts		
		(ii)	Revenue arising from government grants and other similar subsidies		
		(iii)	Revenue of insurance companies arising from insurance contracts		
		(iv)	All of the above	A	
	s.	Under which standard is the detailed guidance in the use of estimate in accounting for construction contract provided?			
		(i)	AS - 7		
		(ii)	US GAAP	A	
		(iii)	IAS - 11		
		(iv)	AS - 9		
	t.	Identify the salient features of a computerized accounting system			
		(i)	Software may have a spreadsheet package		

(ii)	The computers may be operated by a third party	
(iii)	Information is processed by one or more computers	
(iv)	All of the above	A

Section B

You are required to answer all the questions. Each question carries 2 mark.

Instructions: Each question is followed by a space where you are required to type your answer.

10 × 2 = 20 Marks

2\. a. In the case of non-profit organization donations received by the organization are reflected in which Account ?

Type your answer here **Income and Expenditure Account**

b\. Owner pays his personal expenses from business cash - this transaction shall be entered in the books of accounts under which concept?

Type your answer here **Business Entity Concept**

c\. Purchase Cost of machinery Rs.7,20,000; Carriage inwards Rs. 15,000; Transit insurance Rs. 8,000; Establishment Charges Rs. 25,000; Workshop Rent Rs. 25,000; Salvage value Rs. 50,000 and estimated working life 8 years. On the basis of straight line method the amount of depreciation for third year will be :

Type your answer here Rs. 89750

d\. A new machinery was purchase for Rs. 50,000 but the amount was wrongly posted to Furniture Account as Rs. 5,000. What type of error is this?

Type your answer here **Error of Commission**

e\. The Income and expenditure Account and the Receipts and Payments Account of a Local Club at the end of the year 2022 shows the following amounts:

As per Income Expenditure A/c (Rs.): Printing Charges 7,500 Rent Paid 12,000

As per Receipts and Payments A/c (Rs.): Printing Charges 6,900 Rent Paid 11,000

Write down the amount of Rent and Printing charges shown in the Balance Sheet at the end of the year ?

Type your answer here Liabilities of Rs.1600

f\. Unsettled capital of C Rs. 52,000 (Date of retirement: 30.09.21, financial year 2021-22). Net Profit earned by the firm after C's retirement Rs. 25,000. Capitals of A: Rs. 57,000 and B: Rs. 76,000). Under Section 37 of Partnership Act, what amount of the unsettled dues shall C be entitled to?

Type your answer here **Rs.**7027

Rough Work

Interest on unsettled capital = Rs. 52,000 × 6% × 6 months = Rs. 1,560 (ii) Profit earned out of unsettled capital = Profit × Retired or Deceased Partner's unsettled Dues/ Total Capital of the firm (including the amount due to the retired or deceased partner) =Rs. (25,000 × 52,000)/ (52,000+57,000 + 76,000) = Rs. 7,027 .

g\. A and B are partners in a firm sharing profits in the ratio of 4:3. They agreed to admit C in the firm for 1/6th share in profit. The new profit sharing ratio of A, B and C will be.

Type your answer here 20:15:7

h\. In which type of right can short workings be recouped in the year subsequent to the year of short workings?

Type your answer here Fluctuating Right of Recoupment of Short Workings.

i. Shiva purchased a laptop on hire-purchase system. As per terms, he is required to pay Rs. 7,500 down, Rs. 10,000 at the end of first year, Rs.7,500 at the end of second year, and Rs.12,500 at the end of third year. Interest is charged at 12% per annum. The interest payable with the installment at the end of second year will be

Type your answer here Rs.1999

j. List any two advantages of a Customised Accounting Package

Type your answer here

1. The functional areas which are not covered in pre-packaged software gets computerised.
2. The input screens can be tailor made to match the input documents for ease of data entry .

Section C

You are required to answer any 4 out of 6 questions in this section

Instructions: Each question is followed by a space where you are required to type your answer.

