

INTERMEDIATE EXAMINATION

December 2024

P-6(FA)
Syllabus 2022

FINANCIAL ACCOUNTING

Time Allowed: 3 Hours

Full Marks: 100

*The figures in the margin on the right side indicate full marks.
Wherever necessary, candidates may make appropriate assumption(s)
and state the same clearly in the answer.
Workings should form part of your answer.*

Section-A

1. Choose the correct alternative:

2×15=30

- (i) A Company is a going concern if
- (A) its Balance Sheet shows a strong Financial Position.
 - (B) its Income Statement for the current year shows huge Profit.
 - (C) there is no evidence that it will or will have to cease operations within foreseeable future.
 - (D) its a Public Limited company.
- (ii) Which of the following errors/omissions are not part of the Bank reconciliation process?
- (A) Wrong totalling of Bank column of cash book.
 - (B) Wrong totalling of cash column of cash book.
 - (C) Posting wrong amount in Bank column of cash book.
 - (D) Omission to carry forward balance in the Bank column of the cash book.
- (iii) Which of the following is true about financial statements?
- (a) Financial Statements give a summary of Accounts.
 - (b) Financial Statements can be stated as recorded facts.
- Select the correct answer.
- (A) Statement (a) is correct
 - (B) Statement (b) is correct
 - (C) Both (a) and (b) are correct
 - (D) None of the above.
- (iv) X draws a bill on Y for ₹ 1,80,000 for mutual accommodation in the ratio of 2 : 1. X got it discounted for ₹ 1,69,200 and remitted 1/3rd of the proceeds to Y. How much money should be remitted by X to Y at the time of maturity so as to enable Y to honour the bill?
- (A) ₹ 1,20,000
 - (B) ₹ 1,15,200
 - (C) ₹ 1,16,800
 - (D) ₹ 1,20,400

- (v) A firm had a capital balance of ₹ 1,00,000 at the beginning of a year. At the end of the year the firm has total assets of ₹ 1,50,000 and total liabilities of ₹ 70,000. If the total withdrawals during the period is ₹ 30,000, what was the amount of net profit/ net loss for the year?
- (A) ₹ 10,000 Profit
(B) ₹ 20,000 Loss
(C) ₹ 50,000 Loss
(D) ₹ 10,000 Loss
- (vi) Depreciation charged to Income Statement ₹ 8,00,000, Depreciation u/s 32 of the Income Tax Act ₹ 20,00,000; unamortised Preliminary Expenditure as per Income Tax records ₹ 1,50,000; Corporate Tax rate is 40%. In this situation, the amount of deferred tax asset / liabilities to be created _____.
- It is assumed that there is adequate evidence of future profits sufficiency.
- (A) Deferred Tax Assets ₹ 4,20,000
(B) Deferred Tax Liabilities ₹ 4,20,000
(C) Deferred Tax Liabilities ₹ 4,80,000
(D) Deferred Tax Assets ₹ 4,80,000
- (vii) Provision for doubtful debt on 1st April 2023 was ₹ 14,000. During the year 2023-24, the Bad Debts was ₹ 9,500. The Sundry Debtors on 31st March 2024 were ₹ 3,25,000. Provision is to be made @ 5% on debtors. If on 31st March 2024, there was additional bad debts of ₹ 2,500, then provision for doubtful debts will be
- (A) Debited to Profit and Loss Account by ₹ 16,125
(B) Debited to Profit and Loss Account by ₹ 14,125
(C) Debited to Profit and Loss Account by ₹ 18,125
(D) Debited to Profit and Loss Account by ₹ 2,000
- (viii) Cost of Machinery is ₹ 60,000. Useful life of the asset is 5 years. Annual Depreciation on Machine under Straight Line Method is ₹ 10,000. The scrap value of the Machine will be
- (A) ₹ 60,000
(B) ₹ 10,000
(C) ₹ 50,000
(D) ₹ 70,000
- (ix) A company deals in 3 products X, Y and Z which are neither similar nor interchangeable. At the time of closing of its Accounts for the year 2023-24, historical cost and net realisable values of the items of closing stock are determined as below:

Items	Historical value (₹)	Net Realisable value (₹)
X	20	14
Y	16	16
Z	8	12

What will be the value of closing stock?

