# INTERMEDIATE EXAMINATION
## GROUP I

## (SYLLABUS 2012)

## SUGGESTED ANSWERS TO QUESTIONS
## JUNE 2016

# Paper-5: FINANCIAL ACCOUNTING

**Time Allowed: 3 Hours** **Full Marks: 100**

***The figures in the margin on the right side indicate full marks.***

***Section-A questions are compulsory. Attempt all of them.***

***Section-B has eight questions. Attempt any five of them.***

***All working must form part of your answer.***

***Assumptions, if any, should be clearly noted.***

***Please: (1) Answer all bits of a question at one place.***
***(2) Open a new page for answer to a new question.***

**Section – A**

**(25 Marks)**

**1. Answer the following questions:**

**(a) Choose the most appropriate one from the stated options and write it down (only indicate (A) or (B) or (C) or (D) as you think correct.)** **1×5 = 5**

**(i) Expenditures in respect of certain types of assets whose usefulness does not expires in the year of their occurance but generally expires in the near future are called**
**(A) Revenue Expenditure**
**(B) Capital Expenditure**
**(C) Deferred Revenue Expenditure**
**(D) None of the above**

**(ii) The main objective of average clause contained in a fire insurance policy is to**
**(A) Encourage full Insurance**
**(B) Discourage full Insurance**
**(C) Encourage under Insurance**
**(D) Encourage full Insurance and Discourage under Insurance**

**(iii) Short working can be recouped out of**
**(A) Minimum Rent**
**(B) Excess of Actual Royalty over Minimum Rent**
**(C) Excess of Minimum Rent over Actual Royalty**
**(D) Profit and Loss Account**

**(iv) AS-6 (revised) is applicable to which one of the following assets?**

**(A) Goodwill**
**(B) Live stock**
**(C) Plantation**
**(D) Plant and Machinery**

**(v) According to AS-3 (Revised) interest and dividends received in the case of a manufacturing enterprise should be classified as cash flow from**

**(A) Operating Activities**
**(B) Financing Activities**
**(C) Investing Activities**
**(D) Both (B) and (C)**

**Answer (a) :**

(i) — (C), (ii) — (D), (iii) — (B), (iv) — (D), (v) — (C).

**(b) Match Column — I with Column — II** **1×5 = 5**

| Column I | | Column II | |
|---|---|---|---|
| **(i)** | **Assets are equal to liabilities plus capital** | **A** | **AS-9** |
| **(ii)** | **Intangible Fixed Asset** | **B** | **AS-2** |
| **(iii)** | **Depreciation Accounting** | **C** | **Duel aspect concept** |
| **(iv)** | **Revenue recognition** | **D** | **AS-6** |
| **(v)** | **Valuation of inventories** | **E** | **Goodwill** |
| | | **F** | **Borrowing Cost** |

**Answer (b):**

| | |
|---|---|
| (i) | C |
| (ii) | E |
| (iii) | D |
| (iv) | A |
| (v) | B |

**(c) State whether the following statements given below are TRUE or FALSE:** **1×5 = 10**

**(i) Income and Expenditure Account is prepared by adopting accrual principle of Accounting.**
**(ii) As per concept of conservatism, the Accountant should provide for all possible losses but should not anticipate profit.**
**(iii) The cost of developing software for a company engaged in software business is revenue expenditure.**
**(iv) Rebate on bills discounted is disclosed in the Balance Sheet of a Banking Company in the Assets side as representing the rebate not yet matured.**
**(v) According to AS-2 Inventories are held for sale in normal course of business.**

**Answer (c):**

(i) True, (ii) True, (iii) False, (iv) False, (v) True.

**(d) Answer the following questions (Give workings):** **2×5 = 10**

**(i) S and N are partners sharing Profit/(Loss) in the ratio of 5:3. They admit J into Partnership for $\frac{3}{10}$th in the Profit/Loss in which J acquired $\frac{1}{5}$th share from S and $\frac{1}{10}$th share from N respectively.**
**Calculate the new Profit/Loss sharing ratios of the partners.**

**(ii) SUKHAM LIFE INSURANCE CO. furnishes the following information:**

**(₹ in Lakhs)**

| **Particulars** | **Amount (₹)** |
|---|---|
| **Life Insurance fund on 31.03.2016** | **650** |
| **Net liability on 31.03.2016 as per actuarial valuation** | **510** |
| **Interim bonus paid to policy holders during inter-valuation period** | **35** |

**You are required to prepare the valuation Balance Sheet as on 31.03.2016.**

**(iii) The following details are abstracted from the record of VENELA LTD. for the year ended March 31, 2016.**

| | |
|---|---|
| **Net working Capital** | **₹3,50,0000** |
| **Profit before Tax** | **₹2,50,0000** |
| **The Current Ratio** | **2.4:1** |

**You are required to calculate the amount of Current Assets of Venela Ltd. for the year ended March 31, 2016.**

**(iv) MS SOHALI purchased a LCD TV on hire purchase system from MENZ ENTERPRISE ON 01.03.2016. The hire purchase rate was settled at ₹1,20,000, payable at ₹45,000 on 01.03.2016 and ₹25,000 at the end of three successive years. Interest was charged @6% P.A. [Given PVIFA (at 6%, 3years)= 2.6730.]**

**Compute the Cash Price of LCD-TV.**

**(v) GREAT POWER LTD. received ₹2,00,000 as Security Deposit from its consumers on 1st July 2015. R.B.I interest rate as on 1st April 2015 was 8%.**
**Pass the Journal Entries in the book of Great Power Ltd. for the year ended March 31, 2016.**

**Answer (d):**

(i) S's New Share $= (\frac{5}{8} - \frac{1}{5}) = \frac{25-8}{40} = \frac{17}{40}$

N's new share $= (\frac{3}{8} - \frac{1}{10}) = \frac{15-4}{40} = \frac{11}{40}$

J's Share $= \frac{3}{10} = \frac{12}{40}$

Hence New profit/loss sharing ratios of the partners = 17:11:12

(ii) **Sukham Life Insurance co.**
**Valuation Balance Sheet as at 31st March, 2016**

(₹ in Lakhs)

| **Liabilities** | **Amount (₹)** | **Assets** | **Amount (₹)** |
|---|---|---|---|
| To Net Liability as per actuarial Valuation<br>To Surplus | 510<br><br>140 | By Life Assurance Fund | 650 |
| | 650 | | 650 |

(iii) Net Working Capital
= Current Assets(C.A) – Current Liabilities (C.L) = ₹35,00,000

Or, C.A – C.L =₹35,00,000…………… Equation (i)

Again, Current Ratio = $\frac{C.A}{C.L} = \frac{2.4}{1}$

∴ C.A = 2.4 C.L

Or, C.A – 2.4 C.L = 0………… Equation (ii)

After multiplying (i) with 2.4 we get —

2.4 C.A – 2.4 C.A = ₹84,00,000……. Equation (iii)

∴ [(iii) – (ii)] —

| | |
|---|---|
| 2.4 C.A – 2.4 C.A = | ₹84,00,000 |
| C.A – 2.4 C.L = | 0 |
| 1.4 C.A = | ₹84,00,000 |
| C.A = | ₹60,00,000 |

Hence, Current Assets of Venela Ltd. = ₹60,00,000.