12 × 4 = 48 Marks

3. a. The Trial Balance of a concern has agreed but the following mistakes were discovered after the preparation of final Accounts. **6**

i. Purchases Book was overcast by Rs. 1,000.
ii. Rs. 6,000 depreciation of Machinery has been omitted to be recorded in the book.
iii. Rs. 400 paid for purchase of stationary has been wrongly debited to Purchase A/c.
iv. Sales Book was overcast by Rs. 2,000.
v. Goods worth Rs. 5,000 were taken for personal use, but no entry was made in the books.
vi. The stock includes material worth Rs. 3,000 for which bill has not been received and therefore not yet accounted for.

Show the effect of the above errors on the Profit and Capital Account for the year if Net Profit amounted to Rs.1,40,000 and Capital Account stood at Rs.50,61,000

Type your answer here Profit Rs.131000 and Capital Rs.50,52,000

Rough Work

	Effect on Profit & Loss A/c	Effect on Balance Sheet
(i)	Profit was understated by Rs.1,000.	Capital was also understated by Rs.1,000
(ii)	Net Profit was overstated by Rs. 6,000.	Machinery was overstated by Rs. 6,000 & so the Capital A/c was also overstated by Rs.6,000.
(iii)	No effect on Net Profit.	No effect in Balance Sheet.
(iv)	Profit was overstated by Rs. 2,000.	Capital was also overstated by Rs. 2,000
(v)	Gross Profit & Net Profit were overstated by, Rs. 5,000.	Capital was overstated by Rs.5,000.
(vi)	Gross Profit and Net Profit were understated by Rs. 3,000.	Capital Was understated by Rs.3,000.

b. Mr. X, a consignor, consigned goods to Mr. Y 100 Radio sets valued Rs. 50,000. This was made by adding 25% on cost. Mr. X paid Rs. 5,000 for freight and insurance. 20 sets are lost – in- transit for which Mr. X recorded Rs. 5,000 from the Insurance company. Mr. Y received remaining goods in good condition. He incurred Rs. 4,000 for freight and miscellaneous expenses and Rs.3,000 for godown rent. He sold 60 sets for Rs. 50,000. Assuming that Mr. Y was entitled to an ordinary Commission of 10% on sales and 5% Del Credere Commission on sales. He also reported that Rs.1,000 were provide bad.

(i) Profit or Loss on Consignment 2

Type your answer here (i) Profit on Consignment Rs.9,500

Rough Work In the books of Mr. X

Dr. Consignment Account **Cr.**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Goods Sent on Consignment A/c	50,000	By Goods Sent on Consignment A/c (Loading- Rs.50,000 x 25/125)	10,000
To Bank A/c – Expenses	5,000	By, Y A/c – Sale Proceeds	50,000
To Y A/c - - Freight and Misc. Expenses - Godown Rent	 4,000 3,000	By Abnormal Loss A/c	11,000
To Abnormal Loss A/c (Loading)	2,000	By Stock on Consignment A/c	12,000
To Stock surplus A/c	2,000		
To Y A/c - Commission (ordinary)@10% - Del credere Commission@ 5%	 5,000 2,500		
To, Profit and Loss A/c - Profit on Consignment A/c	9,500		
	83,000		83,000

(ii) Loading Per Set 2

Type your answer here

ii) Loading Per Set =Rs.100

Rough Work

Calculation of Loading:

I.P.	Load	C.P.
125	25	100
50,000		100 x 50,000 /125 = Rs. 40,000

Loading = Rs. (50,000 – 40,000) = Rs.10,000

Loading Per Set = Rs.10,000 ÷ 100 = Rs.100

(iii) Value of Goods Lost-in-Transit 2

Type your answer here (iii) Value of Goods Lost-in-Transit = Rs.48000

Rough Work Valuation of Goods Lost – in – transit

Particulars	Amount(Rs.)
Total Invoice Price	50,000
Add: Consignor's Expenses	5,000
Invoice Price of 100 sets	55,000
Less: 20 sets lost In Transit [55,000/100 x 20]	11,000
Balance 80 sets	44,000
Add: Non recurring Expenses of Mr. Y	4,000
I. P. of 80 sets	48,000

4. (a) Following is the Trial Balance of M/s B and Sons on 31st March 2022.

