

Paper 5- Financial Accounting

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Full Marks : 100

Time allowed: 3 hours

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

This question paper has two sections.

Both the sections are to be answered subject to instructions given against each.

Section - A

1. Answer the following questions

(a) Multiple choice questions:

[10x1=10]

- (i) The concept that business is assumed to exist for an indefinite period and is not established with the objective of closing down is referred to as
- (a) Money Measurement concept
 - (b) Going Concern concept
 - (c) Full Disclosure concept
 - (d) Dual Aspect concept
- (ii) 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
- (iii) 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
- (iv) 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
- (v) 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
- (vi) 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
- (vii) Accounting standards in India are issued by
- (a) Comptroller and Auditor general of India
 - (b) Reserve bank of India

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- (c) The Institute of Accounting standards of India
- (d) The Institute of Chartered Accountants of India

- (viii) Bad debts Recovered ₹750. It will be
- (a) Credited to Bad debts A/c
 - (b) Credited to debtor's personal A/c
 - (c) Debited to creditor's personal A/c
 - (d) Credited to bad debts recovered A/c

- (ix) Which of the following is a function of journal:
- (a) Analytical Function
 - (b) Recording Function
 - (c) Historical Function
 - (d) All of the above

- (x) _____ contains the transactions relating to goods that are returned by us to our creditors
- (a) Return Inward
 - (b) Return Outward
 - (c) Sales Daybook
 - (d) None of the above

(b) Match the following:

[5x1=5]

	Column 'A'		Column 'B'
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

(c) Fill in the blanks:

[5x1=5]

- (i) The _____ discount is never entered in the books of accounts.
- (ii) Debtor is a person who _____ to others.
- (iii) Assets like goodwill, brand value and copy rights are called _____.
- (iv) The average clause is applicable when the actual loss is _____ than the sum assured.
- (v) Amount spent on the travelling expenses of a partner to a foreign trip for purchase of an asset to be used for the business is _____ expenditure.

(d) 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.

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Section - B

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

2. (a) A merchant, while balancing his books of accounts notices that the Trial Balance did not tally. It showed excess credit of ₹ 1,700. He placed the difference to Suspense A/c. Subsequently he noticed the following errors:
- Goods brought from Narayan for ₹ 5,000 were posted to the credit of Narayan's A/c as ₹ 5,500
 - An item of ₹ 750 entered in Purchase Returns Book was posted to the credit of Pandey to whom the goods had been returned.
 - Sundry items of furniture sold for ₹ 26,000 were entered in the sales book.
 - Discount of ₹ 300 from creditors had been duly entered in creditor's A/c but was not posted to discount A/c.

Pass necessary journal entries to rectify these errors. Also show the Suspense A/c. [8]

- (b) Mr. B sold goods to Mr. K for ₹ 90,000 on 1st 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 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 15th Sept. 2014 and 35 paise in a rupee were received from his estate.

Required:

Pass Journal entries in the Books of Mr. B. [7]

3. Mr. White commenced business as a Cloth Merchant on 1st January, 2016, with a capital of ₹ 2,000. On the same day, he purchased furniture for cash ₹ 600. The books are maintained by Single Entry. From the following particulars (i) calculate the cash in hand as on 31.12.16, (ii) prepare a Trading and Profit and Loss Account for the year ending 31st December, 2016 and (iii) a Balance Sheet as on that date :

	₹
Sales (including cash sales of ₹ 1,400)	3,400
Purchases (including cash purchases of ₹ 800)	3,000
Jaiswal's drawings	240
Salaries of Staff	400
Bad Debts written off	100
Business Expenses	140
Stock of goods on 31.12.2016	1,300
Sundry Debtors on 31.12.2016	1,040
Sundry Creditors on 31.12.2016	720

Mr. Jaiswal took cloth costing ₹ 100 from the shop for private use and paid ₹ 40 cash to his son, but omitted to record these transactions in his books. Provide depreciation on furniture at 10 per cent per annum. [15]

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

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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) 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 31st 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

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	Sundry Charges debited to customers	50
	Debtor's Balance (Cr.) 31.12.2015	350

[7]

6. (a) From the following details find out the amount to be debited to Profit and Loss A/c as fresh provision for doubtful debts during 2016-17.
Debtors was ₹ 60,000 as on 31.03.2017; Bad debt during the year ₹ 3,000; Provision for bad debts as on 01.04.2016 ₹ 4,000; Provision for doubtful debts to be kept at 5% of total debtors.

[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 1st January to construct a building for ₹80 Lakhs. The Company found on 31st 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 31st March as per provision of AS – 7 (revised)?

[6]

- (b) (i) State any four advantages of pre-packaged accounting software?

(ii) Discuss the matters to be considered for selection of pre-packaged accounting software.

[4+5=9]

8. 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.