INTERMEDIATE EXAMINATION | SET 1

MODEL ANSWERS | TERM – JUNE 2024

PAPER – 6 | SYLLABUS 2022

FINANCIAL ACCOUNTING

Time Allowed: 3 Hours **Full Marks: 100**

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

SECTION – A (Compulsory)

I. Choose the correct option: **[15 x 2 = 30]**

(i) The accounts related to expenses or losses and incomes or gains are called __________.
- a. Personal Account
- b. Representative Personal Account
- c. Nominal Account
- d. Real Account

(ii) Which of the following will not appear in the Profit and Loss A/c?
- a. Capital
- b. Bad Debts
- c. Provision for Doubtful Debts
- d. Rent paid

(iii) Which of the following is not a method of Branch Accounting?
- a. Debtors Method or Synthetic Method
- b. Stock Debtors method or Analytical Method
- c. Final Accounts Method (Cost Basis)
- d. Creditors Method or Synthetic Method

(iv) Down payment plus instalments including interest is termed as Outstanding _________________.
- a. cash price
- b. trade price
- c. Hire-purchase price
- d. Book value

(v) Original cost of a machine is ₹1,50,000, residual value ₹10,000, if depreciation is charged @ 10% per annum under WDV method then depreciation for 3rd year will be ______________.
- a. ₹12,240
- b. ₹11,340
- c. ₹12,150
- d. ₹14,000

(vi) If average inventory is ₹ 1,25,000 and closing inventory is ₹ 10,000 less than opening inventory then the value of closing inventory will be:
- a. ₹ 1,35,000
- b. ₹ 1,15,000
- c. ₹ 1,30,000
- d. ₹ 1,20,000

(vii) **P and Q enter into a joint venture sharing profit and losses in the ratio of 3:2. P purchased goods costing ₹ 2,00,000. Q sold 95% goods for ₹ 2,50,000. P is entitled to get 1% commission on purchase and Q is entitled to get 5% commission on sales. P drew a bill on Q for an amount equivalent to 80% of original cost of goods. P got it discounted at ₹ 1,50,000. What is P's share of profit?**

a. ₹ 15,300
b. ₹ 21,300
c. ₹ 18,900
d. None of the above

(viii) **From the following details ascertain the adjusted bank balance as per cash book – overdraft as per cash book ₹80,000; cheque received entered twice in the cash book ₹5,000; credit side of bank column cast short by ₹500; bank charges amounting to ₹200 entered twice; cheque issued but dishonoured ₹2,000.**

a. ₹80,500
b. ₹85,500
c. ₹85,000
d. ₹83,300

(ix) **Goods of the invoice value of ₹ 2,40,000 sent out to consignee at 20% profit on cost the loading amount will be ____________________.**

a. ₹ 40,000
b. ₹ 48,000
c. ₹ 50,000
d. none

(x) **Shiva purchased a laptop on hire-purchase system. As per terms, he is required to pay ₹ 7,500 down, ₹ 10,000 at the end of first year, ₹ 7,500 at the end of second year, and ₹ 12,500 at the end of third year. Interest is charged at 12% per annum. The interest payable with the installment at the end of second year will be**

a. ₹ 900
b. ₹ 1,999
c. ₹ 804
d. ₹ 1,760

(xi) **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 instalments 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

(xii) **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.

(xiii) AS -10 Deals with ___________________.
a. Disclosure of Accounting Policies
b. Accounting for Government Grants
c. Property Plant and Equipment
d. Borrowing Costs

(xiv) 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 __________.
a. ₹2,000
b. (₹2,000)
c. ₹82,000
d. ₹80,000

(xv) 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

Answer:
1.

