

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:

[10x1=10]

- (i) Inward invoice received from the creditors of goods is the source of —
(a) Purchase Book
(b) Sales Book
(c) Return Inward Book
(d) Return Outward Book
- (ii) Which of the following is capital nature?
(a) Commission on purchases
(b) Cost of repairs
(c) Rent of factory
(d) installation of machinery for use in production
- (iii) _____ are investments which are held beyond the current period as to sale or disposal.
(a) Non-current Investments
(b) Current Investments
(c) Current Liabilities
(d) None of the above
- (iv) Accounting treatment once decided should be followed period after period. It follows _____ Concept
(a) Money Measurement
(b) Going Concern
(c) Consistency
(d) None of the above
- (v) _____ is similar to the Profit and loss A/c
(a) Income and Expenditure A/c
(b) Receipts and Payments A/c
(c) Balance Sheet
(d) None of the Above
- (vi) Which of the following is not a feature of Trial Balance
(a) It is an Account;
(b) All the transactions are primarily recorded in this book, hence it is the primary book of entry;
(c) It provides narrations with entries;
(d) All of the above.
- (vii) Which of the following is a function of journal:
(a) Analytical Function
(b) Recording Function
(c) Historical Function
(d) All of the above
- (viii) _____ is specially suited to mines, oil wells, quarries, sandpits and similar assets of a wasting character.

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- (a) Depletion
- (b) Depreciation
- (c) Amortisation
- (d) Delapidation

- (ix) AS-9 is related to
- (a) Revenue Recognition
 - (b) Cash Flow Statement
 - (c) Accounting for Fixed Assets
 - (d) Disclosure of Accounting policies

- (x) Which subsidiary book serves both as Journal as well as ledger?
- (a) Cash Book
 - (b) Purchase Book
 - (c) Sales Book
 - (d) Bills Receivable Book

- (b) Match the following: [5x1=5]

Column-I		Column-II	
(i)	Garner vs. Murray case	(A)	AS- 2
(ii)	Trial Balance	(B)	Bills of Exchange
(iii)	Good Debt	(C)	Partnership
(iv)	Inventories	(D)	Royalty Accounts
(v)	Endorsement	(E)	Statement of debit and credit balances
		(F)	Recoverable
		(G)	AS - 7

- (c) Fill in the blanks: [5x1=5]

- (i) The fixed asset is generally held for_____.
- (ii) Money invested by the owner of business is known as _____.
- (iii) GAAP stands for _____.
- (iv) Loss means excess of _____ over _____.
- (v) _____ accounting package can suitably match with the organisational structure of the company

- (d) State whether the following statements are true or false: [5x1=5]

- (i) In the hire purchase system interest charged by vendor is calculated on the basis of instalment amount.
- (ii) Minimum rent is also called Short workings.
- (iii) Depreciation is a charge against profit.
- (iv) Freight on purchase of new machinery is a capital expenditure.
- (v) Honour of a Bill means that the acceptor pays the due amount on due date.

Section - B

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

2. (a) Rectify the following errors by passing necessary journal entries:
- (i) Goods taken by the proprietor ₹7,500 for gift to his wife were not recorded at all.
 - (ii) ₹9,300 received from Upal against debts previously written off as bad debts have been credited to his personal account.
 - (iii) Received interest ₹645, posted to loan account.
 - (iv) A cheque received from Manav, a debtor, for ₹12,000 was directly received by the

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proprietor who deposited it into his personal bank account.

[6]

(b) Krishna of Kolkata sent on 15.01.2017, a consignment of 500 bicycles costing ₹ 1,000 each. Expenses of ₹ 7,000 met by the consignor. Moti of Mumbai spends ₹ 15,000 for clearance and the selling expenses were ₹ 10 per bicycle.

Moti sold, on 5.4.2017, 300 bicycles @ ₹ 1,600 each and, again, on 20.6.2017, 150 bicycles @ ₹ 1,720 each.

