

INTERMEDIATE EXAMINATION

June 2018

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

(a) Choose the most appropriate one from the given following alternatives: 1×10=10

(i) Which of the following is not a Qualitative Characteristics of Financial Statement?

- (A) Cost Principle
- (B) Understandability
- (C) Relevance
- (D) Reliability

(ii) Name the book in which, entries are recorded on the basis of credit notes issued.

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

(iii) Exception to consistency principle is

- (A) Cost Principle
- (B) Going Concern Principle
- (C) Matching Principle
- (D) Prudence Principle

(iv) Interest charged by vendor in Hire Purchase System, is calculated on the basis of

- (A) Outstanding hire purchase price
- (B) Outstanding cash price
- (C) Instalment amount
- (D) Cost price of the asset

Please Turn Over

- (v) The balance in consignment account shows
 - (A) Amount receivable from consignee
 - (B) Amount payable to consignee
 - (C) Profit/ loss on consignment
 - (D) Closing stock with consignee
- (vi) Provision for bad debts is
 - (A) Real Account
 - (B) Nominal account
 - (C) Personal account
 - (D) None of the above
- (vii) The business is treated as distinct and separate from its owners on the basis of the
 - (A) Going concern concept
 - (B) Conservatism concept
 - (C) Matching concept
 - (D) Business entity concept
- (viii) Due to retrospective effect on revision of salary of employees, the arrears of salary relating to past years, payable in current year is
 - (A) Prior - period item
 - (B) Extra - ordinary item
 - (C) Ordinary item requiring separate disclosure
 - (D) Contingent item
- (ix) Discount given in the Sales - Invoice itself is
 - (A) Cash discount
 - (B) Trade discount
 - (C) Rebate
 - (D) Allowance
- (x) Canteen expenses are apportioned among departments in the proportion of
 - (A) Departmental floor space
 - (B) Departmental direct wages
 - (C) Departmental sales
 - (D) Departmental No. of employees

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

1×5=5

	Column-I		Column-II
(i)	Receipt & Payment A/c	(a)	AS-10
(ii)	Revaluation model of Asset	(b)	Consignment
(iii)	Proforma Invoice	(c)	Not-for-Profit Organization
(iv)	Stage of Completion Method	(d)	Hire Purchase
(v)	Partial Repossession	(e)	AS-7
		(f)	AS-6

(c) State whether the following statements given below are True or False :

1×5=5

- (i) Receipt & Payment Account only records the revenue nature of receipts and expenses.
- (ii) Sales Book records both cash and credit sales.
- (iii) Normal loss of goods sent on consignment is shown in Consignment Account.
- (iv) In case of trading concern, cost of good sold and cost of sales are same.
- (v) In Proprietorship business, Income-tax payable is shown as a liability in Balance Sheet.

(d) Fill in the blanks :

1×5=5

- (i) The Bank A/c is a _____ Account.
- (ii) Assets are classified as non-current asset and current assets as per _____ Principle.
- (iii) _____ Amount is the higher of asset's net selling price and its value in use.
- (iv) The _____ Loss is included in the valuation of inventories.
- (v) _____ is the amount by which minimum rent exceeds the actual royalty.

Section-B**Answer any five from the following.****Each Question carries 15 marks.**

2. (a) The Trial Balance of S Ltd. as on 31/03/2018 showed the credit in excess by ₹ 415 which was been carried to Suspense Account. On a closed scrutiny of the books, the following errors were revealed:

- (i) A cheque of ₹ 3,456 received from AB Ltd. after allowing it a discount of ₹ 46 was endorsed to CD Ltd. in full settlement for ₹ 3,500. The cheque was finally dishonoured but no entries are passed in the books of account.
- (ii) Goods of the value of ₹ 230 returned by PQ Ltd. were entered in Purchase Day book and posted therefrom to MN Ltd. as ₹ 320.

Please Turn Over

- (iii) Bad debts aggregating ₹ 505 written off during the year in Sales Ledger but were not recorded in General Ledger.
- (iv) Bill for ₹ 750 received from Z Ltd. for repairs to Machinery was entered in the Inward Invoice Book as ₹ 650.
- (v) Goods worth ₹ 1,234 purchased from Y Ltd. on 28/03/2018 had not been entered in Day book and credited to Y Ltd. but Goods were not delivered till 5th April, 2018. The title of Goods was however passed on 28/03/2018 and was taken into stock on 31-03-2018.
- (vi) ₹ 79 paid for Freight on Machinery was debited to Freight account as ₹ 97.