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

Section – B

(Answer any five questions out of seven given. Each question carries 14 Marks)
[5 x 14 = 70]

2. (a) On 1.1.2021 machinery was purchased for ₹ 80,000. On 01.07.2022 additions were made to the amount of ₹ 40,000. On 31.3.2023, machinery purchased on 1.7.2022, costing ₹ 12,000 was sold for ₹ 11,000 and on 30.06.2023 machinery purchased on 01.01.2021 costing ₹ 32,000 was sold for ₹ 26,700. On 1.10.2023, additions were made to the amount of ₹ 20,000. Depreciation was provided at 10% p.a. on the Diminishing Balance Method.
Prepare the Machinery Accounts for three years from 2021-2023. (year ended 31st December) [7]

(b) On 1st April, 2021 the balance of provision for bad and doubtful debts was ₹13,000. The

bad debts during the year 2021-22 were ₹9,500. The sundry debtors as on 31st March, 2022 stood at ₹3,25,000 out of these debtors of ₹2,500 are bad and cannot be realized. The provision for bad and doubtful debts is to be raised to 5% on sundry debtors. You are required to:

(i) Pass necessary adjustment entries for bad debts and its provision on 31st March, 2022.

(ii) Prepare the necessary ledger accounts.

(iii) Show the relevant items in the Profit & Loss Account and Balance Sheet. [7]

Answer:

2.(a)

Statement of Depreciation.

Date	Particulars	Machines – I Cost = ₹ 80,000		Machines – II Cost = ₹ 40,000		Machines – III Cost = ₹ 20,000	Total Depreciation
		(₹)	(₹)	(₹)	(₹)	(₹)	(₹)
01.01.2021	Book Value	48,000	32,000				
31.12.2021	Depreciation	4,800	3,200				8,000
01.01.2022	W.D.V.	43,200	28,800				
01.07.2022	Purchase			28,000	12,000		
31.12.2022	Depreciation	4,320	2,880	1,400	600		9,200
01.01.2023	W.D.V.	38,880	25,920	26,600	11,400		
31.03.2023	Depreciation				285		285
	W.D.V.				11,115		
	Sold For				11,000		
	Loss on sale				115		
30.06.2023	Depreciation		1,296				1,296
	W.D.V.		24,624				
	Sold For		26,700				
	Profit on Sale		2,076				
01.10.2023	Purchase					20,000	
31.12.2023	Depreciation	3,888		2,660		500	7,048
01.01.2024	W.D.V.	34,992		23,940		19,500	

Dr. Machinery Account Cr.

Date	Particulars	(₹)	Date	Particulars	(₹)
01.01.21	To, Bank A/c	80,000	31.12.21	By, Depreciation A/c	8,000
				,, Balance c/d	72,000
		80,000			80,000
01.01.22	To, Balance b/d	72,000	31.12.22	By, Depreciation A/c	9,200
01.07.22	" Bank A/c	40,000		,, Balance c/d	1,02,800
		1,12,000			1,12,000
01.01.23	To, Balance b/d	1,02,800	31.3.23	By, Bank (Sale) A/c	11,000
30.06.23	" P & L A/c (Profit on Sale)	2,076		,, Depreciation A/c	285
	" Bank A/c	20,000	30.6.23	,, P & L A/c (Loss on Sale)	115
				,, Bank A/c (Sale)	26,700
			31.12.23	,, Depreciation A/c	1,296
				,, Depreciation A/c	7,048
				,, Balance c/d	78,432
		1,24,876			1,24,876

2.(b)

(i)

In the books of ……………….

Journal

Date	Particulars		Debit (₹)	Credit (₹)
31.03.22	Bad Debts A/c To, Sundry Debtors A/c (Being Bad Debts)	Dr.	2,500	2,500
31.03.22	Provision for Bad & Doubtful Debts A/c To, Bad Debts A/c (Being Bad Debts during the year)	Dr.	12,000	12,000
31.03.22	Profit and Loss A/c To, Provision for Bad & Doubtful Debts A/c (Being Provision for Bad Debts transferred to Profit & Loss A/c)	Dr.	15,125	15,125

(ii)

Dr. Bad Debts Account Cr.