(iv) Cash Price = ₹45,000 (down payment) + (₹25,000x2.6730)
= ₹45,000+₹66,825 = ₹1,11,825

(v) **In the Book of Great Power Ltd.**

**(Amount in ₹)**

| **Date** | **Particulars** | **Dr.** | **Cr.** |
|---|---|---|---|
| 01.07.15 | Bank A/c Dr.<br>To Security Deposit A/c<br>(Being security deposit received from its consumer) | 2,00,000 | <br>2,00,000 |
| 31.03.16 | Interest Expenses A/c Dr.<br>To Interest Accrued on Security Deposit A/c<br>(Being interest accrued on security deposit for 9 months)<br>(2 × 0.08 × 0.75) lakh | 12,000 | <br>12,000 |
| 1st Qtr. 2016-17 | Interest Accrued on Security Deposit A/c Dr.<br>To Revenue A/c<br>(Being adjustment of interest accrued on security deposit to consumer bill) | 12,000 | <br>12,000 |

**Section – B**

**(75 Marks)**

**Answer *any five* questions (carrying 15 Marks each) from the following:**

**2. A, B and C are in partnership sharing profits and losses in the ratio 3:2:1 respectively. The Balance Sheet of the partnership firm as on 31st March, 2016 is as under:**

| **Capital & Liabilities** | | **₹** | **Assets** | **₹** |
|---|---|---|---|---|
| **Capital Accounts** | | | **Premises** | **1,80,000** |
| **A** | **1,70,000** | | **Plant** | **74,000** |
| **B** | **1,30,000** | | **Vehicles** | **30,000** |

| | | | | |
|---|---|---|---|---|
| C | 70,000 | 3,70,000 | Fixtures | 4,000 |
| Current Accounts | | | Current Accounts | |
| A | 7,428 | | B | 5018 |
| C | 9,356 | 16,784 | | |
| Loan – C | | 56,000 | Stock | 1,24,758 |
| Creditors | | 38,072 | Debtors | 69,960 |
| Bank Overdraft | | 8,400 | Cash in hand | 1,520 |
| | | 4,89,256 | | 4,89,256 |

**C decides to retire from the business as on the above date and D is admitted as a partner on that date.**

**The following matter agreed:**

**(i) Assets revalued as : Premises- ₹2,40,000, Plant- ₹70,000 Stock- ₹1,08,358.**

**(ii) A provision of ₹6,000 is created against debtors.**

**(iii) Goodwill is to be recorded in the books on the day C retires at ₹84,000.**
**The partners in the new firm do not wish to maintain a Goodwill Account so that amount is to be written-off against the New Partners' Capital Accounts.**

**(iv) A and B are to share profit in the same ratio as before, and D is to have the same share of profits as B.**

**(v) C is to take a car at its book value of ₹7800 in part payment, and the balance of all he is owed by the firm in cash except ₹40,000 which he is willing to leave as a Loan Account.**

**(vi) The partners in the new firm are to start on an equal footing so far as Capital and Current Accounts are concerned. D is to contribute cash to bring his Capital and Current Accounts to the same amount as the original partner from the old firm who has the lower investment in the business. The original partner in the old firm who has the higher investment will draw out cash so that his capital and current account balances equal those of his new partners.**

**(vii) Revaluation profit or loss is to be adjusted in the Partner's Current Account.**

**You are required to prepare:**

**(a) Revaluation Account**
**(b) Partners' Capital Accounts**
**(c) Partners' Current Accounts**
**(d) C's Loan Account**
**(e) Bank Account**
**(f) Balance Sheet of the New Firm as at 01.04.2016.** **3+2+2+1+2+5=15**

**Answer 2:**

**(a)** **In the books of the Firm (ABC)**

**Revaluation Account**

**Dr.** **Cr.**

| Date | Particulars | ₹ | Date | Particulars | ₹ |
|---|---|---|---|---|---|
| 31.03.16 | To Plant A/c<br>To Stock A/c<br>To Provision for doubtful debts A/c<br>To Partner's Current A/c s<br>A- ₹16,800 | 4,000<br>16,400<br><br>6,000<br>33,600 | 31.03.16 | By Premises A/c | 60,000 |

| | | | | | |
|---|---|---|---|---|---|
| | B- ₹11,200<br>C- ₹5,600 | | | | |
| | | 60,000 | | | 60,000 |

(b) Partner's Capital Accounts

Dr. (amount in ₹)Cr.

| Particulars | A | B | C | D | Particulars | A | B | C | D |
|---|---|---|---|---|---|---|---|---|---|
| To Goodwill A/c | 36,000 | 24,000 | - | 24,000 | By Balance b/d | 1,70,000 | 1,30,000 | 70,000 | - |
| To C. Loan A/c | - | - | 84,000 | - | By Goodwill A/c | 42,000 | 28,000 | 14,000 | - |
| To Bank A/c | 42,000 | - | - | - | By Bank A/c | - | - | - | 1,58,000 |
| To Balanced c/d | 1,34,000 | 1,34,000 | - | 1,34,000 | | | | | |
| | 2,12,000 | 1,58,000 | 84,000 | 1,58,000 | | 2,12,000 | 1,58,000 | 84,000 | 1,58,000 |

(c) Partners' Current Accounts

Dr. (Amount in ₹)Cr.

| Particulars | A | B | C | D | Particulars | A | B | C | D |
|---|---|---|---|---|---|---|---|---|---|
| To Balance b/d | - | 5,018 | - | - | By Balance b/d | 7,428 | - | 9,356 | - |
| To C. Loan A/c | - | - | 14,956 | - | By Revaluation A/c | 16,800 | 11,200 | 5,600 | - |
| To Bank A/c | 18,046 | - | - | - | By Bank A/c | - | - | - | 6,182 |
| To Balanced c/d | 6,182 | 6,182 | - | 6,182 | | | | | |
| | 24,228 | 11,200 | 14,956 | 6,182 | | 24,228 | 11,200 | 14,956 | 6,182 |

