

INTERMEDIATE EXAMINATION

June 2017

P-5(FAC)
Syllabus 2016

Financial Accounting

Time Allowed: 3 Hours

Full Marks: 100

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

Both the sections are to be answered subject to instructions given against each.

All workings must form part of your answer.

Section – A

1. Answer the following questions:

1×10=10

(a) Choose the most appropriate one from given four alternatives:

(i) Creditors ledger adjustment account is opened in

- (A) General Ledger
- (B) Debtors Ledger
- (C) Creditors Ledger
- (D) Either (B) or (C)

(ii) Receipts and Payments account is a

- (A) Nominal Account
- (B) Real Account
- (C) Personal Account
- (D) Artificial Personal Account

(iii) A resource owned by the business with purpose of using it for generating future profit, is known as

- (A) Capital
- (B) Asset
- (C) Liability
- (D) Surplus

(iv) Outward Invoice issued is a source document of

- (A) Purchase Book
- (B) Sales Book
- (C) Return Inward Book
- (D) Return Outward Book

Please Turn Over

- (v) Which of the following is of capital nature?
 - (A) Commission on purchases
 - (B) Cost of repairs
 - (C) Rent of factory
 - (D) Wages paid for installation of machinery
- (vi) If any stock is taken by a co-venturer, it will be treated as
 - (A) an income of the joint venture.
 - (B) an expense of the joint venture.
 - (C) to be ignored from joint venture.
 - (D) it will be treated in the personal books of the co-venturer.
- (vii) Contingent liability would appear
 - (A) on the liability side of the Balance Sheet.
 - (B) on the assets side of the Balance Sheet.
 - (C) do not shown in the books of accounts.
 - (D) as a note in Balance Sheet.
- (viii) Income statement of a Charitable Institution is known as
 - (A) Statement of profit and loss
 - (B) Receipts and Payments Account
 - (C) Income and Expenditure Account
 - (D) Profit and Loss Account
- (ix) Which of the following account is mainly prepared at the time of dissolution of the firm
 - (A) Revaluation A/c
 - (B) Goodwill A/c
 - (C) Realization A/c
 - (D) Memorandum Revaluation A/c
- (x) Advertisement expenses are apportioned among departments in the proportion of
 - (A) sales of each department
 - (B) purchases of each department
 - (C) no. of units sold by each department
 - (D) cost of sales of each department

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

1×5=5

Column-I		Column-II	
(i)	Garner Vs. Murray case	(A)	AS-10
(ii)	Repossession of goods	(B)	Computerized Accounting System
(iii)	Provision for unrealized profit	(C)	Insolvency of a partner
(iv)	Property, Plant and Equipment	(D)	Royalty Accounts
(v)	Automatic Financial Statements	(E)	Hire Vendor
		(F)	Inter-departmental transfer at invoice price
		(G)	Retirement of a Partner

(c) State whether the following statements given below are true or false:

1×5=5

- (i) One of the objectives achieved by providing depreciation is saving cash resources for future replacement of assets.
- (ii) Royalty account is a real account in nature.
- (iii) As per AS-7 expenses recognized in the period in which the work to which expenses relate is performed.
- (iv) Expenses incurred by branch out of petty cash balance are debited to branch account by the head office.
- (v) In absence of partnership deed the profit or loss should be distributed among partners in their capital ratio.

(d) Fill in the blanks:

1×5=5

- (i) The _____ discount is never entered in the books of accounts.
- (ii) A bill of exchange drawn on 12th April, 2017 for four months, the date of maturity will be _____.
- (iii) The parties of joint venture is called _____.
- (iv) Outstanding subscription is shown in the _____ side of Balance Sheet.
- (v) According to AS-2 inventories should be valued at lower of cost and _____ value.

Section – B

Answer any five from the following.
Each question carries 15 marks.

