

**INTERMEDIATE EXAMINATION****SET 2****MODEL ANSWERS****TERM – DEC 2025****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)**1. Choose the correct option:****[15 x 2 = 30]**

- (i) What does the Accounting Period Concept assume about the life of an organisation?
- It is limited to 10 years
 - It can be split into smaller periods of equal duration
 - It must end after a financial year
 - It is not measurable
- (ii) Outward Invoice issued is a source document of :
- Purchase Book
 - Return Inward Book
 - Sales Book
 - Return Outward Book
- (iii) The Cash Book records:
- Only cash receipts
 - Only cash payments
 - Only credit sales
 - Both cash receipts and cash payments
- (iv) Provision for Doubtful Debt on 1st April, 2024 was ₹21,500. During the year 2024 – 25 the Bad-debt and Recovery of Bad-debt were ₹10,500 and ₹2,100 respectively. The Sundry Debtors on 31st March, 2025 were ₹2,25,000. Provision is to be made @ 5% on Debtors. If on 31st March, 2025, there was additional Bad-debt of ₹2,500 then Provision for doubtful debt will be _____.
- Debited to Profit & Loss Account by ₹11,250
 - Debited to Profit & Loss Account by ₹2,625
 - Debited to Profit & Loss Account by ₹3,000.
 - Debited to Profit & Loss Account by ₹900.
- (v) Miss V draws a genuine trade bill of ₹25,000 for 6 months on Mr. M. After holding the bill for 1.5 months, as a result of unexpected requirement of cash, she immediately discounts the bill with the bank @ 10% p.a. The amount of the discount on bill is _____.
- ₹ 1,250
 - ₹ 2,500



c. ₹ 937.50

d. ₹ 625

- (vi) K of Kolkata sends out 400 bags of jute to T of Tamilnadu costing ₹200 each. Consignor expenses ₹2,000. Y's non-selling expenses is ₹2,000 and selling expenses is ₹1,000. 300 bags were sold by Y. Value of consignment stock is _____.

a. ₹ 20,400

b. ₹ 20,200

c. ₹ 22,000

d. ₹ 21,000

- (vii) Journal entry of wages ₹10,000 paid for installation of machinery will be _____.

a. Dr.Wages A/c and Cr. Cash A/c with ₹10,000

b. Dr.Machinery A/c and Cr. Cash A/c with ₹10,000

c. Dr.Machinery repairs A/c and Cr. Cash A/c with ₹10,000

d. None of the above

- (viii) 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

- (ix) A, B and C are Partners with Capitals of ₹1,00,000, ₹75,000 and ₹50,000. On C's retirement his share is acquired by A and B in the ratio of 6:4 respectively. Calculate gaining ratio.

a. 3:2

b. 2:2

c. 2:3

d. None of these

- (x) Average Profit = ₹3,72,000 Normal rate of return = 12% Total Assets = ₹68,00,000 Outside liabilities = ₹42,00,000 Calculate the value of goodwill under capitalization method.

a. ₹ 500,000

b. ₹ 600,000

c. ₹ 700,000

d. ₹ 800,000

- (xi) Goods are transferred from Department X to Department Y at a price so as to include a profit of 33.33% on cost. If the value of closing stock of Department Y is ₹ 48,000, then the amount of stock reserve on closing stock will be _____.

a. ₹ 9,000

b. ₹ 12,000

c. ₹ 18,000

d. ₹ 16,000

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(xii) Depreciation on hire purchased asset is claimed by

- a. Hire vendor
- b. Hire purchaser
- c. Either the hire vendor or the hire purchaser, as per the agreement
- d. None of these

(xiii) As per AS 1, where a company should disclose its accounting policies?

- a. In the Annual Report
- b. In the Auditor's Report
- c. In the CEO's letter to the shareholders
- d. In the notes to Financial Statement

(xiv) As per AS 22 an example of permanent difference is _____

- a. Exempt Income
- b. Disallowed Expenses
- c. Enhanced Deduction
- d. All of these

(xv) Purchase of machinery worth ₹5,000 was omitted from accounts. The rectification entry is _____.

