

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) Income and Expenditure Account is a
(a) Nominal Account
(b) Real Account
(c) Personal Account
(d) Artificial Personal Account
- (ii) Accounting standard in India are issued by
(a) Government of India
(b) Reserve Bank of India
(c) The Institute of Chartered Accountants of India
(d) The Institute of Accounting Standard of India
- (iii) Creditors ledger adjustment account is opened in
(a) General Ledger
(b) Debtors Ledger
(c) Creditors Ledger
(d) Either (B) or (C)
- (iv) If any stock is taken by a co-venturer, it will be treated as
(a) an income of the joint venture
(b) an expense of the joint venture
(c) to be ignored from joint venture
(d) it will be treated in the personal books of the co-venturer
- (v) Which of the following is of capital nature?
(a) Commission on purchases
(b) Cost of repairs
(c) Rent of factory
(d) Wages paid for installation of machinery
- (vi) If average inventory is ₹1,25,000 and closing inventory is ₹10,000 less than opening inventory then the value of closing inventory will be
(a) ₹ 1,35,000
(b) ₹ 1,15,000
(c) ₹ 1,30,000
(d) ₹ 1,20,000
- (vii) The cost of Fixed Assets of a business has to be written off over its
(a) Natural Life
(b) Accounting Life
(c) Physical Life
(d) Estimated Economic Life
- (viii) Exception to consistency principle is
(a) Cost Principle

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- (b) Going Concern Principle
- (c) Matching Principle
- (d) Prudence Principle

(ix) Purchase of a laptop for office use wrongly debited to Purchase Account. It is an error of

- (a) Omission
- (b) Commission
- (c) Principle
- (d) Misposting

(x) Canteen expenses are apportioned among departments in the proportion of

- (a) Departmental floor space
- (b) Departmental direct wages
- (c) Departmental sales
- (d) Departmental No. of employees

Answer:

- (i) — (a)
- (ii) — (c)
- (iii) — (a)
- (iv) — (a)
- (v) — (d)
- (vi) — (d)
- (vii) — (d)
- (viii) — (d)
- (ix) — (c)
- (x) — (d)

(B) Match the following:

[5x1=5]

	Column 'A'		Column 'B'
1.	Noting charges	A	Construction Contract
2.	Work certified	B	Hire vendor
3.	Repossession of goods	C	Royalty
4.	Valuation of Inventories	D	AS-2
5.	Ground Rent	E	Bills of exchange

Answer:

	Column 'A'		Column 'B'
1.	Noting charges	E	Bills of exchange
2.	Work certified	A	Construction Contract
3.	Repossession of goods	B	Hire vendor
4.	Valuation of Inventories	D	AS-2
5.	Ground Rent	C	Royalty

(C) Fill in the blanks:

[5x1=5]

- (i) The amount invested by owners into business is called _____.
- (ii) When Sales = ₹1,80,000, Purchase = ₹1,60,000, Opening Stock = ₹34,000 and rate of the Gross Profit is 20% on cost, the Closing Stock would be _____.

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- (iii) _____ is a person to whom the business owes money or money's worth.
(iv) Depreciation account is _____ type of account .
(v) Salary debited to Income and Expenditure Account for the year was ₹48,000. Outstanding salary paid in the beginning of the year and the outstanding salary at the end of the year were ₹6,000 and ₹7,500 respectively. The amount of Salary to be shown in Receipts and Payments Account will be_____.

Answer:

- (i) capital
(ii) ₹ 44,000
(iii) creditor
(iv) nominal
(v) ₹ 46,500

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

- (i) A credit balance in the pass book indicates excess of deposits over withdrawals.
(ii) Under straight line method the cost of the asset written off in equal proportion ,during its economic life.
(iii) According to AS-2 Inventories are held for sale in normal course of business.
(iv) Excess of hire purchase price over cash price is known as penalty imposed on hire purchaser by the vendor.
(v) Branch Stock Account is always prepared at cost price.

Answer:

- (i) True;
(ii) True;
(iii) True;
(iv) False;
(v) False.

Section - B

Answer any five questions out of seven questions.
Each question carries 15 marks.

