PAPER – 6 : FINANCIAL ACCOUNTING
SUGGESTED ANSWERS
SECTION - A

1.

(i)	(A)
(ii)	(D)
(iii)	(D)
(iv)	(A)
(v)	(A)
(vi)	(A)
(vii)	(A)
(viii)	(D)
(ix)	(B)
(x)	(D)
(xi)	(B)
(xii)	(C)
(xiii)	(D)
(xiv)	(D)
(xv)	(A)

SECTION - B

2. (a)

(i) As per AS-10, the amount of depreciation to be charged to statement of profit and loss account will depends upon the following factors:

I) cost of the asset
II) Estimated useful life of the asset
III) Estimated Residual (scrap) value of the asset.
IV) Depreciation Method.

i. The cost of the fixed asset is determined after adding all expenses incurred for bringing the asset to usable condition.
ii. Estimated useful life of the asset is estimated in terms of years it can be effectively utilized for business operations.
iii. Estimated sales value of the asset at the end of the useful life is treated as estimated residual value of the asset.
iv. The method chosen (Straight Line Method, Written Down Value Method, etc.) affects the annual depreciation charge. It should reflect the pattern in which the asset's future economic benefits are expected to be consumed.

(ii)

Depreciation as per competent Accounting

Depreciation for component body	₹ 4,00,000	(20,00,000 /5)
Depreciation for component seating arrangement	₹ 5,00,000	(30,00,000/6)
Depreciation for Component Engine	₹ 2,00,000	(20,00,000/10)
Depreciation on Motor vehicle for the year	₹ 11,00,000	

2. (b)

(i) Difference between Purchase Day Book and Purchase Account

- Purchase Day Book simply records only credit Purchases of goods, whereas both cash and credit Purchases of goods are posted in Purchase Account.
- Purchase Day Book is a part of Journal, whereas Purchase Account is a part of General Ledger.
- Purchase Day Book is not divided into debit and credit sides, whereas Purchase Account is divided into two sides (debit and credit side)

(ii) **JOURNAL ENTRIES**

	Particulars		Dr. ₹	Cr. ₹
a	Sales Account	Dr	200	
	To Barun Account			200
	(credit sales recorded as ₹ 7200 instead of ₹ 7,000)			
b	Raman Account	Dr	900	
	To Purchase Account			900
	(credit purchase recorded as ₹ 9,900 instead of ₹ 9,000)			
c	Purchase Return Account	Dr	40	
	To Chaya Account			
	(Purchase Return recorded as ₹ 4,040 instead of ₹ 4,000)			40
d	Paresh Account	Dr	400	
	To Sales Return Account			400
	(Sales Return recorded as ₹ 1400 instead of ₹ 1,000)			

3. (a)

Computation of Claim for loss of Stock

	₹
Stock in the Premises on the day of fire 30th March,2025	125,200
Less: value of Salvage Stock	24,600
Loss of Stock	1,00,600
Amount of Claim = $\frac{\text{Insured Value}}{\text{Total Cost on the date of fire}} \times$ loss of Stock	
$\frac{120,000}{125,200} \times 100,600$ = 96,422 (approx.)	96,422

Working Notes:

1. Calculation of goods with customers. Since no approval for sale has been received for the goods of ₹ 99,000) hence, these (2/3rd 0f ₹ 99,000 = ₹ 66,000) should be valued at cost i.e. ₹ 52,800.

2. Calculation of Actual Sales
Total Sales – Sale of Goods on approval (⅔rd. of goods sold on approval i.e. 2/3 x 99,000)
= ₹ 5,50,000 – ₹ 66,000 = ₹ 4,84,000.

