

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

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

Where considered necessary, suitable assumptions may be made and clearly indicated in the answer.

**Section - A (Compulsory)**

1. (a) Choose the correct alternative: [15×2= 30]

- (i) Which of the following will be classified as capital expenditure?
  - a. Commission on purchases
  - b. Cost of repairs
  - c. Rent of factory
  - d. Wages paid for installation of machinery
- (ii) Purchase of a laptop for office use wrongly debited to Purchase Account. It is an error of \_\_\_\_\_.
  - a. Omission
  - b. Commission
  - c. Principle
  - d. Misposting
- (iii) Memorandum Joint Venture Account is prepared \_\_\_\_\_.
  - a. for determining the amount due to co-venturer
  - b. for determining the amount due from co-venturer
  - c. for ascertaining the profit/ loss on venture
  - d. None of the above
- (iv) When, Sales: ₹1,80,000, Purchase: ₹1,60,000, Opening Stock: ₹34,000 and rate of the Gross Profit is 20% on cost, what is the amount of Closing Stock?
  - a. ₹50,000
  - b. ₹44,000
  - c. ₹46,000
  - d. None of the above
- (v) Scholarship granted to students out of specific funds provided by Government will be debited to \_\_\_\_\_.
  - a. Income and Expenditure Account
  - b. Receipts and payments Account
  - c. Funds granted for Scholarship account
  - d. None of the above

**FINANCIAL ACCOUNTING**

- (vi) X, Y and Z are partners in the ratio of 3:2:1. W is admitted with  $\frac{1}{6}$ <sup>th</sup> share in future profits. Z would retain his original shares. What is the new profit sharing ratios of the partners?
- 12:8:5:5
  - 12:8
  - 12:8:1:1
  - 12:8:2:6
- (vii) Cost of goods returned by branch will have the following effect \_\_\_\_\_.
- Goods Sent to Branch account will be debited
  - Branch Stock Account will be credited
  - Both a. and b.
  - Either a. or b.
- (viii) As on 31st March, 2021 debtors; and additional bad debts are ₹8,00,000 and ₹10,000 respectively. If the provision for bad debts is made at 5% on debtors then amount of such provision will be \_\_\_\_\_.
- ₹40,000
  - ₹50,000
  - ₹39,500
  - ₹40,500
- (ix) If Ram's acceptance which was endorsed by us in favour of Shyam is dishonoured, then the amount will be debited in our books to:
- Shyam
  - Ram
  - Bills Receivable Account
  - Bills Payable Account
- (x) X and Y were partners sharing profit/losses as 3:2. They admit Z as a new partner, giving him  $\frac{1}{5}$ <sup>th</sup> share of future profits. What should be the new profit sharing ratio?
- 12:8:5
  - 3:2:1
  - 8:12:5
  - 5:8:12



- (xi) Which of the following accounting adjustments are required at the time of admission of a partner?
- Computation of New Profit-Sharing Ratio
  - Revaluation of Assets and Liabilities
  - Distribution of Reserves, Accumulated Profits and Losses
  - All of the above
- (xii) In Hire Purchase system cash price plus interest is known as \_\_\_\_\_
- Capital value of asset
  - Book value of asset
  - Hire purchase price of asset
  - Hire purchase charges
- (xiii) The Full form of GAAP is \_\_\_\_\_.
- Generally Accepted Accounting Principles
  - Generally Accepted Accountancy Principles
  - Globally Accepted Accounting Principles
  - Global Accounting Accepted Principles
- (xiv) Accounting Standard 22 is related to \_\_\_\_\_.
- Accounting for Taxes on Income
  - Borrowing Costs
  - Accounting for Government Grants
  - Property, Plant and Equipment
- (xv) Which of the following is/are example/s of costs that are not related to an item of property, plant and equipment?
- costs of opening a new facility or business
  - costs of conducting business in a new location or with a new class of customer
  - administration and other general overhead costs
  - All of the above

**Section - B**

**(Answer any five questions out of seven questions given. Each question carries 14 marks.)**

2. (a) On 1st April, 2020, RK Ltd. purchased a machine for ₹66,000 and spent ₹5,000 on shipping and forwarding charges, ₹7,000 as import duty, ₹1,000 for carriage and installation, ₹500 as brokerage and ₹500 for an iron pad. It was estimated that the machine will have a scrap value of ₹5,000 at the end of its useful life which is 15 years. On 1st January, 2021 repairs and renewals of ₹3,000 were carried out. On 1st October, 2022 this machine was sold for ₹50,000. Prepare Machinery Account for the 3 years. [7]
- (b) How you would classify the following as per their nature, between capital and revenue?
- (i) Redecoration expenses of ₹ 8,000.
  - (ii) Installation of a new Coffee-making Machine for ₹10,000.
  - (iii) Building of an extension of the club dressing room for ₹15,000.
  - (iv) Purchase of snacks & food stuff ₹2,000.
  - (v) Purchase of Video Games and T.V. for the use in the club lounge for ₹15,000.
  - (vi) ₹1,000 paid for removal of stock to a new site.
  - (vii) Expenses incurred in connection with obtaining a licence for starting the factory were ₹10,000. [7]
3. (a) Sunil owed Anil ₹ 80,000. Anil draws a bill on Sunil for that amount for 3 months on 1<sup>st</sup> April, 2022. Sunil accepts it and returns it to Anil. On 15th April, 2022 Anil discounts it with CC Bank at a discount of 12% p.a. On the due date the bill was dishonoured, the bank paid noting charges ₹100. Anil settles the bank's claim along with noting charges in cash. Sunil accepted another bill for 3 months for the amount due plus interest of ₹3,000 on 1st July, 2022. Before the new bill become due, Sunil retires the bill with a rebate of ₹500. Show journal entries in books of Anil. [7]
- (b) VK Ltd. leased a printing machine from GF Ltd. for a period of 3 years. The useful life of the printing machine is known to be of 5 years. It was agreed between the lessor and lessee that the amount will be paid in 3 instalments and at the termination of the lessee, GF Ltd. will take back the said machine.
- The following details are available in respect of the machine lessee:
- Cost of the printing machine is ₹ 15,00,000;
  - Unguaranteed residual value at the end of the lease period is ₹ 2,00,000;
  - Fair value of the machine is ₹ 15,00,000;
  - The internal rate of return of the investment is 10%.



You are required to:

- (i) Analyse whether the lease is a finance lease or an operating lease?
- (ii) Ascertain the amount of unearned finance income.

Given: PVF10%, 3 = 0.7513; PVAF10%, 3 = 2.4868.

[7]

4. The following is the Balance Sheet of Mr. Ray as on 31st March, 2021:

| Liabilities     | ₹      | Assets       | ₹      |
|-----------------|--------|--------------|--------|
| Capital Account | 48,000 | Building     | 32,500 |
| Loan            | 15,000 | Furniture    | 5,000  |
| Creditor        | 31,000 | Motor Car    | 9,000  |
|                 |        | Stock        | 20,000 |
|                 |        | Debtors      | 17,000 |
|                 |        | Cash in hand | 2,000  |
|                 |        | Cash at Bank | 8,500  |
|                 | 94,000 |              | 94,000 |

A riot occurred on the night of 31st March, 2022 in which all books and records were lost.

