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 not part of financial statements?
(A) Trading and Profit & Loss Account
(B) Balance Sheet
(C) Fund Flow Statement
(D) Notes to Accounts

(ii) Which subsidiary book serves both as Journal as well as ledger?
(A) Cash Book
(B) Purchase Book
(C) Sales Return Book
(D) Bills Receivable Book

(iii) Purchase return immediately paid in cash would be entered into
(A) Purchase return Book
(B) Cash Book
(C) Journal Proper
(D) Purchase Book

(iv) Which of the following is not the part of inventory cost as per AS – 2?
(A) Administrative Overheads that contribute to bringing the inventories to their present location and condition.
(B) Normal loss.
(C) Storage costs that are not necessary in the production process prior to a further production stage.
(D) None of the above.

(v) State the ratio in which the partners share all the accumulated profits, reserves, losses and fictitious assets in case of change in profit sharing ratio.
(A) Old profit sharing ratio
(B) New profit sharing ratio
(C) Equally
(D) None of the above

(vi) Any change in the accounting policy relating to Fixed Assets which has a material effect in the current or later periods should be disclosed. This is in accordance with the accounting principle of:
(A) Going Concern
(B) Conservatism
(C) Consistency
(D) Disclosure

(vii) AS-7 is related to
(A) Revenue Recognition

(B) Cash Flow Statement
(C) Construction Contract
(D) Disclosure of Accounting policies

(viii) An amount spent in connection with obtaining a License for starting the factory is
(A) Revenue Expenditure
(B) Capital Expenditure
(C) Pre-paid Expenditure
(D) None of the above

(ix) According to AS-15 (Revised) superannuation scheme which has relevance only to the final salary and number of years of service is
(A) Defined Benefit Scheme
(B) Defined Contribution Scheme
(C) Non-Contributory Scheme
(D) Both (A) and (B)

(x) Goods are sent to the Branch at cost plus 25%. The loading on invoice price is:
(A) 20%;
(B) 25%;
(C) 30%;
(D) None of the above.

(b) Match the following: **[5x1=5]**

Column-I		Column-II	
(i)	Real Account	**(A)**	Short workings
(ii)	AS - 10	**(B)**	Activity Centre
(iii)	Department	**(C)**	Installment Sale
(iv)	Ownership is transferred at the time of sale	**(D)**	Property, Plant and Equipment
(v)	Royalty	**(E)**	Securities and Shares

(c) Fill in the blanks: **[5x1=5]**

(i) In case of ________ _______ contracts, contractor agrees for fixed price of the contract or fixed rate per unit.
(ii) ____________ bill is used without a trade transaction and is for mutual benefit.
(iii) Vehicles represent _________ expenditure while repairs to vehicle would mean __________expenditure.
(iv) Income & Expenditure Account is similar to _________ _________ A/c.
(v) ________ may remain in a software because of Inadequate testing.

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

(i) As per going concern concept, the Accountant should provide for all possible losses but should not anticipate profit.
(ii) Minimum rent is also called dead rent or fixed rent.
(iii) Hybrid Basis of Accounting is the combination of both Cash as well as Stock Debtors basis of Accounting.
(iv) Expenditure to acquire raw materials is a Revenue Expenditure.
(v) Honour of a Bill means that the acceptor refuses to honour his commitment on due date and for this, payment of the bill on presentation does not take place.

Section - B

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

2. (a) State with reasons whether the following classification of cost are correct or not:

(i) Expenditure which results in acquisition of a permanent asset is revenue expenditure.
(ii) Wages paid for erection of machinery are debited to the Machinery Account.
(iii) A legal fee paid to acquire a Building is a Capital expenditure.
(iv) Amount paid to Management Company for consultancy to reduce the working expenses is revenue expenditure.
(v) Legal expenses incurred for abuse of trade mark, is a revenue expense. **[5]**

(b) Abhi for mutual accommodation of Ravi and himself drew upon the latter a three months bill for ₹ 48,000 on 1st July, 2017, which was duly accepted. Abhi discounted the bill at 5% p.a. on 4th July, 2017 and remitted ½ of the proceeds to Ravi.