(d) C-Loan Account

Dr. (Amount in ₹)Cr.

| Date | Particulars | ₹ | Date | Particulars | ₹ |
|---|---|---|---|---|---|
| 31.03.16 | To Vehicles A/c<br>To Bank A/c (balancing figure)<br>To Balance c/d | 7,800<br>1,07,156<br>40,000 | 31.03.16 | By Balance b/d<br>By C-Capital A/c<br>By C-Current A/c | 56,000<br>84,000<br>14,956 |
| | | 1,54,956 | | | 1,54,956 |

(e) Bank Account

Dr. (Amount in ₹) Cr.

| Date | Particulars | ₹ | Date | Particulars | ₹ |
|---|---|---|---|---|---|
| 31.03.16 | To D Capital A/c<br>To D Current A/c<br>To Balance c/d | 1,58,000<br>6,182<br>11,420 | 31.03.16 | By Balance b/d<br>By C-Loan A/c<br>By A-Capital A/c<br>By A-Current A/c | 8,400<br>1,07,156<br>42,000<br>18,046 |
| | | 1,75,602 | | | 1,75,602 |

(f)

Balance Sheet of the new firm as on 01.04.2016

| **Liabilities** | **Amount (₹)** | **Assets** | **Amount (₹)** |
|---|---|---|---|
| Capital Accounts:<br>A-₹ 1,34,000<br>B-₹ 1,34,000<br>D-₹ 1,34,000 | 4,02,000 | Premises<br>Plant<br>Vehicles<br>Fixtures | 2,40,000<br>70,000<br>22,200<br>4,000 |
| Current Accounts:<br>A-₹ 6,182<br>B-₹ 6,182<br>D-₹ 6,182 | 18,546 | Stock<br>Debtors 69,960<br>Less: Provision<br>for bad debts 6,000<br>Cash | 1,08,358<br><br><br>63,960<br>1,520 |
| C- Loan Account:<br>Creditors | 40,000<br>38,072 | | |

| | | | |
|---|---|---|---|
| Bank Overdraft | 11,420 | | |
| | 5,10,038 | | 5,10,038 |

**3. (a) The trial balance of M/s SEWADA & CO., on 31st March, 2016 did not agree. In order to close the books, the accountant placed the difference for ₹12,385 (Dr.) to Suspense Account for necessary adjustments in the next period. On 30th April, 2016 the following errors, arising in 2015-16 were detected:**

**(i) ₹1,000 allowed as cash discount to a trade debtor was not debited to the discount account.**

**(ii) Credit sale of ₹4,850 was posted to the credit of the customer's account as ₹4,535.**

**(iii) Machinery purchased for ₹50,000 in cash was posted to the Purchase Account in the ledger.**

**(iv) Sales Book was overcast by ₹2,000 in February, 2016.**

**Required:**

**(a) Pass the necessary Journal Entries to rectify these errors.**

**(b) Prepare suspense account in the book of SEWADA & CO. 5+2 = 7**

**(b) The following information is extracted from a book of MR. ANUBHAV MS GOYAL, a trader for the month of March 2016:**

| Date March 2016 | Particulars |
|---|---|
| 1. | Purchased from Mr. Akash ₹7,500. |
| 3. | Paid ₹3,000 after adjusting the initial advance in full to Mr. Akash. |
| 10. | Paid ₹2,500 to Mr. Dev towards the purchases made in February in full. |
| 12. | Paid advance to Mr. Giridhar ₹6,000. |
| 14. | Purchased goods from Mr. Akash ₹6,200. |
| 20. | Returned goods worth ₹1,000 to Mr. Akash. |
| 24. | Settled the balance due to Mr. Akash at a discount of 5%. |
| 26. | Goods purchased from Mr. Giridhar against the advance paid already. |
| 29. | Purchased from Mr. Nathan ₹3,500. |
| 30. | Goods returned to Mr. Prem ₹1,200. The goods were originally purchased for cash in the month of February 2016. |

**Your are required to prepare the CREDITORS' Ledger Adjustment Account which would appear in the General Ledger for the month of March, 2016. 4+4 = 8**

**Answer 3 (a):**

**In the Book of SEWADA & Co**
**Journal Entries**

| | Particulars | | Dr. ₹ | Cr. ₹ |
|---|---|---|---|---|
| 2016 April 30 | P&L Adjustment A/c Dr.<br>To Suspense A/c<br>(Being discount allowed not posted to discount A/c, now rectified) | | 1,000 | 1,000 |

| | | | | |
|---|---|---|---|---|
| April 30 | Customer's A/c Dr.<br>To Suspense A/c<br>(Being credit sale of ₹4,850 wrongly posted to the credit of customer's a/c, as ₹4,535, now rectified) | | 9,385 | <br>9,385 |
| April 30 | Machinery A/c Dr.<br>To P&L Adjustment<br>(Being machinery purchased posted to the purchases A/c, now rectified) | | 50,000 | <br>50,000 |
| April 30 | P&L Adjustment A/c Dr.<br>To Suspense A/c<br>(Being sales day book overcast, now rectified) | | 2,000 | <br>2,000 |

**Suspense Account**

**Dr.** **Cr.**

| Date | Particulars | ₹ | Date | Particulars | ₹ |
|---|---|---|---|---|---|
| 2016<br>April 1 | To Balance b/d | 12,385 | 2016<br>April 30<br>April 30<br>April 30 | <br>By P&L Adj. A/c<br>By Customers A/c<br>By P&L Adj. A/c | <br>1,000<br>9,385<br>2,000 |
| | | 12,385 | | | 12,385 |

**Answer 3 (b):**

**In the General Ledger of ANUBHAV MS GOYAL**
**Creditors Ledger Adjustment Account**

**Dr.** **Cr.**

| Date | Particulars | ₹ | Date | Particulars | ₹ |
|---|---|---|---|---|---|
| 01.03.16<br>31.03.16 | To Balance b/d<br>To General Ledger<br>Adjustment A/c:<br>Cash paid<br><br>(3000+2500+6000+4940)<br>(5,200-5% of 5,200)<br>Returns<br>Discount (5200 × 5%)<br>To Balance c/d | 4,500<br><br><br><br>16,440<br><br>1,000<br>260<br>3,500 | 01.03.2016<br>31.03.2016<br><br><br><br><br>31.03.2016 | By Balance b/d<br>By General Ledger<br>Adjustment A/c:<br>Purchase<br>(7500+6200+6000+3500)<br><br>By Balance c/d | 2,500<br><br><br><br>23,200<br><br>- |
| | | 25,700 | | | 25,700 |

