

INTERMEDIATE EXAMINATION

December 2015

P-5(FAC)
Syllabus 2012

Financial Accounting

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

This paper contains seven questions. All questions are compulsory, subject to instruction provided against each question. All workings must form part of your answer.

Assumptions, if any should be clearly stated.

Please (1) Answer all bits of a question at one place.

(2) Open a new page for answer to a new question.

1. Answer the following questions (Give workings):

2×10=20

- (a) JINDAL LTD. provides the following information regarding Pension Plan Assets for the year ended March 31, 2015:

	₹
Fair Market Value of Plan Assets (as on 01.04.2014)	11,00,000
Actual Return on Plan Assets	2,20,000
Benefit payments to Retirees	2,00,000
Fair Market Value of Plan Assets (as on 31.03.2015)	15,00,000

You are required to calculate the Employer Contribution to the Plan Assets for 2014-15 as per AS-15.

- (b) On April 1, 2014 ZOOM LTD. purchased a Machine for ₹ 5,50,000 and spent ₹ 30,000 on its installation, ₹ 5,000 for freight and cartage and ₹ 10,000 for Insurance Charges.
The expected life of the Machine is 5 years, at the end of which the estimated scrap value will be ₹ 46,000.

Calculate the amount of Annual Depreciation under Straight Line Method (SLM).

- (c) TULSIAN LTD. with its Head Office in Delhi invoices goods to its Branch at Mumbai at 20% less than the catalogue price which is cost plus 50% with instructions that cash sales are to be made at invoice price and credit sales at catalogue price.

Opening Stock at Branch at its cost	₹ 12,000
Goods sent to Branch (at cost to H.O.)	₹ 1,40,000
Goods received by Branch till close of the year	₹ 1,38,000
Cash Sales	₹ 46,000
Credit Sales	₹ 1,00,000
Stock lost by fire (at cost)	₹ 2,500

Required :

Calculate the amount of Closing Stock at Branch-Mumbai.

Please Turn Over

- (d) KARYA LTD. took on lease a mine of 5 years on 1st April, 2014. The royalty is payable at a rate of 10% on sales subject to a Minimum rent of ₹ 2,00,000 over the term of lease. The sales during the year 2014-15 amounted to ₹ 3,00,000.

What will be the amount of Royalty payable by Karya Ltd. for the year 2014-15?

- (e) LIBRA LTD. has two Debtors Ledgers (A-M and N-Z) in use on the Self-Balancing System. MS Chatterjee a customer whose Account-shows a Debit Balance of ₹ 5,300 in the (A-M) Debtors Ledger, marries MR SINGH and her account is, therefore required to be transferred to the (N-Z) Debtors Ledger.

Required :

Pass the Transfer Entries.

- (f) SEA LTD. has recognised ₹ 12 lakh on accrual basis from dividends on units of a Mutual Fund of the face value of ₹ 65 lakh held by it at the end of financial year 31.03.2015. Dividends on funds were proposed on 10.04.2015 and declared at 12% on 10.08.2015.

Please state with reference to relevant Accounting Standard, whether the treatment accorded by SEA LTD. is in order.

- (g) On 1st April, 2015 ALOKE accepted a bill for ₹ 5,000 for 3 months drawn by KUNTAL. Kuntal endorses the bill in favour of Chinu. At maturity, the bill was dishonoured.
Pass the Journal Entries in the Book of KUNTAL.

- (h) The godown of KODIAC LTD. was engulfed in fire on 31st May, 2015 as a result of which a part of stock burnt to ashes. The stock was covered by Fire Policy for ₹ 2,00,000 subject to Average Clause. The records of the company revealed the following particulars.

Actual Value of Stock as on 31.05.2015	: ₹ 4,00,000
The Value of Salvaged Stock	: ₹ 90,000

You are required to ascertain the amount of claim to be lodged with the Insurance Company.

- (i) INDIAN BANK provides the following particulars:

Sl. No.	Date of Bill	Amount of Bill (₹)	Period	Rate of Discount
(i)	15.01.2015	90,000	5 Months	8%
(ii)	10.02.2015	60,000	4 months	9%

Required :

Calculate the Rebate on Bills Discounted as on 31st March, 2015.

