INTERMEDIATE EXAMINATION	SET-2
MODEL ANSWERS	TERM – DEC 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) Which of the following is/ are true regarding Trial Balance.

a. It is prepared for a particular period.

b. A trial balance is just a statement.

c. The agreement of a trial balance is a conclusive proof of absolute accuracy of the books of accounts.

d. All of the above

(ii) Purchased goods from Mr. R for ₹ 3,600 but wrongly recorded as ₹6,300 to the debit of Mr. R. In the rectification entry, Mr. R's account will be credited with —

a. ₹9,900

b. ₹2,700

c. ₹2,600

d. ₹6,300

(iii) 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.

(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) 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

(vi) Subscription of ₹6,25,000 had been shown in the Income and Expenditure Account prepared for the year ending 31st March, 2023. Additional information is as below:

Particulars	On 31st March, 2022 (₹)	On 31st March, 2023 (₹)
Subscription Outstanding	55,000	72,000
Subscription Received in Advance	31,000	37,000

The amount of subscription received during the year 2022-23would be:
a. ₹6,36,000
b. ₹6,02,000
c. ₹6,14,000
d. ₹6,48,000

(vii) Sacrificing ratio is:
a. New Profit sharing ratio - old profit sharing ratio.
b. Equal to old profit sharing ratio
c. Equal
d. Old profit sharing ratio - new profit sharing ratio.

(viii) B and D are partners, sharing profit or loss in the ratio 3 : 2. They admit K for 1/6th share of profits in the firms of which she takes 2/3rd from B and 1/3rd from D. What will be the new profit sharing ratio?
a. 44: 31: 15
b. 31: 44: 15
c. 32: 41: 14
d. 15: 31: 44

(ix) Excess of hire purchase price over cash price is known as
a. Installment
b. Cash down payment
c. Interest
d. Capital value of asset

(x) Arti Ltd. purchased a machine on hire purchase system for a cash price ₹5,00,000 to be paid as ₹78,700 cash down and the balance by three equal annual instalments of ₹2,00,000 each. If interest is charged @ 20% per annum, then amount of interest payable in second instalment will be.
a. ₹1,00,000
b. ₹61,112

c. ₹33,328
d. ₹84,260

(xi) Which one is the correct one? Fundamental accounting assumptions as per AS 1 are:
a. Going Concern, Matching and Consistency;
b. Money Measurement, Going Concern and Prudence;
c. Accounting Period, Going Concern and Entity Concept; and
d. Going Concern, Consistency and Accruals.

(xii) The IRDA issued a circular under _________of the Insurance Act, 1938, which mandates insurers to comply with Ind AS and its implementation Roadmap issued by the MCA.
a. Section 35
b. Section 34
c. Section 36
d. Section 40

(xiii) Provision for Doubtful Debt on 1st April, 2022 was ₹13,000. During the year 2022-23 the Bad-debt was₹ 9,500. The Sundry Debtors on 31st March, 2023 were ₹3,25,000. Provision is to be made @ 5% on Debtors. If on 31st March, 2023, there was additional Bad debt of ₹2,500 then Provision for doubtful- debt will be:
a. debited to Profit & Loss Account by ₹ 16,125.
b. debited to Profit & Loss Account by ₹15,125.
c. debited to Profit & Loss Account by ₹ 3,000.
d. debited to Profit & Loss Account by ₹ 900.

(xiv) Which of the following commission is allowed by the consignor to the consignee to encourage the consignee for putting-up hard work in introducing new product in the market?
a. Del-credere Commission
b. Over-riding Commission
c. Hard work Commission
d. Ordinary Commission

(xv) Outstanding salaries is shown as –
a. An Asset in the Balance Sheet
b. A Liability in the Balance sheet
c. By adjusting it in the P & L A/c
d. Both (b) and (c)

Answer:

i	ii	iii	iv	v	vi	vii	viii	ix	x

b	a	a	a	c	c	d	a	c	b
xi	**xii**	**xiii**	**xiv**	**xv**					
d	b	b	b	d					

SECTION – B

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

2. (a) On comparing the Cash Book of Saksham with the Bank Pass Book for the year ended 31st March, 2024, following discrepancies were noticed:

(i) Out of ₹82,000 paid in by cheques into the bank on 25th March, cheques amounting to ₹30,000 were collected on 5th April.

