

INTERMEDIATE EXAMINATION

December 2017

P-5(FAC)
Syllabus 2012

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.

Working notes should form part of the respective answers.

Wherever necessary, suitable assumptions may be made and disclosed by way of a note.

Please: (1) Answer all bits of a question at one place.

(2) Open a new page for answers 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) Which of the following is not part of financial statements?

- (A) Trading and Profit & Loss Account
- (B) Balance Sheet
- (C) Trial Balance
- (D) Cash Flow Statement

(ii) Which subsidiary book serves both as journal as well as ledger?

- (A) Cash Book
- (B) Purchase Book
- (C) Sales 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

Please Turn Over

- (iv) Which of the following is *not* the part of inventory cost as per AS-2?
- (A) Storage Costs that are necessary in the production process prior to a further production stage.
 - (B) Administrative Overheads that contribute to bringing the inventories to their present location and condition.
 - (C) Normal loss.
 - (D) Storage costs that are not necessary in the production process prior to a further production stage.
- (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) Sacrificing ratio
 - (B) Old profit sharing ratio
 - (C) New profit sharing ratio
 - (D) Equally

(b) Match the following:

1×5=5

Column A		Column B	
1.	Depreciation of Fixed Asset	(A)	AS-1
2.	Deferred Benefit/Contribution Scheme	(B)	AS-6
3.	Fundamental Accounting Assumptions	(C)	AS-2
4.	Accounting for Construction Contracts	(D)	AS-10
5.	Valuation of Inventory	(E)	AS-7
		(F)	AS-15

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

1×5=5

- (i) Assets are classified into fixed and current assets as per cost principle.
- (ii) Bank Account is a real account.

- (iii) Discount given at the time of making invoice should be recorded in the books of original entry.
- (iv) Del credere commission is allowed to consignee for making credit sales.
- (v) Discount column made in cash book is not a memorandum account.
- (d) Answer the following: 2×5=10
- (i) The stock was physically verified on 24th March and was valued at ₹ 2,00,000. Goods are normally sold by the trader at a profit of 25% on cost. After stock taking the following transactions have taken place till 31st March. Sales of ₹ 2,21,600 which includes:
- (A) Sales of ₹ 10,800 at 20% more than the normal selling price.
- (B) Sales of ₹ 10,800 at 10% less than the normal selling price.
- Required:* Determine the value of stock to be taken to the Balance Sheet of PCT Ltd. as at 31st March.
- (ii) Bharat Ltd. which depreciates its machinery at 10% p.a. straight line basis, had on 1st April, 2016 ₹ 28,000 to the debit of Machinery Account. On 31st March, 2017, the company decided to change the method of depreciation to diminishing balance method with effect from 1st April, 2013 being the date of purchase of machine and the rate of depreciation remaining the same. There was no purchase/sale of machine after 1st April, 2013. Pass the necessary journal entry on account of change in method of depreciation.
- (iii) Prizes awarded during the year 2016-2017 ₹ 2,00,000. Prize Fund as at 31.03.2016 ₹ 12,00,000. Donations for prizes received during the year 2016-2017 ₹ 2,80,000, 10% Prize Fund Investments as at 31.03.2016 ₹ 12,00,000. Interest received on Prize Fund Investments ₹ 60,000. Capital Fund as at 31.03.2016 ₹ 90,00,000. How will you disclose these items in Balance Sheet as at 31.03.2017?
- (iv) A and B are partners sharing profits in the ratio of 3:2. They admit C, a new partner who acquires 1/5th of his share from A and 4/25th share from B. Calculate the new profit sharing ratio and sacrificing ratio.
- (v) X sent out goods costing ₹ 80,000 to Y so as to show 20% profit on invoice price. 40% of the goods were lost in transit. 60% of the goods received by consignee was sold at 25% above invoice price. Rate of commission is 10% on sales at invoice price plus 50% of the surplus over invoice price. Calculate the commission due to Y.

Section – B

(75 Marks)

Answer any five questions (carrying 15 Marks each) from Question No. 2 to Question No 9:

2. (a) Bhola purchases goods on credit from various suppliers. However, there is a difference of opinion which has arisen with one of its suppliers. While the Supplier claims that the amount receivable from Bhola is ₹ 1,51,800, on the other hand, Bhola claims that the amount payable is ₹ 1,41,000. On evaluation of records the following were identified:
- (i) A purchase of ₹ 42,600 was recorded by the supplier as ₹ 46,800.
 - (ii) Goods returned by Bhola amounting to ₹ 3,000, but the stock is in transit and has not reached the supplier/vendor.
 - (iii) Cheques issued to vendor for ₹ 16,800, in transit.
 - (iv) Bills raised for goods purchased from the supplier, amounting ₹ 13,200, but goods are yet to reach the warehouse/godown of Bhola.

