

PAPER 5- FINANCIAL ACCOUNTING

MTP_Intermediate_Syllabus 2012_Jun2015_Set 1

The following table lists the learning objectives and the verbs that appear in the syllabus learning aims and examination questions:

	Learning objectives	Verbs used	Definition
LEVEL B	KNOWLEDGE What you are expected to know	List	Make a list of
		State	Express, fully or clearly, the details/facts
		Define	Give the exact meaning of
	COMPREHENSION What you are expected to understand	Describe	Communicate the key features of
		Distinguish	Highlight the differences between
		Explain	Make clear or intelligible/ state the meaning or purpose of
		Identify	Recognize, establish or select after consideration
		Illustrate	Use an example to describe or explain something
	APPLICATION How you are expected to apply your knowledge	Apply	Put to practical use
		Calculate	Ascertain or reckon mathematically
		Demonstrate	Prove with certainty or exhibit by practical means
		Prepare	Make or get ready for use
		Reconcile	Make or prove consistent/ compatible
		Solve	Find an answer to
		Tabulate	Arrange in a table
	ANALYSIS How you are expected to analyse the detail of what you have learned	Analyse	Examine in detail the structure of
		Categorise	Place into a defined class or division
		Compare and contrast	Show the similarities and/or differences between
Construct		Build up or compile	
Prioritise		Place in order of priority or sequence for action	
Produce		Create or bring into existence	

Paper 5- Financial Accounting

Full Marks:100

Time allowed: 3 hours

[This paper contains 7 questions. All questions are compulsory, subject to instruction provided against each question. All workings must form part of your answer.]

1. Answer All questions (give workings)

[2 x10=20]

- (i) A building costing ₹1,20,000 is depreciated for 3 years on straight line basis, assuming 10 years working life and ₹2,00,000 residual value. At the beginning of fourth year, the building was revalued upwards by ₹3,00,000. Residual value also upwards by ₹1,00,000. The remaining useful life was reassessed as 10 years. Find depreciation to be charged for the fourth year onwards.
- (ii) A trader acquired Furniture for ₹40,000 but included the same in purchase account. He paid ₹8,000 to a supplier which was omitted to be recorded in the books. State the types of errors and pass journal entries to rectify the errors.
- (iii) Compute the amount of subscription to be received which will appear in the credit side of Receipts and Payment Account for the year ended 31.12.2014:
- Subscription as per Income and Expenditure ₹ 2,000
 - Subscription for 2013 unpaid at 01.01.2014 ₹200, ₹180 of which was received in 2014
 - Subscription paid in advance at 01.01.2014 ₹50
 - Subscription paid in advance at 31.12.2014 ₹40
 - Subscription for 2014 unpaid at 31.12.2014 ₹70
- (iv) Working capital of a company is ₹3,00,000 and total debts are ₹12,00,000. Bank overdraft is ₹2,00,000 Then calculate the Quick ratio.
- (v) Calculate the interest income to be recognized for Save Here Bank Ltd. for the year ended 31.03.2014 from the following information:

(₹ in Crores)

Interest	Total Interest collected	Earned but not collected	
		On PA	On NPA
Interest on Cash Credit	10,000	4,000	4,200
Interest on Overdraft	3,000	1,000	3,500
Interest on Term Loan	10,000	400	5,000

- (vi) Discuss the treatment of Tread Discount and Quantity Rebates under AS – 9.
- (vii) Calculate the Amount of claim under the loss of profit method if gross claim is ₹ 44,274, sum assured is ₹ 1,00,000 and Gross profit on adjusted Annual Turnover is ₹1,30,000.
- (viii) On 1st April, "A" purchased 12% debentures in S Ltd. for ₹3,50,000. The face value of these debentures were ₹3,00,000. Interest on debentures falls due on 30th June and 31st December. Compute the cost of acquisition of debentures.

MTP_Intermediate_Syllabus 2012_Jun2015_Set 1

- (ix) Namitha Ltd. furnished the following particulars:
Debtors ledger include ₹24,000 due from Mitra Ltd. whereas creditors ledger include ₹ 14,400 due to Mitra Ltd.
Journalise the above.
- (x) List the constituents of Central Electricity Regulatory Commission (CERC)?

