REVALIDATION PAPER NO : RV/05/FAC/2010

SUBJECT : FINANCIAL ACCOUNTING

D b)

Partners	Present	Proposed	Net
A	7/12	13/24	1/24
B	5/12	7/24	3/24

Present share – Proposed share will give sacrifice in case of existing partners:

The ratio of sacrifice is 1:3

Goodwill will be shared in 1:3

Ratio as under:

A = 96,000 × 1/4 = Rs 24,000

B = 96,000 × 3/4 = Rs 76,000

c) Match the following:

i) AS 4 – Contingencies & Events occurring after B/S

ii) AS 10 – Accounting for FA

iii) AS 26 – Intangible Assets.

iv) AS 1 – Disclosure & Accounting policies.

1) d) Match the following:

1) Cash Reserve — Banking Co.

2) Clear Profit — Electricity Supply co.

2) Escalation clause – Construction Co.

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1) h) Hire purchase system last installment paid comprises

iii) Cash price and Interest.

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2) a)

W.D.V

	P&M 1	P&M 2	P&M 3
01.01.05	7,00,000		
Dep	1,05,000		
01.01.06	5,95,000	1,50,000	
Dep	89,250	22,500	
01.01.07	505,750	1,27,500	
Dep	75,863	19,125	
01.01.08	4,29,887	1,08,375	
Dep	64,483	16,256	
01.01.09	3,65,404	92,119	2,00,000
Dep	54,811	12,818	30,000
01.01.10	310,593	78,301	1,70,000

S.L.M

Period	P&M 1	P&M 2	P&M 3
01.01.05	7,00,000		
Dep	70,000		
01.01.06	6,30,000	1,50,000	
Dep	70,000	15,000	
01.01.07	5,60,000	1,35,000	
Dep	70,000	15,000	
01.01.08	4,90,000	1,20,000	
Dep	70,000	15,000	
01.01.09	4,20,000	1,05,000	2,00,000
Dep	70,000	15,000	20,000
	3,50,000	90,000	1,80,000

P&M Account

Dr Date	Particulars	Amount		Date	Particulars	Amt Cr
01.01.05	To Bank	7,00,000	00	31.12.05	By Dep	1,05,000
01.01.06	B/d	5,95,000	00	31.12.06	By Dep	89,250
01.06.06	To Bank	1,50,000	00	31.12.06	By Dep	22,500
01.01.07	To B/d	6,33,250	00	31.12.07	By Dep	94,98
01.01.08	To B/d	5,38,262	00	31.12.08	By Dep	80,73
01.01.09	To B/d	4,57,523	00	31.12.09	By Dep	68,629
30.09.09	To Bank	2,00,000	00	31.12.09	By Dep	30,000
01.01.10	To B/d	5,58,894	00			
	Dep Adj Entry	61,106	00			

W2

Solution:

Year	output (Ton)	Actual Royalties	Min Rent	Excess S.W	Occured	Recouped	W.OFF	C/F
2002-03	10,000	75,000	1,50,000	0	75,000	0	0	75,000
2003-04	12,000	90,000	1,50,000	0	60,000	0	0	1,35,000
2004-05	25,000	187,500	1,50,000	37,500	0	37,500	37,500	60,000
2005-06	20,000	150,000	1,50,000	0	0	0	60,000	0
2006-07	50,000	375,000	1,50,000	225,000	0	0	0	0
2007-08	15,000	112,500	90,000	22,500	0	0	0	0

Amt Payable

1,50,000

1,50,000

1,50,000

1,50,000

3,75,000

1,12,500

Royalties Account

Dr | | | | | Cr

Date	Particulars	Amt Rs	Date	Particulars	Amt Rs
31.03.03	To Landlord A/c	75,000	31.03.03	By P&L A/c	75,000
31.03.04	To Landlord A/c	90,000	31.03.04	By P&L A/c	90,000
31.03.05	To Landlord A/c	1,87,500	31.03.05	By P&L A/c	1,87,500
31.03.06	To Landlord A/c	1,50,000	31.03.06	By P&L A/c	1,50,000
31.03.07	To Landlord A/c	3,75,000	31.03.07	By P&L A/c	3,75,000
31.03.08	To Landlord A/c	1,12,500	31.03.08	By P&L A/c	1,12,500