(ii) Out of cheques drawn amounting to ₹31,200 on 28th March a cheque for ₹10,000 was presented on 3rd April.

(iii) A cheque for ₹4,000 entered in Cash Book but omitted to be banked on 31st March.

(iv) 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.

(v) A bill receivable for ₹ 2,080 previously discounted (discount ₹80) with the bank had been dishonoured but advice was received on 3rd April.

(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, 2024.

(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, 2024, if the Balance as per Cash Book on 31st March was ₹1,58,280.

(b) Prepare the Rectified entries of the following with a suitable narration:

(i) An amount of ₹ 50 received from C. Sen has been credited to D. Sen Account

(ii) Purchase of furniture for ₹ 2,500 has been debited to purchase account.

(iii) Sale of old machine for ₹ 2,000 has been recorded in sales account.

(iv) Basu account has been debited for ₹ 3,500 for salary paid to him for the like amount.

(v) Annual white –washing of ₹ 800 has been wrongly debited to income tax account.

(vi) Income tax paid for ₹ 800 has been wrongly debited to income tax account

(vii) discount received for ₹ 150 has been recorded as interest received.

(viii) Goods purchased for the proprietor amounting to ₹ 200 has been debited to purchase account.

(ix) Wages of ₹ 1,500 paid for constructing a new building has been to wages account.

[7+7=14]

Answer:

(a)

Bank Reconciliation Statement
As on 31st March 2024

Particulars	₹	₹
Balance as per Cash Book (Dr.)		1,58.280
Add: (b) Cheques issued on 28th 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 (Note)	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 25th March but not yet collected till 31st March	30,000	
(c) A cheque entered in Cash Book but not yet banked	4,000	
(c) Discounted Bills Receivable dishonoured but not recorded in Cash Book	2,080	
(h) Amount Wrongly debited by the Bank	20,000	
		56,080
Balance as per Bank Pass Book (Cr.)		1,26,000

(b)

Journal Entries

Particulars	Dr. ₹	Cr. ₹
(i) D. Sen Account …………………… Dr. To C. Sen A/c (being the rectifying entry for the amount received from C. Sen wrongly credited to D. Sen Account)	50	50
(ii) Furniture Account ………………… Dr. To Purchases A/c (being the rectifying entry for purchase of furniture wrongly debited to purchases Account)	2,500	2,500
(iii) Sales Account …………………... Dr.	2,000	

To Machine A/c (being the rectifying entry for wrongly crediting sale account for sale of old machine)		2000
(iv) Salary Account ……………………… Dr To Basu account (being the rectifying entry for wrongly debiting Basu Account for salary paid to him)	3,500	3,500
(v) Maintenance ………………………….. Dr To Income tax Account (being the rectifying entry for debiting building Account for annual white-washing charges)	800	800
(vi) Drawing Account……………………… Dr To income tax Account (being the rectifying entry for wrong posting of income tax)	800	800
(vii) Interest received Account ……………….Dr To Discount received Account (being the rectifying entry for wrong posting of discount received as interest received)	150	150
(viii) Drawing Account………………………. Dr To Purchase Account (being the rectifying entry for wrongly debiting purchase account for goods purchased for proprietor)	200	200
(ix) Building Account ………………………. Dr To wages account (being the rectifying entry for wrongly debiting wage account for wages paid for constructing building)	1,500	1,500

3. (a) RG Cellular of Kolkata consigned 100 mobile handsets to Techno Traders of Durgapur. The cost of each handset was ₹ 25,000. The consignor paid insurance ₹ 15,000, freight ₹ 8,000. An account sale was received from Pluto, showing gross sale proceeds of 80 units at ₹ 30,000 each.

The expenses paid and deducted by him were: Carriage ₹ 2,000; Establishment expenses ₹ 10,300; Insurance₹ 24,000; Commission ₹ 85,000. The handsets lying unsold with Pluto were valued at ₹ 5,05,000

Prepare the journal entries in the books of Techno Traders given that maintains Consignment Inward A/c.

