INTERMEDIATE EXAMINATION

MODEL ANSWERS

PAPER – 6

FINANCIAL ACCOUNTING

SET 2

TERM – JUNE 2025

SYLLABUS 2022

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 not a method of charging depreciation?

a. Sinking Fund Method
b. Sum of years Digit Method
c. Working hours Method
d. Asset's Life-cycle Method

(ii) Outward Invoice issued is a source document of_________.

a. Purchase Book
b. Sales Book
c. Return Inward Book
d. Return Outward Book

(iii) Which of the following errors in an error of omission?

a. Sale ₹5,000 written in the purchase journal
b. Wages paid to Shyam debited to his account
c. The total of the sales journal has not been posted to the sales account
d. None of the above

(iv) As on 31st March, 2024 debtors and additional bad debts are ₹8,00,000 and ₹10,000 respectively. If the provision for bad debts is made at 5% on debtors then amount of such provision will be________.

a. ₹40,000
b. ₹50,000
c. ₹39,500
d. ₹40,500

(v) The party who is ordered to pay the amount is known as_________________.

a. Payee
b. Drawer
c. Drawee
d. Endorsee

(vi) Income statement of a Charitable Institution is known as___________.

a. Statement of profit and loss
b. Receipts and Payments Account
c. Income and Expenditure Account
d. Profit and Loss Account

(vii) Opening and Closing balance of Debtors are ₹30,000 and ₹40,000 respectively. Cash collected from debtors ₹2,40,000. Discount allowed is ₹15,000 for prompt payment. Bad Debts ₹10,000. The total goods sold on credit are ______________.

a. ₹2,55,000
b. ₹2,45,000
c. ₹2,95,000
d. ₹2,75,000

(viii) Donation received for a specific purpose is a/an ___________.

a. Asset
b. liabilities
c. Revenue Receipts
d. Capital Receipts

(ix) In absence of specific provision in the Partnership deed at what rate of interest on Capital of the Partners would be allowed?

a. 8%
b. 10%
c. 6%
d. 11%

(x) Opening Inventory ₹9,600, Purchases less Return ₹11,850, Salaries ₹3,200, Wages Rs.750, Commission on Purchases ₹200, Carriage Outward ₹300, Sales ₹24,900, Closing Inventory ₹3,500, Carriage on purchases ₹1,000. Compute Gross Profit.

a. ₹5000
b. ₹6500
c. ₹3250
d. ₹3200

(xi) Bad debts are apportioned among departments in the proportion of ________________.

a. Sales of each department
b. Number of units sold by each department
c. Cost of sales of each department
d. None of the above

(xii) A plant worth ₹80,000 has been insured for ₹60,000, the loss on account of fire is ₹50,000. The insurance company will bear the loss to the extent of ______________. Arti Ltd. purchased a machine on hire purchase.

a. ₹37,500
b. ₹50,000
c. ₹60,000
d. ₹80,000

(xiii) CP Points sells Computers on Hire Purchase basis at cost plus 25%. Terms of sale are ₹10,000 down payment and eight monthly instalments of ₹5,000 each for each computer. Compute the HP Price per computer.

a. ₹50000
b. ₹40000
c. ₹20000
d. ₹10000

(xiv) As per AS 16 all of the following are qualifying assets except_________.
- a. Manufacturing plants and power generation facilities
- b. Inventories that require substantial period of time
- c. Assets those are ready for sale
- d. None of the above

(xv) Areas involving different accounting policies by different enterprises is/are ___________________.
- a. Valuation of inventories
- b. Treatment of intangible assets
- c. Recognition of profit on long-term contracts
- d. All of these

Answer:

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

Section – B

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

[5 x 14 = 70]

2. (a) **On 1st April, 2022, Som Ltd. purchased a machine for ₹66,000 and spent ₹5,000 on shipping and forwarding charges, ₹7,000 as import duty, ₹1,000 for carriage and installation, ₹500 as brokerage and ₹500 for an iron pad. It was estimated that the machine will have a scrap value of ₹5,000 at the end of its useful life which is 15 years. On 1st January, 2023 repairs and renewals of ₹3,000 were carried out. On 1st October, 2024 this machine was sold for ₹50,000. Prepare Machinery Account for the 3 years.** **[7]**

