



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?
- Commission on purchases
 - Cost of repairs
 - Rent of factory
 - Wages paid for installation of machinery
- (ii) Purchase of a laptop for office use wrongly debited to Purchase Account. It is an error of _____.
- Omission
 - Commission
 - Principle
 - Misposting
- (iii) Memorandum Joint Venture Account is prepared _____.
- for determining the amount due to co-venturer
 - for determining the amount due from co-venturer
 - for ascertaining the profit/ loss on venture
 - 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?
- ₹50,000
 - ₹44,000
 - ₹46,000
 - None of the above
- (v) Scholarship granted to students out of specific funds provided by Government will be debited to _____.
- Income and Expenditure Account
 - Receipts and payments Account
 - Funds granted for Scholarship account
 - None of the above



FINANCIAL ACCOUNTING

- (vi) X, Y and Z are partners in the ratio of 3:2:1. W is admitted with $\frac{1}{6}$ th 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 $\frac{1}{5}$ th share of future profits. What should be the new profit sharing ratio?
- 12:8:5
 - 3:2:1
 - 8:12:5
 - 5:8:12



FINANCIAL ACCOUNTING

- (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



FINANCIAL ACCOUNTING

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?
- Redecoration expenses of ₹ 8,000.
 - Installation of a new Coffee-making Machine for ₹10,000.
 - Building of an extension of the club dressing room for ₹15,000.
 - Purchase of snacks & food stuff ₹2,000.
 - Purchase of Video Games and T.V. for the use in the club lounge for ₹15,000.
 - ₹1,000 paid for removal of stock to a new site.
 - 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 1st 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%.



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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]