Financial Accounting

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

Section A

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

(a) Goods are transferred from Department X to Department Y at a price so as to include a profit of 33.33% on cost. If the value of closing stock of Department Y is ₹ 18,000, then determine the amount of stock reserve on closing stock.

(b) On 1.1.2012 B Ltd. has a stock of bottles valued at ₹ 12,000. On 1.7.2012 they purchased additional bottles which amounted to ₹ 7,500. On Dec. 31st ,2012, the entire stock of bottles was revalued at ₹ 15,750. Show the Bottle Account for the year 2012.

(c) On 31st December 2011, a club had subscription in arrears of ₹8,000 and in advance ₹2,000. During the year ended 31-12-2012, the club received subscription of ₹1,04,000 of which ₹5,200 was related to 2013. On 31st December 2012, there were 4 members who had not paid subscription for 2012 @ ₹800 per person. Write up subscription A/c for the year 2012.

(d) X,Y and Z were in partnership sharing profits and losses in the ratio of 3: 2:1. Z retired . His share was taken by X and Y in 2:1 . Calculate the gaining ratio and new profit –sharing ratio.

(e) A bought goods from S for ₹1,000 on credit. For this purpose, S drew a bill on A which was accepted by A on 1.10.2012 for the amount payable after three months. On 1.11.2012, A arranged to retire the bill at a rebate of 12% p.a. Show the entries in the books of S.

(f) From the following particulars, determine Closing Stock at Branch

	₹		₹
Opening stock at the Branch	30,000	Expenses:	
Goods sent to Branch	90,000	Salaries	10,000
Sales(Cash)	1,20,000	Other Expenses	4,000

The branch sells at cost plus 20%. The branch manager is entitled to a commission of 5% on the profits of the branch before charging such commission.

(g) ₹ 30,000 is the annual instalment to be paid for three years (given Present Value of an annuity of Re. 1 p.a. @ 5% interest is ₹ 2.7232). Ascertain the Cash Price in case of Hire-Purchase .

(h) Goods costing ₹ 6,30,000 were sent out to consignee at a profit of 20 percent on invoice price. Consignee sold 2/3rd goods for ₹ 6,00,000. Consignee was entitled to an ordinary commission of 3 percent on sales at invoice price and over-riding commission of 20 percent of any surplus realized.

Calculate the amount of consignee's commission .

(i) Calculate the amount of subscription to be shown in the Income and Expenditure Account for the year ending 31st March, 2012 from the following information :

- Subscription received during 2011-12 — ₹ 31,500.
- Subscription received in advance on 31.03.2011 — ₹ 2,100.
- Arrears of subscription on 31.03.2012 — ₹ 4,700.
- Subscription received in advance on 31.03.2012 — ₹ 2,150.

(j) Mugdha Ltd. purchased a machine of ₹ 40 lakhs including excise duty of ₹ 8 lakhs. The excise duty is Cenvatable under the excise laws. The enterprise intends to avail CENVAT credit and it is reasonably certain to utilize the same within reasonable time. How should the excise duty of ₹8 lakhs be treated?

Section B

Answer any 5 questions from the following

2. (a) Mr. X, a cloth trader of Kolkata opened a Branch at Kanpur on 1-4-2012. The goods were sent by Head Office to the Branch and invoiced at selling price to the Branch, which is 25% of the cost price of Head Office.

The following are the particulars relating to the transactions of the Kanpur Branch:

		₹	₹
Goods sent to Branch (at cost to H.O.)			4,50,000
Sales — Cash			2,10,000
— Credit			3,20,000
Cash collected from Debtors			2,85,000
Return from Debtors			10,000
Discount Allowed			8,500
Cash sent to Branch			
	for Freight	30,000	
	for Salaries	8,000	
	for other expenses	12,000	50,000
Spoiled clothes written off at invoice price			10,000
Normal loss estimated at			15,000

Prepare Branch Stock Account, Branch Debtors Account and Branch Adjustment Account showing the net profit of the Branch. **[10]**

(b) The following is a summary from Cash Book of M/s Mitra Trading for the month of Sept. 2012:

Particulars	₹	Particulars	₹
Balance b/d	1,507	Payments	15,520
Receipts	15,073	Balance c/d	1,060
	16,580		**16,580**

On investigation it was found that

(i) Bank charges of ₹ 35 were not entered in the Cash Book.

(ii) A cheque of ₹ 47 issued to supplier was entered by mistake as a receipt in the Cash Book.

(iii) A cheque of ₹ 81 was returned by the Bank marked as 'refer to drawer' but it's not entered in Cash Book.

(iv) The balance brought forward in Sept. 2012 should have been ₹ 1,570.