Answer:

In the book of Som Ltd
Machinery Account

Dr. **Cr.**

Date	Particulars	(₹)	Date	Particulars	(₹)
1.04.22	To, Bank A/c	66,000	31.03.23	By, Depreciation A/c	5,000
	To, Bank A/c	14,000		By, Balance c/d	75,000
		80,000			**80,000**
1.04.23	To, Balance b/d	75,000	31.03.24	By, Depreciation A/c	5,000
				By, Balance c/d	70,000
		75,000			**75,000**
1.04.24	To, Balance b/d	70,000	01.10.24	By, Depreciation A/c	2,500
				By, Balance c/d	50,000
				By, Profit & Loss A/c (Loss)	17,500
		70,000			**70,000**

Working Note:

1. **Total Cost** = ₹66,000 + ₹5,000 + ₹7,000 + ₹1,000 + ₹500 + ₹500 = ₹80,000
2. **Depreciation** = (Total Cost – Scrap Value)/Expected life = ₹80,000 - ₹5,000/15 = ₹5,000

The amount spent on repairs and renewals on 1st January, 2023 is of revenue nature and hence, does not form part of the cost of asset.

(b) Rectify the following errors assuming that the errors were detected (A) Before the Preparation of Trial Balance; (B) After the preparation of Trial Balance and (C) After the preparation of Final Accounts.

(i) Purchase Plant for ₹10,000 wrongly passed through Purchase Account.

(ii) Sales Day Book was cast short by ₹1,000.

(iii) Cash paid to Mr. X for ₹1,000 was posted to his account as ₹100.

(iv) Purchase goods from Mr. T for ₹3,500 was entered in the Purchase Day Book as ₹500.

(v) Paid salary for ₹3,000 wrongly passed through wages account. [7]

Answer:

In the Books of …….

Journal

Date	Before preparation of Trial Balance	After preparation of Trial Balance	After preparation of Final Accounts
(i)	Plant A/c Dr. 10,000 To Purchase A/c 10,000	Plant A/c Dr. 10,000 To Purchase A/c. 10,000	Plant A/c Dr. 10,000 To P&L Adjustment A/c 10,000
(ii)	Sales account will be credited with ₹1,000	Suspense A/c Dr. 1,000 To Sales A/c 1,000	Suspense A/c Dr. 1,000 To P&L Adjustment A/c 1,000
(iii)	X Account will be debited when ₹900	X A/c Dr. 900 To Suspense A/c 900	X A/c Dr. 900 To Suspense A/c 900
(iv)	Purchase A/c Dr. 3,000 To T A/c 3,000	Purchase A/c Dr. 3,000 To T A/c 3,000	P&L Adjustment A/c Dr. 3,000 To T's A/c. 3,000
(v)	Salary A/c Dr. 3,000 To Wages A/c 3,000	Salary A/c Dr. 3,000 To wages A/c 3,000	P&L Adjustment A/c. Dr. 3,000 To P&L Adjustment A/c 3,000

3. (a) M/s Singha Traders of Surat consigned 5,000 litres of edible oil costing ₹32 each to M Ltd. of Mumbai on 1.2.2024. S Ltd. paid ₹5,000 as freight and insurance charges. During transit 200 litres were destroyed for which the insurance company agreed to pay ₹5,000 in full settlement.

M Ltd. paid clearing charges ₹6,100; godown rent ₹300 and Salesman's salary ₹900. It was entitled to 6% ordinary commission and 4% del credere commission on sales.

On 30.6.2024, M Ltd. reported that 4,000 litres were sold at ₹1,65,000 and 100 litres were lost due to evaporation. A customer who bought liquor for ₹1,500 could pay only 40% of his amount. M Ltd. paid its balance due by a cheque.

Prepare the Consignment Account in the books of M/s Singha Traders. [7]

Answer:

In the Books of M/s Singha Traders
Consignment to Mumbai Account

Dr. Cr.

