

## INTERMEDIATE EXAMINATION

June 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.*

*All workings must form part of your answer.*

*Assumptions, if any, should be clearly noted.*

*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) Expenditures in respect of certain types of assets whose usefulness does not expires in the year of their occurrence but generally expires in the near future are called
- (A) Revenue Expenditure
  - (B) Capital Expenditure
  - (C) Deferred Revenue Expenditure
  - (D) None of the above
- (ii) The main objective of average clause contained in a fire insurance policy is to
- (A) Encourage full Insurance
  - (B) Discourage full Insurance
  - (C) Encourage under Insurance
  - (D) Encourage full Insurance and Discourage under Insurance
- (iii) Short workings can be recouped out of
- (A) Minimum Rent
  - (B) Excess of Actual Royalty over Minimum Rent
  - (C) Excess of Minimum Rent over Actual Royalty
  - (D) Profit and Loss Account
- (iv) AS-6 (Revised) is applicable to which one of the following assets?
- (A) Goodwill
  - (B) Live Stock
  - (C) Plantation
  - (D) Plant and Machinery

Please Turn Over

- (v) According to AS-3 (Revised) interest and dividends received in the case of a manufacturing enterprise should be classified as cash flow from

- (A) Operating Activities  
(B) Financing Activities  
(C) Investing Activities  
(D) Both (B) and (C)

- (b) Match Column –I with Column –II

1×5=5

Column I		Column II	
(i)	Assets are equal to liabilities Plus capital	A	AS-9
(ii)	Intangible Fixed Asset	B	AS-2
(iii)	Depreciation Accounting	C	Dual aspect concept
(iv)	Revenue recognition	D	AS-6
(v)	Valuation of inventories	E	Goodwill
		F	Borrowing Cost

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

1×5=5

- (i) Income and Expenditure Account is prepared by adopting accrual principle of Accounting.  
(ii) As per concept of conservatism, the Accountant should provide for all possible losses but should not anticipate profit.  
(iii) The cost of developing software for a company engaged in software business is revenue expenditure.  
(iv) Rebate on bills discounted is disclosed in the Balance Sheet of a Banking Company in the Assets side as representing the rebate not yet matured.  
(v) According to AS-2 Inventories are held for sale in normal course of business.

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

2×5=10

- (i) S and N are partners sharing Profit/(Loss) in the ratio of 5:3. They admit J into partnership for  $\frac{3}{10}$  th in the Profit/Loss in which J acquired  $\frac{1}{5}$  th share from S and  $\frac{1}{10}$  th share from N respectively.

**Calculate** the new Profit/Loss sharing ratios of the partners.

- (ii) SUKHAM LIFE INSURANCE CO. furnishes the following information:

(₹ in Lakhs)

Particulars	Amount (₹)
Life Insurance fund on 31.03.2016	650
Net liability on 31.03.2016 as per actuarial valuation	510
Interim bonus paid to policy holders during inter-valuation period	35

You are required to **prepare** the valuation Balance Sheet as on 31.03.2016.

- (iii) The following details are abstracted from the record of VENELA LTD. for the year ended March 31, 2016.

Net Working Capital	₹ 3,50,0000
Profit before Tax	₹ 2,50,0000
The Current Ratio	2.4:1

You are required to **calculate the amount** of Current Assets of Venela Ltd. for the year ended March 31, 2016.

- (iv) MS SOHALI purchased a LCD TV on hire purchase system from MENZ ENTERPRISE on 01.03.2016. The hire purchase rate was settled at ₹ 1,20,000, payable at ₹ 45,000 on 01.03.2016 and ₹ 25,000 at the end of three successive years. Interest was charged @6% P.A. [Given PVIFA (at 6%, 3 years)=2.6730.]

**Compute** the Cash Price of LCD-TV.

- (v) GREAT POWER LTD. received ₹ 2,00,000 as Security Deposit from its consumers on 1st July 2015. R.B.I interest rate as on 1st April 2015 was 8%.

