Paper 5(Financial Accounting)
Test Paper—I/5/FAC/2012/T-1

(Answer all the questions)

Section A : Generally Accepted Principles & Accounting Systems

Question 1.

Describe about the Accounting Cycle. **(2)**

Question 2.

(i) Provisions contained in the Accounting Standard in respect of Revaluation of fixed assets.

(ii) Extraordinary Items to be disclosed as per the Accounting Standard. **(2+2)**

Question 3.

(i) Describe the reasons for differences between Cash Book and Pass Book.
(ii) D's Cash Book shows an overdrawn position of ₹3,630 on 31.03.2013, though the bank Statement shows only ₹3,378 overdrawn. Detailed examination of two records revealed the following:

(a) A cheque for ₹1,560 in favour of Rath Associates has been omitted by the Bank from its statement, thus, cheque having been debited to another customer's account.
(b) The debit side of owned book has been under caste by ₹300.
(c) A cheque for ₹182 drawn in payment of electricity amount had been entered in the cash Book on ₹128 & was shown correctly in the bank statement.
(d) A cheque for ₹210 from S. Gupta having been paid into Bank, was dishonoured & shown as such on Bank statement, although no entry relating to dishonoured had been made in Cash Book.
(e) The Bank had debited a cheque for ₹126 to D's A/c, in error. It should have debited to Sukhal's A/c.
(f) A dividend of ₹90 on D's holding of equity shares has been duly shown by bank, no entry has been made in cash book.
(g) A lodgement of ₹1,080 on 31.03.2013 had not been credited by Bank.
(h) Interest on ₹228 had been directly debited by Bank not recorded in Cash Book.

You are required to prepare a Bank reconciliation statement after necessary amendment in cash book as on 31.03.2013. **(2+2)**

Section B : Preparation of Accounts

Question 4.

(i) State the factors affecting the measurement of depreciation.

(ii) Ram Ltd. which depreciates its machinery at 10% p.a. on Diminishing Balance Method, had on 1st January, 1012 ₹9,72,000 on the debit side of Machinery Account.

During the year 2012 machinery purchased on 1st January, 2010 for ₹80,000 was sold for ₹45,000 on 1st July, 2012 and a new machinery at a cost of ₹1,50,000 was purchased and installed on the same date, installation changes being ₹8,000.

The company wanted to change the method of depreciation from Diminishing Balance method to Straight Line Method with effect from 1st January, 2009. Difference of depreciation up to 31st December, 2012 to be adjusted. The rate of depreciation remains the same as before. Show Machinery Account. **(1.5 + 3.5)**

Question 5.

Mr. Gavaskar is the proprietor of a large business. The following Trial Balance was prepared from his books as on 30th June, 2012:

Particulars	Amount (₹)	Particulars	Amount (₹)
Land & Buildings	80,000	12% Bank Loan (U.B.I)	1,00,000
Cash at Bank	50,000	(No movement during the year)	
Motor Car	40,000	Capital Accounts	1,50,000
Furniture	20,000	Bills Payable	10,000
Sundry Debtors	1,20,000	Sundry Creditors	1,30,000
Cash in hand	10,000	Returns Outward	8,000
Stock (1.7.11)	1,10,000	Discount Received	2,000
Return Inward	10,000	Sales	9,00,000
Printing & Stationery	4,000		
Drawings	16,000		
Bills Receivable	10,000		
Travelling Expenses	12,000		
Discount Allowed	4,000		
Miscellaneous Expenses	38,000		
Postage	2,000		
Joint Venture Suspense A/c	2,000		
Investments (Market value ₹28,000)	30,000		
Interest on Bank Loan	8,000		
Salaries (including advance for ₹4,000)	54,000		
Entertainment Expenses	4,000		
Purchases	6,50,000		
Carriage Inwards	8,000		
Advertisements	18,000		
	13,00,000		13,00,000

Additional Information:

(i) On 2nd January, 2012, Mr. Gavaskar entered into a Joint Venture with Mr. Shastri with an agreement to share the profits and losses equally. Shastri supplied goods totaling ₹60,000 which wrongly passed through the Purchase Day Book. The goods were sold for cash at profit of 25% on sales and stood credited to Sales Account. Shastri had earlier incurred an account of ₹4,000 on account of Freight ad Insurance. Joint Venture Suspense Account represents expenses incurred by Gavaskar on Joint Venture.

(ii) Bills Receivable for ₹8,000 endorsed on 21st March, 2012 in favour of creditors were subsequently dishonoured but no entry for the dishonoured has been passed.

(iii) Three cheques of ₹3,000 ₹4,000 and ₹6,000 issued to parties on 29th June, 2012, were lying unpresented on 30th June, 2012.

(iv) Sales included a sum of ₹60,000 received from sale of goods on behalf of Mr. Kapil, the cost of these goods to Mr. Kapil was ₹50,000. Mr. Gavaskar is entitled to a commission of 5% on sales, for which effect should be given and reimbursement of selling expenses of ₹2,000 were debited to Miscellaneous Expenses Account.

(v) 1/3rd of the advertisement expenses are to be carried forward.

(vi) Of the Debtors a sum of ₹2,000 is to be written off as bad debt. Create provision for doubtful debts @ 2%.

(vii) Depreciate fixed assets by 10% except Motor Car which is to be depreciated at 20%.

(viii) Value of Stock at the end is ₹90,000.

(ix) During the year some goods (Invoiced at ₹1,00,000) were sent to sundry customers on sales on approval. On 30th June, 2012 of these goods ₹20,000 remained with customers as the period of approval did not expire as yet. Proper adjustment should be made in respect of the above. Mr. Gavaskar makes his invoices at cost plus 25%.

You are required to prepare Trading and Profit & Loss Account for the year ended 30th June, 2012 and a Balance Sheet as at 30th June, 2012. **(10)**

Question 6.

1. **(i)** Rony, Bony and Jony were partners in a firm. They now admit Tony with equal rights. Calculate new profit sharing ratio.

(ii) Arun and Anand were partners sharing profits in the ration of 3:2. Their position as on 31st March, 2013 was as under.

Liabilities	Amount (₹)	Assets	Amount (₹)
Arun's Capital	12,000	Land and Buildings	8,000
Anand's Capital	10,000	Plant and Machinery	10,000
General reserve	12,000	Sundry Debtors	11,000
Workmen's Compensation Fund	4,000	Stock	12,000
Sundry Creditors	12,000	Cash at Bank	9,000
	50,000		50,000

They decided to admit Ashok for a 20% profit on the following terms: (a) The liability on Workmen's Compensation Fund is to be determined at ₹2,000. (b) Ashok to bring in ₹3,000 as premium out of his share of ₹3,600. He is also to bring in ₹20,000 as his capital; (c) General Reserve is to be maintained at its original value; (d) ₹2,000 out of creditors to be paid at 5% discount.

