

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) Management Accounting is primarily based on the data available from _____.
- (a) Cost Accounting
 - (b) Financial Accounting
 - (c) Book Keeping
 - (d) Ledgers
- (ii) _____ is the additional commission payable to the consignee for taking over additional responsibility of collecting money from customers.
- (a) Del Credre Commission
 - (b) Over-riding Commission
 - (c) Ordinary Commission
 - (d) None of the above
- (iii) The provision which is created on Sundry Debtors for allowing discount on receipt of Cash in that accounting period is called _____.
- (a) Provision for Discount on Debtors
 - (b) Provisions for Bad Debt
 - (c) Provision for Discount on Creditors
 - (d) Provision for Doubtful Debts
- (iv) Drawings is shown in the Balance Sheet as _____.
- (a) As an addition to the Capital Account
 - (b) A deduction from the Capital Account
 - (c) Part of Current Liabilities
 - (d) Part of Current Assets
- (v)
- | | |
|--------------------|-----------|
| Sales | : ₹45,000 |
| Opening Stock | : ₹18,000 |
| Purchases | : ₹30,000 |
| Cost of Goods Sold | : ₹27,000 |
| Trading Expenses | : ₹12,000 |
| Net Profit is | _____. |
- (a) ₹6,000
 - (b) ₹18,000
 - (c) ₹12,000
 - (d) None of the above
- (vi) The retiring partner becomes entitled to get back which of the following?
- (a) Balance of his capital and current account at the time of retirement.
 - (b) Share of goodwill, undistributed profit or loss, reserves and profit or loss on revaluation of assets and liabilities
 - (c) Salary, commission, interest on capital, if any and all other dues till the date of retirement
 - (d) All of the above

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- (vii) _____ refers to the fixed yearly or half-yearly rent payable by the lessee to the landlord in addition to the minimum rent.
- Surface Rent
 - Dead Ren
 - Minimum Rent
 - Excess working
- (viii) Which of the following is not a step under Partial Repossession?
- Calculate Book value of Goods Repossessed
 - Calculate Agreed Value of Goods Repossessed
 - Loss on default = Book Value + Agreed Value
 - None of the above
- (ix) Which one is the correct Fundamental accounting assumptions as per AS 1?
- Going Concern, Matching and Consistency
 - Money Measurement, Going Concern and Prudence
 - Accounting Period, Going Concern and Entity Concept
 - Going Concern, Consistency and Accruals
- (x) Which of the following is not an advantage of Computerised Accounting?
- Easy to Install
 - Relatively Inexpensive
 - Simple Backup Procedure
 - Lack of Security

(b) Match the following:

[5x1=5]

	Column 'A'		Column 'B'
1.	A software which is developed on the basis of specific requirements of the organisation	A	Live Stock
2.	Construction Contracts	B	Capital Receipt
3.	Real Account	C	Customised Accounting
4.	Amount received towards Endowment Fund	D	Expenditure
5.	Debit balance in Nominal Account	E	AS 7

(c) Fill in the blanks:

[5x1=5]

- Depreciation Account is _____ Account.
- Joint Ventures do not follow _____ Basis of Accounting.
- Outstanding subscription is shown in the _____ side of Balance Sheet.
- Profit or loss on consignment is retained/paid by the _____.
- Loss on sale of old car is shown on the _____ side of the Profit and Loss Account.

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

[5x1=5]

- Royalty agreements contain a provision for carrying forward of short workings in the subsequent years, which is adjusted against the surplus royalty. This process of adjustment is called excess workings.
- Bearer plant is a plant that is expected to bear produce for more than a period of twelve months.

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- (iii) Garner vs. Murray principle does not apply if there are only two partners.
- (iv) Branches in respect of which the whole of the accounting records are kept at Head Office only, are known as Dependent Branch.
- (v) The profit or loss on joint venture is shared between the co-venturers in an equal ratio.

