



INTERMEDIATE EXAMINATION
MODEL QUESTION PAPER
PAPER - 6
FINANCIAL ACCOUNTING

SET 2
TERM – JUNE 2023

Time Allowed: 3 Hours

Full Marks: 100

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

Where considered necessary, suitable assumptions may be made and
clearly indicated in the answer.

Answer Question No. 1 and any five from Question No. 2, 3, 4, 5, 6, 7 and 8.

SECTION - A

1. (a) Choose the correct alternative: [1 × 12 = 12]

- (i) Name the accounting book in which entries are recorded on the basis of debit notes issued.
 - a. Sales Book
 - b. Purchase Book
 - c. Sales Return Book
 - d. Purchase Return Book
- (ii) Name the principle involved in the classification of Assets as Fixed and Current.
 - a. Cost Principle
 - b. Going Concern Principle
 - c. Matching Principle
 - d. Prudence Principle
- (iii) State the ratio in which the old 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
- (iv) The business is treated as distinct and separate from its owners on the basis of the
 - a. Going concern concept
 - b. Conservatism concept
 - c. Matching concept
 - d. Business entity concept
- (v) 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



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- (vi) Which of the following discount is given in the Sales Invoice itself?
- Cash discount
 - Trade discount
 - Rebate
 - Allowance
- (vii) Exception to consistency principle is
- Cost Principle
 - Going Concern Principle
 - Matching Principle
 - Prudence Principle
- (viii) Interest charged by vendor in Hire Purchase System, is calculated on the basis of
- outstanding hire purchase price
 - outstanding cash price
 - instalment amount
 - cost price of the asset
- (ix) At the end of the accounting year the capital expenditures are shown in the
- assets side of the Balance Sheet.
 - liabilities side of the Balance Sheet.
 - debit side of the Profit and Loss A/c.
 - credit side of the Profit and Loss A/c.
- (x) Which of the following is not a method of charging depreciation?
- Sinking Fund Method
 - Sum of years Digit Method
 - Working hours Method
 - Asset's Life-cycle Method
- (xi) The Accommodation bill is drawn
- to finance actual purchase or sale of goods
 - to facilitate trade transmission
 - when one of the parties are in need of funds
 - None of the above
- (xii) Income and Expenditure Account is a
- Nominal Account
 - Real Account
 - Personal Account
 - Artificial Personal Account



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(b) State True or False

[1 × 7 = 7]

- (i) Provision for Discount on Creditors has a credit balance.
- (ii) In absence of partnership deed, partners are entitled to interest on capital @ 6% p.a.
- (iii) Del credere commission is allowed to consignee for making credit sales.
- (iv) Discount column made in cash book is not a memorandum account.
- (v) Royalty account is a real account in nature.
- (vi) Discount given at the time of making invoice should be recorded in the books of original entry.
- (vii) Bank Account is a real account.

(c) Fill in the blanks

[1 × 6 = 6]

- (i) Outstanding subscription is shown in the _____ side of Balance Sheet.
- (ii) The Building A/c is a _____ Account.
- (iii) Depreciation Accounting is the process of _____ and not _____.
- (iv) In case of Loss of Profit Policy, Gross Profit is the sum of Net Profit plus _____ Standing Charges.
- (v) Net Worth is excess of _____ over _____.
- (vi) The relationship between Co-venturers is that of _____.

SECTION – B

2. (a) Classify the following items as capital or revenue expenditure with reason:

- (i) An extension of railway tracks in the factory area;
- (ii) Wages paid to machine operators;
- (iii) Installation costs of new production machine;
- (iv) Materials for extension to foremen's offices in the factory;
- (v) Rent paid for a running factory;
- (vi) Payment for computer time to operate a new stores control system,
- (vii) Wages paid to own employees for building the foremen's offices.

- (b) D of Delhi consigned 100 units of a commodity to M of Murshidabad. The goods were invoiced at ₹ 300 so as to yield a profit of 50% on cost. D incurred ₹ 2,000 on freight and insurance. M incurred ₹ 1,000 on Salesmen's salary and ₹ 1,600 on godown rent. M sold 50 units for cash at ₹ 320 per unit and 20 units on credit at



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₹350 per unit. M informed that 10 units were damaged on account of bad packing and that she would be able to sell them only for ₹ 160 per unit. A debtor for ₹ 2,000 to whom the goods were sold by M became insolvent and only 50 paise in a rupee was recovered. M was offered a del credere commission of 1% in addition to the ordinary commission 5% and accepted the same. Accordingly, she would have to bear the risk of default by customers. Do you think M would be in profit by accepting the commission? If she wants to remit the balance after deducting her expenses and commission, how much she should she remit? Show calculations through necessary accounts. [7 + 8 = 15]