Pass the necessary journal entries to give effect to the above arrangement; the show the capital accounts and prepare the Balance Sheet of the new firm. **(0.5+4.5)**

Question 7.

M Stores Ltd., Delhi, has its branches at Lucknow and Chennai. It charges goods to its Branches at cost plus 25%. Following information is available of the transactions of the Lucknow Branch for the year ended on 31st March 2012:

Particulars	₹	Particulars	₹
Balances on 1.4.2012		Goods pilfered (at invoice price)	2,000
Stock (at invoice price)	30,000	Goods lost by fire (at invoice price)	5,000
Debtors	10,000	Insurance Co. paid to H.O. for loss by fire at	3,000
Petty Cash	50	Lucknow	
Transactions During 2011-12		Cash sent for petty expenses	34,000
(Lucknow Branch) :	3,25,000	Bad debts at Branch	500
Goods send to Lucknow Branch		Goods transferred to Chennai Branch under	15,000
(at invoice price)	10,000	H.O. advice	
Goods returned to Head Office		Insurance charges paid by H.O.	500
(at invoice price)		Goods returned by Debtors	500
Cash Sales	1,00,000	Balance on 31.3.2012:	
Credit Sales	1,75,000	Petty Cash	230
		Debtors	14,000

Goods worth ₹ 15,000 (included above) sent by Lucknow Branch to Chennai Branch were intransit on 31.3.2012.

Show the following accounts in the books of M Stores Ltd. : (a) Lucknow Branch Stock Account; (b) Lucknow Branch Debtors Account. **(5)**

Question 8.

T Ltd. purchased Motor Lorries on Hire-Purchase System over a period of 4 years, ₹24,000 being payable on delivery on 1st January 2009 and the balance by annual installments of ₹24,000 each on 31st December each year. M Ltd., which sold the Lorries, charged interest at 5% p.a. on the yearly balances. The cash value of the Lorries on delivery was ₹1,09,100. Depreciation @ 25% on Diminishing Balances was written-off each year. show the Journal entries in the books of M. Ltd. for the these years, of T. Ltd. under Interest Suspense Method.

(5)

Section C : Control of Accounting Systems

Question 9.

From the following information taken out from the books of A. Bose & Co., prepare Purchase Ledger Adjustment Account in General Ledger and General Adjustment Accounts in Purchase Ledger:

			₹
Balance on 1.1.2012		Dr.	1,500
		Cr.	60,000
Transactions for the year ended 31.12.2012:			
Total Purchases (including credit purchases Rs. 90,000)			1,00,000
Returns to creditors	2,000		
Cash paid to creditors			87,000
Discount received			4,000
Cash received from creditors			500
Allowances			1,300
B/P accepted			2,500
Transfer of purchases to another ledger			200
Closing Debit balance on 31.12.2012			1,000

(10)

Section D : Accounting in Service Sector

Question 10.

Describe the Accounting For ITES . **(10)**

Section E : Accounting for Service Sector

Question 11.

(i) X Ltd. of Gujrat purchased 5,000 sarees @ ₹ 100 per saree. Out of these 3,000 sarees were sent on consignment to Y Ltd. of Kolkata at the selling price of ₹ 150 per saree. The consignors paid ₹ 5,000 for packing and freight. Y Ltd. sold 2,500 sarees @ ₹ 160 per saree and incurred ₹ 500 for selling expenses and remitted ₹2,50,000 to Gujrat on account. They are entitled to a commission of 5% on total sales plus a further of 25% commission on any surplus price realized over ₹ 150 per saree. 1,500 sarees were sold at Gujarat @ ₹ 110 per saree.

Owing to fall in market price, the value of stock of saree in hand is to be reduced by 5%. Your are required to prepare (i) Consignment Account, and (ii) Nirmala Traders Account.

(ii) Short owes Slow ₹ 6,000 for which the former accepts a three months bill drawn by the latter. Slow immediately discounts the bill with his banker Strong Bank, at 12%. On the due date the bill is dishonoured and Strong Bank pays ₹ 20 as noting charge.

Short pays ₹ 1,180 including interest of ₹ 200 and gives another bill at three months for the balance. Slow endorses the bill to his creditor Slim in full settlement of his debits for ₹ 5,100. Slim discounts the bill with his banker Strong Bank who charges ₹ 40 as discount. Before maturity Short becomes bankrupt and a first and final dividend of 20 paise in a rupee is realized from his estate.

Show the journal entries in the books of Slim and Strong Bank and ledger account of Short in the book of Slow.

(iii) Ravi and Suresh entered into a Joint Venture for purchase and sale of electronic goods, sharing profit and loss in this ratio of 3:2. They also agreed to receive 5% commission on their individual sales and the following information was extracted from the records.

July 1. 2012: Ravi purchased goods worth Rs. 1,90,000 financed to the extent of 90% out of his funds and balance by load from his uncle Shyam.

Aug. 1 2012: Ravi sent goods costing Rs. 1,70,0100 to Suresh and paid Rs. 1,410 as freight. Suresh paid Rs. 13,410 to Ravi.

Oct. 1 2012: Suresh sold all the goods sent to him. Ravi paid the loan takes from his uncle including interest of Rs. 350.

All sales by either party were made at as uniform profit of 40% after cost. On Nov. 30, 2012, they decided to close the venture by transforming the balance of goods unsold lying with Ravi at a cost of Rs. 9,000 to a wholesale dealer. You are required to prepare the Memorandum Joint Venture Account, Joint Venture with Ravi in the books of Suresh and Joint Venture with Suresh in the books of Ravi. They further disclosed that goods worth Rs. 4,000 were taken personally by Ravi at an agreed price of Rs. 5,000. **(8+4+8)**

Section E : Accounting for Banking, Insurance and Electricity Companies

Question 12.

(i) The following are the figures extracted from the books of Yes Bank Ltd. as on 31.03.2012. Other information:

Particulars	Amount (₹)	Particulars	Amount (₹)
Interest and Discount received	20,30,000	Directors' fees and allowance	12,000
Interest paid on Deposits	12,02,000	Rent and taxes paid	54,000
Issued and Subscribed Capital	5,00,000	Stationery and printing	12,000
Reserve Under Section 17	3,50,000	Postage and telegram	25,000
Commission, Exchange and Brokerage	90,000	Other expenses	12,000
Rent received	30,000	Audit fees	4,000
Profit on sale of investment	95,000	Depreciation on Bank's properties	12,500
Salaries and Allowances	1,05,000		

(a) Provision for bad and doubtful debts necessary ₹ 2,00,000.

(b) Rebate on bills discounted as on 31.03.2012 ₹ 7,500.

(c) Provided ₹ 3,50,000 for income tax.

(d) The directors desire to declare 10% dividend.

Make the necessary assumption and prepare the Profit and Loss Account in accordance with the law.