[5x15=75]

2. (a) Sumita & Co. purchased a machine for ₹2,00,000 on 1.1.2011. Another machine costing ₹3,00,000 was purchased on 1.7.2012. On 31.12.2013, the machine purchased on 1.1.2011 was sold for ₹1,00,000. The company provides depreciation at 15% on Straight Line Method. The company closes its accounts on 31st December every year.

Prepare – (i) Machinery A/c,
(ii) Machinery Disposal A/c and
(iii) Provision for Depreciation A/c.

[6]

Answer:

a)

Sumita & Co.					
Dr.			Cr.		
Machinery Account					
Date	Particulars	₹	Date	Particulars	₹
1.1.2011	To Bank A/c	2,00,000	31.12.2011	By Balance c/d	2,00,000
		2,00,000			2,00,000
1.1.2012	To Balance b/d	2,00,000			
1.7.2012	To Bank A/c	3,00,000	31.12.2012	By Balance c/d	5,00,000

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		5,00,000			5,00,000
1.1.2013	To Balance b/d	5,00,000	31.12.2013	By Machinery Disposal A/c	2,00,000
			31.12.2013	By Balance c/d	3,00,000
		5,00,000			5,00,000
1.1.2014	To Balance b/d	3,00,000			

Provision for Depreciation Account

Dr.			Cr.		
Date	Particulars	₹	Date	Particulars	₹
31.12.2011	To balance c/d	30,000	31.12.2011	By Depreciation A/c	30,000
		30,000			30,000
31.12.2012	To balance c/d	82,500	1.1.2012	By balance c/d	30,000
			31.12.2012	By Depreciation A/c (30,000+22,500)	52,500
		82,500			82,500
31.12.2013	To Machinery Disposal A/c	60,000	1.1.2013	By balance b/d	82,500
31.12.2013	To balance c/d	67,500	31.12.2013	By Depreciation A/c	45,000
		1,27,500			1,27,500
			1.1.2014	By balance b/d	67,500

Machinery Disposal Account

Dr.			Cr.		
Date	Particulars	₹	Date	Particulars	₹
31.12.2013	To Machinery A/c	2,00,000	31.12.2013	By Provision for Depreciation A/c	60,000
				By Depreciation a/c	30,000
				By Bank A/c	1,00,000
				By P/L A/c	10,000
		2,00,000			2,00,000

Working Notes

- Depreciation for the machine purchased on 1.7.2012
 For the year 2012 (used for 6 months) = ₹ 3,00,000 × 15% × 6/12 = 22,500
 For the year 2013 (used for full year) = ₹ 3,00,000 × 15% = ₹ 45,000
- Depreciation for the machine purchased on 1.1.2011
 Depreciation = ₹ 2,00,000 × 15% = ₹ 30,000
 So, Depreciation for 2 years = ₹ 30,000 × 2 = ₹ 60,000

(b) Sri Lakshami of Mumbai consigns 1,000 cases of goods costing ₹100 each to Sri Indu of Chennai.

Sri Lakshami pays the following expenses in connection with the consignment:

	₹
Carriage	1,000
Freight	3,000
Loading Charges	1,000

Sri Indu sells 700 cases at ₹ 140 per case and incurs the following expenses:

	₹
Clearing charges	850

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Warehousing and storage	1,700
Packing and selling expenses	600

It is found that 50 cases have been lost in transit and 100 cases are still in transit.

Sri Indu is entitled to a commission of 10% on gross sales. Draw up the Consignment Account and Indu's A/c in the books of Sri Lakshmi. [9]

Answer:

Sri Lakshmi Consignment to Chennai Account

Dr.	Amount (₹)	Cr.	Amount (₹)
To Goods sent on consignment	1,00,000	By Indu (sales)	98,000
To Bank (Expenses)	5,000	By Abnormal loss (loss-in-transit) 50 cases @ ₹ 105 each	5,250
To Indu (Expenses)	3,150	By Consignment Stock A/c In hands : 150 @ ₹ 106 each : 15,900 In transit : 100 @ ₹ 105 each : 10,500	26,400
To Indu (Commission)	9,800		
To, Profit on consignment transferred to Profit & Loss A/c	11,700		
	1,29,650		1,29,650

