

INTERMEDIATE EXAMINATION

June 2015

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.

This paper contains seven questions. All questions are compulsory, subject to instruction provided against each question.

All workings must form a part of your answer.

Assumptions, if any, should be clearly stated.

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

(2) Open a new page for answer to a new question.

1. Answer all the questions:

2×10=20

- (a) MENZ LTD. purchased goods at the cost of ₹ 20 Lakh in Oct 2014. Till March 31,2015, 75% of the Stocks were sold. The company wants to disclose stock at ₹ 5 Lakh. The expected Sales Value is ₹ 5.5 Lakh and a Commission at 10% on sale is payable to the agent.

What is the correct Closing Stock to be disclosed as at 31.03.2015 as per AS-2?

- (b) PARASH LTD. purchased a machine costing ₹ 72 Lakh on 01.04.2014 and the same was fully financed by foreign currency loan (US Dollars) payable in two annual equal instalments. Exchange rates were 1 US Dollar = ₹ 57.60 and ₹ 60.00 as on 01.04.2014 and 31.03.2015 respectively. First instalment was paid on 31.03.2015. What is the amount of difference to be charged to Profit and Loss Accounts for the year 2014-15 as per AS 11.

- (c) GOPI purchased a plant on hire purchase system from GOPAL on 01.04.2015. The hire purchase rate was settled at ₹ 72,000, payable at ₹ 22,000 on 01.04.2015 and ₹ 25,000 at the end of two successive years. Interest was charged @ 5% P.A. [Given PVI FA (at 5%, 2 years) = 1.8594]

Ascertain the cash price of the plant.

- (d) Compute the income from subscription for the year 2014 from the following particulars relating to TARUN CLUB:

	01.01.2014	31.12.2014
	₹	₹
Outstanding subscription	9,500	7,000
Advanced subscription	2,800	5,200
Subscription received during the year 2014		₹ 1,45,000

- (e) X, Y and Z are partners in the ratio of 3:2:1. W is admitted with 1/6th share in future profits. Z would retain his original shares. Find out the new profit sharing ratios of the partners.

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- (f) ANKIT LTD. provided the following particulars:
Debtor's ledger includes ₹ 5,000 due from Kumar & Co.
Creditor's ledger includes ₹ 3,000 due to Kumar & Co.
Give Journal Entry to record the above under Self-Balancing System.
- (g) From the information of AMBA LTD. received from its branch -AB, **calculate** the invoice price of goods sent to branch and Profit included thereon.

Goods received from H.O.(AMBA LTD)	—	₹ 1,00,000
Goods in transit from H.O.	—	₹ 50,000

Goods are invoiced to branch at cost plus 25%.

- (h) NUPUR CONSTRUCTION LTD. obtained a contract for construction of a Fly-Over. Following information is available for the year ended March 31, 2015:

	₹ in Lakh
Total Contract Price	500
Work certified	300
Work not certified	50
Estimated further cost to completion	190
Progress payment received	200

What will be the foreseeable loss to be shown in the accounts of 2014-15 as per AS-7.

- (i) GRIZA LIFE INSURANCE CO.LTD. furnishes the following information:

Life Insurance fund as on 31.03.2014	₹ 26,56,000
Net Liability on 31.3.2014 as per actuarial valuation	₹ 10,34,000
Interim Bonas paid to Policy holders during intervaluation period	₹ 1,23,800
Amount proposed to carry forward amount of	₹ 2,55,000

What is the amount of share of Shareholders?

- (j) CHANDU purchased 2500,12% Debenture of MENZ LTD on May 1, 2015 at ₹ 108 cum-interest (full value of debentures ₹ 100). Interest is paid on 30th June and 31st December in every year. **Ascertain** the amount of interest and cost of debentures.

2. Answer *any two* questions (Carrying 4 marks each):

- (a) Journalise the following transactions in the books of SHIVA.