Section - B

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

2. (a) The Trial Balance of a concern has agreed but the following mistakes were discovered after the preparation of final Accounts.
- (i) No adjustment entry was passed for an amount of ₹5,000 relating to outstanding rent.
 - (ii) Purchase book was overcast by ₹2,000.
 - (iii) ₹3,500 depreciation of Machinery has been omitted to be recorded in the book.
 - (iv) ₹600 paid for purchase of stationary has been debited to Purchase A/c.
 - (v) ₹3,000 received in respect of Book Debt had been credited to Sales A/c.

Show the effect of the above errors in Profit and Loss Account & Balance Sheet. **[5]**

- (b) For mutual benefit of Mr. A and Mr. B on 1st April, 2021. Mr. A drew a four months' bill on Mr. B for ₹6,000. Mr. B returned the bill after acceptance on the same date. Mr. A discounted the bill from his banker @ 5% per annum and remit 50% of the proceed to him. On due date Mr. A failed to send the amount due and therefore Mr. B draws a bill for ₹10,500, which is duly accepted by Mr. A. Mr. B discounted the bill for ₹9,900 and sent ₹1,950 to Mr. A. Before the bill is due for payment Mr. A became insolvent. Later 30% was received from his estate. Pass necessary journal entries in the books of A. **[10]**

3. (a) ABB School maintains separate building fund. As on 31.3.2021, balance of building fund was ₹10,00,000 and it was represented by 15% Fixed Deposit of ₹6,00,000 and current account balance of ₹4,00,000. During the year 2021-2022, the school collected as donations towards the building fund ₹5,60,000 and transferred 40% of development fees collected ₹22,56,500 to Building Fund. Capital work in progress as on 31st March, 2021 was ₹8,25,000 for which contractors' bill upto 75% was paid on 30.09.2021. The extension of building was finished on 31.12.2021 costing ₹7,25,000 for which contractors' bill was fully met. It was decided to transfer the cost of completed building (₹15,50,000) to the corresponding asset account.

Pass journal entries to incorporate the above transactions in the books of ABB School for the year 2021-2022 and show the trial balance of Building Fund Ledger.

- (b) What is the accounting treatment of a 'Specific Fund' maintained by a club? **[(8+4)+3=15]**

4. P and Q are partners sharing profits in the ratio of 3:2. They admit R as a new partner from 1st April. They decide to share future profits in the ratio of 4:3:3. The Balance Sheet as at 31st March, 2022 is given below:

Liabilities	₹	Assets	₹
P's Capital	17,600	Goodwill	1,000
Q's Capital	25,400	Land & Building	6,000

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Workmen Compensation Fund	2,000	Investments [Market Value ₹4,500]	5,000
Investment Fluctuation Fund	1,000	Debtors	10,000
Employees' Provident Fund	1,000	Stock	30,000
Provision for Doubtful Debts	1,000	Bank Balance	25,000
R's Loan	30,000	Advertisement Suspense A/c	1,000
	78,000		78,000

Terms of R's admission are:

- i. R contributes proportionate capital and 60% of his share of goodwill in cash.
- ii. Goodwill will be valued at 2 years' purchase of super profit of last three completed years. The profits were - 2019-2020 ₹48,000, 2020-2021 ₹93,000, 2021-2022 ₹1,38,000. The normal profits are ₹53,000. No Goodwill will appear in the books of new firm.
- iii. Land & Building was found undervalued by ₹10,000.
- iv. Stock was overvalued by ₹7,000.
- v. Provision for doubtful debts is to be made equal to 5% of the debtors.
- vi. Claim on account of workmen compensation is ₹1,000.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet.

[15]

5. (a) The following information provided by the Shobha Departmental Store for the year ended 31st March, 2023:

Department	Purchase(units)	Sales	Closing Stock(units)
X	2500	2550 units @ ₹ 160 per unit	250
Y	5000	4800 units @ ₹180 per unit	400
Z	6000	6240 units @ ₹ 200 per unit	140

The total value of purchases is ₹15 Lakh. It is observed that the rate of gross profit is the same in each department.

You are required to prepare the Departmental Trading Account for the year ended 31st March, 2023.