**Pass the Journal Entries** in the book of Great Power Ltd. for the year ended March 31, 2016.

### Section – B

(75 Marks)

**Answer any five questions (carrying 15 Marks each) from the following:**

2. A, B and C are in partnership sharing Profits and Losses in the ratio 3:2:1 respectively. The Balance Sheet of the Partnership firm as on 31st March, 2016 is as under:

Capital & Liabilities		₹	Assets	₹
Capital Accounts			Premises	1,80,000
A	1,70,000		Plant	74,000
B	1,30,000		Vehicles	30,000
C	70,000	3,70,000	Fixtures	4,000
Current Accounts			Current Accounts	
A	7,428		B	5018
C	9,356	16,784		
Loan - C		56,000	Stock	1,24,758
Creditors		38,072	Debtors	69,960
Bank Overdraft		8,400	Cash in hand	1,520
		4,89,256		4,89,256

C decides to retire from the business as on the above date and D is admitted as a partner on that date. The following matters agreed:

- (i) Assets revalued as : Premises- ₹ 2,40,000, Plant- ₹ 70,000 Stock- ₹ 1,08,358.
- (ii) A provision of ₹ 6,000 is created against debtors.
- (iii) Goodwill is to be recorded in the books on the day C retires at ₹ 84,000.

The partners in the new firm do not wish to maintain a Goodwill Account so that amount is to be written-off against the New Partners' Capital Accounts.

- (iv) A and B are to share profit in the same ratio as before, and D is to have the same share of profits as B.
- (v) C is to take a car at its book value of ₹ 7800 in part payment, and the balance of all he is owed by the firm in cash except ₹ 40,000 which he is willing to leave as a Loan Account.
- (vi) The partners in the new firm are to start on an equal footing so far as Capital and Current Accounts are concerned. D is to contribute cash to bring his Capital and Current Accounts to the same amount as the original partner from the old firm who has the lower investment in the business. The original partner in the old firm who has the higher investment will draw out cash so that his capital and current account balances equal those of his new partners.
- (vii) Revaluation profit or loss is to be adjusted in the Partners' Current Account.

You are **required** to prepare:

- (a) Revaluation Account
- (b) Partners' Capital Accounts
- (c) Partners' Current Accounts
- (d) C's Loan Account
- (e) Bank Account
- (f) Balance Sheet of the New Firm as at 01.04.2016.

3+2+2+1+2+5=15

3. (a) The trial balance of M/s SEWADA & CO., on 31st March, 2016 did not agree. In order to close the books, the accountant placed the difference for ₹ 12,385 (Dr.) to Suspense Account for necessary adjustments in the next period. On 30th April, 2016 the following errors, arising in 2015-16 were detected:

- (i) ₹ 1,000 allowed as cash discount to a trade debtor was not debited to the discount account.
- (ii) Credit sale of ₹ 4,850 was posted to the credit of the customer's account as ₹ 4,535.
- (iii) Machinery purchased for ₹ 50,000 in cash was posted to the Purchases Account in the ledger.
- (iv) Sales Book was overcast by ₹ 2,000 in February, 2016.

**Required:**

- (a) Pass the necessary Journal Entries to rectify these errors.
- (b) Prepare suspense account in the book of SEWADA & CO.

5+2=7

- (b) The following information is extracted from a book of MR. ANUBHAV MS GOYAL, a trader for the month of MARCH 2016:

Date March 2016	Particulars
1.	Purchased from Mr. Akash ₹ 7,500.
3.	Paid ₹ 3,000 after adjusting the initial advance in full to Mr. Akash.
10.	Paid ₹ 2,500 to Mr. Dev towards the purchases made in February in full.
12.	Paid advance to Mr. Giridhar ₹ 6,000.
14.	Purchased goods from Mr. Akash ₹ 6,200.
20.	Returned goods worth ₹ 1,000 to Mr. Akash.
24.	Settled the balance due to Mr. Akash at a discount of 5%.
26.	Goods purchased from Mr. Giridhar against the advance paid already.
29.	Purchased from Mr. Nathan ₹ 3,500.
30.	Goods returned to Mr. Prem ₹ 1,200. The goods were originally purchased for cash in the month of February 2016.

