

INTERMEDIATE EXAMINATION

June 2019

P-5(FAC)
Syllabus 2016

Financial Accounting

Time Allowed: 3 Hours

Full Marks: 100

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

Both the sections are to be answered subject to instructions given against each.

[All workings must form part of your answer.]

SECTION-A

1. Answer the following questions:

1×10=10

(a) Choose the most appropriate one from the given following alternatives:

(i) Which of the following is a resource owned by the business with the purpose of using it for generating future profits?

- (A) Loan from Bank
- (B) Owner's Capital
- (C) Trade Mark
- (D) All of the above

(ii) Chandu & Co.'s Account is a

- (A) Real Account
- (B) Nominal Account
- (C) Representative Personal Account
- (D) Artificial Personal Accounts

(iii) Purchase of a laptop for office use wrongly debited to Purchase Account. It is an error of

- (A) Omission
- (B) Commission
- (C) Principle
- (D) Misposting

- (iv) Which of the following term is most suitable for writing off Patent?
- (A) Depletion
 - (B) Amortization
 - (C) Depreciation
 - (D) All of the above
- (v) Memorandum Joint Venture Account is prepared when
- (A) the separate set of books is maintained for Joint Venture.
 - (B) the each Co-venturer keeps records of all transactions.
 - (C) the each Co-venturer keeps records of their own transactions only.
 - (D) All of the above cases
- (vi) Which of the following commission is allowed by the consignor to the consignee to encourage the consignee for putting-up hard work in introducing new product in the market?
- (A) Del-credere Commission
 - (B) Over-riding Commission
 - (C) Hard work Commission
 - (D) Ordinary Commission
- (vii) If Ram's acceptance which was endorsed by us in favour of Saleem is dishonoured, then the amount will be debited in our books to
- (A) Saleem
 - (B) Ram
 - (C) Bills Receivable Account
 - (D) None of the above
- (viii) In case of a Club, the excess of expenditure over income is called as
- (A) Surplus
 - (B) Deficit
 - (C) Capital Fund
 - (D) Investment in Fixed Assets

- (ix) A Charitable Institution has 250 members with a annual subscription of ₹ 5,000 each. The subscription received during 2018-19 were ₹ 11,25,000, which include ₹ 65,000 and ₹ 25,000 for the years of 2017-18 and 2019-20 respectively. Amount of outstanding subscription for the 2018-19 will be

- (A) ₹ 90,000
(B) ₹ 1,25,000
(C) ₹ 2,15,000
(D) ₹ 1,90,000

- (x) The following are details of closing stock items in Aarvi Limited:

Items	Historical Cost (₹ in Lakh)	Net Realisable Value (₹ in Lakh)
A	30	27
B	15	18
C	35	35
D	40	45

The value of Closing Stock will be

- (A) ₹ 120 Lakh
(B) ₹ 125 Lakh
(C) ₹ 117 Lakh
(D) ₹ 128 Lakh

- (b) Match the following in Column-I with the appropriate in Column-II:

1×5=5

	Column-I		Column-II
(1)	Highest Relative Capital Method	(A)	Departmental Accounts
(2)	Basis of Apportionment of Expenses	(B)	Insurance Claim
(3)	Partial Repossession	(C)	AS-9
(4)	Indemnity Period	(D)	Piecemeal Distribution
(5)	Revenue Recognition	(E)	Hire Purchase

(c) State whether the following statements are *True* or *False*.

1×5=5

- (i) All these items of revenue nature which received during the period of accounts, are only shown in the Income and Expenditure Account.
- (ii) When the capitalization of profits method is used then the value of goodwill on the basis of future maintainable profits is more than that of on the basis of super profits.
- (iii) In case of transfer from Creditors Ledger to Debtors Ledger, the Debtors Ledger Adjustment Account should be debited.
- (iv) Unrecoupable short-workings should be charged to Profit and Loss Account.
- (v) In the Stock and Debtors Method of accounting, balance of Branch Stock Account shows either Gross Profit or Gross Loss.

(d) Fill in the blanks:

1×5=5

- (i) Net Worth is excess of _____ over _____.
- (ii) The Sales ₹ 180 Lakh, Purchases ₹ 129 Lakh and Opening Stock ₹ 33 Lakh. If the rate of Gross Profit is 50% on cost, then the value of closing stock will be _____.
- (iii) In case of Loss of Profit Policy, Gross Profit is the sum of Net Profit plus _____ Standing Charges.
- (iv) Interest to be allowed @ 0.75 per cent per month on Partners Capital of ₹ 60 Lakh; Manager's Commission @ 5 per cent of Net Profit before charging such commission. If the Net Profit before charging interest on capital and manager's commission amounted to ₹ 14.85 Lakh, then manager's commission will be _____.
- (v) A machinery was purchased on Hire Purchase System. Its cash price was ₹ 5,20,000 which was payable in annual instalments of ₹ 1,80,000 each including interest @ 15 per cent per annum. The amount of interest included in 2nd instalment would be _____.