(b) Beta Ltd. sells its products only on hire purchase terms, the hire purchase price being 'cost plus 33.33%'. From the given information, Examine and analyze the operating results from the hire purchase transactions by drafting necessary accounts under Debtors method:

Particular	1.4.2023 (₹)	1.4.2024 (₹)
Stock out on hire at H.P price	2,40,000	?
Stock in hand at shop	30,000	42,000
Instalments due from customers	18,000	30,000

Further information:

- **Goods repossessed (installments not yet matured ₹ 12,000) valued at ₹ 4,800;**
- **Purchases made during the year 2023-24 amounted to ₹ 4,08,000;**
- **Cash collected from customers during 2023-24 was ₹ 4,80,000.** **[7+7=14]**

Answer:

(a)

Books of Techno Traders
Journal

Particular	Dr. ₹	Cr. ₹
Consignment Inward A/c [100 × ₹ 25,000] Dr. To, RG Cellular A/c (Being goods received from Jupiter)	25,00,000	25,00,000
Consignment Inward A/c………………. Dr. To, Bank A/c (₹ 2,000 + ₹ 10,300 + ₹ 24,000) (Being expenses paid for consignment)	36,300	36,300
Bank A/c…………………………….. Dr. To, Consignment Inward A/c (80 × ₹ 30,000) (Being goods received on consignment sold)	24,00,000	24,00,000
Consignment Inward A/c Dr. To, Commission A/c (Being commission due from Jupiter)	85,000	85,000
RG Cellular A/c……………………………. Dr. To, Consignment Inward A/c (Being stock lying unsold)	5,05,000	5,05,000
Consignment Inward A/c Dr. To, RG Cellular A/c (Being balance of Consignment Inward A/c transferred to Jupiter account)	2,83,700	2,83,700
RG Cellular A/c Dr. To, Bank A/c (Being payment made for balance due to consignor)	22,78,700	22,78,700

(b) Debtors Method

Books of Beta Ltd.
Hire Purchasing Trading Account
Dr. for the year ended 31.3.2024 Cr.

Particulars	(₹)	Particulars	(₹)
To, H.P. Stock [at H.P. price: 1.4.2023]	2,40,000	By, Stock Reserve [2,40,000 × 1/4]	60,000
To, H.P. Debtors [1.4.2023]	18,000	By, Goods sent on H.P. [Load: 5,28,000 × ¼]	1,32,000
To, Goods sent on H.P. [at H.P. Price– W.N:1]	5,28,000	By, Cash Received	4,80,000
		By, Goods Repossessed [Un matured Installments]	12,000
To, Loss on Repossession [WN:4]	7,200		
To, Stock Reserve [2,64,000 × 1/4]	66,000	By, H.P. Stock [at H.P. Price: 31.3.2024- WN:3]	2,64,000
To, General P/L A/c [Profit on H.P transferred	1,18,800	By, H.P. Debtors [31.3.2024]	30,000
	9,78,000		**9,78,000**

Working Notes:

1. Goods sent on H.P. basis (at H.P. price)

Memorandum Shop Stock Account

Particulars	(₹)	Particulars	(₹)
To, Opening Balance To, Purchases	30,000 4,08,000	By, Goods sent on H.P [at cost: Bal. Fig.] By, Closing Balance	3,96,000 42,000
	4,38,000		4,38,000

Therefore, Goods Sent on H.P [at H.P price] = 3,96,000 + 33 1/3% = ₹ 5,28,000.

2. Instalments Matured during the year

Memorandum H.P Debtors Account

Particulars	(₹)	Particulars	(₹)
To, Opening Balance [Installments due] To, Installments Matured [Bal. Fig.]	18,000 4,92,000	By, Cash Received By, Closing Balance [Installments due]	4,80,000 30,000
	5,10,000		5,10,000

3. Balance of H.P. Stock on 31.3.2024

Memorandum H.P. Stock Account

Particulars	(₹)	Particulars	(₹)
To, Opening Balance [stock out on hire purchase at H.P price]	2,40,000	By, Installments Matured [WN:2]	4,92,000
To, Goods sent on H.P [WN:1]	5,28,000	By, Goods Repossessed [Unmatured12,000 installments]	12,000
		By, Closing Balance [Stock with customers at SP – Bal. fig.]	2,64,000
	7,68,000		7,68,000

4. Loss on Repossession = Instalments not yet matured on repossessed goods – Value on repossession = ₹ [12,000 – 4,800] = ₹ 7,200. It is to be debited to H.P. Trading A/c.

