Paper 5- Financial Accounting

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Full Marks : 100 **Time allowed: 3 hours**

Section - A

1. Answer the following questions

(a) Multiple choice questions: **[10x1=10]**

(i) 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.

(ii) If a partner dies which of the following amount becomes payable?
(A) His share of undistributed profit/loss;
(B) His share of goodwill;
(C) His share of Joint Life Policy, if any;
(D) All of the above

(iii) Bearer plant is a plant that
(A) is used in the production or supply of agricultural produce
(B) a living animal
(C) are held for use in the production or supply of goods or services
(D) None of the above

(iv) As per AS 7 Contract Cost does not consist
(A) Site labour cost including supervision
(B) Cost of material used in construction
(C) Depreciation of plant and equipments used on the contract
(D) General administration cost

(v) Bad debts are apportioned among departments in the proportion of
(A) Sales of each department
(B) Number of units sold each department
(C) Cost of sales of each department
(D) None of the above

(vi) Which of the following is true when a debtor pays his dues?
(A) The asset side of the Balance Sheet will decrease
(B) The asset side of the Balance Sheet will increase
(C) The liability side of the Balance Sheet will increase
(D) There is no change in total assets or total liabilities

(vii) XYZ send goods worth ₹1,00,000 to Y on consignment basis at 20% above the cost price. The goods are sold by the consignee on a mark of 15% on invoice price. Find the total mark up % over the cost price of the goods —
(A) 30%
(B) 38%
(C) 35%
(D) 25%

(viii) Which of the following relationships is/are false?
- (A) Net Profit = Gross Profit – Administration and Other expenses
- (B) Net Profit = Gross Profit + Administration expenses and Other expenses
- (C) Opening Stock + Purchases – Closing Stock = Cost of Sales
- (D) Both (b) and (c) above

(ix) Expense Account will always have
- (A) Debit balance
- (B) Credit balance
- (C) Nil
- (D) None of the above

(x) An amount spent for replacement of worn out part of machine is
- (A) Capital Expenditure
- (B) Revenue Expenditure
- (C) Deferred revenue
- (D) Capital Loss

(b) Match the following: [5x1=5]

	Column 'A'		Column 'B'
1.	Income and Expenditure A/c	**A**	Royalties
2.	Bills of Exchange	**B**	Does not require a name
3.	Joint venture	**C**	Trial Balance is not prepared
4.	Single Entry System	**D**	Unconditional order
5.	Ground Rent	**E**	Nominal Account

(c) Fill in the blanks: [5x1=5]

(i) _______________is an art of recording business transactions in a set of books.
(ii) __________is a person to whom the business owes money or money's worth.
(iii) Profit made on re-issue of forfeited shares is a __________ Profit.
(iv) ____________ is an estimated loss of the value of an asset.
(v) ________________means that the acceptor refuses to honour his commitment on due date.

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

(i) The ownership of goods remains with the consignor when goods are transferred to the consignee by the consignor.
(ii) Normal Losses arises as a result of negligence.
(iii) Partners of a Joint venture are called co-venturers.
(iv) A fire insurance policy is taken to cover four types of losses.
(v) Bad debts are uncollectable or irrecoverable debt or debts.

Section - B

Answer any five from the following. Each question carries 15 marks (5x15=75)

2. **(a)** On 1st January 2014, Very Good Ltd. Purchased a second-hand machine for ₹1,60,000 and spend ₹40,000 on its cartage, repairs and installation. The residual value at the end of its expected useful life of 4 years is estimated at ₹80,000. On 30th September 2015, this machine was sold for ₹1,00,000. Depreciation is to be provided according to Straight Line Method.

Prepare: Machinery Account fo the years assuming that the accounts are closed on 31st March each year. **[7]**

(b) A and B jointly undertake to construct a building for Big & Rich Ltd. For contract price of ₹50,00,000 payable as to 80% in cash by four equal instalments and the balance by in fully paid shares of ₹ 10 each at a premium of 100%. They opened a bank account in their joint name and deposited ₹24,00,000 in the ratio of 2:1. They agreed to distribute first ₹5,00,000 of profits equally and the balance in the ratio of 2:1.

Their transactions were as follows:

(i) Materials supplied by A ₹60,000.
(ii) Wages paid ₹6,00,000, material bought ₹9,00,000, Mixer ₹1,00,000, Plant ₹3,00,000.
(iii) Expenses (including insurance premium) paid by B ₹40,000.
(iv) On completion of construction, the contract price was realized.
(v) A took over unused materials at ₹40,000
B took over mixer at ₹60,000
Plant was sold at ₹1,85,000
Materials costing ₹20,000 stolen against which claim of ₹15,000 was received.
(vi) A took-up 60% of the shares and B took-up the balance at an agreed value of ₹15 per share.
(vii) Accounts were settled.

