

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:

[5x1=5]

- (i) A transaction without immediate cash settlement is known as
(a) Cash Transaction;
(b) Credit Transaction;
(c) Deferred Transaction;
(d) None of the above.
- (ii) Income Statement of a charitable institution is known as
(a) Profit and Loss A/c
(b) Receipts and payments A/c
(c) Income and Expenditure A/c
(d) Statement of Affairs
- (iii) 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) ₹12,000
(b) ₹9,000
(c) ₹18,000
(d) None of the above
- (iv) Capital Profit arises from which of the following?
(a) Profit prior to incorporation;
(b) Premium received on issue of shares;
(c) Profit made on re-issue of forfeited shares;
(d) All of the above.
- (v) Which of the following cannot be detected by Trial Balance?
(a) Errors of Omission;
(b) Errors of Principal;
(c) Errors of Misposting;
(d) All of the above.

(b) Match the following:

[5x1=5]

	Column 'A'		Column 'B'
1.	Double Column	A	Property, Plant and Equipments
2.	Under Valuation of Assets	B	Cash Book
3.	AS-10	C	Secret Reserves
4.	Indemnity Period	D	Dead Rent
5.	Minimum Rent	E	Insurance Claim

(c) State whether the following statements are true or false:

[5x1=5]

- (i) Depreciation is a charge against profit.
(ii) Compensation paid to employees who are retrenched is Capital expenditure.
(iii) In the hire purchase system interest charged by vendor is calculated on the basis of

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the outstanding cash price.

- (iv) When complete sequence of accounting procedure is done, which happens frequently and repeatedly in same directions then it is called an accounting cycle.
- (v) Liabilities are resources owned by the business with the purpose of using it for generating future profits.

(d) Answer the following questions (Give workings):

[2×5=10]

- (i) 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 1/5th share in the profits of the firm and he pays ₹ 90,000 as Capital. Find out the value of the Goodwill.
- (ii) 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.
- (iii) AB Ltd has signed at 31st December, the balance Sheet, a contract where the Total Revenue is estimated at ₹30 Crores and Total Cost is estimated at ₹40 Crores. No work began on the contract. Is the Contractor required to give any accounting effect for the year ended 31st December?
- (iv) Kapil Ltd. acquired 4,000 Equity Shares of Kumar Ltd. on cum-right basis at ₹ 75 per Share. Subsequently, Kumar Ltd. made a Right issue of 2 : 1 at ₹ 60 per Share, which was subscribed for by Kapil Ltd. Calculate cost of total investments at the year end.
- (v) The following information has been extracted from the books of a lessee for the year 2016-2017:

Particulars	Amount (₹)
Shortworkings lapsed	16,000
Shortworkings recovered	24,000
Actual royalty based on output	60,000

Compute the minimum rent.

Section - B

Answer any five from the following. Each question carries 15 marks (5x15=75)

2. (a) State with reasons whether the following are Capital Expenditure or Revenue Expenditure:

- (i) Expenses incurred in connection with obtaining a licence for starting the factory were ₹ 22,000.
- (ii) ₹ 3,000 paid for removal of stock to a new site.
- (iii) Rings and Pistons of an engine were changed at a cost of ₹ 7,000 to get full efficiency.
- (iv) A factory shed was constructed at a cost of ₹ 1,00,000. A sum of ₹ 5,000 had been incurred for the construction of the temporary huts for storing building materials.

[6]

(b) Ram of Patna consigns to Shyam of Delhi for sale at invoice price or over. Shyam is entitled to a commission @5% on invoice price and 25% of any surplus price realized. Ram draws on Shyam at 90 days sight for 80% of the invoice price as security money. Shyam remits the balance of proceeds after sales, deducting his commission by sight draft.

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Goods consigned by Ram to Shyam costing ₹ 20,900 including freight and were invoiced at ₹ 28,400. Sales made by Shyam were ₹ 26,760 and goods in his hand unsold at 31st Dec, represented an invoice price of ₹ 6,920. (Original cost including freight ₹ 5,220). Sight draft received by Ram from Shyam upto 31st Dec was ₹ 6,280. Others were in- transit.