Particulars	Debit (Rs.)	Credit(Rs.)
Stock as on 01.04.2022: Finished goods	2,00,000	
Purchases and Sales	22,00,000	35,00,000
Bills receivables	50,000	
Returns	1,00,000	50,000
Carriage Inwards	50,000	
Debtors and Creditors	2,00,000	4,00,000
Carriage Outwards	40,000	
Discounts	5,000	5,000
Salaries and wages	2,20,000	
Insurance	60,000	
Rent	60,000	
Wages and salaries	80,000	
Bad debts	10,000	
Furniture	4,00,000	
B's capital		5,00,000
B's drawing	70,000	
Loose tools	1,00,000	
Printing & stationery	30,000	
Advertising	50,000	
Cash in hand	45,000	
Cash at bank	2,00,000	
Petty Cash	5,000	
Machinery	3,00,000	
Commission	10,000	30,000
Total	44,85,000	44,85,000

Adjustments: (i) Finished goods stock. Stock on 31st March was valued at Cost price Rs. 4,20,000 and market price Rs. 400,000. (ii) Depreciate furniture @ 10% p.a. and machinery @ 20% p.a. on reducing balance method. (iii) Rent of Rs. 5,000 was paid in advance. (iv) Salaries & wages due but not paid Rs. 30,000. (v)Make a provision for doubtful debts @ 5% on debtors. (vi) Commission receivable Rs. 5,000.

(i) Compute Gross Profit . 2

Type your answer here (i) Gross Profit = 13,20,000

Rough Work

Particulars	Amount (Rs.)	Amount (Rs.)	Particulars	Amount (Rs.)	Amount (Rs.)
Opening stock : Finished goods		2,00,000	Sales	35,00,000	
Purchases	22,00,000		Less: Sales Returns	1,00,000	34,00,000
Less: Purchases returns	50,000	21,50,000	Closing stock: Finished goods		4,00,000
Carriage inwards		50,000			
Wages & salaries		80,000			
Gross Profit c/d		**13,20,000**			
		38,00,000			38,00,000

(ii) Compute Net Profit. 3

Type your answer here

(ii) Net Profit = 74,00,000

Rough Work

Dr. Profit & Loss Account Cr.

Particulars	Amount (Rs.)	Amount (Rs.)	Particulars	Amount (Rs.)	Amount (Rs.)
Salaries & wages	2,20,000		Gross Profit b/d		13,20,000
Add: Not paid	30,000	2,50,000	Discount received		5,000
Depreciation on furniture		40,000	Commission received	30,000	
Depreciation of Machinery		60,000	Add : receivable	5,000	35,000
Insurance		60,000			
Rent	60,000				
Less: Paid in advance	5,000	55,000			
Printing & Stationery		30,000			
Selling & Distribution:					
Advertising		50,000			
Carriage Outwards		40,000			
Discounts		5,000			
Bad debts		10,000			
Commission		10,000			
Provision for doubtful debts		10,000			
Net profit		7,40,000			
		13,60,000			13,60,000

(iii) Compute Capital Account and Furniture Account . 2+2=4

Type your answer here

Balance in Capital Account = 1170,000

Balance in Furniture Account = 240,000

Rough Work

Balance Sheet

Particulars	Amount (Rs.)	Amount (Rs.)	Particulars	Amount (Rs.)	Amount (Rs.)
Brijesh's Capital	5,00,000		Fixed Assets:		
Less : Drawings	70,000		Furniture	4,00,000	
Add : Net Profit for the year	7,40,000		Less: Depreciation	40,000	3,60,000
			Machinery	3,00,000	
		11,70,000	Less: Depreciation	60,000	
					2,40,000
Current Liabilities:			Loose tools		1,00,000
Sundry creditors		4,00,000	Current Assets:	2,00,000	
Outstanding salaries & wages		30,000	Stocks		4,00,000
			Sundry debtors		
			Less: Provision for doubtful Debts	10,000	1,90,000

			Bills receivables		50,000
			Cash in hand		45,000
			Cash at bank		2,00,000
			Petty cash		5,000
			Prepaid Rent		5,000
			Commission receivable		5,000
		16,00,000			16,00,000

(b) Mr. M starts a business with Rs. 30,000 cash as her capital on January 1, 2021. At the close of the year, the position of her business was as follows: 3

Creditors Rs. 20,000; Cash at Bank Rs. 15,000; Debtors Rs. 25,000; Stock Rs. 20,000; Plant Rs. 40,000.