Dr.	Amount (₹)	Cr.	Amount (₹)
To Consignment to Chennai A/c	98,000	By Consignment A/c (Expenses)	3,150
		By Consignment A/c (Commission)	9,800
		By Balance c/d	85,050
	98,000		98,000

Working Notes:

- Consignor's expenses on 1,000 cases are ₹ 5,000. It comes to ₹ 5 per case. The cost of cases lost will therefore be computed at ₹ 105 (i.e. ₹ 100 + ₹ 5) per case.
 - Indu has incurred ₹ 850 on clearing 850 cases i.e. ₹ 1 per case. The consignment Stock in hand has therefore been valued at ₹ 106 (₹ 105 + ₹ 1) each.
3. From the following Receipts and Payments A/c of Mumbai Club, prepare Income and Expenditure A/c for the year ended 31.3.2016 and its Balance Sheet as on that date:

Receipts	₹	Payments	₹
Cash in Hand	8,000	Salary	4,000
Cash at Bank	20,000	Repair Expenses	1,000
Donations	10,000	Purchase of Furniture	12,000
Subscriptions	24,000	Misc. Expenses	1,000
Entrance Fees	2,000	Purchase of Investments	12,000
Interest on Investments	200	Insurance Premium	400

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Interest Received from Bank	800	Billiard Table	16,000
Sale of Old Newspaper	300	Paper, Ink, etc.	300
Sale of Drama Tickets	2,100	Drama Expenses	1,000
		Cash in Hand (Closing)	5,300
		Cash at Bank (Closing)	14,400
	67,400		67,400

Information:

- Subscriptions in arrears for 2015-2016 ₹1,800 and Subscription in advance for 2016-2017 ₹700,
- Insurance premium Outstanding ₹80, Misc. Expenses Prepaid ₹ 180,
- 50% of donation is to be capitalized, Entrance Fees are to be treated as revenue income,
- 8% Interest has accrued on Investment for five months,
Billiard Table costing ₹60,000 was purchased during the last year and ₹ 44,000 were paid for it.

[15]

Answer:

INCOME AND EXPENDITURE ACCOUNT

Dr. For the year ended 31st March, 2016 Cr.

Expenditure	₹	₹	Income	₹	₹
To Salary		4,000	By Subscriptions	24,000	
To Repair Expenses		1000	Add: Outstanding in beg.	1,800	
To Misc. Expenses	1000			25,800	
Less: Prepaid	180	820	Less: Advance at end	700	25,100
To Insurance Premium	400		By Entrance Fees		2,000
Add: Outstanding	80	480	By Interest on Investment		
To Paper, ink, etc.		300	(400 + 200)		600
To Drama expenses		1000	By Sale of Drama Tickets		2100
To Surplus — Excess of			By Interest received from		800
Income over		28,300	Bank		
Expenditure			By Sale of Newspaper		300
			By Donation	10,000	
			Less: Capitalised (50%)	5,000	5,000
		35,900			35,900

BALANCE SHEET OF MUMBAI CLUB AS AT 31ST MARCH, 2016

Liabilities	₹	₹	Assets	₹	₹
Outstanding Expenses		80	Billiards table		60,000
Subscription in Advance		700	Furniture		12,000
Capital Fund	72,000		Prepaid Expenses (Misc.)		180
Add: Surplus	28,300		Subscription receivable		1800
Add: Donation	5,000	1,05,300	Investments		12,000
			Interest accrued		400
			Bank balance		14,400
			Cash on hand		5,300
		1,06,080			1,06,080

Working Note: Calculation of Opening capital Fund

Answer to MTP_Intermediate_Syllabus 2016_June2020_Set1

Balance Sheet of Mumbai club as At 31st March, 2015

Liabilities	₹	Assets	₹
Creditors for Billiards table	16,000	Billiards table	60,000
Capital Fund (balancing figure)	72,000	Bank balance	20,000
		Cash on hand	8,000
	88,000		88,000

