

# **Paper 5- Financial Accounting**

## **Answer to MTP\_Intermediate\_Syllabus 2012\_Dec2015\_Set 2**

The following table lists the learning objectives and the verbs that appear in the syllabus learning aims and examination questions:

	<b>Learning objectives</b>	<b>Verbs used</b>	<b>Definition</b>
<b>LEVEL B</b>	KNOWLEDGE  What you are expected to know	List	Make a list of
		State	Express, fully or clearly, the details/facts
		Define	Give the exact meaning of
	COMPREHENSION  What you are expected to understand	Describe	Communicate the key features of
		Distinguish	Highlight the differences between
		Explain	Make clear or intelligible/ state the meaning or purpose of
		Identify	Recognize, establish or select after consideration
		Illustrate	Use an example to describe or explain something
	APPLICATION  How you are expected to apply your knowledge	Apply	Put to practical use
		Calculate	Ascertain or reckon mathematically
		Demonstrate	Prove with certainty or exhibit by practical means
		Prepare	Make or get ready for use
		Reconcile	Make or prove consistent/ compatible
		Solve	Find an answer to
		Tabulate	Arrange in a table
	ANALYSIS  How you are expected to analyse the detail of what you have learned	Analyse	Examine in detail the structure of
		Categorise	Place into a defined class or division
		Compare and contrast	Show the similarities and/or differences between
Construct		Build up or compile	
Prioritise		Place in order of priority or sequence for action	
Produce		Create or bring into existence	

**Paper 5- Financial Accounting**

Full Marks: 100

Time allowed: 3 hours

[This paper contains 7 questions. All questions are compulsory, subject to instruction provided against each question. All workings must form part of your answer.]

1. Answer All questions (give workings) [2 ×10=20]

- (i) Closing stock for the year ended on 31.03.2014 is ₹75,000 which include stock damaged in a fire in 2012-2013. On 31.03.2013, the estimated net realizable value of the damaged stock was ₹18,000. The revised estimate of net realizable value of damaged goods amounting ₹6,000 has been included in closing stock of ₹75,000 as on 31.03.2014.

Find the value of closing stock to be shown in Profit and Loss Account for the year 2013-2014.

**Answer:**

As per AS – 5 the effect of a change in accounting estimate should be classified using the same classification in the statement of profit and loss as was used previously for the estimate.

The fall in estimated net realizable value of damaged stock ₹12,000 is the effect of change in accounting estimate. Thus the value of closing stock for the year 2013-2014 will be as follows:

Particulars	Amount (₹)
Closing Stock ( including damaged goods)	75,000
Less: Revised value of damaged goods	(6,000)
Closing Stock (excluding damaged goods)	69,000

- (ii) Long Ltd. has two Debtors Ledger ( A-L and M-Z) in use in the self balancing system. Miss B Das , a customer whose account shows a debit balance of ₹6,000 in the (A-L) Debtor's Ledger, marries Mr. S. Sen and her account is required to be transferred to the (M-Z) Debtor's Ledger. Pass the transfer entries.

**Answer:**

In the books of Long Ltd.  
Journal (without narration)

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
	Mrs. Sen A/c(in M-Z Debtors Ledger) Dr. To, (Miss. Das ( in A-L Debtors Ledger)		6,000	6,000
	M-Z Debtors Ledger Adjustment A/c Dr. (in the General Ledger) To, General Ledger Adjustment A/c (in M-Z Debtors Ledger)		6,000	6,000
	General Ledger Adjustment A/c Dr. (in A-L Debtors Ledger) To, A-L debtors Ledger Adjustment A/c (in General Ledger)		6,000	6,000

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- (iii) Mihir Ltd. purchased goods on credit from Timir Ltd. for ₹500 crore for export. The export order was cancelled. Mihir Ltd. decided to sell the same goods in the local market with a price discount. Timir Ltd. was requested to offer a price discount of 15%. The chief accountant of Timir Ltd. wants to adjust the sales figure to the extent of the discount requested by Mihir Ltd. Discuss this treatment is justified.

**Answer:**

As per AS-9 (Revenue Recognition) trade discounts and volume rebates received are not encompassed within the definition of revenue. Trade discounts and volume rebates given should be deducted in determining the revenue, therefore the chief accountant of Timir Ltd. is correct in adjusting the sales period to the extent of discount of 15%.

- (iv) X and Y are partners having Capitals of ₹ 2,40,000 and ₹ 60,000 respectively and a profit sharing ratio of 4 : 1. Z is admitted for 1/5<sup>th</sup> share in the profits of the firm and he pays ₹ 90,000 as Capital. Find out the value of the Goodwill.

**Answer:**

Total Capital of the firm  $90,000 \times 5/1 = ₹4,50,000$  [Taking Z's Capital as base]  
Less: Combined Adjusted Capital = ₹3,90,000  
[₹2,40,000 + ₹60,000 + ₹90,000]  
Hidden Goodwill = ₹60,000

- (v) On 1<sup>st</sup> April, "A" purchased 12% debentures in S Ltd. for ₹6,50,000. The face value of these debentures were ₹6,00,000. Interest on debentures falls due on 30<sup>th</sup> June and 31<sup>st</sup> December. Compute the cost of acquisition of debentures.

**Answer:**

### Computation of Cost of Acquisition of Debentures

Particulars	₹
Cum-interest purchase price of debentures	6,50,000
Less: Interest from the last date of payment of interest to the date of purchase [₹6,00,000×3/12×12%]	18,000
Cost of debentures at the time of acquisition	6,32,000

- (vi) Salary debited to Income and Expenditure Account for the year was ₹1,15,200 Outstanding salary paid in the beginning of the year and the outstanding salary at the end of the year were ₹14,400 and ₹18,000 respectively. Compute the amount of Salary to be shown in Receipts and Payments Account.

**Answer:**

	₹
Salary debited to Income & Expenditure A/c	1,15,200
<b>Add:</b> Outstanding Salary at beginning	<u>14,400</u>
	1,29,600
<b>Less:</b> Outstanding salary at end of the year	<u>18,000</u>
Amount of salary paid during the year to be shown in Receipts & Payments A/c	<u>1,11,600</u>

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(vii) A second hand car is purchased for ₹4,00,000, the amount of ₹50,000 is spent on its repairs, ₹10,000 is incurred to get the car registered in owner's name and ₹4,000 is paid dealer's commission. What amount will be debited to the car account?

**Answer:**

₹ (4,00,000 + 50,000 + 10,000 + 4,000) = ₹4,64,000 will be debited to the car account.