Particulars		(₹)	Particulars	(₹)
To, Goods Sent on Consignment A/c [5,000 × ₹32]		1,60,000	By, M. Ltd. A/c [Sale]	1,65,000
To, Bank A/c [Expenses incurred by consignor] - Freight and Insurance Charges		5,000	By, Goods Destroyed-in-Transit A/c [WN:1]	6,600
To, M. Ltd. A/c[Expenses incurred by consignee]				
- Clearing Charges - Godown Rent - Salesman's Salaries	6,100 300 900	7,300	By, Consignment Stock A/c [WN:1]	24,500
To, M. Ltd. A/c [Commission due] - Ordinary Commission [1,65,000 × 6%] - Del credere Commission [1,65,000× 4%]	9,900 6,600	16,500		
To P/L A/c [Profit on consignment – transferred]		7,300		
		1,96,100		**1,96,100**

Workings Note:
Value of Goods Destroyed-in-transit & Unsold Stock

Particulars	Litres	(₹)
Cost of goods sent [5,000 × ₹32]	5,000	1,60,000
Add: Consignor's expenses (being, freight and insurance charges)	-	5,000
	5,000	1,65,000
Less: Goods destroyed -in-transit [₹1,65,000 × 200/5,000]	200	6,600
Goods received by consignee	4,800	1,58,400
Add: Non-recurring expenses incurred by consignee (being, clearing charges)	-	6,100
	4,800	1,64,500
Less: Normal loss	100	-
	4,700	1,64,500
Unsold Stock = [5,000 – 200 – 100 – 4,000] = 700 litres		
Value of 700 litres	₹1,64,500 × 700/4700 = ₹24,500	

3\. (b) **PQ Ltd. sold machinery having WDV of ₹80 lakhs to BR Ltd. for ₹100 lakhs and the same machinery was leased back by BR Ltd. to PQ Ltd. The lease back is operating lease. Examine if –**

(A) Sale price of ₹100 lakhs is equal to fair value.

(B) Fair value is ₹120 lakhs.

(C) Fair value is ₹90 lakhs and sale price is ₹76 lakhs.

(D) Fair value is ₹80 lakhs and sale price is ₹100 lakhs.

(E) Fair value is ₹92 lakhs and sale price is ₹100 lakhs

(F) Fair value is ₹70 lakhs and sale price is ₹78 lakhs. **[7]**

Answer:

Following will be the treatment in the given cases:

(A) When sales price of ₹100 lakhs is equal to fair value, PQ Ltd. should immediately recognise the profit of ₹20 lakhs (i.e. 100 – 80) in its books.

(B) When fair value is ₹120 lakhs then also profit of ₹20 lakhs should be immediately recognised by PQ Ltd.

(C) When fair value of leased machinery is ₹90 lakhs & sales price is ₹76 lakhs, then loss of ₹4 lakhs (80 – 76) to be immediately recognised by PQ Ltd. in its books provided loss is not compensated by future lease payment, otherwise it can defer and amortise the loss.

(D) When fair value is ₹80 lakhs & sales price is ₹100 lakhs then, profit of ₹20 lakhs is to be deferred and amortised over the lease period.

(E) When fair value is ₹92 lakhs & sales price is ₹100 lakhs, profit of ₹12 lakhs (92 - 80) to be immediately recognised in its books and balance profit of ₹8 lakhs (100-92) is to be amortised/deferred over lease period.

(F) When fair value is ₹70 lakhs & sales price is ₹78 lakhs, then the loss of ₹10 lakhs (80-70) to be immediately recognised by PQ Ltd. in its books and profit of ₹8 lakhs (78-70) should be amortised/deferred over lease period.

4. The following information is available from Mrs. Sashi who maintains books of accounts on single entry system.

Particulars	**01.04.2023 (₹)**	**31.03.2024 (₹)**
Cash and Bank	**20,000**	**21,000**
Sundry Debtors	**17,000**	**25,000**
Stock	**40,000**	**60,000**
Furniture	**29,000**	**29,000**
Creditors	**32,000**	**22,000**
10 % Loan from Mrs. Sashi	**30,000**	**30,000**

