



POSTAL TEST PAPER
INTERMEDIATE
PAPER - 6
FINANCIAL ACCOUNTING

SYLLABUS 2022

Time Allowed: 3 Hours

Full Marks: 100

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

Answer Question No. 1 and any five from Question No. 2,3,4,5,6,7 & 8.

1. (a) Choose the correct alternative:

[1 × 12 = 12]

- (i) At the end of the accounting year the capital expenditures are shown in the:
- assets side of the Balance Sheet
 - liabilities side of the Balance Sheet
 - debit side of the Profit and Loss A/c
 - credit side of the Profit and Loss A/c
- (ii) If a fixed amount is withdrawn on the first day of every month of calendar year by a partner in partnership firm, then for what period the interest on the total amount of drawings will be calculated?
- 4.5 months
 - 5.5 months
 - 6.5 months
 - 7.5 months
- (iii) Del credere commission is allowed to consignee
- for making cash sales.
 - For making credit sales.
 - for making extra sales.
 - for undertaking risk of bad debts.
- (iv) Which of the following is not part of financial statements?
- Trading and Profit & Loss Account
 - Balance Sheet
 - Trial balance
 - Cash Flow Statement
- (v) Which of the following accounting records serves both as Journal as well as ledger?
- Cash Book
 - Purchase Book
 - Sales Book
 - Bills Receivable Book
- (vi) Accounting standard in India are issued by

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- a. Government of India
 - b. Reserve Bank of India
 - c. The Institute of Chartered Accountants of India
 - d. National Financial reporting Authority of India
- (vii) Receipts and Payments account is a
- a. Nominal Account
 - b. Real Account
 - c. Personal Account
 - d. Artificial Personal Account
- (viii) Outward Invoice issued is a source document of
- a. Purchase Book
 - b. Sales Book
 - c. Return Inward Book
 - d. Return Outward Book
- (ix) Which of the following is not an essential feature of a Partnership Firm?
- a. Mutual agency
 - b. Existence of business
 - c. Association of two or more people
 - d. Compulsory registration
- (x) Advertisement expenses are apportioned among departments in the proportion of
- a. sales of each department
 - b. purchases of each department
 - c. no. of units sold by each department
 - d. cost of sales of each department
- (xi) If any stock is taken by a co-venturer, it will be treated as
- a. an income of the joint venture.
 - b. an expense of the joint venture.
 - c. to be ignored from joint venture.
 - d. it will be treated in the personal books of the co-venturer.
- (xii) If opening capital is ₹70,000 and closing capital is ₹90,000, what is the amount of profit or loss?
- a. ₹20,000 Profit



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- b. ₹20,000 Loss
- c. ₹70,000 Loss
- d. ₹90,000 Profit

1.(b) State True or False

[1 × 7 = 7]

- (i) Errors which are identified and rectified before the preparation of Trial Balance may involve Suspense Account.
- (ii) Consignment Debtors Account is always maintained in the books of the consignor.
- (iii) Cash discount is recorded in the books of original entry.
- (iv) Assets are classified into fixed and current assets as per cost principle.
- (v) New-partner pays premium for goodwill, which will be shared by old partners in their new profit sharing ratio.
- (vi) Expenses incurred by branch out of petty cash balance are debited to branch account by the head office.
- (vii) One of the objectives achieved by providing depreciation is saving cash resources for future replacement of assets.

1.(c) Fill in the blanks:

[1 × 6 = 6]

- (i) The ___ discount is never entered in the books of accounts.
- (ii) A bill of exchange drawn on 12th April, 2023 for four months, the date of maturity will be_.
- (iii) At the time of goods sent to consignee, the proforma invoice is prepared by_____.
- (iv) An incoming partner contributes _____ to share in the total assets and _____ for future profit.
- (v) At the time of goods sent to consignee, the proforma invoice is prepared by__.
- (vi) The relation between Consignee and Consignor is that of_____.

2.(a) From the following ledger account balances, prepare a Trial Balance of Mr. Sen for the year ended 31st March, 2022.

Capital ₹ 80,000 ; Sales ₹10,00,000; Adjusted Purchase ₹8,00,000; Current A/c(Cr) ₹ 10,000; Petty Cash ₹10,000; Sales Ledger Balance ₹ 1,20,000; Purchase Ledger Balance ₹60,000; Salaries ₹24,000; Carriage Inwards ₹4,000; Carriage Outward ₹ 6,000; Discount Allowed ₹10,000; Building ₹80,000; Outstanding Expenses ₹10,000; Prepaid Insurance ₹ 2,000 ; Depreciation ₹4,000 ; Cash at Bank ₹80,000 ; Loan A/c (Cr) ₹66,000; Profit & Loss A/c(Cr) ₹20,000; Bad Debts Recovered ₹2,000 ; Stock at 31.03.2022 ₹1,20,000; Interest Received ₹10,000; Accrued Interest ₹4,000; Investment ₹20,000; Provision for Bad Debts (01.04.2021) ₹6,000 ; General Reserve ₹20,000.