(viii) On 01.01.2015 A sold goods to B on credit for ₹2,000 and drew a bill on B for ₹2,000 for 2 months after date. B accepted it on 03.01.2015 and returned to A. On maturity, the bill was duly honoured by B. Show the entries in the books of B.

**Answer:**

In the books of B

Journal

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
2015 Jan 1	Purchases A/c Dr. To, A's A/c (Goods purchased on credit from A)		2,000	2,000
Jan 3	A's A/c Dr. To, Bills Payable A/c (Bills accepted for 2 months after date)		2,000	2,000
Mar 4	Bills Payable A/c Dr. To, Bank A/c (Bills met on maturity)		2,000	2,000

(ix) List the reasons why immediate shift to the ODRC Method is not recommended.

**Answer:**

An immediate shift to the ODRC Method is not recommended due to:

- Problems in producing a detailed Asset Register.
- Absence of norms for standard lives of assets.
- Absence of construction cost estimates – Lack of data on future load growth.

(x) List the external sources of indication of impairment of an asset as per AS – 28.

**Answer:**

The indications of impairment may come from external or internal sources.

External Sources of indications are:

- (a) Due to passage of time or normal use, there is a significant decline in the market value of the asset during the period.
- (b) There is an adverse effect on the enterprise due to change in technology, market conditions and legal regulations.
- (c) There is a change in discount rate used in calculating the asset's value in use and significant decrease in the asset's recoverable amount due to increase in market interest rates or increase in market rates of return on investments etc.

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### 2. (Answer any two)

- (a) BB Ltd. purchased a plant for US \$20,000 on 31<sup>st</sup> December, 2014 payable after 4 months. The company entered into a forward contract for 4 months @ ₹ 48.85 per dollar. On 31<sup>st</sup> December, 2014, the exchange rate was ₹47.50 per dollar. How will you recognize the profit or loss on forward contract in the books of BB Ltd. for the year ended 31<sup>st</sup> March, 2015. [4]

Answer:

Calculation of Profit or Loss to be recognised in the books of BB Ltd.

Particulars	Amount (₹)
Forward contract rate	48.85
Less: Spot rate	47.50
Loss	1.35
Forward Contract Amount	\$20,000
Total loss on entering into forward contract = (\$20,000 × 1.35)	₹27,000
Contract period	4 months
Loss for the period 1 <sup>st</sup> January, 2015 to 31 <sup>st</sup> March,2015 i.e. 3 months falling in the year 2014-2015 will be (₹27,000 × ¾)	20,250

Balance loss of ₹6,750 (i.e. ₹27,000 - ₹20,250) for the month of April, 2015 will be recognised in the financial year 2015-2016.

- (b) The financial year of Mr. C ends on 31<sup>st</sup> March,2015 but the stock in hand was physically verified only on 8<sup>th</sup> April,2015. You are required to determine the value of Closing Stock (at cost) as at 31<sup>st</sup> March,2015 from the following information:

- (i) The stock (valued at cost) as verified on 8<sup>th</sup> April, 2015 was ₹15,000.
- (ii) Sales have been entered in the Sales Day Book only after the dispatch of goods and sales returns only on receipt of goods.
- (iii) Purchases have been entered in the Purchase day Book on receipt of the purchase invoice irrespective of the date of receipt of the goods.
- (iv) Sales as per the sales day book for the period 1<sup>st</sup> April,2015 to 8<sup>th</sup> April,2015 (before the actual verification) amounted to ₹6,000 of which goods of a sale value of ₹1,000 had not been delivered at the time of verification.
- (v) Purchases as per the purchase day book for the period 1<sup>st</sup> April,2015 to 8<sup>th</sup> April,2015 (before the actual verification) amounted to ₹6,000 of which goods for purchases of ₹1,500 had not been received at the date of verification and goods for purchases of ₹2,000 had been received prior to 31<sup>st</sup> March,2015.
- (vi) In respect of goods costing ₹5,000 received prior to 31<sup>st</sup> March,2015, invoices had not been received up to the date of verification of stocks.
- (vii) The gross profit is 20% on sales. [4]

Answer:

Mr. C

Statement showing Value of Stock on 31.03.2015

Particulars	Amount (₹)	Amount (₹)
Stock as on 08.04.2015		15,000
Add:		
(a) Cost of Goods Sold and sent out between		

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01.04.2015 and 08.04.2015:		
Sales in this period	6,000	
Less: Goods sold but not delivered (at Selling Price)	1,000	
	5,000	
Less: Gross Profit included [20% of ₹5,000]		4,000
Less:		
(a) Goods purchased and received between 01.04.2015 and 08.04.2015:		
Purchases in this period	6,000	
Less: Goods not received till 08.04.2015	1,500	4,500
(b) Goods received before 31.03.2015 for which the invoice is yet to be received		
	5,000	9,500
Stock on 31.03.2015		9,500

**(c) Classify the following between Capital and Revenue Expenditure giving reasons for the same:**

- (i) **Accrued Dividend or Interest included in the cost price of investment.**
- (ii) **Lawyer's fees for drafting an agreement of lease of immovable property.**
- (iii) **Construction of students' common room by college.**
- (iv) **Amount written off from the cost of Fixed Assets.** **[4]**

**Answer:**

- (i) The accrued interest or dividend must be related to a period before the date of purchase of the investment. For this it has been included in the cost price of investment.  
The cost of investment minus that accrued interest or dividend is a capital expenditure. It is the cost of acquisition of an asset. The payment for the accrued interest or dividend is revenue expenditure. It will be set off by a revenue receipt when such interest or dividend will be received.
- (ii) Lease of the property is a fixed asset. The lawyer's fees are incidental costs of its acquisition. Such fees are capital expenditure.
- (iii) It will cause an addition to the College building, a fixed asset. So it is a capital expenditure.
- (iv) An amount is written off from a capital expenditure is depreciation which is a revenue expenditure/loss.