Landlord Account

Dr | | | | | Cr

Date	Particulars	Amt Rs	Date	Particulars	Amt Rs
31.03.03	To Bank A/c	1,50,000	31.03.03	By Royalties A/c	75,000
				By Short workings	75,000
		1,50,000			1,50,000
31.03.04	To Bank A/c	1,50,000	31.03.04	By Royalties A/c	90,000
				By Short workings	60,000
		1,50,000			1,50,000
31.03.05	To Bank A/c	1,50,000	31.03.05	By Royalties A/c	1,87,500
	To S.W A/c	37,500			
		1,87,500			1,87,500
31.03.06	To Bank A/c	1,50,000	31.03.06	By Royalties A/c	1,50,000
		1,50,000			1,50,000
31.03.07	To Bank A/c	3,75,000	31.03.07	By Royalties A/c	3,75,000
		3,75,000			3,75,000
31.03.08	To Bank A/c	1,12,500	31.03.08	By Royalties A/c	1,12,500
		1,12,500			1,12,500

Short Workings A/c

Date	Particulars	Amt Rs	Date	Particulars	Amt Rs
31.03.03	To landlord	75,000	31.03.03	By Bal c/d	75,000
		75,000			75,000
01.04.03	To Bal b/d	75,000	31.03.04	By Bal c/d	1,35,000
31.03.04	To landlord	60,000			
		1,35,000			1,35,000
01.04.04	To Bal b/d	1,35,000	31.03.05	By landlord A/c	37,500
				By P&L A/c	37,500
				By Bal c/d	60,000
		1,35,000			1,35,000
01.04.05	To Bal b/d	60,000	31.03.06	By P&L A/c	60,000
		60,000			60,000

5) a)

Mumbai Branch Stock A/c

Dr | Cr

Particulars	Rs	Particulars	Rs
To Balance b/d	26,700	By Goods Sent to Branch A/c (Ret. to HO)	1170
To Goods sent to Branch A/c	78,300	By Goods Sent to Branch A/c (Tr. to Delhi Branch)	5700
To Branch Debtors (Ret. to Branch)	570	By Branch Adj A/c (Load on loss in transit)	220
To Goods Sent to Branch A/c (Tr. from Delhi Branch)	600	By Branch P&L A/c (Load on loss in transit)	440

Dr | | | Cr

Particulars	Rs	Particulars	Rs
		By Branch Adj A/c (Normal loss)	150
		By Branch Adj A/c (Agreed Allowence Allowed)	100
		By Branch Adj A/c (Load on shortage)	450
		By Balance c/d	
		In hand	20,000
		In transit	1500
	1,06,170		1,06,170

Mumbai Branch Adjustment A/c

Dr | | | Cr

Particulars	Rs	Particulars	Rs
To Branch A/c (loss on loss transit)	220	By Stock Reserve A/c (Load on Op.stock)	8900
To Branch stock A/c (Normal loss)	150	By Goods sent to Branch A/c (Load on Net goods sent) [78300 + 600 − 1170 − 5700 − 120) × 50/150]	24,170
To Branch Stock A/c (Agreed Allowence)	100		
To Branch Stock A/c (Load on shortage)	450		
To Stock Reserve A/c (Load on Cl.stock)	7167		
To G.P to Branch P&L A/c	24983		
	33,070		33,070

Mumbai Branch P&L A/c

Dr | | | Cr

Particulars	Rs	Particulars	Rs
To Branch exps A/c	5000	By Branch Adj. A/c (G.P)	24,983
To Branch Stock A/c (cost of loss in transit)	440	By Bank A/c (claim)	400
To Branch stock A/c (cost of shortage)	900		
To Bad Debts	100		
To Discount Allowed	50		
To N.P to General P&L A/c	18,893		
	25,383		25,383