4. **(a) IRANI & CO., of Chennai had consigned 6000 shirts to Vikram of Jaipur at cost of ₹425 each. Irani & Co., paid freight ₹50,000 and insurance ₹7,500. During the transit 550 shirts were totally damaged by fire. Vikram took delivery of the remaining shirts and paid ₹82,000 on custom duty. Vikram had sent a bank draft to Irani & Co., for ₹3,50,000 as advance payment. 5000 shirts were sold by him at ₹550 each. Expenses incurred by Vikram on godown rent and advertisement, etc., amounted to ₹12,000. He is entitled to a commission of 5%. One of the customer to whom the goods were sold on credit could not pay the value of 40 shirts which is not recoverable. Vikram settled his account immediately. Nothing was recovered from the insurer for the damaged goods.**
**Your are required to prepare:**
**(i) Consignment to Vikram Account.**
**(ii) Vikram Account – in the book of IRANI & CO.** **(4+1)+2 = 7**

**(b) A fire occurred in the premises of BRIGHT LTD. on 1st August 2015. The company had**

**a loss of profit policy for ₹6.00 lakhs which was subject to average clause. Sale from 1st August 2014 to 31st July 2015 were ₹50 lakhs and from 1st August 2014 to 30th Nov. 2014 being ₹15 lakh. During the indemnity period which lasted four months sales amounted to only ₹2,00,000. The company made up its accounts on 31st March 2015. The Profit and Loss Account for the year ended 31st March 2015 is given below:**

| Project & Loss Account for the year ended 31st March, 2015 | | | |
|---|---|---|---|
| **Particulars** | | **Particulars** | |
| **Opening Stock** | **5,00,000** | **Sales** | **47,50,000** |
| **Purchases** | **30,00,000** | **Closing Stock** | **2,50,000** |
| **Manufacturing Expenses** | **3,35,000** | | |
| **Variable Selling Expenses** | **4,52,500** | | |
| **Fixed Expenses** | **3,62,500** | | |
| **Net Profit** | **3,50,000** | | |
| | **50,00,000** | | **50,00,000** |

**Comparing the sales of first four months of year 2015-16 those of year 2014-15, it was found that sales were 20% higher in the year 2015-16.**

**You are required to compute the amount of claim to be lodged with the Insurance Company under the Loss of Profit Policy. 4+2+2 =8**

**Answer 4 (a):**

**In the Books of Irani & Co.**
**Consignment to Vikram Account**

(i)

**Dr.** **Cr.**

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Goods sent on consignment A/c | 25,50,000 | By Vikram A/c (Sales) (5,000x550) | 27,50,000 |
| " Bank A/c (freight & insurance) | 57,500 | | |
| | | " Abnormal loss A/c (W-1) | 2,39,021 |
| " Vikram A/c: | | | |
| Custom duty 82,000 | | " Stock on consignment A/c (W-2) | 2,02,333 |
| Godown rent, Adv. Etc. 12,000 | | | |
| Commission(5,000×550×5%) 1,37,500 | 2,31,500 | | |
| Debtors A/c (bad debts) | 22,000 | | |
| Profit on consignment | 3,30,354 | | |
| | 31,91,354 | | 31,91,354 |

(ii) **Vikram Account**

**Dr.** **Cr.**

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Consignment A/c | 27,50,000 | By Brank draft | 3,50,000 |
| | | " Consignment A/c (2,31,500+22,000) | 2,53,500 |
| | | "Bank A/c | 21,46,500 |
| | 27,50,000 | | 27,50,000 |

**Working note:**

(1) Abnormal loss: $\frac{[(425\times6000)+(57500)]\times550}{6000}$ = ₹239021

(2) Valuation of Unsold Stock:

| | |
|---|---|
| Cost Value $(450\times425)$ | ₹ 1,91,250.00 |
| Freight & insurance $(57,500/6,000\times450)$ | ₹4,312.50 |
| Customs $(82,000/5450\times450)$ | ₹6,770.64 |
| | ₹2,02,333.14 |

**Answer 4 (b):**

**BRIGHT LTD.**

Computation of short Sales:

| | |
|---|---|
| Sales from 1st August 2014 to 30th Nov 2014 | ₹15,00,000 |
| Add: 20% increase observed in year 2015-16 over year 2014-15 | ₹ 3,00,000 |
| | ₹18,00,000 |
| Less: Sales from 1st August 2015 to 30th Nov 2015 | ₹ 2,00,000 |
| Short Sales: | ₹16,00,000 |

Gross Profit Ratio:

$$=\frac{\text{(Net Profit (2014-15) + Insured Standing Charges (2014-15)}}{\text{Sales for the year 2014-15}}\times100$$

$$=\frac{3,50,000+3,62,500}{47,50,000}\times100 \text{ or, } \frac{7,12,500}{47,50,000}\times100=15\%$$

Loss of profit on short Sales = 15% on ₹16,00,000 = ₹2,40,000.

Application of Average Clause:

| | ₹ |
|---|---|
| Annual Turnover: Sales for 12 months to 31st July 2015 | 50,00,000 |
| Add: 20% increase in the current year | 10,00,000 |
| | 60,00,000 |
| Actual insurable value (60,00,000 x 15%) | 9,00,000 |
| Amount of policy | 6,00,000 |

Amount of Claim $=\frac{\text{Loss Suffered}\times\text{Sum Insured}}{\text{Actual Insurable Vale}}=\frac{2,40,000\times6,00,000}{9,00,000}$ =₹1,60,000

**5. (a) BANSAL COAL LTD., leased land from Mr. BUTCHER. M at a royalty of ₹2.50 per tonne of coal raised. Minimum rent was ₹2,40,000.**
**Shortworkings was to be recouped during the first 4 years. The coal raised in the first 4 years was as follows:**

| Year ended March, 31 | Tonnes | |
|---|---|---|
| 2013 | 80000 | |
| 2014 | 90000 | |
| 2015 | 60000 | (Strike for 3 months) |
| 2016 | 120000 | |

