FINANCIAL ACCOUNTING

Time Allowed : 3 Hours **Full Marks :** 100

Section A is compulsory and answer any 5 questions from Section B

Section A

1. **Answer the following questions (give workings):** **[2×10]**

(i) MGS Ltd. purchased a machine costing ₹1,25,000 for its manufacturing operations and paid shipping costs of ₹30,000. MGS Ltd. spent an additional ₹12,000 testing and preparing the machine for use. What amount should MGS record as the cost of machine?

(ii) M bought goods from N for ₹ 16,000. N draws a bill on 1.1.2013 for 3 months which was accepted by M for this purpose. On 1.3.2013, M arranged to retire the bill at a rebate of 15% p.a. Show the entries in the books of N.

(iii) In preparing the bank reconciliation statement for the month of June 2013, AB Company has the following data:

	₹
Balance as per bank statement	15,375
Cheques in transit	1,250
Cheques issued but not presented	1,725
Bank service charges	100

Compute the Bank Balance as per Cash Book .

(iv) Calculate the amount of Salary to be shown in the Income and Expenditure Account for the year ended 31st March 2013 from the following information:

(a) Salary paid as per Receipt and Payment A/c ₹63,000
(b) Salary unpaid on 31.3.2012 ₹6,000
I Salary Prepaid on 31.3.2012 ₹5,000
(d) Salary unpaid on 31.3.2013 ₹7,000
(e) Salary prepaid on 31.3.2013 ₹8,000

(v) From the following particulars, show the entries in the books of Consignor:
Goods sent on Consignment 150 books of ₹ 200 each.

Expenses incurred by consignor		Expenses incurred by consignee	
Freight	₹4,000	Clearing	₹4,000
Insurances	₹2,000	Storage	₹1,000

(vi) Mega Ltd. deals in three products A,B and C, which are neither similar nor interchangeable. At the time of closing of its account for the year 2012-13 the historical cost and net realizable value of the items of closing stock are determined as below:

Items	Historical Cost (₹ in Lakhs)	Net realizable value (₹ in Lakhs)
A	22	16
B	18	18
C	10	14

What will be the value of closing stock?

(vii) A Ltd. purchased fixed assets costing ₹ 5,100 lakhs on 01.01.2013 and the same was fully financed by foreign currency loan (U.S $) payable in three annual installments. Exchange rates were U.S $ I = ₹42.50 and ₹45.00 as on 01.01.2013 and 31.12.2013 respectively. First installment was paid on 31.12.2013. The entire difference in foreign exchange has been capitalized.
You are required to state , how these transactions would be accounted for.

(viii) 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.

(ix) Sales was ₹30,00,000 in the previous year.
Gross Profit is 25% on Sales.
The Company expects 20% Sales increment in sales volume during this year.
Compute the Cost of goods Sold.

(x) A company reports the following information regarding pension plan assets. Calculate the fair value of plan assets.

Particulars	**Amount ₹**
Fair Market value of plan assets (beginning of year)	3,50,000
Employer Contribution	50,000
Actual return on plan assets	25,000
Benefit payments to retirees	20,000

Section B

Answer any 5 questions from the following

2. **(a)** Rectifying the following errors by way of journal entries and work out their effect on profit or loss of the concern:

i. ₹ 600 received from Viman has been debited to Mr. Vivek.

ii. Wages paid for the installation of a machine debited to wages account for ₹ 1,000.

iii. A purchase made for ₹ 2,000 was posted to purchase account as ₹ 200.

iv. d. Goods purchased for proprietor's use for ₹ 1,800 debited to purchase account. **[6]**

(b) On 1st April, 2012 Good Morning Ltd. offered 100 shares to each of its 500 employees at ₹50 per share. The employees are given a month to decide whether or not to accept the offer. The shares issued under the plan (ESPP) shall be subject to lock- in on transfers for three years from grant date. The market price of shares of the company on the grant dated is ₹ 60 per share. Due to post-vesting restrictions on transfer, the fair value of shares issued under the plan is estimated at ₹ 56 per share.
On 30th April, 2012 , 400 employees accepted the offer and paid ₹ 30 per share purchased. Normal value of each share is ₹ 10. Pass journal entry. **[2]**