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

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- (b) A company maintains its reserve for bad debts @ 5% and a reserve for discount on debtors @ 2%. You are given the following details:

Particulars	2016	2017
Bad debts	800	1,500
Discount allowed	1,200	500
Sundry debtors (before providing all bad debts and discounts)	60,000	42,000

On 01/01/2016, Reserve for bad debts and Reserve of discount on debtors had balance of ₹ 4,550 and ₹ 800 respectively.

Show Reserve for Bad Debts and Reserve for Discount on Debtors Account for the year 2016 and 2017.

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3. Following is the summary of Receipts and Payments of Radix Clinic for the year ended 31st March, 2017:

	₹
Opening Cash Balance	56,000
Donation Received (including ₹ 50,000 for Building Fund.)	1,55,000
Payment to creditors for Medicines Supply	2,10,000
Salaries	70,000
Purchase of Medical Equipments	1,05,000
Medical Camp Collections	87,500
Subscription Received	3,50,000
Interest on Investments @ 9% p.a.	63,000
Honorarium to Doctors	1,90,000
Telephone Expenses	6,000
Medical Camp Expenses	10,500
Miscellaneous Expenses	7,000

Additional Information:

Sl. No		01.04.2016 ₹	31.03.2017 ₹
1.	Subscription Due	10,500	15,400
2.	Subscription Received in Advance	8,400	4,900
3.	Stock of Medicine	70,000	1,05,000
4.	Medical Equipments	1,47,000	2,14,200
5.	Building	3,50,000	3,15,000
6.	Creditor for Medicine Supply	63,000	91,000
7.	Investments	7,00,000	7,00,000

You are required to prepare Receipts and Payments Account and Income and Expenditure Account for the year ended 31st March, 2017 and the Balance Sheet as on 31st March, 2017. 15

4. The following information relates to the business of ABC Enterprises, who requests you to prepare a Trading and profit & loss A/c for the year ended 31st March, 2017 and a Balance Sheet as on that date:

(a) Assets and Liabilities as on:

	01.04.2016 (₹)	31.03.2017 (₹)
Furniture	60,000	63,500
Stock	80,000	70,000
Sundry Debtors	1,60,000	?
Sundry Creditors	1,10,000	1,50,000
Prepaid Expenses	6,000	7,000
Outstanding Expenses	20,000	18,000
Cash in Hand & Bank Balance	12,000	26,250

(b) Cash transaction during the year:

- Collection from Debtors, after allowing discount of ₹ 15,000 amounted to ₹ 5,85,000.
- Collection on discounting of Bills of Exchange, after deduction of discount of ₹ 1,250 by bank, totalled to ₹ 61,250.
- Creditors of ₹ 4,00,000 were paid ₹ 3,92,000 in full settlement of their dues.
- Payment of Freight inward of ₹ 30,000.
- Amount withdrawn for personal use ₹ 70,000.
- Payment for office furniture ₹ 10,000.

- (vii) Investment carrying annual interest of 6% were purchased at ₹ 95 (200 shares, face value ₹ 100 each) on 1st October, 2016 and payment made thereof.
- (viii) Expenses including salaries paid ₹ 95,000.
- (ix) Miscellaneous receipts of ₹ 5,000.
- (c) Bills of exchange drawn on and accepted by customers during the year amounted to ₹ 1,00,000. Of these, bills of exchange of ₹ 20,000 were endorsed in favour of creditors. An endorsed bill of exchange of ₹ 4,000 was dishonoured.
- (d) Goods costing ₹ 9,000 were used as advertising material.
- (e) Goods are invariably sold to show a gross profit of 20% on sales.
- (f) Difference in cash book, if any, is to be treated as further drawing or introduction of capital by proprietor of ABC enterprises.
- (g) Provide at 2% for doubtful debts on closing debtor.

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5. (a) (i) M/s. Zed Laptop Co. has a hire-purchase department and goods are sold on hire-purchase adding 25% to cost. From the following information (all figures are at hire-purchase price), Prepare Hire-Purchase Trading Account for the year ending, March 31, 2017:

	₹
April 01, 2016 goods with customers (Instalments not yet due)	80,000
Goods sold on Hire-purchase during the year	4,00,000
Cash received during the year from customers	3,00,000
Instalments due but not yet received at the end of the year, customers paying	10,000

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- (ii) M/s. Big Systematic Ltd. maintains self-balancing ledgers preparing control accounts at the end of each calendar month.

On 3rd January, 2018 the accountant of the company located the following errors in the books of account:

- (A) An amount of ₹ 8,700 received from customer Mehra was credited to Mehta, another customer.
- (B) The sales book for December, 2017 was undercast by ₹ 1,000.
- (C) Goods invoiced at ₹ 15,600 were returned to supplier, M/s Mega Ltd. but no entry was made in the books for this return made on 28th December, 2017.