[9]

- (b) Following information is available from the books of S & Co. for the year ended 31st March, 2023:

- (i) Total Sales amounted to ₹ 560 Lakh including the sale of old Machinery for ₹ 8 Lakh (Book Value ₹ 15 Lakh). The total Cash Sales were 80% less than the total Credit Sales.
- (ii) Cash collection from debtors amounted to 75% of the aggregate of the opening debtors and the Credit Sales for the period. Debtors were allowed Cash discounts for ₹ 15.60 Lakh.
- (iii) Bills Receivable drawn during the year totaled ₹45 Lakh of which bills amounting to ₹ 28 Lakh were endorsed in favour of Creditors. Out of these endorsed B/R, some bills for ₹ 4.60 Lakh were dishonoured for non-payment as the parties became insolvent, their estate realizing nothing.
- (iv) Cheques received from Sundry Customers for ₹41 Lakh were dishonoured; a sum of ₹ 5 Lakh is irrecoverable.
- (v) Bad Debts written off in the earlier years was recovered of ₹ 7.50 Lakh.
- (vi) Transfers from Creditors Ledger to Debtors Ledger were of ₹ 38 Lakh.
- (vii) Sundry Debtors, as on 1st April, 2022, stood at ₹ 128 Lakh.

You are required to show the General Ledger Adjustments Accounts in the Debtors Ledger.

[6]

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6. (a) On 31st January, 2023 the premises of Pali Textiles Limited were destroyed by fire. The records of the company revealed the following particulars:

Particulars	₹
Stock on 01.04.2021	11,35,000
Stock on 31.03.2022	12,64,100
Purchase Less returns, during the year ended 31st March, 2022	65,45,000
Sales Less returns, during the year ended 31st March, 2022	91,00,000
Purchase Less return, from 01.04.2022 to 31.01.2023	56,64,000
Sales Less returns, from 01.04.2022 to 31.01.2023	78,24,000

In valuing stock on 31st March, 2022 ₹ 45,900 had been written off out of certain stock which was of a poor selling line, having cost ₹1,37,700. A portion of these goods were sold in October, 2022 at a loss ₹11,080 on the original cost of ₹ 55,080. The remaining stock of this goods on the date of fire was to be valued at 80% of its original cost. Subject to the above exception, gross profit had remained at a uniform rate throughout. The stock salvaged from fire was ₹1,23,800. You are required to compute the amount of claim to be lodged for loss of stock. The stock was insured for ₹12,50,000. [7]

- (b) The following particulars relate to hire purchase transactions:

- (i) X purchased three cars from Y on hire purchase basis, the cash price of each car being ₹ 2,00,000.
- (ii) The hire purchaser charged depreciation @ 20% on diminishing balance method.
- (iii) Two cars were seized by on hire vendor when second instalment was not paid at the end of the second year. The hire vendor valued the two cars at cash price less 30% depreciation charged under it diminishing balance method.
- (iv) The hire vendor spent ₹10,000 on repairs of the cars and then sold them for a total amount of ₹ 1,70,000.

You are required to compute:

- (I) Agreed value of two cars taken back by the hire vendor.
- (II) Book value of car left with the hire purchaser.
- (III) Profit or loss to hire purchaser on two cars taken back by their hire vendor.
- (IV) Profit or loss of cars repossessed, when sold by the hire vendor. [8]

7. (a) (i) List the disclosures required to be made as per AS-10. [7]

- (ii) What will be the value of inventory as per AS 2:

On 31.3.2022, the closing stock of GR Ltd. includes 10,000 units costing @ ₹10 each, and the current market price of which as on that date was @ ₹ 9 per unit i.e. ₹ 90,000. [2]

- (b) Write down the advantages of Pre-Packaged Accounting Software. [6]

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

- (a) Basic features of a Joint Venture business;
- (b) Difference between Double Entry System and Single Entry System;
- (c) Minimum Rent / Dead Rent;
- (d) Salient features of Computerized Accounting System.