Mrs. Sashi withdrew ₹5,000 from the business every month for meeting her household expenses. During the year She sold investments held by her privately for ₹35,000 and invested the amount in her business. At the end of the year 2023-2024, it was found that full years interest t on loan from Mrs. Sashi had not been paid. Depreciation @ 10% p.a. was to be provided on furniture for the full year. Shop assistant was to be given a share of 5% on the profits ascertained before charging such share. Calculate profit earned during the year ended 31.03.2024 by Mrs. Sashi. [14]

Answer:

Dr. **Statement of Affairs** **Cr.**

Particulars	**(₹)**	**(₹)**	**Particulars**	**(₹)**	**(₹)**
Capital (opening & closing)	44,000	83,000	Cash at Bank	20,000	21,000
(Bal. fig.)			Debtors	17,000	25,000
Creditors	32,000	22,000	Stock	40,000	60,000
Loan from Mrs. Sashi	30,000	30,000	Furniture	29,000	29,000
	1,06,000	**1,35,000**		**1,06,000**	**1,35,000**

Statement of Profit & Loss
Dr. for the year ended 31.03.2024 Cr.

Particulars	(₹)	(₹)	Particulars	(₹)	(₹)
Opening Capital		44,000	Closing Capital		83,000
Further Introduction of Capital		35,000	Drawings (5,000 × 12)		60,000
Trading Profit		64,000			
		1,43,000			**1,43,000**
Depreciation (29,000 × 10%)		2,900	Trading Profit		64,000
Interest on Loan (30,000 × 10%)		3,000			
Net Profit		58,100			
		64,000			**64,000**
Particulars	**31.03.23**	**31.03.24**	**Particulars**	**31.03.23**	**31.03.24**
Commission to Shop Assistant (58,100 × 5%)		2,905	Net Profit		58,100
Net Profit		5,5195			
		58,100			**58,100**

Statement of Affairs
Dr. for the year ended 31.03.2024 Cr.

Particulars	(₹)	Particulars	(₹)
Capital	44,000	Cash at Bank	21,000
Further Capital Introduced	35,000	Debtors	25,000
Drawings	(60,000)	Stock	60,000
Net profit	55,195	Furniture (₹29,000 – ₹2,900)	26,100
Creditors	22,000		
Interest on Loan	3,000		
Commission to Assistant	2,905		
Loan from Mrs. Sashi	30,000		
	1,32,100		**1,32,100**

5. **X & Y share profit & loss in the ratio of 5:3. They admit Z with 1/5th share of profits. He pays ₹80,000 as capital but does not contribute anything towards goodwill which is valued at ₹60,000. The capitals of the Partners are fixed. All adjustments are to be made through partners' current accounts. Their Balance Sheet as on March 31, 2024 is as follows:**

Balance Sheet as on 31.03.2024

Liabilities	(₹)	(₹)	Assets	(₹)	(₹)
Capital:			**Plant and Machinery**		**50,000**
X—	**80,000**		**Investments**		**31,000**
Y—	**60,000**	**1,40,000**	**Sundry Debtors**		**60,000**
Current account:			**Stock and Trade**		**90,000**
X—	**5,000**		**Bank**		**30,000**
Y—	**6,000**	**11,000**			
General Reserve		**60,000**			
Sundry Creditors		**50,000**			
		2,61,000			**2,61,000**

Additional Information:

(i) Plant and Machinery is valued at ₹46,000 and stock at ₹96,000.

(ii) One Creditor for ₹6,000 is dead and nothing is likely to be paid on this account.

(iii) The Capital accounts are to be proportionately adjusted on the basis of Z's capital and his share of profit, through Current accounts

(iv) Partners decide to maintain the General Reserve in the books of the firm.

Prepare Revaluation Account, Capital and Current Accounts, Bank Account and Balance Sheet of the new firm.

[14]

Answer:

Revaluation Account

Liabilities	(₹)	(₹)	Assets	(₹)	(₹)
To, Plant & Machinery A/c		4,000	By, Stock A/c		6,000
To, Partner's Current A/c			By, Creditors A/c		6,000
X—	5,000				
Y—	3,000	8,000			
		12,000			**12,000**

Dr. Partners' Capital Account Cr.