- a. Purchase A/c will be debited
- b. Cash A/c will be credited
- c. Machinery A/c will be credited
- d. None of the above

Answer:

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

Section – B

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

[5 x 14 = 70]

2. (a) Illustrate a bank reconciliation statement from the following particulars as on 31st March 2025:

Particulars	₹
Debit balance as per bank column of the cash book	10,50,000
Cheque issued to creditors but not yet presented to the bank for payment	1,90,000
A cheque deposited into bank was dishonoured, but no intimation received	79,900

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Interest allowed by the Bank	2,275
Cheques deposited into bank for collection but not collected by bank up to this date	2,64,900
Bank charges not entered in Cash Book	450
Dividend received by the bank but not entered in the cash book	75,000
Bank paid house tax on our behalf, but no intimation received from bank in this connection	84,400

[7]

- (b) The trial Balance of Mr. Sarvesh Kumar as on 31st March, 2024 did not tally and the difference was posted to Suspense Account. On a scrutiny of the books, the following errors were detected:
- (i) The total of Sales returns book for January 2024 has been casted short by ₹ 1,000.
 - (ii) Freight paid for installation of a Machine ₹ 6,500 was posted to the freight account as ₹ 5,600.
 - (iii) Goods of the value of ₹ 2,500 returned by a customer were entered in the Sales day Book and posted there from to the credit of his account.
 - (iv) ₹ 18,000 paid for purchase of old Motorcycle for personal use of Mr. Sarvesh Kumar was debited to conveyance account.
 - (v) A Purchase of ₹ 6,700 had been posted to creditor's account as ₹ 6,000.
 - (vi) Receipt of cash ₹ 5,000 from Mr. Avinash was posted to the debit of his account.

Analyse the errors in the trial balance of Mr. Sarvesh Kumar.

[7]**Answer:**

- (a) Bank Reconciliation Statement as on 31st March, 2025

Particulars	₹	₹
Debit balance as per cash Book		10,50,000
Add: Cheque Issued but not yet presented	1,90,000	
Dividend received by the Bank	75,000	
Interest Allowed by the Bank	2,275	2,67,275
Less: Cheques deposited but not collected	2,64,900	
Bank charges not entered in cash book	450	
Cheque deposited into bank but dishonoured	79,900	
House Tax Paid By Bank	84,400	4,29,650
Credit Balance as per Pass Book		8,87,625

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Date	Particulars	L.F.	Amount (Dr.)	Amount (Cr.)
(i)	Sales Return A/c Dr. To Suspense A/c (Being sales return book casted short, now rectified)		1,000	1,000
(ii)	Machinery A/c Dr. To Freight A/c To Suspense A/c (Being freight paid on machinery wrongly posted to freight account, now rectifies)		6,500	5,600 900
(iii)	Sales A/c Dr. Sales Return A/c Dr. To suspense A/c (being sales return wrongly entered as sales and therefrom posted to credit of customer account, now rectified)		2,500 2,500	5,000
(iv)	Drawing A/c Dr. To Conveyance A/c (Being motorcycle purchased for personal use debited to conveyance account, now rectified)		18,000	18,000
(v)	Suspense A/c Dr. To creditors A/c (Being creditors account posted short, now rectified)		700	700
(vi)	Suspense A/c Dr. To Avinash A/c (Being amount posted to wrong side, now rectified)		10,000	10,000

3. (a) Ram of Kolkata sent goods costing ₹ 1,50,000 to Shyam of Mumbai on consignment basis. Ram paid ₹ 6,000 on various accounts for sending the goods. Shyam paid ₹ 3,600 as railway charges and ₹ 1,500 as godown rent. The consignee sent a bank draft for ₹ 90,000 as advance against the consignment. 4/5th of the goods were sold at ₹ 1,74,000. A customer who purchased goods for ₹1000 failed to pay for which the debt proved bad. The Account sales sent by the consignee showed that he charged 10% as ordinary commission and 2.5% as del Credere commission. You are required to prepare in the books of Ram: (i) Consignment A/c (ii) Shyam Personal Account. [7]



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- (b) X purchases a car on hire-purchase system on 01.01.2024. The total cash price of the car is ₹ 4,50,000 payable ₹ 90,000 down and three installments of ₹ 1,70,000, ₹ 1,50,000 and ₹ 1,08,460 payable at the end of first, second and third year respectively. Interest is charged at 10% p.a. You are required to calculate interest paid by the buyer to the seller each year. [7]

Answer:

(a)

In the Books of Ram

Dr. Consignment to Mumbai Account Cr.

