



Time Allowed: 3 Hours

Full Marks: 100

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

SECTION – A

1. Multiple Choice Questions:

[15 x 2 = 30]

- (i) The concept that business is assumed to exist for an indefinite period and is not established with the objective of closing down is referred to as _____.
- Money Measurement concept
 - Going Concern concept
 - Full Disclosure concept
 - Dual Aspect concept
- (ii) Income Statement of a charitable institution is known as _____.
- Profit and Loss A/c
 - Receipts and payments A/c
 - Income and Expenditure A/c
 - Statement of Affairs
- (iii) Goods are transferred from Department A to Department B at a price so as to include a profit of 33.33% on cost. If the value of closing stock of Department Y is ₹36,000, then the amount of stock reserve on closing stock will be _____.
- ₹12,000
 - ₹9,000
 - ₹18,000
 - None of the above
- (iv) In the hire purchase system interest charged by vendor is calculated on the basis of _____.
- Outstanding cash Price
 - Hire purchase Price
 - Installment amount
 - None of the above
- (v) Bad debts Recovered ₹750. It will be _____.
- Credited to Bad debts A/c
 - Credited to debtor's personal A/c
 - Debited to creditor's personal A/c
 - Credited to bad debts recovered A/c
- (vi) A Charitable Institution has 250 members with a annual subscription of ₹5,000 each. The subscription received during 2020-21 were ₹11,25,000, which include ₹65,000 and ₹25,000 for the years of 2019-20 and 2021-22 respectively. The amount of outstanding subscription for the 2020-21 will be _____.



FINANCIAL ACCOUNTING

- a. ₹90,000
b. ₹1,25,000
c. ₹2,15,000
d. ₹1,90,000
- (vii) Shiva draws a bill on Sanat on 25th October, 2021 for 90 days, the maturity date of the bill will be _____.
- a. 25th February, 2022
b. 30th January, 2022
c. 25th January, 2022
d. 28th Feb, 2022
- (viii) In a Cash Book Debit balance of ₹112 brought forward as credit balance of ₹121, while preparing a Bank Reconciliation Statement taking the balance as per Cash Book as the starting point _____.
- a. ₹112 to be added
b. ₹ 121 to be added
c. ₹ 233 to be added
d. ₹ 112 to be subtracted
- (ix) Del credere commission is allowed to consignee _____.
- a. For making cash sales
b. for making credit sales
c. For making extra sales
d. For undertaking risk of bad debts
- (x) KCS purchased a machine from JPS on hire purchase system, whose cash price was ₹ 8,64,000. ₹ 2,16,000 being paid on delivery and balance in three annual installments of ₹2,88,000 each. The amount of interest included in first installment would be _____.
- a. ₹ 72,000
b. ₹ 57,600
c. ₹ 1,08,000
d. ₹ 36,000
- (xi) Provision for Doubtful Debt on 1st April, 2021 was ₹21,500. During the year 2021 – 22 the Bad-debt and Recovery of Bad-debt were ₹10,500 and ₹2,100 respectively. The Sundry Debtors on 31st March, 2022 were ₹2,25,000. Provision is to be made @ 5% on Debtors. If on 31st March, 2022, there was additional Bad-debt of ₹2,500 then Provision for doubtful-debt will be _____.
- a. Debited to Profit & Loss Account by ₹11,250.
b. Debited to Profit & Loss Account by ₹2,625.
c. Debited to Profit & Loss Account by ₹3,000.
d. Debited to Profit & Loss Account by ₹900.
- (xii) AS -16 Deals with _____.
- a. Accounting of Inventory Cost
b. Accounting for transactions in Foreign Currencies
c. Accounting for Depreciation



FINANCIAL ACCOUNTING

d. Accounting for Borrowing Costs

(xiii) The Foreign Currency receivables as per books of accounts 10,000\$ USD= ₹80, ₹8,00,000 accounted on 09-Feb-2023. On 31-Mar-2023, The USD= INR 82 then what is the amount of Foreign Currency Receivables to be reported on 31-Mar-2023 balance sheet as Assets

- _____.
- ₹2,000
 - (₹2,000)
 - ₹82,000
 - ₹80,000

(xiv) The main objective of average clause contained in a fire insurance policy is to _____.