**3. (Answer any two)**

**(a) Amit and Sumit are Partners sharing Profit and Losses as 3:2. Their Balance Sheet as on 31<sup>st</sup> March 2013 is given below:**

Equity & Liabilities	₹	Assets	₹
<b>Capital Accounts:</b>		<b>Non-Current Assets:</b>	
- Amit	1,76,000	Land & Building	3,20,000
- Sumit	2,54,000	Investments (Market Value ₹ 55,000)	50,000
<b>General Reserve</b>	30,000	<b>Current Assets:</b>	
<b>Non-Current Liabilities:</b>		Stock	1,10,000
Loan from Puneet	3,00,000	Debtors	
<b>Current Liabilities:</b>		Less: Provision for Doubtful Debts	2,90,000
Employer's Provident Fund	10,000	[3,00,000 – (10,000)]	
Creditors	50,000	Cash at Bank	50,000
<b>Total</b>	<b>8,20,000</b>	<b>Total</b>	<b>8,20,000</b>

**They decided to admit Puneet as a new Partner from 1<sup>st</sup> April 2014 on the following terms -**

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- i. Amit will give  $\frac{1}{3}$ rd of his share and Sumit will give  $\frac{1}{4}$ th of his share to Puneet.
- ii. Puneet's Loan Account will be converted into his Capital.
- iii. The Goodwill of the Firm is valued at ₹3,00,000. Puneet will bring his share of Goodwill in Cash, and the same was immediately withdrawn by the Partners.
- iv. Land and Building was found undervalued by ₹1,00,000.
- v. Stock was overvalued by ₹60,000.
- vi. Provision for Doubtful Debts will be made equal to 5% of Debtors.
- vii. Investments are to be valued at their Market Price.

It was decided that the Capital of the Firm after admission of New Partner would be ₹ 10,00,000. Capital Accounts of Partners will be re-adjusted on the basis of their Profit Sharing Ratio and excess or deficiency will be adjusted in Cash.

Prepare Revaluation Account, Partner's Capital Accounts and Balance Sheet of the firm after admission of New Partner. [12]

**Answer:**

1. Computation of New PSR and Goodwill Adjustment				
Particulars	Amit	Sumit	Puneet	Total
(a) Old Ratio	$\frac{3}{5} = \frac{6}{10}$	$\frac{2}{5} = \frac{4}{10}$	-	3:2
(b) New Ratio after Puneet's Admission	$\frac{3}{5} - \frac{1}{5} = \frac{2}{5} = \frac{4}{10}$	$\frac{2}{5} - \frac{1}{10} = \frac{3}{10}$	$\left[\frac{3}{5} \times \frac{1}{3}\right] + \left[\frac{2}{5} \times \frac{1}{4}\right] = \frac{3}{10}$	4:3:3
(c) Sacrifice Ratio = (a) - (b)	$\frac{2}{10}$	$\frac{1}{10}$	-	2:1

Puneet's Share of Goodwill = ₹3,00,000 x  $\frac{3}{10}$  = ₹90,000, to be shared by Amit and Sumit in the Sacrifice Ratio 2:1, i.e. ₹60,000 and ₹30,000 respectively.

### 2. Revaluation Account

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Stock	60,000	By Land and Building	1,00,000
To Provision for Doubtful Debts (5% on ₹ 3,00,000 - ₹ 10,000)	5,000	By Investments (55,000 - 50,000)	5,000
To Gain on Revaluation shared in 3:2 ratio			
- Amit	24,000		
- Sumit	<u>16,000</u>		
	40,000		
<b>Total</b>	<b>1,05,000</b>	<b>Total</b>	<b>1,05,000</b>

### 3. Partners' Capital Account

Dr.				Cr.			
Particulars	Amit	Sumit	Puneet	Particulars	Amit	Sumit	Puneet
To, Amit & Sumit Cap.	-	-	90,000	By, Balance b/d	1,76,000	2,54,000	-
To, Bank – Goodwill	60,000	30,000	-	By, Revaluation Profit	24,000	16,000	-
				By, Puneet's Loan	-	-	3,00,000
				By, Bank	-	-	90,000



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				(Goodwill)			
				By, Puneet's Capital	60,000	30,000	-
				By, General Reserve. (3:2)	18,000	12,000	-
To, Balance c/d	4,00,000	3,00,000	3,00,000	By, Bank (Bal. Figure)	1,82,000	18,000	-
Total	4,60,000	3,30,000	3,90,000	Total	4,60,000	3,30,000	3,90,000

**Note:** It is assumed that Goodwill contributed by Puneet is first withdrawn by Amit and Sumit. At the end, Balance Cash is contributed to maintain the Capital at the desired level ₹ 10,00,000. Alternatively, it can also be assumed that such Goodwill is not withdrawn first, and net balance Capital requirement is contributed by Partners.

### 4. Cash/Bank Account

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Balance b/d	50,000	By Amit (Goodwill withdrawn)	60,000
To Puneet Goodwill	90,000	By Sumit (Goodwill withdrawn)	30,000
To Amit - Capital Contribution (WN 3)	1,82,000	By Balance c/d (balancing figure)	2,50,000
To Sumit - Capital Contribution (WN 3)	18,000		
Total	3,40,000	Total	3,40,000

### 5. Balance Sheet of Firm on 31<sup>st</sup> March (after Admission)

Equity & Liabilities	₹	Assets	₹
Capital Accounts:		Non- Current Assets:	
Amit	4,00,000	Fixed Assets: Land and Buildings (3,20,000 + 1,00,000)	4,20,000
Sumit	3,00,000	Investments: at Market Value	55,000
Puneet	3,00,000	Current Assets:	
		Stock (1,10,000 – 60,000)	50,000
Current Liabilities:		Debtors	
Employers' PF Contribution Payable	10,000	3,00,000	
Creditors	50,000	Less: Provision for Doubtful Debts (15,000)	2,85,000
Total	10,60,000	Cash/bank (WN 4)	2,50,000
		Total	10,60,000

**3.(b)(i)** Siva Ltd. has two departments X and Y. From the following particulars prepare Departmental Trading Accounts and General Profit and Loss Account for the year ending 31<sup>st</sup> March, 2014 —

Particulars	Dept. X (₹)	Dept. Y (₹)	Particulars	Dept. X (₹)	Dept. Y (₹)
Opening Stock (at cost)	80,000	48,000	Finished Goods Transferred		
Purchases	3,68,000	2,72,000	- By Dep. Y to X	1,40,000	-
Carriage Inward	8,000	8,000	- By Dept. X to Y	-	1,60,000
Wages	48,000	32,000	Return of Finished Goods		
Sales	5,60,000	4,48,000	- By Dept. Y to X	40,000	-

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Purchased Goods Transferred			- By Dept. X to Y	-	28,000
- By Dept. Y to X	40,000	-	Closing Stock		
- By Dept. X to Y	-	32,000	-Purchased Goods	18,000	24,000
			-Finished Goods	96,000	56,000

Purchased Goods have been transferred mutually at their respective Departmental Purchase Cost and Finished Goods at Departmental Market Price and that 25% of the Closing Finished Stock with each Department represents Finished Goods received from the other Department. [8]