(v) Cheque paid to suppliers ₹ 214 , ₹ 70 and ₹ 330 have not been presented for payment.

(vi) Deposits of ₹ 1,542 on 30th Sept were cleared by the Bank on 2nd October.

(vii) The Bank charged a cheque wrongly to Mitra trading ₹ 92.

(viii) Bank statement shows overdraft of ₹ 124 as on 30th Sept.2012.

Show what adjustments will you make in the Cash Book and prepare a Bank Reconciliation Statement as on 30.09.2012. **[6]**

3. (a) From the following information relating to Evergreen Sports Club, prepare Balance Sheet of the Club as on 1-1-2012 and on 31-12-2012 :

(i) Assets as on 1-1-2012

	₹
Club Ground	80,000
Sports Equipment	50,000
Furniture	10,000

(ii) Accrued Subscription as on 1-1-2012 was ₹ 2,000.

(iii) Creditor for stationery as on 1-1-2012 was ₹ 1,800.

Receipts and Payments Account

for the year ended 31-12-2012

Dr. **Cr.**

Receipts	**Amount ₹**	**Payment**	**Amount ₹**
ToBalance brought down	8,000	By Salaries	14,000
Subscription received (2011)	1,800	Printing and Stationery	3,500
- do – (2012)	22,000	Fire Insurance	2,200
-do- (2013)	600	Advertisement	3,000
Sales of old Newspaper	500	Furniture	4,000
Rent Received	5,800	Investments	21,000
Entrance Fees	18,000	Balance c/d	9,000
	56,700		56,700

Income and Expenditure Account
for the year ended 31-12-2012.

Dr. **Cr.**

Expenditure	Amount ₹	Income	Amount ₹
To Salaries	16,000	By Subscription	24,000
Printing and Stationery	2,000	Entrance Fees	9,000
Advertisement	3,000	Rent	6,000
Audit Fees	800	Sale of old Newspapers	500
Fire Insurance	2,000		
Depreciation:			
Equipment	7,000		
Furniture	1,000		
Excess of Income over Expenditure	7,700		
	39,500		39,500

[8]

(b) Prepare Total Debtors Account (or Debtors Control Account) and Total Creditors Account (or Creditors Control Account) from the following particulars as on 31.03.2013.

Particulars	Amount ₹	particulars	Amount ₹
Debtors balance (01.04.2012) Dr.	20,000	Discount Allowed to Debtors	6,000
Debtors balance (01.04.2012) Cr.	6,000	Credit Purchase	80,000
Creditors balance (01.04.2012) Dr.	16,000	Cash paid to Creditors	5,000
Creditors balance (01.04.2012) Cr.	2,000	Discount Received	6,000
Sales (including Cash Sales ₹16,000)	1,36,000	Returns Outward	4,000
Returns Inward	10,000	Bills Payable Accepted	10,000
Cash Received from Customer	70,000	Transfer from bought ledger to sale ledger	12,000
Bad Debts	6,000		
(Cash Received from Debtors ₹6,000 against a debt previously written off)	-	Credit balance in sold ledger on 31.03.2013	8,000
Bills Receivable received	12,000	Debit balance in bought ledger on 31.03.2013	6,000
Bills Receivable dishonoured	4,000	Noting Charges charged from Debtors	200
Bills Receivable endorsed to creditors	2,000		
Endorsed bill dishonoured	1,000		
Provision made for Bad Debts	8,000		
Provision made for Discount on Debtors	2,000		
Provision made for Discount on Creditors	2,000		

[8]

4. **(a)** Distinguish between Hire Purchase System and Instalment Payment System. **[4]**

(b) The balance on the Sales Ledger Control Account of Q Ltd. on Sept. 32012 amounted to ₹ 9,600 which did not agree with the net total of the list of Sales Ledger Balance on that date.

Errors were found and the appropriation adjustments when made balanced the books. The errors were:

(i) Debit balance in the sales ledger amounting to ₹306 had been omitted from the list of balances.
(ii) A Bad Debt amounting to ₹750 had been written-off in the sales ledger, but had not been posted to the Bad Debts Account, or entered in Control Account.
(iii) An item of goods sold to Amar for ₹400 had been entered once in the Day Book but posted to his account twice.
(iv) ₹70 Discount Allowed to Manoj had been correctly recorded and posted in the books. This sum had been subsequently disallowed, debited to Manoj's account, and entered in the discount received column of the Cash Book.
(v) No entry had been made in the Control Account in respect of the transfer of a debit of ₹260 from Kumar's Account in the Sales Ledger to his account in the purchase ledger.
(vi) The Discount Allowed column in the Cash Book had been under cast by ₹280.

