

Paper 5- Financial Accounting

PTP_ Intermediate_ Syllabus 2012_ Dec2015_ Set 3

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 ×10=20]

(i) The firm of M/s L and B had the following balances in their ledger accounts on April 1, 2014:

	₹
Cash	38,000
Stock	42,000
Machinery	1,19,000
Debtors	49,000
Creditors	30,000
Capital	2,18,000

You are required to pass the opening Journal Entry.

(ii) On 01.01.2012, M/s. Three Star Ltd. purchased machinery for ₹2,00,000. Subsequently, ₹1,00,000 was paid for installation. Assuming that the rate of depreciation was 10% on Reducing Balance Method, determine the Closing Book Value of the Machine as at 31.12.2014.

(iii) Salary debited to Income and Expenditure Account for the year was ₹96,000. Outstanding salary paid in the beginning of the year and the outstanding salary at the end of the year were ₹12,000 and ₹15,000 respectively. Compute the amount of Salary to be shown in Receipts and Payments Account.

(iv) Safety Insurance Ltd. received ₹ 1,18,000 as Premium on New Policies and ₹24,000 as Renewal Premium. The Company received ₹18,000 towards Re-insurance Accepted and paid ₹16,000 towards Re-Insurance Ceded. How much will be credited to Revenue Account towards Premium?

(v) Mr. A sent goods at ₹30,000 on sale on approval or return basis

— If the customer accepts the goods on 15th March,2015 at ₹30,400 i.e. at premium. Give the journal entry.

(vi) If Cost Price = ₹10,000
Invoice Price = ₹15,000
Selling Price = ₹18,000
Ordinary Commission is 10% on Selling Price
Special Commission is 25% .
Compute the Special Commission.

(vii) Discuss the treatment of Tread Discount and Quantity Rebates under AS – 9.

PTP_Intermediate_Syllabus 2012_Dec2015_Set 3

- (viii) Indian Insurance Co. Ltd. Furnishes you with the following information:
During 2013, the following business was conducted:

[₹ in crores]

Particulars	Marine	Fire	Misc
Premia Collected From:			
(a) Insureds in respect of policies issued	36.0	86.0	24.0
(b) Other insurance companies in respect of risks undertaken	14.0	10.0	8.0
Premia paid/ payable to other insurance companies on business ceded	13.4	8.6	14.0

Calculate the Net premium Income.

- (ix) Arpit Ltd. furnished the following particulars:
Debtors ledger include ₹48,000 due from Kalpit Ltd. whereas creditors ledger include ₹28,800 due to Kalpit Ltd.
Journalise the above.
- (x) ₹2,40,000 is the annual instalment to be paid for three years (given Present Value of an annuity of ₹1 p.a. @ 7% interest is ₹2.6243). Ascertain the Cash Price in case of Hire-Purchase.

2. (Answer any two)

- (a) X who was closing his books on 31.03.2014 failed to take the actual stock which he did only on 9th April 2014 when it was ascertained by him to be worth ₹35,000.
It was found that sales are entered in the sales book on the same day of dispatch and return inwards in the returns book as and when the goods are received back. Purchases are entered in the purchase day book once the invoices are received.
It was found that sales between 31.03.2014 and 09.04.2014 as per the sales book are ₹1,720. Purchases between 31.03.2014 and 09.04.2014 as per Purchase Day book are ₹120, out of these goods amounting to ₹50 were not received until after the stock was taken.
Goods invoiced during the month of March, 2014 but goods received only on 4th April, 2014 amounted to ₹100. Rate of Gross Profit is $33\frac{1}{3}\%$ on cost.
Ascertain the value of stock as on 31.3.2014. [4]
- (b) On March 31, 2015, Winn Company traded in an old machine having a carrying amount of ₹1,68,000, and paid cash difference of ₹60,000 for a new machine having a total cash price of ₹2,05,000. On March 31, 2015, what amount of loss should Winn Company recognize on this exchange? [4]
- (c) The following errors were discovered in the books of a trader for the year ended December 31, 2015:
- The total of the Purchase Day Book had been under cast by ₹200.
 - The discount column of the debit side of the Cash Book had been posted to the credit of the Discount Received Account ₹40.

PTP_Intermediate_Syllabus 2012_Dec2015_Set 3

- (iii) ₹ 760 paid for Repairs of Motor Van had been taken to Motor Van Account.
- (iv) A cheque received from B ₹ 39 had been debited in Cash Book but the double entry had not been completed.

Show the Rectification entries considering that the Final Accounts had already been prepared and the net profit arrived at amounted ₹ 24,320 (before corrections). Show the calculation of the net profit for the year. **[4]**

3. (Answer any Two)

(a) ABC Ltd. has 3 departments, A, B, C. The following information is provided:

	A ₹	B ₹	C ₹
Opening Stock	6,000	8,000	12,000
Consumption of direct materials	16,000	24,000	-
Wages	10,000	20,000	-
Closing Stock	8,000	28,000	16,000
Sales	-		68,000

Stock of each department is valued at cost to the department concerned. Stocks of A department are transferred to B at a margin of 50% above departmental cost. Stocks of B department are transferred to C department at a margin of 10% above departmental cost. Other expenses were: Salaries ₹4,000, Printing & Stationery ₹2,000, Rent ₹12,000, Interest paid ₹ 8,000, Depreciation ₹ 6,000, Allocate expenses in the ratio of departmental gross profit. Opening figures of reserves for unrealised profits on departmental stocks were; Department B ₹2,000; Department C ₹ 4,000.