**Answer:**

### Departmental Trading and Profit and Loss Account for the year ending 31<sup>st</sup> March, 2014

(Amount in ₹)

Particulars	Dept.X	Dept.Y	Total	Particulars	Dept.X	Dept. Y	Total
To, Opening Stock	80,000	48,000	1,28,000	By Sales	5,60,000	4,48,000	10,08,000
To, Purchases	3,68,000	2,72,000	6,40,000	By, Transfer – Purchased Goods	32,000	40,000	72,000
To, Carriage Inward	8,000	8,000	16,000	By, Transfer – Finished Goods	1,60,000	1,40,000	3,00,000
To, wages	48,000	32,000	80,000	By, Transfer – Finished Goods Returned	28,000	40,000	68,000
To, Transfer – Purchased Goods	40,000	32,000	72,000				
To, Transfer – Finished Goods	1,40,000	1,60,000	3,00,000	By, Closing Stock			
To, Transfer-Return of Finished Goods	40,000	28,000	68,000	- Purchased Goods	18,000	24,000	42,000
To, Gross Profit	1,70,000	1,68,000	3,38,000	- Finished Goods	96,000	56,000	1,52,000
<b>Total</b>	<b>8,94,000</b>	<b>7,48,000</b>	<b>16,42,000</b>	<b>Total</b>	<b>8,94,000</b>	<b>7,48,000</b>	<b>16,42,000</b>
To, Stock Reserve (WN 1)	7,200	3,500	10,700	By, Gross Profit	1,70,000	1,68,000	3,38,000
To, Net Profit	1,62,800	1,63,800	3,27,300				
<b>Total</b>	<b>1,70,000</b>	<b>1,64,500</b>	<b>3,38,000</b>	<b>Total</b>	<b>1,70,000</b>	<b>1,64,500</b>	<b>3,38,000</b>

**Working Note 1:**

#### Stock Reserve to be provided

Particulars	Department X	Department Y
Closing Stock of Finished Goods	96,000	56,000
Element of Finished Goods from other department	25% of 96,000 = 24,000	25% of 56,000 = 14,000
Gross Profit Ratio ( Gross Profit/ Sales)	1,68,000/5,60,000 = 30%	1,70,000/6,80,000 = 25%
Stock Reserve required to be maintained	24,000 × 30% = 7,200	14,000 × 25% = 3,500

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- 3.(b)(ii) Chakra Ltd has an equipment purchased 2 years ago for ₹ 3,80,000. The residual value of the asset was estimated to be ₹ 20,000. The total useful life of the asset when purchased was 12 years. The Company charges Straight Line Method of depreciation. Due to Price Adjustment, the cost of the asset is now increased by ₹ 30,000. What is the treatment for the increase In Historical Cost. Advice. [4]

**Answer:**

Particulars	Computation	Amount ₹
1. Depreciable Value = Original Cost - Residual Value	₹ 3,80,000 - ₹ 20,000	3,60,000
2. Depreciation Amount per annum	₹ 3,60,000 / 12 years	30,000
3. Present Book Value (i.e. after two years)	₹ 3,80,000 - (₹ 30,000 x 2)	3,20,000
4. Revised Depreciable Value after Price Adjustment	₹ 3,20,000 + ₹ 30,000 - ₹ 20,000	3,30,000
5. Revised Depreciation amount per annum	₹ 3,30,000 / 10 years	33,000

- 3.(c) Computer point sells Computer on Hire –Purchase basis at Cost Plus 25%. Terms of Sale are ₹5,000 Down Payment, and eight monthly installments of ₹2,500 for each Computer.

The following transactions took place during the Financial Year 2014-15:

- Number of instalments not yet due on 1.4.2014 = 25, Number of installments due but not collected as on 1.4.2014 = 5
- During the financial year, 240 Computers were sold. Out of the above sold Computers during the year, the outstanding position was as follows as on 31.3.2015.
- Instalments not yet due:
  - Eight Instalment on 50 Computers.
  - Six Instalments on 30 Computers.
  - Two Instalments on 10 Computers.
- Instalments due but not collected: Two Instalments on 5 Computers during the year.
- Two Computers on which five instalments were due and two instalments not yet due were repossessed out of Sales effected during current year. Re-possessed stock is valued at 50% of cost. All instalments have been received.

You are asked to prepare Hire-Purchase Trading Account for the year ending on 31.3.2015. [12]

**Answer:**

Dr.		1. Hire Purchase Trading Account				Cr.
Particulars	Qty	₹	Particulars	Qty	₹	

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To Opening Stock. (25 x ₹ 2,500)	25	62,500	By Opening HP Stock Res, (Note)		12,500
To Goods Sold on Hire Purchase			By Goods sold on HP (Note)		12,00,000
- Down Payment at ₹ 5,000	240	12,00,000	By HP Sales (WN 2)	1,581	45,52,500
- Instalments at ₹ 2,500 (240x8)	1,920	48,00,000	By Repossessed Stock A/c (Instalments not due on goods repossessed)	4	10,000
To Repossessed Stock (Loss on Repossession) (WN 3)		15,000	By Closing HP Stock	600	15,00,000
To Closing HP Stock Reserve (Note)		3,00,000			
To Profit on HP (transfer to P&L) (bal/fig.)		8,97,500			
Total	2,185	72,75,000	Total	2,185	72,75,000

**Note: Loading / Profit is reversed / removed / eliminated as under –**

Item	Opening HP Stock	Goods Sold on HP	Closing HP Stock
Value (HP Price)	62,500	12,00,000 + 48,00,000 = 60,00,000	15,00,000
Profit at 25/125 thereon	12,500	12,00,000	3,00,000

Dr.		2. Hire Purchase Debtors Account				Cr.
Particulars	Qty	₹	Particulars	Qty	₹	
To Opening Balance	5	12,500	By Repossessed Stock	10	25,000	
To HP Sales (WN 2)	1,581	45,52,500	By Bank (Cash Collection)			
			- Down Payment	240	12,00,000	
			- Instalments (bal.fig)	1,326	33,15,000	
			By Closing Balance	10 (2 x 5)	25,000	
Total	1,586	45,65,000	Total	1,586	45,65,000	

**Working Notes:**

### 1. Computation of HP Profit Margin

Particulars		₹
(a) Cost	[25,000 x (25/125)]	100
(b) Profit (25% on cost)	(100 x 25%)	25
(c) HP Price	(a) + (b)	125

