

PAPER 5- FINANCIAL ACCOUNTING

MTP_Intermediate_Syllabus 2012_June 2015_Set 2

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

	Learning objectives	Verbs used	Definition
LEVEL 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 x 10=20]

- (i) On 01.01.2012, M/s. Three Star and Co. Ltd. purchased machinery for ₹5,00,000. Subsequently, ₹1,00,000 was paid for installation. Assuming that the rate of depreciation was 10% on Reducing Balance Method, determine the Closing Book Value of the Machine as at 31.12.2014.
- (ii) A trader acquired Machinery for ₹1,00,000 but included the same in purchase account. He paid ₹20,000 to a supplier which was omitted to be recorded in the books. State the types of errors and pass journal entries to rectify the errors.
- (iii) Salary debited to Income and Expenditure Account for the year was ₹96,000. Outstanding salary paid in the beginning of the year and the outstanding salary at the end of the year was ₹12,000 and ₹15,000 respectively. Compute the amount of Salary to be shown in Receipts and Payments Account.
- (iv) Working capital of a company is ₹ 21,28,000 and total debts are ₹ 42,50,000. If the company's long term debts are ₹ 27,30,000 then calculate the current ratio.
- (v) Calculate the interest income to be recognized for Save Here Bank Ltd. for the year ended 31.03.2013 from the following information: (₹ in Crores)

Interest	Total Interest collected	Earned but not collected	
		On PA	On NPA
Interest on Cash Credit	5,000	2,000	2,100
Interest on Overdraft	1,500	500	1,750
Interest on Term Loan	5,000	200	2,500

- (vi) Discuss the treatment of Tread Discount and Quantity Rebates under AS – 9.
- (vii) Calculate the Gross Profit lost during the claim Period if the Turnover lost during the Claim Period is ₹ 37,50,000 and the agreed G.P. Ratio is 20%.

MTP_Intermediate_Syllabus 2012_June 2015_Set 2

- (viii) On 1st April, "A" purchased 12% debentures in S Ltd. for ₹6,50,00. The face value of these debentures were ₹6,00,000. Interest on debentures falls due on 30th June and 31st December. Compute the cost of acquisition of debentures.
- (ix) Namitha Ltd. furnished the following particulars:
Debtors' ledger includes ₹66,000 due from Mitra Ltd. whereas creditors ledger include ₹39,600 due to Mitra Ltd.
Journalise the above.
- (x) List the constituents of Central Electricity Regulatory Commission (CERC).

2. (Answer any two)

- (a) In 2013-14 the stock of a firm was physically verified on 27th March and was valued at ₹ 2,00,000. Its financial year however ended on 31.03.2014.
On scrutiny you find the following details of transactions between 28.03.2014 and 31.03.2014:
(i) The firm had sent goods to its agent for selling such goods at the latter's working place. The goods were dispatched at a profit of 20% on cost but those of the value of ₹ 36,000 remained unsold.
(ii) Purchases between the above mentioned dates amounted ₹ 70,000. However, out of this goods worth ₹ 20,000 were not delivered till 6th of April, 2014.
(iii) The firm makes a profit of 25% on cost although it had to sell goods costing ₹ 9,000 for ₹ 7,000 only.
(iv) Sales for the period were ₹ 1,08,000 of which goods worth ₹ 18,000 sent on approval. Half of these goods have been returned before 31.03.2014 while no intimation has been received for the rest.
Ascertain the value of stock on 31.03.2014. **[4]**
- (b) Write a note on accounting Life Cycle. **[4]**
- (c) On 30th Sept. 2014 my Cash Book (Bank Column of Account No. 1448870) showed a bank Overdraft of ₹ 49,350. On going through the Bank Pass Book for reconciling the Balance , I found the following:
(i) Out of cheques drawn on 26th Sept. those for ₹3,700 were cashed by the bankers on 2nd October.
(ii) A crossed cheque for ₹ 750 given to Amrita was returned by her and a bearer cheque was issued to her in lieu on 1st Oct.
(iii) Cash and cheques amounting to ₹3,400 were deposited in the bank on 29th Sept, but cheques worth ₹1,300 were cleared by the Bank on 1st Oct. and one cheque for ₹ 250 returned by him as dishonoured on the latter date.
(iv) My bankers seem to have given me wrong credit for ₹500 paid in by me in No.1226650 account and a wrong debt in respect of a cheque for ₹300 drawn against my No. 1226650 account. **[4]**

MTP_Intermediate_Syllabus 2012_June 2015_Set 2

3. (Answer any two)

(i) Show what entries would be passed by the Head Office to record the following transactions in their books:

- Goods amounting to ₹ 500 transferred from Kolkata Branch to Rangoon Branch under instructions from Head Office.
- Depreciation of Branch Fixed Assets when such accounts are opened in the Head Office books amounted to ₹ 1,000.
- A remittance of ₹ 3,000 made by the Rangoon Branch to the Head Office on 26th December and received by the Head Office on 4th January.