Date	Particulars	(₹)	Date	Particulars	(₹)
	To Goods sent on consignment A/c	1,50,000		By Shyam A/c (Sale Proceeds)	1,74,000
	To Bank A/c - expenses	6,000		By Stock on Consignment A/c 1/5th of (₹ 1,50,000 + 6,000 + 3,600)	31,920
	To Shyam A/c - expenses				
	Railway charges	3,600			
	Godown rent	1,500			
	To Shyam A/c - commission				
	Ordinary @ 10%	17,400			
	Del Credere @ 2.5%	4,350			
	To Profit and Loss on Consignment A/c	23,070			
		2,05,920			2,05,920

Dr. Shyam Account Cr.

Date	Particulars	(₹)	Date	Particulars	(₹)
	To Consignment to Mumbai A/c	1,74,000		By consignment to Mumbai A/c (expenses)	5,100
				By Consignment to Mumbai A/c(comm.)	21,750
				By Advance Against Consignment A/c	90,000
				By Bad Debt A/c	1000
				By Bank (Final Remittance)	56,150
		1,74,000			1,74,000

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(b) Following table is useful for calculating interest paid with each installment :

Analysis of Installments

Year	Opening Balance of Cash Price (₹)	Installments (₹)	Payment towards Principal/Cash Price (₹)	Payment towards Interest (₹)	Closing Balance of Cash Price (₹)
01.01.24	4,50,000	90,000	90,000	-	3,60,000
31.12.24	3,60,000	1,70,000	1,34,000	36,000	2,26,000
31.12.25	2,26,000	1,50,000	1,27,400	22,600	98,600
31.12.26	98,600	1,08,460	98,600	9,860	-

4. (a) The following information were obtained from the books of Chennai Club as on 31.03.2025 at the end of the first year of the club. You are required to prepare Receipts and Payments Account for the year ended 31.03.2025:

- Donations received for Building and Library Room ₹ 1,00,000.
- Other revenue receipts:

Particulars	Actual Receipts ₹
Entrance Fees	8,500
Subscription	9,500
Locker Rents	300
Sundry Income	530
Refreshment Account	8,000

- Other actual payments:

Particulars	Actual Payments ₹
Land (Cost ₹5,000)	5,000
Furniture (Cost ₹73,000)	65,000
Salaries	2,400
Maintenance of Playgrounds	500
Rent	4,000
Refreshment Account	4,000

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Donations to the extent of ₹ 12,500 were utilized for the purchase of Library Books, balance was still unutilized. In order to keep it safe, 9% Govt. Bonds of ₹ 80,000 were purchased on 31.03.2025. Remaining amount was put in the bank on 31.03.2025 under the term deposit. [7]

(b) The details of Assets and Liabilities of Mr. Rahul as on 31.03.2024 and 31.03.2025 are as follows:

Particulars	Amount (₹) 31.03.2024	Amount (₹) 31.03.2025
Assets:		
Furniture	25,000	
Building	50,000	
Stock	50,000	1,25,000
Sundry Debtors	30,000	55,000
Cash in hand	5,600	6,600
Cash at Bank	30,000	37,500
Liabilities:		
Loans	45,000	35,000
Sundry Creditors	25,000	40,000

Mr. Rahul decided to provide depreciation on building by 2.5% and furniture by 10% for the period ended on 31.03.2025. Mr. Rahul purchased jewellery for ₹ 12,000 for his daughter in December 2024. He sold his car on 31.03.2025 and the amount of ₹ 20,000 is retained in the business.

You are required to:

- Prepare statement of affairs as on 31.03.2024 and 31.03.2025.
- Calculate the profit received by Rahul during the year ended 31.03.2025.