Dr.		2. Memorandum HP Stock Account (To determine HP Sales)				Cr.
Particulars	Qty	₹	Particulars	Qty	₹	
To Opening Balance To Goods Sold on HP	25	62,500	By Repossessed Stock	4 (2x2)	10,000	
- Down Payment	240(240x1)	12,00,000	By HP Sales (bal.fig)	1,581	45,52,500	
- Instalments	1,920(240x8)	48,00,000	By Closing Balance (Note)	600	15,00,000	
Total	2,185	60,62,500	Total	2,185	60,62,500	

**Note:** Closing HP Stock = (8 x 50) + (6 x 30) + (2 x 10) = 600.

## Answer to MTP\_Intermediate\_Syllabus 2012\_Dec2015\_Set 2

**Dr. 3. Memorandum Repossessed Stock Account Cr.**  
(To determine Profit/Loss on Repossession)

Particulars	Qty	₹	Particulars	Qty	₹
To HP Stock / HP Trading A/c (Instalments not due)	4 (2x2)	10,000	By Loss on Repossession (bal.fig)		15,000
To HP Debtors (Instalments due)	10 (2x5)	25,000	By balance c/d (Value of Repossessed Stock) (50% of Cost) =50% of 20,000		20,000
Total		35,000	Total		35,000

**4. (Answer any two)**

**(a) List down the benefit accrues out of Self Balancing System.**

**[4]**

**Answer:**

Benefits of Self-Balancing System are as follows;

- If ledgers are maintained under self-balancing system it becomes very easy to locate errors.
- This system helps to prepare interim account and draft final accounts as a complete trial balance can be prepared before the abstraction of individual personal ledger balances.
- Various works can be done quickly as this system provides sub-division of work among the different employees.
- This system is particularly useful (i) where there are a large number of customers or suppliers and (ii) where it is desired to prepare periodical accounts.
- Committing fraud is minimized as different ledgers are prepared by different clerks.
- Internal check system can be strengthened as it becomes possible to check the accuracy of each ledger independently.

**4. (b) On 1<sup>st</sup> October 2014, the Debit Balances of Debtors Account is ₹ 77,500. Transactions during the 6 months ended on 31<sup>st</sup> March 2015 were as follows-**

Particulars	₹
<b>Total Sales (including Cash Sales ₹ 14,000)</b>	<b>84,000</b>
<b>Payment received from Debtors in Cash</b>	<b>38,000</b>
<b>Bills Receivable received</b>	<b>26,000</b>
<b>Discount Allowed to Customers for prompt payment</b>	<b>1,000</b>
<b>Goods rejected and returned back by the Customer</b>	<b>2,550</b>
<b>Bad Debts Recovered (Written Off two years back)</b>	<b>900</b>
<b>Interest Debited for Delay in Payment</b>	<b>1,250</b>

**Out of the Bills Received, Bills of ₹ 8,500 were dishonoured on Due Dates and Noting Charges paid ₹ 250. Bills of ₹ 5,000 were endorsed to the Suppliers. Prepare a Debtors Account for the period ending 31<sup>st</sup> March 2015 in the General Ledger.**

**[4]**

**Answer:**

Debtors Account (in General Ledger) for 6 months ending 31<sup>st</sup> March 2015

Particulars	₹	Particulars	₹
To balance b/d	77,500	By Cash	38,000
To Credit Sales (₹ 84,000 - ₹14,000)	70,000	By Bills Receivable	26,000
To Bills Receivable (Dishonoured)	8,500	By Discount Allowed	1,000
To Noting Charges	250	By Sales Returns	2,550
To Interest (for delay in payment)	1,250	By balance c/d (balancing figure)	89,950

## Answer to MTP\_Intermediate\_Syllabus 2012\_Dec2015\_Set 2

Total	1,57,500	Total	1,57,500
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**Note:** The following transactions are not recorded in Debtors A/c- (a) Bad Debts recovered, (b) Bills Endorsed to Suppliers.

**4. (c) From the following information prepare Bought Ledger Adjustment Account in the General Ledger. [4]**

Particulars	₹	Particulars	₹
Opening Balances in Bought Ledger (Dr.)	10,000	Bills Payable Issued	22,400
(Cr.)	96,000	Cash Paid to Suppliers	4,80,000
Purchases	5,40,000	Transfer from Sales Ledger to Bought Ledger	20,800
Purchase Returns	20,000	Discount Received	7,200

**Answer:**

Bought Ledger Adjustment Account (in General Ledger) for period

Particulars	₹	Particulars	₹
To balance b/d (given)	10,000	By balance b/d (given)	96,000
To General Ledger Adjustment A/c		By General Ledger Adjustment A/c	
Purchase Returns	20,000	(in Creditors Ledger)	
Cash Paid to Suppliers	4,80,000	By Purchases	5,40,000
Discount Received	7,200		
Bills Payable Issued	22,400		
Transfer from Sales Ledger	20,800		
To balance c/d (balancing figure)	75,600		
Total	6,36,000	Total	6,36,000

**Note:** Transfer from Sales Ledger to Bought Ledger is assumed as Debit Balance of Sales Ledger transferred, which will set-off the amounts due to Supplier (in Bought Ledger).

**5. (Answer any two)**

**(a) List down when revenue from rendering of services is recognised. [4]**

**Answer:**

Revenue from rendering of services should be recognised if the following conditions are satisfied :

Performance of Service	The performance may consist of execution of one or more acts. It should be measured using either -(a) Completed Service Contract Method, or (b) Proportionate Completion Method, whichever relates the revenue to the work accomplished.
Certainty of Amount	There is no significant uncertainty regarding the amount of consideration that will be derived from rendering the service.
Certainty of Collection	It is reasonable to expect ultimate collection at the time of performance. Otherwise, revenue recognition should be postponed

**5. (b) An amount of ₹ 9,90,000 was incurred on a contract work upto 31<sup>st</sup> March. Certificates have been received to date to the value of ₹12,00,000 against which ₹10,80,000 has been received in cash. The cost of work done but not certified amounted to ₹ 22,500. It is estimated that by spending an additional amount of ₹ 60,000 (including provision for contingencies) the work can be completed in all respects in another two months. The agreed contract price of work is ₹ 12,50,000. Compute a conservative estimate of the profit to be taken to the P&L A/c as per AS - 7.**