Prepare necessary Ledger Accounts in the books of Ram.

[9]

3. N is a small trader. He maintains no books but only an account with a bank in which all takings are lodged after meeting business expenses and his personal drawings and in which all payments for business purchases are passed through.

You are required to ascertain his trading result for the year ended 31.03.15 and Balance Sheet as on that date from the following information:

(i) The bank statement shows deposits during the year of ₹ 12,020
and withdrawals of ₹ 11,850.

(ii) The Assets and Liabilities on 31.03.16 were:

Stock—	₹ 1,100;
Book Debts—	₹ 1,150;
Bank balance—	₹ 320;
Furniture—	₹ 2,000
and Trade creditors—	₹ 400.

(iii) In the absence of reliable information, estimates are supplied on the following matters:

- (a) The Stock and Book Debts have each increased by ₹ 100 during the year. There was no purchase or sale of furniture during the year.
 (b) The trade creditors were ₹ 200 on 01.04.15.
 (c) During the year the personal expenses amounted to ₹ 800 and business expenses ₹ 700.

[15]

4. P, Q and R were carrying on a business in partnership, sharing profits and losses in the ratio of 5 : 3 : 2 respectively. The firm earned a profit of ₹ 3,60,000 for the accounting year ended 31st March, 2014 on which date the firm's Balance Sheet stood as follows:

Balance Sheet as at 31st March, 2014

Liabilities	₹	Assets	₹
P's Capital	7,00,000	Freehold Land and Building	8,00,000
Q's Capital	5,70,000	Machinery	3,50,000
R's Capital	4,30,000	Furniture & Fixtures	1,02,000
Creditors	79,400	Stock	2,98,800
Outstanding Expenses	4,900	Debtors	1,60,000
		Cash at Bank	73,500
Total	17,84,300	Total	17,84,300

P died on 31st August, 2014. According to firm's partnership deed, in case of death of a partner:-

- (i) Assets and Liabilities have to be revalued by an independent valuer.
 (ii) Goodwill is to be calculated at two years' purchase of average profits for the last three completed accounting years and the deceased partner's capital account is to be credited with his share of goodwill.
 (iii) The share of the deceased partner in the profits for the period between end of the previous accounting year and the date of death is to be calculated on the basis of the previous accounting year's profits. Post death of P, Q & R will share profit in the ratio of 3:2.

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Profits for the accounting years 2011 – 2012 and 2012 – 2013 were as follows: -

	₹
For the year ended 31st March, 2012	2,90,000
For the year ended 31st March, 2013	3,40,000

Drawings by P from 1st April, 2014 to the date of his death totaled ₹46,000.

On revaluation, Freehold Land and Building was appreciated by ₹1,00,000; Machinery was depreciated by ₹ 10,000 and a Provision for Bad Debts was created @ 5% on Debtors as on 31st March, 2014. P's sole heir was given ₹5,00,000 immediately and the balance along with interest @ 12% per annum was paid to him on 31st March, 2015.

Prepare Revaluation Account, P's Capital Account and P's Heir Account, giving important working notes. **[15]**

5. (a) From the following figures prepare accounts to disclose total profit and the profit of the two departments B and C.

Particulars	₹	Particulars	₹
Opening Stock:		Advertising	8,100
B	15,200	Insurance	1,000
C	10,800	General Expenses	5,400
Purchase:		Discount Allowed	1,800
B	75,100	Accountancy Charges	500
C	69,800	Sales:	
Carriage inwards	2,860	B	1,00,000
Salaries:		C	80,000
B	9,000	Purchases returns:	
C	8,500	B	1,100
General Salaries	11,600	C	800
Rent and Rates	6,000	Discount Received	1,430

The following further information is supplied:

- (i) Goods transferred from department B and C were ₹5,000. This has not yet been recorded.
- (ii) General salaries are to be allocated equally.
- (iii) The area occupied is in the ratio 3:2.
- (iv) Insurance premium is for a comprehensive policy, allocation being inconvenient.
- (v) The closing stock of the two departments were:
B — ₹17,800 and C — ₹15,600.