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

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- (b) On 15th December, 2017, a fire occurred in the premises of M/s. OM Exports. Most of the stocks were destroyed. Cost of Stock salvaged being ₹ 1,40,000. From the books of account, the following particulars were available:

- (i) Stock at the close of account on 31st March, 2017 was valued at ₹ 9,40,000.
- (ii) Purchases from 01.04.2017 to 15-12-2017 amounted to ₹ 13,20,000 and the sales during that period amounted to ₹ 20,25,000.

On the basis of his accounts for the past three years, it appears that average gross profit ratio is 20% on sales.

Compute the amount of the claim, if the stock were insured for ₹ 4,00,000.

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6. A and B were partners of a firm sharing profits and losses in the ratio 2 : 1. The Balance Sheet of the firm as at 31st March, 2017 was as under:

Liabilities	Amount ₹	Assets	Amount ₹
Capital Accounts:		Plant and Machinery	5,00,000
A	8,00,000	Building	9,00,000
B	4,00,000	Sundry Debtors	2,50,000
Reserves	5,25,000	Stock	3,00,000
Sundry Creditors	2,75,000	Cash	1,50,000
Bills Payable	1,00,000		
	21,00,000		21,00,000

They agreed to admit P and Q into the partnership on the following terms:

- (i) The firm's goodwill to be valued at 2 years' purchase of the weighted average of the profits' of the last 3 years. The relevant figures are:
 - Year ended 31.03.2014 - Profit ₹ 37,000
 - Year ended 31.03.2015 - Profit ₹ 40,000
 - Year ended 31.03.2016 - Profit ₹ 45,000
- (ii) The value of the stock and Plant & Machinery were to be reduced by 10%.
- (iii) Building was to be valued at ₹ 10,11,000.
- (iv) There was an unrecorded liability of ₹ 10,000.
- (v) A, B, P & Q agreed to share profits and losses in the ratio 3 : 2 : 1 : 1.
- (vi) The value of reserve, the values of liabilities and the values of assets other than cash were not to be altered.
- (vii) P and Q were to bring capitals equal to their shares of Profit considering B's capital as base after all adjustments.

You are required to prepare:

- (1) Memorandum Revaluation Account,
- (2) Partner's Capital Accounts and
- (3) The Balance Sheet of the newly constructed firm.

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7. (a) (i) (A) X sells goods to Y for ₹ 2,00,000. Instead of one bill of ₹ 2,00,000, X draws three bills of exchange on Y for ₹ 40,000; ₹ 60,000 and ₹ 1,00,000. What is the value involved in drawing three bills instead of one?
- (B) Sunny draws a bill on Vivek for three months. On the due date, Vivek finds himself in financial difficulties and requests Sunny to renew the bill for a further period of one month. Sunny agrees to his request. What is the virtue involved in renewing the bill?
- (C) What is the value involved in accepting an accommodation bill?
- (D) What is the reason that a drawer cannot file a suit against drawee in case of dishonour of an accommodation bill? 1×4=4
- (ii) Raj Ltd. entered into an agreement with Heena Ltd. to dispatch goods valuing ₹ 5,00,000 every month for next 6 months on receipt of entire payment. Heena Ltd. accordingly made the entire payment of ₹ 30,00,000 and Raj Ltd. started dispatching the goods. In fourth month, due to fire in premises of Heena Ltd., Heena Ltd. requested to Raj Ltd. not to dispatch goods worth ₹ 15,00,000 ready for dispatch. Raj Ltd. accounted ₹ 15,00,000 as sales and transferred the balance to Advance received against Sales account.
- Comment upon the above treatment by Raj Ltd. with reference to the provision of AS-9. 5
- (b) X Ltd. has its H.O. in Delhi and a branch in Mumbai. H.O. supplied goods to its branch at cost plus $33\frac{1}{3}\%$. From the particulars given below prepare a Branch Trading Account for the year ended 31st March 2018 in the books of H.O.:

Particulars	Amount (₹)	Particulars	Amount (₹)
Opening Stock (I.P.)	40,000	Sales:	
Goods sent to Branch (I.P.)	2,50,000	Cash	1,00,000
Return to H.O. (I.P.)	10,000	Credit	3,00,000
		Discount allowed to customers	10,000
		Closing Stock (I.P.)	60,000

It is estimated that 2% of the goods received are lost through natural wastage. 6

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

5×3=15

- (a) Operating cycle of Consignment Arrangement.
- (b) Disadvantages of a Computerized Accounting Package.
- (c) Features of Single Entry System.
- (d) Bearer Plant.