- Encourage full Insurance
- Discourage full Insurance
- Encourage under Insurance
- Encourage full Insurance and Discourage under Insurance

(xv) Discount given in the Sales - Invoice itself is _____.

- Cash discount
- Trade discount
- Rebate
- Allowance

Answer:

(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	(xi)	(xii)	(xiii)	(xiv)	(xv)
b	c	d	a	d	c	c	c	d	c	b	d	c	d	b

Section – B

(Answer any five questions out of seven questions given. Each question carries 14 Marks)

2. (a) On comparing the Cash Book of Saksham with the Bank Pass Book for the year ended 31st March, 2022, following discrepancies were noticed:

- Out of ₹82,000 paid in by cheques into the bank on 25th March, cheques amounting to ₹30,000 were collected on 5th April.
- Out of cheques drawn amounting to ₹31,200 on 28th March a cheque for ₹ 10,000 was presented on 3rd April.
- A cheque for ₹4,000 entered in Cash Book but omitted to be banked on 31st March.
- A cheque for ₹2,400 deposited into bank but omitted to be recorded in Cash Book and was collected by the bank on 29th March.
- A bill receivable for ₹2,080 previously discounted (discount ₹80) with the bank had been dishonoured but advice was received on 3rd April.



FINANCIAL ACCOUNTING

- vi. A bill for ₹40,000 was retired/paid by the bank under a rebate of ₹600 but the full amount of the bill was credited in the bank column of the Cash Book.
- vii. A cheque of ₹10,000 wrongly credited in the Pass Book on 29th March was reversed on 2nd April.
- viii. Bank had wrongly debited ₹20,000 in the account on 31st March and reversed it on 10th April, 2022.
- ix. A cheque of ₹800 drawn on the Savings Account has been shown as drawn on Current Account in Cash Book.

Prepare a Bank Reconciliation Statement as on 31st March, 2022, if the Balance as per Cash Book on 31st March was ₹1,58,280. [7]

(b) Rectify the following errors:

- i. A credit sale of goods to X ₹ 3,000 posted as ₹ 30,000.
- ii. A cash sale of goods to Y ₹ 3,000 posted as ₹ 30,000.
- iii. A credit sale of furniture to Z ₹ 3,000 posted as ₹ 30,000
- iv. A credit sale of goods of ₹ 3,000 to Krishan entered in the purchases book as ₹ 30,000 and posted therefrom to the credit of Kishan as ₹3,000.
- v. A cash sale of goods of ₹ 3,000 to Krishan posted to the credit of Kishan as ₹ 30,000.
- vi. A credit purchase of old machinery from Sohan for ₹17,000 was entered in the purchases book as purchase from Mohan for ₹71,000. ₹3,000 paid as Repair Charges of this Machinery debited to General Expenses Account.
- vii. A bill drawn on Meenu for ₹ 30,000 was passed through bills payable book with ₹ 3,000 and posted therefrom to the credit of Meena as ₹300.
- viii. Sales included a sale of furniture having a book value of ₹900 for ₹850 on 31st March, 2022. [7]

Answer:

2. (a)

Bank Reconciliation Statement as on 31st March, 2022

Particulars	₹	₹
Balance as per Cash Book (Dr.)		1,58,280
Add:		
(b) Cheques issued on 28 th March but not yet presented for payment.	10,000	
(d) A cheque deposited into bank but not recorded in Cash Book.	2,400	
(f) Rebate on bill not entered in Cash Book	600	
(g) Cheque wrongly credited by bank	10,000	
(i) Cheque drawn on Savings Bank a/c but wrongly recorded in current A/c	800	23,800
		1,82,080
Less:		
(a) Cheques deposited on 25 th March but not yet collected till 31 st March	30,000	
(c) A cheque entered in Cash Book but not yet banked	4,000	
	2,080	



FINANCIAL ACCOUNTING

(d) Discounted Bills Receivable dishonoured but not recorded in Cash Book	20,000	56,080
(h) Amount wrongly debited by the Bank		
Balance as per Bank Pass Book (Cr.)		1,26,000

(b)