- (b) On February 01, 2021 X sold goods to Y for ₹18,000; ₹3,000 were paid by Y immediately and for the balance he accepted three months bill drawn upon him by X. On the date of maturity of the bill Y requested X to cancel the old bill and a new bill upon him for a period of 2 months. He further agreed to pay interest in cash to X @ 12% p.a. X agreed to Y's request and cancelled the old bill and drew a new bill. The new bill was met on maturity by Y. [8+7=15]



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3. Following is the Trial Balance as on 31st March, 2022 of Bajrang Traders:

| Particulars | Debit (₹) | Credit (₹) |
|------------------------------|-----------|------------|
| Stock on 01.04.2021 | 1,35,000 | |
| Purchases and Sales | 28,50,000 | 46,25,000 |
| Returns | 35,000 | 22,500 |
| Carriage Inwards | 24,000 | |
| Carriage Outwards | 33,000 | |
| Wages | 1,25,000 | |
| Salaries | 3,52,000 | |
| Printing and Stationery | 6,500 | |
| Insurance Premium | 15,000 | |
| Repairs | 11,000 | |
| Discounts Allowed | 30,500 | |
| Discounts Received | | 15,500 |
| Bad Debts | 28,000 | |
| Provision for Bad Debts | | 35,000 |
| Advertisement | 38,000 | |
| Interest on Investment | | 42,000 |
| Drawings | 2,10,000 | |
| Investment | 8,00,000 | |
| Furniture and Fixtures | 3,50,000 | |
| Office Equipment | 2,45,000 | |
| Building | 15,00,000 | |
| Sundry Debtors and Creditors | 6,90,000 | 4,55,000 |
| Establishment Expenses | 35,000 | |
| Capital | | 31,05,000 |
| Cash at Bank | 7,24,000 | |
| Cash in Hand | 63,000 | |
| Total | 83,00,000 | 83,00,000 |

Additional Information:

- (i) Closing Stock of goods amounted to ₹1,85,000 and of stationery amounted to ₹ 1,500.
- (ii) Depreciation to be charged on Building @ 10%; On Office Equipment @ 15%; and On Furniture and Fixtures @ 10%.
- (iii) Insurance Premium paid on 1st July, 2021 for one year.
- (iv) Write off further as bad debts ₹ 5,000 and maintain a provision for bad debts of 5% on debtors.
- (v) Provision made for discount on debtors @ 2%.



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- (vi) Goods costing ₹ 12,500 used for given free samples to customers.
- (vii) Goods costing ₹ 25,000 were sent on approval basis to a customer for ₹ 40,000 on 26th March, 2022. This was recorded as actual sales but approval did not receive till 31st March, 2022.
- (viii) Outstanding salaries were for one month.
- (ix) Investment made at 7.50% interest per annum on 1st May, 2021.

You are required to prepare Trading Account and Profit & Loss Account for the year ended 31st March, 2022 and a Balance Sheet as on that date. **[15]**

4. A, B and C have been in business partnership for some years, Sharing Profit and in the proportions of 4:3:3.
The balances in the books of the firm as on 31st March, 2023 subject to final Adjustment, were as under:

(Amount in ₹)

| | Dr. (₹) | Cr. (₹) |
|--|------------------|------------------|
| Capital Account - A | | 3,00,000 |
| Capital Account - B | | 1,50,000 |
| Capital Account - C | | 1,80,000 |
| Profit for the year before charging interest | | 3,12,000 |
| Land and Buildings | 2,40,000 | |
| Furniture and Fixtures | 45,000 | |
| Stock | 3,75,000 | |
| Debtors | 60,000 | |
| Bank | 1,20,000 | |
| Creditors | | 90,000 |
| Partner's Drawings - A | 48,000 | |
| Partner's Drawings - B | 72,000 | |
| Partner's Drawings - C | 72,000 | |
| Total | 10,32,000 | 10,32,000 |

C died on 30.09.2022. the Partnership deed provided that:

- (1) Interest was to be credited on Capital accounts of partners at 10% p.a. on the balance at the beginning of the year.
- (2) On the death of a Partner:
 - (i) Goodwill was to be valued at three years' purchase of average Annual Profits of three years up to the date of death, after deducting interest on Capital Employed at 8% P.A. and a fair remuneration for each of the partners;
 - (ii) Fixed Assets were to be valued by an independent valuer and all other assets and liabilities to be taken at Book Value.
- (3) Wherever necessary, profit or loss should be apportioned on a time basis.
- (4) The amount due to the deceased partner's Sole Heir was to receive interest @ 12% p.a. from the date of death until paid.



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It was ascertained that:

- (a) Profits for three years, before charging partners' interest were: 2019-20 – ₹3,36,000, 2020-21 – ₹ 3,78,000 and 2021-22 – ₹ 3,60,000 respectively.
- (b) The independent valuation at the date of death revealed: Land and Buildings – ₹ 3,00,000 and Furniture and Fixtures – ₹30,000.
- (c) A fair remuneration for each of the Partners would be ₹75,000 p.a. and that the Capital employed in business to be taken as ₹7,80,000 throughout.

