

INTERMEDIATE EXAMINATION

December 2013

P-5(FAC)

Syllabus 2012

Financial Accounting

Time Allowed: 3 Hours

Full Marks: 100

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

Section A is compulsory and answer any five questions from Section B.

SECTION A

1. Answer the following questions (give workings wherever required):

2×10=20

- (i) A trader acquired furniture & fittings for ₹ 10,000 but included the same in purchase account. He paid ₹ 5,000 to a supplier which was omitted to be recorded in the books. State the types of errors and pass journal entries to rectify the errors.
- (ii) State briefly the three fundamental accounting assumptions.
- (iii) The company maintains 10% of debtors as provision towards bad debts. It has routed all bad debts through the provision account. The opening balance of provision as on 01.04.2012 was ₹ 68,000. The closing provision i.e. on 31st March, 2013 was ₹ 92,000. Bad debts written off debited to provision account was ₹ 28,000. How much should be debited to Profit & Loss Account towards provision for doubtful debts for the year ended 31st March, 2013?
- (iv) A fire damaged the premises of a trader resulting in loss of stock of ₹ 1,10,000. The goods salvaged from fire was ₹ 40,000. The policy was for ₹ 50,000 eligible for average clause. Decide the quantum of claim to be lodged with the insurance company.
- (v) Fact General Insurance Company informs you that the claims outstanding on 01.04.2012 was ₹ 5,20,000 and claims paid during the financial year 2012-13 was ₹ 64,50,000. The claims outstanding as on 31.03.2013 was ₹ 5,60,000 and claims recoverable from re-insures being ₹ 1,90,000. Calculate the amount of claims incurred which is to be charged to its revenue account.
- (vi) New Bank Ltd. informs you the following:
- | | |
|---|-------------|
| (a) Bill discount commission (unadjusted) | ₹ 21,00,000 |
| (b) Rebate on bills discounted as on 01.04.2012 | ₹ 2,43,000 |
| (c) Rebate on bills discounted as on 31.03.2013 | ₹ 2,18,000 |
- Compute the discount to be credited to the profit and loss account of the Bank for the year ended 31.03.2013.
- (vii) On 01.01.2010, M/s. Johnson and Co. Ltd. purchased machinery for ₹ 1,00,000. Subsequently, ₹ 50,000 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 31.12.2012.
- (viii) P, Q and R are three partners sharing profit and loss equally. Their respective capitals as on 01.04.2012 were P—₹ 80,000, Q—₹ 60,000 and R—₹ 50,000.

They mutually agreed on the following points as per the partnership deed:

- Interest on capital to be allowed @ 5%.
- P to receive a salary of ₹ 500 per month.
- Q to receive a commission @ 4% on net profit after charging such commission.
- After charging all other items, 10% of the net profit to be transferred to General Reserve.

The firm made profit of ₹ 66,720 during the financial year 2012-13. What will be the Net Divisible Profit available to each partner?

Please Turn Over

(ix) From the following particulars, calculate the value of unsold goods on consignment:

	₹
Goods sent on consignment (1500 kgs.)	3,30,000
Consignor's expenses	13,000
Consignee's non-recurring expenses	7,000
Consignee's recurring expenses	3,500
Goods sold by consignee (1000 kgs.)	3,50,000
Wastage treated as normal (100 kgs.)	—

(x) Mr. Vikas sold 1,500, 10% debentures (face value ₹ 100 each) of Shiva Limited at ₹ 125 cum-interest on 01.12.2013. The interest is payable on 31st March and 30th September every year. Find out the actual amount received by Vikas (excluding interest) on account of sale of investment.

SECTION B

(a) The Ledger of Paurush showed that the balance of debtors and creditors as on 1st April, 2012 was as follows:
Total Debtors ₹ 2,70,000 and Total Creditors ₹ 3,20,000.

The following transactions took place during the year ended 31st March, 2013:

	₹
1 Credit sales	5,50,000 1
2 Cash sales	1,70,000 2
3 Credit purchases	3,80,000 3
4 Cash purchases	1,25,000 4
5 Cash received from Debtors	2,20,000 5
6 Cash paid to Creditors	1,80,000 6
7 Bills receivable received	2,70,000 7
8 Bills payable accepted	2,85,000 8
9 Discount allowed	20,000 9
10 Discount received	15,000 10
11 Bad debts	25,000 11
12 Bills receivable dishonoured	45,000 12
13 Bad debts recovered	7,000 13
14 Bills receivable—old cancelled & renewed	80,000 14
15 Interest on bills receivable renewed	4,000 15
16 Provision for discount on Debtors	16,000 16
17 Provision for discount on Creditors	12,000 17
18 Bills receivable endorsed to Creditors	20,000 18

You are required to prepare the Total Debtors Account and Total Creditors Account in the General Ledger of Paurush on 31st March, 2013.