Date	Particulars	(₹)	Date	Particulars	(₹)
31.03.22 31.03.22	To Balance b/d To Sundry Debtors A/c	9,500 2,500	31.03.22	By Provision for Bad & Doubtful Debts A/c	12,000
		12,000			12,000

Dr. Provision for Bad & Doubtful Debts Account Cr.

Date	Particulars	(₹)	Date	Particulars	(₹)
31.03.22	To Bad Debts A/c	12,000	01.04.21	By Balance b/d	13,000
31.03.22	To Balance c/d [5% on (3,25,000 - 2,500)]	16,125	31.03.22	By Profit and Loss A/c (b/fig)	15,125
		28,125			28,125

Dr. Sundry Debtors Account (includes) Cr.

Date	Particulars	(₹)	Date	Particulars	(₹)
31.03.22	To Balance b/d	3,25,000	31.03.22 31.03.22	By Bad Debts A/c By Balance c/d	2,500 3,22,500
		3,25,000			3,25,000

(iii) Profit and Loss Account for the year ended 31st March, 2022 (includes)

Particulars	(₹)	(₹)
To Provision for Bad & Doubtful Debts:		
Provision as on 31.3.2022	16,125	
Add: Bad Debts (9,500 + 2,500)	12,000	
	28,125	
Less: Provision as on 1.4.2021	13,000	15,125

Balance Sheet as on 31st March, 2022 (includes)

Liabilities	(₹)	Assets		(₹)
		Sundry Debtors Less: Further Bad Debts	3,25,000 2,500	
		Provision for Bad Debts	3,22,500 16,125	3,06,375

3.(a) Hari and Om agreed for purchasing and selling furniture in a joint venture, their profit sharing ratio being 3:2 respectively. Hari purchased 10 sofas at ₹ 10,000 per sofa. He sent those sofas to Om for sale after spending ₹ 1,000 per sofa on insurance and transportation. He drew a bill of ₹ 50,000 on Om and this bill was discounted at a discount of ₹ 5,000 after acceptance. Om incurred further expenses of ₹ 2,000 on these sofas before sale. He sold all the sofas @ ₹ 15,000 per sofa, giving 5% commission to the dealer.

Prepare Joint Venture with Om Account in the books of Hari. Also show the Memorandum Joint Venture Account. [7]

(b) A Transport purchased from Kolkata Motors 3 Tempos costing ₹ 50,000 each on the hire purchase system on 1.1.2021. Payment was to be made ₹ 30,000 down and the remainder in 3 equal annual instalments payable on 31.12.2021, 31.12.2022 and 31.12.2023 together with interest @ 9%. p.a. A Transport writes off depreciation at the rate of 20% p.a. on the diminishing balance. It paid the Installment due at the end of the first year i.e. 31.12.2021 but could not pay the next on 31.12.2022. Kolkata Motors agreed to leave one Tempo with the purchaser on 31.12.2022 adjusting the value of the other 2 Tempos against the amount due on 31.12.2022. The Tempos were valued on the basis of 30% depreciation annually on W.D.V. basis.

Prepare necessary accounts in the books of A Transport for the year 2021, 2022, 2023. [7]

Answer:

3.(a)

In the Books of Hari
Memorandum Joint Venture Account

Particulars	(₹)	Particulars	(₹)
To, Bank A/c [Purchase] (10,000 × 10)	1,00,000	By, Om A/c [Sales] (₹15,000 × 10)	1,50,000
To, Bank A/c [Expense] (1,000 × 10)	10,000		
To, Discount A/c (Bill discounted)	5,000		
To, Om A/c [Expenses]	2,000		
To, Om A/c [Commission] (1,50,000 × 5%)	7,500		
To, P/L A/c: Hari 15,300 Om 10,200	25,500		
	1,50,000		1,50,000

Dr. Joint Venture with Om Account Cr.