[7]

Answer :

(a)

Chennai Club

Dr. Receipts and Payments A/c for the year ended 31st March 2025

Cr.

Receipts	(₹)	(₹)	Payments	(₹)	(₹)
To Building and library fund A/c		1,00,000	By Library book A/c	12,500	
To Entrance fees A/c		8,500	By Bond 9% Govt. A/c	80,000	



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To Subscription A/c		9,500	By Fixed deposit A/c (Bal.fig)	7,500	1,00,000
To Locker rent A/c		300	By Land A/c		5,000
To Sundry Income A/c		530	By Furniture A/c		65,000
To Refreshment A/c		8,000	By Salaries A/c		2,400
To Closing balance (Overdraft balance- Bal.fig)		54,070	By Maintenance of playgrounds A/c		500
			By Rent A/c		4,000
			By Refreshment A/c		4,000
		1,80,900			1,80,900

(b)

Statement of Affairs

Liabilities	31.03.24	31.03.25	Assets	31.03.24	31.03.25
Loans	45,000	35,000	Furniture	25,000	22,500 (25,000 -2,500)
Creditors	25,000	40,000	Building	50,000	48,750
Capital A/c	1,20,600	2,20,350	Stock	50,000	1,25,000
			Debtors	30,000	55,000
			Cash in hand	5,600	6,600
			Cash at Bank	30,000	37,500
	1,90,600	2,95,350		1,90,600	2,95,350

Computation of Profit

Particulars	(₹)
Capital Balance as on 31.03.2025	2,20,350
Less: Fresh capital introduced (car sale proceeds)	(20,000)
Add: Drawings (Purchase of jewellery for daughter)	12,000
Adjusted Closing Capital	2,12,350
Less: Capital Balance as on 31.03.2024	(1,20,600)
Profit	91,750



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5. P, Q and R sharing profits and losses equally, had been trading for many years. R decided to retire on 31.3.2025 on which date Balance Sheet of the firm is as follows.

Liabilities	(₹)	Assets	(₹)
Capital accounts:		Cash	36,000
P	1,20,000	Debtors	74,000
Q	85,000	Stock	60,000
R	75,000	Plant and Machinery	1,20,000
Creditors	85,000	Land and Building	75,000
	3,65,000		3,65,000

Value of goodwill was agreed as ₹93,000. Land and building increased in value, it being agreed at ₹1,05,600, plant and machinery was revalued at ₹1,00,500 and it was agreed to provide 6% in respect of debtors. Prepare Revaluation Account, Capital Accounts and Balance Sheet. [14]

Answer:

In the Books of the Firm Revaluation Account

Dr.			Cr.
Particulars	(₹)	Particulars	(₹)
To Plant & Machinery A/c	19,500	By Land & Building A/c	30,600
To Provision for Bad Debts A/c	4,440		
To Capital A/c (Profit)			
P 2,220			
Q 2,220			
R <u>2,220</u>	6,660		
	30,600		30,600

Dr. Partners' Capital Accounts Cr.

Particulars	P (₹)	Q (₹)	R (₹)	Particulars	P (₹)	Q (₹)	R (₹)
To Balance	1,06,720	71,720	—	By Balance	1,20,000	85,000	75,000
To Loan A/c	—	—	1,08,220	By Revaluation A/c	2,220	2,220	2,220
To R	15,500	15,500		By P & Q	—	—	31,000
	1,22,220	87,720	1,08,220		1,22,220	87,720	1,08,220



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Balance Sheet as on 31.3.2025

Liabilities	(₹)	Assets	(₹)
Capital Accounts:		Cash	36,000
P	106720	Debtors	74,000
Q	71720	Less: Provision	<u>4,440</u>
Loan Account: R	1,08,220	Stock	60,000
Creditors	85,000	Plant&Machinery	1,00,500
		Land & Building	1,05,600
	3,71,660		3,71,660

6. (a) Prepare a Branch account in the books of Head Office from the following particulars for the year ended 31st March, 2025 assuming that H.O. sold goods at cost price 25%.