01.05.2015	—	Started business with ₹ 5,00,000 of which 50% amount was borrowed from SBI and 20 % amount was borrowed from his sister Patta.
05.05.2015	—	Purchased goods from Chinu Mart worth ₹ 1,60,000 at 25% trade discount and 40% amount paid in cash.
08.05.2015	—	Sold goods to Satish ₹ 60,000 at 20% trade discount and received $\frac{1}{4}$ amount in cash.
15.05.2015	—	Paid to Chinu Mart ₹ 69,500 in full settlement of A/c.

- (b) The Cash book of PRARTHANA show ₹ 8,364 as the balance at bank as on 31st March, 2015 but you find that this does not agree with the balance as per the Bank Pass Book. On scrutiny, you find the following discrepancies:
- On 15th March, the payments side of the Cash Book was undercast by ₹ 100.
 - A cheque for ₹ 131 issued on 25th March, was recorded in the cash column.
 - One deposit of ₹ 150 was recorded in the Cash Book as if there is not Bank Column therein.
 - On 18th March, the debit balance of ₹ 1,526 as on the previous day, was brought forward as a credit balance.
 - Of the total cheques amounting to ₹ 11,514 drawn in the last week of March, cheques aggregating ₹ 7,815 were encashed in March.
 - Dividends of ₹ 250 collected by the Bank and subscription of ₹ 100 paid by it, were not recorded in the Cash Book.
 - One outgoing cheque of ₹ 350 was recorded twice in the Cash Book.

Required:

Prepare a Bank Reconciliation Statement as on 31st March, 2015.

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- (c) JIMIRA LTD. bought a Machine on 30.09.2014 at a price of ₹ 248 Lakh after charging 6% Sales Tax and giving a trade discount of 1.3% on the quoted price. Transport charges and installation charges were 0.30% and 0.75% respectively on the quoted price. To meet machine purchase a loan of ₹ 240 Lakh was taken from the bank on which interest at 12% P.A. was to be paid. Expenditure incurred on trial run was materials, wages and overheads ₹ 24,000, ₹ 18,000 and ₹ 11,000 respectively. Machine was ready for use on 01-12-2014. However, it was actually put to use only on 01-05-2015. Entire loan amount remain unpaid on 01-05-2015.

Required:

Find the cost of machine as per AS-10.

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3. Answer *any two* questions (Carrying 12 marks each):

- (a) BAIDHNATH LTD. obtain a lease of marble mines for a period of 10 years, commencing from 1st April, 2009. According to the lease terms being a royalty of ₹ 300 per tonne of marble blocks raised subject to a minimum rent of ₹ 15,00,000 per annum with a right of recoupment of shortworkings within the next two years following the year in which shortworkings arises. For the year of a Strike the minimum rent is to be reduced to 60%. The Sales and Closing Stock for the first 6 years are as follows:

Year	Sales (Tonnes)	Closing Stock (Tonnes)
2009-10	2000	500
2010-11	3600	1100
2011-12	5900	800
2012-13	6400	900
2013-14 (Strike)	3200	400
2014-15	7000	500

You are required to **prepare**:

- Royalty Account
- Land Lord Account
- Short workings Account ——— in the Book of Baidhnath LTD.

(1+2)+(2+4+3)=12

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(b) A, B and C were equal partners in a firm. Their Balance Sheet as on 31st March, 2015 was as follows:

Liabilities	₹	Assets	₹
A's Capital	1,60,000	Building	4,00,000
C's Capital	1,00,000	Machinery	4,00,000
A's Loan	2,00,000	Furniture and Fixtures	1,60,000
Creditors	10,00,000	Stock	1,60,000
		Book Debts	2,00,000
		Cash at Bank	10,000
		B's Capital (Overdrawn)	1,30,000
	14,60,000		14,60,000

The firm was dissolved as all the partners were declared insolvent. The assets were realized as under: Book debts : 45% less; Building : ₹ 1,60,000; Stock : ₹ 1,00,000; Machinery : ₹ 2,00,000; and Furnitures and fixtures : ₹ 40,000. Realization expenses were ₹ 10,000.