Prepare a suitable reconciliation statement.

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- (b) From the following information prepare the necessary adjustment accounts as they would appear in the General Ledger of Vatika Ltd.

Particulars	₹
Closing debtors balance (as per General Ledger Adjustment A/c)	60,000 (Cr.)
Credit sales	40,000
Credit purchases	15,000
Paid to creditors	7,500
Discount allowed	1,500
Bills payable accepted	5,000
Discount received	500
Received from debtors	20,000
Bad debts	5,000
Closing creditors balance (as per General Ledger Adjustment A/c)	30,000 (Dr.)
Bill accepted by customers	3,000

Discount allowed to debtors ₹ 500 was recorded as discount received from creditors.

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3. Mr. X runs a retail business. Suddenly he finds on 31.03.2017 that his Cash and Bank balances have reduced considerably. He provided you the following information:

(i) Balances:

Particulars	Opening	Closing
Sundry Debtors	35,400	58,800
Sundry Creditors	84,400	22,400
Cash at Bank	1,08,400	2,500
Cash in Hand	10,400	500
Rent (Outstanding for one month)	2,400	3,000
Stock	11,400	20,000
Electricity and Telephone bills—outstanding		6,400

(ii) Bank Pass-book reveals the following:

Total Deposits	10,34,000
Withdrawals:	
Creditors	8,90,000
Professional charges	34,000
Furniture and Fixtures (acquired on 1st Oct.)	54,000
Proprietor's drawings	1,61,900

- (iii) Rent has been increased from January, 2017.
- (iv) Mr. X deposited all cash sales and collections from debtors after meeting wages, shop expenses, rent, electricity and telephone charges.
- (v) Mr. X made all purchases on credit.
- (vi) His credit sales during the year amounts to ₹ 9,00,000.
- (vii) He incurred ₹ 6,500 per month towards wages.
- (viii) He incurred following expenses:
- (A) Electricity and telephone charges ₹ 24,000 (paid)
- (B) Shop expenses ₹ 18,000 (paid)
- (ix) Charge depreciation on furniture and fixtures @ 10% p.a.

Required: Finalize the accounts of Mr. X and compute his profit for the year ended 31.03.2017. Prepare his statement of affairs and reconcile the profit and capital balance.

4. Prepare Income & Expenditure A/c for the year ended 31.12.2013 and the balance sheet as on 31.12.2013 in the books of an Education society. 15

Particulars	Debit (₹)	Credit (₹)
Library Books	2,30,000	
Books added during the year	52,200	
Furniture	1,59,500	
Addition to Furniture	35,500	
Buildings	37,89,000	
Investment	21,25,000	
Creditors		1,77,900
Debtors	59,700	
Investment Reserve Fund		1,85,000
Entrance Fees		2,02,600
Examination Fees		32,500
Certificate Fees		7,800
Subscriptions Received		2,75,800
Hire Charges		95,500
Interest		85,000
Other Receipts		4,400
Salary	1,55,900	
Printing & Stationery	8,500	
Postage & Telephone	2,500	
Insurance	10,400	
Examination Expenses	24,000	
Periodicals	15,600	
Prizes Fund		2,15,000
Prizes Investments	2,10,400	
Prizes Investment Income		10,200
Prizes Given	9,500	
Prizes Bank Balance	2,450	
Donations (capital)		1,99,000
General Expenses	5,250	
Capital Fund		54,71,720
Bank Balance	65,500	
Cash in Hand	1,520	
Total	69,62,420	69,62,420

Additional Information:

Subscription receivable ₹ 22,500, Subscription received for 2014 ₹ 7,850, Interest accrued on investments ₹ 6,250, Salary outstanding for 2013 ₹ 12,500, Prepaid Insurance ₹ 4,500. Depreciate Books @ 15%, Building @ 1% and Furniture @ 10%.

5. (a) P, Q and R are partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. On 31st December, 2014 the firm was dissolved. On dissolution, the following particulars are available:
- (i) Assets realised ₹ 1,70,000 after a loss of ₹ 20,000.
 - (ii) Liabilities were paid ₹ 27,000 including an unrecorded liability of ₹ 1,000.
 - (iii) Realisation expenses were ₹ 700, out of which ₹ 400 were paid by the firm and balance by partner P.
 - (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.