2. (Answer any two)

- (a) From the following information, ascertain the value of stock as on 31.03.2014:

	₹
Value of stock on 01.04.2013	70,000
Purchase during the period from 01.04.2013 to 31.03.2014	3,46,000
Manufacturing expense during the above period	70,000
Sales during the same period	5,22,000

At the time of valuing stock on 31.03.2013 a sum of ₹6,000 was written-off a particular item which was originally purchased for ₹20,000 and was sold for ₹16,000. But for the above transactions the gross profit earned during the year was 25% on cost. **[4]**

- (b) Write a note on Accounting Life Cycle. **[4]**

- (c) D's Cash Book shows an overdrawn position of ₹3,630 on 31.3.2014, though the Bank Statement shows only ₹3,378 overdrawn. Detailed examination of two records revealed the following:

(i) A cheque for ₹ 1,560 in favour of Rath Associates has been omitted by the Bank from its statement, thus, cheque having been debited to another customer's account.

(ii) The debit side of Cash Book has been under cast by ₹ 300.

(iii) A cheque for ₹ 182 drawn in payment of electricity amount had been entered in the Cash Book on ₹ 128 & was shown correctly in the Bank statement.

(iv) A cheque for ₹ 210 from S. Gupta having been paid into Bank, was dishonoured & shown as such on Bank statement, although no entry relating to dishonoured had been made in Cash Book.

(v) The Bank had debited a cheque for ₹ 126 to D's A/c, in error. It should have been debited to Sukhal's A/c.

(vi) A dividend of ₹ 90 on D's holding of equity shares has been duly shown by Bank, no entry has been made in Cash Book.

Prepare the amended Cash Book.

[4]

MTP_Intermediate_Syllabus 2012_Jun2015_Set 1

3. (Answer any two)

(a) (i) Show what journal entries would be passed by the Delhi Head Office to record the following transactions in their Books on 31st March, 2015, the closing date :

- A remittance of ₹ 70,000 made by Noida Branch to Head Office on 29th March, 2015 and received by the Head Office on 5th April, 2015.
- Goods of ₹ 1,26,000 sent by the Head Office to the Ajmer Branch on 28th March, 2015 and received by the later on 4th April, 2015.
- Noida Branch paid ₹ 60,000 as salary to a visiting Head Office Official. **[3]**

(ii) Mithil Mukherjee sells two products manufactured in her own factory. The goods are made in two departments, X and Y, for which separate sets of accounts are maintained. Some of the manufactured goods of department X are used as raw materials by department Y, and vice versa.

From the following particulars, you are required to ascertain the total cost of goods manufactured in department X and Y:

Particulars	Department X	Department Y
Total units manufactured	10,00,000	5,00,000
Total cost of manufactured	₹10,000	₹5,000

Department X transferred 2,50,000 units to Department Y and the latter transferred 1,00,000 units to the former. **[7]**

(iii) Define Partnership as per Partnership Act, 1932. **[2]**

(b) (i) A and M are two partners sharing profits and losses in the ratio of 3 : 2. On 31.12.2014 their Capital Accounts stood at ₹ 55,000 and 45,000 after distribution of net profit of ₹15,000 and due consideration of drawings of the partners for ₹6,000 and ₹4,000 respectively. After closing the books following discrepancies were discovered:

- An item in the inventory was valued at ₹12,800 but had a realizable value of ₹8,300.
- ₹2,400 paid for insurance premium for the year ending on 31.03.2015 had been debited to profit and loss account.
- Interest on capital at 5% on partners' capital as at the beginning of the year and interest on drawings of partners at 8% p.a. were left out of consideration.

