

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 out flow of funds to acquire an asset that will benefit the business for more than one accounting period is referred to as —
(a) Miscellaneous Expenditure
(b) Revenue Expenditure
(c) Capital expenditure
(d) Deferred Revenue Expenditure
- (ii) The cost of a Fixed Assets of a business has to be written off over its
(a) Natural Life
(b) Accounting Life
(c) Physical Life
(d) Estimated Economic Life
- (iii) Receipts and Payments Account records
(a) Only revenue nature receipts
(b) Only capital nature receipts and payment
(c) Only revenue nature receipts and payments
(d) Both the revenue and capital nature receipts and payments
- (iv) Excess of minimum rent over royalty is known as
(a) Maximum rent
(b) Excess workings
(c) Short workings
(d) Deficiency of actual royalty
- (v) If any transaction is not recorded in the primary books the same is recorded in

(a) Journal Proper
(b) Sales Day Book
(c) Cash Book
(d) None of the above
- (vi) Which of the following is not a feature of Trial Balance
(a) It is a list of debit and credit balances which are extracted from various ledger accounts;
(b) It does not prove arithmetical accuracy which can be determined by audit;
(c) It is not an account. It is only a statement of account;
(d) All the transactions are primarily recorded in this book, hence it is the primary book of entry.

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- (vii) The person in whose favour the bill is endorsed is known as _____.
- Endorsee
 - Drawee
 - Drawer
 - None of the above
- (viii) Which of the following is/ are the basic features of a Joint Venture
- The profit or loss on joint venture is shared between the co-venturers in the agreed ratio;
 - The co-venturers may or may not contribute initial capital;
 - The JV is dissolved once the purpose of the business is over;
 - All of the above.
- (ix) The following account has a credit balance
- Plant and Equipment A/c
 - Purchase Returns A/c
 - Purchase A/c
 - None of the above
- (x) When Sales = ₹3,60,000, Purchase = ₹3,20,000, Opening Stock = ₹68,000 and rate of the Gross Profit is 20% on cost, the Closing Stock would be
- ₹1,00,000
 - ₹44,000
 - ₹46,000
 - None of the above

(b) Match the following:

[5x1=5]

	Column 'A'		Column 'B'
1.	Maximum Loss	A	Hire Purchase
2.	Partial repossession	B	Bills of Exchange
3.	Purchases day book	C	Credit Balance
4.	Noting Charges	D	Partnership Dissolution
5.	Provision for bad and doubtful debts	E	Subsidiary Book

(c) Fill in the blanks:

[5x1=5]

- The _____ shows financial position of the business as on a particular date
- The withdrawal of money by the owner of business is called _____.
- An allowance by a creditor to debtor for prompt payment is _____.
- Income & Expenditure Account is similar to _____ A/c.
- Profit means excess of _____ over _____.

(d) State whether the following statements are true or false:

[5x1=5]

- As per concept of conservatism, the Accountant should provide for all possible losses but should not anticipate profit.
- Minimum rent is also called dead rent or fixed rent
- Hybrid Basis of Accounting is the combination of both Cash as well as Accrual basis.
- Revenue expenditure is the outflow of funds to acquire an asset that will benefit the business for more than one accounting period.
- Honour of a Bill means that the acceptor refuses to honour his commitment on due date and for this, payment of the bill on presentation does not take place.

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Section - B

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

2. (a) On 1st April, 2014, Om Ltd. purchased a machine for ₹66,000 and spent ₹5,000 on shipping and forwarding charges, ₹7,000 as import duty, ₹1,000 for carriage and installation, ₹500 as brokerage and ₹500 for an iron pad. It was estimated that the machine will have a scrap value of ₹ 5,000 at the end of its useful life which is 15 years. On 1st January, 2015 repairs and renewals of ₹ 3,000 were carried out. On 1st October, 2016 this machine was sold for ₹ 50,000. Prepare Machinery Account for the 3 years. [7]

- (b) J of Jamsedpur consigned 50 tilling machines costing ₹4,000 each to V of Varanasi. J incurred the following expenses in dispatching the goods :
Carriage — ₹ 2,120; Insurance — ₹ 19,380; Freight — ₹ 3,500

2 machines were damaged in transit beyond repairs and 3 other machines were yet to be received by V. The latter sold 30 machines at a profit of ₹ 1,500 each and charged a commission of 5% on sales.

He paid the following expenses :

Unloading Charges — ₹ 3,000; Warehouse Rent — ₹ 4,000; Salesman's Salary, etc. — ₹ 5,000

Show the Consignment Account in the books of J. [8]

3. The Income & Expenditure Account of Jayashree Sangha Club for the year ended 31.12.2015 as given below:

Expenditure	₹	Income	₹
To Salaries	20,500	By Subscription	52,000
To Newspaper	1,500	By Sale of Newspaper	2,500
To Audit Fees	2,500	By Admission Fees	12,000
To General Expenses	22,000	By Donation	15,000
To Printing & Stationery	7,500	By Miscellaneous Income	500
To Travelling Expenses	2,000		
To Rent	3,500		
To Depreciation of Furniture	2,500		
To Surplus	20,000		
	82,000		82,000

The following is the Balance Sheet of the Club as on 31.12.2014

Liabilities	Amount (₹)	Assets	Amount (₹)
Outstanding salary	2,000	Furniture	15,000
Subscription received in advance	2,500	Sports equipment	20,000

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Accumulated fund	45,500	Accrued Subscription	5,000
		Cash at Bank	10,000
	50,000		50,000

Prepare Receipts & Payments Account for the year ended 31.12.2015 taking into account the following adjustments:

- (i) Subscription received in advance ₹ 1,500
- (ii) Salary due for ₹ 1,500 but not paid for the year
- (iii) 60% of the admission fee to be capitalized
- (iv) Subscription due for 2015 but not received ₹ 3,000.