The private assets and private liabilities of the partners were as follows:

Partner	Private Assets ₹	Private Liabilities ₹
A	2,50,000	2,50,000
B	2,00,000	1,80,000
C	2,30,000	2,50,000

You are required to prepare:

- (i) Realisation Account,
- (ii) Bank Account,
- (iii) Creditors Account,
- (iv) Partner's Capital Account, and
- (v) Deficiency Account.

(4+2+1+3+2)=12

(c) ANSHU keeps his books under single entry system. On 31st March, 2014 his Balance Sheet was as follows :

Liabilities	₹	Assets	₹
Capital	4,50,000	Fixed Assets	2,25,000
Creditors	8,70,000	Stock	9,15,000
Bills Payable	1,87,500	Debtors	2,22,000
Expenses Outsanding	67,500	Bills Receivable	90,000
		Prepaid Insurance	3,000
		Cash/ Bank Balance	1,20,000
	15,75,000		15,75,000

(i) Following is the summary of cash and bank transaction for the year ended 31st March, 2015:
Cash Sales ₹ 1,10,70,000; Collection from Debtors ₹ 22,65,000; Payments to Creditors ₹ 1,12,60,500; Paid for Bills Payable ₹ 12,22,500; Sundry Expenses Paid ₹ 9,31,050; Drawings for Domestic expenses by Mr Anshu ₹ 3,60,000; Cash and Bank Balance as on 31-03-2015 ₹ 1,90,950.

(ii) Following further details are furnished:

Gross Profit on Sales @10%; Bills Receivable from Debtors during the year ₹ 6,52,500; Discount Allowed to Debtors ₹ 54,000; Discount Received from Creditors ₹ 42,000; Bills Receivable Endorsed to Creditors ₹ 22,500; Annual Fire Insurance Premium paid (This is paid on 1st August every year) ₹ 9,000; Depreciation on Fixed Assets @ 10%.

(iii) Balance as on 31-03-2015 are given below:

Stock in hand ₹ 9,75,000; Debtors ₹ 2,28,000; Bills Receivable ₹ 2,10,000; Outstanding Expenses ₹ 7,500; Bills payable ₹ 2,10,000.

You are required to **prepare:**

(1) Trading and Profit and Loss Account for the year ended March 31,2015; and

(2) Balance Sheet as on 31.03.2015.

(4+3+5)=12

4. Answer *any two* questions (Carrying 4 marks each):

(a) The summarized analysis of the accounts of the outstanding debtors of GANAPATHI LTD. at the date of 31.03.2015 (Annual Closing) of amount as under:

Debtors	Goods Sold during the year	Goods returned during the year	Cash and Cheques received during the year	Discount allowed during the year	Bill of Exchange received during the year
	₹	₹	₹	₹	₹
A	6,000	—	4,000	1,000	—
B	4,000	1,000	2,000	—	—
C	10,000	—	6,000	—	—
D	20,000	2,000	12,000	1,000	2,000
F	24,000	3,000	16,000	2,000	2,000

Debtors' balance at the beginning of the year was ₹ 9,000. Out of the above receipts of a bill for ₹ 1,400 given by D was dishonoured, noting charges amounting to ₹ 40.

Required:

Prepare General Ledger Adjustment Account in Debtors Ledger.

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- (b) MR. ANUBHAV GOYAL keeps his ledger on Self Balancing System. The following particulars are extracted from his Books:

Date	Particulars
March, 2015	
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.

Goods return to Mr. Prem ₹ 1,200. The goods were originally purchased for cash in the month of February, 2015.

You are required to **prepare** the Creditors Ledger Adjustment Account as would appear in General Ledger for the month of March, 2015. 4

- (c) M/s JAGGU & Co. maintains Ledger on Self-Balancing System on 31st March, 2015, the General Ledger discloses the following Balances:

Debtors Ledger Adjustment Account	₹ 5,63,360 (Dr.)
Creditors Ledger Adjustment Account	₹ 2,31,615 (Cr.)