4. The following was the Balance Sheet of Avinash and Bibha , who were sharing profits and losses in the ratio of 2:1 on 31.12.19

Capital and Liabilities	₹	Properties and Assets	₹
Capital Accounts:		Plant and Machinery	24,00,000
Avinash 20,00,000		Building	18,00,000
Bibha 10,00,000	30,00,000	Stock	8,00,000
Sundry Creditors	8,00,000	Debtors	6,00,000
Reserve	18,00,000	Cash at Bank	2,00,000
Bills Payable	2,00,000		
Total	58,00,000	Total	58,00,000

They agreed to admit Chintu into the partnership on the following terms –

- There was an unrecorded liability of ₹ 20,000.
- That the building account was to be appreciated by 20%.
- That a provision of 5% was to be created for doubtful debts.
- The value of stock and plant and machinery were to be reduced by 10%.
- The goodwill of the firm was fixed at ₹ 2,10,000.
- Investment worth ₹ 40,000 (not mentioned in the balance sheet) were taken into account.
- That the value of reserve, the values of liabilities and the value of assets other than cash are not to be altered.
- Chintu was to be given $\frac{1}{4}$ share in profit and was to bring capital equal to his share of profit after all adjustments.

Prepare the Memorandum Revaluation Account, Partners Capital Accounts and Balance sheet of the newly reconstituted firm in columnar form. [15]

Answer:

Memorandum Revaluation Account

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Plant & Machinery A/c	2,40,000	By Building A/c	3,60,000
To PDD A/c	30,000	By Investment A/c	40,000
To Stock A/c	80,000		
To Unrecorded liability A/C	20,000		

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To Capital A/C (profit)			
Avinash	20,000		
Bibha	10,000		
	4,00,000		
To Building	3,60,000	By Stock A/C	80,000
To Investment	40,000	By Plant & Machinery A/C	2,40,000
		By PDD A/C	30,000
		By Unrecorded Liability A/C	20,000
		By Capital A/C	
		Avinash	15,000
		Bibha	7,500
		Chintu	7,500
Total	4,00,000	Total	4,00,000

Partners' Capital Account

Dr.				Cr.			
Particular	Avinash ₹	Bibha ₹	Chintu ₹	Particular	Avinash ₹	Bibha ₹	Chintu ₹
To Mem. Rev. A/c	15,000	7,500	7,500	By Bal B/d	20,00,000	10,00,000	
To Reserve A/c	9,00,000	4,50,000	4,50,000	By Reserve A/c	12,00,000	6,00,000	
To Avinash A/c (WN2)			35,000	By Chintu A/c (WN 2)	35,000	17,500	
To Bibha A/c (WN2)			17,500	By Mem Rev A/c	20,000	10,000	
To Bal C/d (WN 1)	23,40,000	11,70,000	11,70,000	By Cash A/c (bal. fig)			16,80,000
	32,55,000	16,27,500	16,80,000		32,55,000	16,27,500	16,80,000

Balance Sheet of newly reconstituted firm as on 31.12.19

Liabilities	₹	Assets	₹
Capital A/c		Plant and Machinery	24,00,000
Avinash	23,40,000	Building	18,00,000
Bibha	11,70,000	Sundry Debtors	6,00,000
Chintu	11,70,000	Stock	8,00,000
Reserves	18,00,000	Cash	18,80,000
Bills Payable	2,00,000		
Sundry Creditors	8,00,000		
Total	74,80,000	Total	74,80,000

Working Notes :

1. Calculation of Chintu's closing capital :

Closing balance of Avinash and Bibha after all adjustments :

Avinash = ₹ 23,40,000

Bibha = ₹ 11,70,000

Total capital of new firm = 35,10,000 × 4/3 = 46,80,000

Hence , Chintu's closing capital should be ₹ 11,70,000 (1/4 of 46,80,000)

2. Adjustment for Goodwill

Sacrificing Ratio = 2:1

Chintu's share of goodwill = 2,10,000 × 1/4 = ₹52,500

Avinash Capital A/ c will be credited by = 52,500 × 2/3 = ₹35,000

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Bibha Capital A/c will be credited by = $52,500 \times 1/3 = ₹ 17,500$

Chintu Capital A/c will be debited by 52,500

3. Old profit sharing ratio is 2:1

After admitting Chintu as a partner, new profit sharing ratio of the firm is 2:1:1..