- (A) ₹ 44
- (B) ₹ 42
- (C) ₹ 38
- (D) None of the above

(x) In case of a club, the excess of expenditure over Income is called as _____.

- (A) Surplus
- (B) Deficit
- (C) Capital Fund
- (D) Investment in Fixed Assets

(xi) Which of these statements is not true?

- (A) Accumulated Profit and Loss, General Reserve are transferred to old partners capital accounts.
- (B) If assets and liabilities are to be shown in the Balance Sheet at old value, Memorandum Revaluation account is to be opened.
- (C) Profit on Revaluation is transferred to the capital account of old partners in equal ratio.
- (D) A Revaluation Account is a Nominal Account.

(xii) P sends 1,000 bags to Q costing ₹ 400 each at an invoice price of ₹ 500 each. The costs incurred were: P's expenses ₹ 4,000; Q's expenses ₹ 1,000 (non selling) and ₹ 2,000 (selling); 800 bags were sold by Q. What is the value of Consignment Stock at invoice price ?

- (A) ₹ 1,01,000
- (B) ₹ 1,01,800
- (C) ₹ 1,01,400
- (D) ₹ 1,02,000

(xiii) X and Y entered into a joint venture to undertake the public issue of ABC Ltd. The company invited applications for allotment of 2,00,000 shares at ₹ 10 per share. The issue was subscribed to the extent of 90% and the remaining were taken by Y. They agreed to share profit and loss in the ratio of 2 : 3. The shares undertaken by X and Y were subsequently sold at a premium of ₹ 40 per share. How many shares were undertaken by X and Y?

- (A) 20,000
- (B) 25,000
- (C) 18,000
- (D) 30,000

(xiv) Match the following:

	List 1		List 2
(I)	IND AS16	(a)	Qualifying assets will never include biological assets.
(II)	AS 10	(b)	Government grants as capital contribution are specifically recognized.
(III)	AS 12	(c)	No recognition criteria for fixed assets are laid out.
(IV)	IND AS 23	(d)	PPE acquired in exchange of non monetary assets is recognized at fair value.

- (I) (II) (III) (IV)
 (A) (c) (b) (a) (d)
 (B) (d) (b) (c) (a)
 (C) (d) (c) (b) (a)
 (D) (d) (c) (a) (b)

(xv) State which of the following statements is correct.

- (A) Stock Debtors System of maintaining Branch Account is used for independent branch.
 (B) The buyer gets immediate possession but not ownership of the asset under Installment Payment.
 (C) Unusual items and defective items are separate under insurance claims.
 (D) Operation lease is a Revocable contract.

Section-B

Answer any five out of seven Questions.

14×5=70

2. (a) On comparing the Cash Book of Shivam with the Bank Pass Book for the year ended 31st March, 2024, following discrepancies were noticed:
- Cheques of ₹ 85,000 deposited into the bank on 25th March, cheques amounting to ₹ 25,000 were collected on 5th April.
 - Cheques amounting to ₹ 38,000 drawn on 28th March, of which a cheque for ₹ 8,000 was presented on 3rd April.
 - A cheque for ₹ 4,000 entered in Cash Book but omitted to be banked on 31st March.
 - A bill receivable for ₹ 18,000 previously discounted (discount ₹ 90) with the bank had been dishonoured but advice was received on 3rd April.
 - A cheque of ₹ 20,000 wrongly credited in the Pass Book on 29th March was reversed on 2nd April.
 - Bank had wrongly debited ₹ 15,000 in the account on 31st March and reversed it on 10th April, 2024.

Prepare a Bank Reconciliation Statement as on 31st March, 2024, if the Balance as per Cash Book on 31st March, 2024 was ₹ 1,82,500.