**There was a provision for proportionate reduction in minimum rent in case of stoppage of work by strike, lock out, accident etc.**
**You are required to prepare:**
**(i) Royalty Account**
**(ii) Shortworking Account**
**(iii) Butcher. M Account- in the book of BANSAL COAL LTD. (3+1)+3+2 = 9**

**(b) AGGARWAL INFRASTRUCTURE (P) LTD., undertook a contract to construct a Housing Complex.**

**The following details are available in records kept for the year ended March 31, 2016.**

| Particulars | (Amount in ₹ Lakh) |
|---|---|
| Total Contract Price | 300 |
| Cost incurred to date | 180 |
| Estimated Further Cost to Complete | 140 |

**Required:**

**What amount should be charged to Revenue in the Final Accounts for the year ended March 31, 2016 keeping in the requirement of AS-7 "Accounting for construction contract"? 6**

**Answer 5 (a):**

**Statement Showing Calculation of Short Workings and its Recoupment**

| Sl. | Year ended March 31 | Production (Tonnes) | Royalty @ ₹2.50 per tonne ₹ | Minimum Rent ₹ | Short workings | | |
|---|---|---|---|---|---|---|---|
| | | | | | Caused ₹ | Recouped | Transferred to P&L Account |
| 1 | 2013 | 80,000 | 2,00,000 | 2,40,000 | 40,000 | - | - |
| 2 | 2014 | 90,000 | 2,25,000 | 2,40,000 | 15,000 | - | - |
| 3 | 2015 | 60,000 | 1,50,000 | 1,80,000 | 30,000 | - | - |
| 4 | 2016 | 1,20,000 | 3,00,000 | 2,40,000 | - | 60,000 | 25,000 |

*Minimum rent proportionately reduced in view of strike for 3 months in the year ended March 31, 2015 (₹2,40,000x3/4) = ₹1,80,000.

(i)

**BANSAL COAL LTD.**
**Royalty Account**

**Dr.** **Cr.**

| Year Ended 31st March | Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|---|
| 2013 | To Butcher M A/c | 2,00,000 | By Profit & Loss A/c | 2,00,000 |
| 2014 | To Butcher M A/c | 2,25,000 | By Profit & Loss A/c | 2,25,000 |
| 2015 | To Butcher M A/c | 1,50,000 | By Profit & Loss A/c | 1,50,000 |
| 2016 | To Butcher M A/c | 3,00,000 | By Profit & Loss A/c | 3,00,000 |

(ii)

**Short Workings Account**

| Dr. | | | | | Cr. |
|---|---|---|---|---|---|
| **Year Ended March 31** | **Particulars** | **₹** | **Year Ended March 31** | **Particulars** | **₹** |
| 2013 | To Butcher M | 40,000 | 2013 | By Balance c/d | 40,000 |
| | | 40,000 | | | 40,000 |
| 2014 | To Balance b/d<br>To Butcher | 40,000<br>15,000 | 2014 | By Balance c/d | 55,000 |
| | | 55,000 | | | 55,000 |
| 2015 | To Balance b/d<br>To Butcher M | 55,000<br>30,000 | 2015 | By Balance c/d | 85,000 |
| | | 85,000 | | | 85,000 |
| 2016 | To Balance b/d | 85,000 | 2016 | By Butcher M<br>By Profit & Loss A/c | 60,000<br>25,000 |
| | | 85,000 | | | 85,000 |

(iii)

**Butcher M Account**

| Dr. | | | | | Cr. |
|---|---|---|---|---|---|
| **Year Ended March 31** | **Particulars** | **₹** | **Year Ended March 31** | **Particulars** | **₹** |
| 2013 | To Bank A/c | 2,40,000 | 2013 | By Royalty A/c<br>By Short Working A/c | 2,00,000<br>40,000 |
| | | 2,40,000 | | | 2,40,000 |
| 2014 | To Bank A/c | 240000 | 2014 | By Royalty A/c<br>By Short Working a/c | 2,25,000<br>15,000 |
| | | 2,40,000 | | | 2,40,000 |
| 2015 | To Bank | 1,80,000 | 2015 | By Royalty A/c<br>By Short Working A/c | 1,50,000<br>30,000 |
| | | 1,80,000 | | | 1,80,000 |
| 2016 | To Short Working A/c<br>To Bank A/c | 60000<br>240000 | 2016 | By Royalty A/c | 300000 |
| | | 3,00,000 | | | 3,00,000 |

**Answer 5 (b):**

**(Amount in ₹ Lakh)**

| | |
|---|---|
| Cost incurred to date | 180 |
| Estimated costs to completion | 140 |
| Estimate total costs in completing the contract | 320 |

Percentage of Completion $= \frac{\text{Cost incurred till date}}{\text{Estimated total costs}} = (\frac{180}{320}) = 56.25\%$

Total expected loss to be provided for:

Contract price – Estimated total costs = 300-320 = ₹20 lakh

(A) Contract Revenue (56.25% of ₹300) ₹168.75 lakh

(B) Contract cost to date ₹180.00 lakh

Loss on contract (B-A) ₹ 11.25 lakh

Less: Further provision required in respect of expected loss ₹8.75 lakh

Expected loss to be recognized as per para 3 of AS-7 ₹20 lakh

Disclosure as per AS-7 (₹ In lakh)

| | |
|---|---|
| Contract Revenue | 168.75 |
| Contract Expenses charged | 180.00 |
| Provision for further loss to be charged | 8.75 |

**6. The following is the Balance Sheet of MR. SILGARDO as on March 31, 2015.**

| Liabilities | ₹ | Assets | ₹ |
|---|---|---|---|
| Capital Account | 4,80,000 | Buildings | 3,25,000 |
| Loan | 1,50,000 | Furniture | 50,000 |
| Trade Crecitors | 3,10,000 | Motor car | 90,000 |
| | | Stock | 2,00,000 |
| | | Trade Debtors | 1,70,000 |
| | | Cash in hand | 20,000 |
| | | Cash at bank | 85,000 |
| | 9,40,000 | | 9,40,000 |

**A fire occurred on the night of 31st March, 2016 in which all books and records were lost. The cashier had absconded with the available cash. MR. SILGARDO gives you the following information:**

**(a) His sales for the year ended March 31, 2016 were 20% higher than the previous years. He always sells his goods at cost plus 25%. 20% of the total sales for the year ended March 31, 2016 was for cash.**
**There were no cash purchases.**

**(b) On April 1, 2015 the stock level was raised to ₹3,00,000 and the stock was maintained at this level throughout the year.**