- (j) The Revenue Account of HEAVEN LIFE INSURANCE LTD. shows the Life Assurance Fund on 31st March, 2015 at ₹ 42,08,400 before taking into account the following items:

	₹
Claims covered under re-insurance	12,000
Claims intimated but not admitted	22,050
Premium Outstanding	8,110

What is the Balance of Life Assurance Fund?

2. Answer any two questions (Carrying 4 Marks each):

4×2=8

(a) Trial Balance of ANKIT LTD. failed to agree and the difference was put into Suspense Account pending investigation which discovered the following:

- (i) Discount received ₹ 1,320 had been debited to Discount allowed as ₹ 132.
- (ii) Goods of the value of ₹ 200 returned by Kishan were entered in the Sales Day Book and posted therefrom to the credit of Krishan as ₹ 20.
- (iii) A credit purchase of ₹ 500 from N. Kumar was recorded as sale to M. Kumar for ₹ 50.
- (iv) A credit sale of machine of P. Dass for ₹ 600 recorded through Sales Day Book as sale to C. Dass for ₹ 60.

Required :

Pass the Rectifying Entries in the Book of Ankit Ltd.

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(b) VOLGA LTD. sold goods on credit. Details related to a customer M/S Jaishree Steel for the year ending 31st March, 2015 are as under:

Goods sold on credit ₹ 25,00,000.

Goods returned by the customer ₹ 2,10,000 and credit note raised but not recorded.

Payment received from customer in cash ₹ 2,50,000 and by cheques ₹ 9,80,000. Out of cheques received, a cheque of ₹ 1,45,000 was dishonoured by bank.

Customer accepted 3 bills of ₹ 68,000, ₹ 1,50,000 and ₹ 2,07,000 for 1 month, 2 months and 3 months respectively. Out of which one bill for ₹ 68,000 was dishonoured.

Discount allowed ₹ 21,000.

Credit note raised against the customer ₹ 10,500 for excess payment charged against one of the consignment.

M/S Jaishree Steel, the customer is in need to ascertain the actual balance due to VOLGA LTD. as on 31.03.2015.

You are **required to prepare** Reconciliation Statement for the year ended 31st March, 2015.

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(c) LUXOR LTD. deals in three products A, B and P which are neither similar nor interchangeable. At the time of closing of its Financial Account for the year ended March 31, 2015, Valuation of Closing Stock of the said products is to be determined.

The details of Closing Stock of the three products extracted from the records of the company are as under:

Type of Product	Cost of Materials	Production Expenses incurred	Selling and Distribution expenses to be incurred	Estimated Selling Value
	₹	₹	₹	₹
A	1,00,000	20,000	10,000	1,50,000
B	50,000	5,000	5,000	50,000
P	1,20,000	30,000	20,000	1,80,000
	<u>2,70,000</u>	<u>55,000</u>	<u>35,000</u>	<u>3,80,000</u>

You are required to **compute the value** of stock as per AS-2 for inclusion in the financial statement as on 31.03.2015.

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3. Answer any two questions (Carrying 12 Marks each):

12×2=24

(a) The following is the Income and Expenditure Account of GREEN CITY CLUB for the year ended March 31, 2015.

(Amount in ₹)

			₹
To Salaries	4,80,000	By Subscriptions	13,00,000
To Rent	1,20,000	By Entrance Fees	2,00,000
To Printing & Stationery	30,000	By Contribution for Annual Dinner	1,60,000
To Travelling Expenses	60,000	By Profit on Annual Sports	20,000
To Annual Dinner Expenses	1,40,000		
To Secretary's Honorarium	1,20,000		
To General Expenses	60,000		
To Interest and Bank Charges	18,000		
To Audit Fees	20,000		
To Books & Periodicals	30,000		
To Depreciation	25,000		
To Excess of Income over Expenditure	5,77,000		
	<u>16,80,000</u>		<u>16,80,000</u>

The Income and Expenditure Account has been prepared after the following adjustments:

	₹
Subscription Outstanding on 31.03.2014.	1,20,000
Subscription received in Advance on 31.03.2014.	90,000
Subscription Outstanding on 31.03.2015.	80,000
Subscription received in Advance on 31.03.2015.	1,40,000
Salaries Outstanding at the beginning of the year and at the end of the year were ₹ 40,000 and ₹ 30,000 respectively.	