**[4]**

## Answer to MTP\_Intermediate\_Syllabus 2012\_Dec2015\_Set 2

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**Answer:**

Particulars	₹
Cost incurred till Date	9,90,000
Add: Estimated Additional cost	60,000
<b>Total Cost</b>	<b>10,50,000</b>
% of completion based on cost (Cost incurred till date / Estimated Total Cost= 9,90,000/ 10,50,000)	94.29%
Contract Revenue to be recognised (12,50,000 x 94.29%)	11,78,625
Less: Contract Cost incurred till date	9,90,000
<b>Contract Profit</b>	<b>1,88,625</b>

**5(c) Siva Ltd sold goods worth ₹ 50,000 to Ganga Ltd. Ganga Ltd asked for discount of ₹ 8,000 which was agreed by Siva Ltd. The sale was effected and goods were dispatched. After receiving goods, items worth ₹ 7,000 was found defective, which they returned immediately. They made the payment of ₹ 35,000 to Siva Ltd, whose Accountant booked the Sales for ₹ 35,000. Discuss whether the accounting treatment is correct. [4]**

**Answer:**

1. Price Discount of ₹ 8,000 is given after goods worth ₹ 50,000 are "sold", and such discount is not in the ordinary course of trade. Hence, Sales should be recorded at Gross Value of ₹ 50,000.
2. Price Discount ₹ 8,000, and Sales Returns ₹ 7,000 should be recorded by way of Credit Note, and should not be reduced from Sales Value ₹50,000. So, the accounting treatment of recording Sales at ₹ 35,000 is not correct.

**Alternative View:** From the language used in the question, it may be considered that Price Discount of ₹ 8,000 offered by Siva Ltd at the request of Ganga Ltd is in the nature of discount given during the ordinary course of trade, since it is given at the time of sale itself. Hence, Sales may be recorded at ₹ 50,000 - ₹ 8,000 = ₹ 42,000. Returns are to be accounted separately.

**6. (Answer any two)**

**(a) From the following details, calculate Consequential Loss Claim.**

1. Date of Fire: 1<sup>st</sup> September.
2. Indemnity Period: 6 months.
3. Period of Disruption: 1<sup>st</sup> September to 1<sup>st</sup> February.
4. Sum Insured: ₹ 1,08,900.
5. Sales were ₹ 6,00,000 for the preceding financial year ended on 31<sup>st</sup> March.
6. Net Profit for preceding Financial Year ₹ 36,000 plus Insured Standing Charges ₹ 72000.
7. Rate of Gross Profit 18%.
8. Uninsured Standing Charges ₹ 6,000.
9. Turnover during the Disruption Period ₹ 67,500.
10. Annual Turnover for 12 months immediately preceding the date of fire ₹ 6,60,000.
11. Annual Turnover, i.e for corresponding months ( 1<sup>st</sup> Sept to Feb) in the year preceding the date of fire ₹ 2,25,000.

## Answer to MTP\_Intermediate\_Syllabus 2012\_Dec2015\_Set 2

12. Increase in Cost of Working Capital ₹ 12,000 with saving of insured Standing Charges ₹ 4,500 during Disruption Period.
13. Reduced Turnover avoided through Increase in Working Capital ₹ 30,000.
14. Special Clause stipulated- (a) Increase in rate of GP 2% and (b) Increase in Turnover (Standard and Annual) 10%. [8]

**Answer:**

1. **Period of Indemnity**= 6 months(given) (Year Assumed as 1<sup>st</sup> Sept 2014 to 1<sup>st</sup> Feb 2015)

**2. Computation of GP Rate**

Basic GP Rate= $\frac{\text{Net Profit} + \text{Insured Standing Charges}}{\text{Sales}}$ $= \frac{36,000+72,000}{6,00,000}$	18%
Add: Adjustment of Increase in GP Rate	2%
Adjusted GP rate for Claim purpose	20%

**3. Computation of Insurable Amount**

Particulars	₹
Annual Turnover, i.e Turnover for 12 months preceding the date of Fire	6,60,000
Add: Adjustment for Increase in Turnover (10% of ₹ 6,60,000)	66,000
Adjusted Annual Turnover	7,26,000
GP on Adjusted Annual Turnover at 20% on ₹ 7,26,000= Insurable Amount	1,45,200

**4. Computation of Short Sales**

Particulars	₹
Standard Turnover form 1 <sup>st</sup> Sept, 2013 to 1 <sup>st</sup> Feb, 2014(Previous Year corresponding to Indemnity Period)	2,25,000
Add Adjustment for Increase in Turnover (₹ 2,25,000 x 10%)	22,500
Adjusted Turnover during Indemnity Period	2,47,500
Less: Actual Turnover during Indemnity Period, i.e from 1 <sup>st</sup> Sept 2014 to 1 <sup>st</sup> 2015	(67,500)
Short Sales	1,80,000

**5. Computation of Allowable Additional Expenses**

Particulars	₹
(a) Actual Additional Expenses = Increase in Cost of Working Capital(Given)	12,000
(b) Gross Profit on sales generated by additional expenses (₹ 30,000*20%)	6,000
(c) Additional Expenses x $\frac{\text{Gross Profit on Adjusted Turnover}}{\text{Gross Profit on Adjusted Annual Turnover} + \text{Uninsured Standing Charges}}$ $= ₹ 12,000 \times \frac{20\% \times 7,26,000}{(20\% \times 7,26,000) + 6000} = 12,000 \times \frac{1,45,200}{1,51,200}$	11,524
Allowable Additional Expenses = Least of the above	6,000

**6. Computation of Claim**

Particulars	₹
Loss of Profit= Gross Profit on Short Sales= 20% on ₹ 1,80,000	36,000
Add: Allowable additional expenses (WN 5)	6,000
Less : Saving in Insured Standing Charges (Given)	(4,500)
Net Claim for Loss of Profit	37,500



## Answer to MTP\_Intermediate\_Syllabus 2012\_Dec2015\_Set 2

Admissible Claim (Based on Average Clause) Net Claim x Policy Amount/ Insurable Amount  = ₹ 37,500 x ₹ 1,08,900 / 1,45,200	28,125
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6. (b) (i) Akash owed ₹ 4,000 on 1<sup>st</sup> January to Himavan. The following transactions took place between them. It is agreed between the parties that interest at 10% p.a. is to be computed on all transactions.

