

**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) Which of the following is / are the characteristic/s of depreciation
- (a) It is a charge against profit.
  - (b) It indicates diminution in service potential.
  - (c) It is an estimated loss of the value of an asset. It is not an actual loss.
  - (d) All of the above.
- (ii) An amount spent for replacement of worn out part of machine is
- (a) Capital Expenditure
  - (b) Revenue Expenditure
  - (c) Deferred revenue
  - (d) Capital Loss
- (iii) The additional commission payable to the consignee for taking over additional responsibility of collecting money from customers is known as
- (a) Del Credre Commission
  - (b) Ordinary Commission
  - (c) Over – riding commission
  - (d) None of the above
- (iv) At the year end, an amount outstanding for electricity consumed during that year will be dealt in the Accounts for the year by following the accounting concept of
- (a) Realisation
  - (b) Accrual
  - (c) Conservatism
  - (d) None of the above
- (v) In the case of non-profit organization donations received by the organization are reflected in
- (a) Income and Expenditure Account
  - (b) Capital Account
  - (c) Receipts and Payments Account
  - (d) None of the above.
- (vi) 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 ₹54,000, then the amount of stock reserve on closing stock will be
- (a) ₹18,000
  - (b) ₹13,500
  - (c) ₹9,000
  - (d) None of the above

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- (vii) \_\_\_\_\_ A/c is used for the reassessment of the assets and liabilities.
- Realisation
  - Profit & Loss
  - Revaluation
  - Both (b) & (c)
- (viii) Repairs and Maintenance of Delivery Vans is
- Selling and Distribution Expenses
  - Indirect Expenses
  - Administration Expenses
  - Both (a) & (b)
- (ix) Capital Accounts of the co-venturers are of the nature of
- Personal Account
  - Nominal Account
  - Real Account
  - None of the above
- (x) Receipts and Payments account is a
- Nominal Account
  - Real Account
  - Personal Account
  - Artificial Personal Account

(b) Match the following:

[5x1=5]

	Column 'A'		Column 'B'
1.	Endowments	A	Royalties
2.	Gaining Ratio	B	Asset A/c
3.	Bills Receivable A/c	C	Expenditure for Business
4.	Interest on Capital	D	Retirement of partnership
5.	Ground Rent	E	Capital Receipts

(c) Fill in the blanks:

[5x1=5]

- Transaction means exchange of money or money's worth for \_\_\_\_\_.
- \_\_\_\_\_ bill is drawn to settle a trade transaction.
- \_\_\_\_\_ ratio = Share of an existing partner under Old Ratio – his Share under new ratio.
- Consumption of raw material = Opening Stock + \_\_\_\_\_ – Direct Expenses – Purchase Returns – Closing Stock.
- Amount spent on the travelling expenses of a partner to a foreign trip for purchase of an asset to be used for the business is \_\_\_\_\_ expenditure.

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

[5x1=5]

- Contingent Liability represents an amount of cash, goods or any other assets which the owner withdraws from business for his or her personal use.
- Carriage of ₹7,500 spent on machinery purchased and installed is a Revenue expenditure.
- Drawee is the buyer or debtor, he has to pay the amount of the bill to the drawer on the due date.
- Bad debts are apportioned among departments in the proportion of sales of each department.
- Joint Venture is a permanent form of business organization.

## Section - B

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

2. (a) The following errors were discovered in the books of a trader for the year ended December 31, 2022:
- The total of the Purchase Day Book had been undercast by ₹ 100.
  - The discount column of the debit side of the Cash Book had been posted to the credit of the Discount Received Account ₹ 20.
  - ₹ 76 paid for Repairs of Motor Van had been taken to Motor Van Account.
  - A cheque received from B ₹ 39 had been debited in Cash Book but the double entry had not been completed.
  - The Returns Outward Book had been overcast by ₹ 50.