Audit fees for the year (2014-15) has not been paid. Previous year's audit fee ₹ 15,000 was paid during the year.

The club's Assets on 31st March, 2014 were as follows:

	₹
Freehold Land	10,00,000
Sport Equipments	2,60,000

At the end of the year, after depreciation the equipments amounted to ₹ 2,70,000. Bank Loan of ₹ 1,00,000 as on 31st March, 2014 was still due at the end of the current year. On 31st March, 2015, Cash at Bank amounted to ₹ 6,97,000.

You are required to prepare :

- The Receipts and Payments Account for the year ended 31st March, 2015 and
- Balance Sheet as on 31.03.2015.

5+4+1+2=12

- (Amount in ₹)

During the year ended March 31, 2015, 100 LCD TV Sets and 120 Refrigerators were sold on hire purchase (HP) basis. Two LCD TV Sets on which 3 instalments only could be collected and 4 Refrigerators on which 5 instalments had been collected were repossessed. These were valued at ₹ 95,000 and after reconditioning at a cost of ₹ 10,000 were sold outright for ₹ 1,30,000. Other instalments collected and those due (customer still paying) were respectively as follows:

Refrigerators 400 and 30.

Prepare necessary Ledger Accounts on 'Stocks and Debtors System' to record the above transactions and to reveal the profit of RAVERA ELECTRO LTD. 2+1+2+1+2+4=12

- The balances in the books of the firm as on 31st March, 2015 subject to final Adjustment, were as under:

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C died on 30.09.2014. The Partnership deed provided that :

- (1) Interest was to be credited on Capital accounts of partners at 10% P.A. on the balance at the beginning of the year.
- (2) On the death of a Partner:
 - (i) Goodwill was to be valued at three years' purchase of average Annual Profits of three years up to the date of death, after deducting interest on Capital Employed at 8% P.A. and a fair remuneration for each of the partners;
 - (ii) Fixed Assets were to be valued by an independent valuer and all other assets and liabilities to be taken at Book Value.
- (3) Wherever necessary, profit or loss should be apportioned on a time basis.
- (4) The amount due to the deceased partner's Sole Heir was to receive interest @ 12% P.A. from the date of death until paid.

It was ascertained that:

- (a) Profits for three years, before charging partners' interest were : 2011-12 – ₹ 3,36,000, 2012-13 – ₹ 3,78,000 and 2013-14 – ₹ 3,60,000 respectively.
- (b) The independent valuation at the date of death revealed : Land and Buildings – ₹ 3,00,000 and Furniture and Fixtures – ₹ 30,000.
- (c) A fair remuneration for each of the Partners would be ₹ 75,000 P.A and that the Capital employed in business to be taken as ₹ 7,80,000 throughout.

It was agreed among the Partners that—

- (i) Goodwill was not to be shown as an asset of the firm as on 31.03.2015. Therefore, adjustment for goodwill was to be made in Capital Accounts.
- (ii) A and B would share equally from the date of death of C.
- (iii) Depreciation on revised value of assets would be ignored.

You are **required to prepare:**

- (i) Revaluation Account
- (ii) Partners' Capital Accounts
- (iii) Partners' Current Accounts
- (iv) C's Heir Account
- (v) Balance Sheet as on 31.03.2015

1+2+1+1+4+3=12

4. Answer any two questions (Carrying 4 Marks each):

4×2=8

- (a) The following information is extracted from a set of Books of MR. PARDIWALA, a Trader for the period ended June 30, 2015.

	(Amount in ₹)
1st April 2015 : Sales Ledger Balances	12,400
June 30, 2015:	
Sales (including Cash Sales - 4000)	23,000
Cash Received from Customers	18,500
Bills Receivable received	4,000
Returns Inward	400
Bills endorsed to suppliers	500
Bills dishonoured	300
Bills Receivable discounted	500
Bad Debts written off	50
Transferred from Bought Ledger	150
Sundry charges debited to customers	20

Required :

Prepare Sales Ledger Adjustment Account in the General Ledger from the foregoing information. 4

- (b) The following details were extracted from the books of M/S VIVAIN & CO. for 6 months ended March 31, 2015.