3. Calculation of closing stock as on 30.03.2025

Memorandum Trading Account for
(from 1st January 2025 to 30th March 2025)

Particulars	₹	Particulars	₹
To Opening Stock	1,91,200	By Sales	4,84,000
To Purchases	2,80,000	By Goods with customers for approval	52,800
To wages	94,000	By Closing Stock	125,200
To Gross Profit	96,800		
	6,62,000		6,62,000

Alternative Presentation:

Computation of Claim for loss of Stock

	₹
Value of stock in the premises as on 30th March	1,25,200
Less: Value of salvage stock	24,600
Loss of Stock	1,00,600
Amount of Claim = $\frac{\text{Insured Value}}{\text{Total Cost on the date of fire}} \times$ loss of Stock	
$\frac{120,000}{125,200} \times 100,600$ = 96,422 (approx.)	96,422

Working Notes:

I. Calculation of goods with customers. Since no approval for sale has been received for the goods of 99,000) hence, these should be valued at cost i.e. ₹ 52,800. [66000 - 20% of 66,000] (2/3rd of 99,000 = ₹ 66000)

II. Calculation of Actual Sales
Total Sales - Sale of Goods on approval (⅔rd. of goods sold on approval i.e. 2/3 x 99,000)
= ₹ 5,50,000 - ₹ 66,000 = ₹ 4,84,000.

III. Calculation of closing stock as on 31.03.2025

Memorandum Trading Account for
(from 1st January 2025 to 30th March 2025)

Particulars	₹	Particulars	₹
To Opening Stock	1,91,200	By Sales	4,84,000
To Purchases	2,80,000	By Closing Stock	1,78,000
To wages	94,000		
To Gross Profit (20% on Sales)	96,800		
	6,62,000		6,62,000

Value of stock from the above Trading account ₹ 1,78,000 - Goods Sold and approval yet to be received ₹ 52,800 = Value of stock in the premises as on 30th March ₹ 1,25,200.

3. (b)

In the Books of the Head office

Branch Stock Account

Dr **Cr**

Particulars	₹	Particulars	₹
To Balance b/d To Goods Sent to Branch To Branch Adjustment Account (balancing figure, Surplus)	3,60,000 24,00,000 36,000	By Bank Account (cash sales) By Branch Debtors Account (credit sales) By Goods Sent to Branch Account (Return to Head Office) By Branch Adjustment Account (24,000 ×25/100) By Branch Profit and Loss Account (cost of goods pilfered) By Branch Adjustment Account (invoice price of Normal loss) By Balance c/d In hand In transit	21,60,000 1,20,000 1,20,000 6,000 18,000 36,000 2,88,000 48,000
	27,96,000		27,96,000

* Alternatively, combined Posting for ₹ 24,000 may be passed through goods pilfered Account.

** Alternatively, it may first be transferred to a Normal loss account which may Ultimately be closed by transfer to Branch Adjustment Account. The final amount of net profit will however remain the same

*** It has been considered that the Surplus may be due to sale of goods by branch at a price higher than the invoice price.

Branch Stock Adjustment Account

Dr. **Cr.**

Particulars	₹	Particulars	₹
To Branch Stock Account To Branch Stock Account To Stock Reserve Account To Gross Profit	6,000 36,000 84,000 5,70,000	By Stock Reserve Account By Goods Sent to Branch Account By Branch Stock Account	90,000 5,70,000 36,000
	6,96,000		6,96,000

Branch Profit and Loss Account

Dr. **Cr.**

Particulars	₹	Particulars	₹
To Branch Stock Account To Net Profit	18,000 5,52,000	By Branch Adjustment Account	5,70,000
	5,70,000		5,70,000

4.

Trading and Profit and Loss Account of ABC enterprise for the year ended 31st March 2025

Dr. **Cr.**

Particulars	₹	₹	Particulars	₹	₹
To Opening Inventory		80,000	By Sales		6,08,750
To Purchases	4,56,000		By Closing Stock		70,000
Less: Advertising	9,000	4,47,000			
To Freight Inward		30,000			
To Gross Profit c/d		1,21,750			
		678,750			6,78,750
To Sundry Expenses		92,000	By Gross Profit		1,21,750
To Advertisement		9,000	By Interest on Investment (20,000× 6/100 × ½)		600
To Discount Allowed					
Debtors	15,000		By Discount Received		8,000
Bills Receivable	1,250	16,250	By Miscellaneous Income		5,000
To Depreciation on Furniture		6,500			
To provision for doubtful debt		1,455			
To Net Profit		10,145			
		1,35, 350			1,35,350