(ii) Ratnakar Electricity Supply Company Ltd. (which adopts the Double Account Systems) re-built and re-equipped a power station and the connecting lines during the year 2012. For this purpose they purchased material worth ₹ 10,85,000 and used stores worth ₹ 4,90,000 from their existing stocks. The cost of labour came to ₹ 5,22,000. The estimated supervision overheads attributed to this project were ₹ 13,000. The station was erected in 2012 at a cost of ₹ 5,00,000 and the index of costs in this line stood in 1994 @ 385, taking 1995 as the base year. Discarded materials from the old station fetched ₹ 12,000.

Calculate the amount to be capitalized and the amount to be charged on Revenue Account.

(iii) Prudence Life Insurance Co. furnishes you the following information:

Particulars	Amount (₹)
Life Insurance fund on 31.3.2010	1,30,00,000
Net liability on 31.3.2010 as per actuarial valuation	1,00,00,000
Interim bonus paid to policyholders during intervaluation period	7,50,000

You are required to prepare:

(i)Valuation Balance Sheet;

(ii)Statement of Net Profit for the valuation period; and

(iii)Amount due to the policyholders. **(10 + 5 + 5)**

Paper 5(Financial Accounting)
Test Paper—I/5/FAC/2012/T-2
(Answer all the questions)

Question 1.

Choose the correct answer from the following alternatives: (8 x 1 = 8)

(i) The cost of a Fixed Assets of a business has to be written off over its
(A) Natural Life
(B) Accounting Life
(C) Physical Life
(D) Estimated Economic Life

(ii) Short workings can be recouped out of
(A) Minimum rent
(B) Excess of actual Royalty over minimum rent
(C) Excess of minimum rent over actual Royalty
(D) Profit and Loss Account

(iii) In Hire Purchase system cash price plus interest is known as
(A) Capital value of asset
(B) Book value of asset
(C) Hire purchase price of asset
(D) Hire purchase charges

(iv) In partnership when a new Partner brings his share of Goodwill in cash, then the amount of such Goodwill will be credited to Partners' capitals as per the following ratio :
(A) Old Profit sharing ratio
(B) Sacrifice ratio
(C) Gain ratio
(D) None of the above

(v) The Receipts and Payments Account generally begins with
(A) Credit Balance
(B) Debit Balance
(C) Both Debit and Credit Balance
(D) None of the above

(vi) In case of a Banking Company, entries in the Personal Ledger are made from
(A) Day Book
(B) Vouchers
(C) Rough Register
(D) None of the above

(vii) When Sales = ₹ 1,80,000, Purchase =₹ 1,60,000, Opening Stock = ₹ 34,000 and rate of the Gross Profit is 20% on cost, the Closing Stock would be
(A) ₹50,000

(B) ₹44,000

(C) ₹46,000

(D) None of the above

(viii) Goods are transferred from Department X to Department Y at a price so as to include a profit of 33.33% on cost. If the value of closing stock of Department Y is ₹ 18,000, then the amount of stock reserve on closing stock will be **:**

(A) ₹ 6,000

(B) ₹ 4,500

(C) ₹ 9,000

(D) None of the above

Question 2.

State whether the following statements are TRUE (T) or FALSE (F) : **[1×4=4]**

(i) Original cost minus scrap value is the depreciable value of asset.

(ii) Royalty is a Revenue Expenditure to Lessor.

(iii) According to AS-2 Inventories are held for sale in normal course of business.

(iv) Income and Expenditure Account is prepared by adopting accrual principle of accounting.

Question 3.

Fill in the blanks in the following sentences using the appropriate word from the alternatives indicated: **[1×4=4]**

(i) Depreciation is an item of ________________ **.** (gross profit/expenditure)

(ii) Compensation paid to employees who are retrenched is _______________ expenditure. (Capital/Revenue)

(iii) Receipts and Payment Account is a __________Account is nature. (Real/Nominal)

(iv) Unclaimed Dividend appears under the head of ____________in the Balance Sheet of a Company. (Deferred Expenditure/Liabilities)

Question 4.

Match the followings : **[1×4=4]**

(i) AS—6	(I) Borrowing costs
(ii) AS—13	(II) Depreciation Accounting
(iii) AS—16	(iii) Accounting for Investment
(iv) AS—19	(IV) Leases
	(V)No matching statements found

Question 5.

(a) State the rules for determining Capital Expenditure

(b) On 1st April, 2010, Nath Ltd. purchased a second-hand Machine for₹ 1,20,000 and spent ₹ 30,000 on its renewal. On 1st October, 2011, ₹ 3,000 was spent on repairs. On 30th September, 2012 the Machine was sold for ₹ 75,000. Depreciation is to be provided @ 20 per cent per annum according to written down value method.

Prepare Machinery Account reflecting all these transactions assuming Books are closed on 31stMarch each year.

(c) Determine the value of stock on 31st March, 2013 from the following particulars:

Stock was valued on 15th April 2013 and the amount came to ₹ 1,00,000.

(a) Sales ₹ 82,000 (including cash sales ₹ 20,000)

(b) Purchase ₹ 10,068 (including cash purchase ₹ 3,980)

(c) Returns inward ₹ 2,000

(d) On 15th March, goods of the sale value of ₹ 20,000 were sent on sale or return basis to a customer, the period of approval being four weeks. He returned 40% of the goods on 10th April approving the rest, the customer was received on 16th April.

(e) Goods received value ₹ 16,000 in March for sale on consignment basis 20% of the goods has been sold by 31st March, and another 50% by 15th April. These sales are not included in above sales.

Goods are sold at a profit of 20% on sales

(d) The difference between actual expense or income and the estimated expense or income as accounted for in earlier years' accounts, does not necessarily constitute the item to be a prior period item comment. **[5+2+5+3]**

Section B : Preparation of Accounts

Question 6.

The following are the items of Receipts and Payments of the Bengal Club as summarized from the books of account maintained by the Secretary:

Receipts	Amount (₹)	Payments	Amount (₹)
Opening Balance 1.1.2012	4,200	Manager's Salary Printing and	1,000
Entrance Fees 2011	1,000	Stationery Advertising Fire	2,600
		Insurance Investments	1,800
Do 2012	10,000	Purchased Closing Balance	1,200
		31.12.2012	20,000
Subscriptions 2011	600		7,600
Do 2012	**34,200**		**34,200**

It was ascertained from enquiry that the following represented a fair picture of the Income and Expenditure of the Club for the year 2012 for audit purpose:

Expenditure	Amount (₹)	Amount (₹)	Income	Amount (₹)
Manager's Salary		1,500	Entrance Fees	10,500
Printing & Stationery	2,000		Subscription	15,600
Add: Accrued	400	2,400	Interest on Investments	4,000
Advertising (accrued Nil)		1,600		
Audit Fees		500		
Fire Insurance		1,000		
		4,940		
		30,100		**30,100**

You are required to prepare the Balance Sheet of the Club as on 31.12.2011 and 31.12.2012, it being given that the values of the Fixed Assets as on 31.12.2011 were: Building ₹ 44,000, Cricket Equipment ₹25,000 and Furniture ₹ 4,000. The rates of depreciation are Building 5%, Cricket Equipments 10%, Furniture 6%. You are entitled to make assumptions as may be justified. **[5]**

Question 7.