**(c) Collection from Debtors amounted to ₹14 lakh of which ₹3.50 lakh was recived in cash. Business expenses amounted to ₹2,00,000 of which ₹50,000 was outstanding on march 31, 2016 and ₹60,000 was paid by cheques.**

**(d) Analysis of the pass books revealed on the following:**
**Payment creditors ₹13.75 lakh, Personal drawings ₹75,000. Cash deposited in bank ₹7.15 lakh. Cash withdrawn from bank ₹1,20,000.**

**(e) Gross Profit as per last year's audited accounts was ₹3,00,000.**

**(f) Provide depreciation on building and furniture at 5% and on motor car at 20%.**

**(g) The amount defalcated by the cashier may be treated as recoverable from him.**

**Required:**

**(i) Prepare Trading and Profit and Loss Account for the year ended March 31,2016.**
**(ii) Prepare Balance Sheet as on 31.03.2016. 5+5+(2+1+1+1) = 15**

**Answer 6:**

(i)

**MR. SILGARDO**
**Trading and Profit and Loss Account for the year ended March31, 2016**

**Dr.** **Cr.**

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Opening Stock A/c<br>To Purchase (Balancing figure)A/c<br>To Gross Profit c/d (20% of `18,00,000) | 2,00,000<br>15,40,000<br>3,60,000 | By Sales A/c(Note 4):<br>Credit (80%) 1440000<br>Cash (20%) 360000 | <br><br>18,00,000 |

| | | | |
|---|---|---|---|
| | | By Closing Stock | 3,00,000 |
| | 21,00,000 | | 21,00,000 |
| To Business Expenses | 2,00,000 | By Gross Profit b/d | 3,60,000 |
| To Depreciation on:<br>Building 16,250<br>Furniture 2,500<br>Motor car 18,000 | 36,750 | | |
| To Net Profit (transferred to capital) | 1,23,250 | | |
| | 3,60,000 | | 3,60,000 |

**(ii)**

**MR. SILGARDO**
**Balance Sheet as at March 31, 2016**

| Liabilities | | ₹ | Assets | | ₹ |
|---|---|---|---|---|---|
| Capital: opening Balance | 4,80,000 | | Buildings | 3,25,000 | |
| Add: Net Profit | 1,23,250 | | Less: Depreciation | 16,250 | 3,08,750 |
| | 6,03,250 | | | | |
| Less: Drawings | 75,000 | 5,28,250 | Furniture | 50,000 | |
| | | | Less: Depreciation | 2,500 | 47,500 |
| Loan | | 1,50,000 | | | |
| Trade Payables | | 4,75,000 | Motor Car | 90,000 | |
| Outstanding business expenses | | 50,000 | Less: Depreciation | 18,000 | 72,000 |
| | | | Stock-in-trade | | 3,00,000 |
| | | | Trade Receivables | | 2,10,000 |
| | | | | | 2,20,000 |
| | | | Cash at Bank | | 45,000 |
| | | | Amount due from employee (for deduction) | | |
| | | 12,03,250 | | | 12,03,250 |

**Working notes:**

**(1) Cash Book**

**Dr.** **Cr.**

| Particulars | Cash | Bank | Particulars | Cash | Bank |
|---|---|---|---|---|---|
| To Balance b/d | 20,000 | 85,000 | By Business Expenses | 90,000 | 60,000 |
| To Sales (Note 4) | 3,60,000 | - | By Drawings | - | 75,000 |
| To Trade Receivables | 3,50,000 | 10,50,000 | By Trade payables | - | 13,75,000 |
| To Cash (C) | - | 7,15,000 | By Bank (C) | 7,15,000 | - |
| To Bank (C) | 1,20,000 | - | By Cash (C) | - | 1,20,000 |
| | | | By Balance c/d | *45,000 | 2,20,000 |
| | 8,50,000 | 18,50,000 | | 8,50,000 | 18,50,000 |

*Recoverable from Cashier

**(2) Trade Receivables Account**

**Dr.** **Cr.**

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Balance c/d | 1,70,000 | By Bank ₹ (14,00,000-3,50,000) | 10,50,000 |
| To Sales (Note 4) | 14,40,000 | By Cash | 3,50,000 |
| | | By Balance c/d | 2,10,000 |
| | 16,10,000 | | 16,10,000 |

**(3) Trade Payables Account**

**Dr.** **Cr.**

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Bank A/c<br>To Balance c/d | 13,75,000<br>4,75,000 | By Balance c/d<br>By Purchase A/c(Note 5) | 3,10,000<br>15,40,000 |
| | 18,50,000 | | 18,50,000 |

**(4) Computation of Total Sales:**

| | ₹ |
|---|---|
| Last year's gross profit @20% on sales (cost +25%) | 3,00,000 |
| Last year's sales (3,00,000x5) | 15,00,000 |
| Current year's sales (₹15,00,000+20%) | 18,00,000 |
| Gross Profit: 20% of Sales | 3,60,000 |
| Cash Sales: 20% of Total Sales | 3,60,000 |
| Credit Sales: 80% of Total Sales | 14,40,000 |

(5) Calculation of Purchase:
(Sales + Closing Stock) – (Opening Stock + Gross Profit)
= (18,00,000+3,00,000) – (2,00,000+20% of 18,00,000)
= (21,00,000-5,60,000) = ₹15,40,000.

**7. (a) The following details are extracted from the books of HEAVEN BANK LTD, a Commercial Bank as on 31st March, 2016:**

| | (Amount in ₹ Lakh) |
|---|---|
| Interest and discount received | 390 |
| Interest paid on deposits | 204 |
| Issued and subscribed capital | 100 |
| Salaries and allowances | 20 |
| Directors fee and allowances | 3 |
| Rent and taxes paid | 9 |
| Postage and telegrams | 6 |
| Statutory reserve fund | 80 |
| Commission, exchange and brokerage | 20 |
| Profit on Exchange Transaction | 7 |
| Profit on sale of investments | 21 |
| Depreciation on bank's properties | 3 |
| Law charges | 4 |
| Audit fee | 1 |

**The following further information is given:**

**(i) A customer to whom a sum of ₹100 lakhs has been advanced, has become insolvent and it is expected only 50% can be recovered from his estate.**
**(ii) There were also other debts for which a provision of ₹15 lakh was found necessary by the auditors.**
**(iii) Rebate on bills discounted on 31.03.2015 was 1,20,000 and 31.03.2016 was ₹1,60,000.**
**(iv) Provided ₹65 lakh for Income Tax.**
**(v) The directors desire to declare 10% dividend.**
**(vi) Provide 25% for Statutory Reserve.**
**(vii) Profit & Loss Account as on 31.03.2015 was NIL.**