The cashier had absconded with the available cash. He gives you the following information:

- (i) His sales for the year ended 31st March, 2022 were 20% higher than the previous year's. He always sells his goods at cost plus 25%; 20% of the total sales for the year ended 31st March, 2022 were for cash. There were no cash purchases.
- (ii) On 1st April, 2021 the stock level was raised to ₹30,000 and stock was maintained at this new level all throughout the year.
- (iii) Collection from debtors amounted to ₹1,40,000 of which ₹35,000 was received in cash, Business expenses amounted to ₹20,000 of which ₹5,000 was outstanding on 31st March, 2022 and ₹ 6,000 was paid by cheques.
- (iv) Analysis of the Pass Book revealed the Payment to Creditors ₹1,37,500, Personal Drawing ₹7,500, Cash deposited in Bank ₹71,500 and Cash withdrawn from Bank ₹12,000.
- (v) Gross Profit as per last year's audited accounts was ₹30,000.
- (vi) Provide depreciation on Building and Furniture at 5% and Motor Car at 20%.
- (vii) The amount defalcated by the cashier may be treated as recoverable from him.

You are required to prepare the Trading and Profit and Loss Account for the year ended 31st March, 2022 and Balance Sheet as on that date.

[14]



## FINANCIAL ACCOUNTING

5. A and B were partners of a firm sharing profits and losses in the ratio 2:1. The Balance Sheet of the firm as at 31st March, 2022 was as under:

| Liabilities       | ₹         | Assets              | ₹         |
|-------------------|-----------|---------------------|-----------|
| Capital Accounts: |           | Plant and Machinery | 5,00,000  |
| A                 | 8,00,000  | Building            | 9,00,000  |
| B                 | 4,00,000  | Sundry Debtors      | 2,50,000  |
| Reserves          | 5,25,000  | Stock               | 3,00,000  |
| Sundry Creditors  | 2,75,000  | Cash                | 1,50,000  |
| Bills Payable     | 1,00,000  |                     |           |
|                   | 21,00,000 |                     | 21,00,000 |

They agreed to admit P and Q into the partnership on the following terms:

- The firm's goodwill to be valued at 2 years' purchase of the weighted average of the profits' of the last 3 years. The relevant figures are:  
Year ended 31.03.2019 - Profit ₹37,000  
Year ended 31.03.2020 - Profit ₹40,000  
Year ended 31.03.2021 - Profit ₹45,000
- The value of the stock and Plant & Machinery were to be reduced by 10%.
- Building was to be valued at ₹10,11,000.
- There was an unrecorded liability of ₹ 10,000.
- A, B, P & Q agreed to share profits and losses in the ratio 3:2:1:1.
- The value of reserve, the values of liabilities and the values of assets other than cash were not to be altered.
- P and Q were to bring capitals equal to their shares of Profit considering B's capital as base after all adjustments.

Prepare:

- Memorandum Revaluation Account,
- Partner's Capital Accounts and
- The Balance Sheet of the newly constructed firm.

[14]

6. (a) The following details are available in respect of a business for a year.

| Department | Opening Stock | Purchase    | Sales                       |
|------------|---------------|-------------|-----------------------------|
| X          | 120 units     | 1,000 units | 1,020 units at ₹ 20.00 each |
| Y          | 80 units      | 2,000 units | 1,920 units at ₹ 22.50 each |
| Z          | 152 units     | 2,400 units | 2,496 units at ₹ 25.00 each |

The total value of purchases is ₹ 1,00,000. It is observed that the rate of Gross Profit is the same in each department. Prepare Departmental Trading Account for the above year.

[7]



- (b) VK Trader's godown caught fire on 29th August, 2022, and a large part of the stock of goods was destroyed. However, goods costing ₹54,000 could be salvaged incurring fire fighting expenses amounting to ₹ 2,350.

The trader provides you the following additional information:

| Particulars   | ₹         |
|---|-----------|
| Cost of stock on 1st April, 2021  | 3,55,250  |
| Cost of stock on 31st March, 2022   | 3,95,050  |
| Purchases during the year ended 31st March, 2022  | 28,39,800 |
| Purchases from 1st April, 2022 to the date of fire  | 16,55,350 |
| Cost of goods distributed as samples for advertising from 1st April, 2022 to the date of fire | 20,500    |
| Cost of goods withdrawn by trader for personal use from 1st April, 2022 to the date of fire   | 1,000     |
| Sales for the year ended 31st March, 2022   | 40,00,000 |
| Sales from 1st April, 2022 to the date of fire  | 22,68,000 |

The insurance company also admitted fire fighting expenses. The trader had taken the fire insurance policy for ₹4,50,000 with an average clause.

Examine and calculate the amount of the claim that will be admitted by the insurance company. [7]

7. (a) During the financial year 2021-22, Zeds Ltd., an e-commerce firm entered into a foreign currency transaction relating to fees for technical services paid to a Lucas Ltd., an Atlanta based organisation in the USA. The transaction was for \$24,000, which was entered into on 07.12.2021.

The payment for the same was made on 20.05.2022. Given that the exchange rates are: on 07.12.2021: \$1 = ₹68.80; on 01.01.2021: \$1 = ₹68.95; on 31.03.2022: \$1 = ₹70.45; on 20.05.2022: \$1 = ₹71.50.

You are required to:

- ascertain the amount at which the transaction would get recognised in the books; and
- calculate amount of foreign exchange gain/loss to be recorded in the financial statement for the years 2021-22 and 2022-23. [7]



- (b) Parshuram Ltd., which commenced its operations in 2018-19, provides the following details:

| Financial year | Profit before tax (₹) | Timing Difference (₹) | Permanent Difference (₹) | Corporate tax rate | Remarks               |
|----------------|-----------------------|-----------------------|--------------------------|--------------------|-----------------------|
| 2018-19        | 28,00,000             | + 3,15,000            | + 3,50,000               | 40%                | Reversible in 2021-22 |
| 2019-20        | 31,50,000             | + 2,10,000            | + 2,80,000               | 38%                | Reversible in 2020-21 |
| 2020-21        | 35,00,000             | - 70,000              | + 3,15,000               | 35%                | Reversible in 2021-22 |
| 2021-22        | 24,50,000             | Nil                   | + 4,20,000               | 30%                | --                    |

You are required to ascertain the amount of Current Tax for the four financial years.