On scrutiny of ledgers the following errors were detected:

- (i) An overcast of Bills Receivable Book by ₹ 5,000.
- (ii) An undercast of Sales Book by ₹ 6,000.
- (iii) Goods returned by Pankaj ₹ 4,600 have been entered in Sales Returns Book but not posted to Pankaj's Account in Debtors Ledger.
- (iv) Cash discount allowed to customers amounting to ₹ 2,580 has not been taken into consideration while preparing Adjustment Accounts.
- (v) An overcast of Purchases Book by ₹ 10,000.
- (vi) Goods for ₹ 6,300 purchased on credit correctly entered in Purchases Book but wrongly posted as ₹ 3,600 in the Creditor's Personal Account in Purchases Ledger.

Required:

Pass necessary Journal entries to rectify the Adjustment Accounts in different ledgers. 4

5. Answer *any two* questions (Carrying 4 marks each):

- (a) DAFALI BUILDCOM LTD. undertook a contract to construct a bridge across river Pennar for ₹ 1,500 Lakh on 1st July, 2014. The following details are available in the records kept for the year ended 31st March, 2015:

	(₹ in Lakh)
Works Certified	750
Works not Certified	207
Estimated further cost	638
Progress payment received	600
Progress payment to be received	210

Required:

What is the additional provision for Foreseeable Loss which must be made in the final Accounts for the year ended 31st March, 2015 as per provisions AS-7 on 'Accounting for Construction contract'?

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- (b) Write a Short Note on Project Accounting. 4
- (c) PRARTHANA & PIYUSH Publication publishes a monthly magazine on the 15th of every month. It sells advertising space in the magazine to advertisers on the terms of 80% sale value payable in advance and the balance within 30 days of the release of the publication. The sale of space for the March 2015 issue was made in February 2015. The magazine was published on its scheduled date. It received ₹ 2,40,000 on 10.03.2015 and ₹ 60,000 on 10.04.2015 for the March, 2015 issue.
Discuss in the context of AS-9 the amount of revenue to be recognized and the treatment of the amount received from advertisers for the year ending 31.03.2015. 4

6. Answer *any two* questions (Carrying 8 marks each):

- (a) BABAI sold goods to KACHARI for ₹ 90,000 on 1st April, 2014 for which the later accepted three bills of ₹ 30,000 each due respectively in 1, 2 and 3 months. The first bill is retained by Babai and is duly met. The second bill was discounted (discount being ₹ 600) and is met in due course. The third bill is also discounted (discount being ₹ 900) and is dishonoured, the Noting charges being ₹ 150.

New arrangements were duly made whereby Kachari pays Cash ₹ 10,150 and accepts a new bill due in 2 months for the balance of the amount with interest at 15% p.a. The bill is retained. On due date the same is dishonoured, noting charges being ₹ 180. Kachari declared insolvent on 15th Sept. 2014 and 35 paise in a rupee were received from his estate.

Required:

Pass Journal entries in the Books of BABAI.

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- (b) On 15th December, 2014 the premises of NAGAR LTD. were destroyed by fire, but sufficient records were saved from which the following particulars were ascertained:

	₹
Stock at cost on 1st April, 2013	2,20,500
Stock at cost on 31st March, 2014	2,38,800
Purchases less retruns, year ended 31st March, 2014	11,94,000
Sales less returns, year ended 31st March, 2014	14,61,000
Purchases less returns, 1st April, 2014 to 15th December, 2014	10,15,000
Sales less returns, 1st April, 2014 to 15th December, 2014	11,62,000

In valuing stock for Balance Sheet as at 31st March, 2014 ₹ 6,900 had been written off for certain stock which was a poor selling line, having cost of ₹ 20,700. A portion of these goods were sold in June, 2014 at a loss of ₹ 750 on the original cost of ₹ 10,350. The remainder of this stock was now estimated to be worth the original cost. Subject to the above exception, gross profit had remained at a uniform rate throughout. The stock salvaged was ₹ 17,500. The stock was insured for ₹ 2,50,000.