Rectification of Errors

Date	Particulars	Debit ₹	Credit ₹
(i)	Suspense A/c Dr. To X A/c (Being wrong posting now rectified) (or) Sales A/c Dr. To X A/c (Being credit sale of ₹3,000 wrongly posted as ₹ 30,000 now rectified)	27,000 27,000	27,000 27,000
(ii)	Sales A/c Dr. To Suspense A/c (Being wrong posting now rectified) (or) Sales A/c Dr. To Cash A/c (Being cash sales of ₹ 3,000 wrongly posted as ₹30,000 now rectified)	27,000 27,000	27,000 27,000
(iii)	Furniture A/c Dr. To Z A/c (Being wrong posting now rectified)	27,000	27,000
(iv)	Krishan A/c Dr. Kishan A/c Dr. Suspense A/c Dr. To Sales A/c To Purchases A/c (Being sale recorded as purchase with wrong among and wrong posting therefrom, now rectified)	3,000 3,000 27,000	3,000 30,000
(v)	Kishan A/c Dr. To Sales A/c To Suspense A/c (Being wrong posting, now rectified)	30,000	3,000 27,000
(vi)	Mohan A/c Dr. Machinery A/c Dr. To Sohan A/c To Purchaes A/c To General Expenses A/c (Being purchase of old machinery recorded the Purchases Book and repairing charges debited to General Expenses A/c, now rectified).	71,000 20,000	17,000 71,000 3,000
(vii)	Bills Receivable A/c Dr. Bills Payable A/c Dr.	30,000 3,000	



INTERMEDIAR EXAMINATION

SET - 1

MODEL ANSWERS TERM – DECEMBER 2023

PAPER – 6

SYLLABUS 2022

FINANCIAL ACCOUNTING

	Meena A/c To Meenu A/c To Suspense A/c (Beign Bills Receivable drawn recorded in Bills Payable book now rectified)	Dr. 	300 	30,000 3,300
(viii)	Sales A/c Loss on Sale of Furniture A/c To Furniture A/c (Being the sale of furniture recorded as sales, now rectified)	Dr. Dr. 	850 50 	900

3.(a) On 1st July, 2022 B. Dutta of Kolkata consigned 250 computers costing ₹28,000 each to T. Ramasami, Chennai. Expenses of ₹17,000 were met by the consignor. T. Ramasami spent ₹14,500 for clearance on 31st July, 2022 and selling expenses were ₹1,500 per computer as and when the sale made by consignee. T. Ramasami sold on 4th September, 2022, 150 computers at ₹40,000 per computer and again on 21st September, 75 computers at ₹42,500.

Mr. Ramasami was entitled to a commission of ₹1,500 per computer sold plus one-fourth of the amount by which the gross sale proceeds less total commission there on exceeded a sum calculated at the rate of ₹35,000 per computer sold. T. Ramasami sent the account sale and the amount due to B. Dutta on 30th September, 2022 by bank demand draft.

You are required to prepare the Consignment Account and T. Ramasami's Account in the books of B. Dutta. [7]

(b) Chinu sells goods on hire purchase at cost plus 60 percent. Prepare Hire Purchase Trading Account from the following information for the year ending 31st March, 2021.

		₹
01-4-2020	Stock with customers at hire purchase price	96,000
31-3-2021	Sale of hire purchase goods during the year at hire purchase price	5,68,000
31-3-2021	Cash received from hire purchase customers	2,65,000
31-3-2021	Stock with customers at hire purchase price	3,64,000
		[7]

Answer:

**3.(a) Books of B. Dutta of Kolkata
Consignment to Chennai Account**

Dr.				Cr.	
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
01-7-22	To GSC A/c	70,00,000	04-8-22	By T. Ramasami (Sales)	80,00,000
01-7-22	To Bank A/c (Expenses)	17,000	21-9-22	By T. Ramasami (Sales)	31,87,500
31-7-22	To T. Ramasami A/c (Cl. Exp)	14,500	30-9-22	By Stock on Consignment A/c	7,03,150
04-9-22	To T. Ramasami A/c (Selling Exp)	2,25,000			
21-9-22					
30-9-22		1,12,500			