During the year, Mr. M drew Rs. 1,000 every month. On July 1, 2021, he introduced further capital amounting to Rs. 15,000.

Balance of Capital as on 31.12.2021 is Rs. 80,000

Ascertain the amount of profit or loss made by him during the year.

Following adjustments are required to be made:

Plant to be depreciated at 10% and a reserve of 2.5% is to be raised against Debtors.

Type your answer here Rs. 42,375

Rough Work

Statement of Profit and Loss for the year ended December 31,2021

Particulars	Rs.	Rs.
Capital balance on 31.12.2021		80,000
Add: Drawings (Rs. 1,000 x 12)		12,000
		92,000
Less: Fresh Capital introduced		15,000
Adjusted Closing Capital		77,000
Less: Business starting capital as on Jan, 1,2021		30,000
Trading Profit		47,000
Less: Depreciation on Plant	4,000	
Reserve for Bad Debts [Rs. 25,000 x 2.5%]	625	4,625
Net Profit		42,375

5. (a) A, B and C sharing profits and losses equally, had been trading for many years. C decided to retire on 31.3.2020 on which date Balance Sheet of the firm is as follows and remaining partners will continue the business.

Liabilities	Rs.	Assets	Rs.
Capital accounts: A	30,000	Bank	38,000
B	30,000	Debtors 48,000 Less - provisions 3,000	45,000
C	25,000	Stock	22,000
Creditors Reserve fund 8% mortgage loan Bills payable	20,000 38,000 60,000 20,000	Machinery Goodwill	40,000 18,000
		Land and Building	60,000
	2,23,000		2,23,000

The following adjustment to be considered at his retirement:

a. Create provision for discount on Creditors of 1,600; the Provision for Doubtful Debt to be raised by Rs. 1,000; the value of Land and Building to be appreciated by 15%; Depreciate Machinery by 10%; the amount for Rs. 4,000 of Bills Payable was not likely to be claimed.

b. Goodwill to be valued on 3 years' purchase of average profit of last 4 years which were 2017 : Rs. 56,000 (loss); 2018 : Rs. 22,000; 2019: Rs. 54,200; 2020 : Rs. 24,800.

c. A and B have decided to show the firm's total capital at Rs. 1,00,000 which would be according to their new profit sharing ratio at 2:3. The adjustments to be made in cash.

(i) Compute the revaluation profit or loss 3

Type your answer here Revaluation Profit = Rs.9,600

(ii) Compute the amount of Goodwill 3

Type your answer here Goodwill = Rs. 33,750

(iii) Compute the amount to be introduced by A and B for final settlement. 3

Type your answer here

Amount to be introduced by A for final settlement: Rs.2,383

Amount to be introduced by B for final settlement: Rs.29,133

Rough Work

Revaluation Account

Dr. Cr.

Particulars	Rs.	Particulars	Rs.
To Depreciation on Machinery A/C	4,000	By Land & Building	9,000
To Provision for Bad and Doubtful Debts A/C	1,000	Provision for discount on creditors	1,600
To Profit –A	3,200	Bills payable A/c	4,000
Profit – B	3,200		
Profit – C	3,200		
	14,600		14,600

Partners' Capital Accounts

Dr. Cr.

Particulars	A (Rs.)	B (Rs.)	C (Rs.)	Particulars	A (Rs.)	B (Rs.)	C (Rs.)
To, C's Loan A/c			46,116	By, Balance b/d	30,000	30,,000	25,000
To C's capital A/c	2,250	9,000		By, Revaluation A/c	3,200	3,200	3,200
				By Reserve A/c	12,667	12,667	12,666
Goodwill	6,000	6,000	6,000	By A's capital A/c			2,250
Balance C/D	40,000	60,000		By B's capital A/c			9,000
				By bank A/c	2,383	29,133	
	48,250	75,000	52,116		48,250	75,000	52,116

Working Note: The value of Goodwill is 3 years' purchase of average profit of last 4 years = Rs. (-)56,000 (loss) + 22,000 + 54,200 + 24,800) / 4 × 3 = Rs. 33,750. The value of Goodwill is adjusted against partners' capital accounts.