Particulars	(₹)	Particulars	(₹)
Stock on 1.4.2025 (I.P.)	12,500	Bad Debts	2,000
Debtors	5,000	Allowances to customers	1,000
Petty Cash	1,000	Returns Inwards	1,000
Goods sent to branch (I.P.)	40,000	Charges sent to Bank:	
Goods return to H.O. (I.P.)	5,000	Rates & Taxes	3,000
Cash Sales	12,000	Salaries	8,000
Cash received from Debtors	30,000	Misc. Exps.	1,000
		Stock on 31.03.2025 (I.P.)	15,000
		Debtors	4,000
		Petty Cash	1,000

[7]

- (b) X Ltd. has taken out a fire policy of ₹ 1,60,000 covering its stock. A fire occurred on 31st March, 2024. The following particulars are available :

Stock as on 01.04.2023	₹ 60,000
Purchases to the date of fire	₹ 2,60,000
Sales to the date of fire	₹ 1,80,000
Carriage Inwards	₹ 1,600
Commission on purchase to be paid	@2%
Gross Profit Ratio @ 50% on cost	

You are asked to examine (i) total loss of stock; (ii) amount of claim to be made against the



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Insurance Company assuming that the policy was subject to average clause. Stock salvage amounted to ₹ 41,360. [7]

Answer:

(a) In the books of H.O.

Dr. Branch Account Cr.

Particulars	(₹)	(₹)	Particulars	(₹)	(₹)
To Balance b/d			By Stock Reserve (Loading)		2,500
Stock	12,500		Bank A/c:		
Petty Cash	1,000		Cash Sales	12,000	
Debtors	5,000	18,500	Cash Received from Debtors	30,000	42,000
Goods sent to branch		40,000	Goods sent to branch (Return to H.O.)		5,000
			Goods sent to branch (Loading)		8,000
Bank A/c:			By Balance c/d		
Rates & Taxes	3,000		Stock	15,000	
Salaries	8,000		Debtors	4,000	
Misc. Expenses	1,000	12,000	Petty Cash	1,000	20,000
Goods sent to Branch (Loading on returns)		1,000			
Closing Stock Reserve (₹ 15,000 × 1/5)		3,000			
General Profit & Loss A/c		3,000			
		77,500			77,500

Note: Here, loading is $\frac{25}{125} = \frac{1}{5}$ of invoice price. Hence, loading on opening stock will be ₹12,500 × $\frac{1}{5}$ = 2500 so on.

(b)

Particulars	(₹)	(₹)	Particulars	(₹)	(₹)
To Opening Stock		60,000	By Sales		1,80,000
Purchase	2,60,000		Closing Stock (bal. figure)		2,06,800
Add: Carriage Inward	1,600				
Add: Commission on Purchase	5,200				



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		2,66,800			
Gross Profit (@ 50% on cost or 33 % on sale)		60,000			
		3,86,800			3,86,800

Note: Carriage Inward and Commission on Purchase are direct expenses and hence, these are added to purchases.

Loss of Stock:	(₹)
Stock at the date of fire	2,06,800
Less: Stock Salvaged	41,360
Loss of Stock	<u>1,65,440</u>
Amount of claim applying Average Clause	

$$\text{Amount of Claim} = \text{Actual Loss} \times \frac{\text{Amount of policy}}{\text{Value of stock at the date of fire}}$$

$$= ₹ 1,65,440 \times (₹ 1,60,000 / ₹ 2,06,800)$$

$$= ₹ 1,28,000$$

7. (a) Jay Ltd., a chemical producing company changed a semi-automatic component in an existing machine with a fully- automatic component incurring ₹ 85,000. This new component would result in increasing the output by 150%. The component changing exercise required the company to dismantle a part of the machine and also re-erect the same for which the company incurred ₹ 38,000. Analyze how should the costs be treated as per AS 10. [7]
- (b) SDF Limited obtained a loan from a bank for ₹ 100 lakhs on 30-04-2024. It was utilized as follows:

Particulars	₹ in lakhs
Construction of a shed	100
Purchase of a machinery	80
Working Capital	40
Advance for purchase of truck	20

Construction of Shed was completed in March 2025. The machinery was installed on the date of acquisition. Delivery of truck was not received. Total interest charged by the bank for the year ending 31-03-2025 was ₹ 36 lakhs. Examine the treatment of interest. [7]

Answer:

- (a) Cost of new component: As the new component results in increased output, it would result in increasing the future benefits from the machine. So, the cost incurred ₹ 85,000 should be capitalised.
- Cost of dismantling and re-erection: ₹ 38,000 incurred towards dismantling and re-erection should be charged to the Statement of Profit and Loss.