Particulars	(₹)	Particulars	(₹)
To, Bank A/c [Purchase]	1,00,000	By, Bills Receivable A/c	50,000

To, Bank A/c [Expense]	10,000	By, Balance c/d	80,300
To, Discount on Bill A/c	5,000		
To, P/L A/c [Share of profit]	15,300		
	1,30,300		1,30,300

3.(b)

In the Books of…..

Dr. Tempos Account Cr.

Date	Particulars	(₹)	Date	Particulars	(₹)
01.01.21	To, Kolkata Motors' A/c (₹ 50,000 × 3)	1,50,000	31.12.21	By, Depreciation A/c (20% on ₹ 1,50,000)	30,000
				By, Balance c/d	1,20,000
		1,50,000			1,50,000
01.01.22	To, Balance b/d	1,20,000	31.12.22	By, Depreciation A/c	24,000
			31.12.22	By, Kolkata Motors' A/c (Value of 2 tempos taken away)	49,000
			31.12.22	By, P&L A/c (Loss on Default)	15,000
			31.12.22	By, Balance c/d (value of one tempo left)	32,000
		1,20,000			1,20,000
01.01.22	To, Balance b/d	32,000	31.12.23	By, Depreciation A/c	6,400
			31.12.23	By, Balance c/d	25,600
		32,000			32,000

Dr. Kolkata Motor's Account Cr.

Date	Particulars	(₹)	Date	Particulars	(₹)
01.01.21	To, Bank A/c (Down Payment)	30,000	01.01.21	By, Tempos A/c (₹ 50,000 ×3)	1,50,000
31.12.21	To, Bank A/c	50,800	31.12.21	By, Interest A/c (9% on ₹ 1,20,000)	10,800
31.12.21	To, Balance c/d	80,000			

		1,60,800			1,60,800
31.12.22	To, Tempos A/c	49,000	01.01.22	By, Balance b/d	80,000
31.12.22	To, Balance c/d	38,200	31.12.22	By, Interest A/c (9% on ₹ 80,000)	7,200
		87,200			87,200
31.12.23	To, Bank A/c	41,638	01.01.23	By, Balance b/d	38,200
			31.12.23	By, Interest A/c (9% on ₹ 38,200)	3,438
		41,638			41,638

Working Notes:

1. Value of a tempo left with the buyer = ₹ 50,000 × 80/100 × 80/100
   = ₹ 32,000
2. Value of Tempos taken away by the seller = ₹ 50,000 × 2 × 70/100 × 70/100
   = ₹ 49,000
3. Loss on Tempos taken away = Book Value – Agreed Value
   = [2 × ₹ 50,000 × 80/100 × 80/100] - ₹ 49,000
   = ₹ 15,000.

4. The following Trial Balance has been prepared from the books of Mrs. Sexena as on 31st March, 2024 after making necessary adjustments for depreciation on Fixed Assets, outstanding and accrued items and difference under Suspense Account.

Trial Balance as at 31st March, 2024

Particulars	Debit (₹)	Particulars	Credit (₹)
Machineries	**1,70,000**	**Sundry Creditors**	**82,000**
Furniture	**49,500**	**Capital Account**	**2,45,750**
Sundry Debtors	**38,000**	**Outstanding Expenses:**	
Drawings	**28,000**	**Salaries**	**1,500**
Travelling Expenses	**6,500**	**Printing**	**600**
Insurance	**1,500**	**Audit Fees**	**1,000**

Audit Fees	1,000	Bank Interest	1,200
Salaries	49,000	Discounts	1,800
Rent	5,000	Sales (Less Return)	6,80,000
Cash in Hand	7,800		
Cash at Bank	18,500		
Stock-in-Trade (01.04.2023)	80,000		
Prepaid Insurance	250		
Miscellaneous Expenses	21,200		
Discounts	1,200		
Printing & Stationery	1,500		
Purchase (Less Returns)	4,60,000		
Depreciation:			
Machineries	30,000		
Furniture	5,500		
Suspense Account	39,400		
	10,13,850		10,13,850

On the subsequent scrutiny following mistakes were noticed:

(i) A new machinery was purchase for ₹ 50,000 but the amount was wrongly posted to Furniture Account as ₹ 5,000.