Alternatively, instead of recording value of "Goods Repossessed" and "Loss on Repossession", the value on repossession ₹ 4,800 may be reflected on the credit side of H.P. Trading A/c.

4. The Income and Expenditure account of an association for the year ended 31 March 2022 is as under:

Dr. **Cr.**

Particulars	(₹)	Particulars	(₹)
To, Salaries	**1,20,000**	**By, Subscription**	**170000**
To, Printing and Stationery	**6,000**	**By, Entrance fee**	**4000**
To, Telephone	**1,500**	**By, Contribution for Dinner**	**36000**
To, Postage	**500**		
To, General expenses	**12000**		
To, Interest and bank charges	**5500**		
To, Audit fees	**2500**		
To, Annual Dinner Expenses	**25000**		
To, Depreciation	**7000**		
To, Surplus	**30000**		
	2,10,000		**2,10,000**

The aforesaid Income and Expenditure account has been prepared after the following adjustments:

Particulars	(₹)
Subscription outstanding as on 31st March 2022	16,000
Subscription outstanding as on 31st March 2023	18,000
Subscription received in advance as on 31st March 2022	13,000
Subscription 'received in advance as on 31st March 2023	8,400
Salaries outstanding as on 31st March 2022	6,000
Salaries outstanding as on 31st March 2023	8,000
Audit fees for 2020-21 paid during 2022-23	2,000
Audit fee for 2022-23 not paid	2,500
The building owned by the association since 2004 costs	1,90,000
Equipment as on 31st March, 2022 valued at	52,000
At the end of the year after depreciation of ` 7,000, equipment amounted to	63,000
In 2021-22, the association raised a bank loan of which is still not paid	30,000
Cash in hand as on 31st March 2023	28,500
Cash in hand as on 31st March 2022	13,600
Capital Fund as on 31st March 2022	2,20,600

Prepare Receipts and Payment Account of the association for the year ended 31st March 2023 and the Balance Sheet as at that date. [14]

Answer:

Receipts and Payments
for the year ended 31st March, 2023

Receipts	(₹)	Payments	(₹)
To, Balance b/d	13,600	By, Salaries W.N. (2)	1,18,000
To, Subscription (WN.3)	1,63,400	By, Printing & Stationery	6,000
To, Entrance Fees	4,000	By, Postage	500
To, Annual Dinner Contribution	36,000	By, Telephone	1,500
		By, General Expenses	12,000
		By, Audit Fees	2,000
		By, Dinner Expenses	25,000
		By, Interest	5,500
		By, Equipments W.N. (1)	18,000

		By, Balance c/d	28,500
	2,17,000		**2,17,000**

Balance Sheet as at 31st March, 2023

Liabilities	(₹)	(₹)	Assets	(₹)
Capital (W.N.- 4)	2,20,600		Buildings	1,90,000
Add: Surplus	30,000	2,50,600	Equipment's	63,000
Bank Loan		30,000	Cash in Hand	28,500
Creditors : Salaries		8,000	Subscription Receivable	18,000
Audit Fees O/S		2,500		
Subscription Received in Advance		8,400		
		2,99,500		**2,99,500**

Working Notes:

(1)

Dr. **Equipment Account** **Cr.**

Particulars	(₹)	Particulars	(₹)
To, Balance b/d To, Bank A/c (B/f)	52,000 18,000	By, Depreciation By, Balance c/d	7,000 63,000
	70,000		**70,000**

(2)

Dr. **Salaries Account** **Cr.**

Particulars	(₹)	Particulars	(₹)
To, Salary O/S (2022 - 23) To, Bank A/c (Bal.fig.)	8,000 1,18,000	By, Income & Expenditure A/c By, Salary O/S (2021-22)	1,20,000 6,000
	1,26,000		1,26,000

