

**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) The following account has a credit balance.
- (a) Plant and Equipment A/c
  - (b) Purchase return A/c
  - (c) Purchase A/c
  - (d) None of the above
- (ii) AS-10 is not applicable on
- (a) Biological assets related to agricultural activity
  - (b) Produce on bearer plants
  - (c) Wasting assets
  - (d) All of the above
- (iii) Excess of minimum rent over royalty is known as
- (a) Maximum rent
  - (b) Excess workings
  - (c) Short workings
  - (d) Deficiency of actual royalty
- (iv) Realization account is a
- (a) Representative personal account
  - (b) Artificial personal account
  - (c) Real account
  - (d) Nominal account
- (v) An amount spent for replacement of worn out part of machine is
- (a) Capital Expenditure
  - (b) Revenue Expenditure
  - (c) Deferred Revenue
  - (d) Capital Loss
- (vi) The additional commission payable to the consignee in order to cover the risk of collection from customer on account of credit sales is known as
- (a) Del Credere Commission
  - (b) Ordinary Commission
  - (c) Over-riding Commission
  - (d) None of the above
- (vii) Income statement of a charitable institute is known as
- (a) Profit and loss A/c
  - (b) Receipts and payment A/c
  - (c) Income and expenditure A/c
  - (d) Statement of Affairs
- (viii) Realisation account is opened at the time of
- (a) Admission of a new partner
  - (b) Retirement of a partner

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- (c) Dissolution of a firm
- (d) In all the situations

(ix) 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 ₹18,000, then the amount of stock reserve on closing stock will be

- (a) ₹ 6,000
- (b) ₹ 4,500
- (c) ₹ 9,000
- (d) None of the above

(x) In hire purchase system cash price plus interest is known as

- (a) Capital value of asset
- (b) Book value of asset
- (c) Hire purchase price of asset
- (d) Hire purchase charges

(B) Match the following:

[5x1=5]

	Column 'A'		Column 'B'
1.	Disclosure of Accounting Policies	A	Summarised cash book
2.	Contra transaction	B	Nominal account
3.	Income and expenditure A/c	C	Charge against profit
4.	Depreciation	D	Adverse balance
5.	Receipts and payment account	E	AS 1

(C) Fill in the blanks:

[5x1=5]

- (i) \_\_\_\_\_ is the agent to whom goods are sent for selling.
- (ii) Book-keeping is considered as \_\_\_\_\_.
- (iii) Bill of exchange must be properly \_\_\_\_\_.
- (iv) Inventories are valued at the lower of cost or \_\_\_\_\_.
- (v) \_\_\_\_\_ is usually market value which determined by appraisal.

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

[5x1=5]

- (i) Business transaction are always recorded at the actual cost at which they are actually undertaken.
- (ii) Trade bill is drawn not to settle a trade transaction.
- (iii) Ownership of installment sale passes at the time of sale.
- (iv) The debts which cannot be realized at all are called bad debts.
- (v) Single entry system is hard and tough to maintain.

## Section - B

Answer any five questions out of seven questions.

Each question carries 15 marks .

[5x15=75]

2. (a) The trial balance of Preeti on 31<sup>st</sup> December, 2011, showed a difference of ₹580 (excess debit). It was put to a Suspense Account and the books were closed. On going through the books in January 2012, the following errors were discovered. You are required to pass suitable rectifying journal entries and prepare the suspense account.
- (i) ₹450 received from G. Kothari was posted to the debit of his account.
  - (ii) ₹200 being purchases returns was posted to the debit of purchases account.
  - (iii) Discount ₹400 received, entered in the cash book was not posted to the ledger.