Balance Sheet as on 31.03.2025

Liabilities	Amount	Amount	Assets	Amount	Amount
	₹	₹		₹	₹
Capital	1,88,000		Furniture	60,000	
Less: Drawings	91,000		Addition during the year	10,000	
	97,000			70,000	
Add: Net Profit	10,145	1,07,145	Less: Depreciation (balancing figure)	6,500	63,500
Sundry Creditors		1,50,000			
Outstanding Expenses		18,000	Investment		19,000
			Accrued Interest		600
			Inventory		70,000
			Sundry Debtors	72,750	
			Less: Provision	1,455	71,295
			Bills Receivable		17,500
			Cash in hand and Bank		26,250
			Prepaid expenses		7,000
		2,75,145			2,75,145

Working Notes:

I)

Capital as on 01.04.2024

Balance Sheet as on 31.03.2024

Liabilities	**₹**	**Assets**	**₹**
Capital (Balancing Figure)	**1,88,000**	Furniture	60,000
Creditors	1,10,000	Closing Inventory	80,000
Outstanding Expenses	20,000	Sundry Debtors	1,60,000
		Cash in hand at Bank	12,000
		Prepaid expenses	6,000
	3,18,000		3,18,000

II)

Purchases made during the year:

Dr. **Sundry Creditors Account** **Cr.**

Particulars	₹	Particulars	₹
To cash and Bank	3,92,000	By Balance b/d	1,10,000
To Discount Received	8,000	By Sundry Debtors	4,000
To Bills Receivables	20,000	By Purchases Account	4,56,000
To Balance c/d	1,50,000		
	5,70,000		5,70,000

III)

Sales made during the year:

Particulars	**₹**	**₹**
Opening Inventory		80,000
Purchases	4,56,000	
Less: for advertising	9,000	4,47,000
		30,000
Freight Inward		5,57,000
Less: closing Inventory		70,000
		4,87,000
Cost of goods sold		
Add: gross profit (25% on cost)		121,750
Sales.		6,08,750

IV)

Debtors on 31st March 2025

Dr. **Sundry Debtors Account** **Cr.**

Particulars	**₹**	**Particulars**	**₹**
To Balance b/d	160,000	By Cash and Bank Account	5,85,000
To Sales Account	608,750	By Discount Allowed Account	15,000
To Sundry Creditors Account (Bills Dishonoured)	4,000	By Bills Receivable Account	1,00,000
		By Balance c/d (Balancing Figure)	**72,750**
	7,72,750		7,72,750

V)

Additional drawings by Proprietor

Dr. Cash and Bank Account Cr.

Particulars	₹	Particulars		₹
To Balance b/d	12,000	By Freight Inward		30,000
To Sundry Debtors Account	5,85,000	By Furniture Account		10,000
To Bills Receivables Account	61,250	By Investment Account		19,000
To Miscellaneous Income Account	5,000	By Expenses Account		95,000
		By Creditors Account		392,000
		By Drawings	70,000	
		Add: Cash Short	21,000	91,000
		By Balance c/d		26,250
	6,63,250			6,63,250

VI)

Amount of Expenses debited to Profit and Loss Account

Dr. Sundry Expenses Account Cr.

Particulars	₹	Particulars	₹
To prepaid Expenses Account	6,000	By Outstanding Expenses Account	20,000
To Bank Account	95,000	By Profit and Loss Account	92,000
To outstanding Expenses Account	18,000	By Prepaid Expenses Account	7,000
	119,000		1,19,000

VII)

Bills Receivable as on 31.03.2025

Dr. Bills Receivable Account Cr.

Particulars	₹	Particulars	₹
To Debtors	1,00,000	By Creditors Account	20,000
		By Bank Account	61,250
		By Discount on Bills Receivable Account	1,250
		By Balance c/d (Balancing Figure)	17,500
	1,00,000		1,00,000

Note: All Sales and Purchases are assumed to be on credit.

5.

Books of A, B and C

Revaluation Account

Dr. Cr.

01.4.2024		₹	01.04. 2024	₹
To Sundry Debtors Account		4,000	By Stock in Trade Account	6,500
To provision for doubtful debt Account		2,200		
To Furniture and Fixtures Account		200		
To Profit on Revaluation Account				
A -	60			
B -	40	100		
		6,500		6,500

Capital Account

Dr. Cr.