(3)

Dr. **Subscription Account** **Cr.**

Particulars	(₹)	Particulars	(₹)
To, Subscription Receivable (2021-22) To, Subscription Received in Advance (2022-23) To, Income & Expenditure A/c	16,000 8,400 1,70,000	By, Subscription Receive in Advance (2021-22) By, Subscription Receivable (2022-23) By, Bank A/c (Bal. fig.)	13,000 18,000 1,63,400
	1,94,400		**1,94,400**

(4)

Balance Sheet as at 31st March, 2022

Liabilities	(₹)	Assets	(₹)
Capital fund (Bal. fig.)	2,20,600	Building	1,90,000
Bank loan	30,000	Equipment	52,000
Creditors Salaries	6,000	Cash in hand	13,600
Audit Fees O/S	2,000	Subscription Receivable	16,000
Subscription Received in Advance	13,000		
	2,71,600		**2,71,600**

5. 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, 2023 was as under:

Liabilities	(₹)	Assets	(₹)
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:

1) Year ended 31.03.2020 - Profit ₹37,000

2) Year ended 31.03.2022 - Profit ₹40,000

3) Year ended 31.03.2023 - 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.

Prepare the following:

(1) Memorandum Revaluation Account,

(2) Partner's Capital Accounts and

(3) The Balance Sheet of the newly constructed firm. [14]

Answer:

Memorandum Revaluation Account

Particulars	(₹)	Particulars	(₹)
To, Stock A/c	30,000	By, Building	1,11,000
To, Plant & Machinery A/c	50,000		
To, Unrecorded Liability A/c	10,000		
To, Profit transferred to Partners 'Capital A/c (in old ratio) A = ₹14,000 B = ₹7,000	21,000		
	1,11,000		1,11,000
To, Building	1,11,000	By, Stock A/c	30,000
		By, Plant & Machinery A/c	50,000
		By, Unrecorded liability A/c	10,000
		By, Loss transferred to Partners' Capital A/c s (in new ratio) A = ₹9,000 B = ₹6,000 P = ₹3,000 Q = ₹3,00	21,000
	1,11,000		**1,11,000**

Dr. Partners' Capital Accounts Cr.

Particulars	**A (₹)**	**B (₹)**	**P (₹)**	**Q (₹)**	**Particulars**	**A (₹)**	**B (₹)**	**P (₹)**	**Q (₹)**
To, Memorandum Revaluation A/c	9,000	6,000	3,000	3,000	By, Balance b/d	8,00,000	4,00,000	-	-
To, Reserves A/c	2,25,000	1,50,000	75,000	75,000	By, Memorandum Revaluation A/c	14,000	7,000	-	-
To, A & B A/c (W.N.2)	-	-	12,000	12,000	By, Reserves A/c	3,50,000	1,75,000	-	-
To, Balance c/d (Refer W.N.3)	9,50,000	4,30,000	2,15,000	2,15,000	By, P & O A/c (W.N.2)	20,000	4,000	-	-
					By, Cash A/c (Bal. fig.)	-	-	3,05,000	3,05,000
	11,84,000	**5,86,000**	**3,05,000**	**3,05,000**		11,84,000	5,86,000	3,05,000	3,05,000

Balance Sheet of newly reconstituted firm as on 31.03.2023

Liabilities	(₹)	Assets	(₹)
Capital Accounts:		Plant and Machinery	5,00,000
A — ₹9,50,000		Building	9,00,000
B — ₹4,30,000		Sundry Debtors	2,50,000
P — ₹2,15,000		Stock	3,00,000
Q — ₹2,15,000	18,10,000	Cash	7,60,000
Reserves	5,25,000	(₹1,50,000 + ₹3,05,000 + ₹3,05,000)	
Sundry Creditors	2,75,000		
Bills Payable	1,00,000		
	27,10,000		27,10,000

Working Notes:

1. Calculation of Goodwill Weighted Average Profit:

Year	Profit (₹)	Weight	Weighted Profit (₹)
2019	37,000	1	37,000
2020	40,000	2	80,000
2021	45,000	3	1,35,000
		6	2,52,000