Prepare : Joint Venture Account, Joint Bank Account and Co-venturers' Account .
[8]

3. From the following Trial Balance and Necessary Information given below for a public school, prepare Income and Expenditure Account for the year ended 2016 and the Balance Sheet as at March 31, 2016. **[5+5+5=15]**

Debit Balance	₹	Credit Balance	₹
Buildings	3,00,000	Admission Fee	5,000
Furnitures and Fittings	40,000	Tution and other fees received	2,50,000
Library books	60,000	Creditors for Supplies	6,000
9% Investments	2,00,000	Rent for the Hall	4,000
Salaries	2,00,000	Miscellaneous Receipts	12,000
Stationery	15,000	Govt. Grant	1,40,000
General Expenses	8,000	General Fund	4,00,000
Annual Sports – Expenses	6,000	Donation received for purchase of Library Books	25,000
Cash at Bank	20,000	Sale of Old Furniture	8,000
Cash in Hand	1,000		
	8,50,000		8,50,000

Fees yet to be received for the year ₹10,000. Salaries yet to be paid amount to ₹12,000. Furniture costing ₹15,000 was purchased on 01.10.2015. The book value of the Furniture sold (on 30.09.2015) was ₹20,000 on 01.04.2015. depreciation is to be charged @ 10% per annum on Furniture and Fittings; 15% on Library Books and 5% on Buildings.

4. 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

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) From the following figures prepare accounts to disclose total profit and the profit of the two departments B and C.

Particulars	₹	Particulars	₹
Opening Stock:		Advertising	8,100
B	15,200	Insurance	1,000
C	10,800	General Expenses	5,400
Purchase:		Discount Allowed	1,800
B	75,100	Accountancy Charges	500
C	69,800	Sales:	
Carriage inwards	2,860	B	1,00,000
Salaries:		C	80,000
B	9,000	Purchases returns:	
C	8,500	B	1,100
General Salaries	11,600	C	800
Rent and Rates	6,000	Discount Received	1,430

The following further information is supplied:

(i) Goods transferred from department B and C was ₹5,000. This has not yet been recorded.
(ii) General Salaries are to be allocated equally.
(iii) The area Occupied is in the ratio 3:2
(iv) Insurance premium is for a comprehensive policy, allocation being inconvenient.
(v) The closing stock of the two departments were:
B — ₹17,800 and C — ₹15,600.

[8]

(b) From the following information, prepare Total Debtors Account for the year ending on 31st March, 2016:

(i) Trade Debtors as on 01.04.2015 ₹2,00,000.
(ii) Gross Sales (including Cash Sales of ₹3,00,000) ₹16,20,000.
(iii) Return Inwards ₹20,000.
(iv) Discount Allowed ₹11,000 (of which later on ₹1,000 disallowed)
(v) Cash received from Debtors ₹4,40,000 of cheques amounting to ₹40,000 were dishonoured. Out of these dishonoured cheques a cheque for ₹10,000 was dishonoured for non-payment as the customer became insolvent and his estate realized nothing.
(vi) Bills Receivable drawn during the year totaled ₹6,60,000 of which bills amounting to ₹60,000 were endorsed in favour of suppliers. Bills dishonoured ₹30,000 (including Bills of ₹10,000 endorsed to suppliers).
(vii) Interest on Overdue Account ₹45,000.
(viii) Bad Debts written off in earlier years recovered ₹20,000.
(ix) Provision for Doubtful Debts on Debtors ₹25,000.
(x) Transfer to Bought Ledger ₹15,000. **[7]**

6. (a) Following are the extracts from the Trial Balance of a Company as at 31st March,2017:

Name of Account	Debit Balance (₹)	Credit Balance (₹)
Sundry Debtors	4,10,000	
Provision for Doubtful Debts		20,000
Bad Debts	6,000	

Additional Information:
(i) Additional bad debts ₹10,000,
(ii) Maintain the provision for Doubtful Debts @ 10% on Debtors
Give the Journal Entries and show the relevant Accounts. **[7]**

(b) On 1st January 2015, Mr. A purchased from Mr. B a plant valued at ₹14,90,000; payment to be made by four semi-annual instalments of 4,20,000; interest being charged at 5% per half year. Mr. A paid the first instalment on 1st July 2015 but failed to pay the next. Mr. B repossessed the plant on 4th January 2016. On 5th January 2016, after negotiation, Mr. A was allowed to retain the plant of which the original cash price was 7,80,000 and he was to bear the loss on the remainder which was to taken over by Mr. B on that date for 7,50,000. Mr. B waived the interest after 31st December 2015. Another agreement was signed for payment of the balance amount.
Show by ledger accounts the necessary records in the books of Mr. A charging depreciation at 10%nper annum half yearly on the written down value. **[8]**

7. (a) ABC Ltd. is installing a new plant for its production facility. It has incurred these costs:

	₹
Cost of the plant (cost per supplier's invoice plus taxes)	35,00,000
Initial delivery and handling costs	3,00,000
Cost of site preparation	8,00,000
Consultants used for advice on the acquisition of the plant	7,00,000
Interest charges paid to supplier of plant for deferred credit	5,00,000
Estimated dismantling costs to be incurred after 7 years	3,00,000
Operating losses before commercial production	4,00,000

Please advise ABC Ltd. on the costs that can be capitalized in accordance with AS 10 (Revised). **[8]**

(b) List the salient features of Computerized Accounting System. **[7]**

8. Write short notes on any three of the following: [3x5=15]

(a) Weaknesses of single entry system;
(b) Provision for Discount on Creditors;
(c) Operating Cycle of Consignment Arrangement;
(d) Differences between Cash Basis and Accrual Basis of Accounting.