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- (iv) ₹574 paid for repairs to motor-car was debited to the motor-car account as ₹174.
- (v) A sale of ₹350 to sushmita was entered in the sales book as of ₹530.
- (vi) While carrying forward total of one page in koushal's account, the amount of ₹250 was written on the credit side instead of debit side.
- (vii) The purchase of machinery on 1<sup>st</sup> January,2011 for ₹8000 was entered in the purchases account. [7]

- (b) B and K entered into a joint venture as dealers in land with effect from 1<sup>st</sup> July,2010. On the same day B advanced ₹90,000 and a plot of land measuring 9000square yards, was purchased with this money. It was decided to sell the land in smaller plots and a plan was got prepared at a cost of ₹1,000 paid by K. In the said plan 1/3 of the total area of the land was left over for public roads and the remaining land was divided into 6 plots of equal size. On 1<sup>st</sup> October,2010, two of the plots were sold at ₹30 per square yard, the buyer deducting ₹1,000 per plot for stamp duty and registration expenses agreed to be borne by the sellers. The remaining plots were sold at a net price of ₹25 per square yard on 1<sup>st</sup> December ,2009. The sale proceeds of all the plots were received by B. After charging interest at 6% p.a. on the investments of B (allowing for money received by him) and allowing 1% on the net sales proceeds of plots as commission to K, the net profit of the joint venture is to be shared in portion of 3/4 to B and 1/4 to K.

Draw up the memorandum joint venture and personal accounts in the books of B and K Showing the balance payable to one to the other.

Assume joint venture was completed on December 1. [8]

3. The following is the Balance Sheet of the retail business of Sri KALI as at 31st March 2012

Liabilities	₹	Assets	₹
Sri KALI's capital	1,00,000	Furniture	10,000
Liabilities for goods	20,500	Stock	70,000
Rent	1,000	Debtors	25,000
		Cash at bank	14,500
		Cash in hand	2,000
	1,21,500		1,21,500

You are furnished with the following information:

- (i) Sri KALI sells his goods at a profit of 20% on sales.
- (ii) Goods are sold for cash and credit. Credit customers pay by cheques only.
- (iii) Payments for purchases are always made by cheques.
- (iv) It is the practice of Sri KALI to send to the bank every weekend the collections of the week after paying every week, salary of ₹300 to the clerk, Sundry expenses of ₹50 and personal expenses ₹100.

Analysis of the Bank Pass-book for the 13 week period ending on 30th June, 2013 disclosed the following:

Particulars	₹
Payments to creditors	75,000
Payments of rent upto 30th June 2013	4,000
Amounts deposited into the bank	1,25,000
(include ₹30,000 received from debtors by cheques)	

The following are the balances on 30th June 2013:

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Particulars	₹
Stock	40,000
Debtors	30,000
Creditors for goods	36,500

On the evening of 30th June 2013 the Cashier absconded with the available cash in the cash box. There was no cash deposit in the week ended on that date.

Required: Prepare a Account showing the amount of cash defalcated by the Cashier and also a Trading & Profit and Loss Account for the period ended 30th June, 2013 and a Balance Sheet as on that date. **[15]**

4. A, B and C were carrying on a business in partnership sharing profits in the ratio of 5 : 3 : 2 respectively. On 31<sup>st</sup> March, 2012 their balance Sheet stood as follows:

Liabilities	₹	Assets	₹	₹
Capital A/c:		Goodwill		80,000
A	6,25,000	Land & Building		7,00,000
B	3,75,000	Furniture		1,65,000
C	2,50,000	Stock		2,86,000
		Trade Debtor	1,80,000	
General reserves	1,00,000	Less: Prov for DD	3,600	1,76,400
Trade Creditors	2,10,000	Cash at bank		1,52,600
	15,60,000			15,60,000

A retired on the above mentioned date and partners agreed that:

- (i) The current value of goodwill be taken to be equal to the book value of the asset.
- (ii) Land and Buildings be considered worth ₹9,00,000.
- (iii) The provision for bad debts on trade debtors be raised to 5%.
- (iv) Provision be made for compensation of ₹5,000 to an ex-employee.
- (v) Half of the amount due to A be paid immediately in cash and the balance be treated as 10% loan, repayable with in 3 years.

In order to facilitate cash payment to A, B and C brought in ₹3,00,000 in the ratio of 3 : 2 respectively.

Prepare Revaluation Account, the Capital Accounts of all the partners and Bank Account. Also draw the Initial Balance Sheet of B and C, immediately after A's retirement after writing off goodwill. **[15]**

5.(a) Chennai Ltd, invoices goods to its branch at cost plus 33-1/3%. From the following particulars, prepare the Branch Stock Account, Branch Stock Adjustment Account and Branch Profit and Loss Account as they would appear in the books of the Head Office.