Particulars	₹
Creditors Balance on 01.10.2014	38,000
Credit Purchases during the period	2,67,000
Bills payable accepted	62,000
Cash paid to Creditors	1,37,000
B/R endorsed to creditors	16,000
Endorsed B/R dishonoured	3,000
B/P dishonoured	2,000
Purchase returns	11,000
Discount received	6,000
Transfer from Debtors ledger	7,000

Required :

Prepare Total CREDITORS Account as appearing in the General Ledger. 4

- (c) KAVYA LTD. maintains self-balancing ledgers. On 31st March, 2015 the accountant of the company located the following errors in the books of account:

- An amount of 8,700 received from customer Meena was credited to Meenu, another customer.
- The sales book for December, 2014 was undercast by ₹ 1,000.

Please Turn Over

- (iii) Goods invoiced at 15,600 were returned to supplier, M/s BPO Ltd., but no entry was made in the books for this return made on 28th December, 2014.

Pass the necessary Journal entries to rectify the above mentioned errors.

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5. Answer any two questions (Carrying 4 Marks each):

4×2=8

- (a) MILTON LTD. sold goods worth ₹ 1,00,000 to NARMADA LTD. Narmada Ltd. asked for discount of ₹ 16,000 which was agreed by Milton Ltd. The sale was effected and Goods despatched. After receiving, Goods Worth ₹ 14,000 was found defective, which they returned immediately. They made the payment of ₹ 70,000 to Milton Ltd. The accountant of Milton Ltd. booked the Sales for ₹ 70,000.

Discuss whether the accounting entry passed by the accountant of the company is correct?

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- (b) PRIMA CONSTRUCT LTD obtained a contract for construction of a bridge across river Hindan. The following details are available in the records kept for the year ended 31st March, 2015:

Particulars	(Amount in ₹ Lakh)
Total Contract Price	2,000
Work Certified	1,400
Work Not Certified	400
Estimated Further Cost to Completion	700
Progress Payments Received	1,000
Progress Payments in pipe line	200

Required :

Prima Construct Ltd. seeks your advice and assistance in presentation of accounts keeping in view the requirements of AS-7 "Accounting for Construction Contract".

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- (c) Write a short note on 'The Minutes of Usage (MOU)'.

4

6. Answer any two questions (Carrying 8 Marks each):

8×2=16

- (a) On 1st April, 2014 MS BRISTI had 20000 Equity Shares in PIVOTALS LTD.

Face Value of the shares was ₹ 10 each but their book value was ₹ 16 per share.

On 1st September, 2014 MS Bristi purchased 5000 more equity shares in the company at a premium of ₹ 4 per share.

- On 30th September, 2014, the directors of Pivotal Ltd. announced a bonus. Bonus was declared at the rate of one equity share for every five shares held and these shares were received on 2nd November, 2014.
- On 10th November, 2014, the Directors of Pivotal Ltd. announced a Rights issue which entitle the shareholders to subscribe one share for every three shares held at ₹ 15 per share. Shareholders can transfer their rights in full or part.
- MS Bristi sold 50% of her entitlement to Mr. Ananth for a consideration of ₹ 1.50 per share and subscribed the rest on 31st December, 2014.
- On 1st February, 2015 MS Bristi sold 20000 equity shares at a premium of ₹ 3 per share.
- The Market Price of the share of Pivotal Ltd. on 31st March, 2015 was ₹ 13.

You are required to prepare Investment Account in the Books of MS BRISTI for the year ended 31st March, 2015 and value of shares held on date.

7+1=8

- (b) GOURU and GYANI were friends and in need of funds. On 1st April, 2015 Gouri drew a bill for ₹ 2,00,000 for three months on Gyani. On 4.4.15 Gouri got the bill discounted at 15% per annum and remitted half of the proceeds to Gyani. On the due date, Gyani could not meet the bill, instead, Gouri accepted Gyani's bill for ₹ 1,20,000 on 4th July, 2015 for two months. This was discounted by Gyani at 15% per annum and out this ₹ 19,500 was paid to Gouri after deducting ₹ 500 discounting charges. Due to financial crisis, Gouri became insolvent and the bill drawn on him was dishonoured and his estate paid 40%.