Ascertain the correct net profit of the firm and redistribute the profit by preparing a profit and loss appropriation account and determine the balance of partners' capital accounts. **[9]**

(ii) Simptronic sells computers on Hire Purchase basis at cost plus 20%. Terms of sale are ₹48,000 down payment and eight monthly instalments of ₹ 24,000 for each computer. Three computers were repossessed for non-payment of instalments and to be valued at 50% of cost price. Compute the value of repossessed computers. **[3]**

(c) (i) On April 1, 2014 the Provision for Doubtful Debts Account of PPL Ltd. showed a balance of ₹ 80,000 and the Debtors amounted to ₹18,00,000. Out of these, during the year ended March

MTP_Intermediate_Syllabus 2012_Jun2015_Set 1

31, 2015, Debtors amounting in all to ₹12,25,000 paid their dues in full, but the following debts provide bad or doubtful:

Amir (₹ 30,000)	bad to the full extent
Abir (₹ 60,000)	insolvent, estate expected to pay 50 paise in the rupee and
Asif (₹ 15,000)	$33\frac{1}{3}\%$ paid in full settlement

The remaining debts were considered somewhat doubtful on March 31. The following further debts became due during 2014-2015 but were outstanding on March 31, 2014:

Dolon (₹ 40,000)	expected to prove wholly bad
Era (₹ 35,000)	expected to prove 8%
Fullara (₹ 3,00,000)	expected to prove bad to some extent
Gungun (₹ 5,00,000)	expected to provide 5% bad
Harshbardhan (₹ 4,00,000)	expected to prove wholly good

It was decided to write off actual bad debts to create provision of 5% on debts of unknown and doubtful nature.

Show the Provision for Doubtful Debts Accounting for the year 2014-2015.

[8]

- (ii) On March 31, 2014, Ping-Pong Ltd. traded in an old machine having a carrying amount of ₹ 3,36,000, and paid cash difference of ₹ 1,20,000 for a new machine having a total cash price of ₹ 4,10,000. On March 31, 2014, what amount of loss should Ping-Pong Ltd. recognize on this exchange?

[4]

4. (Answer any two)

- (a) Rectify or adjust the following affecting ledgers maintained under self-balancing system:

- (i) Purchase Day Book under cast by ₹2,000.
- (ii) Sales to Mr. B of ₹2,600 was entered in the books as ₹260.
- (iii) A cheque of ₹5,000 received from Milan & Co. was recorded as received from Mill One & Co.
- (iv) A debit balance of ₹300 in the account of Pritam in Sales Ledger was set off against his account in the creditors ledger. But this has not been recorded.

[4]

- (b) A firm keeps its sold and bought ledgers on self-balancing system. From the following particulars, prepare the adjustment account in the sold ledger.

Trade Debtors on 1st April, 2013 — ₹62,000; Trade Creditors on 1st April, 2013—₹ 25,000; Credit Purchases — ₹1,03,000; Credit Sales—₹ 1,34,000; Cash received from trade debtors—₹ 78,000; Returns Inward— ₹ 3,000; Acceptances given—₹ 40,000; Returns Outward—₹ 2,500; Acceptances from trade debtors dishonoured— ₹ 5,000; Discount allowed to trade debtors—₹ 1,000; Bad Debts written off—₹ 2,000; Bad Debts written off in the previous years now recovered—₹ 5,000; Trade Creditors on 31st March, 2014 — ₹ 10,500; Trade Debtors on 31st March, 2014 — ₹ 1,17,000.

[4]

- (c) Discuss Contra Transaction.

[4]

MTP_Intermediate_Syllabus 2012_Jun2015_Set 1

5. (Answer any two)

- (a) Krishna Construction Ltd. undertook a contract on 1st January to construct a building for ₹160 Lakhs. The Company found on 31st March that it had already spent ₹117,00,000 on the construction. Prudent estimate of additional cost for completion was ₹63,00,000. What amount should be charged to revenue and what amount of Contract Value to be recognised as Turnover in the accounts for the year ended 31st March as per provision of AS – 7 (revised)? **[4]**
- (b) Amra Sobai Society receives an entrance fee of ₹10,000 from new members. Members are also required to pay a membership fee of ₹3,000 at the time of entrance. The membership fee permits only membership and all other services or products are paid for separately. Give the accounting treatment for entrance fees and membership fees. **[4]**
- (c) Discuss the Development Stage of an Internally Generated Software. **[4]**

6. (Answer any two)

- (a) (i) Mr. Ramdas sends goods to his customers on sale or return basis. The following transactions took place during the month of April 2014 :

