

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) Income and Expenditure Account is a
 - (a) Nominal Account
 - (b) Real Account
 - (c) Personal Account
 - (d) Artificial Personal Account
- (ii) Accounting standard in India are issued by
 - (a) Government of India
 - (b) Reserve Bank of India
 - (c) The Institute of Chartered Accountants of India
 - (d) The Institute of Accounting Standard of India
- (iii) Creditors ledger adjustment account is opened in
 - (a) General Ledger
 - (b) Debtors Ledger
 - (c) Creditors Ledger
 - (d) Either (B) or (C)
- (iv) If any stock is taken by a co-venturer, it will be treated as
 - (a) an income of the joint venture
 - (b) an expense of the joint venture
 - (c) to be ignored from joint venture
 - (d) it will be treated in the personal books of the co-venturer
- (v) Which of the following is of capital nature?
 - (a) Commission on purchases
 - (b) Cost of repairs
 - (c) Rent of factory
 - (d) Wages paid for installation of machinery
- (vi) If average inventory is ₹1,25,000 and closing inventory is ₹10,000 less than opening inventory then the value of closing inventory will be
 - (a) ₹ 1,35,000
 - (b) ₹ 1,15,000
 - (c) ₹ 1,30,000
 - (d) ₹ 1,20,000
- (vii) The cost of 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
- (viii) Exception to consistency principle is
 - (a) Cost Principle

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- (b) Going Concern Principle
- (c) Matching Principle
- (d) Prudence Principle

(ix) 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

(x) Canteen expenses are apportioned among departments in the proportion of

- (a) Departmental floor space
- (b) Departmental direct wages
- (c) Departmental sales
- (d) Departmental No. of employees

(B) Match the following:

[5x1=5]

	Column 'A'		Column 'B'
1.	Noting charges	A	Construction Contract
2.	Work certified	B	Hire vendor
3.	Repossession of goods	C	Royalty
4.	Valuation of Inventories	D	AS-2
5.	Ground Rent	E	Bills of exchange

(C) Fill in the blanks:

[5x1=5]

- (i) The amount invested by owners into business is called_____.
- (ii) When Sales = ₹1,80,000, Purchase = ₹1,60,000, Opening Stock = ₹34,000 and rate of the Gross Profit is 20% on cost, the Closing Stock would be_____.
- (iii) _____is a person to whom the business owes money or money's worth.
- (iv) Depreciation account is _____type of account .
- (v) Salary debited to Income and Expenditure Account for the year was ₹48,000. Outstanding salary paid in the beginning of the year and the outstanding salary at the end of the year were ₹6,000 and ₹7,500 respectively. The amount of Salary to be shown in Receipts and Payments Account will be_____.

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

[5x1=5]

- (i) A credit balance in the pass book indicates excess of deposits over withdrawals.
- (ii) Under straight line method the cost of the asset written off in equal proportion ,during its economic life.
- (iii) According to AS-2 Inventories are held for sale in normal course of business.
- (iv) Excess of hire purchase price over cash price is known as penalty imposed on hire purchaser by the vendor.
- (v) Branch Stock Account is always prepared at cost price.

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Section - B

Answer any five questions out of seven questions.

Each question carries 15 marks.

[5x15=75]

2. (a) Sumita & Co. purchased a machine for ₹2,00,000 on 1.1.2011. Another machine costing ₹3,00,000 was purchased on 1.7.2012. On 31.12.2013, the machine purchased on 1.1.2011 was sold for ₹1,00,000. The company provides depreciation at 15% on Straight Line Method. The company closes its accounts on 31st December every year.

Prepare – (i) Machinery A/c,
(ii) Machinery Disposal A/c and
(iii) Provision for Depreciation A/c.

[6]

- (b) Sri Lakshmi of Mumbai consigns 1,000 cases of goods costing ₹100 each to Sri Indu of Chennai.

Sri Lakshmi pays the following expenses in connection with the consignment:

	₹
Carriage	1,000
Freight	3,000
Loading Charges	1,000

Sri Indu sells 700 cases at ₹ 140 per case and incurs the following expenses:

	₹
Clearing charges	850
Warehousing and storage	1,700
Packing and selling expenses	600

It is found that 50 cases have been lost in transit and 100 cases are still in transit.

Sri Indu is entitled to a commission of 10% on gross sales. Draw up the Consignment Account and Indu's A/c in the books of Sri Lakshmi.

[9]

3. From the following Receipts and Payments A/c of Mumbai Club, prepare Income and Expenditure A/c for the year ended 31.3.2016 and its Balance Sheet as on that date:

Receipts	₹	Payments	₹
Cash in Hand	8,000	Salary	4,000
Cash at Bank	20,000	Repair Expenses	1,000
Donations	10,000	Purchase of Furniture	12,000
Subscriptions	24,000	Misc. Expenses	1,000
Entrance Fees	2,000	Purchase of Investments	12,000
Interest on Investments	200	Insurance Premium	400
Interest Received from Bank	800	Billiard Table	16,000
Sale of Old Newspaper	300	Paper, Ink, etc.	300
Sale of Drama Tickets	2,100	Drama Expenses	1,000
		Cash in Hand (Closing)	5,300
		Cash at Bank (Closing)	14,400
	67,400		67,400

Information:

- (a) Subscriptions in arrears for 2015-2016 ₹1,800 and Subscription in advance for 2016-2017 ₹700,
(b) Insurance premium Outstanding ₹80, Misc. Expenses Prepaid ₹ 180,
(c) 50% of donation is to be capitalized, Entrance Fees are to be treated as revenue income,