You are required to prepare the CREDITORS' Ledger Adjustment Account which would appear in the General Ledger for the month of MARCH, 2016. 4+4=8

4. (a) IRANI & CO., of Chennai had consigned 6000 shirts to Vikram of Jaipur at cost of ₹ 425 each. Irani & Co., paid freight ₹ 50,000 and insurance ₹ 7,500. During the transit 550 shirts were totally damaged by fire. Vikram took delivery of the remaining shirts and paid ₹ 82,000 on custom duty. Vikram had sent a bank draft to Irani & Co., for ₹ 3,50,000 as advance payment. 5000 shirts were sold by him at ₹ 550 each. Expenses incurred by Vikram on godown rent and advertisement, etc., amounted to ₹ 12,000. He is entitled to a commission of 5%. One of the customer to whom the goods were sold on credit could not pay the value of 40 shirts which is not recoverable. Vikram settled his account immediately. Nothing was recovered from the insurer for the damaged goods.

You are required to **prepare**:

- (i) Consignment to Vikram Account.
  - (ii) Vikram Account – in the book of IRANI & CO. (4+1)+2=7
- (b) A fire occurred in the premises of BRIGHT LTD. on 1st August 2015. The company had a loss of profit policy for ₹ 6.00 lakhs which was subject to average clause. Sale from 1st August 2014 to 31st July 2015 were ₹ 50 lakhs and from 1st August 2014 to 30th Nov. 2014 being ₹ 15 lakh. During the indemnity period which lasted four months sales amounted to only ₹ 2,00,000. The company made up its accounts on 31st March. The Profit and Loss Account for the year ended 31st March 2015 is given below:

Project & Loss Account for the year ended 31st March, 2015			
Paticulars		Paticulars	
Opening Stock	5,00,000	Sales	47,50,000
Purchases	30,00,000	Closing Stock	2,50,000
Manufacturing Expenses	3,35,000		
Variable Selling Expenses	4,52,500		
Fixed Expenses	3,62,500		
Net Profit	3,50,000		
	50,00,000		50,00,000



Comparing the sales of first four months of year 2015-16 those of year 2014-15, it was found that sales were 20% higher in the year 2015-16.

**You are required to compute** the amount of claim to be lodged with the Insurance Company under the Loss of Profit Policy. 4+2+2=8

5. (a) BANSAL COAL LTD., leased land from Mr. BUTCHER. M at a royalty of ₹ 2.50 per tonne of coal raised. Minimum rent was ₹ 2,40,000. Shortworkings was to be recouped during the first 4 years. The coal raised in the first 4 years was as follows:

Year ended March, 31	Tonnes	
2013	80000	
2014	90000	
2015	60000	(Strike for 3 months)
2016	120000	

There was a provision for proportionate reduction in minimum rent in case of stoppage of work by strike, lock out, accident etc.

You are **required** to prepare:

- Royalty Account
  - Shortworking Account
  - Butcher. M Account- in the book of BANSAL COAL LTD. (3+1)+3+2=9
- (b) AGGARWAL INFRASTRUCTURE (P) LTD., undertook a contract to construct a Housing Complex. The following details are available in the records kept for the year ended March 31, 2016.

Particulars	(Amount in ₹ lakh)
Total Contract Price	300
Cost incurred to date	180
Estimated Further Cost to Complete	140

**Required:**

What amount should be charged to Revenue in the Final Accounts for the year ended March 31, 2016 keeping in the requirement of AS-7 "Accounting for construction contract"? 6

6. The following is the Balance Sheet of MR. SILGARDO as on March 31, 2015.

Liabilities	₹	Assets	₹
Capital Account	4,80,000	Buildings	3,25,000
Loan	1,50,000	Furniture	50,000
Trade Creditors	3,10,000	Motor car	90,000
		Stock	2,00,000
		Trade Debtors	1,70,000
		Cash in hand	20,000
		Cash at bank	85,000
	9,40,000		9,40,000

A fire occurred on the night of 31st March, 2016, in which all books and records were lost. The cashier had absconded with the available cash. MR. SILGARDO gives you the following information:

- (a) His sales for the year ended March 31, 2016 were 20% higher than the previous years. He always sells his goods at cost plus 25%. 20% of the total sales for the year ended March 31, 2016 was for cash. There were no cash purchases.