[7]

8. Write short note on the following:

- (a) Disclosure requirement as per AS 11
- (b) Features of Receipts and Payments Account
- (c) Accounting adjustments are required at the time of admission of a partner

[5+5+4=14]



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

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

**SECTION – A (Compulsory)****1. Choose the correct alternative:****[15 x 2 = 30]**

- (i) The concept that business is assumed to exist for an indefinite period and is not established with the objective of closing down is referred to as \_\_\_\_\_.  
a. Money Measurement concept  
b. Going Concern concept  
c. Full Disclosure concept  
d. Dual Aspect concept
- (ii) Income Statement of a charitable institution is known as \_\_\_\_\_.  
a. Profit and Loss A/c  
b. Receipts and payments A/c  
c. Income and Expenditure A/c  
d. Statement of Affairs
- (iii) Goods are transferred from Department A to Department B at a price so as to include a profit of 33.33% on cost. If the value of closing stock of Department Y is ₹36,000, then the amount of stock reserve on closing stock will be \_\_\_\_\_.  
a. ₹12,000  
b. ₹9,000  
c. ₹18,000  
d. None of the above
- (iv) In the hire purchase system interest charged by vendor is calculated on the basis of \_\_\_\_\_.  
a. Outstanding cash Price  
b. Hire purchase Price  
c. Installment amount  
d. None of the above
- (v) Bad debts Recovered ₹750. It will be \_\_\_\_\_.  
a. Credited to Bad debts A/c  
b. Credited to debtor's personal A/c  
c. Debited to creditor's personal A/c  
d. Credited to bad debts recovered A/c
- (vi) A Charitable Institution has 250 members with a annual subscription of ₹5,000 each. The subscription received during 2020-21 were ₹11,25,000, which include ₹65,000 and ₹25,000 for the years of 2019-20 and 2021-22 respectively. The amount of outstanding subscription for the 2020-21 will be \_\_\_\_\_.



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- a. ₹90,000  
b. ₹1,25,000  
c. ₹2,15,000  
d. ₹1,90,000
- (vii) Shiva draws a bill on Sanat on 25th October, 2021 for 90 days, the maturity date of the bill will be \_\_\_\_\_.  
a. 25th February, 2022  
b. 30th January, 2022  
c. 25th January, 2022  
d. 28th Feb, 2022
- (viii) In a Cash Book Debit balance of ₹112 brought forward as credit balance of ₹121, while preparing a Bank Reconciliation Statement taking the balance as per Cash Book as the starting point \_\_\_\_\_.  
a. ₹112 to be added  
b. ₹ 121 to be added  
c. ₹ 233 to be added  
d. ₹ 112 to be subtracted
- (ix) Del credere commission is allowed to consignee \_\_\_\_\_.  
a. For making cash sales  
b. for making credit sales  
c. For making extra sales  
d. For undertaking risk of bad debts
- (x) KCS purchased a machine from JPS on hire purchase system, whose cash price was ₹ 8,64,000. ₹ 2,16,000 being paid on delivery and balance in three annual installments of ₹2,88,000 each. The amount of interest included in first installment would be \_\_\_\_\_.  
a. ₹ 72,000  
b. ₹ 57,600  
c. ₹ 1,08,000  
d. ₹ 36,000
- (xi) Provision for Doubtful Debt on 1st April, 2021 was ₹21,500. During the year 2021 – 22 the Bad-debt and Recovery of Bad-debt were ₹10,500 and ₹2,100 respectively. The Sundry Debtors on 31st March, 2022 were ₹2,25,000. Provision is to be made @ 5% on Debtors. If on 31st March, 2022, there was additional Bad-debt of ₹2,500 then Provision for doubtful-debt will be \_\_\_\_\_.  
a. Debited to Profit & Loss Account by ₹11,250.  
b. Debited to Profit & Loss Account by ₹2,625.  
c. Debited to Profit & Loss Account by ₹3,000.  
d. Debited to Profit & Loss Account by ₹900.
- (xii) AS -16 Deals with \_\_\_\_\_.  
a. Accounting of Inventory Cost  
b. Accounting for transactions in Foreign Currencies  
c. Accounting for Depreciation

**d. Accounting for Borrowing Costs**

(xiii) The Foreign Currency receivables as per books of accounts 10,000\$ USD= ₹80, ₹8,00,000 accounted on 09-Feb-2023. On 31-Mar-2023, The USD= INR 82 then what is the amount of Foreign Currency Receivables to be reported on 31-Mar-2023 balance sheet as Assets \_\_\_\_\_.

- a. ₹2,000
- b. (₹2,000)
- c. ₹82,000
- d. ₹80,000

(xiv) The main objective of average clause contained in a fire insurance policy is to \_\_\_\_\_.

- a. Encourage full Insurance
- b. Discourage full Insurance
- c. Encourage under Insurance
- d. Encourage full Insurance and Discourage under Insurance

(xv) Discount given in the Sales - Invoice itself is \_\_\_\_\_.

- a. Cash discount
- b. Trade discount
- c. Rebate
- d. Allowance

**Answer:**

| (i) | (ii) | (iii) | (iv) | (v) | (vi) | (vii) | (viii) | (ix) | (x) | (xi) | (xii) | (xiii) | (xiv) | (xv) |
|-----|------|-------|------|-----|------|-------|--------|------|-----|------|-------|--------|-------|------|
| b   | c    | d     | a    | d   | c    | c     | c      | d    | c   | b    | d     | c      | d     | b    |

**Section – B**

(Answer any five questions out of seven questions given. Each question carries 14 Marks)

2. (a) On comparing the Cash Book of Saksham with the Bank Pass Book for the year ended 31st March, 2022, following discrepancies were noticed:

- i. Out of ₹82,000 paid in by cheques into the bank on 25th March, cheques amounting to ₹30,000 were collected on 5th April.
- ii. Out of cheques drawn amounting to ₹31,200 on 28th March a cheque for ₹ 10,000 was presented on 3<sup>rd</sup> April.
- iii. A cheque for ₹4,000 entered in Cash Book but omitted to be banked on 31st March.
- iv. A cheque for ₹2,400 deposited into bank but omitted to be recorded in Cash Book and was collected by the bank on 29th March.
- v. A bill receivable for ₹2,080 previously discounted (discount ₹80) with the bank had been dishonoured but advice was received on 3rd April.



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- vi. A bill for ₹40,000 was retired/paid by the bank under a rebate of ₹600 but the full amount of the bill was credited in the bank column of the Cash Book.
- vii. A cheque of ₹10,000 wrongly credited in the Pass Book on 29th March was reversed on 2nd April.
- viii. Bank had wrongly debited ₹20,000 in the account on 31st March and reversed it on 10th April, 2022.
- ix. A cheque of ₹800 drawn on the Savings Account has been shown as drawn on Current Account in Cash Book.