INTERMEDIAR EXAMINATION

SET - 1

MODEL ANSWERS TERM – DECEMBER 2023

PAPER – 6

SYLLABUS 2022

FINANCIAL ACCOUNTING

30-9-22	To T. Ramasami A/c (Selling Exp)	5,32,500			
	To T. Ramasami A/c (Comm)	19,89,150			
	To Profit & Loss A/c				
		98,90,650			98,90,650

T. Ramasami Chennai Account

Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
04-9-22	To Consignment A/c	60,00,000	31-7-22	By Consignment A/c (Cl. Exp)	14,500
21-9-22	To Consignment A/c	31,87,500	04-9-22	By Consignment A/c (Selling Exp)	2,25,000
			21-9-22	By Consignment A/c (Selling Exp)	1,12,500
			30-9-22	By Consignment A/c (Comm)	5,32,500
			30-9-22	By Bank A/c	83,03,000
		91,87,500			91,87,500

Working Notes:

(i) Calculation of Commission

Let 'X' be total commission

$$X = (225 \times 1,500) + \frac{1}{4} [60,00,000 + 31,87,500 - X - 1 (35,000 \times 225)]$$

$$X = 3,37,500 + \frac{1}{4} (91,87,500 - X - 78,75,000)$$

$$X = 3,37,500 + 3,28,125 - X / 4$$

$$5 / 4 X = 6,65,625$$

$$X = 5,32,500$$

(ii) Valuation of Stock on Consignment:

Particulars	Amount (₹)
Valuation of stock on consignment:	
250 – 150 – 75 = 25 computers @ Rs. 28,000	7,00,000
Add: Consignor's Expenses = 17,000 x 25 / 250	1,700
Add: Share of Consignee's Clearing Exp. 14,500 x 25/250	1,450
Value of unsold stock	<u>7,03,150</u>

(b)

H.P. Trading Account of Chinnu for the year ending on 31.3.2021

Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
01-4-20	To Balance b/d	60,000	31-3-21	By Cash A/c	2,65,000
	Opening Inst. not due at Cost (96,000 x 100/160)		31-3-21	By balance c/d (Stock with customer)	2,27,500
	Opening Inst. due but not received	NIL		Closing Inst. not due at cost (3.64.000 x 100/160)	
31-3-21	To Cost of goods sold on H.P (5,68,000 x 100/160)	3,55,000			
31-3-21	To Profit & Loss A/c (b/f)	1,12,500	31-3-21	By Closing Inst due but not received	35,000
		5,27,500			5,27,500



FINANCIAL ACCOUNTING

Working Note (1):

Mem. H.P. Debtors Account

Dr.		Cr.	
Particulars	Amount ₹	Particulars	Amount ₹
To balance b/d	NIL	By Cash A/c	2,65,000
To H.P. Stock W.N. (2)	3,00,000	By balance c/d (b/f)	35,000
	3,00,000		3,00,000

Working Note (2):

Mem. H.P. Stock Account

Dr.		Cr.	
Particulars	Amount ₹	Particulars	Amount ₹
To balance b/d	96,000	By H.P. Debtors a/c	3,00,000
To Goods Sold on H.P.	5,68,000	By balance c/d	3,64,000
	6,64,000		6,64,000

4. Jodhpur Club furnishes you the Receipts and Payments Account for the year ended 31.3.2022:

Receipts	₹	Payments	₹
Cash in hand (1.4.2021)	40,000	Salary	20,000
Cash at bank (1.4.2021)	1,00,000	Repair expenses	5,000
Donations	50,000	Furniture	60,000
Subscriptions	1,20,000	Investments	60,000
Entrance Fees	10,000	Misc. expenses	5,000
Interest on investments	1,000	Insurance Premium	2,000
Interest from banks	4,000	Billiards table and other sports items	80,000
Sale of old newspapers	1,500	Stationery expenses	1,500
Sale of drama tickets	10,500	Drama expenses	5,000
		Cash in hand (31.3.2022)	26,500
		Cash at bank (31.3.2022)	72,000
	3,37,000		3,37,000

Additional Information:

- Subscriptions in arrear for 2021-22 ₹9,000 and subscription in advance for the year 2022-23 ₹3,500.
- ₹400 was the insurance premium outstanding as on 31.3.2022.
- Miscellaneous expenses prepaid ₹900.
- 50% of donation is to be capitalised.
- Entrance fees to be treated as revenue income.
- 8% interest has accrued on investments for five months.