(ii) Cash received from Debtors ₹ 5,600 was omitted to be posted in the ledger.

(iii) Goods withdrawn by the proprietor for personal use but no entry was passed ₹ 5,000.

(iv) Sales included ₹ 30,000 as goods sold cash on behalf of Mr. Thakurlal who allowed 15% commission on such sales for which effect is to be given.

You are further told that:

(a) Closing stock on physical verification amounted to ₹ 47,500.

(b) Depreciation on Machineries and Furniture has been provided @ 15% and 10%, respectively, on reducing balancing system.

Full year's depreciation is provided on addition.

You are requested to prepare a Trading and Profit & Loss Account for the year ended 31st March 2024 and a Balance Sheet as on that date so as to represent a True and Correct picture.

[14]

Answer:

Mrs. Sexena

Trading and Profit and Loss Account

Dr. for the year ended 31st March, 2024 Cr.

Particulars	(₹)	(₹)	Particulars	(₹)	(₹)
To, Opening Stock		80,000	By, Sales (₹ 6,80,000 - ₹ 30,000)		6,50,000
To, Purchases	4,60,000		By, Closing Stock		47,500
Less: Drawings	5,000	4,55,000			
To, Profit & Loss A/c.					

Gross Profit transferred		1,62,500			
		6,97,500			6,97,500
To, Salaries:		49,000	By, Trading A/c. (Gross Profit)		1,62,500
To, Rent		5,000	By, Bank Interest		1,200
To, Insurance		1,500	By, Selling Commission		
To, Audit Fees		1,000	(15% on ₹ 30,000)		4,500
To, Printing & Stationery		1,500	By, Discount Received		1,800
To, Miscellaneous Expenses		21,200			
To, Discount Allowed		1,200			
To, Travelling Expenses		6,500			
To, Depreciation:					
Machinery	37,500				
Furniture	5,000	42,500			
To, Capital Account (Net Profit transferred)		40,600			
		15,65,000			15,65,000

Balance Sheet

as at 31st March, 2024

Liabilities	(₹)	(₹)	Assets	(₹)	(₹)
Capital Account	2,45,750		Machinery	2,50,0001	
Add: Net Profit	40,600		Less: Depreciation	37,500	2,12,500
	2,86,350		Furniture	50,0002	
Less: Drawings (28,000+5,000)	33,000	2,53,350			
			Less: Depreciation	5,000	45,000
Sundry Creditors		82,000	Stock		47,500
Outstanding Liabilities:			Debtors (₹38,000 - ₹5,600)		32,400
Salaries	1,500		Cash		7,800
Audit Fees	1,000		Bank		18,500
Printing	600	3,100	Prepaid Insurance		250

Thakurlal's A/c. (₹30,000 – ₹4,500)		25,500			
		3,63,950			3,63,950

Notes:

		(₹)
1.	Machinery as per Trial Balance	1,70,000
	Add: Depreciation	30,000
		2,00,000
	Additions	50,000
		2,50,000
2.	Furniture	49,500
	Add: Depreciation	5,500
		55,000
	Less: Wrong Debit	5,000
3.	Suspense A/c is eliminated by item	50,000
	(i) ₹ 45,000 (₹50,000 – ₹5,000) and item	
	(ii) by ₹5,600 (debited), respectively.	

5. 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, 2024 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 Account**		
A	**7,428**				**5,018**
C	**9,356**	**16,784**	**Stock**		**1,24,758**
Loan-C		**56,000**	**Debtors**		**69,960**
Creditors		**38,072**	**Cash in hand**		**1,520**
Bank Overdraft		**8,400**			
		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 C.

(v) C is to take a car at its book value of ₹ 7,800 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 Account are concerned. D is to contribute cash to bring his Capital and Current Account 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 Revaluation Account, Partners' Capital Accounts, Partners' Current Accounts, C's Loan Account, Bank Account and Balance Sheet of the newly constituted firm as at April 1, 2024.