The Balance Sheet of Baichung, Tausif and Vijayan who shared profit and losses in the ratio 3:3:2 respectively was as follows on 31st December, 2012:

Capitals:			Machinery	31,600
Baichung	24,000		Furniture	6,400
Tausif	10,000		Stock	8,500
Vijayan	8,000	42,000	Debtors	4,300
Reserve		4,800	Cash at Bank	4,700
Creditors		8,700		
		55,500		55,500

Baichung retired from the business on 1st January, 2008. Revaluation of assets were made as: Machinery ₹34,000, Furniture ₹5,000 Stock ₹9,600, Debtors ₹4,000 and Goodwill ₹10,000.

Baichung was paid ₹4.225 immediately and the balance was transferred to a Loan Account for payment in 4 equal half-yearly installments together with interest @ 6% p.a.

Show the necessary accounts, the Balance Sheet of the firm immediately after Baichung's retirement and his Loan Account till finally paid off. **[6]**

Question 8.

A. Ltd. obtain from B.S. Ltd. a lease of some coal-bearing land, the terms being a royalty of ₹ 15 per ton of coal raised subject to a minimum rent of ₹ 75,000 p.a. with a right of recoupment of short-working over the first four years of the lease. From the following details, show (i) Short-working Account, (ii) Royalty Account

Year	Sales (Tons)	Closing Stock (Tons)
2008	2,000	300
2009	3,500	400
2010	4,800	600
2011	5,600	500
2012	8,000	800

[5]

Question 9.

From the following Trial Balance, prepare Departmental Trading and Profit and Loss Account for the year ended 31.12.2012 and a Balance Sheet as at the date in the books of Sri S. Maity:

Particulars	Dr. ₹	Cr. ₹
Stock (1.1.2012):		
Dept. A	5,400	
Dept. B	4,900	
Purchases:		
Dept. A	9,800	
Dept. B	7,350	
Sales:		
Dept. A		16,900
Dept. B		13,520
Wages:		
Dept. A	1,340	
Dept. B	240	
Rent	1,870	
Salaries	1,320	
Lighting and Heating	420	
Discount Allowed	441	
Discount Received		133
Advertising	738	
Carriage Inward	469	
Furniture and Fittings	600	
Plant and Machinery	4,200	

Sundry Debtors	1,820	
Sundry Creditors		3,737
Capital		9,530
Drawings	900	
Cash in hand	32	
Cash at Bank	1,980	
	43,820	43,820

The following information is also provided:

Rent and Lighting and Heating are to be allocated between Factory and Office in the ratio of 3:2. Rent, Lighting and Heating, Salaries and Depreciation are to be apportioned to A and B Depts. as 2:1. Other expenses and incomes are to be apportioned to A and B Depts. on suitable basis **(5)**

Section C : Control of Accounting Systems

Question 10.

From the following particulars which have been extracted from the books of Sundar Company for the ended 31.12.2012, prepare General Ledger Adjustment Account in the Creditors' Ledger and a Debtors' Ledger Adjustment Account in the General Ledger:

	₹
Debtors' balance – 1.1.2012 (Dr.)	30,000
(Cr.)	450
Creditors' balance – 1.1.2012(Dr.)	300
(Cr.)	22,500
Purchases (including Cash Rs. 6,000)	18,000
Sales (including cash Rs. 9,000)	37,500
Cash paid to Suppliers	12,750
Discount earned	750
Cash received from customers	21,150
Discount allowed	1,350
Bills Payable accepted	3,000

Bills Receivable received	4,500
Bills Receivable Dishonoured	600
Returns Outward	1,500
Debtors' balance – 31.12.2012 (Cr.)	675
Creditors' balance – 31.12.2012 (Cr.)	16,305

[8]

Section D : Accounting in Service Sectors

Question 11.

(i) Write a short notes on how to maintain the accounts of Cinema, Theatre and Circus.
(ii) Write a short notes on how to maintain the accounts of Hotels, Restaurant and Caterers **[4+4]**

Section E : Accounting for Special Transaction

Question 12.

(i) Daga of Kolkata sent to Lodha of Kanpur goods costing ₹ 40,000 on consignment at a commission of 5% on gross sales. The packaging and forwarding charges incurred by consignor amounted to ₹ 4,000. The consignee paid freight and carriage of ₹ 1,000 at Kanpur. Three-forth of the goods were sold for ₹ 48,000. Then the consignee remitted the amount due from him to consignor along with the account sale, but he desired to return the goods still lying unsold with him as he was not agreeable to continue the arrangement of consignment. He was then persuaded to continue to joint venture basis sharing profit or loss as Daga 3/5th and Lodha 2/5th.

Daga then supplied another lot of goods of ₹ 20,000 and Lodha sold out all the goods in his hand for ₹ 50,000 (Gross). Daga paid expenses ₹ 2,000 and Lodha ₹ 1,700 for the second lot of goods.

Show necessary Ledger A/c in the books of both parties. No final settlement of balance due is yet made.

(ii) S Ltd. sells goods on Sale or Return basis. Customers having the choice of returning the goods within 9 months. During April 2012, the following are the details of the goods sent.

Date	Customers	Value (₹)	Proforma Invoice No.
2012 April 2	G	20,000	002
4	H	36,000	005
16	I	50,000	017
20	J	16,000	020
24	K	42,000	031
28	L	60,000	060

Within the stipulated time G and I returned the goods while H, J and K informed that they have accepted the goods. Show the following accounts in the books of the firm.

Sale on Approval Account and Customers for Sale on Approval Account as on 15th May 2012.

(iii) X has the following transactions with Y

Date	Particulars	₹
2012 January, 1	Sold goods to Y	3,000
February, 15	Received cash from Y	1,200
March, 5	Bought goods from Y	8,000
April, 15	Paid to Y	5,400

Prepare an Account current to be recorded to be rendered by X to Y under backward Method for the period to 31st June, 2013 reckoning interest @ 12% p.a. **[5+4+4]**

Section F : Accounting for Banking, Electricity and Insurance company

Question 13.

(i) From the following information profit & Loss Account of East Bank of Bharat Ltd. as on 31st March, 2011.