(b) P,Q and R are partners sharing profits and losses in the ratio of 1/2, 3/10 and 1/5 respectively. Q retires from the firm and P and R decide to share future profit/losses in the ratio of 3:2. Compute the Gaining Ratio. 3

Type your answer here 1:2

Rough Work

Computation of Gaining Ratio:

	P		R
New Profit/Loss Sharing Ratio	3/5		2/5
Old Profit/Loss Sharing Ratio	1/2		1/5
Difference	1/10		2/10
Hence, Gaining Ratio	1	:	2

6. a. S keeps his ledger on self-balancing system. 3+3=6

(i) Individual Debtor's balances on 01.01.2022; A – Rs. 1,530; B – Rs. 1,620; C – Rs. 1,890; and D - Rs.1,170;

(ii) Transactions during the month:

Jan 2. Sold goods to A Rs. 1,710;
9. Received from B on account Rs. 300;
11. Received from A Rs. 1,500 in full settlement of his balance on 01.01.2022;
12. Sold goods to B Rs. 600;
14. B returned goods which were damaged-in-transit amounting to Rs. 180;
18. Received from C Rs. 1,800 and allowed him discount Rs. 90;
19. Received from A, a bill of exchange for Rs. 1,200 accepted by X payable on 25th January;
22. Received from BRs. 900;
25. A's bill returned dishonoured;
28. D became insolvent and 30 paise in the rupee was received from his estate in full and final settlement
30. Sold goods to C Rs. 1,020.

From the following particulars, during the month of January 2022 you are required to compute:

(a) The balance in each Debtor's Account
(b) Balance to be carried forward in Debtors Ledger Adjustment Account

Type your answer here

a) The balance in each Debtor's Account = A = Rs. 1,710, B= Rs. 840, C = Rs. 1,020, D = Rs.819

b) Balance to be carried forward in Debtors Ledger Adjustment Account = Rs. 3,570

Rough Work

In the books of S
In Sales Ledger
Debtors Ledger Adjustment Account

Dr. Cr.

Date	Particulars	Amount (Rs.)	Date	Particulars	Amount (Rs.)
31/01/2022	To Sales Ledger Adj. A/c -		01/01/2022	By Balance b/d	6,210
	Cash	4,851		By Sales Ledger Adj. A/c-	
	Discount Allowed	120		Sales	3,330
	Returns Inward	180		B/R Dishonoured	1,200
	B/R	1,200			
	Bad Debts	819			
	To Balance c/d	3,570			
		10,740			10,740
			01/02/2022	By Balance b/d	3,570

A Account

Dr. Cr.

Date	Particulars	Amount (Rs.)	Date	Particulars	Amount (Rs.)
01/01/2022	To Balance b/d	1,530	11/01/2022	By Cash	1,500
02/01/2022	To Sales	1,710	11/01/2022	By Discount Allowed	30
25/01/2022	To B/R Dishonoured	1,200	19/01/2022	By B/R	1,200
			31/01/2022	By Balance c/d	1,710
		4,440			4,440

Dr. B Account Cr.

Date	Particulars	Amount (Rs.)	Date	Particulars	Amount (Rs.)
01/01/2022	To Balance b/d	1,620	18/01/2022	By Balance b/d	300
12/01/2022	To Sales	600	18/01/2022	By Return Inward	180
			22/01/2022	By Cash	900
			31/01/2022	By Balance c/d	1,020
		2,220			2,220

Dr. C Account Cr.

Date	Particulars	Amount (Rs.)	Date	Particulars	Amount (Rs.)
01/01/2022	To Balance b/d	1,890	18/01/2022	By Cash	1,800
31/01/2022	To Sales	1,020	18/01/2022	By Discount Allowed	90
			31/01/2022	By Balance c/d	1,020
		2,910			2,910

b. The following details are available in respect of a business for the year ended 31st March, 2020 6

Department	Opening Stock	Purchase	Sales
A	100 units	1,000 units	800 units at Rs.20.00 each
B	70 units	1,000 units	900 units at Rs. 20.00 each
C	120 units	2,000 units	1800 units at Rs. 22.50 each

The total value of purchases is Rs. 76,500. It is observed that the rate of Gross Profit is the same in each department.