- (b) What are the steps or phases of 'Accounting Cycle'? 4
- (c) When can revenue be recognized as per AS-9, in the case of transaction of sale of goods? 4

3. (a) On 20th July, 2012, Sohan drew a bill for ₹ 50,000 on Mohan for the period of four months and Mohan accepted it. It was for mutual accommodation of both to the extent of 2/3rd and 1/3rd. On 23rd July, 2012, Sohan discounted the bill with the Bank @ 12% per annum and remitted one-third of proceeds to Mohan. On 18th November, 2012 Mohan drew another bill for ₹ 71,000 on Sohan to provide funds to meet the first bill, for the period of three months, which was accepted by Sohan. On 21st November, 2012, Mohan discounted it with Bank @ 12% per annum. With this amount, the first bill was met out and ₹ 12,580 was remitted to Sohan. On 1st February, 2013, Sohan became insolvent and Mohan received a dividend of 60 paise in a rupee in full settlement on 15th February, 2013.

Give journal entries to record the above transactions in the books of Sohan and prepare Sohan's account in the ledger of Mohan. 10

- (b) What is Del Credere commission? 3
- (c) Imran Co. Ltd. deals in manufacture of certain products. It gives you the following information for the year ended 31st March, 2013, with respect to the closing stock of these items:

Items	Historical cost (₹)	Net realizable value (₹)
X	25,00,000	19,00,000
Y	62,00,000	60,00,000
Z	15,00,000	21,00,000

Compute the value of closing stock. 3

4. (a) The Income and Expenditure Account of Shooters Club for the year ended 31st March, 2013 is given below:

Expenditure	₹	Income	₹
To Salaries	35,000	By Subscription	40,000
To General expenses	5,000	By Donation	10,500
To Depreciation	3,000		
To Excess of Income Over Expenditure	7,500		
	50,500		50,500

Adjustments are made in respect of the following:

- Subscription for 2012 unpaid at 31.03.2012 ₹ 2,000 of which ₹ 1,800 was received in December 2012.
- Subscription received in advance as on 01.04.2012 was ₹ 500.
- Subscription received in advance as on 31.03.2013 is ₹ 400.
- Subscription for 2012-13 unpaid as on 31.03.2013 is ₹ 700.
- Sundry asset as on 01.04.2012 ₹ 26,000. Sundry asset as on 31.03.2013 after depreciation ₹ 27,000.
- Cash balance as on 01.04.2012 ₹ 1,600.
- Capital fund as on 01.04.2012 ₹ 29,100.

Prepare:

- Receipts and Payments A/c for the year 2012-13.
- Balance sheet as at 31.03.2013.

- (b) Kapil, Manoj and Chetan are partners sharing profits and losses in the ratio of 2 : 2 : 1. On 1st January, 2010 they took out a joint life policy of ₹ 2,00,000. Annual premium of ₹ 10,000 was payable on 1st January each year. Last premium was paid on 1st January, 2013. Manoj died on 1st March, 2013, and policy money was received on 31st March, 2013. The surrender value of policy as on 31st March each year were as follows:

2010	: Nil
2011	: ₹ 2,000
2012	: ₹ 5,000

Show Joint Life Policy accounts as on 31st March each year assuming that:

- The premium is charged to profit and loss account every year.
- The premium is debited to joint life policy account and the balance of the joint life policy account is adjusted every year to its surrender value.

5. (a) Mr. Vakil requests you to ascertain the bank balance as per pass book as on 31.03.2013 from the following details:

- Balance as per cash book ₹ 51,515.
- Cheques issued but not presented for payment ₹ 21,000.
- Cheques deposited but not credited to the account of Mr. Vakil ₹ 18,000.
- One cheque worth ₹ 5,000 deposited by Mr. Vakil was dishonoured but was not entered in the cash book.
- Premium of ₹ 6,000 towards insurance policy was debited by the bank, as per standing instruction.
- Fixed deposit interest of ₹ 1,100 was credited by the bank, but not recorded in cash book.

- (b) Prepare a Branch Account in the books of Head Office from the following particulars for the year ended 31st March, 2013, assuming that H.O. sold goods at cost plus 25%.

Particulars	₹	Particulars	₹
Stock on 01.04.2012*	2,72,500	Bad debts	2,000
Debtors on 01.04.2012	15,000	Allowances to customers	1,000
Petty cash on 01.04.2012	1,000	Return inward	1,000
Goods sent to Branch	3,60,000	Rates & Taxes	5,000
Goods returned to H.O.	25,000	Salaries	18,000
Cash sales	54,000	Misc. expenses	4,000
Cash received from debtors	2,30,000	Stock on 31.03.2013*	3,15,000
		Debtors on 31.03.2013	74,000
		Petty cash (31.03.2013)	5,000

*Both opening and closing stock at invoice price.