Particulars	(₹ in '000)
Interest and discount	65,80
Income from investments	2,30
Interest on Balances with RBI	4,60
Commission, exchange and brokerage	14,40
Profit on sale of investment	2,20
Interest on deposit	26,50
Interest to RBI	3,44
Payment to and provision for employees	22,88
Rent, taxes and lighting	4,40
Printing and stationery	4,60
Advertisement and publicity	2,90
Depreciation	1,84
Directors' fees	3,30
Auditor's fees	2,20
Law charges	4,60
Postage, telegram and telephone	1,50
Insurance	1,16
Repair and maintenance	86

Other information:

(i)	**Interest and discount mentioned above is after adjustment for the following:**	
	Particulars	**(₹ in '000)**
	Tax provision for the year	460
	Provision during the year for doubtful debt	204
	Loss on sale of investment	22
	Rebate on bills discounted	114
(ii)	**20% of profit is transferred to statutory reserve.**	
	5% of the profit is transferred to revenue reserve.	
	Profit brought forward from last year	44

(ii) The BESC Limited decided to replace one of its old plants by an improved plant. This plant was built in 1946 for ₹ 67,50,000. To build a new plant of the same size and capacity it would now cost ₹ 1,00,00,000. The cost of the new plant with larger capacity was ₹ 2,12,50,000 and in addition, materials of the old plant valued at ₹ 6,87,500 were used in the construction of the new plant. The balance of the old plant was sold for ₹ 3,75,000.

You are required to calculate the amount to be charged to Revenue Account and the amount to be capitalized. Also show the Plant Account and the Replacement Account.

(iii) From the following figures of Well Life assurance Co. Ltd. prepare a Valuation Balance Sheet and Profit Distribution Statement for the year ended 31st March 2012. Also pass necessary journal entries to record the above transactions with narrations.

Particulars	**₹ (in lakhs)**
Balance of Like Assurance Fund as on 01.04.2011	167.15
Interim bonus paid in the valuation period	25.00
Balance of Revenue Amount for the year ended 31.03.2012	240.00
Net Liability as per valuer's Certificates as on 31.03.2012	165.00

The company declares a revisionary bonus of Rs. 185 per ₹ 1,000 and gave the policyholders an option to take bonus in cash ₹105 per ₹1,000. Total business conducted by the company was ₹600 lakhs. The company issued profit policy only, 3/5th of the policyholders in value opted for cash bonus. **[5+5+5]**

Paper 5(Financial Accounting)
Test Paper—I/5/FAC/2012/T-3
(Answer all the questions)

Section A : Generally Accepted Principles & Accounting Systems

Question 1.

Distinction between Accrual Basis and Cash Basis Accounting. **(2)**

Question 2.

On 20.4.2012 JLC Ltd. *obtained a loan from the Bank for* ₹ 50 lakhs *to be* utilised *as under:*

Particulars	**₹**
Construction of a shed	20 lakhs
Purchase of machinery	15 lakhs
Working capital	10 lakhs
Advance for purchase of truck	5 lakhs

In March, 2013 construction of shed was completed and machinery installed. Delivery of truck was not received. Total interest charged by the bank for the year ending 31.3.2013 was ₹ 9 lakhs. Show the treatment of interest under AS 16. **(4)**

Question 3.

Mr.B sold goods on credit to various customers. Details related to one of the customer, Mr.Z, is as under:

(i) Goods sold on credit ₹ 5,00,000

(ii) Goods returned by the customer ₹ 30,000 due to defective quality, credit note raised but not recorded.

(iii) Payment received from customer in cash ₹ 1,00,000 and by cheques ₹ 2,30,000. Out of cheques received, a cheque of ₹ 38,000 was dishonoured by bank.

(iv) Customer accepted two Bills of ₹ 19,000 and ₹ 56,000 for 2 months and 3 months respectively.

(v) Credit note raised against the customer ₹ 3,400 for excess payment charged against one of the consignment.

Mr.Z, the customer is in need to ascertain the actual balance due to Mr.B. Prepare a Reconciliation Statement. **(4)**

Section B : Preparation of Accounts

Question 4.

From the following information prepare

(i) Fixed Assets Account and

(ii) Accumulated Depreciation Account :

Particulars	Opening Balance ₹	Closing Balance ₹
Fixed Assets	4,00,000	5,50,000
Accumulated Depreciation	80,000	1,35,000

Additional information:
A part of a machine costing ₹ 60,000 has been sold for ₹ 30,000, on which accumulated depreciation was ₹ 15,000. **(5)**

Question 5.

Complete the following Annual Financial Statements on the basis of ratios given below

Profit and Loss Account

Particulars	₹	Particulars	₹
To, Cost of Goods Sold To, Operating Expenses To, Earning Before Interest and Tax	6,00,000	By, Sales	20,00,000
To, Debenture Interest To, Income Tax To, Net Profit	10,000	By, Earnings before Interest and Tax	

Balance Sheet

Liabilities	₹	Assets	₹
Net Worth: Share Capital Reserve and Surplus 10% Debentures Sundry Creditors	60,000	Fixed Assets Current Assets: — Cash — Stock — Debtors	35,000

Other information:

Net Profit to Sales Current Ratios Return on Net Worth	5% 1.5 20%	Inventory Turnover (based on Cost of Goods Sold) Share Capital to Reserves Rate of Income tax	15 times 4:1 50%

(10)

Question 6.

The following was the Balance Sheet of A, B and C who shared profits in the ratio of 1 : 2 : 2 as on 31st December, 2011.

Sundry Creditors		10,000	Goodwill	15,000
Capital A/c :			Debtors	10,000
A	10,000		Machinery	20,000
B	20,000		Buildings	30,000
C	20,000	50,000	Stock	10,000
General Reserve		5,000	Cash at Bank	5,000
Investment Fluctuation Fund		3,000	Investments	10,000
Bad Debts Reserve		2,000		
Bank Loan		30,000		
		1,00,000		1,00,000

C died on 31st March, 2012. His account is to be settled under the following terms :

Goodwill is to be calculated at the rate of 2 years purchase on the basis of the average of 5 years profit or loss. Profit for January to March' 12 is to be calculated proportionately on the average profit of 3 years. The profits were : 2007 ₹ 3,000, 2008 ₹ 7,000, 2009 ₹ 10,000, 2010 ₹ 14,000, 2011 loss ₹ 12,000. During 2011 a Moped costing ₹ 4,000 was purchased and debited to Travelling Expenses Account on which depreciation is to be calculated @ 25%. Other values agreed on assets are : Stock ₹ 12,000, Building ₹ 35,000, Machinery ₹ 25,000 and Investments ₹ 8,000. Debtors are considered good.

Prepare new Balance Sheet of the firm, necessary Journal entries and Ledger Accounts of the Partners.

(5)

Question 7.

X purchased a truck for ₹ 2,80,000, payment to be made ₹ 91,000 down and 3 installments of ₹ 76,000 each at the end of each year. Rate of interest is charged at 10% p.a. Buyer depreciates assets at 15% p.a. on written down value method.