3. The following is the Trial Balance of Mr R as on 31.12.2021. Prepare a Trading and Profit and Loss Account for the year 2021 and the Balance Sheet as at 31.12.2021 from it:

Particulars	Dr. (₹)	Cr. (₹)	Particulars	Dr. (₹)	Cr. (₹)
Purchases	1,80,000		Debtors	10,500	
Opening stock	10,000		Interest on loan	900	
Salaries less P.F	5,400		Commission	200	
P.F. remittance incl. proprietor's contribution 50%	1,200		Building	30,000	
Rent@ - ₹250 p.m.	2,750		Sales		2,05,000
Machinery	29,000		Loans (10% interest)		10,000
Wages	3,000		Creditors		15,000
Furniture & fittings	5,000		Capital		55,000
Electricity	550		Drawings	5,000	
Trade expenses	1,500		TOTAL	2,85,000	2,85,000

Additional Information:

- (1) On 1.1.2021 machinery worth ₹ 5,000 was sold for ₹ 4,000 and credited to Machinery Account.
- (2) Wages include ₹ 1,000 paid for machinery erection charges.
- (3) Purchases include cost of moped scooter for ₹ 5,000.
- (4) Proprietor has taken goods costing ₹ 1,000 for which no entry has been made.
- (5) Sundry debtors include ₹ 500 which had become bad.
- (6) Provide 10% provision for bad debts.
- (7) Electricity outstanding ₹ 50.
- (8) Goods costing ₹ 5,000 were destroyed by fire and insurance claim was received for ₹ 4,000.
- (9) Provide depreciation at 10% on machinery, furniture and moped.
- (10) Provide depreciation at 5% on Building.
- (11) Closing stock is ₹12,000.

[15]



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4. (a) P, Q and R sharing profits and losses equally, had been trading for many years. R decided to retire on 31.3.2022 on which date Balance Sheet of the firm is as follows.

		₹		₹
Capital accounts:	P	1,20,000	Cash	36,000
	Q	85,000	Debtors	74,000
	R	75,000	Stock	60,000
Creditors		85,000	Plant and Machinery	1,20,000
			Land and Building	75,000
		3,65,000		3,65,000

Value of goodwill was agreed as ₹ 93,000. Land and building increased in value, it being agreed at ₹1,05,600, plant and machinery was revalued at ₹1,00,500 and it was agreed to provide 6% in respect of debtors. Prepare revaluation account, capital accounts and balance sheet.

- (b) Discuss the treatment of goodwill on admission of new partner if:
- the new partner brings in premium for goodwill in cash.
 - the new partner is temporarily not able to bring in premium and the amount due in this respect will be treated as a loan.
 - the new partner does not bring the premium and the goodwill a/c may appear in the new balance sheet.
 - the new partner does not bring the premium and the goodwill a/c shall not appear in the new balance sheet.
- [7 + 8 = 15]**

5. (a) The following details are available in respect of a business for a year.

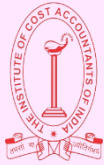
Department	Opening Stock	Purchase	Sales
X	120 units	1,000 units	1,020 units at ₹ 20.00 each
Y	80 units	2,000 units	1,920 units at ₹ 22.50 each
Z	152 units	2,400 units	2,496 units at ₹ 25.00 each

The total value of purchases is ₹ 1,00,000. It is observed that the rate of Gross Profit is the same in each department. Prepare Departmental Trading Account for the above year.

- (b) A company maintains its provision for bad debts @ 5% and a provision for discount on debtors @ 2%.

You are given the following details:

	2021 ₹	2022 ₹
Bad Debt	800	1,500



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Discount allowed	1,200	500
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Sundry debtors (before providing all bad debts and discounts) amounted to ₹ 60,000 on 31.12.2021 and ₹ 42,000 on 31.12.2022.

On 1.1.2021, Provision for bad debts and Provision of discount on debtors had balance of ₹ 4,550 and ₹ 800 respectively.

Show Provision for Bad Debts and Provision for Discount on Debtors Account.

[9 + 6 = 15]

6. (a) A, B and C are partners sharing profits and losses in the ratio of 2:2:1. On 1st January, 2019, they took out a joint life policy of ₹ 5,00,000. Annual premium of ₹ 25,000 was payable on 1st January each year. Last premium was paid on 1st January, 2022. B died on 1st March, 2022, and policy money was received on 31st March, 2022. The surrender value of policy as on 31st December each year were as follows:

2019 : Nil

2020 : ₹ 2,000

2021 : ₹ 5,000

Show Joint Life Policy accounts as on 31st December each year assuming that The premium is debited to joint life policy account and the balance of the joint life policy account is adjusted every year to its surrender value.