- (c) State the specified category of assets, to which Accounting standard 6 on "Depreciation Accounting" is not applicable.
6. (a) Bharat Electricity Company laid a main at a cost of ₹ 50 lakhs. Some years later, the company laid down an auxiliary main for 1/5th of the length of the old main at a cost of ₹ 15 lakhs. It also replaced the rest of the length of the old main at a cost of ₹ 60 lakhs, the cost of materials and labour having gone up by 15%. Sale of old material realised ₹ 80,000. Old materials valued at ₹ one lakh were used in renewal and those valued at ₹ 50,000 were used in the construction of the auxiliary main.

You are required to give the journal entries for recording the above transactions.

(b) State with reason whether the following are capital or revenue expenditure;

- Freight charges of ₹ 12,000 incurred for machinery purchased for ₹ 2,00,000.
- ₹ 90,000 being expenditure incurred for well equipped labour welfare centre.
- Compensation of ₹ 1,50,000 each paid to three employees who were retrenched.
- Purchase of TV set for ₹ 30,000 to be installed in the reception hall.

1×4=4

(c) The Revenue Account of a life insurance company shows the life assurance fund on 31st March, 2013 at ₹ 60,20,000 before taking into account the following items:

- Claims covered under re-insurance ₹ 1,20,000.
- Bonus utilized in reduction of life insurance premium ₹ 45,000.
- Interest accrued on securities ₹ 82,600.
- Outstanding premium ₹ 60,000.
- Claims intimated but not admitted ₹ 3,00,000.

What is the life assurance fund after taking into account the above omissions?

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(a) Mining Development Corporation Ltd. obtained a lease of coal field for 99 years from Mr. Landlord on the following terms from 1st January, 2008:

- Mining Development Corporation will develop the land and will bear the cost of development.
- Royalties will be ₹ 2 per tonne of coal raised during the period.
- Minimum Rent will be ₹ 10,000 for the first year with an annual increase of ₹ 1,000 till it reaches ₹ 15,000.
- Short workings, if any, are recoverable within first three years only. Mining Development Corporation Ltd. developed the land at the cost of ₹ 2 crores and estimated the coal deposit of 20 lakh tonnes. It was decided to depreciate this expenditure on Depletion method of depreciation.
- The coal used by Mining Development Corporation Ltd. is as under:

Year	Production in tonnes
2008	1,000
2009	2,000
2010	10,000
2011	15,000

You are required to prepare the following accounts in the books of Mining Development Corporation:

Royalties Account, Short working Account, Landlord Account and Provision against Short working Account.

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(b) Calculate cash flow from investing activities of Major Limited for the year ended 31st March, 2013.

Particulars	Purchased (₹)	Sold (₹)
Investments	3,00,000	2,50,000
Goodwill	4,00,000	—
Machinery	5,00,000	8,00,000
Patents	—	2,00,000

Dividend received on shares held as investments ₹ 30,000.

Interest received on debentures held as investments ₹ 20,000.

A plot of land acquired out of surplus funds for investment purposes (3 years ago) was let out for commercial use and the rent received during the year being ₹ 60,000.

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Please Turn Over

3. (a) Mr. Dipankar a retail trader needs financial statements for the year ended 31.03.2013 for availing a bank loan. He gives you the following information regarding receipts and payments.

- (i) Cash deposited into the bank account ₹ 1,05,000.
- (ii) Dividend from companies deposited in bank account ₹ 5,000.
- (iii) Tuition fees of doctor paid by cheque ₹ 15,000.
- (iv) Rent for the year paid by cash ₹ 24,000.
- (v) Cash collections from debtors ₹ 5,50,000.
- (vi) Amounts paid to creditor ₹ 4,00,000 in cash and ₹ 1,00,000 by cheque.
- (vii) Salary and wages paid in cash ₹ 36,000.
- (viii) Office electricity paid by cheque ₹ 12,000.
- (ix) General expenses incurred in cash ₹ 18,000.
- (x) Drawings every month ₹ 6,000 by cash.

(xi) Particulars	31.03.2012	31.03.2013
Stock	3,20,000	4,40,000
Bank	55,000	38,000
Cash	10,000	12,000
Debtors	75,000	86,000
Creditors	48,000	70,000

Prepare his Trading & Profit and Loss Account for the year ended 31st March, 2013 and Balance Sheet as at 31.03.2013.

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- (b) Due to flood, business of Mr. Singh was dislocated from 01.04.2013 to 31.08.2013 (5 months). From the following details, calculate the amount of claim to be lodged in respect of loss of profit policy.

Particulars	₹
Policy amount	1,25,000
Turnover from 01.04.2013 to 31.08.2013	2,40,000
Standing charges from 01.04.2013 to 31.08.2013	60,000
Turnover during 01.04.2012 to 31.03.2013	12,00,000
Gross profit ratio	10% on sales
Standing charges for the year 2012-13	84,000

The turnover for the year 2013-2014 was anticipated to increase by 10% over the turnover of the preceding year.

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