Show the Rectification entries considering that the Final Accounts had already been prepared and the net profit arrived at amounted ₹ 24,320 (before corrections). Show the calculation of the net profit for the year. [8]

- (b) IRANI & CO., of Chennai had consigned 6000 shirts to Vikram of Jaipur at cost of ₹425 each. Irani & Co., paid freight ₹50,000 and insurance ₹7,500. During the transit 550 shirts were totally damaged by fire. Vikram took delivery of the remaining shirts and paid ₹82,000 on custom duty. Vikram had sent a bank draft to Irani & Co., for ₹3,50,000 as advance payment. 5000 shirts were sold by him at ₹550 each. Expenses incurred by Vikram on godown rent and advertisement, etc., amounted to ₹12,000. He is entitled to a commission of 5%. One of the customer to whom the goods were sold on credit could not pay the value of 40 shirts which is not recoverable. Vikram settled his account immediately. Nothing was recovered from the insurer for the damaged goods. You are required to prepare:

- Consignment to Vikram Account.
- Vikram Account – in the book of IRANI & CO. [(4+1)+2=7]

3. The following is the Balance Sheet of MR. SILGARDO as on March 31, 2022.

Liabilities	₹	Assets	₹
Capital Account	4,80,000	Buildings	3,25,000
Loan	1,50,000	Furniture	50,000
Trade Creditors	3,10,000	Motor car	90,000
		Stock	2,00,000
		Trade Debtors	1,70,000
		Cash in hand	20,000
		Cash at bank	85,000
	9,40,000		9,40,000

A fire occurred on the night of 31st March, 2023 in which all books and records were lost. The cashier had absconded with the available cash. MR. SILGARDO gives you the following information:

- His sales for the year ended March 31, 2023 were 20% higher than the previous years. He always sells his goods at cost plus 25%. 20% of the total sales for the year ended March 31, 2023 was for cash. There were no cash purchases.
- On April 1, 2022 the stock level was raised to ₹3,00,000 and the stock was maintained at this level throughout the year.

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- (c) Collection from Debtors amounted to ₹14 lakh of which ₹3.50 lakh was received in cash. Business expenses amounted to ₹2,00,000 of which ₹50,000 was outstanding on march 31, 2023 and ₹60,000 was paid by cheques.
- (d) Analysis of the pass books revealed on the following:  
Payment creditors ₹13.75 lakh, Personal drawings ₹75,000. Cash deposited in bank ₹7.15 lakh. Cash withdrawn from bank ₹1,20,000.
- (e) Gross Profit as per last year's audited accounts was ₹3,00,000.
- (f) Provide depreciation on building and furniture at 5% and on motor car at 20%.
- (g) The amount defalcated by the cashier may be treated as recoverable from him.

### Required:

- (i) Prepare Trading and Profit and Loss Account for the year ended March 31,2023.
- (ii) Prepare Balance Sheet as on 31.03.2023. [5+5+(2+1+1+1)=15]

4. The following was the Balance Sheet of 'Kamal' and 'Rani', who were sharing profits and losses in the ratio of 2:1 on 31.12.2023:

Liabilities	₹	Assets	₹
Capital Accounts		Plant and Machinery	24,00,000
Kamal	20,00,000	Building	18,00,000
Rani	10,00,000	Sundry Debtors	6,00,000
Reserves	18,00,000	Stock	8,00,000
Sundry Creditors	8,00,000	Cash	2,00,000
Bills Payable	2,00,000		
	58,00,000		58,00,000

They agreed to admit 'Nisha' into the partnership on the following terms:

- (i) The Goodwill of the firm was fixed at ₹2,10,000.
- (ii) That the value of Stock and Plant & Machinery were to be reduced by 10%.
- (iii) That a provision of 5% was to be created for Doubtful Debts.
- (iv) That the Building Account was to be appreciated by 20%.
- (v) There was an unrecorded liability of ₹20,000.
- (vi) Investments worth ₹40,000 (Not mentioned in the Balance Sheet) were taken into account.
- (vii) That the value of Reserve, the values of Liabilities and the values of Assets other than Cash are not to be altered.
- (viii) 'Nisha' was to be given one-fourth share in the profit and was to bring capital equal to his share of profit after all adjustments.