5. (a) Trading and Profit and Loss Account of Fimat Gadget and Equipment Co. for the six months end 31.3.2019 is presented to you in the following form :

Particulars	₹	Particulars	₹
Purchases :		Sales :	
Earphone (A)	3,51,750	Earphone (A)	3,75,000
Charger (B)	2,26,500	Charger (B)	2,50,000
Spare parts (C)	1,61,000	Spare parts (C)	62,500
Salaries and wages	1,20,000	Stock as on 31.3.2019	
Rent	27,000	Earphone (A)	1,50,250
Sundry Expenses	27,500	Charger (B)	50,750
Profit	86,250	Spare parts (C)	1,11,500
Total	10,00,000	Total	10,00,000

Required: Prepare Departmental Accounts for each of the three departments A, B, C mentioned above after taking into account the following :

- i. Earphones and Chargers are sold at the showroom and spare parts at workshop.
- ii. Salaries and wages comprises as follows :
Showrooms = $\frac{3}{4}$ and work shop = $\frac{1}{4}$. It was decided to allocate the showroom salaries and wages in the ratio of 1:2 between the departments A and B.
- iii. The work shop rent is ₹1,250 per month. The rent of showroom is to be divided equally between the department A and B.
- iv. Sundry expenses are to be allocated on the basis of the turnover of each department.

[9]

Answer:

Dr. Departmental Trading and Profit and Loss Account for year ending 31.3.2019 Cr.

Particulars	A ₹	B ₹	C ₹	Particulars	A ₹	B ₹	C ₹
To Purchases	3,51,750	2,26,500	1,61,000	By Sales	3,75,000	2,50,000	62,500
To Gross Profit c/d	1,73,500	74,250	13,000	By Closing Stock	1,50,250	50,750	1,11,500
	5,25,250	3,00,750	1,74,000		5,25,250	3,00,750	1,74,000
To Salaries & wages	30,000	60,000	30,000	By Gross Profit b/d	1,73,500	74,250	13,000
To Rent	9,750	9,750	7,500				
To Sundry expenses (6:4:1)	15,000	10,000	2,500				
To Net profit (Departmental)	1,18,750	-	-	By Net Loss (Departmental)	-	5,500	27,000
	1,73,500	79,750	40,000		1,73,500	79,750	40,000

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Dr. General Profit and Loss Account for the year ending 31.3.2019 Cr.

Particulars	₹	Particulars	₹
To P&L A/c (Deprt. B)	5,500	By P&L A/c	1,18,750
To P&L A/c (Deprt. C)	27,000		
To Profit (to be transferred to balance sheet)	86,250		
	1,18,750		1,18,750

Working Notes:

1. Salaries and wages are to be allocated first between showroom 3/4 i.e , ₹ 90,000; workshop 1/4 i.e. ₹ 30,000 . Workshop salaries are to be charged to Department C.
2. Since Earphone and Chargers are sold at showroom, salaries are to be allowed to Department A and Department B respectively in the ratio of 1:2.
3. Rent of workshop at ₹ 1,250 p.m. for six months , ₹ 7,500 is to be charged to Department C first and then balance ₹ 19,500 is to be divided equally between Department A & B.
4. Turnover Ratio = 3,75,000 : 2,50,000 : 62,500 = 6:4:1.