Because of financial difficulties, X, after having paid down payment and first installment to the end of 1st year could not pay second installment and seller took possession of the truck. Seller, after spending ₹ 9,200 on repairs of the asset sold for ₹ 150,000. Show the relevant accounts in the books of the purchaser & the vendor. **(5)**

Question 8.

How will you translate the following items of Singapore Branch for the year 2012-13 :

Fixed Assets as on 31.3.2013 $ 70,000, Balance of Loan (taken to purchase the fixed Assets) on 31.3.2013 $ 52,000, Depreciation as on 31.3.2013 $ 10,000, Interest paid during 2013 $ 11,520.

Fixed Assets having useful life of 10 years were purchased for $ 1,00,000 on 1.4.2010 after taking a loan of $ 88,000 @ 18% interest p.a. Annual loan installment of $ 12,000 and interest were paid on 31st March each year. Exchange Rate 1.4.2010 $ 1 = ₹ 25.50, Average of 2010-11 $ 1 = 25.70, 31.3.2011 $ 1 = ₹ 26.10, Average of 2011-12 $ 1 = ₹ 26.20, 31.3.2012, $ 1 = ₹ 26.40, Average of 2012-13 $ 1 = ₹ 36.50, 31.3.2013, $ 1 = ₹ 42.20. **(10)**

Section C : Control of Accounting Systems

Question 9.

The following information is avail from the books of the trader for the period 1st Jan. to 31st March 2012:

(1) Total Sales amounted to ₹ 70,000 including the sale of old furniture for ₹ 10,000(book value is ₹ 12,300). The total cash sales were 80% less than total credit sales.

(2) Cash collection from Debtors amounted to 60% of the aggregated of the opening Debtors and Credit sales for the period. Discount allowed to them amounted to ₹ 2,600

(3) Bills receivable drawn during the period totaled ₹ 7,000 of which bills amounting to ₹ 3,000 were endorsed in favour of suppliers. Out of these endorsed bills, a Bill receivable for ₹ 1,600 were dishonoured for non-payament, as the party became insolvent and his estate realized nothing.

(4) Cheques received from customer of ₹ 5,000 were dishonoured; a sum of ₹ 500 is irrecoverable.

(5) Bad Debts written-off in the earlier year realized ₹ 2,500.

(6) Sundry debtors on 1st January stood at ₹ 40,000.

You are required to show the Debtors Ledger Adjustment Account in the General Ledger. **(10)**

Section D : Accounting in Service Sector

Question 10.

(i) Applicability of AS – 7.

(ii) P Ltd. Took a contract to construct a multistoried building for a consideration of ₹ 20,00,000 to be complete within 3 years for which total cost to be incurred ₹ 16,50,000. The details are :

Particulars	Year –I (₹)	Year –II (₹)	Year – III (₹)
Total cost incurred	3,50,000	8,00,000	16,50,000
Estimated cost to be incurred for completion	7,00,000	1,00,000	-
Progress payment to be received	2,50,000	9,00,000	12,00,000
Progress Payment Received	1,70,000	5,50,000	2,20,000

Advise the company to prepare the accounts in completion AS -7. **(3+7)**

Section E : Accounting for Special Transaction

Question 11.

(i) 5,000 shirts were consigned by Raizada & Co. of Delhi to Zing of Tokyo at cost of ₹ 375 each. Raizada & Co. paid freight ₹ 50,000 and Insurance ₹ 7,500.

During the transit 500 shirts were totally damaged by fire. Zing took delivery of the remaining shirts and paid ₹ 72,000 on custom duty.

Zing had sent a bank draft to Raizada & Co. for ₹ 2,50,000 as advance payment. 4,000 shirts were sold by him at ₹ 500 each. Expenses incurred by Zing on godown rent and advertisement etc. amounted to ₹ 10,000. He is entitled to a commission of 5%

One of the customer to whom the goods were sold on credit could not pay the cost of 25 shirts.

Prepare the Consignment Account and the Account of Zing in the books of Raizada & Co. Zing settled his account immediately. Nothing was recovered from the insurer for the damaged goods.

(ii) Mr. Shape dealt on the stock exchange and had purchased and sold leading scripts but did not maintain his accounts in a proper manner. He furnished the following data:

Investment on hand as at July 1.2012

300-3% Conversion Loan 1982-84 of ₹ 100 each purchased at ₹ 60.

250-Equity shares of ₹ 10 each of Everlite Limited at ₹ 18 per share.

1,000-9% Preference shares of ₹ 100 each of Prosperous Limited at ₹ 95.

Transactions during the year

Purchases:

750 Equity Shares of ₹ 10 each of Evelite Ltd. at ₹ 23.

250 Equity Shares of ₹ 10 each of Small Limited at ₹ 9.

125 Equity Shares of ₹ 10 each of Bright Shipping Ltd. at ₹ 12.

Sold

100-3% Conversion Loan 1982-2022 at ₹ 65.

100-9% Preference Shares of Prosperous Ltd. at ₹ 99.

Interest/Dividend Received

3% Conversion Loan – Interest Received ₹ 900.

9% Preference Shares of Prosperous Ltd. ₹ 9,000.

Everlite Ltd. – Dividend at 20 per cent on 1,000 shares ₹ 2,000.

Everlite Limited issued Bonus shares and Mr. Shape received 1,000 shares of the Company as Bonus Shares.

You are required to show the Investment Account in the Books of Mr. Shape.

(iii) On 30.09.2012 the stock of Harshvardhan was lost in a fire accident. From the available records the following information is made available to you to enable you to prepare a statement of claim of the insurer:

Particulars	Amount ₹	Particulars	Amount ₹
Stock at cost on 1.4.2011	75,000	Sales less returns for the year ended 31.3.2012	6,30,000
Stock at cost on 31.3.2012	1,04,000	Purchase less returns up to 30.09.2012	2,90,000
Purchases less returns for the year ended 31.3.2012	5,07,500	Sales less returns up to 30.09.2012	3,68,100

In valuing the stock on 31.03.2012 due to obsolescence 50% of the value of the stock which originally cost ₹ 12,000 had been written-off. In May 2012, ¾th of these stocks had been sold at 90% of original cost and it is now expected that the balance of the obsolete stock would also realize the same price, subject to the above, G.P had remained uniform throughout stock to the value of ₹ 14,400 was salvaged. **(5+10+5)**

Section F : Accounting for Banking , Electricity and Insurance Company

Question 12.