[8]

- (b) The following details were extracted from the books of Mr. Vasudev for the period ended 31st Dec, 2016. Prepare Debtors Ledger Adjustment Account in General Ledger.

Date	Particulars	₹
Jan 01	Sales Ledger Balances	24,900
	Provision for Doubtful Debts	1,800
Dec,31	Sales (including Cash Sales ₹9,000)	47,800
	Cash received from Customers	36,000
	Bills Receivable received	3,500
	Returns from Customers	700
	Bills endorsed	900
	Bills dishonoured	600

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Cheque dishonoured	250
Bills receivable as endorsed, dishonoured	240
Bills receivable discounted	1,000
Bad Debts written off	100
Interest charged to customers	40
Bad Debts previously written off recovered	120
Transfer from Bought Ledger	300
Sundry Charges debited to customers	50
Debtor's Balance (Cr.) 31.12.2015	350

[7]

- 6. (a)** On 1.1.2014 B Ltd. purchased a Truck from T Ltd. on hire purchase system. At the time of Agreement a sum of ₹ 1,92,000 was paid out of the cash down price of the Truck and the balance to be payable in 3 equal installments together with interest @ 5% p.a. The amount of last installment including interest was ₹ 2,68,800 .

Show the calculation of Cash Price, the interests paid and the Hire Purchase Price of the Truck. **[10]**

- (b)** On 31.12.2015, Sundry Debtors and Provision for Bad Debts are ₹ 50,000 and ₹ 5,000 respectively. During the year 2013, ₹ 3,000 are bad and written off on 30.9.2016, an amount of ₹ 400 was received on account of a debt which was written off as bad last year on 31.12.2016, the debtors left was verified and it was found that sundry debtors stood in the books were ₹ 40,000 out of which a customer Mr. X who owed ₹ 800 was to be written off as bad.

Prepare Bad Debt Account. Provision for bad Account. assuming that same percentage should be maintained for provision for bad debt as it was on 31.12.2015. **[5]**

- 7. (a)** Ishani Ltd., used certain resources of Snigdha Ltd. In return Snigdha Ltd. received ₹20 lakhs and ₹30 lakhs as interest and royalties respectively from Ishani Ltd. during the year 2016-17. You are required to state whether and on what basis these revenues can be recognized by Snigdha Ltd. **[6]**

- (b)** The Life Fund of a Life Assurance Ltd. was ₹90,00,000 as on 31st March, 2016. The interim bonus paid during the intervalation period was ₹ 4,00,000. The periodical actuarial valuation determined the net liability at ₹ 74,00,000. Surplus brought forward from the previous valuation was ₹ 5,00,000. The directors of the company proposed to carry forward ₹ 10,00,000.

Required: the Valuation Balance Sheet; the Net Profit for the valuation period; and the distribution of the surplus. **[9]**

- 8. (a)** From the following information Calculate Return on Equity as per Regulation 21 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004:

A. Date of Commercial Operation of COD = 1st April 2010

B. Approved Opening Capital Cost as on 1st April 2010 = ₹ 1,50,000

C. Details of allowed Additional Capital Expenditure. Repayment of Loan and Weighted Average Rate of Interest on Loan is as Follows

	1 st Year	2 nd Year	3 rd Year	4 th Year
Additional Capital Expenditure (Allowed)	10,000	3,000	2,000	1,000

[8]

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- (b) Mr. M owed ₹ 3,000 on 1st Jan, 2017 to Mr. S. The following are the transactions that took place between them during 2017. It is agreed between the parties that interest @ 6% p.a. is to be calculated on all transactions.

2017			₹
January	16	Mr. S sold goods to Mr. M	2,000
January	29	Mr. S purchase goods from Mr. M	1,500
February	10	Mr. S pays cash	1,500
March	7	Mr. M accepts bill drawn by Mr. S for one month	2,000

They desire to settle their accounts by one single payment on 15th March 2017. Ascertain the amount to be paid to the earnest rupee. Ignore days of grace. [7]

9. Write short notes on any three of the following: [3x5=15]

- (a) Basic features of a Joint Venture;
- (b) Types of Debts;
- (c) Features of Receipts and Payments Account;
- (d) Money Measurement Concept.