

**Paper 5 - Financial Accounting**

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Full Marks : 100

Time allowed: 3 hours

[This paper contains 9 questions. All questions are compulsory, subject to instruction provided against each question. All workings must form part of your answer.]

### Section - A

#### 1. Answer the following questions

##### (a) Multiple choice questions:

[5x1=5]

(i) Contingent Liability would appear

- (a) On the liability side
- (b) On the asset side
- (c) As a note in Balance Sheet
- (d) None of the above

(ii) Income Statement of a charitable institution is known as

- (a) Profit and Loss A/c
- (b) Receipts and payments A/c
- (c) Income and Expenditure A/c
- (d) Statement of Affairs

(iii) Ground Rent or Surface rent means

- (a) Minimum Royalty payable
- (b) Maximum Royalty payable
- (c) Fixed rent payable in addition to minimum rent
- (d) Rent recovered at the end of lease term

(iv) In the hire purchase system interest charged by vendor is calculated on the basis of

- (a) Outstanding cash Price
- (b) Hire purchase Price
- (c) Installment amount
- (d) None of the above

(v) Goods are transferred from Department A to Department B at a price so as to include a profit of 33.33% on cost. If the value of closing stock of Department Y is ₹36,000, then the amount of stock reserve on closing stock will be

- (a) ₹12,000
- (b) ₹9,000
- (c) ₹18,000
- (d) None of the above

##### (b) Match the following:

[5x1=5]

	Column 'I'		Column 'II'
1.	Both a journal and a ledger	A	Valuation of Inventories
2.	Under Valuation of Assets	B	Cash Book
3.	AS-2	C	Secret Reserves
4.	Indemnity Period	D	Royalties
5.	Minimum Rent	E	Insurance Claim

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(c) State whether the following statements are true or false: [5x1=5]

- (i) Depreciation is a charge against profit.
- (ii) Compensation paid to employees who are retrenched is Revenue expenditure.
- (iii) Excess of hire purchase price over cash price is known as Interest.
- (iv) Bad debts are apportioned among departments in the proportion of sales of each department.
- (v) Joint Venture is a Temporary form of business organization.

(d) Answer the following: [5x2=10]

- (i) In preparing the Bank Reconciliation Statement for the month of June 2015, AB Company has the following data.  
Balance as per bank statement ₹ 15,375.  
Cheques issued but not presented ₹ 1,725  
Bank service charges ₹ 100.  
Compute the bank balance as per cash book.
- (ii) Golden Ltd furnished the following particulars:  
Debtors ledger include ₹ 7,500 due from Das & Co. whereas creditors ledger include ₹ 4,500 due to Das & Co. Show the journal entry.
- (iii) ₹ 30,000 is the annual installment to be paid for three years (given present value of an annuity of ₹ 1 p.a. @ 5% interest is 2.7232. Ascertain the cash price increase of hire purchase.
- (iv) An industry borrowed ₹ 40,00,000 for purchase of machinery on 1-6-2014. Interest on loan is 9% p.a. The machinery was put to use from 1-1-2015. What is the amount to be charged for the year ended 31-3-2015 to record the borrowing cost of loan as per AS – 16.
- (vi) Salary debited to Income and Expenditure Account for the year was ₹1,15,200 Outstanding salary paid in the beginning of the year and the outstanding salary at the end of the year were ₹14,400 and ₹18,000 respectively. Compute the amount of Salary to be shown in Receipts and Payments Account.

## Section - B

Answer any five from the following.

Each question carries 15 marks [5 × 15 = 75]

2. (a) The Bank statement of Mr. J. White dated 31.12.2013 showed a balance with his Bank of ₹ 924. On verification of his Cash Book the following were noted:
- (i) During December, the Bank had paid ₹200 for a yearly contribution of Mr. White, made to a local charity, as per his standing order. This amount appeared in the Bank statement but not in the Cash Book.
  - (ii) The Bank had credited his account with ₹28 interest and had collected on his behalf ₹230 as dividends. No corresponding entries were made in the Cash Book.
  - (iii) A cheque of ₹65 deposited into the Bank on 28.12.2013 was not cleared by the Bank till after 31.12.2013.
  - (iv) A cheque of ₹150 deposited into and cleared by the Bank before 31.12.2013 was not entered in the Cash Book, through an oversight.
  - (v) Cheques drawn by and posted to parties by Mr. White on 31.12.2013 for ₹73, ₹119 and ₹46 were presented for payment to the Bank only on 3.1.2014. [7]
- (b) Mr. B sold goods to Mr. K for ₹ 90,000 on 1<sup>st</sup> April, 2016 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 Mr. B and is duly met. The second bill was discounted (discount being ₹ 600) and is

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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 Mr. K pays Cash ₹ 10,150 and accepted and 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. Mr. K declared insolvent on 15<sup>th</sup> Sept. 2014 and 35 paise in a rupee were received from his estate.

Required:

Pass Journal entries in the Books of Mr. B.

**[8]**

3. (a) From the following Receipts and Payments of Nethajee Sports Club, prepare income and expenditure a/c for the year ended on 31-3-2016.

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d (01-04-2015)	23,000	By Salaries	16,000
To Subscriptions	13,000	By Rent	3,000
To Interest	1,000	By Stationery	1,000
To Sale of Old Furniture (Book Value ₹ 2,000)	1,600	By Sports Material Purchased	12,000
To Entrance Fees	8,000	By Balance c/d (31-3-2016)	12,000
	46,600		46,600

Additional Information:

(a) Subscriptions include ₹1,000 received for the last year.