FINANCIAL ACCOUNTING

(g) Billiards table and other sports equipments costing ₹3,00,000 were purchased in the financial year 2020-21 and of which ₹80,000 was not paid 31.3.2021. There is no charge for depreciation to be considered. You are required to prepare Income and Expenditure Account for the year ended 31.3.2022 and balance sheet of the Club as at 31.3.2022. [14]

Answer:

Jodhpur Club
Income and Expenditure Account for the year ended 31.3.2022

Dr.			Cr.
Expenditure	Amount ₹	Income	Amount ₹
To Salary	20,000	By Subscription (1,20,000 + 9,000 – 3,500)	1,25,500
To Repair Expenses	5,000	By Donation @ 50%	25,000
To Misc. Expenses (5,000 – 900) Less Prepaid	4,100	By Entrance Fee	10,000
To Insurance premium (Incl. Outstanding)	2,400	By Sale of Old Newspaper	1,500
To Stationery expenses	1,500	By Bank Interest	4,000
To Drama Expenses	5,000	By Interest on Investments (60,000 x 8% x 5/12) +	3,000
To Excess of Income over Expenditure	1,41,500	1,000	10,500
	1,79,500	By Sale of Drama tickets	10,500
			1,79,500

Balance Sheet as on 01.04.2021

Liabilities	Amount ₹	Assets	Amount ₹
Capital Fund (Bal. fig)	3,60,000	Cash in hand	40,000
Billiards table outstanding	80,000	Cash at bank	1,00,000
		Billiards table and other sports equipments	3,00,000
	4,40,000		4,40,000

Balance Sheet as on 31.03.2022

Liabilities	Amount ₹	Assets	Amount ₹
Capital Fund	3,60,000	Cash in hand	26,500
Add: Donations	25,000	Cash at Bank	72,000
Excess of Income over Expenditure	1,41,500	Investments	60,000
Subscriptions in advance	3,500	Accrued Interest	2,000
Insurance Premium outstanding	400	Furniture	60,000
		Prepaid Misc. Exp.	900
		Subscription Arrears	9,000
		Billiards table and other sports equipment.	3,00,000
	5,30,400		5,30,400



FINANCIAL ACCOUNTING

5. P, Q, R and T have been carrying on business in partnership sharing profits and losses in the ratio of 4:1:2:3.

The following is their Balance Sheet as on 31st March, 2022:

Liabilities	₹	Assets	₹
Capital Accounts:		Premises	2,80,000
P ₹7,00,000		Furniture	30,000
T ₹3,00,000	10,00,000	Stock-in-Trade	2,00,000
Trade Creditors	3,00,000	Trade Debtors ₹3,50,000	
		Less: Provision for	
		Bad debts ₹50,000	3,00,000
		Cash at Bank	1,40,000
		Capital Accounts:	
		Q ₹2,00,000	
		R ₹1,50,000	3,50,000
	13,00,000		13,00,000

It has been agreed to dissolve the partnership on 1st April, 2022 on the basis of the following points agreed upon:

- P is to take over Trade Debtors at 80% of Book Value (₹ 3,50,000)
- T is to take over the Stock in Trade at 95% of the value; and
- R is to discharge Trade Creditors
- The realisation is : Premises ₹ 2,75,000 and Furniture ₹ 25,000.
- The expenses of realisation come to ₹ 30,000.
- Q is found insolvent and ₹ 21,900 is realised from his estate.

Note: The loss arising out of capital deficiency may be distributed following decision in Garner V Murray.

