

## **Paper 5- Financial Accounting**

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Full Marks : 100

Time allowed: 3 hours

**Section A**

**1. Answer the following questions**

**(a) Multiple choice questions: 5 x 1 = 5**

- (i) Which of the following purpose is served from the preparation of trial balance:
  - (a) To check the arithmetical accuracy of the recorded transactions;
  - (b) To ascertain the balance of any ledger account;
  - (c) To facilitate the preparation of final account promptly;
  - (d) All of the above.
  
- (ii) Survey expenses for marine insurance claim must be
  - (a) Added to claim;
  - (b) Added to legal charges;
  - (c) Added to administrative charges;
  - (d) None of the above.
  
- (iii) A profit on sale of furniture of a club will be taken to
  - (a) Cash Account;
  - (b) Receipts and Payment Account;
  - (c) Income and Expenditure Account;
  - (d) Profit and Loss Account.
  
- (iv) Realisation Account is a:
  - (a) Representative Personal Account;
  - (b) Artificial Personal Account;
  - (c) Real Account;
  - (d) Nominal Account.
  
- (v) Bank shows the provision for income tax under the head
  - (a) Contingency Accounts;
  - (b) Other liabilities and provisions;
  - (c) Contingent liabilities;
  - (d) Borrowings.

**(b) Match the following: 5 x 1 = 5**

	Column 'A'		Column 'B'
1.	Cash Flow Statement	A	AS-13
2.	Unexpired risk revenue	B	Consignment
3.	Accounting for investment	C	AS-7
4.	Delcredere commission	D	Insurance Companies
5.	Construction contracts	E	AS-3

**(c) State whether the following statements are true or false 5 x 1 = 5**

- (i) Original cost minus scrap value is the depreciated value of an asset.
- (ii) The average clause is applicable when the actual loss is less than the sum assured.
- (iii) Life membership fee may be capitalized and shown in balance sheet in liabilities side.

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- (iv) Bad debts are apportioned among departments in the proportion of value of sales of each department.
- (v) A banking company cannot grant any loans or advances on the security of its own shares.

**(d) Answer the following:**

**5 x 2 = 10**

- (i) Calculate the amount of Insurance claim to be lodged based on the following information:

Valuation of stock destroyed by fire	₹ 90,000
Insurance Policy amount (subject to average clause)	₹ 65,000
Value of stock salvaged from fire	₹ 40,000

- (ii) New Bank Ltd. Informs you the following:

• Bill discount commission (unadjusted)	₹ 21,00,000
• Rebate on bills discounted as on 1-4-2012	₹ 2,43,000
• Rebate on bills discounted as on 31-3-2013	₹ 2,18,000

Compute the discount to be credited to the profit and loss account of the Bank for the year ended 31-3-2013.

- (iii) ₹ 90,000 is the annual instalment to be paid for three years (given Present Value of an annuity of ₹ 1 p.a. @ 5% interest is ₹ 2.7232). Ascertain the Cash Price in case of Hire Purchase.

- (iv) X Ltd. Furnished the following particulars:

Debtors ledger include ₹ 9,000 due from Pin Top Ltd. whereas creditors ledger include ₹ 5,400 due to Pin Top Ltd. Journalise the above.

- (v) The following information has been extracted from the books of a lessee for the year 20-12-2013:

Particulars	Amount (₹)
Short workings lapsed	8,000
Short workings recovered	12,000
Actual royalty based on output	30,000

Compute the minimum rent.

### **Section B**

**Answer any five from the following. Each question carries 15 marks (5 x 15 = 75)**

2. (a) Mr. Gupta commenced business as a Cloth Merchant on 1<sup>st</sup> January, 1991, with a capital of ₹ 2,000. On the same day, he purchased furniture for cash ₹ 600. The books are maintained by Single Entry. From the following particulars (i) Calculate the cash on hand as on 31-12-1991, (ii) Prepare a Trading and Profit and Loss Account for the year ending 31<sup>st</sup> December, 1991 and (iii) a Balance Sheet as on that date:

Particulars	₹
Sales (including cash sales of ₹ 1,400)	3,400
Purchases (including cash purchases of ₹ 800)	3,000
Gupta's drawings	240
Salaries of Staff	400
Bad Debts written off	100
Business Expenses	140

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Stock of goods on 31-12-1991	1,300
Sundry Debtors on 31-12-1991	1,040
Sundry Creditors on 31-12-1991	720

Mr. Gupta took cloth costing ₹ 100 from the shop for private use and paid ₹ 40 cash to his son, but omitted to record these transactions in his books. Provide depreciation on furniture at 10 per cent per annum. **12 Marks**

