

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) 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.
- (ii) Noting charges on bills receivable dishonoured will appear on the _____side of General Ledger Adjustment Account under _____ Ledger.
- (a) Debit side, Debtors' Ledger
 - (b) Credit side, Debtors' Ledger
 - (c) Debit side, Creditors' Ledger
 - (d) Credit side, Creditors' Ledger
- (iii) Capital Accounts of the co-venturers are of the nature of
- (a) Personal Account
 - (b) Nominal Account
 - (c) Real Account
 - (d) None of the above
- (iv) Which account is used for transactions concerned with head office supplying resources to the branch?
- (a) Capital account
 - (b) Current account
 - (c) Branch account
 - (d) Joint venture account
- (v) _____ A/c is used for the reassessment of the assets and liabilities.
- (a) General Reserve
 - (b) Profit & Loss
 - (c) Revaluation
 - (d) Both (b) & (c)
- (vi) Repairs and Maintenance of Delivery Trucks is
- (a) Selling and Distribution Expenses
 - (b) Indirect Expenses
 - (c) Administration Expenses
 - (d) Both (a) & (b)
- (vii) Internal Liability represents _____.
- (a) Proprietor's Equity
 - (b) Loans from Banks
 - (c) Debtors
 - (d) None of the above

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(viii) The cost of a 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

(ix) Excess of minimum rent over royalty is known as

- (a) Maximum rent
- (b) Excess workings
- (c) Short workings
- (d) Deficiency of actual royalty

(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.	Consumable stores	A	Expenditure for Business
2.	Trial Balance	B	State of deterioration due to old age
3.	Dilapidation	C	Journal Proper
4.	Opening Entry	D	Not a part of the final statements
5.	Interest on Capital	E	Revenue Expenditure

(c) Fill in the blanks:

[5x1=5]

- (i) Every debit must have its corresponding and equal _____.
- (ii) _____ is drawn to settle a trade transaction.
- (iii) _____ is the agent to whom goods are sent for selling.
- (iv) If the credit side of Trading Account is greater than its debit _____ will arise.
- (v) _____ is a summary of Cash Book.

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

[5x1=5]

- (i) Bad debt recovery will not appear in self balancing ledger system.
- (ii) Book-keeping is considered as the end and Accountancy is considered as the beginning.
- (iii) Drawee is the buyer or debtor, he has to pay the amount of the bill to the drawer on the due date.
- (iv) Legacy received is a kind of donation.
- (v) All capital incomes and expenditures are excluded from Income and Expenditure Account.

Section - B

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

2. (a) Mr. Mitra could not tally his Trial Balance on 31.3.2017. He transferred ₹596 being excess of debit side to Suspense Account, The following errors were subsequently discovered:
- (i) Sales Book was overcast by ₹500.

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- (ii) Purchases of Machinery ₹730 passed through Purchases Day Book.
- (iii) An amount of ₹99 received from Mr. Young was posted to his account as ₹90.
- (iv) A cash sale of ₹2,235 duly entered in Cash Book but posted to Sales Account ₹235.
- (v) Salary Account was debited with ₹3,000 in place of ₹2,000.

Rectify the above errors through the Journal Entries.

[6]

- (b) S Ltd. of Surat consigned 5,000 litres of liquor costing ₹32 each to M Ltd. of Mumbai on 01.02.17. S Ltd. paid ₹5,000 as freight and insurance charges. During transit 200 litres were destroyed for which the insurance company agreed to pay ₹5,000 in full settlement. M Ltd. paid clearing charges ₹6,100; godown rent ₹300 and Salesman's salary ₹900. It was entitled to 6% ordinary commission and 4% del credere commission on sales. On 30.6.17 M Ltd. reported that 4,000 litres were sold at ₹1,65,000 and 100 litres were lost due to evaporation. A customer who bought liquor for ₹1,500 could pay only 40% of his amount. M Ltd. paid its balance due by a cheque.
Show the Consignment Account in the books of S. Ltd.

[9]

3. Namita started a grocery business on Jan. 1, 2017 with a capital of ₹ 10,000. She spent ₹1,500 on furniture and fixtures in cash. She maintains her books under single entry. Following figures are extracted from her books:

Sales [inclusive of cash sales ₹8,000] ₹20,000 Bad debts written off ₹750
Purchase [inclusive of cash purchases ₹2,500] ₹12,000 Business expenses ₹ 1,050

Namita used groceries worth ₹1,500 and took ₹13,000 in cash for personal use. On Dec. 31, 2017 her Sundry Debtors were ₹1,250 and Sundry Creditors were ₹1,500, Stock-in-hand on Dec. 31, 2017 was ₹1,500.

Prepare a Trading and Profit & Loss Account for the year ended on 31st December, 2017 and Balance Sheet as on that date after writing off 10% Depreciation on furniture and fixtures.

