

INTERMEDIATE EXAMINATION

December 2016

**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.

Section-A questions are compulsory. Attempt all of them.

Section- B has eight questions. Attempt any five of them.

Working notes should form part of the respective answers.

Wherever necessary, suitable assumptions may be made and disclosed by way of a note.

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

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

Section – A

(25 Marks)

1. Answer the following questions:

- (a) Choose the most appropriate one from the stated options and write it down (only indicate (A) or (B) or (C) or (D) as you think correct.): 1×5=5
- (i) Any change in the accounting policy relating to inventories which has a material effect in the current or later periods should be disclosed. This is in accordance with the accounting principle of:
- (A) Going Concern
 - (B) Conservatism
 - (C) Consistency
 - (D) Disclosure
- (ii) Depreciation is a process of
- (A) Apportionment
 - (B) Valuation
 - (C) Allocation
 - (D) None of the above
- (iii) AS-9 is related to
- (A) Revenue Recognition
 - (B) Cash Flow Statement
 - (C) Accounting for Fixed Assets
 - (D) Disclosure of Accounting policies

Please Turn Over

- (iv) An amount spent in connection with obtaining a License for starting the factory is
- (A) Revenue Expenditure
 - (B) Capital Expenditure
 - (C) Pre-paid Expenditure
 - (D) None of the above
- (v) According to AS-15 (Revised) superannuation scheme which has relevance only to the final salary and number of years of service is
- (A) Defined Benefit Scheme
 - (B) Defined Contribution Scheme
 - (C) Non-Contributory Scheme
 - (D) Both (A) and (B)

(b) Match the following in Column –I with the appropriate in Column –II:

1×5=5

Column I		Column II	
(i)	Non-Performing Assets	(A)	Branch Accounts
(ii)	AS-15 (Revised)	(B)	Consignment Accounting
(iii)	AS-28	(C)	Banking Company
(iv)	Stock and Debtors Method	(D)	Employee Benefits
(v)	Account Sales	(E)	Impairment of Assets
		(F)	Borrowing Cost

(c) State whether the following statements given below are TRUE or FALSE:

1×5=5

- (i) In the case of consignment sales, revenue is to be recognised on sale of goods to a third party.
- (ii) The amount by which the minimum rent exceeds the actual Royalty is known as Excess Workings.
- (iii) Bank Reconciliation Statement is not a part of the process of Accounts.
- (iv) As per AS-2 Inventory is valued at the lower of net realisable value and current replacement cost.
- (v) Retiring a bill under rebate means payment of the bill before due date.

(d) Answer the following questions (Give workings):

2×5=10

- (i) NATARAJ LTD. deals in manufacture of Products P, Q, R and S respectively. It provides the following information with respect to the Closing Stock of these items for the year ended March 31, 2016.

Category of stock	Historical Cost (₹)	Net Realisable value (₹)
P	80,000	59,200
Q	1,03,200	1,02,400
R	60,000	71,000
S	90,000	93,200

Calculate the value of inventories to be shown in the Balance Sheet as on March 31, 2016 as per requirements of AS-2.

- (ii) BHARAT TUSHAR LTD. which depreciates its machinery at 10% p.a. on diminishing balance method, had on 1st April, 2015, ₹29,160, to the debit of Machinery Account. On 31st March, 2016, the company decided to change the method of depreciation to straight line method with effect from 1st April, 2012, the rate of depreciation remaining the same.

Pass the necessary Journal entry on account of change in method of Depreciation.

- (iii) Healthy Life Insurance Ltd. declared a reversionary bonus of ₹ 12 per ₹ 1,000 and gave the policyholders an option to get the bonus in cash for ₹ 5 per ₹ 1,000. Total business of the company is ₹ 15 crores, 40% of the policyholders decided to get bonus in cash.

Pass the necessary journal entries in the Book of Healthy Life Insurance Ltd.

- (iv) P and R are currently partners in a firm sharing Profit/Loss in the ratio of 4:3. A new partner D is admitted and after his admission new Profit/Loss sharing ratio between P, R and D becomes 5:3:2.

What will be the sacrifice ratio of P and R after admission of D?

- (v) MS SHAYANI purchased 10% Debentures in KPC LTD for ₹ 5,20,000 on 1st July, 2015. The face value of these Debentures were ₹ 4,80,000. Interest on Debentures falls due on 30th September and 31st March.

Compute the Cost of Acquisition of the Debentures.

Please Turn Over

Section – B

(75 Marks)

Answer any five questions (carrying 15 Marks each) from Question No. 2 to Question No 9:

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

3+5=8

- (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 ½ 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.

4+3=7

3. (a) THITAN of Tatanagar and NITAN of Nagpur entered into a Joint Venture to trade together in the buying and reselling of cheap machinery. Profit or loss to be shared in the ratio of 2:3. Thitan undertook to make the purchases and Nitán to effect sales.

NITAN remitted ₹ 1,50,000 to Thitan towards the Joint Venture. Thitan Purchased machinery worth ₹ 1,20,000 and paid ₹ 57,000, for repairs of these, 2.5% as buying commission and ₹ 5,400 for other Sundry expenses. He then sent all the machines purchased and repaired to Nitán of Nagpur.