(c) Akash Ltd. has 3 departments A ,B and C. The following information is provided:

Particulars	A ₹	B ₹	C ₹
Opening Stock	6,000	8,000	6,000
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 connected. 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 and Stationary ₹ 2,000, rent ₹12,000, Interest paid ₹8,000, Depreciation ₹6,000,. Allocate expenses in the ratio od departmental gross profit. Opening figures of reserve for unrealized profits on departmental stock were: Department B ₹2,000; department C ₹4,000. **[8]**

3. (a) P, Q and R were in partnership sharing profits and losses in the ratio of 3 : 2 : 1. The Balance Sheet as on 31.3.2013 is as under :

Liabilities	Amount ₹	Assets	Amount ₹
Capital – P	60,000	Machinery	80,000
Capital - Q	50,000	Furniture	15,000
Capital – R	40,000	Motor Car	30,000
Sundry Creditors	72,000	Stock	50,000
Bank Loan	30,000	Sundry Debtors	60,000
Other Liabilities	20,000	Cash at Bank	37,000
	2,72,000		2,72,000

P retired on 1.9.2013 and the partnership deed provided inter alia that in the event of admission, retirement or death of a partner, the assets and liabilities are to be revalued and that goodwill of the firm is to be computed on the basis of 2 years purchase of the correct profit of the last 4 years.

During the period he drew ₹30,000 , interest on drawings @ 6% p.a.

It is discovered that the accounts required adjustments owing to certain mistakes in earlier years. On 1.10.2010 repairs to machinery for ₹ 6,000 had been wrongly debited to the Machinery Account, and on 1.4.2011 a piece of furniture, whose book value was ₹2,000 was disposed of for ₹800 but the proceeds were wrongly credited to Sales Account. The partners had been charging depreciation on all fixed assets at 10% p.a. on the reducing balance system on a time basis. Profits for the last four years without adjusting the above mentioned mistakes were as follows :

2009-10 ₹20,000; 2010-11 ₹24,000; 2011-12 ₹32,000; 2012-13 ₹36,000.

Revaluation on the date of retirement was :

Machinery- ₹90,000; Furniture- ₹10,000; Motor car- ₹22,000.

Partner will also be given proportionate share of profits based on the last year's profit.
Determine the amount to be paid to the retiring partner. **[8]**

(b) The following information is avail from the books of the trader for the period 1st Jan. to 31st March 2012:

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. Bills receivable drawn during the period totaled ₹ 7,000 of which bills amounting to ₹ 3,000 were endorsed in favour of suppliers. Out of these endorsed bills, a Bill receivable for ₹ 1,500 was dishonoured for non-payment, as the party became insolvent and his estate realized nothing.

IV. Cheques received from customer of ₹ 5,000 were dishonoured; a sum of ₹ 500 is irrecoverable.

V. Bad Debts written-off in the earlier year realized ₹ 2,500.

VI. Sundry debtors on 1st January stood at ₹ 40,000.

You are required to show the Debtors Ledger Adjustment Account in the General Ledger. **[6]**

(c) What are the advantages of Self Balancing System? **[2]**

4.(a) Compute the percentage of completion and the Contract Revenues and Costs to be recognized from the following data.

Contract Price — ₹150 Lakhs

Materials issued to the Contract — ₹36 Lakhs of which materials costing ₹ 6 Lakhs is still lying unused at the end of the period.