It was agreed among the Partners that –

- (i) Goodwill was not to be shown as an asset of the firm as on 31.03.2023. therefore, adjustment for goodwill was to be made in Capital Accounts.
- (ii) A and B would share equally from the date of death of C.
- (iii) Depreciation on revised value of assets would be ignored.

You are required to prepare:

- (i) Revaluation Account
- (ii) Partners' Capital Accounts
- (iii) Partner's Current Accounts
- (iv) C's Heir Account
- (v) Balance Sheet as on 31.03.2023

[15]

5. (a) Prepare a Branch account in the books of Head Office from the following particulars for the year ended 31st March, 2023 assuming that H.O. supplied goods at cost plus 25%.

| Particulars | (₹) | Particulars | (₹) |
|----------------------------|--------|--------------------------------------|--------|
| Stock on 1.4.2022 (IP.) | 25,000 | Bad Debts | 4,000 |
| Debtors on 1.4.2022 | 10,000 | Allowances to customers | 2,000 |
| Petty Cash on 1.4.2022 | 2,000 | Returns Inwards | 2,000 |
| Goods sent to branch (IP.) | 80,000 | Cheques sent to Branch for expenses: | |
| Goods return to H.O. (IP.) | 10,000 | Rates & Taxes | 6,000 |
| Cash Sales | 24,000 | Salaries | 16,000 |
| Cash received from debtors | 60,000 | Misc. Exp. | 2,000 |
| | | Stock on 31.03.2023 (IP.) | 30,000 |
| | | Debtors on 31.03.2023 | 8,000 |
| | | Petty Cash on 31.03.2023 | 2,000 |

- (b) Write a note on "Debts".

[10+5=15]



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6. (a) Write a Short Note on: Garner vs. Murray Rule.
- (b) On 1.1.2021, A purchased 5 Machines from B. Payment was to be made — 20% down and the balance in four annual instalments of ₹ 2,80,000, ₹2,60,000, ₹2,40,000 and ₹2,20,000 commencing from 31.12.2021. The vendor charged interest @ 10% p.a. A, writes off depreciation @ 20% p.a. on the original cost.

On A's failure to pay the instalment due on 31.12.2022, B repossessed all the machines on 01.01.2023 and valued them on the basis of 40% p.a. depreciation on W.D.V. basis. B after incurring ₹6,000 on repairs sold the machines for ₹2,66,000 on 30th June 2023. Prepare the relevant accounts in the books of A and B. **[5+10=15]**

7. (a) Explain, in short, the relevant Disclosures of Accounting Policies as per AS 1.
- (b) The Receipts and Payments account of Ting-Tong Club prepared on 31st March, 2023 is as follows:

RECEIPTS AND PAYMENTS ACCOUNT

| Receipts | ₹ | Payments | ₹ |
|--|--------|--|--------|
| To Balance b/d | 450 | By Expenses (including Payment for sports material ₹2,700) | 6,500 |
| To Annual Income from Subscription 4,590 | | | |
| Add: Outstanding of last year received 4,770 | | By Loss on Sale of Furniture (cost price ₹ 450) | 180 |
| this year | | | |
| Less: Prepaid of last year 90 | 4,680 | | |
| To Other fees | 2,000 | By Balance c/d | 90,450 |
| To Donation for Building | 90,000 | | |
| | 97,130 | | 97,130 |

Additional Information:

Ting-Tong Club had balances as on 1.4.2022:

Furniture ₹1,800; Investment at 5% ₹27,000; Sports material ₹6,660; Balance as on 31.3.2023: Subscription Receivable ₹270; Subscription received in advance ₹90; Stock of sports material ₹1,800.

Do you agree with above Receipts and Payments account?

If not, prepare correct Receipts and Payments account and Income and Expenditure account for the year ended 31st March, 2023 and Balance Sheet on that date. **[5+10=15]**

8. (a) (i) Advise the management on the amount of borrowing cost to be capitalized as per AS 16 based on the following information.

| | ₹ |
|---|-----------|
| Expenditure incurred till 31.03.2022 | 20,00,000 |
| Interest cost capitalized for the financial year 2021-22@ 13% | 1,04,000 |
| Amount borrowed till 31.03.2022 | 8,00,000 |



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| | |
|---|-----------|
| Assets transferred to construction during 2022-23 | 4,00,000 |
| Cash payment during 2022-23 | 3,00,000 |
| Progress payment received | 14,00,000 |
| New borrowing during 2022-23 @ 13% | 8,00,000 |

(ii) Suggest two approaches of accounting for Government Grant.

- (b) On 1.1.2020 machinery was purchased for ₹80,000. On 1.7.2021 additions were made to the amount of ₹40,000. On 31.3.2022, machinery purchased on 1.7.2021, costing ₹12,000 was sold for ₹11,000 and on 30.06.2022 machinery purchased on 1.1.2023 costing ₹32,000 was sold for ₹26,700. On 1.10.2022, additions were made to the amount of ₹20,000. Depreciation was provided at 10% p.a. on the Diminishing Balance Method.

Show the Machinery Accounts for three years from 2020-2022. (year ended 31st December)

[(4+4)+7=15]