You are required to give the journal entries, where necessary, to rectify these errors, indicating whether or not any control accounts is affected, and to make necessary adjustments in the Sales Ledger Control Account bringing down the balance. **[6]**

(c) Power Electric Company decides to replace one of its old plant by an improved plant with larger capacity. The cost of the new plant is ₹ 8,00,000.
Materials and Labour earlier and now are in the ratio of 4 : 6.

Original cost of the old plant is ₹ 1,50,000. Materials cost has gone up by 2½ times and Labour cost by 3 times since then. Old materials worth ₹ 5,000 were used in the construction of the new plant and ₹ 10,000 were realised from the sale of old materials.

Give the necessary Journal Entries for recording the above transactions. **[6]**

5. **(a)** A firm of contractors obtained a contract for construction of bridges across a river. The following details are available in the records kept for the year ended 31st March, 2012.

(₹ in lakhs)

Total Contract Price	2,000
Work Certified	1,000
Work not certified	210
Estimated further cost to completion	990
Progress Payment Received	800
To be received	280

The firm seeks your advice and assistance in the presentation of accounts keeping in view the requirements of AS 7 (Revised) issued by ICAI. **[8]**

(b) The balance Sheet of A,B and C who are sharing profits in proportion to their capital stood as follows on March 31st ,2012:

Liabilities	₹	₹	Assets	₹	₹
Capital Accounts: A B C	 40,000 30,000 20,000	 90,000	Land and Buildings		50,000
Creditors		13,800	Plant and Machinery		17,000
			Stock		16,000
			Debtors	10,000	
			Less: provision	200	9,800
			C ash at Bank		11,000
		1,03,800			**1,03,800**

B required on the above date and the following was agreed upon:

(i) That Stock be depreciated by 6%

(ii) That the Provision for Doubtful Debts be brought up to 5% on Debtors.

(iii) That the Land and Buildings be appreciated by 20%.

(iv) That a provision for ₹1,540 be made in respect of outstanding legal charges.

(v) That the Goodwill of the entire firm be fixed at ₹21,600 and B's share of it be adjusted into the accounts of A and C who are going to share future profits in the ratio of 5:3.

(vi) That the assets and liabilities (except Cash at Bank) were to appear in the Balance Sheet at their old figures.

(vii) That the entire capital of the firm as newly constituted be fixed at ₹ 56,000 between A and C in the proportion of 5: 3 (actual cash to be brought in as paid off, as the case may be).

Show the Balance Sheet after B's retirement. **[8]**

6. (a) From the following figures of Uttam Vavishya Life Assurance Co. Ltd. prepare a Valuation Balance Sheet and Profit Distribution Statement for the year ended 31st March 2012. Also pass necessary journal entries to record the above transactions with narrations:

Particulars	₹ (in lakhs)
Balance of Life Assurance Fund as on 1.4.2011	668.6
Interim bonus paid in the valuation period	100.00
Balance of Revenue Amount for the year ended 31.3.2012	960.00
Net Liability as per valuer's Certificates as on 31.3.2012	330.00

The company declares a revisionary bonus of ₹185 per ₹1,000 and gave the policyholders an option to take bonus in cash ₹105 per ₹1,000. Total business conducted by the company was ₹2,400 lakhs. The company issued profit policy only, 3/5th of the policyholders in value opted for cash bonus. **[8]**

(b) The following balances are available from the books of Mr. Chanda as on 31st March 2012 and 31st March 2013:

Particulars	31.03.2012 ₹	31.02.2013 ₹
Furniture & Fixtures (at cost, less depreciation)	1,62,000	1,63,800
Stock-in-trade	1,00,000	1,50,000
Sundry Creditors	2,40,000	80,000
Sundry Debtors	1,70,000	1,04,000
Office Equipments (at cost, less depreciation)	1,08,000	97,200
Cash & Bank	1,20,000	10,000

Additional Information:

(i) His drawings were: 2011-12 ₹ 50,000
2012-13 ₹ 60,000

(ii) His total sales for 2012 – 2013 amounted to ₹ 12,00,000. Total cash sales figure is not readily available. He always sales his goods at cost plus 25%.

(iii) Payments to creditors in 2012-13 included ₹ 24,000 paid from his private Bank Account. There is no cash purchase.

(iv) Sundry Debtors on 31.03.13 includes a wrong credit of ₹ 40,000 as insurance claim received towards goods costing ₹ 50,000 destroyed by fire, and a further sum of ₹ 4,000 as recovered from a customer whose account was written-off in 2011-12.