15×5=75

2. (a) Sunil owed Anil ₹ 80,000. Anil draws a bill on Sunil for that amount for 3 months on 1st April. Sunil accepts it and returns it to Anil. On 15th April, Anil discounts it with Citi Bank at a discount of 12% p.a. On the due date the bill was dishonoured, the bank paid noting charges ₹ 100. Anil settles the bank's claim along with noting charges in cash. Sunil accepted another bill for 3 months for the amount due plus interest of ₹ 3,000 on 1st July. Before the new bill become due, Sunil retires the bill with a rebate of ₹ 500. Show journal entries in books of Anil.

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- (b) The Trial Balance of a concern has agreed but the following mistakes were discovered after the preparation of Final Accounts. 6

- (i) No adjustment entry was passed for an amount of ₹ 2,000 relating to outstanding rent.
- (ii) Purchase book was overcast by ₹ 1,000.
- (iii) ₹ 4,000 depreciation of Machinery has been omitted to be recorded in the book.
- (iv) ₹ 600 paid for purchase of stationary has been debited to Purchase A/c.
- (v) Sales books was overcast by ₹ 1,000.
- (vi) ₹ 5,000 received in respect of Book Debt had been credited to Sales A/c.

Show the effect of the above errors in Profit and Loss Account & Balance Sheet.

3. (a) Khetan Ltd. has received two lakh subscriptions during the current year under its new scheme whereby customers are required to pay a sum of ₹ 4,500 for which they will be entitled to receive a magazine for a period of 3 years. Khetan wants to treat the entire amount as revenue for current year. Comment. 3

- (b) Alex.Ltd. intends to set up a solar plant. Alex Ltd. has acquired a dilapidated factory, having an area of 7500 acres at a cost of ₹ 70,000 per acre. Alex Ltd. has incurred ₹ 50,00,000 on demolishing the old factory building thereon. A sum of ₹ 43,57,500 (including 5% Sales Tax) was realized from sale of material salvaged from the site. Alex Ltd. also incurred Stamp Duty and Registration Charges of 5% of Land Value, paid Legal and Consultancy Charges ₹ 5,00,000 for land acquisition and incurred ₹ 2,00,000 on Title Guarantee Insurance. Compute the value of land acquired. 6

- (c) State briefly the factors which should be considered while selecting pre-packaged accounting software. 6

4. The statement of Affairs of Mr. M on Saturday, the 31st December 2015 was as follows:

	₹		₹
Capital	50,000	Fixed Assets	30,000
Sundry Creditors	10,000	Stock	10,000
Liability for Expenses	1,000	Debtors	15,000
		Bank	5,000
		Cash	1,000
	61,000		61,000

Mr. M did not maintain his books on the Double Entry System. But he carefully follows the following system:

- (a) Every week he draws ₹ 200.
- (b) After meeting his weekly sundry expenses (₹ 100 on average) and his drawings, the balance of weekly collection is banked at the commencement of the next week.

- (c) No cash purchase is made and creditors are paid by cheques.
- (d) Sales are at fixed price which include 20% profit on sales.
- (e) Credit sales are few and are noted in a diary. Payments are received in cheques only from such parties.
- (f) Expenses other than sundries and other special drawings are made in cheques.
- (g) All unpaid bills are kept in a file carefully.

The following are his bank transactions for 13 weeks:

	₹		₹
Balance on Jan. 1	5,000	Creditors paid	40,000
Cheques deposited	2,000	Rent paid	600
Cash deposited	42,000	Expenses (other than Sundry Expenses)	3,000
		Balance on April 1	5,400
	49,000		49,000

After 13 weeks on 1st April (Monday) the entire cash was missing when it was to be deposited in the bank. The following further facts are ascertained:

- (a) Stock on that day was valued at ₹ 4,000;
 - (b) Sundry Debtors amounted to ₹ 20,000 as per diary;
 - (c) Sundry Creditors were ₹ 8,000 as per unpaid bills file. Find out the amount of cash missing. 15
5. (a) Moon purchased a machine on Hire Purchase System. The total cost price of the machine was ₹ 15,00,000 payable 20% down and four annual installments of ₹ 4,20,000, ₹ 3,90,000, ₹ 3,60,000 and ₹ 3,30,000 at the end of the 1st year, 2nd year, 3rd year and 4th year respectively. Calculate the interest included in each year's installment assuming that the sales were made at the beginning of the year. 8
- (b) Ram trader's godown caught fire on 29th August, 2016, and a large part of the stock of goods was destroyed. However, goods costing ₹ 54,000 could be salvaged incurring fire fighting expenses amounting to ₹ 2,350.