- (b) Ram trader's godown caught fire on 29th August, 2022, and a large part of the stock of goods was destroyed. However, goods costing ₹ 54,000 could be salvaged incurring expenses amounting to ₹ 2,350.

The trader provides you the following additional information:

	₹
Cost of stock on 1st April, 2021	3,55,250
Cost of stock on 31st March, 2022	3,95,050
Purchases during the year ended 31st March, 2022	28,39,800
Purchases from 1st April, 2022 to the date of fire	16,55,350
Cost of goods distributed as samples for advertising from 1st April, 2022 to the date of fire	20,500
Cost of goods withdrawn by trader for personal use from 1st April, 2022 to the date of fire	1,000
Sales for the year ended 31st March, 2022	40,00,000
Sales from 1st April, 2022 to the date of fire	22,68,000

The insurance company also admitted firefighting expenses. The trader had taken the fire insurance policy for ₹ 4,50,000 with an average clause.



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Calculate the amount of the claim that will be admitted by the insurance company.
[5 + 10 = 15]

7. (a) On 20.4.2022 JLC Ltd. obtained a loan from the Bank for ₹ 50 lakhs to be utilised as under:

Construction of a shed ₹ 20 lakhs

Purchase of machinery ₹ 15 lakhs

Working capital ₹ 10 lakhs

Advance for purchase of truck ₹ 5 lakhs

In March, 2023 construction of shed was completed and machinery installed. Delivery of truck was not received. Total interest charged by the bank for the year ending 31.3.2004 was ₹ 9 lakhs. Show the treatment of interest under AS 16.

- (b) The following is the Balance Sheet of Chirag as on 31st March, 2021:

Liabilities	₹	Assets	₹
Capital Account	48,000	Building	32,500
Loan	15,000	Furniture	5,000
Creditor	31,000	Motor Car	9,000
		Stock	20,000
		Debtors	17,000
		Cash in hand	2,000
		Cash at Bank	8,500
	94,000		94,000

An accident occurred on the night of 31st March, 2022 in which all books and records were lost. The cashier had absconded with the available cash. You are given the following information:

- (a) His sales for the year ended 31st March, 2022 were 20% higher than the previous year's. He always sells his goods at cost plus 25%; 20% of the total sales for the year ended 31st March, 2022 were for cash. There were no cash purchases.
- (b) On 1st April, 2021 the stock level was raised to ₹ 30,000 and stock was maintained at this new level all throughout the year.
- (c) Collection from debtors amounted to ₹ 1,40,000 of which ₹ 35,000 was received in cash, Business expenses amounted to ₹ 20,000 of which ₹ 5,000 was outstanding on 31st March, 2022 and ₹ 6,000 was paid by cheques.
- (d) Analysis of the Pass Book revealed the Payment to Creditors ₹ 1,37,500, Personal Drawing ₹ 7,500, Cash deposited in Bank ₹ 71,500 and Cash



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withdrawn from Bank ₹ 12,000.

- (e) Gross Profit as per last year's audited accounts was ₹ 30,000.
- (f) Provide depreciation on Building and Furniture at 5% and Motor Car at 20%.
- (g) The amount defalcated by the cashier may be treated as recoverable from him.

You are required to analyse the above information and determine the net profit for the year ended 31st March, 2022. Also Prepare a balance sheet as on that date.

[5 + (7 + 3) = 15]

8. (a) T Ltd. borrowed US \$ 6,00,000 on 31.12.2021 which will be repaid (settled) as on 30.6.2022. The company prepares its financial statements ending on 31.3.2022. Rate of exchange between reporting currency (Rupee) and foreign currency (US \$) on different dates are as under:

31.12.2021 1 US \$ = ₹ 74.00

31.03.2022 1 US \$ = ₹ 74.50

30.06.2022 1 US \$ = ₹ 74.75

Advice the management as to how the exchange fluctuation should be treated in accounts.

- (b) On 1st April 2019 Hero Limited received Government grant of ₹ 300 lakhs for acquisition of a machinery costing ₹ 1,500 lacs.

The grant was credited to the cost of the asset.

The life of the machinery is 5 years. The machinery is depreciated at 20% on w.d.v. basis.

The company had to refund the grant in May 2022 due to non fulfillment of certain conditions.

Suggest how the management should with the refund of grant in the books of Hero Limited.

[7 + 8 = 15]