You are required to prepare:

- Realisation Account
- Bank/Cash Account
- Capital Accounts of the Partners

[14]

Answer:

In the Books of P, Q, R & T
Realisation Account

Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2022 April 1	To Trade debtors A/c	3,50,000	2022 April 1	By Provision for Bad debts A/c	50,000
	To Stock in Trade A/c	2,00,000		By Trade Creditors A/c	3,00,000
	To Premises A/c	2,80,000		By P's Capital A/c	2,80,000
	To Furniture A/c	30,000		(Trade Debtors taken over)	
	To R's Capital A/c	3,00,000		By T's Capital A/c	1,90,000
	(Trade credit discharged)			(Stock-in-trade taken over)	
	To Bank/Cash (Expenses)	30,000		By Bank A/c (Assets realised)	3,00,000
				By Partners Capital A/c	
				(P: ₹ 28,000)	



INTERMEDIAR EXAMINATION

SET - 1

MODEL ANSWERS TERM – DECEMBER 2023

PAPER – 6

SYLLABUS 2022

FINANCIAL ACCOUNTING

				Q: ₹7,000	
				R: ₹14,000	
				T: ₹21,000)	70,000
		11,90,000			11,90,000

Bank/Cash Account

Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2022 April 1	To balance b/d	1,40,000	2022 April 1	By Realisation A/c (expenses)	30,000
	To Realization A/c	3,00,000		By Partners Capital A/c	
	To Partners Capital A/c			P:	2,90,430
	P:	28,000		R:	1,50,000
	Q:	21,900		T:	54,470
	R:	14,000			
	T:	21,000			
		5,24,900			5,24,900

Partners Capital Accounts (Amount in ₹)

Dr.					Cr.				
Particulars	P	Q	R	T	Particulars	P	Q	R	T
To balance b/d	--	2,00,000	1,50,000	--	By balance b/d	7,00,000	--	--	3,00,000
To Realisation A/c	2,80,000	--	--	1,90,000	By Realisation A/c	--	--	3,00,000	--
To Realisation A/c (Loss)	28,000	7,000	14,000	21,000	By Bank/Cash A/c	28,000	--	14,000	21,000
To Capital A/c (W.No. 2)	1,29,570	--	--	55,530	By Bank/Cash A/c (W.No. 1)	--	21,900	--	--
To Bank/Cash A/c	2,90,430	--	1,50,000	54,470	By P's Capital A/c	--	1,29,570	--	--
					By T's Capital A/c	--	55,530	--	--
	7,28,000	2,07,000	3,14,000	3,21,000		7,28,000	2,07,000	3,14,000	3,21,000

Working Notes:

- Solvent partners should bring in cash to make good the loss on realization.
- Q's deficiency of ₹ 1,85,100 (₹ 2,07,000 – ₹ 21,900) should be shared by P and T in the ratio of their capital i.e. 7 : 3. R will not bear any loss on deficiency, because at the time of dissolution he had a debit balance in his Capital Account.
- The amount realised from the estate of Q is ₹ 21,900.

6.(a) Prepare Branch Account in the books of the Head Office and also debtors account from the following information given below for the year 2022:

The Unique Shoe Stores has an old branch at Kanpur. Goods are invoiced at the branch at 25% profit on cost price. The branch has been instructed to send all cash daily to the Head Office. All expenses are paid by the Head Office except petty expenses which are met by the Branch Manager:

	₹
Stock on 1.1.2022 (Invoice Price)	15,000
Sundry debtors on 1.1.2022	9,000
Cash in hand on 1.1.2022	400



FINANCIAL ACCOUNTING

Office furniture on 1.1.2022		1,200	
Goods supplied by the Head Office (invoice price) for the year		80,000	
Goods returned to Head Office for year		1,000	
Goods returned by debtors at the end of year		480	
Debtors at the end of year		8,220	
Cash sales for year		50,000	
Credit sales for year		30,000	
Discount allowed for year		300	
Expenses paid by Head Office: for year	₹		
Rent	1,200		
Salary	2,400		
Stationery	<u>300</u>	3,900	
Petty expenses paid by Branch Manager during year		280	
Stock on 31.12.2022		14,000	
Provide depreciation on furniture at 10% per year.			[7]

- (b) Due to flood, business of Mr. Singh was dislocated from 1.4.2021 to 31.8.2021 (5 months). From the following details, suggest the amount of claim to be lodged in respect of loss of profit policy.