Prepare Departmental Trading and Profit & Loss Account for the year ended on March 31, 2015. **[12]**

(b) The Income and Expenditure Account of the Enjoy Club for the year 2014 is as follows:

Expenditure	₹	Income	₹
To Salaries	1,20,000	By Subscriptions	1,70,000
To Printing & Stationery	6,000	By Entrance Fee	4,000
To Postage & Telephone	2,000	By Contribution for Dinner	36,000
To General Expenses	12,000		
To Interest and Bank Charges	5,500		
To Audit Fees	2,500		
To Annual Dinner Expenses	25,000		
To Depreciation	7,000		
To Surplus	30,000		
	2,10,000		2,10,000

The account has been prepared after the following adjustments:

Subscriptions outstanding on 31.12.2013	16,000	The club owned a building since 2013	1,90,000
Subscriptions outstanding on 31.12.2014	18,000	The club had sports equipments on 31.12.2013 valued at	52,000
Subscriptions received in advance on 31.12.2013	13,000	At the end of the year after depreciation of ₹ 7,000	
Subscriptions received in advance on 31.12.2014	8,400	equipments amounted to	63,000
		In 2013, the club had raised a	

PTP_Intermediate_Syllabus 2012_Dec2015_Set 3

Salary outstanding on 31.12.2013	6,000	bank loan which is still unpaid	30,000
Salary outstanding on 31.12.2014	8,000	Cash in hand on 31.12.2014	28,500
Audit fees for 2013 paid during 2014	2,000	Audit fees for 2014 not paid	2,500

Prepare the Receipts and Payments Account of the Club for 2014 and the Balance Sheet as on 31st December, 2014. All workings should form part of your answer. [12]

(c) The following information and particulars relate to New Delhi Branch for the year 2013 – 2014:

	Opening	Closing
Stock	₹50,000	₹75,000
Debtors	₹70,000	₹95,000
Petty cash	₹250	₹120

Goods costing ₹5,50,000 were sold by the Branch @ 25% on cost. Cash sales amounted to ₹1,50,000 and the rest were credit sales. Branch spent ₹ 30,000 for Salaries, ₹12,000 for Rent and ₹ 8,000 for Petty expenses.

All expenses were remitted by H.O. Branch receives all goods from H.O. The Branch Manager is entitled to a commission of 5% of the profit of the Branch before charging such commission.

Prepare New Delhi Branch Account. [12]

4. (Answer any Two)

(a) The following information is available from the books of the trader for the period 1st Jan. to 31st March 2015:

- I. Total Sales amounted to ₹76,000 including the sale of old furniture for ₹10,000 (book value is ₹ 12,300). The total cash sales were 80% less than total credit sales.
- II. Cash collection from Debtors amounted to 60% of the aggregate of the opening Debtors and Credit sales for the period. Discount allowed to them amounted to ₹2,600.
- III. Cheques received from customer of ₹5,000 were dishonoured; a sum of ₹ 500 is irrecoverable.
- IV. Bad Debts written-off in the earlier year realized ₹ 2,500.
- V. Sundry debtors on 1st January stood at ₹ 40,000.

You are required to show the Debtors Ledger Adjustment Account in the General Ledger. [4]

(b) Discuss the term "Self Balancing System". [4]

(c) Discuss the advantages of Self Balancing System. [4]

5. (Answer any Two)

(a) Calculate the contract revenue from the following details

	(₹ In Crores)		
	Years		
Particulars	I	II	III
1. Initial contract revenue	4000	4000	4000
2. Revenue increase due to escalation in II nd year	---	800	---

PTP_Intermediate_Syllabus 2012_Dec2015_Set 3

3. Claim			400
4. Incentive Payment			600
5. Penalties		200	

[4]

(b) XYZ Ltd. purchased goods on credit from ABC Ltd. for ₹250 Crores for export. The export order was cancelled. XYZ Ltd. decided to sell the same goods in the local market with a price discount. ABC Ltd. was requested to offer a price discount of 15 %. The directors of ABC Ltd. want to adjust the sales figure to the extent of the discount requested by XYZ Ltd. Comment. **[4]**

(c) Discuss the Development Stage of an Internally Generated Software. **[4]**

6. (Answer any Two)

(a) On 1st June 2013, P and Q entered into a Joint Venture to consign goods to R to be sold on their joint risk. They agreed to share profits and losses in the ratio of 3 : 2. On 15th April 2013, P consigned goods to the value of ₹36,000 and incurred expenses amounting to ₹ 3,000. On 31st July 2013, Q also consigned goods to the value of ₹ 22,000 and incurred expenses amounting to ₹1,800. On 15th Nov. 2013, R sold 80% of the total goods for ₹60,000 and remitted the proceeds to P after deducting 5% commission on sales. On 31st Dec. 2013, on which date accounts were prepared, an interim settlement was effected between P and Q. On 15th August 2014 R sold the remainder of the total goods for ₹ 8,000 and remitted the proceeds to Q, less 5% commission on sales. On 31st Oct. 2014, a final settlement was effected between P and Q.