- (b)** BISLA Life Insurance Company furnishes you the following information:
- |  |               |
|--|---------------|
| Life insurance fund on 31.03.2012                                  | ₹ 1,40,00,000 |
| Net Liability on 31.03.2013 as per Actuarial Valuation             | ₹ 1,20,00,000 |
| Interim Bonus paid to Policy holders during inter valuation period | ₹ 2,50,000    |
- You are required to prepare:
- (a) Valuation Balance Sheet
- (b) Statement of Net Profit for the valuation period **3 Marks**

- 3. (a)** P, Q and R are partners sharing profits and losses as 5:3:2. The business is dissolved on 31-12-2002 when the balance sheet stands as below:

		₹			₹
Sundry Creditors		1,00,000	Machinery	50,000	
Capital accounts			Car	10,000	
P	10,000		Stock	60,000	
Q	40,000		Debtors	45,000	
R	20,000	70,000	Cash at bank	5,000	
		1,70,000		1,70,000	

Machinery and stock are sold for ₹ 25,000 and ₹ 18,000 respectively. Car is taken by Q for ₹ 12,000; Debtors realise ₹ 20,000

Deficiency of any partner in the Capital Account is to be met by other partners in profit sharing ratio.

P is insolvent; R can bring in ₹ 5,000 only.

Prepare the accounts in the books of the firm. **12 Marks**

- (b)** On 01.04.2012, M/s Singh Bros. had a provision for bad debts of ₹ 6,500 against their book debts. During 2012-13, ₹ 4,200 proved irrecoverable and it was desired to maintain the provision for bad debts @ 4% on debtors which stood at ₹ 1,95,000 before writing off Bad Debts. They also decided to maintain a provision for discount on debtors @2%. Show Provision for Bad Debt Account. **3 Marks**

- 4. (a)** Mr. X , the consignor , consigned goods to Mr. Y 100 Radio sets valued ₹ 50,000. This was made by adding 25% on cost. Mr. X paid ₹ 5,000 for freight and insurance. 20 sets are lost – in- transit for which Mr. X recorded ₹ 5,000 from the Insurance company.

Mr. Y received remaining goods in good condition. He incurred ₹ 4,000 for freight and miscellaneous expenses and ₹ 3,000 for godown rent. He sold 60 sets for ₹ 50,000. Show the necessary ledger account in the books of Mr. X assuming that Mr. Y was entitled to an ordinary Commission of 10% on sales and 5% Del Credere Commission on sales. He also reported that ₹ 1,000 were provided bad. **7 Marks**

- (b)** A merchant, while balancing his books of accounts notices that the T.B. did not tally. It showed excess credit of ₹ 1,700. He placed the difference to Suspense A/c. Subsequently he noticed the following errors:

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- (a) Goods brought from Narayan for ₹ 5,000 were posted to the credit of Narayan's A/c as ₹ 5,500
- (b) An item of ₹ 750 entered in Purchase Returns Book was posted to the credit of Pandey to whom the goods had been returned.
- (c) Sundry items of furniture sold for ₹ 26,000 were entered in the sales book.
- (d) Discount of ₹ 300 from creditors had been duly entered in creditor's A/c but was not posted to discount A/c.

Pass necessary journal entries to rectify these errors. Also show the Suspense A/c.

**8 Marks**

- 5. (a)** From the following Receipts and Payments Account of Town Club for the year ended 31<sup>st</sup> March, 2015 prepare Income and Expenditure A/c.

Receipts	₹	Payments	₹
To balance b/d (1-4-2014)	11,500	By salaries	8,000
To subscriptions	6,500	By rent	1,500
To Interest	500	By stationery	500
To sale of old furniture	800	By Government Bonds	6,000
To Legacies	4,000	By balance c/d (31-3-2015)	7,300

**Adjustments:**

- (a) Subscriptions include 500 received for last year.
- (b) Rent includes 300 paid for last year.
- (c) Book value of Furniture sold 1,000.

**8 Marks**

- (b)** Samarsh keeps his ledger on self-balancing system. From the following particulars, you are required to write-up the individual Debtors' Account and the General Ledger Adjustment Account (in Sales ledger) during the month of January 2012:

- (i) Individual Debtor's balances on 1.1.2012;  
A – ₹ 1,530; B – ₹ 1,620; C – ₹ 1,890; D – ₹ 1,170.
- (i) Transactions during the month:  
January
2. Sold goods to A ₹ 1,710;
  9. Received from B on account ₹ 300;
  11. Received from A ₹ 1,500 in full settlement of his balance on 1.1.2012
  12. Sold goods to B ₹ 600;
  14. B returned goods which were damaged-in-transit amounting to ₹ 180;
  18. Received from C ₹ 1,800 and allowed him discount ₹ 90;
  19. Received from A, a bill of exchange for ₹ 1,200 accepted by X payable on 25th January;
  22. Received from B ₹ 900;
  25. A's bill returned dishonoured;
  28. D became insolvent and 30 paise in the rupee was received from his estate in full and final settlement;
  30. Sold goods to C ₹ 1,020.