	A	B	C		A	B	C
01.4.2024	₹	₹	₹	01.4.2024	₹	₹	₹
To Profit and Loss Account	4800	3200		By Balance b/f	24,000	60,000	
				By Revaluation A/C	60	40	
To cash Account	800	800		By Cash A/C (premium for goodwill)	1600	1600	
To Balance c/d.	20,060	57,640	15,540				
				By Cash (note–2)	-	-	15,540
	25,660	61,640	15,540		25,660	61,640	15540

Balance Sheet as on 01.04.2025

Liabilities	₹	₹	Assets	₹	₹
Capital Account			Fixtures and fittings		300
A	20,060		Stock in Trade		28,000
B	57,640		Sundry Debtors	42,000	
C	15,540	93,240	Less: Provision	4,200	37,800
Sundry Creditors		20,000	Cash (Note3)		47,140
		1,13,240			113,240

Workings:

1. Premium for goodwill paid by C: ⅕ × 16,000 = ₹ 3,200
   Old ratio of A and B 3:2
   New ratio between A, B and C 5:3:2; Therefore, A and B sacrifice in the ratio of 1:1
2. Combined adjusted capitals of A and B is = 20,060 + 57,640 = ₹ 77,700.
   Cs capital contribution will be = (77,700 ×1/5) = ₹ 15,540
3. Balance of Cash in hand may be ascertained by preparing cash Account

Cash Account

Dr. Cr.

Particulars	₹	Particulars	₹
To Balance b/f	30,000	By A' s Capital Account	800
A's Capital	1600	By B's Capital Account	800
B' Capital	1600	By Balance	47,140
C's Capital	15,540		
	48,740		48,740

6. (a)

In the Books of Ram

Consignment to Delhi Account

Dr. Cr.

Particulars	₹	Particulars	₹
To Goods Sent on Consignment Account	28,400	By Goods Sent on Consignment Account - Loading ₹ (28,400 - 20,900)	7,500
To Shyam Account- commission	2,394	By Shyam Account - sales Proceeds	26,760
To Stock Reserve Account (₹ 6,920- ₹ 5,220)	1,700	By Stock on Consignment Account	6,920
To Profit and Loss Account (Profit on Consignment transferred)	8,686		
	41,180		41,180

Shyam Account

Dr. Cr.

Particulars	₹	Particulars	₹
To Consignment to Delhi Account	26,760	By Bills Receivable Account (80% of invoice price)	22,720
To Balance c/d	5,536	By Consignment to Delhi Account - Commission	2,394
		By Draft Account	6,280
		By Draft in Transit Account	902
	32,296		32,296

Goods Sent on Consignment Account

Dr. Cr.

Particulars	₹	Particulars	₹
To Consignment to Delhi Account	7,500	By Consignment to Delhi Account	28,400
To Trading Account (Balancing Figure)	20,900		
	28,400		28,400

Workings:

	₹
Calculation of commission	
Invoice value of goods	28,400
Less: unsold stock	6,920
	21,480
Invoice value of goods sold	
Total Sales Proceeds	26,760
Less: Invoice value of goods sold	21,480
Surplus Price	5,280
Commission @5% on ₹ 21,480	1,074
Add: @ 25% on ₹ 5,280	1,320
Total commission	2,394

	₹	₹
Sales made by Shyam (given in Q)	26,760	
Security Money on Closing Stock (80% of Rs 6,920)	5,536	32,296
Less Bills drawn on Goods sent (80% of Invoice Price)	22,720	
Commission Account (worked out)	2,394	
Draft Received	6,280	31,394
Balance		902

6. (b)

Table showing calculation of Interest (fig. in ₹)

Payment date (1)	Total cash price (2)	Interest Paid (3)	Cash price paid (4)	Instalment paid (5=3+4)
	140,000			
Down Payment	- 40,000		40,000	40,000
	1,00,000			
1st instalments	- 25,000	1,00,000 × 20% = 20,000	25,000	45,000
	75,000			
2nd instalment	-25,000	75,000 × 20% = 15,000	25,000	40,000
	50,000			
3rd instalment	-25,000	50,000 × 20% = 10,000	25,000	35,000
	- 25,000			
4th Instalment	-25,000	25,000 × 20% = 5,000	25,000	30,000
	Nil	50,000	140,000	190,000

7. (a)

Major difference between Accounting standards and IND AS are: -

Accounting standards were based on international accounting standard, whereas IND AS are based on IFRS.