Required:

Calculate the amount of claim to be lodged with the Insurance company for Loss of Stock.

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- (c) MR NAITIK sends goods to the value of ₹ 9,37,500 at cost to MR JATIN on consignment basis to be

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sold at 5% commission on sales on 01.01.2015. Jatin accepted a bill of ₹ 2,50,000 drawn by Naitik 4 months on the same date. Naitik discounted the bill with his banker @ 15% p.a. on 04.02.2015. Naitik incurred ₹ 75,000 by way of freight and other expenses, whereas expenses of Jatin were ₹ 50,000 out of which 60% were non-recurring. Jatin sent the final balance of ₹ 7,68,750 to Naitik on 31.03.15 along with account sales. The Gross Profit margin is 25% on Sales and 10% of Goods Remaining unsold with Jatin.

You are required to **prepare**:

- (i) Consignment Account and
- (ii) Jatin Account— in the books of Mr. Naitik.

7. Answer any two questions (Carrying 8 marks each):

- (a) On 1st April, 2014 NANU BANK LTD. had a balance of ₹ 45 Lakhs in 'Rebate on Bills Discounted Account.'

During the year ended 31st March, 2015, Nanu Bank Ltd. discounted bills of exchange of ₹ 51,00,00,000 Lakh charging interest at 15% per annum, the average period of discount being for 73 days. Out of these, Bill of Exchange of ₹ 3,067 Lakh were due for realization from the acceptor/customers after 31st March, 2015, the average period outstanding after 31st March, 2015 being 53 days.

You are required to pass the necessary Journal Entries and show the Ledger Accounts in the Books of NANU BANK LTD. pertain to

- (i) Rebate on Bills Discounted Account
- (ii) Interest and Discount Account

[4+(2+2)]

- (b) LONG LIFE ASSURANCE CO. LTD. furnishes you the following information:

	₹
Life Assurance Fund on 31.03.2015	90,00,000
The interim bonus paid during the previous two-years period to Policy holders	1,50,000
Net Liability as per periodical Actuarial Valuation	75,00,000
Surplus brought forward from the previous valuation	9,00,000

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The directors of the Company proposed to carry forward ₹ 10,00,000 and to divide the balance between the Policy holders and Shareholders.

You are required to show:

- (i) The valuation Balance Sheet as on 31.3.2015
- (ii) The Net profit for the two years (valuation period)
- (iii) The distribution of the surplus (Profit)

(2+3+3)

- (c) The following balances are extracted from the records of NARMODA ELECTRICITY CO. LTD. for the year ended March 31, 2015.

Particulars	(₹ in Lakh)	Particulars	(₹ in Lakh)
Balance as on 1st April, 2014:		Expenses of Management	14,400
Land	1,80,000	Cost of distribution	6,000
Machinery	7,20,000	Depreciation	24,000
Mains	2,40,000	Sale of energy for lighting	80,000
		Sale of energy for Power	76,000
Share Capital— Ordinary shares	6,58,800	Meter Rent	6,000
Debentures	2,40,000	Interest on Debentures	12,000
		Interim Dividend	24,000
		Net Revenue Account as on	34,200
		01.01. 2014	
Expenditure during the year:		Depreciation Fund	3,00,000
Land	6,000		
Machinery	6,000	Sundry Debtors:	
Mains	61,200	For Energy Supplied	48,000
		Others	600
		Cash Balance	6,000
Sundry Creditors	1,200		
Cost of Generation	42,000		
Rent, Rates and Taxes	6,000		

You are required to prepare:

- (i) Revenue Account and
- (ii) Net Revenue Account for the year ended March 31, 2015
- (iii) General Balance Sheet as at 31.03.2015.

(3+2+3)=8

(Note: Schedules/Note to Balance Sheet are not required)