(b) Rent includes ₹600 paid for the last year.

From the above particulars Prepare Income and Expenditure A/c for the year ending 31-3-2016.

**[7]**

- (b) From the following information, calculate a consequential loss claim:

- (i) Financial year ends on 31st March.
- (ii) Fire occurs on December 1 following.
- (iii) Period of disruption : December 1 to March 31.
- (iv) Period of indemnity : 6 months.
- (v) Net profit for previous financial year ₹ 15,00,000
- (vi) Insured standing charges ₹ 25,00,000
- (vii) Uninsured standing charges ₹ 4,00,000
- (viii) Increase in the cost of working ₹ 3,20,000
- (ix) Saving in insured standing charges ₹ 1,00,000
- (x) Reduced turnover avoided through increased cost of workings : ₹ 8,00,000
- (xi) 'Special circumstances clause' stipulated:
  - (a) Increase in turnover (standard and annual) : 20%
  - (b) Increase in rate of gross profit: 5%

(xii)

Turnover for the four months ending	31st July	30th Nov.	31st March
I Year (₹)	40,00,000	90,00,000	70,00,000
II Year (₹)	60,00,000	1,10,00,000	20,00,000

(xiii) Sum insured : ₹ 50,00,000.

**[8]**

4. A, B and C were equal partners in a firm. Their Balance Sheet as on 31<sup>st</sup> 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

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	B's Capital (Overdrawn)	1,30,000
		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 Furniture 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.

**[15]**

5. (a) Upen 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 manufacture	₹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.

**[8]**

- (b) The following details were extracted from the books of Mr. Vasudev for the period ended 31<sup>st</sup> Dec, 2015. Prepare Debtors Ledger Adjustment Account in General Ledger.

Date	Particulars	₹
Jan 01	Sales Ledger Balances	24,900
	Provision for Doubtful Debts	1,800
Dec,31	Sales (including Cash Sales ₹9,000)	47,800
	Cash received from Customers	36,000
	Bills Receivable received	3,500
	Returns from Customers	700
	Bills endorsed	900
	Bills dishonoured	600
	Cheque dishonoured	250
	Bills receivable as endorsed, dishonoured	240
	Bills receivable discounted	1,000
	Bad Debts written off	100
	Interest charged to customers	40
	Bad Debts previously written off recovered	120
	Transfer from Bought Ledger	300
	Sundry Charges debited to customers	50
	Debtor's Balance (Cr.) 31.12.2015	350

**[7]**

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6. (a) Revision in the salary, effective from 1.4.2014, would cost the company an additional liability of ₹3,00,000 p.a. What will be the treatment in the final statement of account for the year ended 31st March 2015 of a limited company? [5]

(b) On 1.1.2014 B Ltd. purchased a Truck from T Ltd. on hire purchase system. At the time of Agreement a sum of ₹ 1,92,000 was paid out of the cash down price of the Truck and the balance was be payable in 3 equal installments together with interest @ 5% p.a. The amount of last installment including interest was ₹ 2,68,800 .  
Show the calculation of Cash Price, the interests paid and the Hire Purchase Price of the Truck. [10]

7. (a) Mitali Construction Ltd. undertook a contract on 1<sup>st</sup> January to construct a building for ₹80 Lakhs. The Company found on 31<sup>st</sup> March that it had already spent ₹58,50,000 on the construction. Prudent estimate of additional cost for completion was ₹31,50,000.  
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 31<sup>st</sup> March as per provision of AS – 7 (revised)? [7]

(b) Khush Raho Life Insurance Co. Ltd. provides you the following information:

Particulars	Direct Business ₹	Re-Insurance ₹
Commission Paid	1,11,000	10,000
Commission Payable on 1.4.2015	2,000	1,000
Commission Payable on 31.3.2016	1,000	3,000
Commission Received		14,000
Commission Receivable on 1.4.2015		2,000
Commission Receivable on 31.03.2015		3,000

How will you show the various figures in respect of Commission on Re-Insurance ceded in the Revenue Account for the year ended 31st March, 2016.

[8]

8. (a) On 31.12.2015, Sundry Debtors and Provision for Bad Debts are ₹ 50,000 and ₹ 5,000 respectively. During the year 2016, ₹ 3,000 are bad and written off on 30.9.2016, an amount of ₹ 400 was received on account of a debt which was written off as bad last year on 31.12.2016, the debtors left was verified and it was found that sundry debtors stood in the books were ₹ 40,000 out of which a customer Mr. X who owed ₹ 800 was to be written off as bad. Provision for  
Prepare : Bad Debt A/c and Provision for bad debts A/c assuming that same percentage is maintained for Provision for bad debts. [6]

(b) From the following information calculate Return on Equity as per Regulation 21 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014:

- (i) Date of Commercial Operation of COD = 1<sup>st</sup> April 2010.
- (ii) Approved Opening Capital Cost as on 1<sup>st</sup> April 2010 = ₹ 15,00,000.
- (iii) Details of allowed Additional Capital Expenditure. Repayment of Loan and Weighted Average Rate of interest on loan is as follows:

	1 <sup>st</sup> Year	2 <sup>nd</sup> Year	3 <sup>rd</sup> Year	4 <sup>th</sup> Year
Additional Capital Expenditure (Allowed)	1,00,000	30,000	20,000	10,000

[9]

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

[3x5=15]

- (a) Write about cash basis and accrual basis of accounting;
- (b) Bills of Exchange;
- (c) Components of contract revenue as per AS – 7;
- (d) Money Measurement Concept.