(b) Prepare necessary adjustment accounts as they would appear in General Ledger of the company:

	₹		₹
Credit Purchases	52,500	Paid to Creditors	26, 250
Discount Allowed	5,250	Bills payable accepted	17,500
Discount Received	1,750	Received from debtors	70,000
Bad Debts	17,500	Closing Debtor because	2,10,000
Bills accepted by customers	10,500	Closing Creditors Balance	1,05,000
Credit Sales	1,40,000		

Discount allowed to debtors ₹ 1,750 was recorded as discount received from creditors. [6]

Answer:

Dr. Sales Ledger Adjustment Account Cr.
In General Ledger

Particulars	₹	Particulars	₹
To Balance b/d (bal. fig.)	1,73,250	By General Adjustment A/c in Sales Ledger	
		Cash	70,000
To General Adjustment A/c in Sales ledger		B/R	10,500
credit sales	1,40,000	Bad Debts	17,500
		Discount allowed (5,250 + 1,750)	7,000
		By balance c/d (2,10,000- 1,750)	2,08,250
	3,13,250		3,13,250

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Dr.	Purchase Ledger Adjustment Account In General Ledger	Cr.	
Particulars	₹	Particulars	₹
To General Adjustment A/c in Purchase ledger		To balance b/d (bal. fig.)	98,000
Cash	26,250	To General Adjustment A/c in Purchase ledger	
B/P	17,500	Credit Purchases	52,500
Discount Received (1,750-1,750)	-		
To balance c/d (1,05,000+1,750)	1,06,750		
	1,50,500		1,50,500

6. (a) A company maintains its reserve for bad debts @ 5% and a reserve for discount on debtors @ 2%. You are given the following details :

	2012 (₹)	2013 (₹)
Bad debts	1,600	3,000
Discount allowed	2,400	1,000

Sundry debtors (before providing all bad debts and discounts) amounted to ₹1,20,000 on 31.12.2012 and ₹ 84,000 on 31.12.2013.

On 1.1.2012, Reserve for bad debts and Reserve of discount on debtors had balance of ₹9,100 and ₹1,600 respectively.

Show Reserve for Bad Debts and Reserve for Discount on Debtors Account. [6]

Answer:

In the books of
Reserve for Bad Debts Account

Dr.				Cr.	
Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
31.12.2012	To Bad debt A/c	1,600	1.1.2012	By bal. b/d	9,100
31.12.2012	To P/L A/c (provision found excess)	1,700			
31.12.2012	To Bal. c/d (5% on 1,16,000)	5,800			
		9,100			9,100
31.12.2013	To Bad debt A/c	3,000	1.1.2013	By Bal b/d	5,800
31.12.2013	To Balance c/d (5% on ₹ 80,000)	4,000	31.12.013	By P/L (for the provision required)	1,200
		7,000			7,000

Reserve for Discount on Debtors Account

Dr.				Cr.	
Date	Particulars	₹	Date	Particulars	₹
31.12.2012	To Discount	2,400	1.1.2012	By Bal b/d	1,600

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	Allowed A/c				
31.12.2012	To balance c/d (2% on ₹ 1,16,000- 5,800)	2,204	31.12.2013	By P/L A/c (further provision required)	3,004
		4,604			4,604
31.12.2013	To Discount allowed	1,000	1.1.2013	By bal b/d	2,204
31.12.2013	To bal c/d (2% on ₹ 80,000- 4,000)	1,520	31.12.2013	By P/L A/c (further provision required)	316
		2,502			2,502

- (b) Dimpi Ltd took certain lands on lease from Sumpi Ltd for a period of 15 years, for mining limestone with a stipulated royalty of ₹ 1.5 per ton and a minimum rent of ₹2,10,000 with a clause to recoup shortcomings over three subsequent years. The actual working results were:

Year	Output (Tonnes)	Actual Royalty (₹)
1998	80,000	1,20,000
1999	1,60,000	2,40,000
2000	1,30,000	1,95,000
2001	1,70,000	2,55,000
2002	4,38,000	6,57,000

You are required to show the Royalties A/c, Short Working A/c, Sumpi Co. A/c and all calculations in the books of Dimpi Ltd . [9]

Answer:

Royalties Payment Statement

Year	Actual Royalties	Minimum Rent	Short Workings			Amount Payable
			Occurred	Recouped	Lapsed	
1998	1,20,000	2,10,000	90,000	-		2,10,000
1999	2,40,000	2,10,000	-	30,000		2,10,000
2000	1,95,000	2,10,000	15,000	-		2,10,000
2001	2,55,000	2,10,000	-	45,000	15,000	2,10,000
2002	6,57,000	2,10,000	-	15,000	-	2,56,800

In the books of Dimpi Ltd.