Particulars	X (₹)	Y (₹)	Z (₹)	Particulars	X (₹)	Y (₹)	Z (₹)
To, Balance c/d	2,00,000	1,20,000	80,000	By Balance B/d	80,000	60,000	—
				By Bank A/c	—	—	80,000
				By Partners' Current A/c (b.f.)	1,20,000	60,000	---
	2,00,000	**1,20,000**	**80,000**		**2,00,000**	**1,20,000**	**80,000**

Dr. Partners' Current Account Cr.

Particulars	X (₹)	Y (₹)	Z (₹)	Particulars	X (₹)	Y (₹)	Z (₹)
To, General Reserve A/c	30,000	18,000	12,000	By, Balance b/d	5,000	6,000	-
To, X's Current A/c	-	-	7,500	By, Revaluation A/c	5,000	3,000	-
To, Y's Current A/c	.	-	4,500	By, Z's Current A/c	7,500	4,500	-
To, Partners' Capital A/c	1,20,000	60,000	-	By, General Reserve A/c	37,500	22,500	-
				By, Bank A/c (B/F)	95,000	42,000	24,000
	1,50,000	**78,000**	**24,000**		**1,50,000**	**78,000**	**24,000**

Note:

(1) General Reserve is to be maintained in the books of the firm hence is credited to old partners' capital A/c & debited to all partners' capital A/c.

(2) Sacrificing Ratio = X : Y Old Ratio 5 : 3

Share of Z = 1/5 th

Share of X & Y in the firm = 1 – 1/5 = 4/5 X's share = 4/5 x 5/8 = 5/10

Y's share = 4/5 x 3/8 = 3/10 5/10: 3/10: 2/10 = New Ratio

Sacrificing Ratio = Old Ratio — New Ratio. X = 5/8 – 5/10 = 10/80

Y = 3/8 – 3/10 = 6/80

Sacrificing Ratio = 10:6

(3) Adjustment for goodwill

Z's share of Goodwill = ₹60,000 × 1/5 = ₹12,000

X's share in Goodwill of Z = ₹12,000 × 10/16 = ₹7,500 in Sacrificing Ratio. Y's share in Goodwill of Z = ₹12,000 × 6/16 = ₹4,500 in Sacrificing Ratio.

(4) Adjustment for capital

Total Capital of the firm according to capital contribution of Z = ₹80,000 × 5 = ₹4,00,000. X's Capital balance = ₹4,00,000 × 5/10 = ₹2,00,000

Y's Capital balance = ₹4,00,000 × 3/10 = ₹1,20,000 Z's Capital balance = ₹4,00,000 × 2/10 = ₹80,000

Dr. **Bank Account** **Cr.**

Particulars	(₹)	Particulars	(₹)
To Balance b/d	30,000		
To Z's Capital A/c	80,000		
To X's Capital A/c	95,000		
To Y's Capital A/c	42,000	By Balance c/d	2,71,000
To Z's Capital A/c	24,000		
	2,71,000		**2,71,000**

Balance Sheet as on 31.03.24

Liabilities	(₹)	Assets	(₹)
Capital:		Bank	2,71,000
X	2,00,000	Debtors	60,000
Y	1,20,000	Stock	96,000
Z	80,000	Machine	46,000
Current A/c:		Investment	31,000
X	---		
Y	---		
General Reserve	60,000		
Sundry Creditors	44,000		
	5,04,000		**5,04,000**

Note: It is assumed that the partners will bring necessary fund in cash to adjust their capital through Current A/c

6. (a) A Delhi head office passes one entry at the end of each month to adjust the position arising out of inter- branch transactions during the month. From the following inter-branch transactions in March 2024, make the entries in the books of Delhi Head office.

(A) Kolkata Branch:

(i) Received goods from Patna branch ₹9,000 and Ahmedabad branch ₹6,000.

(ii) Sent goods to Ahmedabad branch ₹15,000 and Patna branch ₹12,000.

(iii) Sent acceptances to Patna branch ₹6,000 and Ahmedabad branch ₹3,000.

(B) Kanpur branch [apart from (a) above]:

(i) Sent goods to Ahmedabad branch ₹9,000.

(ii) Received B/R from Ahmedabad branch ₹9,000.