(i) Compute Closing Stock for each department 2

Type your answer here Closing Stock: A-300, B -170, C-320

Rough Work

Computation of Closing Stock Quantity (in units)

Particulars	A	B	C
Opening Stock	100	70	120
Add: Purchase	1,000	1000	2,000
Less: Units Sold	(800)	(900)	(1800)
Closing Stock	300	170	320

(ii) Compute the Sales Proceeds assuming all purchases are sold and the resultant Gross Profit Ratio 2

Type your answer here Sale Proceeds: Rs. 85,000, GP Ratio: 10% of Selling Price

Rough Work

Computation of Sales Proceeds and Gross Profit Ratio

Sale Proceeds assuming all purchases are sold

Particulars	Units	Rate (Rs.)	Amount (Rs.)
Department A	1000	Rs.20.00	20,000
Department B	1000	Rs. 20.00	20,000
Department C	2000	Rs. 22.50	45,000
Total Sales Value of Purchase Quantity			85,000
Less: Cost of Purchase			76,500
Gross Profit			8,500

Working Notes:

The GP Ratio is the same for all departments (Given).

Selling Price is given for each department's products but the Sale Quantity is different from that of Purchase Quantity.

To find the Uniform GP Rate, the sale value of Purchase Quantity should be compared with the Total Cost of Purchase.

Gross Profit Ratio = 8,500 / 85,000 x 100 = 10% of Selling Price

(iii) Compute the Cost and Profit for each article 2

Type your answer here

Cost: A = Rs.18, B = Rs.18 , C = Rs.20.25

Profit: A = Rs.2, B =Rs. 2, C = Rs.2.25

Rough Work

Computation of Cost and Profit for each article

Department	Selling Price	Profit	Cost
Department A	Rs. 20.00	1/10 of Rs. 20.00 = 2.00	Rs. 18.00
Department B	Rs. 20.00	1/10 of Rs. 20.00 = 2.00	Rs.18.00
Department C	Rs. 22.50	1/10 of Rs. 22.50 = 2.25	Rs. 20.25

7. a. What is Pre-Packaged Accounting Software? 6

Type your answer here

There are several user friendly, inexpensive and reliable pre-package accounting software are available in the market for the extensive use in small and medium organizations. The installations of this software are very simple through an installation diskette or CD which is provided with the software. A network version of the software is also generally available which needs to be installed on the server and work can be performed from the various workstations or nodes connected to the server. Along with the software a user's manual is provided which guides the user on how to use the software. The version of the software should be latest. It should take regular updates to take care of the changes of law as well as add features to the existing software. This software normally have a section which provides for the creation of a company. The name, address, phone numbers and other details of the company like PAN and TAN numbers are fed into the system. The accounting period has to be set by inserting the first and the last day of the financial year.

b. (i) From the following information presented by Z Ltd. ascertain the value of stock to be included in Balance Sheet: 3

Cost Price of certain stock amounted to Rs.50,000; being obsolete, it can be used for production purposes after incurring Rs.8,000 for modification. The same could be used as a by-product for an existing product, the purchase price for the same amounts to Rs.30,000

Type your answer here Rs. 22,000 should be treated as the Value of Stock to be included in Balance Sheet

Rough Work

Cost price of the product Rs.50,000.

Net Realisable Value of the product Rs.30,000 – Rs.8,000 = Rs. 22,000.

Inventories are valued at lower of Cost and Net Realisable value.

(ii) X Ltd. sells agricultural products to dealers, one of the conditions of sale is that interest is payable at the rate of 1% p.m. for delayed payments. Percentage of interest recovery is only 6% on such overdue outstanding due to various reasons. During the year 2020-21, the company wants to recognize the interest receivable. Do you agree? 3

Type your answer here X Ltd. cannot recognize the entire amount of interest as revenue.

Rough Work

As per AS 9, Revenue Recognition requires that revenue is measurable at the time of sale. Interest, royalties, dividends should be recognized as revenue only where there will not be any uncertainty regarding the ultimate collection. It may be appropriate to recognize revenue only when it is reasonably certain that the ultimate collection will be made. When there is no uncertainty as to ultimate collection, revenue is recognized at the time of sale even though payments are made by instalment.