**Required:**

**Prepare Profit & Loss Account of Heaven Bank Ltd. for the year ended March 31, 2016.**

**(Notes/Schedules to Profit & Loss Account need not form part of the answer)** **10**

**(b) The following information are abstracted from the records of EVERGREEN POWER LTD.**

- **The name of the power station: EVERGREEN POWER LTD.**
- **Date of Commercial Operation of COD = 1st April, 2012**
- **Approved Opening Capital Cost as on 1st April, 2012 = ₹7500,000**
- **Details of allowed additional Capital Expenditure during the years are as follows:**

| | (Amount in ₹) | | | |
|---|---|---|---|---|
| **Year ended March 31,** | **2013** | **2014** | **2015** | **2016** |
| **Additional Capital Expenditure (Allowed)** | **5,00,000** | **1,50,000** | **1,00,000** | **50,000** |

**Your are required to calculate Return on Equity for 2012-13 to 2015-16 years as per Regulation 21 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations 2004.**

**5**

**Answer 7 (a):**

**HEAVEN BANK LTD**
**Profit and Loss Account for the year ended March 31, 2016**

**(Amount in ₹ Lakh)**

| **Particulars** | **Schedule** | **Year ended 31.03.16** | **Year ended 31.03.15** |
|---|---|---|---|
| **Income:** | | | |
| Interest earned | 13 | 389.60 | |
| Other Income | 14 | 48.00 | |
| **Total** | | **437.60** | |
| **Expenditure:** | | | |
| Interest expended | 15 | 204.00 | |
| Operating expenses | 16 | 46.00 | |
| Provision and contingencies (50+15+65) | | 130.00 | |
| **Total** | | **380.00** | |
| **Profit / Losses** | | | |
| Net Profit for the year | | 57.60 | |
| Profit brought forward | | Nil | |
| **Total** | | **57.60** | |
| **Appropriations** | | | |
| Transfer to statutory reserve (25%) | | 14.40 | |
| Proposed dividend | | 10.00 | |
| Balance carried over to balance sheet | | 33.20 | |
| **Total** | | **57.60** | |

Profit and Loss Account balance of ₹33.20 lakh will appear in the Balance Sheet under the head of Reserve and Surplus as on 31.03.2016.

**Schedule 13- Interest Earned**

(₹ In lakh)

| | Particulars | |
|---|---|---|
| I | Interest/ discount on advances/ bills (Refer W.N.) | 389.60 |
| | Total | 389.60 |

**Schedule 14 – Other Income**

(₹ In lakh)

| | Particulars | |
|---|---|---|
| I | Commission, exchange and brokerage | 20.00 |
| II | Profit on sale of investments | 21.00 |
| III | Profit on Exchange Transaction | 7.00 |
| | Total | 48.00 |

**Schedule 15 – Interest Expenses**

(₹ In lakh)

| | Particulars | |
|---|---|---|
| I | Interests paid on deposits | 204.00 |
| | Total | 204.00 |

**Schedule 16 – Operating Expenses**

(₹ In lakh)

| | Particulars | |
|---|---|---|
| I | Payment to and provision for employees | 20.00 |
| II | Rent and taxes etc. | 9.00 |
| III | Depreciation on bank's properties | 3.00 |
| IV | Director's fee, allowances and expenses | 3.00 |
| V | Auditor's fee | 1.00 |
| VI | Law (Statutory) charges | 4.00 |
| VII | Postage and telegrams | 6.00 |
| | Total | 46.00 |

**Working note:**

(₹ In lakh)

| Particulars | |
|---|---|
| Interest/ discount (net of rebate on bills discounted) | 390.00 |
| Add: Rebate on bills discounted on 31.03.2015 | 1.20 |
| Less: Rebate on bills discounted on 31.03.2016 | (1.60) |
| | 389.60 |

**Answer 7(b):**

**EVER GREEN POWER LTD.**
**Calculation of Return on Equity for the year ended March31,**

(Amount in ₹ Thousand)

| **Year ended March 31,** | **2013** | **2014** | **2015** | **2016** |
|---|---|---|---|---|
| (i) Opening Equity (30%) | 2,250 | 2,400 | 2,445 | 2,475 |
| (ii) Additional Equity (30%) | 150 | 45 | 30 | 15 |
| (iii) Closing Equity [(i) + (ii)] | 2,400 | 2,445 | 2,475 | 2,490 |
| (iv) Average Equity [(i) + (iii)]/2 | 2,325 | 2,422.50 | 2,460 | 2,482.50 |
| (v) Return on Equity (iv x 0.14) | 325.50 | 339.15 | 344.40 | 347.55 |

**8. (a) LINKEN LTD., with a Head Office in Kolkata, sends goods to its Madras branch at cost plus 25 percent. The following particulars are available in respect of the Branch for the year ended 31st March, 2016.**

| | ₹ |
|---|---|

| | |
|---|---|
| Opening Stock at Branch at cost to Branch | 4,00,000 |
| Goods sent to Branch at invoice price | 60,00,000 |
| Loss-in-transit at invoice price | 75,000 |
| Pilferage at invoice price | 30,000 |
| Sales | 60,95,000 |
| Expenses | 3,00,000 |
| Closing Stock at Branch at cost to Branch | 2,00,000 |
| Recovered from Insurance company against lost-in-transit | 50,000 |

**You are required to prepare:**
**(i) Branch Stock Account**
**(ii) Branch Adjustment Account**
**(iii) Branch Profit & Loss account in the book of Linken Ltd.** **5+2+2=9**

**(b) SUN LIFE INSURANCE CO. LTD. provides the following information:**

| | (Amount in ₹ Lakh) |
|---|---|
| Balance of Life Assurance Fund as on 1st April, 2015 | 502 |
| Interim bonus paid in the valuation period | 80 |
| Balance of Revenue Amount for the year ended 31st March 2016 | 700 |
| Net liability as per Actuarial Valuation as on 31st March 2016 | 490 |

**You are required to prepare:**
**(i) Valuation Balance Sheet and**
**(ii) Profit Distributions Statement- for the year ended 31st March, 2016.** **3+3=6**