Prepare a Bank Reconciliation Statement as on 31st March, 2022, if the Balance as per Cash Book on 31st March was ₹1,58,280. [7]

(b) Rectify the following errors:

- i. A credit sale of goods to X ₹ 3,000 posted as ₹ 30,000.
- ii. A cash sale of goods to Y ₹ 3,000 posted as ₹ 30,000.
- iii. A credit sale of furniture to Z ₹ 3,000 posted as ₹ 30,000
- iv. A credit sale of goods of ₹ 3,000 to Krishan entered in the purchases book as ₹ 30,000 and posted therefrom to the credit of Kishan as ₹3,000.
- v. A cash sale of goods of ₹ 3,000 to Krishan posted to the credit of Kishan as ₹ 30,000.
- vi. A credit purchase of old machinery from Sohan for ₹17,000 was entered in the purchases book as purchase from Mohan for ₹71,000. ₹3,000 paid as Repair Charges of this Machinery debited to General Expenses Account.
- vii. A bill drawn on Meenu for ₹ 30,000 was passed through bills payable book with ₹ 3,000 and posted therefrom to the credit of Meena as ₹300.
- viii. Sales included a sale of furniture having a book value of ₹900 for ₹850 on 31<sup>st</sup> March, 2022. [7]

Answer:

2. (a)

**Bank Reconciliation Statement as on 31<sup>st</sup> March, 2022**

| Particulars   | ₹      | ₹        |
|---|--------|----------|
| Balance as per Cash Book (Dr.)  |        | 1,58,280 |
| Add:  |        |          |
| (b) Cheques issued on 28 <sup>th</sup> March but not yet presented for payment.                   | 10,000 |          |
| (d) A cheque deposited into bank but not recorded in Cash Book.                                   | 2,400  |          |
| (f) Rebate on bill not entered in Cash Book   | 600    |          |
| (g) Cheque wrongly credited by bank   | 10,000 |          |
| (i) Cheque drawn on Savings Bank a/c but wrongly recorded in current A/c                          | 800    | 23,800   |
|   |        | 1,82,080 |
| Less:   |        |          |
| (a) Cheques deposited on 25 <sup>th</sup> March but not yet collected till 31 <sup>st</sup> March | 30,000 |          |
| (c) A cheque entered in Cash Book but not yet banked  | 4,000  |          |
|   | 2,080  |          |



# INTERMEDIATE EXAMINATION

SET - 2

MODEL ANSWERS

TERM – DECEMBER 2023

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SYLLABUS 2022

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|   |        |          |
|---|--------|----------|
| (d) Discounted Bills Receivable dishonoured but not recorded in Cash Book | 20,000 | 56,080   |
| (h) Amount wrongly debited by the Bank                                    |        |          |
| Balance as per Bank Pass Book (Cr.)                                       |        | 1,26,000 |

(b)

### Rectification of Errors

| Date  | Particulars  | Debit<br>₹               | Credit<br>₹               |
|-------|--|--------------------------|---------------------------|
| (i)   | Suspense A/c Dr.<br>To X A/c<br>(Being wrong posting now rectified)<br>(or)<br>Sales A/c Dr.<br>To X A/c<br>(Being credit sale of ₹3,000 wrongly posted as ₹ 30,000 now rectified)   | 27,000<br><br><br>27,000 | 27,000<br><br><br>27,000  |
| (ii)  | Sales A/c Dr.<br>To Suspense A/c<br>(Being wrong posting now rectified)<br>(or)<br>Sales A/c Dr.<br>To Cash A/c<br>(Being cash sales of ₹ 3,000 wrongly posted as ₹30,000 now rectified)   | 27,000<br><br><br>27,000 | 27,000<br><br><br>27,000  |
| (iii) | Furniture A/c Dr.<br>To Z A/c<br>(Being wrong posting now rectified)   | 27,000                   | 27,000                    |
| (iv)  | Krishan A/c Dr.<br>Kishan A/c Dr.<br>Suspense A/c Dr.<br>To Sales A/c<br>To Purchases A/c<br>(Being sale recorded as purchase with wrong among and wrong posting therefrom, now rectified)   | 3,000<br>3,000<br>27,000 | 3,000<br>30,000           |
| (v)   | Kishan A/c Dr.<br>To Sales A/c<br>To Suspense A/c<br>(Being wrong posting, now rectified)  | 30,000                   | 3,000<br>27,000           |
| (vi)  | Mohan A/c Dr.<br>Machinery A/c Dr.<br>To Sohan A/c<br>To Purchases A/c<br>To General Expenses A/c<br>(Being purchase of old machinery recorded the Purchases Book and repairing charges debited to General Expenses A/c, now rectified). | 71,000<br>20,000         | 17,000<br>71,000<br>3,000 |
| (vii) | Bills Receivable A/c Dr.<br>Bills Payable A/c Dr.  | 30,000<br>3,000          |                           |



# INTERMEDIATE EXAMINATION

SET - 2

MODEL ANSWERS

TERM – DECEMBER 2023

PAPER – 6

SYLLABUS 2022

## FINANCIAL ACCOUNTING

|        |   |     |     |        |
|--------|---|-----|-----|--------|
|        | Meena A/c   | Dr. | 300 |        |
|        | To Meenu A/c  |     |     | 30,000 |
|        | To Suspense A/c   |     |     | 3,300  |
|        | (Beign Bills Receivable drawn recorded in Bills Payable book now rectified) |     |     |        |
| (viii) | Sales A/c   | Dr. | 850 |        |
|        | Loss on Sale of Furniture A/c   | Dr. | 50  |        |
|        | To Furniture A/c  |     |     | 900    |
|        | (Being the sale of furniture recorded as sales, now rectified)              |     |     |        |

- 3.(a) On 1<sup>st</sup> July, 2022 B. Dutta of Kolkata consigned 250 computers costing ₹28,000 each to T. Ramasami, Chennai. Expenses of ₹17,000 were met by the consignor. T. Ramasami spent ₹14,500 for clearance on 31<sup>st</sup> July, 2022 and selling expenses were ₹1,500 per computer as and when the sale made by consignee. T. Ramasami sold on 4<sup>th</sup> September, 2022, 150 computers at ₹40,000 per computer and again on 21<sup>st</sup> September, 75 computers at ₹42,500.

Mr. Ramasami was entitled to a commission of ₹1,500 per computer sold plus one-fourth of the amount by which the gross sale proceeds less total commission there on exceeded a sum calculated at the rate of ₹35,000 per computer sold. T. Ramasami sent the account sale and the amount due to B. Dutta on 30<sup>th</sup> September, 2022 by bank demand draft.

You are required to prepare the Consignment Account and T. Ramasami's Account in the books of B. Dutta. [7]

- (b) Chinu sells goods on hire purchase at cost plus 60 percent. Prepare Hire Purchase Trading Account from the following information for the year ending 31<sup>st</sup> March, 2021.

|           |  | ₹        |
|-----------|--|----------|
| 01-4-2020 | Stock with customers at hire purchase price                        | 96,000   |
| 31-3-2021 | Sale of hire purchase goods during the year at hire purchase price | 5,68,000 |
| 31-3-2021 | Cash received from hire purchase customers                         | 2,65,000 |
| 31-3-2021 | Stock with customers at hire purchase price                        | 3,64,000 |

[7]

Answer:

3.(a)

### Books of B. Dutta of Kolkata Consignment to Chennai Account

| Dr.     |                                     |             | Cr.     |                                |             |
|---------|-------------------------------------|-------------|---------|--------------------------------|-------------|
| Date    | Particulars                         | Amount<br>₹ | Date    | Particulars                    | Amount<br>₹ |
| 01-7-22 | To GSC A/c                          | 70,00,000   | 04-8-22 | By T. Ramasami (Sales)         | 80,00,000   |
| 01-7-22 | To Bank A/c (Expenses)              | 17,000      | 21-9-22 | By T. Ramasami (Sales)         | 31,87,500   |
| 31-7-22 | To T. Ramasami A/c (Cl. Exp)        | 14,500      | 30-9-22 | By Stock on<br>Consignment A/c | 7,03,150    |
| 04-9-22 | To T. Ramasami A/c (Selling<br>Exp) | 2,25,000    |         |                                |             |
| 30-9-22 |                                     | 1,12,500    |         |                                |             |