(iii) Received cash from Ahmedabad branch ₹5,000. **[7]**

Answer:

Books of H.O. Journal

Particulars		L.F.	Dr. (₹)	Cr. (₹)
Kanpur Branch A/c	Dr.		5,000	
Patna Branch A/c	Dr.		9,000	
Ahmedabad Branch A/c	Dr.		7,000	
To, Kolkata Branch A/c				21,000

Statement of Inter-branch Transactions

Particulars	Kolkata		Kanpur		Patna		Ahmedabad	
	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr (₹)
Goods Received	15,000		–	–		9,000		6,000
Goods Sent	–	27,000	–	–	12,000	–	15,000	–
Acceptance	–	9,000	–		6,000	–	3,000	–
Goods Sent	–	–		9,000	–	–	9,000	–
B/R Received	–	–	9,000	–	–	–	–	9,000
Cash	–	–	5,000	–		–	–	5,000
	15,000	36,000	14,000	9,000	18,000	9,000	27,000	20,000
Balance	21,000	–	–	5,000	–	9,000	–	7,000
	36,000	36,000	14,000	14,000	18,000	18,000	27,000	27,000

6. (b) **A fire occurred on 15th September 2024 in the premises of Sen & Co. from the following figures, Evaluate the amount of claim to be lodged with the insurance company for loss of stock.**

Particulars	(₹)
Stock at cost on1.1.2023	**40,000**
Stock at cost on 1.1.2024	**60,000**
Purchases in 2023	**80,000**
Purchase from 1.1.2023 to 15.9.2024	**1,76,000**
Sales in 2023	**1,20,000**
Sales from 1.1.2024 to 15.9.2024	**2,10,000**

During the current year cost of purchase has risen by 10% above last years' level. Selling prices have gone up by 5%. Salvage value of stock after fire was ₹4,000. **[7]**

Answer:

Memorandum Trading Account for the period from 1.1.2024 to 15.9.2024

Particulars	Current Year (₹)	Last Year (₹)	Particulars	Current Year (₹)	Last Year (₹)
To Opening Stock	60,000	60,000	By, Sales	2,10,000	2,00,000
,, Purchase	1,76,000	1,60,000	By, Closing Stock	1,32,000	1,20,000
,, Gross Profit	1,06,000	1,00,000			
	(B/fig.)	(50% of Sales)			
	3,42,000	**3,20,000**		**3,42,000**	**3,20,000**

Working Notes:

1.Value of Closing Stock

	(₹)
Stock at last years' level	60,000
Add: 10% increase in cost of purchase	6,000
	66,000

2. Amount of Claim

	(₹)
Closing Stock	1,32,000
Less: Stock Salvaged	4,000
Actual Value of Stock loss	1,28,000

Actual Value of Stock Loss

Trading Account (for ascertaining rate of Gross Profit)

Dr. For the year ended 31.12.2023 Cr.

Particulars	(₹)	Particulars	(₹)
To, Opening Stock	40,000	By, Sales (less returns)	1,20,000
To, Purchase (less returns)	80,000	By, Closing Stock	60,000
To, Gross profit (bal. fig.)	60,000		
	1,80,000		**1,80,000**

□ **Percentage of gross profit on sales = (Gross Profit/Sales) × 100**

= (₹60,000/₹1,20,000) × 100

= 50%

7. (a) **On 30-04-2023 MMLtd. obtained a loan from the bank for ₹200 lakhs to be utilized as under:**

Construction of a shed	**₹80 lakhs**
Purchase of Machinery	**₹60 lakhs**
Working Capital	**₹40 lakhs**
Advance for Purchase of truck	**₹20 lakhs**

In March 2024 construction of shed was completed and machinery installed. Delivery of truck was not received. Total interest charged by the bank for the year ending 31-03-2024 was ₹36 lakhs. Advise the treatment of interest under AS-16. **[7]**

Answer:

As per As-16 borrowing cost (interest) should be capitalized if borrowing cost is directly attributable to the acquisition, construction or production of qualifying asset. In other words, asset acquired must be qualifying asset and borrowing cost should be directly attributable to the acquisition, construction or production of qualifying asset.