[14]

Answer:

(a)

In the books of the firm
Revaluation Account

Dr. Cr.

Particulars	(₹)	Particulars	(₹)
To, Plant A/c	4,000	By, Premises A/c	60,000
To, Stock A/c	16,400		
To, Provision for doubtful debts A/c	6,000		
To, Partner's Current A/c s	33,600		
A 16,800			
B 11,200			
C 5,600			
	60,000		60,000

(b)

Dr. Partners' Capital Account Cr.

Particulars	A (₹)	B (₹)	C (₹)	D (₹)	Particulars	A (₹)	B (₹)	C (₹)	D(₹)
To, Goodwill A/c	36,000	24,000	—	24,000	By, Balance b/d	1,70,000	1,30,000	70,000	—
(3:2:2)	—	—	84,000	—	By, Goodwill	42,000	28,000	14,000	—
To, Loan A/c	42,000	—	—	—	A/c (3:2:1)				
To, Bank A/c					By, Bank A/c	—	—	—	1,58,000
To, Balance c/d	1,34,000	1,34,000	—	1,34,000					
2,12,000									
	2,12,000	1,58,000	84,000	1,58,000		2,12,000	1,58,000	84,000	1,58,000

(c)

Dr. Partners' Current Account Cr.

Particulars	A (₹)	B (₹)	C (₹)	D (₹)	Particulars	A (₹)	B (₹)	C (₹)	D(₹)
To, Balance b/d	—	5,018	—	—	By, Balance b/d	7,428	—	9,356	—
To, C's Loan A/c	—	—	14,956	—	By, Revaluation	16,800	11,200	5,600	—
To, Bank A/c	18,046	—	—	—	A/c				
To, Balance c/d	6,182	6,182	—	6,182	By, Bank A/c	—	—	—	6,182
	24,228	11,200	14,956	6,182		24,228	11,200	14,956	6,182

(d)

Dr. C's Loan Account Cr.

Date	Particulars	(₹)	Date	Particulars	(₹)
31.03.24	To, Vehicles A/c	7,800	31.03.24	By, Balance b/d	56,000
	To, Bank A/c (Bal. fig.) To, Balance c/d	1,07,156 40,000		By, C's Capital A/c By, C's Current A/c	84,000 14,956
		1,54,956			1,54,956

(e)

Dr. Bank Account Cr.

Date	Particulars	(₹)	Date	Particulars	(₹)
31.03.24	To, D Capital A/c	1,58,000	31.03.24	By, Balance b/d	8,400
	To, D Current A/c	6,182		By, C's Loan A/c	1,07,156
	To, Balance c/d	11,420		By, A's Capital A/c	42,000
				By, A's Current A/c	18,046
		1,75,602			1,75,602

(f) Balance Sheet of as on 01 .04.2022

Liabilities	(₹)	(₹)	Assets	(₹)	(₹)
Capital Accounts:			Premises		2,40,000
A	1,34,000		Plant		70,000
B	1,34,000		Vehicles		22,200
D	1,34,000	4,02,000	Fixtures		4,000
Current Accounts:			Stock		1,08,358
A	6,182		Debtors	69,960	
B	6,182		Less: Provision for bad debts	6.000	63,960
D	6,182	18,546	Cash		1,520
C's Loan Account:		40,000			
Creditors		38,072			
Bank Overdraft		11,420			
		5,10,038			5,10,038

Working Notes:
Calculation of New P.S.R.
D's share = B's share = 2/6
A's share = 3/6;
B's share = 2/6
∴ A: B: D = 3/6: 2/6: 2/6 = 3:2:2

6. (a) Mithil Mukherjee sells two products manufactured in her own factory. The goods are made in two departments, X and Y, for which separate sets of accounts are maintained. Some of the manufactured goods of department X are used as raw materials by department Y, and vice versa.
From the following particulars, you are required to ascertain the total cost of goods manufactured in department X and Y:

Particulars	Department X	Department Y
Total units manufactured	**10,00,000**	**5,00,000**
Total cost of manufactured	**₹10,000**	**₹5,000**

Department X transferred 2,50,000 units to Department Y and the latter transferred 1,00,000 units to the former. **[7]**

(b) On 20th July, 2023 the godown and the business premises of a merchant were affected by fire. From the accounting records salvaged, the following information is made available to you:
Stock of Goods on 1st April, 2022 ₹1,00,000

Stock of Goods at 10% lower than cost on 31st March, 2023	**₹1,08,000**
Purchases of Goods for the year 1st April, 2022 to 31st March, 2023	**₹4,20,000**
Sales for the same period	**₹6,00,000**
Purchases less returns from 1st April, 23 to 20th July, 2023	**₹1,40,000**
Sales Returns for the above period	**₹3,10,000**

Sales up to 20th July, 2023 included ₹40,000 for which goods had not been despatched. Purchases up to 20th July, 2023 did not include ₹20,000 for which purchase invoices had not been received from suppliers, though goods had been received at the godown.

Goods salvaged from the accident were worth ₹12,000 and these were handed over to the insured. Ascertain the value of the claim for the loss of goods/stock which could be preferred to the insurer.

[7]

Answer:

6.(a)

Suppose, a is the total cost of Department X, and
b is the total cost of Department Y

$a = ₹10,000 + \frac{1}{5} b$

$b = ₹5,000 + \frac{1}{4} a$

or, $a = ₹10,000 + \frac{1}{5}(5,000 + \frac{1}{4} a)$

$= ₹10,000 + 1,000 + \frac{1}{20} a$

$= ₹11,000 + \frac{1}{20} a$

Or, 20 a = ₹2,20,000 + a

Or, 19a = ₹2,20,000

$= ₹\frac{2,20,000}{19}$

= ₹11,579

Now, $b = ₹5,000 + \frac{1}{4} a$

$= ₹5,000 + \frac{1}{4} \times$ `11,579

=₹5,000 + ₹2,895

=₹7,895

Total Cost goods manufactured

Particulars	Amount (₹) Department X	Amount(₹) Department Y
Cost (already given)	10,000	5,000
Add: Cost of goods transferred	1,579	2,895
	11,579	7,895
Less: Transfer to department	2,895	1,579
Net Cost of Goods manufactured	8,684	6,316

6.(b)

Trading Account for the year ended 31.03.2023

Dr. Cr.

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Opening Stock		1,00,000	By Sales		6,00,000
To Purchases		4,20,000	By Closing Stock	1,08,000	
To Gross Profit		2,00,000	Add: Under Valuation $\left[\frac{10}{90} \text{ of } 1,08,000\right]$	12,000	1,20,000
		7,20,000			7,20,000

Rate of Gross Profit in 2022 -23 = on sales.

$$\frac{₹2,00,000}{₹6,00,000} \times 100 = 33\frac{1}{3}\%$$

The net purchases in current year should be ₹ 1,40,000 + ₹ 20,000

Similarly, Sales = ₹ 3,10,000 – ₹ 40,00.0 = ₹ 2,70,000

Memorandum Trading Account for the from 01.04.23 to 20.07.23

Dr. Cr.

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Opening Stock		1,20,000	By Sales		2,70,000
To Purchases		1,60,000	By Closing Stock (Bal. fig.)		1,00,000
To Gross Profit $\left[\frac{1}{3} \text{ of } ₹2,70,000\right]$		90,000			
		3,70,000			3,70,000

Statement of Claim for Loss of Stock	₹
Estimated Value of Stock on 20.7.23 Less: Value of Salvaged Stock	1,00,000 12,000
Stock Lost by Fire	88,000

7.(a) B B Ltd., a start-up purchased on April 1, 2020, 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 2022-23, 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 calculate the amount of depreciation that is to be charged to the statement of profit and loss for the years 2022-23 and 2023-24 given that the company follows straight line method of charging depreciation.