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|         |                                  |           |  |  |           |
|---------|----------------------------------|-----------|--|--|-----------|
| 30-9-22 | To T. Ramasami A/c (Selling Exp) | 5,32,500  |  |  |           |
|         | To T. Ramasami A/c (Comm)        | 19,89,150 |  |  |           |
|         | To Profit & Loss A/c             |           |  |  |           |
|         |                                  | 98,90,650 |  |  | 98,90,650 |

### T. Ramasami Chennai Account

| Dr.     |                    |           | Cr.     |                                  |           |
|---------|--------------------|-----------|---------|----------------------------------|-----------|
| Date    | Particulars        | Amount ₹  | Date    | Particulars                      | Amount ₹  |
| 04-9-22 | To Consignment A/c | 60,00,000 | 31-7-22 | By Consignment A/c (Cl. Exp)     | 14,500    |
| 21-9-22 | To Consignment A/c | 31,87,500 | 04-9-22 | By Consignment A/c (Selling Exp) | 2,25,000  |
|         |                    |           | 21-9-22 | By Consignment A/c (Selling Exp) | 1,12,500  |
|         |                    |           | 30-9-22 | By Consignment A/c (Comm)        | 5,32,500  |
|         |                    |           | 30-9-22 | By Bank A/c                      | 83,03,000 |
|         |                    | 91,87,500 |         |                                  | 91,87,500 |

### Working Notes:

#### (i) Calculation of Commission

Let 'X' be total commission

$$X = (225 \times 1,500) + 1/4 [60,00,000 + 31,87,500 - X - 1 (35,000 \times 225)]$$

$$X = 3,37,500 + 1/4 (91,87,500 - X - 78,75,000)$$

$$X = 3,37,500 + 3,28,125 - X / 4$$

$$5 / 4 X = 6,65,625$$

$$X = 5,32,500$$

#### (ii) Valuation of Stock on Consignment:

| Particulars   | Amount (₹)      |
|---|-----------------|
| Valuation of stock on consignment:                      |                 |
| 250 – 150 – 75 = 25 computers @ Rs. 28,000              | 7,00,000        |
| Add: Consignor's Expenses = 17,000 x 25 / 250           | 1,700           |
| Add: Share of Consignee's Clearing Exp. 14,500 x 25/250 | 1,450           |
| Value of unsold stock                                   | <u>7,03,150</u> |

#### (b)

### H.P. Trading Account of Chinnu for the year ending on 31.3.2021

| Dr.     |   |          | Cr.     |  |          |
|---------|---|----------|---------|--|----------|
| Date    | Particulars                                       | Amount ₹ | Date    | Particulars  | Amount ₹ |
| 01-4-20 | To Balance b/d                                    | 60,000   | 31-3-21 | By Cash A/c  | 2,65,000 |
|         | Opening Inst. not due at Cost (96,000 x 100/160)  |          | 31-3-21 | By balance c/d (Stock with customer)               | 2,27,500 |
|         | Opening Inst. due but not received                | NIL      |         | Closing Inst. not due at cost (3.64.000 x 100/160) |          |
| 31-3-21 | To Cost of goods sold on H.P (5,68,000 x 100/160) | 3,55,000 |         |  |          |
| 31-3-21 | To Profit & Loss A/c (b/f)                        | 1,12,500 | 31-3-21 | By Closing Inst due but not received               | 35,000   |
|         |   | 5,27,500 |         |  | 5,27,500 |





## FINANCIAL ACCOUNTING

## Working Note (1):

## Mem. H.P. Debtors Account

| Dr.                    |             | Cr.                  |             |
|------------------------|-------------|----------------------|-------------|
| Particulars            | Amount<br>₹ | Particulars          | Amount<br>₹ |
| To balance b/d         | NIL         | By Cash A/c          | 2,65,000    |
| To H.P. Stock W.N. (2) | 3,00,000    | By balance c/d (b/f) | 35,000      |
|                        | 3,00,000    |                      | 3,00,000    |

## Working Note (2):

## Mem. H.P. Stock Account

| Dr.                   |             | Cr.                 |             |
|-----------------------|-------------|---------------------|-------------|
| Particulars           | Amount<br>₹ | Particulars         | Amount<br>₹ |
| To balance b/d        | 96,000      | By H.P. Debtors a/c | 3,00,000    |
| To Goods Sold on H.P. | 5,68,000    | By balance c/d      | 3,64,000    |
|                       | 6,64,000    |                     | 6,64,000    |

4. Jodhpur Club furnishes you the Receipts and Payments Account for the year ended 31.3.2022:

| Receipts                | ₹        | Payments                               | ₹        |
|-------------------------|----------|--|----------|
| Cash in hand (1.4.2021) | 40,000   | Salary                                 | 20,000   |
| Cash at bank (1.4.2021) | 1,00,000 | Repair expenses                        | 5,000    |
| Donations               | 50,000   | Furniture                              | 60,000   |
| Subscriptions           | 1,20,000 | Investments                            | 60,000   |
| Entrance Fees           | 10,000   | Misc. expenses                         | 5,000    |
| Interest on investments | 1,000    | Insurance Premium                      | 2,000    |
| Interest from banks     | 4,000    | Billiards table and other sports items | 80,000   |
| Sale of old newspapers  | 1,500    | Stationery expenses                    | 1,500    |
| Sale of drama tickets   | 10,500   | Drama expenses                         | 5,000    |
|                         |          | Cash in hand (31.3.2022)               | 26,500   |
|                         |          | Cash at bank (31.3.2022)               | 72,000   |
|                         | 3,37,000 |  | 3,37,000 |

## Additional Information:

- (a) Subscriptions in arrear for 2021-22 ₹9,000 and subscription in advance for the year 2022-23 ₹3,500.
- (b) ₹400 was the insurance premium outstanding as on 31.3.2022.
- (c) Miscellaneous expenses prepaid ₹900.
- (d) 50% of donation is to be capitalised.
- (e) Entrance fees to be treated as revenue income.
- (f) 8% interest has accrued on investments for five months.





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(g) Billiards table and other sports equipments costing ₹3,00,000 were purchased in the financial year 2020-21 and of which ₹80,000 was not paid 31.3.2021. There is no charge for depreciation to be considered.