(i) From the following trial balance and the additional information, prepare a Balance Sheet of Lakshmi Bank Ltd. as at 31st March,2012:

Debit balance	**₹ (in Lakhs)**
Cash Credits	1,218.15
Cash in hand	240.23
Cash with Reserve Bank of India	67.82
Cash with other Banks	132.81
Money at call and short notice	315.18
Gold	82.84
Government securities	365.25
Current Accounts	42.00
Premises	133.55
Furniture	95.18

Term Loan	1,189.32
	3,882.33
Credit balance	**₹ (in Lakhs)**
Share Capital (29,70,000 equity shares of ₹ 10 each, fully paid up)	297.00
Statutory Reserve	346.50
Net Profit for the year (before appropriation)	225.00
Profit & Loss Account (Opening balance)	618.00
Fixed deposit Accounts	775.50
Savings Deposit Accounts	675.00
Current Accounts	780.18
Bills Payable	0.15
Borrowings from other Banks	165.00
	3,882.33

Additional Information :

(i) Bills for collection : ₹ 18,10,000

(ii) Acceptance and endorsements : ₹ 14,12,000

(iii) Claims against the bank not acknowledged as debts : ₹ 55,000

(iv) Depreciation charged on premises : ₹ 1,10,000 and Furniture : ₹ 78,000

(ii) Saharanpur Electricity Ltd. earned a profit of ₹ 17,40,000 during the year ended 31st March 2013 after charging interest on debentures amounting to ₹ 45,000 @ 7 ½%. You are required to show the disposal of profits assuming bank rate at 6 % with the help of the following data:

Particulars	**Amount ₹**
Fixed Assets at Cost	2,50,00,000
Preliminary Expenses	5,00,000
Monthly average of current assets including amounts due from customers ₹ 6,00,000	36,00,000
Reserve Fund (represented by 6% Govt. Securities)	40,00,000
Total depreciation written-off	77,00,000

Contingency Reserve Investment	10,00,000
Loan from Electricity Board	50,00,000
Tariff and Dividend Control Reserve	2,00,000
Security Deposit received from customers	5,00,000
Development Reserve	5,00,000

(iii) The life insurance fund of Prakash Life Insurance Co. Ltd. was ₹ 34,00,000 on 31st March, 2012. Its actuarial valuation on 31st March, 2012 disclosed a net liability of ₹ 28,80,000. An interim bonus of ₹ 40,000 were paid to the policyholders during the previous two years. It is now proposed to carry forward ₹ 1,10,000 and to divide the balance between the policyholders and the shareholders. Show (a) the Valuation Balance Sheet, (b) the net profit for the two-year period, and (c) the distribution of the profits. **(8+6+6)**

Paper 5(Financial Accounting)
Test Paper—I/5/FAC/2012/T-4

(Answer all the questions)
Section A : Generally Accepted Principles & Accounting Systems

Question 1.

(a) Briefly describe the Business Entity Concept.

(b) The company revised an actuarial valuation for the first time for its pension scheme, which revalued a surplus of ₹12 lakhs. It wants to spread the same over the next 2 years by reducing the annual contribution to ₹4 lakhs instead of ₹10 lakhs. The average remaining life of the employees, if estimated to be 6 years, you are required to advise the company considering the Accounting Standards 15 and 5.

(c) The Bank column of the Cash Book showed an overdraft of ₹5,000 on 31-03-2012, whereas as per Bank statement the overdraft is ₹4,200. The following differences were noticed between the two records:

(i) Cheques of ₹2,400 issued but not encashed by customers.
(ii) Cheques deposited but not cleared ₹1,200.
(iii) Collection charges debited by Bank not recorded in CB ₹100.
(iv) Bank interest charged by the Bank not recorded in CB ₹300.
(v) Cheques dishonoured debited by Bank not in CB ₹400.
(vi) Interest directly received by Bank not entered in CB ₹400.

Prepare Bank reconciliation statement after amending the CB.

[2+4+4]

Section B : Preparation of Accounts

Question 2.

(a) Write a short note on Sinking Fund method of Depreciation.

(b) X, Y and Z are three Partners sharing profit and Losses equally. Their capital as on 01.04.2012 were: X ₹80,000; Y ₹60,000 and Z ₹50,000.
They mutually agreed on the following points (as per partnership deed):

(i) Interest on capital to be allowed @ 5% P.a.
(ii) X to be received a salary @ ₹500 p.m.
(iii) Y to be received a commission @ 4% on net profit after charging such commission.
(iv) After charging all other items 10% of the net profit to be transferred General Reserve.

Profit from Profit and Loss Account amounted to ₹66,720. Prepare a Profit and Loss Appropriation Account for the year ended 31st March, 2013.

[5+5]

Question 3.

(a) Ram, Rahim and Robert are partners of the firm ABC & Co-sharing profits and losses in the ratio of 5:3:2. The Balance Sheet of the firm as on 01.04.2012 is given below:

Liabilities	₹	Assets	₹
Partners Capital:		Goodwill	50,000
Ram	3,00,000	Machinery	4,55,000
Rahim	2,50,000	Furniture	10,000
Robert	2,00,000	Stock	2,00,000
General Reserve	1,05,000	Debtors	3,00,000
Loan	95,000	Cash & Bank	35,000
Sundry Creditors	1,00,000		
	10,50,000		10,50,000

Partners of firm decided to dissolve the firm. The firm decided to settle the loan creditors directly.

Ram took over goodwill for ₹75,000. Rahim took over machinery and furniture at 90% of book value and sundry creditors at book value.

Robert took over stock at 95% of book value and debtors at 90% of the book value. Partners have to pay cash if the assets taken over had exceeded the amounts due to them.

Prepare only Realisation Account.

(b) Department A sells goods to Department B at a profit of 25% on cost and to department C at 10% profit on cost. Department B sells goods to Department A and Department C at a profit of 15% and 20% on sales respectively. Dept. C charges 20% and 25% profit on cost and department A and department b respectively.

Department managers are entitled to commission on net profit subject to unrealized profit on departmental sales being eliminated before department profit after charging managers commission not before adjustments of unrealized profits are: Dept. A ₹72,000; Dept. B ₹ 4,000; and Dept. C ₹36,000. Stock lying at different departments at the end of the year is:

Particulars	Department A (₹)	Department B (₹)	Department C (₹)
Transfer from Department A	—	30,000	22,000
Transfer from Department B	28,000	—	24,000
Transfer from Department C	12,000	10,000	—

Find out the correct departmental profit after charging manager's commission.

[5+5]

Question 4.

The hire purchases department of Zapak Ltd provides you the following information for the year ending on 30th September, 2012:
Purchase cost per unit ₹3,000
Cash sales price per unit ₹4,000
Cash down payment per unit ₹400
Monthly payment per unit ₹350
Number of installments per unit 12
Number of units sold on hire purchase basis 120
Number of installments collected 420
Number of installments due but not yet collected 58
Required : Calculate the following :
(a) Number of installments fallen due during the year, (b) Number of installments not yet due on30.9.2012, (c) Amount of installment not yet due, (d) Amount of installment due but not yet collected,(e) Amount fallen due during the year, (f) Cash collected during the year, (g) Hire Purchase price per unit, (h) Total hire purchase price of units sold, (i) Total cost price of units sold on hire purchase, (j)% of profit margin on H.P. Sales, (k) Profit included in total hire purchases price, (l) Profit included in the amount of installments not yet due, (m) Gross Profit.
Also Prepare Hire Purchase Stock Account, Hire Purchases Debtors Account and Hire Purchase Adjustment Account.