Date	Particulars	₹
15 <sup>th</sup> January	Himavan sold goods to Akash	2,230
29 <sup>th</sup> January	Himavan bought goods from Akash	1,200
10 <sup>th</sup> February	Akash paid Cash to Himavan	1,000
13 <sup>th</sup> March	Akash accepted a bill drawn by Himavan for one month	2,000

They agree to settle their complete accounts by one single payment on 15<sup>th</sup> March. Prepare Akash in Account Current with Himavan and ascertain the amount to be paid. Ignore days of grace. [4]

Answer:

In the books of Himavan												
Dr.						Cr.						
Akash in Account Current with Himavan (Interest upto 15 <sup>th</sup> March at 10% p.a.)												
Dt	Due	Particulars	₹	Days	Product	Dt	Due	Particulars	₹	Days	Product	
1 Jan	1 Jan	To bal b/d	4,000	74	2,96,000	29 Jan	29 Jan	By Purchase A/c	1,200	45	54,000	
15 Jan	15 Jan	To Sales A/c	2,230	59	1,31,570	10 Feb	10 Feb	By Cash a/c	1,000	33	33,000	
15 Mar	16 Apr	To Red Ink Product (on B/R 2,000)	NA	32	64,000	13 Mar	16 Apr	By B/R a/c	2,000	NA	NA	
15 Mar	15 Mar	To Interest	111			15 Mar	15 Mar	By Balance of Products			4,04,570	
						15 Mar	15 Mar	By bal c/d	2,141			
		Total	6,341		4,91,570			Total	6,341		4,91,570	

6. (b) (ii) Distinguish between Sale and Consignment. [4]

Answer:

Differences between Sale and Consignment are:

- In sale the property in goods is transferred to the buyer immediately whereas in consignment the property is transferred to the buyer only when goods are sold by the consignee. The ownership of goods remains with the consignor when goods are transferred to the consignee by the consignor.
- In sale, the risk attaching to the goods passes with ownership to the buyer. In case of a consignment, the risk attaching to the goods does not pass to the consignee who acts as a mere agent. If there is any damage or loss to the goods it is borne by the consignor provided the consignee has taken reasonable care of the goods and the damage or loss is not due to his negligence.
- The relationship of consignor and consignee is that of a principal and an agent as in a contract of agency whereas the relationship of buyer and seller is governed by the Sale of Goods Act.
- Unsold goods on consignment are the property of the consignor and may be returned if not saleable in the market whereas goods sold on sale basis are normally not returnable unless there is some defect in them.

## Answer to MTP\_Intermediate\_Syllabus 2012\_Dec2015\_Set 2

6. (c) On 1<sup>st</sup> Aug, 2014, Viru of Delhi sends 500 cases of sunglasses costing ₹600 each to Dhoni of Ranchi, on consignment basis. Viru paid freight and insurance amounting to ₹4,800. Dhoni makes an advance of ₹45,000.

On Dec. 31<sup>st</sup>, 2014 Dhoni forwards an Account sales to Viru showing:

- 360 cases had been sold for ₹800 each on cash basis.
- 90 cases had been sold for ₹900 each on credit basis

Dhoni had paid ₹4,400 for carriage and ₹1,400 for rent of godown.

The consignee was entitled to an ordinary commission of 10% and del Credere commission of 5%. Dhoni realized all the due from the customers and remitted the balances due by bank draft with such account sales. You are required to make journal entries, necessary ledger accounts and extracts of final accounts in the books of Dhoni assuming he closes his books on Dec. 31 every year. [8]

Answer:

Date	Particulars	Dr. (₹)	Cr. (₹)
1.8.2014	Viru A/c <span style="float: right;">Dr.</span> To, Bank A/c (Being advance given to Viru)	45,000	45,000
31.12.2014	Viru A/c <span style="float: right;">Dr.</span> To, Bank A/c [₹4,400 + ₹1,400] (Being expenses incurred on behalf of consignor for carriage and godown rent)	5,800	5,800
31.12.2014	Bank A/c [360 × ₹800] <span style="float: right;">Dr</span> Consignment Debtors A/c [90 × ₹900] <span style="float: right;">Dr.</span> To, Viru A/c (Being 360 cases of sunglasses sold on cash basis and 90 cases sold on credit basis on behalf of Viru)	2,88,000 81,000	3,69,000
31.12.2014	Bank A/c <span style="float: right;">Dr.</span> To, Consignment Debtors A/c (Being amount realised from the debtors)	81,000	81,000
31.12.2014	Viru A/c <span style="float: right;">Dr.</span> To, Commission Earned A/c [3,69,000 × 10% + ₹3,69,000 × 5%] (being ordinary commission @10% and del Credere commission @ 5% earned on sale on behalf of Viru)	55,350	55,350
31.12.2014	Viru A/c [₹3,69,000 - ₹45,000 - ₹5,800 - ₹55,350] <span style="float: right;">Dr.</span> To, Bank A/c (Being bank draft send to consignor as final remittance)	2,62,850	2,62,850
31.12.2014	Commission Earned A/c <span style="float: right;">Dr.</span> To, P/L A/c ( Being earned commission transferred to P/L A/c)	55,350	55,350

Dr.		Viru Account		Cr.	
Date	Particulars	₹	Date	Particulars	₹
1.4.2014	To, Bank A/c [Advance given]	45,000	31.12.2014	By, Bank A/c [Cash sales on behalf of consignor]	2,88,000
31.12.2014	To, Bank A/c	5,800	31.12.2014	By,	81,000

## Answer to MTP\_Intermediate\_Syllabus 2012\_Dec2015\_Set 2

	[Expenses incurred]			Consignment Debtors A/c [Credit sales on behalf of consignor]	
31.12.2014	To, Commission Earned A/c	55,350			
31.12.2014	To, Bank A/c [Final remittance ( Bal. Fig)]	2,62,850			
		3,69,000			3,69,000

Dr. Commission Account			Cr.		
Date	Particulars	₹	Date	Particulars	₹
31.12.2014	To, P/L A/c [Transferred]	55,350	31.12.2014	By, Viru [Commission Earned]	55,350

Dr. Consignment Debtors Account			Cr.		
Date	Particulars	₹	Date	Particulars	₹
31.12.2014	To, Viru A/c [credit sales]	81,000	31.12.2014	By, Bank A/c [ Amount realised]	81,000

### Extracts of Final Accounts:

Particulars	₹	₹	Particulars	₹	₹
			By, Commission earned		55,350

### 7. (Answer any two)

- (a) (i) Rajatapeeta Bank Ltd. had extended the following credit lines to a Small Scale Industry, which had not paid any Interest since March, 2009:

Particulars	Term Loan	Export Loan
Balance Outstanding on 31.03.2015	₹35 lakhs	₹30 lakhs
DICGC/ECGC cover	40%	50%
Securities held	₹15 lakhs	₹10 lakhs
Realisable Value of Securities	₹10 lakhs	₹8 lakhs