Weighted Average Profit = ₹2,52,000/6 = ₹42,000
Goodwill is valued at 2 year's purchase
Value of Goodwill: ₹42,000 × 2 = ₹84,000

2. (a) Profit Sacrificing Ratio

Particulars	Old Shares	NewShares Share	Sacrificed Share	Gained
A B	2/3	3/7	5/21	—
p	1/3	2/7	1/21	—
Q	—	1/7	—	1/7
	—	1/7	—	1/7

(b) Adjustment for Goodwill

Partners	Goodwill as per old ratio (₹)	Goodwill as per new ratio (₹)	Effect (₹)	
A	56,000	36,000	+ 20,000	—

B	28,000	24,000	+ 4,000	—
P	—	12,000	—	12,000
Q	—	12,000	—	12,000
	84,000	84,000	24,000	24,000

Journal

Particulars	Dr. (₹)	Cr. (₹)
P's Capital A/c Dr.	12,000	
Q's Capital A/c Dr.	12,000	
To A's Capital A/c		20,000
To B's Capital A/c		4,000

Calculation of closing capitals of P and Q

B's capital is taken as base. Closing capital of B after all adjustments is 4,30, 000.Total capital of firm will be = ₹4,30,000 × 7/2 = ₹15,05,000 Hence, P's and Q's closing capital should be ₹2,15,000 (₹15,05,000 × 1/7) each i.e. at par with B (as per new profit and loss sharing ratio).

6. (a) **A firm has two departments – Raw Materials and Manufacturing. The finished goods are produced by the Manufacturing Department with raw materials supplied by Raw Materials department at selling price. Prepare Departmental Trading and Profit and Loss Account by using the following information for the year ended on 31st March 2023.**

Particulars	Raw Materials Dept. (₹)	Manufacturing Dept. (₹)
Opening Stock	**1,20,000**	**20,000**
Purchases	**8,00,000**	**6,000**
Sales	**8,80,000**	**1,80,000**
Manufacturing Expenses	**--**	**24,000**
Selling Expenses	**1,600**	**800**
Raw Materials transferred to Manufacturing Dept.	**1,20,000**	**--**
Closing Stock	**80,000**	**24,000**

Cost of the closing stock of the manufacturing department consists of 25% for manufacturing expenses and 75% for raw materials. In the preceding year Raw Materials Department earned gross profit at the rate of 10%. Salaries of ₹5,000 and Insurance Premium of ₹1,600 are allocated between the two departments on the basis of sales ratio. Calculate the Net Profit of the firm as a whole.

(b) **A fire occurred in the premises of Sri. G. Vekatesh on 1.4.2023 and a considerable part of the stock was destroyed. The stock salvaged was ₹ 28,000. Sri Venkatesh had taken a fire**

insurance policy for ₹ 17,10,000 to cover the loss of stock by fire.

Critically assess the situation and advice the management, the insurance claim which company should claim from the insurance company for the loss of stock by fire. The following particulars are available:

Particulars	(₹)	Particulars	(₹)
Purchases for the year 2022	9,38,000	Stock on 1.1.22	1,44,000
Sales for the year 2022	11,60,000	Stock on 31.12.2022	2,42,000
Purchases from 1.1.23 to 1.4.23	1,82,000	Wages paid during 2022	1,00,000
Sales from 1.1.23 to 1.4.23	24,00,000	Wages paid 1.1.23 to 1.4.23	1,80,000

Sri Venkatesh had in June 2022 consigned goods worth ₹ 50,000, which unfortunately were lost in an accident. Since there was no insurance cover taken, the loss had to be borne by him full. Stocks at the end of each year for and till the end of calendar year 2021 had been valued at cost less 10%.

From 2022, however there was a change in the valuation of closing stock which was ascertained by adding 10% to its costs. **[7+7=14]**

Answer:

6. (a)

Dr. Departmental Trading and Profit & Loss Account for the year ended 31.3.2023 Cr.