In the question ₹200 lakhs borrowed from Bank was utilized for –

Construction of a shed	₹80 lakhs
Purchase of Machinery	₹60 lakhs
Purchase of Machinery	₹40 lakhs
Advance for Purchase of truck	₹20 lakhs

Out of the above four payments only construction of a shed of ₹80 lakhs is a qualifying asset as per AS-16, other three payments are not for the qualifying asset. Therefore, borrowing cost attributable to the construction of a shed should only be capitalized which will be equal to ₹36 lakhs x 80/200 = ₹14.40 lakhs

The balance of ₹21.6 lakhs (₹36 lakhs – ₹14.4 lakhs) should be expensed and debited to Profit and Loss Account.

(b)

Particulars	Exchange Rate
Goods purchased on 24.02.2022 of US$ 10000	**₹76.60**
Exchange rate on 31.03.2022	**₹77.00**
Date of actual payment 5.06.2023	**₹77.50**

Evaluate the loss / gain for the financial years 2021-22 and 2023-24. **[7]**

Answer:

As per AS-11 all foreign currency transactions should be recorded by applying the exchange rate at the date of transaction. Therefore, goods purchased on 24.02.2022 and corresponding creditor would be recorded at ₹76.60 = US$1, i.e. 10,000 x 76.60 = ₹7,66,000

As per AS-11 at the balance sheet date all monetary items should be reported using the closing rate therefore creditors of US$10000 outstanding on 31.3.2023 will reported.

10,000 x ₹77.00 = ₹7,70,000

Exchange loss ₹(7,70,000 – 7,66,000) i.e. ₹4,000 should be debited in profit and loss account for 2021-22.

As per As-11 exchange difference on settlement on monetary items should be transferred to profit and loss account as gain or loss therefore 10000 x ₹77.50 = ₹7,75,000 – ₹7,70,000 = ₹5000 will be debited to profit or loss for the year 2023-24.

8. (a)

Particulars	Amount (₹)
Expenditure incurred till 31.03.2023	**5,00,000**
Interest cost capitalized for the financial year 2022-23 @ 13%	**26,000**
Amount borrowed till 31.03.23 is	**2,00,000**
Assets transferred to construction during 2023-24	**1,00,000**
Cash payment during 2023-24	**75,000**
Progress payment received	**3,70,000**
New borrowing during 2023-24 @ 13%	**2,00,000**

Evaluate the amount of borrowing cost to be capitalized. **[5]**

Answer:

Total borrowing cost = 4,00,000 x 13/100 = ₹52,000

	Amount (₹)
Expenditure incurred including previously capitalized borrowing cost (5,00,000 + 26,000)	5,26,000
Cash payment during 2023-24	75,000
Asset transferred during 2023-24	1,00,000
	7,01,000
Less: Progress payment received	3,70,000
	3,31,000

Money borrowed including previously capitalized interest cost 4,00,000 + 26,000 = ₹4,26,000

Borrowing cost to be capitalized = 3,31,000/4,26,000 × 52,000 = ₹40,404

(b) On 31st March 2023, a club had subscription in arrears of ₹28,000 and in advance ₹4,000. During the year ended 31st March 2024, the club received subscription of ₹2,08,000 of which ₹12,500 was related to 2024-25. On 31st March, 2023, there were 5 members who had not paid subscription for 2024 @ ₹ 1,600 per person. Prepare the Subscription Account for the year 2023-24. **[5]**

Answer:

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

Particulars	(₹)	Particulars	(₹)
To, Balance b/d (arrears)	28,000	By, Balance b/d (advance)	4,000
To, I & E A/c (income for 2023-24)[B/fig]	1,79,500	By, R & P A/c (received)	2,08,000
To, Balance c/d (advance)	12,500	By, Balance c/d (arrears- ₹1600 × 5)	8,000
	2,20,000		**2,20,000**

(c) X, Y and Z are partners in the ratio of 3 : 2:1. W is admitted with 1/6th share in future profits. Z would retain his original shares. Calculate the new profit sharing ratios of the partners. **[4]**

Answer:

X's New share	= 3/6 - (1/6 × 3/5) = 12/30
Y's New share	= 2/6 - (1/6 × 2/5) 1=8/30
Z's share	= 1/6
W's share	= 1/6
Therefore, New Profit-Sharing Ratio	= X:Y:Z:W = 12:8:5:5