You are required to prepare Income and Expenditure Account for the year ended 31.3.2022 and balance sheet of the Club as at 31.3.2022. [14]

Answer:

### Jodhpur Club Income and Expenditure Account for the year ended 31.3.2022

| Dr.   |             |  | Cr.         |
|---|-------------|--|-------------|
| Expenditure                                 | Amount<br>₹ | Income   | Amount<br>₹ |
| To Salary                                   | 20,000      | By Subscription<br>(1,20,000 + 9,000 – 3,500)        | 1,25,500    |
| To Repair Expenses                          | 5,000       | By Donation @ 50%                                    | 25,000      |
| To Misc. Expenses (5,000 – 900)             | 4,100       | By Entrance Fee                                      | 10,000      |
| Less Prepaid                                |             | By Sale of Old Newspaper                             | 1,500       |
| To Insurance premium<br>(Incl. Outstanding) | 2,400       | By Bank Interest                                     | 4,000       |
| To Stationery expenses                      | 1,500       | By Interest on Investments<br>(60,000 x 8% x 5/12) + | 3,000       |
| To Drama Expenses                           | 5,000       | 1,000  | 10,500      |
| To Excess of Income over<br>Expenditure     | 1,41,500    | By Sale of Drama tickets                             |             |
|   | 1,79,500    |  | 1,79,500    |

### Balance Sheet as on 01.04.2021

| Liabilities                 | Amount<br>₹ | Assets   | Amount<br>₹ |
|-----------------------------|-------------|--|-------------|
| Capital Fund (Bal. fig)     | 3,60,000    | Cash in hand                                   | 40,000      |
| Billiards table outstanding | 80,000      | Cash at bank                                   | 1,00,000    |
|                             |             | Billiards table and other<br>sports equipments | 3,00,000    |
|                             | 4,40,000    |  | 4,40,000    |

### Balance Sheet as on 31.03.2022

| Liabilities                          | Amount<br>₹ | Assets   | Amount<br>₹ |
|--------------------------------------|-------------|--|-------------|
| Capital Fund                         | 3,60,000    | Cash in hand                                   | 26,500      |
| Add: Donations                       | 25,000      | Cash at Bank                                   | 72,000      |
| Excess of Income over<br>Expenditure | 1,41,500    | Investments                                    | 60,000      |
| Subscriptions in advance             | 3,500       | Accrued Interest                               | 2,000       |
| Insurance Premium outstanding        | 400         | Furniture                                      | 60,000      |
|                                      |             | Prepaid Misc. Exp.                             | 900         |
|                                      |             | Subscription Arrears                           | 9,000       |
|                                      |             | Billiards table and other<br>sports equipment. | 3,00,000    |
|                                      | 5,30,400    |  | 5,30,400    |



5. P, Q, R and T have been carrying on business in partnership sharing profits and losses in the ratio of 4:1:2:3.

The following is their Balance Sheet as on 31<sup>st</sup> March, 2022:

| Liabilities              | ₹                | Assets                         | ₹                |
|--------------------------|------------------|--------------------------------|------------------|
| <b>Capital Accounts:</b> |                  | <b>Premises</b>                | <b>2,80,000</b>  |
| P ₹7,00,000              |                  | <b>Furniture</b>               | <b>30,000</b>    |
| T ₹3,00,000              | 10,00,000        | <b>Stock-in-Trade</b>          | <b>2,00,000</b>  |
| <b>Trade Creditors</b>   | <b>3,00,000</b>  | <b>Trade Debtors ₹3,50,000</b> |                  |
|                          |                  | <b>Less: Provision for</b>     |                  |
|                          |                  | <b>Bad debts ₹50,000</b>       | <b>3,00,000</b>  |
|                          |                  | <b>Cash at Bank</b>            | <b>1,40,000</b>  |
|                          |                  | <b>Capital Accounts:</b>       |                  |
|                          |                  | Q ₹2,00,000                    |                  |
|                          |                  | R ₹1,50,000                    | <b>3,50,000</b>  |
|                          | <b>13,00,000</b> |                                | <b>13,00,000</b> |

It has been agreed to dissolve the partnership on 1<sup>st</sup> April, 2022 on the basis of the following points agreed upon:

- P is to take over Trade Debtors at 80% of Book Value (₹ 3,50,000)
- T is to take over the Stock in Trade at 95% of the value; and
- R is to discharge Trade Creditors
- The realisation is : Premises ₹ 2,75,000 and Furniture ₹ 25,000.
- The expenses of realisation come to ₹ 30,000.
- Q is found insolvent and ₹ 21,900 is realised from his estate.

Note: The loss arising out of capital deficiency may be distributed following decision in Garner V Murray.

You are required to prepare:

- Realisation Account
- Bank/Cash Account
- Capital Accounts of the Partners

[14]

Answer:

**In the Books of P, Q, R & T**  
**Realisation Account**

| Dr.                |                           |             | Cr.             |                                |             |
|--------------------|---------------------------|-------------|-----------------|--------------------------------|-------------|
| Date               | Particulars               | Amount<br>₹ | Date            | Particulars                    | Amount<br>₹ |
| 2022<br>April<br>1 | To Trade debtors A/c      | 3,50,000    | 2022<br>April 1 | By Provision for Bad debts A/c | 50,000      |
|                    | To Stock in Trade A/c     | 2,00,000    |                 | By Trade Creditors A/c         | 3,00,000    |
|                    | To Premises A/c           | 2,80,000    |                 | By P's Capital A/c             | 2,80,000    |
|                    | To Furniture A/c          | 30,000      |                 | (Trade Debtors taken over)     |             |
|                    | To R's Capital A/c        | 3,00,000    |                 | By T's Capital A/c             | 1,90,000    |
|                    | (Trade credit discharged) |             |                 | (Stock-in-trade taken over)    |             |
|                    | To Bank/Cash (Expenses)   | 30,000      |                 | By Bank A/c (Assets realised)  | 3,00,000    |
|                    |                           |             |                 | By Partners Capital A/c        |             |
|                    |                           |             |                 | (P: ₹ 28,000)                  |             |



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|  |  |           |  |  |           |
|--|--|-----------|--|--|-----------|
|  |  |           |  | Q: ₹7,000<br>R: ₹14,000<br>T: ₹21,000) | 70,000    |
|  |  | 11,90,000 |  |  | 11,90,000 |

### Bank/Cash Account

| Dr.             |                         |             | Cr.             |                               |             |
|-----------------|-------------------------|-------------|-----------------|-------------------------------|-------------|
| Date            | Particulars             | Amount<br>₹ | Date            | Particulars                   | Amount<br>₹ |
| 2022<br>April 1 | To balance b/d          | 1,40,000    | 2022<br>April 1 | By Realisation A/c (expenses) | 30,000      |
|                 | To Realization A/c      | 3,00,000    |                 | By Partners Capital A/c       |             |
|                 | To Partners Capital A/c |             |                 | P:                            | 2,90,430    |
|                 | P:                      | 28,000      |                 | R:                            | 1,50,000    |
|                 | Q:                      | 21,900      |                 | T:                            | 54,470      |
|                 | R:                      | 14,000      |                 |                               |             |
|                 | T:                      | 21,000      |                 |                               |             |
|                 |                         | 5,24,900    |                 |                               | 5,24,900    |