Compute necessary provisions to be made for the year ended 31st March, 2015. [4]

Answer:

Particulars	Term Loan (₹ in lakhs)	Export Loan (₹ in lakhs)
Balance outstanding on 31.3.2015	35.00	30.00
Less: Realisable value of Securities	10.00	8.00
	25.00	22.00
Less: DICGC cover @ 40%	10.00	-
ECGC cover @ 50%	-	11.00
Unsecured balance	15.00	11.00

Required Provision:

Particulars	Term Loan	Export Loan
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## **Answer to MTP\_Intermediate\_Syllabus 2012\_Dec2015\_Set 2**

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	(₹ in lakhs)	(₹ in lakhs)
100%* for unsecured portion	15.00	11.00
100% for secured portion	10.00	8.00
Total provision required	25.00	19.00

**\* The above solution has been provided based on the latest NPA provisions (as per the Master Circular issued by RBI.**

**7. (a)(ii) Discuss Electricity Regulatory Commission (CERC).**

**[4]**

**Answer:**

Central Electricity Regulatory Commission (CERC) Meaning:

The Central Electricity Regulatory Commission shall be a body corporate, having perpetual succession and a common seal with power to acquire, hold and dispose of property, both movable and immovable, and to contract and shall, by the said name, sue or be sued.

Constitution: The Central Commission shall consist of the following Members namely: (i) A chairperson and 3 Members (ii) The Chairperson of the Authority who shall be the Member, ex-officio.

Appointment: The Chairperson and Members of the Central Commission shall be appointed by the Central Government on the recommendation of the Selection Committee.

Functions: The functions of the Central Commission include regulating the tariff of generating companies, the inter-state transmission of electricity, to issue licenses, to levy fees, to fix trading margin etc.

**7. (b)(i) List down the statistical books required to be maintained by the Insurance Company.**

**[4]**

**Answer:**

Under the Insurance Act, 1938 it is obligatory on the part of all insurance companies including the general insurance companies to maintain the following books which may be called 'statutory books'.

1. The registrar of policies. This book contains the following particulars in respect of each policy issued:

- (a) The name and address of the policyholder;
- (b) The date when the policy was effected; and
- (c) A record of any assignment of the policy.

2. The register of claims. This book should contain the following particulars in respect of each claim:

- (a) The date of claim;
- (b) The name and address of the claimant;
- (c) The date on which the claim was discharged; and
- (d) In the case of a claim which is rejected, the date of rejection and the ground for rejection.

## Answer to MTP\_Intermediate\_Syllabus 2012\_Dec2015\_Set 2

3. The register of licensed insurance agents. This book should contain the following particulars in respect of each agent:

- (a) Name and address of every insurance agent appointed;
- (b) The date of appointment; and
- (c) The date on which appointment ceased, if any.

In addition to the statutory books mentioned above, insurance companies also maintain the following subsidiary books for recording the transactions:

- (i) Proposal register
- (ii) New premium cash book
- (iii) Renewal premium cash book
- (iv) Agency and branch cash book
- (v) Petty cash book

7. (b)(ii) Calculate Rebate on Bills discounted as on 31 December, 2014 from the following data and show journal entries:

	Date of Bill	₹	Period	Rate of Discount
(i)	15.10.2014	50,000	5 months	8%
(ii)	10.11.2014	30,000	4 months	7%
(iii)	25.11.2014	40,000	4 months	7%
(iv)	20.12.2014	60,000	3 months	9%

Calculation of Rebate on Bills Discounted.

[4]

Answer:

₹	Due Date	Days after 31 <sup>st</sup> December, 2014	Discount Rate	₹
50,000	18.03.2015	31+29+18=78	8%	852.46
30,000	13.03.2015	31+29+13=73	7%	418.85
40,000	28.03.2015	31+29+28=88	7%	673.22
60,000	23.03.2015	31+29+23=83	9%	1,224.59
<b>Total</b>				<b>3,169.12</b>

Date	Particulars	Dr. (₹)	Cr. (₹)
Dec.31 2014	Interest and Discount A/c Dr. To, Rebate on Bills Discounted A/c (Being the provision for unexpired discount required at the end of the year)	3,169.12	3,169.12

7. (c) The Revenue Account of a Life Insurance Company showed the life fund at ₹73,17,000 on 31.03.2015 before considering the following items —

Particulars	Amount (₹)
Claims intimated but not admitted	98,250
Bonus utilized is reduction of Premium	13,500
Interest accrued on Investments	29,750
Outstanding Premiums	27,000
Claims covered under Reinsurance	40,500
Provision for Taxation	31,500

Calculate the corrected Life Assurance Fund and do pass the necessary journal entries. [8]

## Answer to MTP\_Intermediate\_Syllabus 2012\_Dec2015\_Set 2

Answer:

### A. Corrected Life Assurance Fund

Particulars	Dr. (₹)	Cr. (₹)
Life Assurance Fund as on 31.03.2015		73,17,000
<b>Add:</b>		
Bonus in Reduction of Premium	13,500	
Accrued Interest	29,750	
Outstanding Premium	27,000	
Reinsurance claims	40,500	1,10,750
<b>Less:</b>		
Claims Outstanding	98,250	
Bonus in Reduction of Premium	13,500	
Provision for taxation	31,500	1,43,250
<b>Correct Life Fund as on 31.03.2015</b>		<b>72,84,500</b>

### B. Journal Entries

Date	Particulars	Dr. (₹)	Cr. (₹)
1.	Claims A/c <span style="float: right;">Dr.</span> To, Outstanding Claims A/c (Claims intimated but not admitted taken, omitted to be accounted earlier, now brought into account)	98,250	98,250
2.	Bonus in reduction of Premium A/c <span style="float: right;">Dr.</span> To, Premium A/c (Bonus in reduction of Premium account, omitted to be accounted earlier, now accounted for)	13,500	13,500
3.	Accrued Interest A/c <span style="float: right;">Dr.</span> To, Interest A/c (Interest accrued on Investments as on 31.03.2015 accounted for)	29,750	29,750
4.	Outstanding Premium A/c <span style="float: right;">Dr.</span> To, Premium A/c (Outstanding Premiums brought into account)	27,000	27,000
5.	Reinsurance Claims A/c <span style="float: right;">Dr.</span> To, Claim A/c (Adjustments for claims covered under reinsurance )	40,500	40,500
6.	Revenue A/c <span style="float: right;">Dr.</span> To, Provision for taxes A/c (Adjustments for Provisions for taxation)	31,500	31,500