SECTION-B

- * Answer *any five* questions from the remaining seven questions. Each question carries 15 marks. 15×5=75

2. (a) Rectify the following errors:

8

- (i) A Credit Sale of goods to X ₹ 3,000 posted as ₹ 30,000.
- (ii) A Cash Sale of goods to Y ₹ 3,000 posted as ₹ 30,000.
- (iii) A Credit Sale of Furniture to Z ₹ 3,000 posted as ₹ 30,000.
- (iv) A Credit Sale of goods of ₹ 3,000 to Krishan entered in the purchases book as ₹ 30,000 and posted therefrom to the credit of Krishan as ₹ 3,000.
- (v) A Cash Sale of goods of ₹ 3,000 to Krishan posted to the credited of Krishan as ₹ 30,000.
- (vi) A Credit Purchase of old machinery from Sohan for ₹ 17,000 was entered in the Purchases Book as purchase from Mohan for ₹ 71,000. ₹ 3,000 paid as Repair Charges of this Machinery debited to General Expenses Account.
- (vii) A Bill drawn on Meenu for ₹ 30,000 was passed through bills payable book with ₹ 3,000 and posted therefrom to the credit of Meena as ₹ 300.
- (viii) Sales included a sale of furniture having a book of value of ₹ 900 for ₹ 850 on 31st March, 2018.

- (b) Mr. Kanan is running a business of readymade garments. He does not maintain his books of accounts under double entry system. While assessing the income of Mr. Kanan for the financial year 2018-19, Income Tax Officer feels that he has not disclosed the full income earned by him from his business. He provides you the following information:

On 31st March, 2018	
Sundry Assets	₹ 16,65,000
Liabilities	₹ 4,13,000
On 31st March, 2019	
Sundry Assets	₹ 28,40,000
Liabilities	₹ 5,80,000
Mr. Kanan's drawings for the year 2018-19	₹ 32,000 per month
Income declared to the Income Tax Officer	₹ 9,12,000

During the year 2018-19, one life insurance policy of Mr. Kanan was matured and amount received ₹ 50,000 was retained in the business.

State whether the Income Tax Officer's contention is correct. Explain by giving your working.

7

3. Following is the Trial Balance as on 31st March, 2019 of Bajrang Traders:

Particulars	Debit (₹)	Credit (₹)
Stock on 01.04.2018	1,35,000	
Purchases and Sales	28,50,000	46,25,000
Returns	35,000	22,500
Carriage Inwards	24,000	
Carriage Outwards	33,000	
Wages	1,25,000	
Salaries	3,52,000	
Printing and Stationery	6,500	
Insurance Premium	15,000	
Repairs	11,000	
Discounts Allowed	30,500	
Discounts Received		15,500
Bad Debts	28,000	
Provision for Bad Debts		35,000
Advertisement	38,000	
Interest on Investment		42,000
Drawings	2,10,000	
Investment	8,00,000	
Furniture and Fixtures	3,50,000	
Office Equipments	2,45,000	
Land and Building	15,00,000	
Sundry Debtors and Creditors	6,90,000	4,55,000
Establishment Expenses	35,000	
Capital		31,05,000
Cash at Bank	7,24,000	
Cash in Hand	63,000	
Total	83,00,000	83,00,000

Additional Information:

- (i) Closing Stock of goods amounted to ₹ 1,85,000 and of stationery amounted to ₹ 1,500.
- (ii) Depreciation to be charged on Land and Building @ 10%; On Office Equipments @ 15%; and On Furniture and Fixtures @ 10%.
- (iii) Insurance Premium paid on 1st July, 2018 for one year.
- (iv) Write off further as bad debts ₹ 5,000 and maintain a provision for bad debts of 5% on debtors.
- (v) Provision made for discount on debtors @ 2%.
- (vi) Goods costing ₹ 12,500 used for given free samples to customers.
- (vii) Goods costing ₹ 25,000 were sent on approval basis to a customer for ₹ 40,000 on 26th March, 2019. This was recorded as actual sales but approval did not receive till 31st March, 2019.
- (viii) Outstanding salaries were for one month.
- (ix) Investment made at 7.50% per annum on 1st May, 2018.

You are required to prepare Trading Account and Profit & Loss Account for the year ended 31st March, 2019 and a Balance Sheet as on that date. 15

4. A, B and C were partners in a firm sharing profits & losses in the ratio of 3 : 1 : 1 agreed upon dissolution of their partnership. They each decide to take over certain assets and liabilities and continue business separately.

Balance Sheet
as on date of dissolution

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	6,000	Cash at Bank	3,200
Loan	1,500	Sundry Assets	17,000
Capitals:		Debtors	24,200
A	27,500	Less: Bad Debts Provision	1,200
B	10,000	Stock	7,800
C	7,000	Furniture	1,000
	44,500		
	52,000		52,000

It is agreed as follows:

- (i) Goodwill is to be ignored.
- (ii) A is to take over all the Fixtures at ₹ 800; Debtors amounting to ₹ 20,000 at ₹ 17, 200. The creditors of ₹ 6,000 to be assumed by A at that figure.