	₹
April 4 Goods sent on Sale or Return basis at cost plus 20%	60,000
8. Goods returned by customers	15,000
20. Sale information received from customers	30,000
30. No intimation received about the goods (i.e., neither sold nor returned)	15,000

Assume that the accounts are closed on 31st March every year and Ramdas records the above transactions as ordinary sales basis. **[6]**

- (ii) M Ltd. acquires 2000, 12% Debenture of S Ltd. on 1.4.2013 at ₹ 105 Cum-interest (face value of debentures ₹ 100). Interest is paid on 30th June and 31st December every year. Accounts are closed on 31st December 2013. Ascertain the amount of interest and cost of debentures. **[2]**
- (b) (i) To accommodate Asha, Bipasha accepts a bill drawn on 01.01.2013 for ₹10,000 payable after three months. On the same date, Asha gets the bill discounted @ 24% p.a. On due date, Asha remits the amount of bill to Bipasha to honour the bill and the bill is duly paid by Bipasha on due date. Show the Journal Entries in the books of Asha and Bipasha. **[6]**
- (ii) Discuss the accounting treatment relating to the calculation of closing stock, if Joint Ventures is running for more than one accounting period. **[2]**

- (c) On 20th July, 2015 the godown and the business premises of a merchant were affected by fire. From the accounting records salvaged, the following information is made available to you:
- | | |
|---|-----------|
| Stock of Goods on 1st April, 2014 | ₹1,00,000 |
| Stock of Goods at 10% lower than cost on 31st March, 2015 | ₹1,08,000 |
| Purchases of Goods for the year 1st April, 2014 to 31st March, 2015 | ₹4,20,000 |
| Sales for the same period | ₹6,00,000 |
| Purchases less returns from 1st April, 2015 to 20th July, 2015 | ₹1,40,000 |
| Sales Returns for the above period | ₹3,10,000 |

MTP_Intermediate_Syllabus 2012_Jun2015_Set 1

Sales up to 20th July, 2015 included ₹40,000 for which goods had not been despatched. Purchases up to 20th July, 2014 did not include ₹20,000 for which purchase invoices had not been received from suppliers, though goods had been received at the godown.

Goods salvaged from the accident were worth ₹12,000 and these were handed over to the insured. Ascertain the value of the claim for the loss of goods/stock which could be preferred to the insurer. **[8]**

7. (Answer any two)

- (a) (i) The Life Insurance Fund of Bharat Life Insurance Co. Ltd. was ₹75 lakhs on 31.03.2015. Its actuarial valuation on 31.03.2015 disclosed a net liability of ₹63.75 lakhs. An interim bonus of ₹1,20,000 was paid to the policy holders during previous two years. It is now proposes to carry forward ₹2,25,000 and to divide the balance between policy holders and the shareholders.

Show the — Valuation Balance Sheet; Net profit for the two-year period; and Distribution of profits. **[5]**

- (ii) Discuss - State Electricity Commission (SEC). **[3]**

- (b) From the following information Calculate Interest on Loans as per Regulation 21 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004:

- Date of Commercial Operation of COD = 1st April 2010
- Approved Opening Capital Cost as on 1st April 2010 = 1,50,000
- Details of allowed Additional Capital Expenditure. Repayment of Loan and Weighted Average

Rate of Interest on Loan is as Follows:

	1st year	2nd year	3rd year	4th year
Additional Capital Expenditure (Allowed)	10,000	3,000	2,000	1,000
Repayment of Loan	8,000	10,000	10,000	11,000
Weighted Average Rate of Interest on Loan	7.4	7.5	7.6	7.5

[8]

- (c) (i) Calculate Rebate on Bills discounted as on 31 December,2014 from the following data and show journal entries:

	Date of Bill	₹	Period	Rate of Discount
(i)	15.10.2014	50,000	5 months	8%
(ii)	10.11.2014	30,000	4 months	7%
(iii)	25.11.2014	40,000	4 months	7%
(iv)	20.12.2014	70,000	3 months	9%

[6]

- (ii) List the statistical books to be maintained by a banking company. **[2]**