Moti was entitled to a commission of ₹250 per bicycle sold plus one-fourth of the amount by which the gross sale proceeds less total commission thereon exceeded a sum calculated @ ₹ 1,200 per bicycle sold. Moti sent the amount due to Krishna on 30.6.2017.

You are required to show the Consignment Account and Moti's Account in the books of Krishna. [9]

3. Mr. X runs a retail business. Suddenly he finds on 31.03.2017 that his Cash and Bank balances have reduced considerably. He provided you the following information:

(i) Balances:

Particulars	Opening ₹	Closing ₹
Sundry Debtors	35,400	58,800
Sundry Creditors	84,400	22,400
Cash at Bank	1,08,400	2,500
Cash in Hand	10,400	500
Rent (Outstanding for one month)	2,400	3,000
Stock	11,400	20,000
Electricity and Telephone bills-outstanding		6,400

(ii) Bank Pass – Book reveals following:

	₹
Total Deposits	10,34,000
Withdrawals:	
Creditors	8,90,000
Professional charges	34,000
Furniture and Fixtures (acquired on 1st Oct.)	54,000
Proprietor's drawings	1,61,900

(iii) Rent has been increased from January, 2017.

(iv) Mr. X deposited all cash sales and collections from debtors after meeting wages, shop expenses, rent, electricity and telephone charges.

(v) Mr. X made all purchases on credit.

(vi) His credit sales during the year amounts to ₹9,00,000.

(vii) He incurred ₹6,500 per month towards wages.

(viii) He incurred following expenses:

(A) Electricity and telephone charges ₹24,000 (paid)

(B) Shop expenses ₹18,000 (paid)

(ix) Charge depreciation on furniture and fixtures @ 10% p.a.

Required: Finalize the accounts of Mr. X and compute his profit for the year ended 31.03.2017.

Prepare his statement of affairs and reconcile the profit and capital balance.

[15]

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4. Gupta and Maitra were partners in a firm sharing profits in the ratio of 3 : 1. They admitted Sen as a new partner for $\frac{3}{8}$ th share in the profits. The new profit-sharing ratio will be 3:2:3. Sen brought ₹2,00,000 for his capital and ₹50,000 for his share of premium for goodwill. On 31st March, 2015, the date of Sen's admission, the Balance Sheet of Gupta and Maitra was:

Liabilities	₹	Assets	₹
Creditors	60,000	Cash	90,000
Bills Payable	20,000	Debtors	80,000
Capital A/cs:		Stock	1,50,000
Gupta	4,00,000	Furniture	50,000
Maitra	1,00,000	Machinery	2,10,000
	5,80,000		5,80,000

It was agreed that

- (i) Stock to be valued at ₹2,00,000.
- (ii) Machinery will be depreciated by 12% and Furniture by ₹2,000.
- (iii) A Provision of 5% for Doubtful Debts will be made on Debtors.
- (iv) The Capital Accounts of all the partners were adjusted in the new profit-sharing ratio after admission. For surplus or deficiency, the Current Accounts were to be opened.

Required: Prepare the Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the new firm. **[15]**

5. (a) Yatri Ltd. having its principal place of business at Chennai has a branch at New Delhi. The company sends goods to its branch at cost plus 33 $\frac{1}{3}$ % which is the selling price. The following information is given in respect of the branch for the year ended 31st March, 2016.

	₹
Goods sent to Branch (invoice value)	24,00,000
Stock at Branch (01.04.2015) at selling price	1,20,000
Cash Sales	9,00,000
Returns from Customers	30,000
Branch Expenses paid for cash	2,67,500
Branch Debtors' Balance (01.04.2015)	1,50,000
Discounts allowed	5,000
Bad Debts	7,500
Stock at Branch (31.03.2016) at selling price	2,40,000
Branch Debtor's Balance (31.03.2016)	1,82,500
Collections from Debtors	13,50,000
Branch Debtors' Cheques returned dishonoured	25,000

You are required to prepare:

- (i) Branch Stock Account
- (ii) Branch Debtors Account and
- (iii) Branch Adjustment Account to reveal the profit of the Branch for the year ended March 31, 2016. **[3+2+4=9]**

- (b) The following details were extracted from the books of M/S Avishkar & Co. for 6 months ended March 31, 2017.

