

**INTERMEDIATE EXAMINATION**

December 2018

**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:**

- (a) Choose the most appropriate one from the given following alternatives: 1×10=10
- (i) Both cash and credit transactions are recorded, on the basis of
- (A) Accounting Period Concept
  - (B) Going Concern Concept
  - (C) Business Entity Concept
  - (D) Accrual Concept
- (ii) Which of the following book is both a journal and a ledger?
- (A) Cash Book
  - (B) Sales Day Book
  - (C) Bills Receivable Book
  - (D) Journal Proper
- (iii) Interest received in advance account is a
- (A) Nominal Account
  - (B) Real Account
  - (C) Artificial Personal Account
  - (D) Representative Personal Account

**Please Turn Over**



- (iv) Shiva draws a bill on Sanat on 25th October, 2018 for 90 days, the maturity date of the bill will be
- (A) 27th January, 2019
  - (B) 26th January, 2019
  - (C) 25th January, 2019
  - (D) 28th January, 2019
- (v) Peeru and Simu are entered in the business of buy and sale of food grain for a period of one year and sharing the profit in the ratio of 3 : 2, this agreement is a
- (A) Partnership
  - (B) Consignment
  - (C) Joint-venture
  - (D) Lease
- (vi) At the end of the year 2017-18, Prepaid Insurance Premium ₹ 7,500 was appeared in the Trial Balance, it will be shown
- (A) only in Profit & Loss Account.
  - (B) only in Balance Sheet.
  - (C) both in Profit & Loss Account and in Balance Sheet.
  - (D) not in Both in Profit & Loss Account and in Balance Sheet.
- (vii) Contingent Liability would appear
- (A) on the liabilities side of the Balance Sheet.
  - (B) on the assets side of the Balance Sheet.
  - (C) as a note in the Balance Sheet.
  - (D) None of the above

- (viii) Debtors Ledger Adjustment Account is opened in the
- (A) Debtors Ledger
  - (B) Creditors Ledger
  - (C) General Ledger
  - (D) Both Creditors Ledger and General Ledger
- (ix) Generally sacrifice ratio is concerned with the situation of
- (A) Admission of a new partner
  - (B) Retirement of a partner
  - (C) Dissolution of firm
  - (D) Conversion of firm into company
- (x) KCS purchased a machine from JPS on hire purchase system, whose cash price was ₹ 8,64,000. ₹ 2,16,000 being paid on delivery and balance in three annual instalments of ₹ 2,88,000 each. The amount of interest included in first instalment would be
- (A) ₹ 72,000
  - (B) ₹ 57,600
  - (C) ₹ 1,08,000
  - (D) ₹ 36,000

(b) Match the following:

1×5=5

Column-I		Column-II	
(1)	Dead Rent	(A)	Bills Receivable
(2)	Marshalling	(B)	Consignment
(3)	Protesting	(C)	Liquidity Order
(4)	Account Sales	(D)	Accounting Policies
(5)	Substance over form	(E)	Royalty

(c) Fill in the blanks:

1×5=5

- (i) While posting an opening entry in the ledger, in case of an Account having debit balance, in 'Particulars' column the words \_\_\_\_\_ are written on debit side.
- (ii) Depreciation Accounting is the process of \_\_\_\_\_ and not \_\_\_\_\_.
- (iii) Finished goods are normally valued at cost or \_\_\_\_\_ whichever is lower.
- (iv) The relation between Consignee and Consignor is that of \_\_\_\_\_.
- (v) The relationship between Co-venturers is that of \_\_\_\_\_.

(d) State with reason whether the following statements are true or false (No marks shall be awarded without valid reason):

1×5=5

- (i) Bank reconciliation statement is prepared to arrive at the bank balance.
- (ii) Deferred revenue expenditure is current year's revenue expenditure to be paid in the later years.
- (iii) Reducing balance method for depreciation is followed to have a uniform charge for depreciation and repairs and maintenance together.
- (iv) Reserve for Discount on Creditors has a credit balance.
- (v) A promissory note can be made payable to the bearer.

**Section-B**

Answer any five from the following.

Each Question carries 15 marks.