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- (b) The amount payable to Z on his retirement amounted to ₹ 1,96,000. He took over stock worth ₹ 24,000 and 25% of the investments after which an amount of ₹ 90,000 was due and transferred to his Loan A/c. Calculate the total value of investments. 2
- (c) Sunil and Puri are partners in a firm sharing profits and losses in the ratio of 3 : 2 respectively. The fixed capital of sunil is ₹ 1,20,000 and Puri is ₹ 75,000. On 1st April, 2015 they admitted Kaushal as a new partner for $\frac{1}{5}$ th share in future profits. Kaushal brought ₹ 75,000 as his capital. Calculate the value of goodwill of the firm and record Journal entries on Kaushal's admission. 5

6. (a) The following entries without narration have been recorded. Please write the entries with complete narration. Marks will be awarded only for complete narration. 6

			Dr. ₹	Cr. ₹
1st year Dec. 31	1. Royalty A/c	Dr.	8,000	
	Short working A/c	Dr.	2,000	
	To Landlord A/c			10,000
	2. Landlord A/c	Dr.	10,000	
	To Bank A/c			10,000
	3. P and L A/c	Dr.	10,000	
	To Royalty A/c			10,000
2nd year Dec. 31	1. Royalty A/c	Dr.	11,000	
	To Landlord A/c			11,000
	2. Landlord A/c	Dr.	11,000	
	To Bank A/c			10,000
	To Short working A/c			1,000
	3. P and L A/c	Dr.	12,000	
	To Royalty A/c			11,000
	To Short working A/c			1,000

- (b) Heaven Life Insurance Co. furnishes you the following information:

Particulars	Amount (₹)
Life Insurance fund on 31.03.2017	52,00,000
Net liability on 31.03.2017 as per actuarial valuation	40,00,000
Interim bonus paid to policyholders during intervaluation period	3,00,000

You are required to prepare:

- (i) Valuation Balance Sheet;
- (ii) Statement of Net Profit for the valuation period; and
- (iii) Amount due to the policyholders.

- (c) Salt Lake Ltd. Kolkata invoice goods to its branch at Delhi at a profit at 25% on cost. Prepare Branch Stock Account under (i) Single Column and (ii) Double Column from the following particulars:

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Particulars	Amount ₹	Particulars	Amount ₹
Opening Stock (Invoice Price)	20,000	Normal Loss (Invoice Price)	1,000
Goods sent to Branch (Invoice Price)	1,20,000	Pilferage of Stock (Invoice Price)	2,000
Goods return to H.O. (Invoice Price)	5,000	Cash Sales	97,000
Goods lost in transit (Invoice Price)	5,000	Closing Stock (Invoice Price)	30,000

7. (a) The following particulars are extracted from the records of M/s. Engco Bank Limited for the year ended 31st March, 2017:

Particulars	₹
Rebate on bills discounted (not due on March 31st, 2016)	60,610
Discount received	6,10,800
Bills discounted	24,42,250

An analysis of the bills discounted is as follows:

Amount (₹)	Due Date
3,75,000	April 15, 2017
4,90,000	May 6, 2017
2,45,000	June 1, 2017
3,68,000	June 20, 2017
4,85,000	July 4, 2017

The rate of discount is 12% per annum. You are required to:

- (i) Calculate rebate on bills discounted as on 31st March, 2017.

- (ii) Determine the amount of discount to be credited to the profit and loss account for the year ended 31st March, 2017.
- (iii) Show the necessary journal entries in the books of M/s. Engco Bank Ltd. as on 31st March, 2017. 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 the hire vendor when second installment 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

8. (a) ABC Ltd. is installing a new plant for its production facility. It has incurred these costs:

	₹
Cost of the plant (cost per supplier's invoice plus taxes)	25,00,000
Initial delivery and handling costs	2,00,000
Cost of site preparation	6,00,000
Consultants used for advice on the acquisition of the plant	7,00,000
Interest charges paid to supplier of plant for deferred credit	2,00,000
Estimated dismantling costs to be incurred after 7 years	3,00,000
Operating losses before commercial production	4,00,000

Please advise ABC Ltd. on the costs that can be capitalised in accordance with AS 10 (Revised). 4

- (b) State briefly the main features of the Electricity Act, 2003. 7
- (c) What is meant by cost of internally generated software? 4

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

5×3=15

- (a) Non-integral foreign operation
 - (b) Changes in Accounting policy
 - (c) Characteristics of Depreciation
 - (d) The Accrual Concept
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