N.B.: Assume that the yearly closing date was 31st December.

[3]

(ii) Mithil Mukherjee sells two products manufactured in her own factory. The goods are made in two departments, X and Y, for which separate sets of accounts are maintained. Some of the manufactured goods of department X are used as raw materials by department Y, and vice versa.

From the following particulars, you are required to ascertain the total cost of goods manufactured in department X and Y:

Particulars	Department X	Department Y
Total units manufactured	10,00,000	5,00,000
Total cost of manufactured	₹10,000	₹5,000

Department X transferred 2,50,000 units to Department Y and the latter transferred 1,00,000 units to the former.

[7]

(iii) Define Partnership as per Partnership Act, 1932.

[2]

(b) (i) Calculate cash Flows from Operating Activities from the following :

Particulars	₹	Particulars	₹
Cash Purchases	25,000	Rent Paid	4,000
Cash Paid to Suppliers	40,000	Trading commission Received	2,500
Cash Sales	90,000	Income – Tax Refund Received	1,500
Cash Received from Debtors	25,000	Trading Commission Paid	500
Salaries and Wages paid	5,000	Insurance Proceeds from natural Disaster	2,500
Manufacturing Expenses paid	2,500		
Income tax paid	4,000		
Office & Administration Expenses paid	5,000		
Selling and Distribution Expenses	2,500		

[5]

(ii) On 1.1.2012 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 was 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.

[7]

MTP_Intermediate_Syllabus 2012_June 2015_Set 2

- C (i)** X, Y and Z are equal partners. They decided to dissolve the firm on 31.12.2014. On that date their Balance Sheet was:

Balance Sheet				
Liabilities	₹	₹	Assets	₹
Creditors		14,000	Cash at Bank	4,000
X's Loan A/c		6,000	Investments	5,000
Capital Accounts:			Other Assets	66,000
X	30,000			
Y	20,000			
Z	5,000	55,000		
		75,000		75,000

Additional Information:

Investments were taken over by X against his loan in full settlement.

The other assets realized 50% of their book value. The liquidation expenses amounted to ₹ 3,600.

A dispute with a creditor was settled reducing his claims by ₹ 600.

Z became insolvent and contributes 25 paise in the rupee towards the debts of the firm.

Show the necessary accounts as per (i) Garner vs. Murray principle, and (ii) Indian Partnership Act. **[8]**

- (ii)** On March 31, 2014, Ping-Pong Ltd. traded in an old machine having a carrying amount of ₹ 3,36,000, and paid cash difference of ₹ 1,20,000 for a new machine having a total cash price of ₹ 4,10,000. On March 31, 2014, what amount of loss should Ping-Pong Ltd. recognize on this exchange? **[4]**

4. (Answer any two)

- (a)** Rectify or adjust the following affecting ledgers maintained under self-balancing system:

- Purchase Day Book under cast by ₹2,000.
- Sales to Mr. B of ₹2,600 was entered in the books as ₹260.
- A cheque of ₹5,000 received from Milan & Co. was recorded as received from Mill One & Co.
- A debit balance of ₹300 in the account of Pritam in Sales Ledger was set off against his account in the creditors ledger. But this has not been recorder. **[4]**

- (b)** A firm keeps its sold and bought ledgers on self-balancing system. From the following particulars, prepare the adjustment account in the sold ledger.

Trade Debtors on 1st April, 2013—₹ 62,000; Trade Creditors on 1st April, 2013—₹ 25,000; Credit Purchases— ₹ 1,03,000; Credit Sales—₹ 1,34,000; Cash received from trade debtors—₹ 78,000; Returns Inward— ₹ 3,000; Acceptances given—₹ 40,000; Returns Outward—₹ 2,500; Acceptances from trade debtors dishonoured— ₹ 5,000; Discount allowed to trade debtors—₹ 1,000; Bad Debts written off—₹ 2,000; Bad Debts written off in the previous years now recovered—₹ 5,000; Trade Creditors on 31st March, 2014 — ₹ 10,500; Trade Debtors on 31st March, 2014 — ₹ 1,17,000. **[4]**

- (c)** Discuss Contra Transaction. **[4]**

MTP_Intermediate_Syllabus 2012_June 2015_Set 2

5. (Answer any two)

(a) Nilima Construction Ltd. undertook a contract on 1st January to construct a building for ₹80 Lakhs. The Company found on 31st March that it had already spent ₹58,50,000 on the construction. Prudent estimate of additional cost for completion was ₹31,50,000.