- (iii) B is to take over all the stocks at ₹ 7,000 and certain of the sundry assets at ₹ 7,200 (being book value less 10%).
- (iv) C takes over the remaining sundry assets at 90% of book values less ₹ 100 allowances and assumes responsibility for the discharge of the loan, together with accruing interest of ₹ 30 which has not been recorded in the books of the firm.
- (v) The expenses of dissolution were ₹ 270. The remaining debtors were sold to a debt collecting agency for 50% of book values.

Prepare Realisation Account, partners' Capital Accounts and Bank Account.

15

5. (a) Rukmani Stores, Delhi invoiced goods to its Jaipur Branch @ 20% less than the Catalogue price which is cost plus 50% with instructions that cash sales were to be made at invoice price and credit sales at catalogue price and allow discount on prompt payment. The following details related to branch are provided by Rukmani Stores for the year ended 31st March, 2019:

	₹
Invoiced Stock: On 01.04.2018	4,50,000
On 31.03.2019	5,10,000
Branch Debtors: On 01.04.2018	3,60,000
Branch Furniture: On 01.04.2018	1,20,000
Cash Sales	13,60,000
Credit Sales	21,50,000
Goods Invoiced to Branch	32,10,000
Goods returned by Branch (Invoice Price)	84,000
Expenses Paid by H.O.: Rent	1,25,000
Salaries	1,80,000
Petty Expenses paid by Branch	11,000
Cash received from Branch Debtors	18,65,000
Remittances by Branch to H.O.	32,00,000
Discount allowed to Branch Debtors	1,85,000
Branch Bad debts	15,800
Goods Returned by Branch Debtors	12,600

It was decided to make provision for discount of ₹ 42,500 on closing debtors for prompt payment. Depreciate the furniture @ 10% per annum.

You are required to prepare Jaipur Branch Account and Goods Sent to Branch Account in the books of Rukmani Stores.

- (b) The following information related to various debtors for the year ended 31st March, 2019, are supplied by Nakul Limited:

Particulars	A (₹)	B (₹)	C (₹)	D (₹)	E (₹)
Balance on 01.04.2018	25,000 (Dr.)	18,000 (Dr.)	4,500 (Cr.)	39,000 (Dr.)	22,000 (Dr.)
Goods Sold	2,85,000	1,98,000	2,60,000	38,000	2,16,000
Sales Return	5,400	7,200	15,000		7,500
Cash & Cheques Collected	1,86,000	1,52,000	1,95,000	42,000	2,25,000
B/R Received	48,000	41,000	38,000	32,000	—
Discount Allowed	9,000	7,000	8,500	900	11,200
Bad Debts	—	—	—	16,000	—
B/R Dishonoured	11,000	—	8,500	13,000	—
Interest & Other Charges	600	200	300	900	—

On 31st March, 2019, A and C also stood in Purchase Ledger having credit balances of ₹ 3,600 and ₹ 5,100 respectively.

You are required to prepare Debtors Ledger Adjustment Account in General Ledger. 7

6. (a) On 31st January, 2019 the premises of Toli Textiles Limited were destroyed by fire. The records of the company revealed the following particulars:

	₹
Stock on 01.04.2017	11,35,000
Stock on 31.03.2018	12,64,100
Purchase Less returns, during the year ended 31st March, 2018	65,45,000
Sales Less returns, during the year ended 31st March, 2018	91,00,000
Purchase Less return, from 01.04.2018 to 31.01.2019	56,64,000
Sales Less returns, from 01.04.2018 to 31.01.2019	78,24,000

In valuing stock on 31st March, 2018 ₹ 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, 2018 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) A infrastructure company has constructed a mall and entered into agreement with tenants towards license fee (monthly rental) and variable license fee, a percentage on the turnover of the tenant (on an annual basis). Chief Finance Officer wants to account / recognize license fee as income for 12 months during current year under audit and variable license fee as income during next year, since invoice is raised in the subsequent year. Comment whether the treatment desired by the CFO is correct or not. 6

(b) State briefly the factors to be considered while selecting pre-packaged accounting software. 6

(c) From the following particulars ascertain the value of unsold stock on Consignment. 3

Goods sent (1000 kgs.)	₹ 20,000
Consignor's expenses	₹ 4,000
Consignees non-recurring expenses	₹ 3,000
Sold (800 kgs.)	₹ 40,000
Loss due to natural wastage (100 kgs.)	

8. Write short notes on *any three* of the following:

- (a) The Accrual concept
 - (b) Provision for Discount on Debtors
 - (c) Features of Income and Expenditure Account
 - (d) Maximum Possible Loss Method
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