- (b) On April 1, 2015 the stock level was raised to ₹ 3,00,000 and the stock was maintained at this level throughout the year.
- (c) Collection from Debtors amounted to ₹ 14 lakh of which ₹ 3.50 lakh was received in cash. Business expenses amounted to ₹ 2,00,000 of which ₹ 50,000 was outstanding on March 31, 2016 and ₹ 60,000 was paid by cheques.
- (d) Analysis of the pass books revealed on the following:  
Payment to creditors ₹ 13.75 lakh, Personal drawings ₹ 75,000. Cash deposited in bank ₹ 7.15 lakh. Cash withdrawn from bank ₹ 1,20,000.
- (e) Gross profit as per last year's audited accounts was ₹ 3,00,000.
- (f) Provide depreciation on building and furniture at 5% and on motor car at 20%.
- (g) The amount defalcated by the cashier may be treated as recoverable from him.

**Required:**

(i) Prepare Trading and Profit and Loss Account for the year ended March 31, 2016.

(ii) Prepare Balance Sheet as on 31.03.2016.

5+5+(2+1+1+1)=15

7. (a) The following details are extracted from the books of HEAVEN BANK LTD, a Commercial Bank as on 31st March, 2016:

	(Amount in ₹ lakh)
Interest and discount received	390
Interest paid on deposits	204
Issued and subscribed capital	100
Salaries and allowances	20
Directors fee and allowances	3
Rent and taxes paid	9
Postage and telegrams	6
Statutory reserve fund	80
Commission, exchange and brokerage	20
Profit on Exchange Transaction	7
Profit on sale of investments	21
Depreciation on bank's properties	3
Law charges	4
Audit fee	1

The following further information is given:

- (i) A customer to whom a sum of ₹ 100 lakhs has been advanced, has become insolvent and it is expected only 50% can be recovered from his estate.
- (ii) There were also other debts for which a provision of ₹ 15 lakh was found necessary by the auditors.
- (iii) Rebate on bills discounted on 31.03.2015 was ₹ 1,20,000 and 31.03.2016 was ₹ 1,60,000.
- (iv) Provided ₹ 65 lakh for Income Tax.
- (v) The directors desire to declare 10% dividend.
- (vi) Provide 25% for Statutory Reserve.
- (vii) Profit & Loss Account as on 31.03.2015 was NIL.

**Required:**

Prepare Profit & Loss Account of Heaven Bank Ltd. for the year ended March 31, 2016.

(Notes/Schedules to Profit & Loss Account need not form part of the answer)

(b) The following information are abstracted from the records of EVERGREEN POWER LTD.

- The name of the power station: EVERGREEN POWER LTD.
- Date of Commercial Operation of COD = 1st April, 2012
- Approved Opening Capital Cost as on 1st April, 2012 = ₹ 7500,000
- Details of allowed additional Capital Expenditure during the years are as follows:

	(Amount in ₹)			
Year ended March 31,	2013	2014	2015	2016
Additional Capital Expenditure (Allowed)	5,00,000	1,50,000	1,00,000	50,000

You are **required** to calculate **Return on Equity** for 2012-13 to 2015-16 years as per Regulation 21 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations 2004. 5

8. (a) LINKEN LTD. , with a Head Office in Kolkata, sends goods to its Madras branch at cost plus 25 per cent. The following particulars are available in respect of the Branch for the year ended 31st March, 2016,

	₹
Opening Stock at Branch at cost to Branch	4,00,000
Goods sent to Branch at invoice price	60,00,000
Loss-in-transit at invoice price	75,000
Pilferage at invoice price	30,000
Sales	60,95,000
Expenses	3,00,000
Closing Stock at Branch at cost to Branch	2,00,000
Recovered from Insurance company against lost-in-transit	50,000

You are required to **prepare**:

- Branch Stock Account
- Branch Adjustment Account
- Branch Profit & Loss Account in the book of Linken Ltd.

5+2+2=9

(b) SUN LIFE INSURANCE CO. LTD. provides the following information:

	(Amount in ₹ Lakh)
Balance of Life Assurance Fund as on: 1st April, 2015	502
Interim bonus paid in the valuation period	80
Balance of Revenue Amount for the year ended 31st March 2016	700
Net liability as per Actuarial Valuation as on 31st March 2016	490

You are required to **prepare**:

- Valuation Balance Sheet and
- Profit Distribution Statement- for the year ended 31st March, 2016.

3+3=6

9. Write **short notes** on any *three* out of the following:

5×3=15

- Accommodation Bill
- Main features of the Electricity Act. – 2003
- Rebate on Bills Discounted
- Average Revenue Per User (APRU)