[15]

4. A, B and C are partners in a firm sharing profits and losses as to 5 : 3 : 2. Their Balance Sheet as on 31st March, 2017 was as follows:

Balance Sheet as at 31st March, 2017

	₹		₹
Sundry Creditors	3,00,000	Cash in hand	80,000
General Reserve	1,60,000	Bills Receivable	1,00,000
Partners' Loan Accounts:		Sundry Debtors	1,20,000
A	80,000	Stock-in-trade	2,40,000
B	60,000	Furniture	40,000
Partners' Capital Accounts:		Buildings	5,20,000
A	2,00,000		
B	1,60,000		
C	1,40,000		
	11,00,000		11,00,000

They agree to change their profit sharing ratio as 6:5:5 from April 1, 2017. For this purpose, it is decided that:

- (i) Furniture and Buildings be valued at ₹ 30,000 and ₹ 6,50,000 respectively.
- (ii) A provision for bad debts be made @ 3 per cent on Sundry debtors and 6 per cent of bills receivable
- (iii) The value of stock be reduced to ₹ 1,60,000.
- (iv) The Goodwill of the firm is to be valued at two years' purchase of average net profits of the last five years, profit for these years being ₹ 40,000, ₹ 52,000, ₹ 64,000, ₹ 78,000 and ₹ 86,000 respectively.

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The book value of the assets and liabilities is not to be altered.

Required:

- (i) Pass Journal Entries to make adjustments in the partners' accounts.
- (ii) Prepare the partner's Capital Accounts.
- (iii) Prepare the New Balance Sheet as on April 1, 2017.

[15]

5. (a) Avishkar Ltd. carried on a retail business opened a branch A on 1st April, 2017 where all sales were on credit basis. All goods required by the branch were supplied from the head office and were invoiced to the branch at 10% above cost. The following were the transactions:

	April	May	June
	₹	₹	₹
Goods sent to Branch (Cost to H.O)	80,000	1,00,000	1,20,000
Sales as shown by the branch monthly report	76,000	84,000	1,10,000
Cash received from Debtors and remitted to H.O.	40,000	1,02,000	70,000
Returns to H.O. (Cost to Branch)	2,400	1,200	4,800

The stock of goods held by the branch on June 30, amounted to ₹ 1,06,800 at invoice price to branch. Record these transactions in the Head Office books, showing balances as on 30th June, 2017 and the branch gross profit for the three months ended on that date.

[7]

- (b) The following information is available from the books of the trader for the period 1st January to 31st March 2017.

- a) Total sales amounted to ₹1,52,000 including the sale of old furniture for ₹20,000 (book value is ₹24,600). The total cash sales were 80% less than total credit sales.
- b) Cash collection from Debtors amounted to 75% of the aggregate of the opening Debtors and Credit safes for the period. Discount allowed to them amounted to ₹5,200
- c) Cheques received from customer of ₹10,000 were dishonoured; a sum of ₹2,000 is irrecoverable.
- d) Bad Debts written-off in the earlier year realized ₹5,000.
- e) Sundry debtors on 1st January stood at ₹80,000.

You are required to show the Debtors' Ledger Adjustment Account in the General Ledger.

[8]

6. (a) The following entries without narration have been recorded. Please write the entries with complete narration. Marks will be awarded only for complete narration. 6

			Dr. ₹	Cr. ₹
1st year Dec. 31	1. Royalty A/c	Dr.	16,000	
	Short working A/c	Dr.	4,000	
	To Landlord A/c			20,000
2nd year Dec. 31	2. Landlord A/c	Dr.	20,000	
	To Bank A/c			20,000
	3. P and L A/c	Dr.	20,000	
2nd year Dec. 31	To Royalty A/c			20,000
	1. Royalty A/c	Dr.	22,000	
	To Landlord A/c			22,000
2nd year Dec. 31	2. Landlord A/c	Dr.	22,000	
	To Bank A/c			20,000
	To Short working A/c			2,000

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3. P and L A/c	Dr.	24,000	
To Royalty A/c			22,000
To Short working A/c			2,000
			[12]

- (b)** From the following details find out the amount to be debited to Profit and Loss A/c as fresh provision for doubtful debts during 2017-18.
Debtors was ₹ 1,20,000 as on 31.03.2018; Bad debt during the year ₹ 6,000; Provision for bad debts as on 01.04.2017 ₹ 8,000; Provision for doubtful debts to be kept at 5% of total debtors. **[3]**

- 7. (a)** On December 1, 2017, PP Ltd. purchased ₹8,00,000 worth of land for a factory site. PP Ltd. razed an old building on the property and sold the materials it salvaged from the demolition. PP Ltd. incurred additional costs and realized salvage proceeds during December 2017 as follows:

	₹
Demolition of old building	1,00,000
Legal fees for purchase contract and recording ownership	20,000
Title guarantee insurance	24,000
Proceeds from sale of salvaged materials	16,000

In its December 31, 2017 Balance Sheet, PP Ltd. should report a balance in the land account. **[6]**

- (b)** Discuss the disadvantages of customized accounting package. **[9]**

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

- (a)** Advantages of Self-Balancing System;
- (b)** Differences between Branch Account and Departmental Account.
- (c)** GAAP
- (d)** Weaknesses of Single Entry System