Particulars	₹
Policy amount	1,25,000
Turnover from 1.4.2021 to 31.8.2021	2,40,000
Standing charges from 1.4.2021 to 31.8.2021	60,000
Turnover during 1.4.2020 to 31.3.2021	12,00,000
Gross profit ratio	10% on sales
Standing charges for the year 2020-21	84,000
The turnover for the year 2021-22 was anticipated to increase by 10% over the turnover of the preceding year.	
	[7]

Answer:

6. (a)

In the books of Unique Shoe Stores
Branch Account

Dr.		Cr.	
Particulars	Amount ₹	Particulars	Amount ₹
To Branch Stock A/c	15,000	By Cash (Remittances)	
To Branch debtors A/c	9,000	Cash Sales	50,000
To Branch Cash in hand	400	Cash from debtors	<u>30,000</u>
To Branch office furniture	1,200	By Branch Stock	14,000
To Goods sent to branch A/c 80,000		By Branch debtors	8,220
Less: Return to H.O	<u>1,000</u>	By Branch furniture	1,080
To Bank:	79,000	By Branch Reserve	3,000
Rent	1,200	By Goods sent to Branch A/c	15,800
Salary	2,400	By Branch cash in hand	120



FINANCIAL ACCOUNTING

Salary	<u>300</u>	3,900	(400 – 280)	
To Stock Reserve A/c		2,800		
To General P & L A/c		10,920		
		1,22,220		1,22,220

Debtors Account

Dr.		Cr.	
Particulars	Amount ₹	Particulars	Amount ₹
To balance b/d	9,000	By Sales Return A/c	480
To Credit sales A/c	30,000	By Cash A/c (B/f)	30,000
		By Discount A/c	300
		By balance c/d	8,220
	39,000		39,000

(b)

Particulars	₹
Standard turnover per month (2020 – 21)	1,00,000
Add: Increase anticipated plus 10%	<u>10,000</u>
Expected turnover per month	<u>1,10,000</u>
Standard turnover for the period of dislocation (1,10,000 x 5)	5,50,000
Less: Actual turnover for the period of dislocation	<u>2,40,000</u>
Short sales	<u>3,10,000</u>
Gross Profit on Short Sales @ 10%	31,000
Add: Increased cost of working actual	
Standard charges for the period of dislocation (7,000 x 5 = 35,000)	
Actual standing charges incurred during the period of dislocation = ₹60,000	
Increase in cost of working during period of dislocation ₹60,000 – ₹35,000	25,000
Claim to be lodged	56,000

Note:

- 1) In absence of any information regarding insured standing charges, uninsured standing charges, Net Profit etc. increase in cost of working during the period of dislocation is determined in this manner.
- 2) Since the Annual Turnover is not mentioned the Average Clause is not applied.

7.(a) On 14.08.2022, Pushkar Ltd. obtained a loan from RBC Bank of ₹65 lakhs to be utilised as under:

Purchase of equipment: ₹ 19,50,000;

Construction of factory shed: ₹ 26,00,000;

Advance for purchase of delivery vehicle: ₹ 6,50,000;

Working capital: ₹ 13,00,000.

In March, 2023 installation of the machinery was completed and also construction of factory shed was completed and the machinery installed. However, the truck was not delivered within 31.03.2023. Total interest charged by the bank for the year ending 31.3.2023 was ₹11.70 lakhs. Discuss how the interest amount would be treated in the financial statements of the company as per AS-6. [7]



FINANCIAL ACCOUNTING

- (b) Big Box Ltd., a start-up purchased on April 1, 2019, a machine worth ₹ 44,85,000 in relation to which it received ₹7,35,000 as grant from Government of India. The company decided to treat this grant as a capital receipt. It is estimated that the realizable value of the machine at the end of its useful life of 4 years will be ₹15,36,000.

During the financial year 2021-22, the grant became refundable as the start-up company failed to comply with the necessary terms and conditions of the grant.

You are required to examine the amount of depreciation that is to be charged to the Statement of Profit and Loss for the years 2021-22 and 2022-23 given that the company follows straight line method of charging depreciation. [7]

Answer:

- 7.(a) In this case, only the factory shed is a Qualifying Asset (QA) as per AS 16. The amount of interest on borrowings and its treatment is presented below:

Particulars	Nature of Asset	Interest Capitalised	Interest charged to Income Statement ₹
Purchase of equipment	Not a QA		3,51,000 [11.7 x 19.5/65]
Construction of factory shed	QA	4,68,000 [11.7 x 26/65]	
Advance for purchase of delivery vehicle	Not a QA		1,17,000 [11.7 x 6.5/65]
Working capital	Not a QA		2,34,000 [11.7 x 13/65]
Total		4,68,000	7,02,000

- (b) As per AS 12, the amount refundable in respect of government grant is related to specific fixed asset is recorded by increasing the book value of the asset or by reducing the capital reserve or the deferred income balance, as appropriate, by the amount refundable. In case the book value of the asset is increased, depreciation is provided on the revised book value.