15×5=75

2. (a) A bookkeeper extracted the following Trial Balance as on 31st March, 2018:

Heads of Accounts	Dr. Balance (₹)	Cr. Balance (₹)
Furniture	20,000	...
Capital	...	2,00,000
Debtors	2,00,000	...
Stock (1st April, 2017)	1,04,000	...
Creditors	...	80,000
Trade Expenses	50,000	...
Sales	...	8,58,000
Wages	30,000	...
Stock (31st March, 2018)	98,000	...
Machinery	...	50,000
Purchases	6,25,000	...
Wife's loan to the business	50,000	...
Discount Allowed	...	4,000
Drawings made by the Proprietor	...	45,000
Motor Van	60,000	...
<b>Total</b>	<b>12,37,000</b>	<b>12,37,000</b>

You are required to:

- State the errors giving reasons,
- Redraft the Trial Balance correctly.

- (b) Ram Prakash keeps his books on Single Entry System. From the following information provided by him, prepare Trading and Profit & Loss Account for the year ended 31st March, 2018 and Balance Sheet as at that date:

Particulars	31st March, 2017 (₹)	31st March, 2018 (₹)
Furniture	1,00,000	1,20,000
Stock of Goods-in-Trade	60,000	20,000
Sundry Debtors	1,20,000	1,40,000
Prepaid Expenses	...	4,000
Sundry Creditors	40,000	?
Unpaid Expenses	12,000	20,000
Cash	22,000	6,000

Receipts and Payments during the year were as follows:

Particulars	₹
Receipts from Debtors	4,20,000
Paid to Creditors	2,00,000
Transportation	40,000
Drawings	1,20,000
Sundry Expenses	1,40,000
Furniture Purchased	20,000

*Other Information:* There were considerable amount of Cash Sales. Credit Purchases during the year amounted ₹ 2,30,000. Provide a provision for Doubtful Debts to the extent of 10% on Debtors.

3. The following information provided by the Nav Yuvak Mandal, Delhi for the first year ended 31st March, 2018:

- (i) Donations received for building ₹ 25 Lakh.  
(ii) Other incomes and receipts were:

(₹ in '000)

Particulars	Capital Income (₹)	Revenue Income (₹)	Actual Receipt (₹)
Entrance fees	...	251	251
Life Membership fees	105	...	105
Subscription	...	1160	1151
Play Ground rent	...	120	110
Refreshment account	...	115	115
Sundry incomes	...	62	49

- (iii) Expenditures and actual payments were:

(₹ in '000)

Particulars	Capital Expenditure (₹)	Revenue Expenditure (₹)	Actual Payment (₹)
Land	800	...	800
Books	236	...	202
Furniture	345	...	315
Honorarium and salaries	...	165	131
Maintenance of play ground	...	52	50
Refreshment account	...	79	79
Insurance Premium	...	12	15
Sundry expenses	...	70	65



*Others:* Donation were utilized to the extent of ₹ 13 Lakh in construction of building, balance were unutilized. In order to keep in safe, 8% Government Securities were purchased on 31st December, 2017 for ₹ 10.50 Lakh. Remaining amount was put in bank as term deposit on 31st March, 2018. During the year 2017-18, Subscription received in advance ₹ 52,000 for the year 2018-19. Depreciation to be charged on Building and Furniture @ 10% and on Books @ 15%.

You are required to prepare the Receipts & Payments Account, Income & Expenditure Account and Balance Sheet as on 31st March, 2018.

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4. (a) A, B and C are partners in a firm sharing profits and losses as 3 : 2 : 1. Their Balance Sheet as on 31st March, 2018 was as follows:

(₹ in Lakh)

Liabilities	Amount (₹)	Assets	Amount (₹)
Partners' Capital A/c:		Land and Building	210
A	145	Plant and Machinery	255
B	110	Stock	125
C	75	Debtors	95
General Reserve	165	Bills Receivable	25
Partners' Loan:		Cash in Hand	3
A	30	Cash at Bank	37
B	20		
Sundry Creditors	205		
	750		750

B died on 1st August, 2018. His account is to be settled under the following terms:

- (i) Goodwill will be valued at 3 years purchase of last four accounting years average profit. Profits were : 2014-15 ₹ 135 Lakh, 2015-16 ₹ 145 Lakh, 2016-17 ₹ 131 Lakh and 2017-18 ₹ 165 Lakh.