- Days of grace for discount purposes may be ignored.

Required:

- Give Journal Entries and
- Prepare Gyani's Account — in the books of Gouri.

6+2=8

- (c) JIBAN and MITRIK decided to work in joint venture with the following scheme, agreeing to share profits in the ratio of 2/3 and 1/3:

They guaranteed the subscription at par of 50 lakhs shares of ₹ 10 each in RAINBOW LTD. and to pay all expenses up to allotment in consideration of RAINBOW LTD. issuing to them 3,00,000 other shares of ₹ 10 each fully paid together with a commission @ 5% in cash which will be taken by JIBAN and MITRIK in 3 : 2.

Co-ventures introduced cash as follows:

JIBAN : Stamp charges, etc.	₹ 1,65,000
Advertising charges	₹ 1,35,000
Car expenses	₹ 1,54,000
Printing charges	₹ 1,88,000
MITRIK : Rent	₹ 1,30,000
Solicitor's charges	₹ 80,000

Application fell short of the 50 lakhs shares by 1,20,000 shares and MITRIK introduced ₹ 12,00,000 for the purchase of those shares.

The guarantee having been fulfilled, Rainbow Ltd. handed over to the venturers 3,00,000 shares and also paid the Commission in cash. All their holdings were subsequently sold by the venturer MITRIK receiving ₹ 12,50,000 and JIBAN ₹ 25,00,000.

You are required to prepare the :

- Memorandum Joint Venture Account and
- Joint Venture Account with MITRIK—in the Books of JIBAN.

6+2=8

Please Turn Over

7. Answer any two questions (Carrying 8 Marks each):

8×2=16

- (a) The following details are extracted from the Books of HEAVEN FIRE INSURANCE CO. LTD. for the year ended March 31, 2015.

(Amount in ₹ Lakh)

Particulars	
Claims Paid	440
Legal expenses regarding claim	9
Premiums received	1200
Re-insurance Premiums paid	90
Commission	250
Expenses of Management	150
Provision against unexpired risk on 1st April, 2014	480
Claims unpaid on 1st April, 2014	40
Claims unpaid on 31.03.2015	70

Create Reserve for Unexpired Risk @ 40%

Required :

Prepare the Revenue Account as per IRDA Regulations for the year ended March 31, 2015.

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- (b) The following is an extract from Trial Balance of VAISHNAVI BANK LTD. as at 31st March, 2015.

	₹	₹
Bills discounted	9,00,000	
Rebate on Bills discounted (as on 1st April, 2014)		44,320
Discount Received		2,11,416

An analysis of the Bills discounted and held on 31.03.2015 is as follows:

Sl. No.	Date of Bills	Amount (₹)	Period	Rate of Discount
(i)	5.01.2015	2,50,000	5 months	10%
(ii)	10.02.2015	1,50,000	4 months	9%
(iii)	25.02.2015	2,00,000	4 months	9%
(iv)	20.03.2015	3,00,000	3 months	8%

You are required to:

- Calculate the amount of discount on bills to be credited to Profit and Loss Account for the year ended 31st March, 2015.
- Show the necessary Journal Entries in this respect.

6+2=8

- (c) (i) From the following information of VIDYUT ELECTRICITY CO. LTD., an Electricity generation Project, CALCULATE:

(1) Depreciation and

(2) Advance Against Depreciation upto the year 2014-15 as per Regulation 21 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations 2004.

- Date of Commercial Operation of COD : 1st April, 2012
- Approved Opening Capital Cost as on 1st April, 2012 : ₹ 10,00,000
- Weighted average Rate of Depreciation : 5.20%
- Details of allowed Additional Capital, Repayment of loan and Weighted Average Rate of Interest on Loan are as follows:

(Amount in ₹)

Year	2012-13	2013-14	2014-15
Additional Capital Expenditure (allowed)	70,000	20,000	15,000
Repayment of Loan	60,000	70,000	70,000
Weighted Average Rate of Interest on Loan	7.50%	7.60%	7.80%

3+3=6

- (ii) State the justifications/reasons for which an immediate shift to the Optimized Depreciated Replacement Cost (ODRC) Method is not recommended. 2