Prepare Memorandum Revaluation Account, Capital Account of the partners and the Balance Sheet of the newly reconstituted firm. [15]

5. (a) Prepare a Branch account in the books of Head Office from the following particulars for the year ended 31st March, 2023 assuming that H.O. supplied goods at cost plus 25%.

Particulars	Amount (₹)	Particulars	Amount (₹)
Stock on 1.4.2022 (LP.)	12,500	Bad Debts	2,000
Debtors ,,	5,000	Allowances to customers	1,000
Petty Cash ,,	1,000	Returns Inwards	1,000

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Goods sent to branch (LP.)	40,000	Cheques sent to Branch for expenses:	
Goods return to H.O. (LP.)	5,000	Rates & Taxes	3,000
Cash Sales	12,000	Salaries	8,000
Cash received from debtors	30,000	Misc. Exps.	1,000
		Stock on 31.03.2023 (LP.)	15,000
		Debtors	4,000
		Petty Cash	1,000

[8]

- (b) The following information is extracted from a book of MR. ANUBHAV MS GOYAL, a trader for the month of March 2023:

Date March 2023	Particulars
1.	Purchased from Mr. Akash ₹7,500.
3.	Paid ₹3,000 after adjusting the initial advance in full to Mr. Akash.
10.	Paid ₹2,500 to Mr. Dev towards the purchases made in February in full.
12.	Paid advance to Mr. Giridhar ₹6,000.
14.	Purchased goods from Mr. Akash ₹6,200.
20.	Returned goods worth ₹1,000 to Mr. Akash.
24.	Settled the balance due to Mr. Akash at a discount of 5%.
26.	Goods purchased from Mr. Giridhar against the advance paid already.
29.	Purchased from Mr. Nathan ₹3,500.
30.	Goods returned to Mr. Prem ₹1,200. The goods were originally purchased for cash in the month of February 2023.

You are required to prepare the CREDITORS' Ledger Adjustment Account which would appear in the General Ledger for the month of March, 2023. [7]

6. (a) MR Ltd. provides the following information. Prepare Provision for Bad and Doubtful Debts Account.

Opening Balance in Provision for Bad and Doubtful Debts Account	₹53,600
Bad Debts written off during the year	₹40,400
Balance of Debtors at the end of the year	₹10,54,000
Provision for Bad and Doubtful Debts required to be maintained	5% on Debtors

[5]

- (b) BANSAL COAL LTD., leased land from Mr. BUTCHER. M at a royalty of ₹2.50 per tonne of coal raised. Minimum rent was ₹2,40,000.

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

Year ended March, 31	Tonnes	
2019	80000	
2020	90000	
2021	60000	(Strike for 3 months)
2022	120000	

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

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You are required to prepare:

(i) Royalty Account

(ii) Short working Account

(iii) Butcher. M Account- in the book of BANSAL COAL LTD.

[(3+1)+3+3 = 10]

7. (a) A Ltd. is installing a new plant at its production facility. It has incurred these costs:

Particulars	₹
Cost of the plant (cost per supplier's invoice plus taxes)	50,00,000
Initial delivery and handling costs	4,00,000
Cost of site preparation	12,00,000
Consultants used for advice on the acquisition of the plant	14,00,000
Interest charges paid to supplier of plant for deferred credit	4,00,000
Estimated dismantling costs to be incurred after 7 years (PV)	6,00,000
Operating losses before commercial production	8,00,000

Advise A Ltd. on the costs that can be capitalized in accordance with AS – 10.

[7]

(b) Discuss the disadvantages of customized accounting package.

[8]

8. Write short notes on any three of the following:

[3x5=15]

(a) Features of Single Entry System;

(b) Advantages of Self-Balancing System;

(c) Components of contract revenue as per AS – 7;

(d) Differences between Branch Account and Departmental Account.