[15]

4. Gupta and Maitra were partners in a firm sharing profits in the ratio of 3 : 1. They admitted Sen as a new partner for $\frac{3}{8}$ th share in the profits. The new profit-sharing ratio will be 3:2:3. Sen brought ₹2,00,000 for his capital and ₹50,000 for his share of premium for goodwill. On 31st March, 2015, the date of Sen's admission, the Balance Sheet of Gupta and Maitra was:

Liabilities	₹	Assets	₹
Creditors	60,000	Cash	90,000
Bills Payable	20,000	Debtors	80,000
Capital A/cs:		Stock	1,50,000
Gupta	4,00,000	Furniture	50,000
Maitra	1,00,000	Machinery	2,10,000
	5,80,000		5,80,000

It was agreed that

- (i) Stock to be valued at ₹2,00,000.
- (ii) Machinery will be depreciated by 12% and Furniture by ₹2,000.
- (iii) A Provision of 5% for Doubtful Debts will be made on Debtors.
- (iv) The Capital Accounts of all the partners were adjusted in the new profit-sharing ratio after admission. For surplus or deficiency, the Current Accounts were to be opened.

Required: Prepare the Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the new firm. **[15]**

5. (a) Show what journal entries would be passed by the Delhi Head Office to record the following transactions in their Books on 31st March, 2016, the closing date :

- A remittance of ₹ 70,000 made by Noida Branch to Head Office on 29th March, 2016 and received by the Head Office on 5th April, 2016.
- Goods of ₹ 1,26,000 sent by the Head Office to the Ajmer Branch on 28th March, 2016 and received by the later on 4th April, 2016.
- Noida Branch paid ₹ 60,000 as salary to a visiting Head Office Official. **[6]**

- (b) The summarized analysis of the accounts of the outstanding debtors of GANAPATHI LTD. at the date of 13.03.2015 (Annual Closing) of amount as under:

Debtors	Goods Sold during the year (₹)	Goods returned during the year (₹)	Cash and Cheques received during the year (₹)	Discount allowed during the year (₹)	Bills Exchange received during the year (₹)
A	6,000	---	4,000	1,000	---
B	4,000	1,000	2,000	---	---
C	10,000	---	6,000	---	---

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D	20,000	2,000	12,000	1,000	2,000
F	24,000	3,000	16,000	2,000	2,000

Debtors' balance at the beginning of the year was ₹ 9,000. Out the above receipts of a bill for ₹ 1,400 given by D was dishonoured, noting charges amounting to ₹ 40.

Required:

Prepare General Ledger Adjustment Account in Debtors Ledger.

[9]

- 6. (a)** On 12th June, 2015, a fire occurred in the premises of Ramakrishna Rao, a paper merchant. Most of the stocks were destroyed, cost of stock salvaged being ₹ 22,400. In addition, some stock was salvaged in a damaged condition and its value in that condition was agreed at ₹20,800. From the books of account, the following particulars were available:

- (i) His stock at the close of account on December 31, 2014 was valued at ₹ 1,67,000.
- (ii) His purchases from 1.1.2015 to 12.6.2015 amounted to ₹ 2,24,000 and his sales during the period amounted to ₹ 3,08,000.

On the basis of his accounts for the past three years, it appears that he earns on an average a gross profit of 25% on sales. Mr. Rao has insured his stock for ₹ 1,20,000. Compute the amount of the claim.

[6]

- (b)** A Ltd. obtained from P.P Ltd. a lease of some coal-bearing land, the terms being a royalty of ₹ 15 per ton of coal raised subject to a minimum rent of ₹ 75,000 p.a. with a right of recoupment of short-working over the first four years of the lease. From the following details, show (i) Short-working Account and (ii) Royalty Account in the books of A. Ltd.

Year	Sales (Tons) ₹	Closing Stock (Tons) ₹
2012	2,000	300
2013	3,500	400
2014	4,800	600
2015	5,600	500
2016	8,000	800

[9]

- 7. (a)** On 25th September, 2016, Manika Advertising Limited obtained advertisement rights to a Hockey Tournament to be held in Nov./Dec, 2016 for ₹ 520 lakhs.

They furnished the following information:

- (i) The company obtained the advertisements for 70% of available time for ₹ 700 lakhs by 30th September, 2016.
- (ii) For the balance time they got bookings in October, 2016 for ₹240 lakhs.
- (iii) all the advertisers paid the full amount at the time of booking the advertisements.
- (iv) 40% of the advertisements appeared before the public in Nov. 2016 and balance 60% appeared in the month of December, 2016.

You are required to calculate the amount of profit/loss to be recognized for the month November and December, 2016 as per Accounting Standard-9.

[7]

- (b)** Discuss the salient features of Computerised Accounting System.

[8]

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

[3x5=15]

- (a) Difference between Sale and Consignment;
- (b) Features of Receipts and Payments Account;
- (c) Advantages of Self-Balancing System;
- (d) Examples of items not included within the definition revenue for the purpose of AS – 9.