(b) State with reasons whether the following are Capital Expenditure or Revenue Expenditure: 7

- (i) Expenses incurred in connection with obtaining a license for starting the factory were ₹ 10,000.
- (ii) ₹ 1,000 paid for removal of stock to a new site.
- (iii) Rings and Pistons of an engine were changed at a cost of ₹ 5,000 to get full efficiency.
- (iv) ₹ 2,000 spent as lawyer's fee to defend a suit claiming that the firm's factory site belonged to the Plaintiff. The suit was not successful.
- (v) ₹ 10,000 were spent on advertising the introduction of a new product in the market, the benefit of which will be effective during four years.
- (vi) A factory shed was constructed at a cost of ₹ 1,00,000. A sum of ₹ 5,000 had been incurred for the construction of the temporary huts for storing building materials.
- (vii) A pair of bullocks of ₹ 50,000 was killed by lightning.

3. (a) Indra drew upon Chandra a bill for ₹ 90,000 on April 1, 2024 for 3 months, for mutual accommodation. Chandra accepted the same immediately on receipt. On April 4, Indra got it discounted at 6% p.a. and remitted 1/3rd of the proceeds to Chandra. At maturity, Indra was not able to send the required sums and asked Chandra to receive a 2 months Promissory Note for ₹ 60,900 which Chandra did. Chandra got the Note discounted for ₹ 60,000 and met his acceptance. Indra became insolvent just before his Promissory Note was due for payment. Only 25% was received from his estate. You are required to pass journal entries in the books of Indra. 7

(b) On 1st April, 2021, Aarvi Limited purchased a machine on hire purchase system, whose cash price was ₹ 12,00,000. The hire purchase price of the machine was ₹ 15,00,000. ₹ 3,00,000 was payable immediately and the balance was to be paid in three equal annual installments. The books are closed on 31st March each year. The company charge depreciation @ 15% per annum on the reducing balance basis.

Calculate interest included in each installment and prepare Machinery Account for three years in the books of Aarvi Limited. 7

4. Rahul does not maintain a proper books of account. However, he maintains a record of his bank transactions and is also to give the following information from which you are requested to prepare his final accounts for the year 2023-24.

Particulars	31.03.2023	31.03.2024
Debtors	₹ 1,02,500	?
Creditors	?	₹ 46,000
Stock	₹ 50,000	₹ 62,500
Bank Balance	?	₹ 50,000
Fixed Assets	₹ 7,500	₹ 9,000

Details of Bank transactions are as follows:

Particulars	Amount in ₹
Received from Debtors	3,40,000
Additional capital introduced	5,000
Sale of Fixed Assets (book value ₹ 2,500)	1,750
Paid to creditors	2,80,000
Expenses paid	49,250
Personal Drawings	25,000
Purchase of Fixed Assets	5,000

No cash transactions took place during the year. Goods are sold at cost plus 25%. Cost of goods sold was ₹ 2,60 000.

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5. Raylink Ltd. agreed to purchase the business of a firm consisting of two brothers, A. Ray and S. Ray as on March 31, 2024. The Balance Sheet of the firm on that date was as follows:

Liabilities	₹	Assets	₹
Capital Accounts:		Leasehold Premises	1,17,500
A. Ray	1,90,000	Plant & Machinery	70,000
S. Ray	1,45,000	Furniture & Fixtures	17,500
General Reserve	75,000	Stock-in-Trade	1,55,000
Creditors	1,00,000	Debtors	1,37,500
		Cash	12,500
	5,10,000		5,10,000

The company agreed to takeover the liabilities and all the assets, with the exception of cash, the agreed purchase price being ₹ 4,50,000 to be satisfied as to 1/4th in cash and 3/4th by issue of fully paid equity shares of ₹ 10 each at an agreed value of ₹ 12.50 per share.

The company made the following revaluations of the assets taken over when bringing them to books:

Leasehold Premises	₹ 1,55,000	Stock-in-Trade	₹ 1,45,000
Plant & Machinery	₹ 62,500	Debtors	₹ 1,25,000
Furniture & Fixtures	₹ 12,500		

You are required to:

- Pass the necessary journal entries to record the acquisition of the business in the books of the company; and
- Prepare the post-acquisition Balance Sheet of Raylink Ltd.