In the present case, however, Recovery of interest @ 6% on outstanding balance is merely estimated which is uncertain to ultimate collection.

8. **Short Note (Any four out of five) (Theory Questions)** **4 × 3 = 12 Marks**

a. Difference between trade discount and cash discount

Type your answer here

	Trade discount	Cash discount
(i)	It is allowed on a certain quantity being purchased or as a trade practice.	It is allowed when payment is made before a certain date.
(ii)	It is given to promote sales	It is allowed to encourage early cash payment.
(iii)	It may vary with the quantity of goods purchased.	It may vary with the period within which the payment is to be made.
(iv)	It is not recorded in the books of account.	A separate account in the ledger is maintained for such discount.
(v)	It is deducted from the invoice.	It is not deducted from the invoice
(vi)	It is offered at the time of sale or purchase.	It is offered at the time of getting quick payment.

b. Differentiate between Sale and Consignment

Type your answer here

1. In sale the property in goods is transferred to the buyer immediately whereas in consignment the property is transferred to the buyer only when goods are sold by the consignee. The ownership of goods remains with the consignor when goods are transferred to the consignee by the consignor.
2. In sale, the risk attaching to the goods passes with ownership to the buyer. In case of a consignment, the risk attaching to the goods does not pass to the consignee who acts as a mere agent. If there is any damage or loss to the goods it is borne by the consignor provided the consignee has taken reasonable care of the goods and the damage or loss is not due to his negligence.
3. The relationship of consignor and consignee is that of a principal and an agent as in a contract of agency whereas the relationship of buyer and seller is governed by the Sale of Goods Act
4. Unsold goods on consignment are the property of the consignor and may be returned if not saleable in the market whereas goods sold on sale basis are normally not returnable unless there is some defect in them.

c. Differentiate between single entry system and double entry system

Type your answer here

The distinctions between double entry system and single entry system are as follows:

(i) In double entry system both the aspects (debit and credit) of all the transactions are recorded. But in single entry system, there is no record of some transactions, some transactions are recorded only in one of their aspects whereas some other transactions are recorded in both of their aspects.

(ii) Under double entry system, various subsidiary books such as sales book, purchases book etc are maintained. Under single entry system, no such subsidiary books except cash book which is also considered as a part of ledger is maintained.

(iii) In the case of double entry system, there is a ledger which contains personal, real and nominal accounts. But in single entry system, the ledger contains some personal accounts only.

(iv) Under double entry system, preparation of trial balance is possible whereas it is not possible to prepare a trial balance in single entry system. Hence accuracy of work is uncertain.

(v) Under double entry system, Trading A/c, Profit & Loss A/c and the Balance Sheet are prepared in a scientific manner. But under single entry system, it is not possible – only a rough estimate of profit or loss is made and a Statement of Affairs is prepared which resembles a balance sheet in appearance but which does not present an accurate picture of the financial position of the business.

d. Four rules which are applicable in the absence of Partnership Deed .

Type your answer here

i. Profit sharing ratio will be equal
ii. No Interest on Capital and Drawings
iii. No Remuneration or Salary to the partners.
iv. Interest on Loan advanced by the partner @6% p.a.

e. Advantages of Self Balancing System .

Type your answer here

The advantages of Self-Balancing System are:

(i) If ledgers are maintained under self-balancing system it becomes very easy to locate errors.

(ii) This system helps to prepare interim account and draft final accounts as a complete trial balance can be prepared before the obstruction of individual personal ledger balances.

(iii) Various works can be done quickly as this system provides sub-division of work among the different employees.

(iv) This system is particularly useful –

- where there are a large number of customers or suppliers and
- where it is desired to prepare periodical accounts.

(v) Committing fraud is minimized as different ledgers are prepared by different clerks.

(vi) Internal check system can be strengthened as it becomes possible to check the accuracy of each ledger independently.

Section D
You are required to answer all the questions in this section
Instructions: Each question is followed by a space where you are required to type your answer.