[10]

Section C : Control of Accounting Systems

Question 5.

The balance on the Sales Ledger Control Account of X & Co. on Sept. 3, 2012 amounted to ₹7,600 which did not agree with the net total of the list of Sales Ledger Balance on that date.
Errors were found and the appropriate adjustments when made balanced the books. The errors were:

(a) Debit balance in the sales ledger amounting to ₹206 had been omitted from the list of balances.
(b) A Bad Debt amounting to ₹800 had been written-off in the sales ledger, but had not been posted to the Bad Debts Account, or entered in the Control Account.
(c) An item of goods sold to S. for ₹500 had been entered once in the Day Book but posted to his account twice.

(d) ₹50 Discount Allowed to W had been correctly recorded and posted in the books. This sum had been subsequently disallowed, debited to W's account, and entered in the discount received column of the Cash Book.

(e) No entry had been made in the Control Account in respect of the transfer of a debit of ₹140 from Q's Account in the Sales Ledger to his account in the Purchase Ledger.

(f) The Discount Allowed column in the Cash Book had been undercast by ₹280.

You are required to give the journal entries, where necessary, to rectify these errors, indicating whether or not any control accounts is affected, and to make necessary adjustments in the Sales Ledger Control Account bringing down the balance.

[10]

Section D : Accounting in Service Sector

Question 6.

(a) On 31.12.2011, Viswakarma Construction Company Ltd. undertook a contract to construct a building for ₹85 lakhs. On 31.03.2012, the company found that it had already spent ₹64,99,000 on the construction. Prudent estimate of the additional cost for completion was ₹32,01,000.
What is the additional provision for foreseeable loss which must be made in the final accounts for the year ended 31.03.12 as per provisions AS 7 on "Accounting for construction contract"?

(b) Arjun Ltd. sold farm equipment through its dealer. One of the conditions at the time of sale is payment of consideration in 14 days and, in the event of delay, interest is chargeable @ 15% p.a. The company has not realized interest from the dealers in the past. However, for the year ended 31.03.2012, it wants to recognized interest due on the balances due from dealers. The account is ascertained at ₹9 lakhs.
Decide whether the income by way of interest from dealers is eligible for recognition as per AS 9.

[5+5]

Section E : Accounting for Special Transaction

Question 7.

(a) Sunil owed Anil ₹80,000. Anil draws a bill on Sunil for that amount for 3 months on 1st April 2012. Sunil accepts it and returns it to Anil. On 15th April 2012, Anil discounts it with Citi Bank at a discount of 12% p.a. On the due date the bill was dishonoured, the bank paid noting charges of ₹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 2012. Before the new bill became due, Sunil retires the bill with a rebate of ₹500. Show journal entries in books of Anil.

(b) On 1.7.2012, Mantu of Chennai consigned goods of the value of ₹50,000 to Pandey of Patna. This was made by adding 25% on cost. Mantu paid that on ₹2,500 for freight and ₹1,500 for insurance.
During transit 1/10th of the goods were totally destroyed by fire and a sum of ₹2,400 was realised from the insurance company. On arrival of the goods, Pandey paid ₹1,800 as carriage to godown. During the year ended 30th June 2013, Pandey paid ₹3,600 for godown rent and ₹1,900 for selling expenses. 1/9th of the remaining goods were again destroyed by fire in godown and nothing was recorded from the insurance company. On 1.6.2013, Pandey sold half (1/2) the original goods for ₹30,000 and changed a commission of 5% on sales as on 30.6.2013, Pandey sent a bank draft to Mantu for the amount so far due from him.
You are required to prepare Consignment to Patna Account in the books of Mantu of Chennai for the year ended 30.6.2013.

[5+5]

Question 8.

(a) John and Smith entered into a joint venture business to buy and sale garments to share profits or losses in the ratio of 5:3. John supplied 400 bales of shirting at ₹500 each and also paid ₹18,000 as carriage & insurance. Smith supplied 500 bales of suiting at ₹480 each and paid ₹22,000 as advertisement & carriage. John paid ₹50,000 as advance to Smith. John sold 500 bales of suiting at ₹600 each for cash and also all 400 bales of shirting at ₹650 each for cash. John is entitles for commission of 2.5% on total sales plus an allowance of ₹2,000 for looking after business. The joint venture was closed and the claims were settled.

Prepare Joint Venture A/c and Smith's A/c in the books of John and John's A/c in the books of Smith.

(b) S Ltd. sells goods on Sale or Return basis. Customers having the choice of returning the goods within 9 months. During April 2012, the following are the details of the goods sent.

Date	Customers	Value (₹)	Proforma Invoice No.
02.04.2012	G	20,000	002
04.04.2012	H	36,000	005
16.04.2012	I	50,000	017
20.04.2012	J	16,000	020
24.04.2012	K	42,000	031
28.04.2012	L	60,000	060

Within the stipulated time G and I returned the goods while H, J and K informed that they have accepted the goods. Show the following accounts in the books of the firm.

Sale on Approval Account and Customers for Sale on Approval Account as on 15th May 2012.

[5+5]

Section F : Accounting for Banking , Electricity and Insurance Company

Question 9.

(a) Write short note on Rebate on Bill Discount.

(b) While closing the books of AB Bank Ltd. on 31st March, 2012, you find in the loan ledger an unsecured balance of ₹1 lakh in the account of Mr. X, whose financial condition is reported to you as bad and doubtful. Interest accrued on that account is ₹10,000. On 1st July, 2012 the bank accepted a dividend of @ 75 paise in rupee in full settlement of amount due upto 31st March, 2012. You are required to pass necessary Journal Entries and prepare necessary Ledger Account.

(c) Briefly describe Net Revenue Account, maintained by Electricity Companies.

[4+3+3]

Question 10.

(a) The BESC Limited decided to replace one of its old plants by an improved plant. This plant was built in 1946 for ₹67,50,000. To 'build a new plant of the same size and capacity it would now cost ₹1,00,00,000. The cost of the new plant with larger capacity was ₹2,12,50,000 and in addition, materials of the old plant valued at ₹6,87,500 were used in the construction of the new plant. The balance of the old plant was sold for ₹3,75,000.

You are required to calculate the amount to be charged to Revenue Account and the amount to be capitalized. Also show the Plant Account and the Replacement Account.

(b) What types of books required to be maintained by Insurance Companies?

[4+6]