Particulars	Amount in (₹)
Creditors Balance on 01.10.2016	40,000
Cash Purchases during the period	2,00,000

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Credit Purchases during the period	2,72,000
Bills payable accepted	62,000
Cash paid to Creditors	1,35,000
B/R endorsed to creditors	16,000
Endorsed B/R dishonoured	3,000
B/P dishonoured	2,000
Purchase returns	11,000
Discount received	6,000
Transfer from Debtors ledger	7,000

Required: Prepare Total Creditors Account as appearing in the General Ledger. **[6]**

- 6. (a)** The factory premises of AURISHI LTD. were engulfed in the fire on August 16, 2016, as a result of which a major part of stock burnt to ashes.

The stock was covered by policy for ₹ 90,000, subject to Average Clause.

The records at the office of the company revealed the following information:

Particulars	₹
Stock on 1 st April, 2015	1,15,200
Purchases during the year ended 31 st March, 2016	4,80,000
Sales during the year ended 31 st March, 2016	6,07,800
Closing stock on 31 st March, 2016	95,400
Purchases from 1 st April, 2016 to August 16, 2016	1,62,000
Sales from 1 st April, 2016 to August 16, 2016	1,84,200

An item of stock purchased in 2014 at a cost of ₹ 30,000 was valued at ₹ 18,000 on 31st March, 2015, due to obsolescence. Half of this stock was sold in July, 2015 for ₹ 7,800; the remaining was valued at ₹ 7,200 on 31st March, 2016. One-fourth of the original stock was sold in June, 2016, for ₹ 4,200. The remaining stock was considered to be worth 60% of the original cost.

Salvaged stock was valued at ₹ 36,000.

You are required to compute the amount of claim to be lodged with Insurance Company for Loss of Stock. **[3+3+2=8]**

- (b)** GOEL COAL LTD., leased land from Mr. Dutt at a royalty of ₹3.00 per tonne of coal raised. Minimum rent was ₹2,88,000.

Shortworkings was to be recouped during the first 4 years. The coal raised in the first 4 years was as follows:

Year ended March, 31	Tonnes	
2013	80000	
2014	90000	
2015	60000	(Strike for 3 months)
2016	120000	

There was a provision for proportionate reduction in minimum rent in case of stoppage of work by strike, lock out, accident etc.

You are required to prepare:

(i) Royalty Account

(ii) Shortworking Account in the book of GOEL COAL LTD. **[2+2+3=7]**

- 7. (a)** On 25th September, 2017, Manika Advertising Limited obtained advertisement rights to a Hockey Tournament to be held in Nov./Dec, 2017 for ₹ 520 lakhs.

They furnished the following information:

(i) The company obtained the advertisements for 70% of available time for ₹ 700 lakhs by 30th September, 2017.

(ii) For the balance time they got bookings in October, 2017 for ₹240 lakhs.

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- (iii) all the advertisers paid the full amount at the time of booking the advertisements.
- (iv) 40% of the advertisements appeared before the public in Nov. 2017 and balance 60% appeared in the month of December, 2017.

Your are required to calculate the amount of profit/loss to be recognized for the month November and December, 2017 as per Accounting Standard-9. **[6]**

- (b) (i)** State any four advantages of pre-packaged accounting software?
- (ii)** Discuss the matters to be considered for selection of pre-packaged accounting software. **[4+5=9]**

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

- (a)** Capital and Revenue Losses;
- (b)** Advantages of Double Entry System;
- (c)** Basic features of a Joint Venture;
- (d)** Going Concern Concept.