Labour paid for workers engaged at site — ₹ 24 Lakhs (₹ 4 Lakhs is still payable)

Specific Contract Costs – ₹ 12 Lakhs, Sub-Contract Costs for work executed — ₹10 Lakhs, Advances paid to Sub-Contractors — ₹ 6 Lakhs

Cost estimated to be incurred to complete the Contract — ₹ 60 Lakhs. **[6]**

(b) Blue Sky Ltd. used certain resources of Blue Moon Ltd. In return Blue Moon Ltd. received ₹ 15 lakhs and ₹ 22.50 lakhs as interest and royalties, respectively from Blue Sky Ltd. during the year 2012-13. Discuss the situation as per AS 9. **[2]**

(c) A fire occurred in the office premises of lessee in the evening of 31.3.2012 destroying most of the books and records. From the documents saved, the following information is gathered:

Short-working recovered :

2009-10 ₹ 4,000 (towards short-workings which arose in 2006-07)

2010-11 ₹ 8,000 (including ₹ 1,000 for short-working 2007-08)

2011-12 ₹ 2,000

Short-working lapsed :

2008-09 ₹ 3,000
2009-10 ₹ 3,600
2011-12 ₹ 2,000

A sum of ₹ 50,000 was paid to the landlord in 2008-09. The agreement of Royalty contains a clause of Minimum Rent payable for fixed amount and recoupment of short-workings within 3 years following the year in which Short-workings arise.

Information as regards payments to landlord subsequent to the year 2008-09 is not four years ended 31.3.2012. Show the Short – working Account and the Royalty Account in the books of leasee. **[8]**

5. (a) From the following particulars, which have been extracted from the book of A & Co. , for the year ended 31.01.2012, prepare General Ledger Adjustment Account in the Creditors Ledger and Debtors Ledger Adjustment Account in t5he General Ledger:

	Amount ₹		Amount ₹
Debtors Balance (01.01.2012) Dr.	20,000	Bills Receivable received	3,000
Cr.	300	Bills Receivable endorsed	800
Creditors Balance (01.01.2012) Dr.	200	Bills Receivable as endorsed discounted	300
Cr.	15,000	Bills Receivable discounted	1,400
Purchases (including Cash ₹4,000)	12,000	Bills Receivable dishonoured	400
Sales (including Cash ₹6,000)	25,000	Interest charged on dishonoured bills	30
Cash paid to suppliers in full settlement of claims for ₹ 9,000	8,500	Transfer from one ledger to another	600
Cash received from customers in full settlement of claims of ₹ 15,000	14,1000	Returns (Cr.)	700
Bills Payable accepted (including renewals)	2,000	Debtors Balance (31.12.2012)Cr.	450
Bills Payable withdrawn upon renewals	500	Creditors Balance (31.12.2012) Dr.	10,870

[8]

(b) Azad , for mutual accommodation, draws a bill for ₹12,000 on Rahim. Azad discounted it for ₹11,700. He remits ₹3,900 to Rahim. On the due date , Azad is unable to remit his dues to Rahim to enable him to meet the bill. He, however, accepts a bill for ₹15,000 which Rahim discounts for ₹14,500. Rahim send a ₹700 to Azad after discounting the above bill. Rahim becomes insolvent and a dividend of 80 paise in the rupee is received from his estate.

Pass journal entries in the books of Azad. **[8]**

6. **(a)** On 01.07.2012,Pustak Printers purchased a printing machine from Mitra Ltd. on a Hire-Purchase basis, payments to be made ₹ 8,000 on the said date and the balance in three half-yearly instalments of ₹ 6,560; ₹ 5,952; ₹ 5,040; commencing from December 31, 2012. The vendor charged interest at 10% p.a. calculated on half-yearly rates. Pustak Printers closes their books annually on December 31, and provide depreciation at 10% p.a. on Diminishing Balances eanh year. Work out the Cash Price of the machine and show the account of Mitra Ltd. in the books of Pustak Printers. **[8]**

(b) Heaven Life Insurance Co. furnishes you the following information:

Particulars	Amount (₹)
Life insurance fund on 31.03.2013	39,00,000
Net Liability on 31.03.2013 as per actuarial valuation	30,00,000
Interim bonus paid to policyholders during intervaluation period	3,00,000