6. (a) Adhiraj Ltd., Noida, started a branch in Surat on April 1, 2023 to which goods were sent at 20% above cost. The branch makes both credit and cash sales. It is the policy to meet branch expenses from branch cash, and remit the balance money to Head Office (H.O.). The branch does not maintain double entry books of accounts, and necessary accounts relating to the branch are maintained by the H.O.

Particulars	₹	Particulars	₹
Cost of goods sent to Noida Branch	50,000	Cash remitted to H.O.	43,000
Goods received by branch till March 31 (at IP)	54,000	Cash in hand at branch at the end of the year	2,000
Credit sales for the year	58,000	Cash remitted by H.O. to branch during the year	3,000
Closing Debtors	20,800	Closing stock at branch at IP	6,000
Bad debts	200	Expenses incurred at branch	12,000

Show the Surat Branch Account in the books of the Noida H.O. to determine the profit and loss of the branch for the year ended March 31, 2024. 7

- (b) On 10th December, 2024 a fire occurred in the premises of Chandu. All stock except to the extent of ₹ 28,800 were destroyed. Chandu values the stock at cost less 10 per cent. Stock was insured for ₹ 1,00,000. From the following information, ascertain the amount of claim to be lodged by Chandu:

Particulars	₹
Stock on 1st April, 2023	1,44,000
Purchases less returns during 2023-24	5,60,000
Sales less returns during 2023-24	8,00,000
Stock on 31st March, 2024	90,000
Purchases less returns from 1st April, 2024 to date of fire	5,84,000
Sales less returns from 1st April, 2024 to date of fire	6,40,000

7. (a) (i) In the context of AS 11, what do you mean by 'Integral Foreign Operation'? State how the following items of integral foreign operation should be translated:
- (I) Salaries & Wages;
 - (II) Depreciation on Furniture; and
 - (III) Machineries carried at fair value.

7. (a) (ii) While clarifying the scope of AS-22 (Accounting for Taxes on Income), explain the meaning of the following terms related to it.
- (I) Accounting income (loss)
 - (II) Taxable income (tax loss)
 - (III) Tax expense (tax saving) 3
7. (b) (i) As per AS-12, explain the treatment of the following:
- (I) A firm acquired a fixed asset for ₹ 850 lakhs on which the Government grant received was 40%.
 - (II) Capital subsidy received from the Central Government for setting up a plant in the notified backward region. Cost of the plant ₹ 900 lakhs, subsidy received ₹ 250 lakhs.
 - (III) ₹ 225 lakhs received from the local authority for providing medical facilities to the employees. 3
7. (b) (ii) List out comparative provisions between AS 11 and IND AS 21. 4
8. (a) Briefly explain merits of IND AS. 5
- (b) Answer the following question:
- (i) Profit is earned on sale of fixed asset . What should be the accounting treatment of this profit?
 - (ii) Why is the full cost of an asset not treated as an expense in the year of its purchase?
 - (iii) Do you think that the convention of conservatism results creation of secret reserves?
 - (iv) Goods worth ₹ 1,00,000 were burnt by fire and a claim of ₹ 70,000 has been accepted by the insurance company. How will it be recorded in the final account?
 - (v) State with the reasons whether the following statement is true or false.
The provision for the discount on Debtors is calculated after deducting the provision for doubtful debts from debtors. 5
- (c) Give entries for the following transactions:
- (i) Realisation expenses ₹ 8000 were paid by Rana a partner.
 - (ii) Realisation expenses ₹ 10,000 paid by the firm on behalf of the Dhana (a partner), he has to bear the realisation expenses.
 - (iii) Realisation expenses ₹ 20,000, out of which 60% to be borne by Mana (a partner) and remaining by the firm.
 - (iv) Realisation expenses ₹ 10,000 to be borne by Kana, a partner, but paid by Dhana, another partner. 4