(i) Prepare a Memorandum Joint Venture Account, and

(ii) Show the Joint Venture Account with Q in the books of P. **[8]**

(b) K of Kolkata sent on 15.01.2015, a consignment of 500 bicycles costing ₹ 100 each. Expenses of ₹ 700 met by the consignor. M of Mumbai spends ₹ 1,500 for clearance and the selling expenses were ₹ 10 per bicycle. M sold, on 5.4.2015, 300 bicycles @ ₹ 160 each and, again, on 20.6.2015, 150 bicycles @ ₹ 172 each.

M was entitled to a commission of ₹ 25 per bicycle sold plus one-fourth of the amount by which the gross sale proceeds less total commission thereon exceeded a sum calculated @ ₹ 125 per bicycle sold. M sent the amount due to X on 30.6.2015.

You are required to show the Consignment Account and M's Account in the books of K. **[8]**

(c) A fire occurred on 1st July 2014 in the premises of A. Ltd. and business was practically disorganised up to 30th November 2014. From the books of account, the following information was extracted:

		₹
(1)	Actual turnover from 1st July 2014 to Nov.2014	60,000
(2)	Turnover from 1st July to 30 th Nov.2013	2,00,000
(3)	Net Profit for the last financial year	90,000
(4)	Insured Standing Charges for the last financial year	60,000
(5)	Turnover for the last financial	5,00,000
(6)	Turnover for the year ending 30 th June 2014	5,50,000
(7)	Total standing Charges for the year	72,000

PTP_Intermediate_Syllabus 2012_Dec2015_Set 3

The company incurred additional expenses amounting to ₹9,000 which reduced the loss in turnover. There was also a sayings during the indemnity period of ₹2,486.

The company holds a 'Loss of Profit' policy for ₹1,65,000 having an indemnity period for 6 months. There has been a considerable increase in trade and it has been agreed that an adjustment of 20% be made in respect of upward trend in turnover.

Compute claim under 'Loss of Profit Insurance'.

[8]

7. (Answer any Two)

(a) Calculate depreciation as per 2009 regulations from the following information of an Electricity generation project

- A. Date of commercial operation i.e. 01.09.2010.
 B. The details of actual expenditure incurred up to the date of commercial operation i.e. 01.09.2010 and projected expenditure to be incurred from the date of commercial operation to 31.03.2014 for the assets under Transmission system. The details of apportioned approved cost as on the date of commercial operation and projected expenditure to be incurred for the above mentioned assets is summarized below:

(₹ in lakhs)				
Apportioned Approved cost	Actual Cost Incurred as on the date of commercial operation	Proposed Expenditure from the date of commercial operation to 31.3.2011	Proposed Expenditure for 2011-12	Total Expenditure competition cost
4,20,000	4,00,000	1,00,000	20,000	5,20,000

C.

Ave. Rate of Depreciation Calculated as per rates Specified in Appendix-III	5.3	5.2	5.2	5.2
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Additional capital expenditure of 20,000 lakh has been considered out of 1,00,000 lakh for the year 2010-11 and no further additional capital expenditure has been considered as capital cost has been restricted to apportioned approved cost in the absence of revised capital expenditure.

[8]

(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 1.4.2014	2,000	1,000
Commission Payable on 31.3.2015	1,000	3,000
Commission Received		14,000
Commission Receivable on 1.4.2014		2,000
Commission Receivable on 31.03.2014		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, 2015.

[8]

PTP_Intermediate_Syllabus 2012_Dec2015_Set 3

(c) From the following ledger balance, Compute the amount of Interest Earned, Interest Expended and Operating Expenses of My Money Bank Ltd. As on 31st March, 2015:

Particulars	₹	Particulars	₹
Interest and discount	3,045	Printing and stationery	180
Income from investments	115	Advertisement and publicity	95
Interest on balances with RBI	180	Depreciation	92
Commission, exchange and brokerage	820	Director's fees	220
Profit on sale of investments	110	Auditor's fees	120
Interest on deposits	1,225	Law charges	230
Interest to RBI	160	Postage, telegrams and telephone	70
Payment to and provision for employees	1,044	Insurance	50
Rent, taxes and lighting	210	Repairs and maintenance	48
		Bad Debts	6

Other Information:

(i) Interest and discount mentioned above is after adjustment for the following:

	(₹ '000)
Tax provision for the year	220
Provision during the year for doubtful debts	102
Loss on sale of investments	12
Rebate on bills discounted	58

(ii) 25% of profit is transferred to Statutory reserves

5% of profit is transferred to revenue reserve.

Profit brought forward from last year	16
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[8]