Accounting standards are rule based whereas IND AS are principle based.

Accounting standards are drafted in technical language whereas IND AS are drafted in simple language.

Accounting standards follow historical cost whereas IND AS follow on the fair value of fixed assets.

Accounting standards are not reliable to international investors where IND AS are reliable by international investors.

Accounting standards do not ensure uniformity in financial reporting whereas IND AS ensure uniformity in financial reporting.

Accounting standards require multiple reporting for Companies located in different countries whereas such reporting does not require under IND AS.

7. (b)

Comparative provision under IND AS 23 and AS 16 are the following: -

Qualifying asset will never include biological Assets under IND AS 23 but maybe included under AS 16.

Specific explanation on the understanding of a substantial period is not required under IND AS 23 but the same is provided under AS 16.

Inventories which are produced in large quantities can be considered as qualifying assets under IND AS 23 whereas if the condition of substantial period is satisfied then in that case the Inventories may be considered as qualifying assets under AS 16.

Interest Cost which is capitalised or not capitalised during the period should be disclosed separately under IND AS 23 but if such cost is capitalised during the period and in that case disclosure requirement under AS 16 is necessary.

Borrowing cost in hyperinflation is addressed under IND AS 23 but the inflation in interest rate is not addressed under AS 16.

Weighted average capitalisation rate on borrowing would be disclosed in Notes to accounts under IND AS 23 but no specific guidance is not provided under AS 16.

In the consolidated financial statement weighted average capitalisation rate on total borrowing of holding and subsidiary is to be considered under IND AS 23 but no such specified guidance is provided under AS 16.

8. (a) (i)

- All significant accounting policies adopted in the preparation and presentation of financial statements should be disclosed in one place.
- In the case of a change in accounting policy which has a material effect in the current period or later period the amount by which any item in the financial statement is affected by such change should be disclosed to the extent ascertainable Where the such amount is not ascertainable wholly or in part the fact should be indicated.
- If fundamental accounting assumption is not followed the fact should be disclosed and If the fundamental Accounting Assumption are followed in financial statements, specific disclosure is not required.

8. (a) (ii)

Table showing calculation of deferred tax asset/Liability.

Particulars	Amount	Time Difference	Deferred Tax	Amount @50%
	₹			₹
Excess Depreciation as per tax records (₹ 5,50,000 - ₹ 2,50,000)	300,000	Timing	Deferred Tax Liability	150,000
Unamortised Preliminary Expenses as per tax records	40,000	Timing	Deferred Tax Assets	(20000)
Net Deferred Tax Liability				130,000

Net Deferred Tax Liability amounting to ₹ 1,30,000 should be recognised as transition adjustment.

8. (b)

(i) The statement is false. All profit and loss accounts are a period statement because it depicts the result of operation of the whole period. Balance sheet is a point statement because it reflects the financial position of an enterprise at a specified point of time.

		₹
(ii)	Substitution received during the year 2024-25	4,000
	Add: Subscription outstanding on 31.03.2025	180
		4,180
	Less: Subscription outstanding on 01.04.2024	400
		3,780
	Add: Subscription received in advance on 31.03.2024	100
		3,880
	Less: Subscription Received in Advance on 31.03.2025	80
		3,800

Subscription income for 2024-25 transfer to income and expenditure for ₹ 3,800.

8. (c)

In the Books of the Firm

Journal Entries

		Dr.	Cr.
a.	Realisation A/c. (₹ 180,000 - ₹ 150,000 less 4% thereof) ………...Dr.	36,000	
	To Bank A/c.		36,000
	(Amount paid to creditors by cheque)		
b.	No entry required (See Note)		
c.	Bank A/c (₹ 500,000 – ₹ 300,000)…………………………………Dr.	200,000	
	To Realisation A/c.		200,000
	(Amount received from Creditor for land and Building taken over after adjusting amount due to him)		
d.	A's Capital A/c……………………………………………………....Dr.	15,000	
	B's Capital A/c……………………………………………………Dr.	9,000	
	To Realisation A/c.		24,000
	(Loss on Realisation transferred)		

Note: No entry is required for Debtors taken over.