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- (b) Qualifying Asset as per AS 16 = ₹ 100 Lakhs (construction of a shed) Borrowing cost to be capitalized = $36 \times 100/240 = ₹ 15$ lakhs

Interest to be debited to Profit or Loss account = ₹ (36 – 15) lakhs = ₹ 21 lakhs.

8. (a) Lokesh Limited has set up its business in a designated backward area which entitles the company to receive from the Government of India a subsidy of 20% of the cost of investment, for which no repayment was ordinarily expected. Moreover, there was no condition that the company should purchase any specific assets for this subsidy. Having fulfilled all the conditions under the scheme, the company on its investment of ₹100 crores in capital assets received ₹ 20 crores from the Government in January, 20X2 (accounting period being 20X1-20X2). The company wants to treat this receipt as an item of revenue and thereby reduce the losses on profit and loss account for the year ended 31st March, 20X2.
Keeping in view the relevant Accounting Standard, discuss whether this action is justified or not. [5]
- (b) M/s Adhuna & Co. had a provision for bad debts of ₹13,000 against their book debts on 1st April, 2023. During the year ended 31st March, 2024, ₹8,500 proved irrecoverable and it was desired to maintain the provision for bad debts @ 5% on Debtors which stood at ₹3,90,000 before writing off Bad Debts.
Prepare the provision for Bad Debt Account for the year ended March 31, 2024. [5]
- (c) A and B are currently partners in a firm sharing Profit/Loss in the ratio of 4 : 3. A new partner C is admitted and after his admission new profit sharing ratio between A, B and C becomes 5:3:2. Demonstrate what will be the sacrifice ratio of A and B after admission of C. [4]

Answer:

- (a) As per para 10 of AS 12 'Accounting for Government Grants', where the government grants are of the nature of promoter's contribution, i.e. they are given with reference to the total investment in an undertaking or by way of contribution towards its total capital outlay (for example, central investment subsidy scheme) and no repayment is ordinarily expected in respect thereof, the grants are treated as capital reserve which can be neither distributed as dividend nor considered as deferred income.

In the given case, the subsidy received is neither in relation to specific fixed asset nor in relation to revenue. Thus, it is inappropriate to recognize government grants in the profit and loss statement, since they are not earned but represent an incentive provided by government without related costs. The correct treatment is to credit the subsidy to capital reserve. Therefore, the accounting treatment desired by the company is not proper.

- (b) Books of M/s Adhuna & Co.
Provision for Bad Debt Account
- | Dr. | | | Cr. | | |
|----------|--------------------------|--------|----------|----------------------|--------|
| Date | Particulars | (₹) | Date | Particulars | (₹) |
| 31.03.24 | To Bad Debts A/c | 8,500 | 01.04.23 | By Balance b/d | 13,000 |
| 31.03.24 | To Balance c/d | 19,075 | 31.03.24 | By Profit & Loss A/c | 14,575 |
| | 5% of (3,90,000 - 8,500) | | | (Balancing figure) | |

**INTERMEDIATE EXAMINATION****SET 2****MODEL ANSWERS****TERM – DEC 2025****PAPER – 6****SYLLABUS 2022****FINANCIAL ACCOUNTING**

				(further provn. required)	
		27,575			27,575

(c) Calculation of Sacrificing Ratio of A & B after C's admission

A : B : C
Old Ratio 4 : 3
New Ratio 5 : 3 : 2

$$A = \frac{4}{7} - \frac{5}{10} = \frac{40-35}{70} = \frac{5}{70}$$

$$B = \frac{3}{7} - \frac{3}{10} = \frac{30-21}{70} = \frac{9}{70}$$

Sacrifice Ratio= 5:9