1 × 12 = 12 Marks

9. G Sports Club was established in 2019 by the efforts of Mr. A, a retired tennis coach and Mr. Q who has been in the business of sports equipment. Imbued with the thought of a great club involved in honing the talent of youngsters and involving more people of Kolkata in sports established this club. It has only actively commenced its operations from 1st April, 2021.

It was established with the motive to promote sports and health related activities to its members. It has always attempted to provide a gym facility, adequate training facilities for various types of sports from football, table tennis, badminton, cricket etc. The owners worked tirelessly to provide curated amenities, so the club stands out among others and becomes the hub of talent for sports. In the year 2020, Mr. S joined the club, who has been a professional football player. The joining of Mr. S helped the club earn much of its reputation.

but the owners concentrated on establishing the club and its operations, ignoring much of its accounting work. They were working very hard throughout the day and night. They kept rough records of cash in and cash out. A few receipts and vouchers. Some documented records of members joining the club, their receipts of subscriptions , salaries paid, expenses on coach's remuneration, purchase of gym equipment etc.

However, after about a year on even after maintaining moderate accounting records, they were unable to find out the surplus/deficit of G club.

A summary of Receipts and Payments of G club for the year ended 31st March, 2022 was available as provided below:

Particulars	Rs.
Subscriptions received	61,250
Life membership fees	7,500
Salaries	9,000
Ground Maintenance	5,250
Gym equipment’s	25,000
Sports expenses	11,750
Coach remuneration.	10,000
General expenses	2,750
Travelling Expenses	2000

Some Additional Information was also collected from the accounting records for the relevant years:

Sl. No.	Particulars	01.04.2021 (Rs.)	31.03.2022 (Rs.)
1.	Subscription Due	8,000	5,250
2.	Subscription Received in Advance	6,750	3,500
3.	Outstanding salary	750	1,500
4.	Prepaid ground maintenance	2,250	3,0000
5.	Gym equipment’s	57,500	45,000

They started the year with cash in hand of Rs. 11,500. With the limited accounting acumen, they concluded that their surplus for the financial year was Rs. 15,000. They also found that Interest on savings bank accounts for Rs. 880 has not been entered in the Cash Book.

They provided a few other observations:

80% of the Life Membership Fees is to be capitalized.

An old gym equipment (WDV Rs. 20,000) was exchanged at an agreed price of Rs. 12,500 for a New gym equipment costing Rs. 37,500.

It was very important for them to know about the true surplus or deficit for the financial year 2021-22.

(i)	Compute subscriptions as it would appear in the Income and Expenditure Account for the year 2021-22	3

Type your answer here Rs. 60,500

Rough Work

Computation of Amount Subscription for the year ended 31.03.2022

Particulars	Rs.	Rs.
Subscription received during the year 2018-19		61,250
Add:		
Subscription received in advance	3,500	
Arrears of subscription	8,000	
		11500
		72,750
Less:		
Arrears of subscription	5,250	
Subscription received in advance	6,750	
		12,000
		60,500

(ii) Compute the amount of Ground Maintenance for the year 2021-2022 — 3

Type your answer here Amount of Ground Maintenance = Rs.6,000

Rough Work

Particulars	Amount (Rs.)	Amount (Rs.)
1) Ground maintenance paid during the year		5,250
Add prepaid ground maintenance for the year 2017-18		3,000
Less prepaid ground maintenance for the year 2018-19		2,250
		6,000

(iii) Compute the amount of Salary for the year 2021-2022 — 3

Type your answer here Amount of Salary for the year = Rs.8,250

Rough Work

Particulars	Amount (Rs.)	Amount (Rs.)
2) Salary paid during the year		9,000
Add Outstanding salary of 2017-18		7,50
Less Outstanding salary of 2018-19		1500
		8,250

(iv) Calculate the amount of depreciation on Gym Equipment — 3

Type your answer here Depreciation on Gym Equipment Rs. 5,000

Rough Work

Computation of Depreciation on Gym equipment

Particulars	Rs.
Value of gym Equipment on 01.04.2018	45,000
Add: Purchase of gym Equipment during the year	37,500
	82,500
Less: creditor for gym equipment(exchange price)	(12,500)
Loss on exchange of gym equipment	(7,500)
Value of gym Equipment on 31.03.2019	(57,500)
Depreciation on gym Equipment for the year	5,000

END