Calculation of Depreciation for the years 2021-22 and 2022-23

Particulars	₹ ('000)
Cost of machine on 1.1.2019	4,485
Less: Grant from Government of India	735
Net cost of machine	3,750
Estimated useful life	4 years
Depreciation p.a under straight line method $\left[\frac{3,750-1,536}{4}\right]$	553.5
Depreciation charged during 2019-20 and 2020-21 [553.5 x 2]	1,107
Book value of machine on 1.4.2021 [3,750 – 1,107]	2,643
Add: Refund of Government Grant during 2021-22	735



FINANCIAL ACCOUNTING

Revised Book Value of machine	3,378
Remaining useful life of machine	2 years
Revised depreciation p.a. $\left[\frac{3,378 - 1,536}{2}\right]$	921

8. Answer the following questions:

(a) Infer with reason how the following will be classified as Timing Difference and Permanent Difference and also state whether they would result in Deferred Tax Asset or Deferred Tax Liability:

(i) Unabsorbed depreciation

(ii) Income tax penalty

(iii) Interest on loan taken from scheduled bank accounted in the books, but not paid till the date of filing Return of Income. [5]

(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	2021	2022
Bad debts	₹800	₹1,500
Discount allowed	₹1,200	₹500
Sundry Debtors (before providing all bad debts and discounts)	₹60,000	₹42,000

On 1-1-2021, Reserve for bad debts and Reserve for discount on debtors had balance of ₹ 4,550 and ₹ 800 respectively.

Prepare Reserve for Bad Debts Account for the year 2021 and 2022. [5]

(c) Write a note on - Applicability of Garner V Murray Rule. [4]

Answer:

8.(a)

Particulars	Nature of Asset	Interest Capitalised
Unabsorbed depreciation	Timing Difference	DTA
Income Tax Penalty	Permanent Difference	Neither DTA nor DTL to be created
Interest on loan taken from schedule bank accounted in the books, but not paid till the date of filing Return of Income.	Permanent Difference	Neither DTA nor DTL to be created

(b)

In the Books of

Dr.

Provision for Bad Debts Account

Cr.

(₹in '000s)

Date	Particulars	Amount	Date	Particulars	Amount
31.12.21	To Bad Debts A/c	800	1.1.21	By Balance b/d	4,550
31.12.21	To Profit & Loss A/c	850			



FINANCIAL ACCOUNTING

31.12.21	To Balance c/d 5% of (Rs 58,000)	2,900			
		4,550			4,550
31.12.22	To Bad Debts A/c	1,500	1.1.22	By Balance b/d	2,900
31.12.22	To Balance c/d 5% of (₹ 40,000)	2,000	31.12.22	By Profit & Loss A/c	600
		3,500			3,500

(c) Applicability of Garner V Murray in India:

According to sub section (ii) of Sec 48(b) of the Indian Partnership Act, if a partner becomes insolvent or otherwise incapable of paying his share of the contribution, the solvent partners must share ratably the available assets (including their own contribution to the capital deficiency). That is to say, the available assets will be distributed in proportion to their capitals.

Thus, under the Indian Partnership Act also the solvent partners are required to make good their share of the realization loss (i.e., capital deficiency). The total cash available after making good the solvent partners' share of capital deficiency shall be shared by the solvent partners in proportion to their capitals. As a result of this the ultimate debit balance of the insolvent partner's Capital A/c. is borne by the solvent partners in capital ratio.

The provision of the Indian Partnership Act in this respect are, thus, similar to the rules laid down by the decision in Garner vs. Murray.

When there is a specific provision in the Partnership Deed as to how the deficiency of an insolvent partner is to be borne by the solvent partners, such provision must be followed, because the provision of the Act will apply only when there is no specific agreement.