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- (d) 8% Interest has accrued on Investment for five months,
Billiard Table costing ₹60,000 was purchased during the last year and ₹ 44,000 were paid for it. **[15]**

4. The following was the Balance Sheet of Avinash and Bibha, who were sharing profits and losses in the ratio of 2:1 on 31.12.19

Capital and Liabilities	₹	Properties and Assets	₹
Capital Accounts:		Plant and Machinery	24,00,000
Avinash 20,00,000		Building	18,00,000
Bibha 10,00,000	30,00,000	Stock	8,00,000
Sundry Creditors	8,00,000	Debtors	6,00,000
Reserve	18,00,000	Cash at Bank	2,00,000
Bills Payable	2,00,000		
Total	58,00,000	Total	58,00,000

They agreed to admit Chintu into the partnership on the following terms –

- There was an unrecorded liability of ₹ 20,000.
- That the building account was to be appreciated by 20%.
- That a provision of 5% was to be created for doubtful debts.
- The value of stock and plant and machinery were to be reduced by 10%.
- The goodwill of the firm was fixed at ₹ 2,10,000.
- Investment worth ₹ 40,000 (not mentioned in the balance sheet) were taken into account.
- That the value of reserve, the values of liabilities and the value of assets other than cash are not to be altered.
- Chintu was to be given $\frac{1}{4}$ share in profit and was to bring capital equal to his share of profit after all adjustments.

Prepare the Memorandum Revaluation Account, Partners Capital Accounts and Balance sheet of the newly reconstituted firm in columnar form. **[15]**

5. (a) Trading and Profit and Loss Account of Fimat Gadget and Equipment Co. for the six months end 31.3.2019 is presented to you in the following form :

Particulars	₹	Particulars	₹
Purchases :		Sales :	
Earphone (A)	3,51,750	Earphone (A)	3,75,000
Charger (B)	2,26,500	Charger (B)	2,50,000
Spare parts (C)	1,61,000	Spare parts (C)	62,500
Salaries and wages	1,20,000	Stock as on 31.3.2019	
Rent	27,000	Earphone (A)	1,50,250
Sundry Expenses	27,500	Charger (B)	50,750
Profit	86,250	Spare parts (C)	1,11,500
Total	10,00,000	Total	10,00,000

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Required: Prepare Departmental Accounts for each of the three departments A, B, C mentioned above after taking into account the following :

- i. Earphones and Chargers are sold at the showroom and spare parts at workshop.
- ii. Salaries and wages comprises as follows :
Showrooms = $\frac{3}{4}$ and work shop = $\frac{1}{4}$. It was decided to allocate the showroom salaries and wages in the ratio of 1:2 between the departments A and B.
- iii. The work shop rent is ₹1,250 per month. The rent of showroom is to be divided equally between the department A and B.
- iv. Sundry expenses are to be allocated on the basis of the turnover of each department.

[9]

- (b) Prepare necessary adjustment accounts as they would appear in General Ledger of the company:

	₹		₹
Credit Purchases	52,500	Paid to Creditors	26,250
Discount Allowed	5,250	Bills payable accepted	17,500
Discount Received	1,750	Received from debtors	70,000
Bad Debts	17,500	Closing Debtor because	2,10,000
Bills accepted by customers	10,500	Closing Creditors Balance	1,05,000
Credit Sales	1,40,000		

Discount allowed to debtors ₹ 1,750 was recorded as discount received from creditors. [6]

6. (a) A company maintains its reserve for bad debts @ 5% and a reserve for discount on debtors @ 2%. You are given the following details :

	2012 (₹)	2013 (₹)
Bad debts	1,600	3,000
Discount allowed	2,400	1,000

Sundry debtors (before providing all bad debts and discounts) amounted to ₹1,20,000 on 31.12.2012 and ₹ 84,000 on 31.12.2013.

On 1.1.2012, Reserve for bad debts and Reserve of discount on debtors had balance of ₹9,100 and ₹1,600 respectively.

Show Reserve for Bad Debts and Reserve for Discount on Debtors Account. [6]

- (b) Dimpi Ltd took certain lands on lease from Sumpi Ltd for a period of 15 years, for mining limestone with a stipulated royalty of ₹ 1.5 per ton and a minimum rent of ₹2,10,000 with a clause to recoup shortcomings over three subsequent years. The actual working results were:

Year	Output (Tonnes)	Actual Royalty (₹)
1998	80,000	1,20,000
1999	1,60,000	2,40,000
2000	1,30,000	1,95,000
2001	1,70,000	2,55,000
2002	4,38,000	6,57,000

You are required to show the Royalties A/c, Short Working A/c, Sumpi Co. A/c and all calculations in the books of Dimpi Ltd . [9]

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- 7. (a)** BPL is leading distributor of petrol. A detail inventory of petrol in hand is taken when the books are closed at the end of each month. At the end of month following information is available : **[9]**

Sales = ₹ 23,62,500

General overhead cost = ₹ 62,500

Inventory at beginning 50,000 litres @ ₹ 15 per litre.

Purchases

June 1 : 1,00,000 litres @ ₹ 14.25

June 30 : 50,000 litres @ ₹ 15.15

Closing inventory 65,000 litres.

Compute the following by the FIFO as per AS-2 :

- (i) Value of Inventory on June 30.
- (ii) Amount of cost of goods sold for June.
- (iii) Profit/Loss for the month of June.

- (b)** List the salient features of computerized accounting system. **[6]**

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

[3x5= 15]

- (a)** Abnormal Losses;
- (b)** The Accrual Concept ;
- (c)** Bearer plant;
- (d)** Operating Cycle of Consignment Arrangement