- (ii) Land and Building will be valued at ₹ 250 Lakh and Plant and Machinery will be valued at ₹ 240 Lakh.
- (iii) For the purpose of calculating B's share in the profits of 01.04.2018 to 31.07.2018, the profits for the year 2017-18 will be taken as base.
- (iv) Interest on Partners' Loan will be calculated @ 6% per annum.
- (v) A sum of ₹ 50 Lakh to be paid immediately to B's Executor and the balance to be paid on 1st December, 2018 together with interest @ 10% per annum.

You are required to pass necessary journal entries to record the above transactions and amount payable to B's Executor's Account. 15

5. (a) The following information provided by the Shobha Departmental Store for the year ended 31st March, 2018:

Department	Purchase(units)	Sales	Closing Stock(units)
X	2500	2550 units @ ₹ 160 per unit	250
Y	5000	4800 units @ ₹ 180 per unit	400
Z	6000	6240 units @ ₹ 200 per unit	140

The total value of purchases is ₹ 15 Lakh. It is observed that the rate of gross profit is the same in each department.

You are required to prepare the Departmental Trading Account for the year ended 31st March, 2018. 9

- (b) Following information is available from the books of Simu & Co. for the year ended 31st March, 2018:

- (i) Total Sales amounted to ₹ 560 Lakh including the sale of old Machinery for ₹ 8 Lakh (Book Value ₹ 15 Lakh). The total Cash Sales were 80% less than the total Credit Sales.
- (ii) Cash collection from debtors amounted to 75% of the aggregate of the opening debtors and the Credit Sales for the period. Debtors were allowed Cash discounts for ₹ 15.60 Lakh.

- (iii) Bills Receivable drawn during the year totaled ₹ 45 Lakh of which bills amounting to ₹ 28 Lakh were endorsed in favour of Creditors. Out of these endorsed B/R, some bills for ₹ 4.60 Lakh were dishonoured for non-payment as the parties became insolvent, their estate realizing nothing.
- (iv) Cheques received from Sundry Customers for ₹ 41 Lakh were dishonoured; a sum of ₹ 5 Lakh is irrecoverable.
- (v) Bad Debts written off in the earlier years was recovered of ₹ 7.50 Lakh.
- (vi) Transfers from Creditors Ledger to Debtors Ledger were of ₹ 38 Lakh.
- (vii) Sundry Debtors, as on 1st April, 2017, stood at ₹ 128 Lakh.

You are required to show the General Ledger Adjustments Accounts in the Debtors Ledger. 6

6. (a) CCL wants to take up a loss of profit policy. Turnover during the current year is expected to increase by 20%. The company will avail overdraft facilities from its bank @ 15% interest to boost up the sales. The average daily overdraft balance will be around ₹ 3 Lakh. All other fixed expenses will remain same. The following further details are also available from the previous year's account:

	₹
Total variable expenses	24,00,000
Fixed expenses:	
Salaries	3,30,000
Rent, Rates and Taxes	30,000
Travelling expenses	50,000
Postage, Telegram, Telephone	60,000
Director's fees	10,000
Audit fees	20,000
Miscellaneous income	70,000
Net Profit	4,20,000

Determine the amount of policy to be taken for the current year.

(b) Mansi Ltd. acquires the lease of a mine from Nanu Ltd. on the following terms:

(i) Minimum Rent of ₹ 40 Lakh per annum merging into a royalty of ₹ 50 per tonne.

(ii) Shortworkings are recoverable out of future earnings subject to:

(I) Only half of the excess earnings over minimum rent may be used for this purpose.

(II) No Shortworkings may be carried forward for recoupment if output falls below 40000 Tonnes, in any year.

Output for the first four years was : 32000 Tonnes; 48000 Tonnes; 64000 Tonnes and 112000 Tonnes respectively.

Prepare the necessary accounts for above four years in the books of the Lessee.

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7. (a) In a production process, normal waste is 5% of input. 5000 MT of input were put in process resulting in a wastage of 300 MT. Cost per MT of input is ₹ 1,900. The entire quantity of waste is on stock at the year end. State with reference to Accounting standard, the treatment of normal loss and abnormal loss and also find out the amount of abnormal loss, if any and the value of closing inventories.

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(b) Enumerate the advantages of computerized Accounting.

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

5×3=15

(i) Applicability and Non-Applicability of Garner vs. Murray Rule

(ii) Consequential Loss Policy

(iii) Distinction between Hire Purchase Agreement and Instalment Purchase Agreement

(iv) Distinction between Fundamental accounting assumptions and Accounting policies