What amount should be charged to revenue and what amount of Contract Value to be recognised as Turnover in the accounts for the year ended 31st March as per provision of AS – 7 (revised)? [4]

(b) Amra Sobai Society receives an entrance fee of ₹ 10,000 from new members. Members are also required to pay a membership fee of ₹3,000 at the time of entrance. The membership fee permits only membership and all other services or products are paid for separately. Give the accounting treatment for entrance fees and membership fees. [4]

(c) Discuss the Development Stage of an Internally Generated Software. [4]

6. (Answer any two)

(a) (i) Prepare an Account Current to be received by A to M on 30th June 2013 considering rate of interest @ 5% p.a. from the given particulars:

2013		₹
Jan. 1	M owes to A	4,000
Feb. 1	M remits Cash	2,000
Mar. 1	A sold goods to Y (due on May 1)	8,000
Mar. 31	M sends a bill (due on Oct. 1)	2,000
May 30	M purchased goods (due on Aug.31)	40,000

[6]

(ii) M Ltd. acquires 2000, 12% Debenture of S Ltd. on 1.4.2013 at ₹ 105 Cum-interest (face value of debentures ₹ 100). Interest is paid on 30th June and 31st December every year. Accounts are closed on 31st December 2013. Ascertain the amount of interest and cost of debentures. [2]

(b) (i) On 1.1.2014, X draws a bill at 3 months on Y for ₹2,000. Y accepts it. X immediately discounts the bill at 5% p.a. On 15.3.2014, Y being unable to meet the bill offers X ₹ 1,500 and requests him to draw on him another bill for 3 months for the balance including interest therein @ $7\frac{1}{2}\%$. X accepts the agreement and, on maturity, Y meets the bill. [6]

(ii) Discuss the accounting treatment relating to the calculation of closing stock, if Joint Ventures is running for more than one accounting period. [2]

(c) On 20th July, 2014 the godown and the business premises of a merchant were affected by fire.

From the accounting records salvaged, the following information is made available to you:

Stock of Goods on 1 st April, 2013	₹1,00,000
Stock of Goods at 10% lower than cost on 31 st March, 2014	₹1,08,000
Purchases of Goods for the year 1 st April, 2013 to 31 st March, 2014	₹4,20,000
Sales for the same period	₹6,00,000

MTP_Intermediate_Syllabus 2012_June 2015_Set 2

Purchases less returns from 1st April, '14 to 20th July, 2014	₹1,40,000
Sales Returns for the above period	₹3,10,000

Sales up to 20th July, 2014 included ₹40,000 for which goods had not been despatched. Purchases up to 20th July, 2014 did not include ₹20,000 for which purchase invoices had not been received from suppliers, though goods had been received at the godown.

Goods salvaged from the accident were worth ₹12,000 and these were handed over to the insured. Ascertain the value of the claim for the loss of goods/stock which could be preferred to the insurer. **[8]**

7. (Answer any two)

- (a) (i) The Life Insurance Fund of Bharat Life Insurance Co. Ltd. was ₹25 lakhs on 31.03.2014. Its actuarial valuation on 31.03.2014 disclosed a net liability of ₹21.25 lakhs. An interim bonus of ₹40,000 was paid to the policy holders during previous two years. It is now proposes to carry forward ₹75,000 and to divide the balance between policy holders and the shareholders.

Show the — Valuation Balance Sheet; Net profit for the two-year period; and Distribution of profits. **[5]**

- (ii) Discuss - State Electricity Commission (SEC). **[3]**

- (b) Calculate depreciation as per 2009 regulations from the following information of PPP Power generation Project

Date of commercial operation/Work Completed Date	11-Jan-1996
Beginning of Current year	1-Apr-2011
Useful life	35 years

(Figures in ₹ Crores)

1. Capital Cost at beginning of the year 2011-12	222.000
2. Additional Capltiisation during the year: 2012-13	10.560
2013-14	29.440
3. Value of Freehold Land	12.000
4. Depreciation recovered up to 2009-10	48.600
5. Depreciation recovered in 2010-11	5.400

Note: Capital Cost and Accumulated Depreciation at the beginning of the year are as per tariff order FY 2011-12 **[8]**

- (c) (i) Calculate Rebate on Bills discounted as on 31 December,2013 from the following data and show journal entries:

MTP_Intermediate_Syllabus 2012_June 2015_Set 2

	Date of Bill	₹	Period	Rate of Discount
(i)	15.10.2013	50,000	5 months	8%
(ii)	10.11.2013	30,000	4 months	7%
(iii)	25.11.2013	40,000	4 months	7%
(iv)	20.12.2013	70,000	3 months	9%

[6]

(ii) List the statistical books to be maintained by a banking company.

[2]