The trader provides you the following additional information:

	₹
Cost of stock on 1st April, 2015	3,55,250
Cost of stock on 31st March, 2016	3,95,050
Purchases during the year ended 31st March, 2016	28,39,800
Purchases from 1st April, 2016 to the date of fire	16,55,350
Cost of goods distributed as samples for advertising from 1st April, 2016 to the date of fire	20,500
Cost of goods withdrawn by trader for personal use from 1st April, 2016 to the date of fire	1,000
Sales for the year ended 31st March, 2016	40,00,000
Sales from 1st April, 2016 to the date of fire	22,68,000

The insurance company also admitted fire fighting expenses. The trader had taken the fire insurance policy for ₹ 4,50,000 with an average clause.

Calculate the amount of the claim that will be admitted by the insurance company.

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6. P, Q and R sharing profits and losses equally, had been trading for many years. R decided to retire on 31.3.2017 on which date Balance Sheet of the firm is as follows.

		₹		₹
Capital accounts:	P	1,20,000	Cash	36,000
	Q	85,000	Debtors	74,000
	R	75,000	Stock	60,000
Creditors		85,000	Plant and Machinery	1,20,000
			Land and Building	75,000
		3,65,000		3,65,000

Value of goodwill was agreed as ₹ 93,000. Land and building increased in value, it being agreed at ₹ 1,05,600, plant and machinery was revalued at ₹ 1,00,500 and it was agreed to provide 6% in respect of debtors. Prepare revaluation account, capital accounts and balance sheet. 5+5+5=15

7. (a) Prepare a Branch account in the books of Head Office from the following particulars for the year ended 31st March, 2017 assuming that H.O. supplied goods at cost plus 25%.

Particulars	Amount (₹)	Particulars	Amount (₹)
Stock on 1.4.2016 (I.P.)	12,500	Bad Debts	2,000
Debtors „	5,000	Allowances to customers	1,000
Petty Cash „	1,000	Returns Inwards	1,000
Goods sent to branch (I.P.)	40,000	Cheques sent to Branch for expenses:	
Goods return to H.O. (I.P.)	5,000	Rates & Taxes	3,000
Cash Sales	12,000	Salaries	8,000
Cash received from debtors	30,000	Misc. Exps.	1,000
		Stock on 31.03.2017 (I.P.)	15,000
		Debtors „	4,000
		Petty Cash „	1,000

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- (b) The following information is available in the books of N.R. & Sons. for the year ending 31st March 2017:

- Total Sales amounted to ₹ 24,43,000 including the sale of old machinery for ₹ 25,000 (book value is ₹ 43,000). The total cash sales were 70% less than total credit sales.
- Cash collection from Debtors amounted to 70% of the aggregated of the opening Debtors and Credit sales for the period. Discount allowed to them amounted to ₹ 15,700.

- (iii) Bills receivable drawn during the period totaled ₹ 84,000 of which bills amounting to ₹ 45,000 were endorsed in favour of suppliers. Out of these endorsed bills, a Bill receivable for ₹ 17,600 was dishonoured for non-payment, as the party became insolvent and his estate realized nothing.
 - (iv) Cheques received from customers ₹ 50,000 were dishonoured; a sum of ₹ 4,500 is irrecoverable.
 - (v) Bad Debts written-off in the earlier year realized ₹ 2,500.
 - (vi) Interest charged to customers ₹ 9,800.
 - (vii) Sundry debtors on 1st April, 2016 stood at ₹ 2,45,000.
- You are required to show the General Ledger Adjustment Account in the Debtors Ledger. 6

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

5×3=15

- (a) The Accrual Concept
 - (b) Weaknesses of Single Entry System
 - (c) Advantages of Accounting Standard
 - (d) Treatment of Abnormal Loss in case of Consignment Account.
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