**7 Marks**

- 6.(a)** From the following figures appearing in the books of Fire Insurance division of a General Insurance Company, show the amount of claim as it would appear in the Revenue Account for the year ended 31<sup>st</sup> March, 2012.

Particulars	Direct Business (₹)	Re-Insurance (₹)
Claim paid during the year	46,70,000	7,00,000
Claim Payable - 1 <sup>st</sup> April, 2011	7,63,000	87,000

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31 <sup>st</sup> March, 2012	8,12,000	53,000
Claims received	--	2,30,000
Claims Receivable – 1 <sup>st</sup> April, 2011	--	65,000
31 <sup>st</sup> March, 2012	--	1,13,000
Expenses of Management (includes ₹ 35,000 surveyor's fee and ₹ 45,000 legal expenses for settlement of claims)	2,30,000	--

**12 Marks**

- (b) A company purchased some machineries for ₹ 1,00,000 on 1<sup>st</sup> April, 2007. It charges depreciation @ 10% p.a. on reducing balance method every year. On 30<sup>th</sup> September 2011, a part of the machinery was sold for ₹ 14,000, the original cost of the machine was ₹ 20,000. Calculate the profit or loss on sale of machinery if the company closes its books on 31<sup>st</sup> March every year. **3 Marks**

7. (a) On April 1, 2008 Chandra Transport Company purchased a mini truck from S.K. Motors on hire purchase system. The terms were that they would pay ₹ 1,00,000 down on same date and the balance was payable in three annual instalments. First instalment amounted to ₹74,000 was payable on 31-3-2009, second ₹ 93,000 on 31-3-2010 and third ₹84,000 on 31-3-2011. Interest is charged @ 12% per annum. Rate of depreciation is 20% on written down value.

You are required to calculate the total cash price and prepare

- (i) S.K. Motors Account and  
(ii) Mini-Truck Account in the Books of Chandra Transport Company. **8 Marks**

- (b) Vasu took a mine on lease from Vamsi at a royalty of ₹ 12,500 a year. Each year's excess of minimum rent over royalties is recoverable during the first three years of lease. In the event of strike and minimum rent not being reached, it was provided that the actual royalties earned for the year would fulfill all rental obligations.

The output for the first four years was as follows:

- 1<sup>st</sup> year – 2000 tons  
2<sup>nd</sup> year – 2500 tons  
3<sup>rd</sup> year – 4000 tons  
4<sup>th</sup> year – strike (2400 tons)

Prepare Royalties Account, Short workings account and Vamsi account in the books of Vasu. **7 Marks**

8. (a) A Head Office sends goods to its Branch at selling price which is arrived at faster adding 33 1/3% to cost price and all expenses are met by the Branch out of remittance from Head Office. All collections by Branch are sent to Bank in the account of Head Office.

The following particulars are available in respect of the Branch for the year ended 31<sup>st</sup> March, 2013:

	₹
Stock as on 31 <sup>st</sup> March, 2012 (At selling Price)	32,000
Goods from H.O	1,80,000
Cash sales paid into Bank	1,30,680
Credit Sales	38,400
Debtors (on 31 <sup>st</sup> March, 2012)	8,540
Cash collections from Debtors sent to Bank	36,340
Expenses	24,200
Deficiency in Branch Stock on actual stock taking	600

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You are required to show the necessary accounts in the books of Head office recording the above transactions for the year ended 31st March 2013. **12 Marks**

- (b) P Ltd. acquires 2000, 12% Debenture of T Ltd. on 1-4-2012 at ₹ 105 Cum-interest (full value of debentures ₹ 100). Interest is paid on 30<sup>th</sup> June and 31<sup>st</sup> December every year. Accounts are closed on 31<sup>st</sup> December 2012. Ascertain the amount of interest and cost of debentures. **3 Marks**

9. Write short notes on any three of the following **3 x 5 = 15**
- (a) Accounting Cycle;
  - (b) Normal Loss and Abnormal Loss in Consignment;
  - (c) Weighted average rate of depreciation in electricity companies;
  - (d) Difference between Realisation A/c and Revaluation A/c.