Particulars	₹	Particulars	₹
Stock in hand at commencement at Branch	1,50,000	Return of goods to Head Office	50,000
Stock in hand at close at Branch	1,20,000	Credit Sales at Branch	3,80,000
Goods sent to branch (Including goods invoiced at ₹20,000 to branch on 31st March but not received by branch before close of the year)	10,00,000	Invoice value of goods pilfered	10,000
		Normal loss at Branch due to wastage and deterioration of Stock at invoice value	15,000
		Cash Sales at Branch	60% Of Net sales

Chennai Ltd closes its books on 31st March 2013. **[9]**

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**(b)** M. Sunder keeps self balancing ledgers. Record the following transactions in the General Ledger Adjustment Account in the Sales Ledger.

Date	Particulars
01.04.2016	Received ₹475 from Mr. X in full settlement. He was allowed a discount of ₹ 25.
02.04.2016	Received ₹ 2,000 from Mr Y towards his dues in full.
03.04.2016	Goods supplied to Mr T ₹ 700 and received ₹ 300 after adjustment of an advance of ₹ 400.
04.04.2016	Bad debts recovered from Mr Q ₹ 1,000
05.04.2016	Goods sold to the following: Mr A ₹ 1,000, Mr B ₹ 1,500, Mr C ₹ 2,000.
15.04.2016	Mr P paid ₹ 750 towards dues. Balances thereafter due was ₹ 250.
25.04.2016	Amounts received from Mr A ₹ 750, Mr B ₹1,000, Mr C ₹ 2,000.
30.04.2016	Advance received from Mr R for supply ₹ 2,000

**[6]**

**6. (a)** From the following information, compute the amount of claim under the loss of profit policy:

Sum Insured	₹1.95 Lakh
Indemnity Period	6 Months
Reason for Damage	Due to Fire Accident on 1.3.2013
Period of Interruption	1.3.2013 to 31.7.2013
Accounting Year	Calender Year
Net Profit	₹ 0.60 Lakh
Increase in Cost of working	₹ 0.15 Lakh
Turnover For the year ended 31st December, 2012	₹ 5.250 Lakh
Turnover For the period from 1.3.2012 to 28.2.2013	₹ 5.850 Lakh
Turnover For the period from 1.3.2012 to 31.7.2012	₹ 1.275 Lakh
Turnover For the period from 1.3.2013 to 31.7.2013	₹ 0.600 Lakh
Sales were evenly throughout the period Standing Charges	₹ 1.50 Lakh
No clause for upward/downward trend	

**[8]**

**(b)** From the following particulars calculate:

- (i) Value of plant taken back by the vendor.
- (ii) Value of plant left with the purchaser.
- (i) Profit or loss on plant taken back.
- (ii) Profit or loss on plant repossessed when sold by vendor.

Particulars:

- (i) X purchased 3 plants from Y costing ₹ 1,00,000 each.
- (ii) Purchaser charged depreciation @ 20% on diminishing balance method.
- (iii) 2 plants were seized by the vendor when second installment was not paid at the end of second year and vendor valued the plants at cost less 30% depreciation annually charged at diminishing balance method.
- (iv) The vendor spent ₹40,000 on overhauling the plants and sold for ₹ 1,60,000. **[7]**

**7. (a)** A Ltd. entered into a contract with B Ltd. to dispatch goods valuing ₹25,000 every month for 4 months upon receipt of entire payment. B Ltd. accordingly made the payment of ₹1,00,000 and A Ltd. started dispatching the goods. In third month, due to a natural calamity, B Ltd. requested A Ltd. not to dispatch goods until further notice though A Ltd. is holding the remaining goods worth ₹50,000 ready for dispatch. A Ltd. accounted

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₹50,000 as sales and transferred the balance to Advance Received against Sales. Comment upon the treatment of balance amount with reference to the provisions of Accounting Standard 9. **[6]**

**(b)(i)** Discuss the disadvantages of Pre-Packaged Accounting Software. **[5]**

**(b)(ii)** Write a note on Classification and Codification of Accounts. **[4]**

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

- (a)** Explain the features of single entry system.
- (b)** What are the characteristics of depreciation?
- (c)** Difference between book-keeping and accountancy.
- (d)** Describe the advantage of Accounting Standard.