6) a)

Journals

	Particulars	Dr Amt Rs	Cr Amt Rs
i)	Bank A/c	6000 ~~60~~	
	To Share Application A/c		6000
	(Being application money recd on 3000 shares)		
ii)	Share Application A/c	6000	
	To Share Capital A/c		4000
	To Bank A/c		1200
	To Share Premium A/c		800
	(Being Application money on 3000 shares)		

	Particulars	Dr Amt Rs	Cr Amt Rs
iii)	Share Allotment A/c	10,000	
	To share Capital A/c		6000
	To Securities Premium A/c		4000
	(Being allotment money due)		
iv)	Bank A/c	9016	
	To share Allotment A/c		9016
	(Being remaining allotment money recd on 1960 shares)		
v)	Share First call A/c	6000	
	To share Capital A/c		6000
	(Being firstcall mony due)		
vi)	Bank A/c	5700	
	To share First call A/c		5700
	(Being first call mony recd on 1900 shares @ 3 per share)		
vii)	Share Capital A/c	220	
	Securities Premium A/c	80	
	To share Allotment A/c		184
	To share First call A/c		120
	To Forfeited share A/c		96
	(Being 40 shares forfeited for non-payment of full allotment money and first call money)		

	Particulars	Dr Amt Rs	Cr Amt Rs
viii)	Share Second & final call A/c	3920	
	To Share Capital A/c		3920
	(Being second & final call on 1960 share)		
IX)	Bank A/c	3800	
	To Share Second & final call A/c		3800
	(Being Second & final call on 1900 shares)		
x)	Share Capital A/c	600	
	To Share first call A/c		180
	To Share Second & final call A/c		120
	To Forfeited Shares A/c		300
	(Being 60 shares forfeited for non payment on first call & final call)		
xi)	Bank A/c	720	
	Forfeited Shares A/c	80	
	To Share Capital A/c		800
	(Being reissued of 80 shares @ Rs 9 fully paidup)		
xii)	Forfeited Shares A/c	216	
	To Capital Reserve A/c		216
	(Being reissued of 80 shares @ Rs 9 as fully paidup)		

8) Write Notes on:

a) Duble Accounting System:

Under this System Separate accounts in respect of capital and revenue receipts and payments are prepared. Any deficiency in capital or revenue receipt is compared with the expenditure incurred. The balance sheet is divided into two segmats to show receipts and expenditure on capital account and general balance sheet.

b) Reinsurance:

If an insurer finds that a particular risk is too heavy for his capacity to bear, he may reinsure a part of the risk with another insurer. Such an arrangement between two insurers is called reinsurance. The first insurer, in that event, parts with a proportimate share of the premium with second insurer. On maturity of claim, both the insurers share the claim, in agreed ratio.

c) Materiality Concept:

Materiality implies significance, substance, importance and consequence. In accounting, an item is recorded only when it is considered to be useful or important to user of a financial statement. Rounding off the expenses is a relevant point in this regard.

d) Minimum Rent:

A contract is entered between the landlord and the lessee for payment of royalty, usually based on the quantum of production or sale at a certain stipulated rate.

Therefore, if there is little or no production or sale, the landlord would receive little or no royalty at all, thus affecting the monetary interests of landlord as well as lessee. To avoid such a situation, the landlord and the lessee agree upon a minimum periodical amount that the landlord will receive from lessee, even if the actual royalty as calculated on the basis of actual production or sale is less than such minimum amount. This assured and mutually agreed periodical minimum amount is known as Minimum Rent.

c) Bonus share:

Bonus shares are issued by a company when it desires to pay dividends by issue of shares. Issue of bonus shares does not affect the liquidity of the Company. It amounts to capitalization of reserves and increases the credit worthiness of the Company. Bonus shares are issued out of free reserves.