On 1st August, 2017, Ravi drew and Abhi accepted a bill at 3 months for ₹ 19,200. On 4th August, 2017, Ravi discounted the bill at 6% p.a. and remitted half the proceeds to Abhi. At maturity Abhi met his acceptance, but Ravi failed to meet his and Abhi had to take up. Abhi drew and Ravi accepted a new bill at two months on 4th November, 2017, for the amount due to Abhi plus ₹ 400 as interest. On 1st January, 2018, Ravi became insolvent and a first and final dividend of 40 paises in the rupee was received from his estate on 31st March, 2018.

Note: Days of grace for discounting purposes may be ignored.

Required:
Pass the necessary Journal Entries in the Books of Abhi. **[10]**

3. The following is the Income and Expenditure Account of PINK CLUB for the year ended March 31, 2017.

(Amount in ₹)

To Salaries	4,95,000	By Subscriptions	13,00,000
To Rent	1,20,000	By Entrance Fees	2,00,000
To Printing & Stationery	30,000	By Contribution for Annual Dinner	1,60,000
To Travelling Expenses	60,000	By Profit on Annual Sports	20,000
To Annual Dinner Expenses	1,35,000		
To Secretary's Honorarium	1,20,000		
To General Expenses	60,000		
To Interest and Bank Charges	18,000		
To Audit Fees	20,000		
To Books & Periodicals	30,000		
To Depreciation	25,000		
To Excess of Income over Expenditure	5,67,000		
	16,80,000		16,80,000

The Income and Expenditure Account has been prepared after the following adjustments:

	₹
Subscription Outstanding on 31.03.2016.	1,20,000
Subscription received in Advance on 31.03.2016.	90,000
Subscription Outstanding on 31.03.2017	80,000

Subscription received in Advance on 31.03.2017 1,40,000

Salaries Outstanding at the beginning of the year and at the end of the year were ₹40,000 and ₹30,000 respectively.
Audit fees for the year (2016-17) has not been paid. Previous year's audit fee ₹15,000 was paid during the year.

The club's Assets on 31st March, 2016 were as follows:

	₹
Freehold Land	10,00,000
Sport Equipments	2,60,000

At the end of the year, after depreciation the equipments amounted to ₹ 2,70,000. Bank Loan of ₹ 1,00,000 as on 31st March, 2016 was still due at the end of the current year. On 31st March, 2017. Cash as Bank amounted to ₹ 6,97,000.

You are required to prepare:
(i) The Receipts and Payments Account for the year ended 31st March, 2017 and Balance Sheet as on 31.03.2017. **[15]**

4. (a) A,B and C are partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. On 31st December, 2016 the firm was dissolved. On dissolution, the following particulars are available:

(i) Assets realised ₹3,40,000 after a loss of ₹40,000.
(ii) Liabilities were paid ₹54,000 including an unrecorded liability of ₹2,000.
(iii) Realisation expenses were ₹1,400, out of which ₹800 were paid by the firm and balance by partner A.
(iv) On the date of dissolution, partners' capital was in the ratio of 2 : 2 : 1.

Prepare Realisation account, Partners' Capital accounts and Bank account. **[9]**

(b) S and P are partners in a firm sharing profits and losses in the ratio of 3 : 2 respectively. The fixed capital of S is ₹1,20,000 and P is ₹75,000. On 1st April, 2017 they admitted K as a new partner for 1/5th share in future profits. K brought ₹75,000 as his capital. Calculate the value of goodwill of the firm and record Journal entries on K's admission. **[6]**

5. (a) Abir Ltd. has two departments A and B. From the following particulars prepare Departmental Trading Accounts and General Profit and Loss Account for the year ending 31st March,2018 —