### Partners Capital Accounts (Amount in ₹)

| Dr.                       |          |          |          |          | Cr.                        |          |          |          |          |
|---------------------------|----------|----------|----------|----------|----------------------------|----------|----------|----------|----------|
| Particulars               | P        | Q        | R        | T        | Particulars                | P        | Q        | R        | T        |
| To balance b/d            | --       | 2,00,000 | 1,50,000 | --       | By balance b/d             | 7,00,000 | --       | --       | 3,00,000 |
| To Realisation A/c        | 2,80,000 | --       | --       | 1,90,000 | By Realisation A/c         | --       | --       | 3,00,000 | --       |
| To Realisation A/c (Loss) | 28,000   | 7,000    | 14,000   | 21,000   | By Bank/Cash A/c           | 28,000   | --       | 14,000   | 21,000   |
| To Capital A/c (W.No. 1)  | 1,29,570 | --       | --       | 55,530   | By Bank/Cash A/c (W.No. 1) | --       | 21,900   | --       | --       |
| To Capital A/c (W.No. 2)  | 1,29,570 | --       | --       | 55,530   | By P's Capital A/c         | --       | 1,29,570 | --       | --       |
| To Bank/Cash A/c          | 2,90,430 | --       | 1,50,000 | 54,470   | By T's Capital A/c         | --       | 55,530   | --       | --       |
|                           | 7,28,000 | 2,07,000 | 3,14,000 | 3,21,000 |                            | 7,28,000 | 2,07,000 | 3,14,000 | 3,21,000 |

### Working Notes:

- Solvent partners should bring in cash to make good the loss on realization.
- Q's deficiency of ₹ 1,85,100 (₹ 2,07,000 – ₹ 21,900) should be shared by P and T in the ratio of their capital i.e. 7 : 3. R will not bear any loss on deficiency, because at the time of dissolution he had a debit balance in his Capital Account.
- The amount realised from the estate of Q is ₹ 21,900.

6.(a) Prepare Branch Account in the books of the Head Office and also debtors account from the following information given below for the year 2022:

The Unique Shoe Stores has an old branch at Kanpur. Goods are invoiced at the branch at 25% profit on cost price. The branch has been instructed to send all cash daily to the Head Office. All expenses are paid by the Head Office except petty expenses which are met by the Branch Manager:

|                                   | ₹      |
|-----------------------------------|--------|
| Stock on 1.1.2022 (Invoice Price) | 15,000 |
| Sundry debtors on 1.1.2022        | 9,000  |
| Cash in hand on 1.1.2022          | 400    |



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|  |            |
|--|------------|
| Office furniture on 1.1.2022                                   | 1,200      |
| Goods supplied by the Head Office (invoice price) for the year | 80,000     |
| Goods returned to Head Office for year                         | 1,000      |
| Goods returned by debtors at the end of year                   | 480        |
| Debtors at the end of year                                     | 8,220      |
| Cash sales for year  | 50,000     |
| Credit sales for year  | 30,000     |
| Discount allowed for year                                      | 300        |
| Expenses paid by Head Office: for year                         | ₹          |
| Rent   | 1,200      |
| Salary   | 2,400      |
| Stationery   | <u>300</u> |
| Petty expenses paid by Branch Manager during year              | 280        |
| Stock on 31.12.2022  | 14,000     |
| Provide depreciation on furniture at 10% per year.             | [7]        |

- (b) Due to flood, business of Mr. Singh was dislocated from 1.4.2021 to 31.8.2021 (5 months). From the following details, suggest the amount of claim to be lodged in respect of loss of profit policy.

| Particulars   | ₹            |
|---|--------------|
| Policy amount   | 1,25,000     |
| Turnover from 1.4.2021 to 31.8.2021   | 2,40,000     |
| Standing charges from 1.4.2021 to 31.8.2021   | 60,000       |
| Turnover during 1.4.2020 to 31.3.2021   | 12,00,000    |
| Gross profit ratio  | 10% on sales |
| Standing charges for the year 2020-21   | 84,000       |
| The turnover for the year 2021-22 was anticipated to increase by 10% over the turnover of the preceding year. | [7]          |

Answer:

6. (a)

In the books of Unique Shoe Stores  
Branch Account

| Dr.                                |             |                             |               | Cr.    |
|------------------------------------|-------------|-----------------------------|---------------|--------|
| Particulars                        | Amount<br>₹ | Particulars                 | Amount<br>₹   |        |
| To Branch Stock A/c                | 15,000      | By Cash (Remittances)       |               |        |
| To Branch debtors A/c              | 9,000       | Cash Sales                  | 50,000        |        |
| To Branch Cash in hand             | 400         | Cash from debtors           | <u>30,000</u> | 80,000 |
| To Branch office furniture         | 1,200       | By Branch Stock             |               | 14,000 |
| To Goods sent to branch A/c 80,000 |             | By Branch debtors           |               | 8,220  |
| Less: Return to H.O <u>1,000</u>   | 79,000      | By Branch furniture         |               | 1,080  |
| To Bank:                           |             | By Stock Reserve            |               | 3,000  |
| Rent                               | 1,200       | By Goods sent to Branch A/c |               | 15,800 |
| Salary                             | 2,400       | By Branch cash in hand      |               | 120    |



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|                      |            |          |             |          |
|----------------------|------------|----------|-------------|----------|
| Salary               | <u>300</u> | 3,900    | (400 – 280) |          |
| To Stock Reserve A/c |            | 2,800    |             |          |
| To General P & L A/c |            | 10,920   |             |          |
|                      |            | 1,22,220 |             | 1,22,220 |

## Debtors Account

| Dr.                 |             |                     | Cr.         |
|---------------------|-------------|---------------------|-------------|
| Particulars         | Amount<br>₹ | Particulars         | Amount<br>₹ |
| To balance b/d      | 9,000       | By Sales Return A/c | 480         |
| To Credit sales A/c | 30,000      | By Cash A/c (B/f)   | 30,000      |
|                     |             | By Discount A/c     | 300         |
|                     |             | By balance c/d      | 8,220       |
|                     | 39,000      |                     | 39,000      |

(b)

| Particulars   | ₹               |
|---|-----------------|
| Standard turnover per month (2020 – 21)                                     | 1,00,000        |
| Add: Increase anticipated plus 10%  | <u>10,000</u>   |
| Expected turnover per month   | <u>1,10,000</u> |
| Standard turnover for the period of dislocation (1,10,000 x 5)              | 5,50,000        |
| Less: Actual turnover for the period of dislocation                         | <u>2,40,000</u> |
| Short sales   | <u>3,10,000</u> |
| Gross Profit on Short Sales @ 10%   | 31,000          |
| Add: Increased cost of working actual                                       |                 |
| Standard charges for the period of dislocation (7,000 x 5 = 35,000)         |                 |
| Actual standing charges incurred during the period of dislocation = ₹60,000 |                 |
| Increase in cost of working during period of dislocation ₹60,000 – ₹35,000  | 25,000          |
| Claim to be lodged  | 56,000          |

## Note:

- 1) In absence of any information regarding insured standing charges, uninsured standing charges, Net Profit etc. increase in cost of working during the period of dislocation is determined in this manner.
- 2) Since the Annual Turnover is not mentioned the Average Clause is not applied.