You are required to prepare:
(i) Valuation Balance Sheet;
(ii) Statement of Net Profit for the valuation period; and
(iii) Amount due to the policyholders. **[6]**

(c) What is register of claim with reference to Insurance Companies? **[2]**

7. **(a)** ESC Ltd. a power generation company, laid down a main at a cost of ₹ 25,00,000. Some years later, the company laid down an auxiliary main for one-fifth of the length of the old main at a cost of ₹ 7,50,000. At the same time, it also replaced the rest of the length of the old main at a cost of ₹ 30,00,000 using in addition the materials of the old main amounting to ₹ 50,000. The cost of materials and labour having gone up by 15%. Sale of old materials realized ₹ 40,000. Materials of the old main valued at ₹25,000 were used in the construction of the auxiliary main.
Give journal entries for recording the above transactions and also draw up the Replacement A/c. **[8]**

(b) Write a note on internally Generated Computer Software. **[4]**

(c) Yuba Vavishwa Club was holding a building valuing ₹ 20 lakhs as on 31.03.2012.
Building Fund stands ₹ 17 lakhs and Cash at Bank is ₹ 32 lakhs as on 01.04.2012.
During the year 2012-13 donation received for the building fund is ₹ 42 lakhs.
Give the journal entries and the effect in the Balance Sheet as on 31.03.2013

If i) It purchases building of ₹ 32 lakhs during 2012-13
ii) It purchases building of ₹ 60 lakhs during 2012-13 **[4]**

8. **(a)** Anik and Aniket decided to work a joint venture for the sale of electric motors.

On 1st May 2011, Anik purchased 100 electric motors at ₹ 175 each and dispatched 75 motors to Aniket incurring ₹ 500 as freight and insurance charges. 5 electric motors were damaged in transit. On 1st Feb. 2012, ₹ 500 were received by Anik from the insurance company, in full settlement of his claim. On 15th March 2012, Anik sold 25 electric motors at ₹ 225 each. He received ₹ 10,000 from Aniket on 1st April 2012.

On 15th May 2012, Aniket took delivery of the electric motors and incurred the following expenses :

Clearing Chares ₹ 170; Repair charges to electric motors damaged in-transit ₹ 300; Godown rent for 3 months ₹ 600.

He sold the electric motors as :

01.2.2012	5 damaged motors ₹ 170 each
	20 motors at ₹ 200 each
15.3.2012	10 motors at ₹ 315 each
01.4.2012	40 motors at ₹ 250 each

It is agreed that they are entitled to a commission of 10% on the respective sales effected by them; that the profits and losses shall be shared between Anik and Aniket in the ratio of 2:1. Aniket remits Anik the balance of amount due on 30th April 2012. You are required to show the Memorandum Joint Venture account only.

You are required to show the Memorandum Joint Venture Account only. **[8]**

(b) On 31 March, 2011 Chinta Money Bank Ltd. had a balance of ₹ 27 crores in "rebate on bill discounted" account. During the year ended 31st March, 2012, Chinta Money Ltd. discounted bills of exchange of ₹ 12,000 crores charging interest at 18% p.a., the average period of discount being for 73 days. Of these, bills of exchange of ` 1,800 crores were due for realization from the acceptor/customers after 31st March, 2012, the average period outstanding after 31st March, 2012 being 36.5 days.

Chinta Money Ltd. asks you to show the ledger accounts pertaining to:

I. Discounting of Bills of Exchange; and

II. Rebate on bill Discounted. **[4]**

(c) Save Money Bank Ltd. had extended the following credit lines to a Small Scale Industry, which had not paid any Interest since March, 2006:

	Term Loan	Export Loan
Balance Outstanding on 31.03.2012	₹ 105 lakhs	₹ 90 lakhs
DICGC/ECGC cover	40%	50%
Securities held	₹ 45 lakhs	₹ 30 lakhs
Realisable value of Securities	₹ 30 lakhs	₹ 24 lakhs

Compute necessary provisions to be made for the year ended 31st March, 2012. **[4]**