Dr.			Cr.		
Royalties Account					
Date	Particulars	₹	Date	Particulars	₹
1998	To Sumpi Ltd	1,20,000	1998	By P&L A/c	1,20,000
		1,20,000			1,20,000
1999	To Sumpi Ltd	2,40,000	1999	By P&L A/c	2,40,000
		2,40,000			2,40,000
2000	To Sumpi Ltd	1,95,000	2000	By P&L A/c	1,95,000
		1,95,000			1,95,000
2001	To Sumpi Ltd	2,55,000	2001	By P&L A/c	2,55,000
		2,55,000			2,55,000
2002	To Sumpi Ltd	6,57,000	2002	By P&L A/c	6,57,000
		6,57,000			6,57,000

Answer to MTP_Intermediate_Syllabus 2016_June2020_Set1

Dr.		Short working Account				Cr.
Date	Particulars	₹	Date	Particulars	₹	
1998	To Sumpi Ltd	90,000	1998	By Balance C/d	90,000	
		90,000			90,000	
1999	To Balance B/d	90,000	1999	By Sumpi Ltd A/c	30,000	
				By Balance C/d	60,000	
		90,000			90,000	
2000	To Balance B/d	60,000	2000	By Balance C/d	75,000	
	To Sumpi Ltd	15,000				
		75,000			75,000	
2001	To Balance B/d	75,000	2001	By Sumpi Ltd A/c	45,000	
				By Profit & Loss A/c	15,000	
				By Balance C/d	15,000	
		75,000			75,000	
2002	To Balance B/d	15,000	2002	By Sumpi Ltd A/c	15,000	
		15,000			15,000	

Dr.		Sumpi Ltd. Account				Cr.
Date	Particulars	₹	Date	Particulars	₹	
1998	To Bank A/c	2,10,000	1998	By Royalties	1,20,000	
				By Short Workings	90,000	
		2,10,000			2,10,000	
1999	To Bank A/c	2,10,000	1999	By Royalties	2,40,000	
	To Short Workings	30,000				
		2,40,000			2,40,000	
2000	To Bank A/c	2,10,000	2000	By Royalties	1,95,000	
				By Short Workings	15,000	
		2,10,000			2,10,000	
2001	To Bank A/c	2,10,000	2001	By Royalties	2,55,000	
	To Short Workings	45,000				
		2,55,000			2,55,000	
2002	To Bank A/c	6,42,000	2002	By Royalties	6,57,000	
	To Short Workings	15,000				
		6,57,000			6,57,000	

7. (a) BPL is leading distributor of petrol. A detail inventory of petrol in hand is taken when the books are closed at the end of each month. At the end of month following information is available : [9]

Sales = ₹ 23,62,500

General overhead cost = ₹ 62,500

Inventory at beginning 50,000 litres @ ₹ 15 per litre.

Purchases

June 1 : 1,00,000 litres @ ₹ 14.25

June 30 : 50,000 litres @ ₹ 15.15

Closing inventory 65,000 litres.

Compute the following by the FIFO as per AS-2 :

(i) Value of Inventory on June 30.

(ii) Amount of cost of goods sold for June.

(iii) Profit/Loss for the month of June.

Answer:

Answer to MTP_Intermediate_Syllabus 2016_June2020_Set1

- i. Cost of closing inventory for 65,000 litres as on 30th June

	₹
50,000 litres @ ₹ 15.15	7,57,500
15,000 litres @ ₹ 14.25	2,13,750
Total	9,71,250

- ii. Calculation of cost of goods sold

Opening inventories	50,000 litres @ ₹15	7,50,000
Purchases June 1	1,00,000 litres @ ₹ 14.25	14,25,000
June 30	50,000 litres @ ₹ 15.15	7,57,500
		29,32,500
Less : Closing inventories		(9,71,250)
Cost of goods sold		19,61,250

- iii. Calculation of profit :

Sales (Given) (A)	23,62,500
Cost of goods sold	19,61,250
Add: General overheads	62,500
Total cost (B)	20,23,750
Profit (A-B)	3,38,750

(b) List the salient features of computerized accounting system.