[7]

(b) During the financial year 2022-23, Zeds Ltd., an e-commerce firm entered into a foreign currency transaction relating to fees for technical services paid to a Lucas Ltd., an Atlanta based organisation in the USA. The transaction was for $24,000, which was entered into on 07.12.2022. The payment for the same was made on 20.05.2023. Given that the exchange rates are: on 07.12.2022: $1 = ₹ 78.80; on 01.01.2022: $1 = ₹ 78.95; on 31.03.2023: $1 = ₹80.45; on 20.05.2023: $1 = ₹ 81.50.

You are required to:

(i) ascertain the amount at which the transaction would get recognised in the books; and

(ii) calculate amount of foreign exchange gain/ loss to be recorded in the financial statement for the years 2022-23 and 2023-24.

[7]

Answer:

7.(a)

Calculation of Depreciation for the years 2022-23 and 2023-24 ₹ ’000

Cost of machine on 01.01.2020	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 2020-21 and 2021-22 [553.5 × 2]	1,107
Book value of machine on 01.04.2022 [3,750 – 1,107]	2,643
Add: Refund of government grant during 2022-23	735
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

7.(b)

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 × 19.5/65]
Construction of factory shed	QA	4,68,000 [11.7 × 26/65]	
Advance for purchase of delivery vehicle	Not a QA		1,17,000 [11.7 × 6.5/65]
Working capital	Not a QA		2,34,000 [11.7 × 13/65]
Total		4,68,000	7,02,000

8. Answer the following questions:

(a) Write a note on – scope of AS 11 (The Effects of Changes in Foreign Exchange Rate) [5]

(b) Demonstrate the features of a Non-profit Organisations. [5]

(c) S and N are partners sharing Profit /(Loss) in the ratio of 5:3. They admit J into partnership for 3/10th in the Profit/(Loss) in which J acquired 1/5th share from S and 1/10th share from N respectively. Calculate the new profit and loss sharing ratios of the partners. [4]

Answer:

8. (a)

This accounting standard deals with the reporting of foreign exchange transactions in the financial statements of an organisation.

AS 11 deals with :

Accounting for transactions in foreign currencies;

Translating financial statements of foreign operations to reporting currency; and

Accounting for foreign currency transactions in the nature of forward exchange contracts.

The standard however does not cover the following issues:

It does not specify the currency in which an enterprise should presents its financial statements;

Restatement of an enterprise's financial statements from its reporting currency into another currency;

Presentation in cash flow statements, of cash flows arising from transactions in foreign currency and translation of cash flows of a foreign operation (AS 3 Cash Flow Statements); and

Exchange differences arising from foreign currency borrowings to the extent they are regarded as adjustment to interest costs (AS 16 Borrowing costs).

8.(b)

The organizations which are primarily formed with the objective of offering some specific services to the society and not with profit motive only are referred to as Non-profit Organisations. Such organisations include educational institutions, public medical organisations, social clubs, charitable trusts, trade unions, Cultural clubs like Rotary or Lions Club Religious institutions etc. Their main objective is to operate for adding value to different sections of the society.

Features of Non-profit Organisations:

The salient features of such non-trading entities are:

- This organization is governed by elected body or trustee board.
- Its operation is not driven by any profit motive unlike trading concerns.
- Main purpose of the organization is to provide social service.
- Main source of their income comes from donation and membership subscription.
- The funds are utilized maximum for the benefits of the society.
- The membership process for this concern is non-transferable.
- The method of accounting that is followed here is entity concept.

8.(c)

S's new share $=[\frac{5}{8}-\frac{1}{5}]=\frac{25-8}{40}=\frac{17}{40}$

N's new share $=[\frac{3}{8}-\frac{1}{10}]=\frac{15-4}{40}=\frac{11}{40}$

J's new share $=\frac{3}{10}-\frac{12}{40}$

Hence New profit/loss sharing ratios of the partners = 17:11:12