Particulars	Dept. A (₹)	Dept. B (₹)	Particulars	Dept. A (₹)	Dept. B (₹)
Opening Stock (at cost)	80,000	48,000	Finishd Goods Transferred		
Purchases	3,68,000	2,72,000	- By Dep. B to A	1,40,000	-
Carriage Inward	8,000	8,000	- By Dept. A to B	-	1,60,000
Wages	48,000	32,000	Return of Finished Goods		
Sales	5,60,000	4,48,000	- By Dept. B to A	40,000	-
Purchased Goods Transferred			- By Dept. A to B	-	28,000
- By Dept. B to A	40,000	-	Closing Stock		
- By Dept. A to B	-	32,000	Purchased Goods	18,000	24,000
			Finished Goods	96,000	56,000

Purchased Goods have been transferred mutually at their respective Departmental Purchase Cost and Finished Goods at Departmental Market Price and that 25% of the Closing Finished Stock with each Department represents Finished Goods received from the other Department. **[9]**

(b) Prepare Purchase Ledger Adjustment A/c in General Ledger:

Particulars	₹	Particulars	₹
Debtors' Ledger Balance as on 1.1.17 (Dr.)	3,750	Returns Inwards	600
Debtors' Ledger Balance as on 1.1.17 (Cr.)	250	Returns Outwards	400
Creditors' Ledger Balance as on 1.1.17 (Dr.)	150	Bills Payable accepted	1,000
Creditors' Ledger Balance as on 1.1.17 (Cr.)	3,200	Bills Receivable drawn	1,875
Purchase (including cash ₹375)	9,000	Bills Receivable dishonoured	500
Sales (including cash ₹750)	18,750	Bills Receivable discounted	375
Cash paid to creditors	5,250	Bills Receivable endorsed	1,000
Collection from Debtors	15,500	Bills Receivable as endorsed dishonoured	250
Discount Allowed	65	Provision for Bad Debts	275
Discount Received	80	Transfer from Debtors Ledger to Creditors	125

[6]

6. (a) On 12th June, 2017, a fire occurred in the premises of Vividha Gupta, a paper merchant. Most of the stocks were destroyed, cost of stock salvaged being ₹ 22,400. In addition, some stock was salvaged in a damaged condition and its value in that condition was agreed at ₹20,800. From the books of account, the following particulars were available:

(i) His stock at the close of account on December 31, 2016 was valued at ₹ 1,70,000.

(ii) His purchases from 1.1.2017 to 12.6.2017 amounted to ₹ 2,21,000 and his sales during the period amounted to ₹ 3,08,000.

On the basis of his accounts for the past three years, it appears that he earns on an average a gross profit of 25% on sales. Mr. Gupta has insured his stock for ₹ 1,20,000. Compute the amount of the claim. **[7]**

(b) A machinery is sold on hire purchase. The terms of payment are four annual instalments of ₹ 6,000 at the end of each year commencing from the date of agreement. Interest is charged @ 20% and is included in the annual payment of ₹ 6,000.

Show Machinery Account and Hire Vendor Account in the books of the purchaser who defaulted in the payment of the third yearly payment where upon the vendor repossessed the machinery. The purchaser provides depreciation on the machinery @ 10% per annum on written down value basis.

All workings should form part of your answer. **[8]**

7. (a) BB Ltd. manufacture computers, during the year ended 31st March, 2017 the company manufactured 550 computers, it has the policy of valuing finished stock of goods at a standard cost of ₹ 1.8 lakhs per computer. The details of the cost are as under:

Particulars	(₹ in lakhs)
Raw material consumed	400
Direct Labour	250
Variable production overheads	150
Fixed production overheads	290
(Including interest of ₹ 100 lakhs) Compute the value of cost per computer for the purpose of closing stock.	

[7]

(b) Discuss the salient features of Computerised Accounting System. **[8]**

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

(a) Accounting Cycle;
(b) Types of Accounts;
(c) Basic features of Joint Ventures;
(d) Bearer plant as per AS – 10.