Particulars	Raw Materials	Manufac-turing	Particulars	Raw Materials	Manufac-turing
To, Opening Stock	1,20,000	20,000	By, Sales	8,80,000	1,80,000
To, Purchases	8,00,000	6,000	By, Transfer (Transferred to MF)	1,20,000	
To, Transfer (Received from RM)	-	1,20,000	By, Closing Stock	80,000	24,000
To, Manufacturing Expenses	-	24,000			
To, Gross Profit c/d	1,60,000	34,000			
	10,80,000	**2,04,000**		**10,80,000**	**2,04,000**
To, Salaries (44:9)	4,150	850	~~By, Gross Profit b/d~~ By Gross Profit b/d	1,60,000	34,000
To, Selling Expenses	1,600	800			
To, Insurance Premium (44:9)	1328	272			
To, General P/L A/c (Dept. Net Profit transferred)	1,52,922	32,078			
	1,60,000	**34,000**		**1,60,000**	**34,000**

Dr. General Profit & Loss Account for the year ended 31.3.2022 Cr.

Particulars	(₹)	Particulars	(₹)
To, Stock Reserve (WN:1)	1380	By, Departmental Profit & Loss	1,52,922
To, Capital A/c (NP transferred)	1,83,620	A/c	32,078
	1,85,000	Raw Materials Manufacturing	1,85,000

Working Notes:

1. Unrealized Profit in unsold stock:

   Profit rate on transferred goods = GP rate of Raw Materials Dept.
   = {Gross profit / (Sales + Transfer)} × 100
   = {1,60,000 / (8,80,000 + 1,20,000)} × 100
   = 16%

   Value of the goods of Manufacturing dept. included in the Closing stock of Raw Materials Dept.
   = ₹ 24,000 × 75% = ₹ 18,000
   Unrealized Profit in Closing Stock = ₹ 18,000 × 16% = ₹ 2,880
   Value of the goods of Manufacturing dept. included in the Opening stock of Raw Materials Dept.
   = ₹. 20,000 * 75% = ₹ 15,000
   Unrealized Profit in Opening Stock = ₹ 15,000 × 10% = ₹ 1,500
   Net Stock Reserve = ₹ 2,880 – ₹ 1,500 = ₹ 1,380

(b) In order to find the rate of gross profit on sales for the year 2022, the following Trading Account is to be prepared for the same year as:

Trading Account

Dr. For the year ended 31st Dec. 2022 Cr

Particulars	(₹)	Particulars	(₹)
To, Opening Stock	1,60,000	By, Sales	11,60,000
1,44,000 × (100/90)		By, Stock lost by Accident	50,000
To, Purchases	9,38,000	By, Closing Stock (2,42,000 ×100/110)	2,20,000
To, Wages	1,00,000		
To, Profit & Loss A/c (G.P. transferred)	2,32,000		
	14,30,000		14,30,000

R
a
the of Gross Profit on Sales = 2,32,000/11,60,000 × 100 = 20%

Dr. Trading Account for the period (from 1.1.23 to 1.4.23) Cr.

Particulars	(₹)	Particulars	(₹)
To, Opening Stock	2,20,000	By, Sales	2,40,000
To, Purchases	1,82,000	By, Closing Stock	2,28,000
To, Wages	18,000		
To, Profit & Loss A/c (G.P. @20% of sales)	48,000		
	4,68,000		4,68,000

Amount of Claim = Stock destroyed – Stock salvaged
= ₹ 2,28,000 –₹ 28,000
= ₹ 2,00,000

As the policy amount is less than the value of stock destroyed, average clause is applicable. Here, the amount of claim will be:

Net Claim = Loss of Stock × (Amount of Policy / Stock at the date of fire)
= ₹ 2,00,000 × (1,71,000 / 2,28,000)
= ₹ 1,50,000/-

7. (a) Make a comparative study of provisions between AS 12 and Ind AS 20.

(b) Big Box 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.