[6]

Answer:

Computer information system environment exists when one or more computer(s) of any type or size is (are) involved in the processing of any information, whether those computers are operated by the entity or by a third party. A computerised accounting environment will therefore have the following salient features:

1. The processing of information will be by one or more computers.
2. The computer or computers may be operated by the entity or by a third party.
3. The processing of financial information by the computer is done with the help of one or more computer softwares.
4. A computer software includes any program or routine that performs a desired function or set of functions and the documentation required to describe and maintain that program or routine.
5. The computer software used for the accounting system may be an acquired software or may be developed specifically for the business.
6. Acquired software may consist of a spread sheet package or may be prepackaged accounting software.

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

[3x5= 15]

Answer to MTP_Intermediate_Syllabus 2016_June2020_Set1

- (a) Abnormal Losses;
- (b) The Accrual Concept ;
- (c) Bearer plant;
- (d) Operating Cycle of Consignment Arrangement:

Answer:

(a) Abnormal Losses-

Abnormal Losses arises as a result of negligence/accident etc., e.g., theft, fire etc. Before ascertaining the result of the consignment, value of abnormal loss should be adjusted. The method of calculation is similar to the method of calculating unsold stock. Sometimes insurance company admits the claim in part or in full. The same should also be adjusted against such abnormal loss. While valuing the abnormal loss the proportionate expenses are taken only upto the stage of the loss. For example, if goods are lost in the transit on way to the consignee's place, the value of abnormal loss will include the basic cost of the goods plus proportionate expenses of the consignor only and not the proportionate expenses of consignee because consignee has spent nothing on account of these goods.

Treatment of Abnormal Loss

(i) For abnormal Loss –

Abnormal Loss A/c Dr
 To Consignment A/c

(ii) For the insurance claim due / received by the consignor

Insurance Co./Bank A/c Dr
 To Abnormal Loss A/c

(iii) If goods are not insured –

Profit & Loss A/c Dr
 To Abnormal Loss A/c

(iv) For transferring the net loss –

Profit & Loss A/c Dr \\
 To Abnormal Loss A/

(b) The Accrual Concept-

The accrual concept is based on recognition of both cash and credit transactions. In case of a cash transaction, owner's equity is instantly affected as cash either is received or paid. In a credit transaction, however, a mere obligation towards or by the business is created. When credit transactions exist (which is generally the case), revenues are not the same as cash receipts and expenses are not same as cash paid during the period. When goods are sold on credit as per normally accepted trade practices, the business gets the legal right to claim the money from the customer. Acquiring such right to claim the consideration for sale of goods or services is called accrual of revenue. The actual collection of money from customer could be at a later date.

Similarly, when the business procures goods or services with the agreement that the payment will be made at a future date, it does not mean that the expense effect should not be recognized. Because an obligation to pay for goods or services is created upon the procurement thereof, the expense effect also must be recognized.

Answer to MTP_Intermediate_Syllabus 2016_June2020_Set1

Today's accounting systems based on accrual concept are called as Accrual System or Mercantile System of Accounting.

(c) Bearer plant –

Bearer plant is a plant that

- (a) is used in the production or supply of agricultural produce;
- (b) is expected to bear produce for more than a period of twelve months; and
- (c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

The following are not bearer plants:

- (i) plants cultivated to be harvested as agricultural produce;
- (ii) plants cultivated to produce agricultural produce when there is more than a remote likelihood that the entity will also harvest and sell the plant as agricultural produce, other than as incidental scrap sales;
- (iii) annual crops.

(d) Operating Cycle of Consignment Arrangement:

- (i) Goods are sent by consignor to the consignee.
- (ii) Consignee may pay some advance or accept a bill of exchange.
- (iii) Consignee will incur expenses for selling the goods.
- (iv) Consignee maintains records of all cash and credit sale.
- (v) Consignee prepares a summary of results called as Account sales.
- (vi) Consignor pays commission to the consignee. Sometimes, the consignor may send the goods at a price higher than cost so that the consignee gets no knowledge of the real cost of goods which is confidential for the consignor.