7.(a) On 14.08.2022, Pushkar Ltd. obtained a loan from RBC Bank of ₹65 lakhs to be utilised as under:

Purchase of equipment: ₹ 19,50,000;

Construction of factory shed: ₹ 26,00,000;

Advance for purchase of delivery vehicle: ₹ 6,50,000;

Working capital: ₹ 13,00,000.

In March, 2023 installation of the machinery was completed and also construction of factory shed was completed and the machinery installed. However, the truck was not delivered within 31.03.2023. Total interest charged by the bank for the year ending 31.3.2023 was ₹11.70 lakhs. Discuss how the interest amount would be treated in the financial statements of the company as per AS-6. [7]



## FINANCIAL ACCOUNTING

- (b) Big Box Ltd., a start-up purchased on April 1, 2019, a machine worth ₹ 44,85,000 in relation to which it received ₹7,35,000 as grant from Government of India. The company decided to treat this grant as a capital receipt. It is estimated that the realizable value of the machine at the end of its useful life of 4 years will be ₹15,36,000.

During the financial year 2021-22, the grant became refundable as the start-up company failed to comply with the necessary terms and conditions of the grant.

You are required to examine the amount of depreciation that is to be charged to the Statement of Profit and Loss for the years 2021-22 and 2022-23 given that the company follows straight line method of charging depreciation. [7]

Answer:

- 7.(a) In this case, only the factory shed is a Qualifying Asset (QA) as per AS 16. The amount of interest on borrowings and its treatment is presented below:

| Particulars                              | Nature of Asset | Interest Capitalised       | Interest charged to Income Statement<br>₹ |
|--|-----------------|----------------------------|---|
| Purchase of equipment                    | Not a QA        |                            | 3,51,000<br>[11.7 x 19.5/65]              |
| Construction of factory shed             | QA              | 4,68,000<br>[11.7 x 26/65] |   |
| Advance for purchase of delivery vehicle | Not a QA        |                            | 1,17,000<br>[11.7 x 6.5/65]               |
| Working capital                          | Not a QA        |                            | 2,34,000<br>[11.7 x 13/65]                |
| Total                                    |                 | 4,68,000                   | 7,02,000                                  |

- (b) As per AS 12, the amount refundable in respect of government grant is related to specific fixed asset is recorded by increasing the book value of the asset or by reducing the capital reserve or the deferred income balance, as appropriate, by the amount refundable. In case the book value of the asset is increased, depreciation is provided on the revised book value.

## Calculation of Depreciation for the years 2021-22 and 2022-23

| Particulars  | ₹ ('000) |
|--|----------|
| Cost of machine on 1.1.2019  | 4,485    |
| Less: Grant from Government of India   | 735      |
| Net cost of machine  | 3,750    |
| Estimated useful life  | 4 years  |
| Depreciation p.a under straight line method $\left[ \frac{3,750 - 1,536}{4} \right]$ | 553.5    |
| Depreciation charged during 2019-20 and 2020-21 $[553.5 \times 2]$                   | 1,107    |
| Book value of machine on 1.4.2021 $[3,750 - 1,107]$                                  | 2,643    |
| Add: Refund of Government Grant during 2021-22                                       | 735      |



## INTERMEDIATE EXAMINATION

SET - 2

## MODEL ANSWERS

TERM – DECEMBER 2023

## PAPER – 6

SYLLABUS 2022

## FINANCIAL ACCOUNTING

|  |         |
|--|---------|
| Revised Book Value of machine                                      | 3,378   |
| Remaining useful life of machine                                   | 2 years |
| Revised depreciation p.a. $\left[ \frac{3,378 - 1,536}{2} \right]$ | 921     |

## 8. Answer the following questions:

(a) Infer with reason how the following will be classified as Timing Difference and Permanent Difference and also state whether they would result in Deferred Tax Asset or Deferred Tax Liability:

(i) Unabsorbed depreciation

(ii) Income tax penalty

(iii) Interest on loan taken from scheduled bank accounted in the books, but not paid till the date of filing Return of Income. [5]

(b) A company maintains its reserve for bad debts @ 5% and a reserve for discount on debtors @ 2%. You are given the following details:

| Particulars   | 2021    | 2022    |
|---|---------|---------|
| Bad debts   | ₹800    | ₹1,500  |
| Discount allowed  | ₹1,200  | ₹500    |
| Sundry Debtors (before providing all bad debts and discounts) | ₹60,000 | ₹42,000 |

On 1-1-2021, Reserve for bad debts and Reserve for discount on debtors had balance of ₹ 4,550 and ₹ 800 respectively.

Prepare Reserve for Bad Debts Account for the year 2021 and 2022. [5]

(c) Write a note on - Applicability of Garner V Murray Rule. [4]

Answer:

8.(a)

| Particulars  | Nature of Asset      | Interest Capitalised              |
|--|----------------------|-----------------------------------|
| Unabsorbed depreciation  | Timing Difference    | DTA                               |
| Income Tax Penalty   | Permanent Difference | Neither DTA nor DTL to be created |
| Interest on loan taken from schedule bank accounted in the books, but not paid till the date of filing Return of Income. | Permanent Difference | Neither DTA nor DTL to be created |

(b)

In the Books of .....

Dr.

Provision for Bad Debts Account

Cr.

(₹in '000s)

| Date     | Particulars          | Amount | Date   | Particulars    | Amount |
|----------|----------------------|--------|--------|----------------|--------|
| 31.12.21 | To Bad Debts A/c     | 800    | 1.1.21 | By Balance b/d | 4,550  |
| 31.12.21 | To Profit & Loss A/c | 850    |        |                |        |





|          |                                     |       |          |                      |       |
|----------|-------------------------------------|-------|----------|----------------------|-------|
| 31.12.21 | To Balance c/d<br>5% of (Rs 58,000) | 2,900 |          |                      |       |
|          |                                     | 4,550 |          |                      | 4,550 |
| 31.12.22 | To Bad Debts A/c                    | 1,500 | 1.1.22   | By Balance b/d       | 2,900 |
| 31.12.22 | To Balance c/d<br>5% of (₹ 40,000)  | 2,000 | 31.12.22 | By Profit & Loss A/c | 600   |
|          |                                     | 3,500 |          |                      | 3,500 |

**(c) Applicability of Garner V Murray in India:**

According to sub section (ii) of Sec 48(b) of the Indian Partnership Act, if a partner becomes insolvent or otherwise incapable of paying his share of the contribution, the solvent partners must share ratably the available assets (including their own contribution to the capital deficiency). That is to say, the available assets will be distributed in proportion to their capitals.

Thus, under the Indian Partnership Act also the solvent partners are required to make good their share of the realization loss (i.e., capital deficiency). The total cash available after making good the solvent partners' share of capital deficiency shall be shared by the solvent partners in proportion to their capitals. As a result of this the ultimate debit balance of the insolvent partner's Capital A/c. is borne by the solvent partners in capital ratio.

The provision of the Indian Partnership Act in this respect are, thus, similar to the rules laid down by the decision in Garner vs. Murray.

When there is a specific provision in the Partnership Deed as to how the deficiency of an insolvent partner is to be borne by the solvent partners, such provision must be followed, because the provision of the Act will apply only when there is no specific agreement.