(v) During the year goods costing ₹ 12,000 were distributed as free samples. Discounts allowed to debtors ₹ 24,000 and discounts received ₹16,000.

(vi) Depreciation is charged @ 10% on Furniture & Office Equipments. Mr. Chada requests you to prepare a Trading Account and Profit & Loss Account for the year ended 31st March 2013. **[8]**

7. (a) A and B enter into a joint venture for guaranteeing the subscription at par of 1,00,000 shares of ₹ 10 each of a Joint Stock Company. They agree to share profit and losses in the ration of 2 : 3. The terms with the company are 4½% commission in cash and 6,000 shares of the company as fully paid-up.

The public took up 88,000 of the shares and the balance share of the guaranteed issue are taken up by A and B who provide cash equally. The commission in cash is taken by partners in the ratio of 4 : 5.

The entire shareholding of the joint venture is then sold through brokers – 25% price of ₹ 9. 50% at a price of ₹ 8.75; 15% at a price of ₹ 8.50 and the remaining 10% are taken over by A and B equally at ₹ 8 per share. The sale proceeds of the shares are taken by the partners equally.

Prepare a Joint Venture Memorandum Account and the separate accounts of A and B in the books of B and A, respectively, showing the adjustment of the final balance between A and B.

Ignore interest and income-tax. **[9]**

(b) What is meant by Reversionary Bonus in relation to Insurance policies? **[2]**

(c) Prepare an Account Current to be received by A to M on 30th June 2012 considering rate of interest @ 5% p.a. from the given particulars:

2012		₹
Jan. 1	M owes to A	4,000
Feb. 1	M remits Cash	2,000
Mar. 15	A sold goods to Y (due on May 1)	8,000
Mar. 31	M sends a bill (due on Oct. 1)	6,000
May 30	M purchased goods (due on Aug.31)	40,000

[5]

8. (a) Mr. Right sold goods on credit to various customers. Details related to one of the customer, Mr. Best, is as under:

(i) Goods sold on credit ₹ 5,00,000

(ii) Goods returned by the customer ₹ 35,000 due to defective quality, credit note raised but not recorded.

(iii) Payment received from customer in cash ₹ 1,00,000 and by cheques ₹ 2,30,000. Out of cheques received, a cheque of ₹ 38,000 was dishonoured by bank.

(iv) Customer accepted two Bills of ₹19,000 and ₹ 56,000 for 2 months and 3 months respectively.

(v) Credit note raised against the customer ₹ 3,400 for excess payment charged against one of the consignment.

Mr. Best, the customer is in need to ascertain the actual balance due to Mr. Right. Prepare a Reconciliation Statement. **[4]**

(b) The factory premises of Dolly Ltd. were engulfed in fire on 31st March 2012, as a result of which a major part of stock burnt to ashes. The stock was covered by policy for ₹ 2,00,000, subject to Average Clause.

The records at the office revealed the following information:

I. (i) The Company sold goods to dealers on one month credit at dealer's price which is catalogue price less 15%. A cash discount is allowed @ 5% for immediate payment.
   (ii) The goods are also sold to agents at catalogue price less 10% against cash payment.
   (iii) Goods are sent to branches at catalogue price.
   (iv) Catalogue price is cost + 100%.

II. The sale/despatch during the period up to date of fire is –
   (i) Sale to Dealer ₹ 6,80,000 (without Cash Discount)
   (ii) Sale to Dealer ₹ 6,46,000 (Net of Cash Discount)
   (iii) Sale of Agent ₹ 1,80,000
   (iv) Despatch to branches ₹ 6,00,000.

III. Stock on 01.01.2012 was ₹ 5,00,000 at catalogue price. Purchases at cost from 01.01.2012 to 31st March, 2012 ₹ 12,50,000.

IV. Salvaged Stock valued at ₹ 90,000.
   Compute the amount of claim to be lodged. **[6]**

(c) ABQR Co. has taken a transit insurance policy. Suddenly, in the year 2011-12, the percentage of accident has gone up to 8% and the company wants to recognize insurance claim as revenue in 2011-12. In accordance with relevant accounting standard.
Do you agree? **[4]**

(d) Given below are details of interest on advance of a Commercial Bank as on 31.03.2012:

(₹ in Lakhs)

Particulars	**Interest Earned** (₹)	**Interest Received** (₹)
Performing Assets		
Term Loan	720	480
Cash Credit and Overdraft	4,500	3,720
Bills Purchased and Discounted	900	900
Non-Performing Assets		
Term Loan	450	30
Cash Credit and Overdraft	900	72
Bills Purchased and Discounted	600	120

Find out the income to be recognized for the year ended 31st March 2012. **[2]**