**Answer 8 (a):**

**LINKEN LTD.**
**(i) BRANCH STOCK ACCOUNT FOR THE YEAR ENDED MARCH 31, 2016**

**Dr.** **Cr.**

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Balance b/d | 4,00,000 | By Branch Cash/Debtors (Sales) | 60,95,000 |
| To Goods sent to Branch A/c | 60,00,000 | By Branch Adjustment A/c (loading – loss in transit) | 15,000 |
| | | By Branch Adj. A/c (Pilferage loading) | 6,000 |
| | | By P&L Account (Loss in transit) | 60,000 |
| | | By P&L Account (Pilferage) | 24,000 |
| | | By Balance c/d | 2,00,000 |
| | 64,00,000 | | 64,00,000 |

**(ii) BRANCH STOCK ACCOUNT FOR THE YEAR ENDED MARCH 31, 2016**

**Dr.** **Cr.**

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Branch Stock A/c (Loss in transit) | 15,000 | By Balance b/d | 80,000 |
| To Branch Stock A/c (Pilferage) | 6,000 | By Goods sent to Branch A/c (loading on @ 20% on ₹60,00,000) | 12,00,000 |
| To Branch P&L A/c | 12,19,000 | | |
| To Balance c/d (loading on cl. Stock) | 40,000 | | |
| | 12,80,000 | | 12,80,000 |

(iii) BRANCH PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2016

**Dr.** **Cr.**

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Expenses A/c<br>To Branch Stock A/c<br>(Loss in transit)<br>To Branch Stock A/c (Pilferage)<br>To General P&L A/c<br>(Profit Transferred) | 3,00,000<br>60,000<br><br>24,000<br>8,85,000 | By Branch Adj. A/c<br>(Gross Profit)<br>By Branch Cash A/c<br>(Insurance claim) | 12,19,000<br><br>50,000 |
| | 12,69,000 | | 12,69,000 |

**Working Notes:**

| | ₹ |
|---|---|
| 1) Loss in transit (at invoice price) | 75,000 |
| Less: Loading adjusted in Branch adjustment A/c | 15,000 |
| Cost of loss in transit | 60,000 |
| Less: Amount received from insurance co. | 50,000 |
| Net Loss in transit | 10,000 |

| | |
|---|---|
| 2) Loss on Account of pilferage: | |
| Invoice price of pilferage | 30,000 |
| Less: Loading adjusted in Br. Adj. A/c | 6,000 |
| Cost of Loss due to pilferage charged to P&L | 24,000 |

**Answer 8 (b):**

**SUNLIFE INSURANCE CO.LTD.**
**(I) Valuation Balance Sheet at March 31, 2016**

**(Amount in ₹ Lakh)**

| Liabilities | ₹ | Assets | ₹ |
|---|---|---|---|
| Net liabilities as per actuarial valuation<br>Surplus / net profit | 490<br>210 | Life Insurance fund | 700 |
| | 700 | | 700 |

**(I) Profit Distribution Statement for the year ended March 31, 2016**

**(Amount in ₹ Lakh)**

| | |
|---|---|
| Surplus /net profit<br>Add: Interim bonus paid | 210<br>80 |
| Amount available for distribution | 290 |
| Policyholders' shares @95% of ₹290 lakh<br>Less: Interim bonus paid<br><br>Shareholders' share @5% of 290 lakh | 275.50<br>80.00<br>**195.50**<br>**14.50** |

**9. Write short notes on any three out of the following: 5×3=15**

**(a) Accommodation Bill**
**(b) Main features of the Electricity Act. – 2003**
**(c) Rebate on Bills Discounted**
**(d) Average Revenue Per User (APRU)**

**Answer 9:**

**(a) Accommodation Bill:**

An accommodation Bill is a bill of exchange signed by-a party as drawer, drawee,

endorser to accommodate another party whose credit is not strong enough to enable him to borrow on his single name. It is drawn for the purpose, of arranging temporary finance. Therefore, an Accommodation Bill is a Bill of exchange which has been drawn, on and accepted by a reputable party for the purpose of giving value to the bill so that it can be discounted.
What actually happens in the case of an accommodation bill is that one party draws the bill and the other party accepts it. Then, the drawing party gets it discounted from the bank and receives ready cash of which he is in need. The money received is either wholly utilized by the drawer, or by both, the drawee and the acceptor. Before the due date approaches, the required sum of money is sent to the acceptor in order to make him able to honour the bill and the bill is honoured on the due date. Thus, although there is no legal liability, there exists a strong moral understanding between the parties concerned.

**(b) Main features of the Electricity Act, 2003**

- The activities like generation, transmission and distribution of power have been separately identified.
- The Act de-licenses power generation completely (except for hydro-power projects, over a certain size).
- 10% of the power supplied by suppliers and distributors to the consumers has to be generated using renewable and non-conventional sources of energy.
- Setting up State Electricity Regulatory Commission (SERC) made mandatory.
- Appellate Tribunal to hear appeals against the decision of the CERC and SERCs.
- Ombudsman scheme for consumers' grievance redressal.
- Provision for private licensees in transmission and entry in distribution through and independent network.
- Metering of all electricity supplied made obligatory.
- Provision relating to theft of electricity made stricter.

**(c) Rebate on Bills Discounted:**

When a bank discounts a bill of exchange, the full amount of the discount earned is credited to the Discount Account but some of the Bills discounted may not mature for payment by the close for the year; as a result, the amount of discount in respect of such bill would not have been earned during the year. On this consideration, the unexpired portion of such discount is carried forward by Debiting the Discount Account and crediting Rebate on Bills Discounted Account. The letter account is shown on the liabilities side of the Balance Sheet as income received which had not accrued before the close of the year. At the commencement of the period next following the account is close off by transfer to the Discount Account.

**(d) Average Revenue Per User (ARPU)**

The average Revenue per User (ARPU) or subscriber is an indication of the net recurring, revenue per subscriber per month earned by the Telecom Operator. This is calculated by dividing the monthly net revenue by the average subscriber base ARPU includes monthly rentals, airtime / call charges, VAS charges, and all other charges as reduced by pass through. ARPU does not include non-recurring revenues like handset sales, installation fees, revenue from roaming services from other networks, etc. Due to a large variation between prepaid and postpaid services, the ARPU is calculated separately for both these services. Average Revenue Per User for prepaid services is generally lower, (approximately 40% less) as compared to post-paid services bringing down the blended ARPU. For June 2005, and September 2005, the blended ARPU on an all India basis has fallen from ₹381 in June 2005 to ₹374 in September 2005. It is interesting to note that the Indian telecom industry has witnessed a continuous fall of ARPU on a quarter to quarter basis due to falling airtime rates.