Evaluate 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+7=14]

Answer:

7. (a) Presently, in India, Indian Accounting Standard (Ind AS) 20 Accounting for Government Grants and Disclosure of Government Assistance deal with the issue of government grants. Ind AS 20 differs from AS 12, with respect to the following points:

Ind AS 20	AS 12
Disclosure required in financial statements with indication on other forms of government assistance received	No specific guidance as does not deal with other forms of government assistance
Government grants in the nature of capital contribution are not recognized	Government grants as capital contribution are specifically recognized

Prohibition of recognition of grants directly to the shareholder's fund	Grants for non-depreciable assets are required to be shown as a capital reserve under shareholder's funds
Recognition of non-monetary grants at fair value	Recognition of non-monetary grants at acquisition cost or nominal value
No option to deduct the amount of grant from the book value of the asset.	Optional to deduct the amount of grant from the book value of the asset.

7. (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 2022-23 and 2023-24

Particulars	**₹ '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

8. **Answer the following questions :**

(a) **Parshuram Ltd., which commenced its operations in 2019-20, provides the following details:**

Financial year	**Profit before Tax (₹)**	**Timing Difference (₹)**	**Permanent Difference (₹)**	**Corporate Tax rate**	**Remarks**
2019-2020	**28,00,000**	**+3,15,000**	**+3,50,000**	**40%**	**Reversible in 2022-23**
2020-2021	**31,50,000**	**+2,10,000**	**+2,80,000**	**38%**	**Reversible in 2021-22**
2021-2022	**35,00,000**	**-70,000**	**+3,15,000**	**35%**	**Reversible**

					in 2022-23
2022-2023	24,50,000	Nil	+4,20,000	30%	-

Analyze and evaluate the amount of Current Tax for the four financial years. [5]

(b) **From the following particulars presented by Mr. Shankar for the year ended 31st March 2023, Prepare Profit and Loss Account after taking into consideration the given details: Gross Profit ₹ 1,00,000, Rent ₹ 22,000; Salaries, ₹ 10,000; Commission (Cr.) ₹ 12,000; Insurance ₹ 8,000; Interest (Cr.) ₹ 6,000; Bad Debts ₹ 2,000; Provision for Bad Debts (1.4.2021) ₹ 4,000; Sundry Debtors ₹ 40,000; Discount Received ₹ 2,000; Plant & Machinery ₹ 80,000.**

Adjustments:

(i) Outstanding salaries amounted to ₹ 4,000; (b) Rent paid for 11 months;

(ii) Interest due but not received amounted to ₹ 2,000

(iii) Prepaid Insurance amounted to ₹ 2,000;

(iv) Depreciate Plant and Machinery by 10% p.a.

(v) Further Bad Debts amounted to ₹ 2,000 and make a provision for Bad Debts @5% on Sundry Debtors.

(vi) Commissions received in advance amounted to ₹ 2,000. [5]

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

Answer:

(a) Calculation of Current Tax (₹ in Lakhs)

Particulars	2019-20	2020-21	2021-22	2022-23
Profit before tax	28.00	31.5	35.00	24.50
Timing Differences	3.15	2.10	(0.70)	Nil
Permanent Differences	3.50	2.80	3.15	4.20
Taxable Income	34.65	36.40	37.45	28.70
Corporate tax rate	40%	38%	35%	30%
Current Tax (Taxable Income Tax rate)	13.86	13.832	13.1075	8.61

(b)

Mr. Shankar
Profit and Loss Account
Dr. for the year ended 31st March 2022 Cr.

Particulars	(₹)	(₹)	Particulars	(₹)	(₹)
To, Rent	22,000		By, Trading A/c.		1,00,000
Add: Outstanding	2,000	24,000	-Gross Profit		
” Salaries	10,000		” Commission	12,000	
Add: Outstanding	4,000	14,000	Less: Received in advance	2,000	10,000
” Insurance	8,000		” Interest	6,000	
Less: Prepaid	2,000	6,000	Add: Accrued Interest	2,000	8,000
” Bad Debts	2,000				
Add: further Bad Debts	2,000	4,000	” Discount received		2,000
” Depreciation on Plant & Machinery @10% on `80,000		8,000	” Provisions for Bad Debts	4,000	
” Capital A/c (Net Profit Transferred)		66,100	Less: New Provision @ 5% on (`40,000 – `2,000)	1,900	2,100
		1,22,100			**1,22,100**

(c)

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

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

I’s share $= \frac{3}{10} = \frac{12}{40}$

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