

Unique Paper Code : 52411101
Name of the Paper : Financial Accounting
Name of the Course : B.Com (Programme)/CBCS
Semester : I
Duration : Part A: 2 Hours 30 Minutes
Part A & Part B: 3 Hours

Maximum Marks: Part A : 55 Marks
Part B : 20 Marks

Instructions for Candidates:

1. This question paper has two parts: **PART A and PART B.**
2. **Part A is meant for those students who have opted Financial Accounting with Practical and the duration is 2 hours 30 minutes. Write PART A on the top of the answer sheet if student has opted Financial Accounting with Practical.**
3. **PART A + PART B are meant for those students who have opted Financial Accounting without Practical and the duration is 3 hours. Write PART A + PART B on the top of the answer sheet if student has opted Financial Accounting without Practical.**
4. **Answers may be written either in English or Hindi but the same medium should be used throughout the paper.**
5. **Simple Calculators are allowed to be used.**
6. **Working Notes should form part of the answer.**
7. **Answers to theory questions should be brief and to the point.**

PART A [Attempt ANY THREE Questions out of given FIVE Questions]

1(a) A Club has 1440 members, each paying annual subscription of ₹100. Subscription outstanding as on 31.3.2020: ₹9,500. Subscription received in advance as on 31.3.2020: ₹3,000. Subscription received during 2020-2021 includes ₹8,500 for 2019-2020 and ₹5,000 for 2021-2022. Three Members died without paying annual subscription for the previous year and current year. Subscription outstanding for the year 2020-2021: ₹5,700. Calculate the Subscription received for the year 2020-2021.

[4.33 Marks]

(b) Balances as at 1.4.2020: Capital Fund ₹90,00,000. Building Fund ₹12,00,000, Prize Fund ₹6,00,000, Reserve Fund ₹2,00,000. During the year Expenditure on Building ₹2,00,000, Prizes awarded ₹1,00,000, Interest Received on Investments ₹2,00,000. Investments were made against the Building, Prize and Reserve Funds commonly. Calculate the Balance of Capital Fund to be shown in the Closing Balance Sheet. [3 Marks]

(c) Cost of goods available for sale ₹2,00,000, Total Sales ₹1,60,000, Opening stock of goods ₹40,000, Gross Profit Margin 25%. Calculate the Closing stock of goods. [3 Marks]

(d) On 1.04.2020, the balance of Machinery Account ₹4,64,000. It was discovered during 2020-2021 that ₹50,000 being the cost of generator purchased on 1st Oct, 2018 had been written off to Stores. After rectification and depreciation @ 20% p.a. on reducing balances, Calculate the balance of Machinery A/c as at 31.03.2021. [4 Marks]

(e) Give any four points of difference between Operating Lease and Finance Lease. [4 Marks]

2. On 01.10.2017, X purchased 5 Machines from Y for ₹10,00,000. Payment was to be made—20% down and the balance in four annual equal instalments of ₹2,50,000 each to be paid at the end of each year. X, writes off depreciation @ 20% p.a. on the original cost. On X's failure to pay the third instalment, Y e-mailed X that on 01.10.2020 he will repossess 3 machines and will allow a credit for lower of the following:

- (a) Value of Machines on the basis of 40% p.a. depreciation on WDV basis.
- (b) the amount paid against 3 machines less 70%.

X replied Ok. 01.10.2020 Y repossessed the machines as per mail. Y spent ₹4,200 on repairs of these machines and sold one of such machines for ₹1,35,000 on 30th June 2021. Both X and Y follow financial year as its accounting year.

Required: Prepare Machinery Account and Hire Vendor's Account in the books of X and Hire Purchaser's Account and Goods Repossessed Account in the books of Y. Also Show the Items related to Hire Purchase in the Balance Sheet of X as at 31st March, 2020. [4+4+4+4+2.33=18.33 Marks]

3. HARI OM TAT SAT Ltd. Delhi invoices goods to its Mumbai and Kolkata offices at 20% less than the list price which is cost plus 50% with instructions that cash sales are to be made at invoice price and credit sales at list price.

Opening Stock at Mumbai at its cost ₹76,800.

Goods Sent to Mumbai (at cost to Delhi) ₹1,10,000.

Cash Sales 74.8% of Net Credit Sales.

Goods returned by Credit Customers to Mumbai ₹45,000.

Goods returned by Mumbai to Delhi ₹36,000.

Loss of Goods by fire (at invoice price) ` 3,000 against which 80% of cost was recovered by the branch from the insurance Company.

Loss of Goods at Mumbai through normal pilferage (at list price) ` 3,000.

Debtors at Mumbai: Opening 10,000, Closing ` 11,000

Cash remitted by Mumbai Branch to HO: ` 1,62,435.

Discount Allowed to Debtors ` 13,365.

Goods received by Mumbai till close of the year ` 1,27,000.

Provision is to be made for discount on Debtors at 15% on prompt payments at year end on the basis of year's trend of prompt payments.

Cash remitted by HO to Branch for Expenses: ` 9,000.

Branch Expenses still outstanding ` 741.

Manager is entitled to a commission @ 6% of net profits after charging such commission.

Net Credit Sales ` 1,00,000

Required: Prepare Mumbai Branch Debtors A/c, Mumbai Branch Stock Account, Mumbai Branch Adjustment A/c, Mumbai Branch Expenses Account and Mumbai Branch Profit & Loss A/c under Stock & Debtors Method.

[2+5+5+1+ 5.33=18.33 Marks]

4. Following are the extracts from the Trial Balance of PRITHVI & AAKASH as at 31st March, 2021:

Particulars		Particulars	
Purchases	5,70,000	Sales	7,77,500
12% Investments (purchased on 01.07.2020)	1,00,000	Capital	7,98,100
Bad Debts [after recovery of bad debts of ` 2,500 w/o during 2019–2020]	500	Provision for Doubtful Debts (01.04.2020)	10,000
Trade Debtors	2,93,500	Provision for Discount on Debtors (01.04.2020)	1,800
Plant and Machinery (before rectification)	4,88,200	Outstanding Liabilities for Expenses (Dr)	55,000
Discount Allowed	2,000	Income Tax paid	10,000

Additional Information:

- Stock in hand was not taken on 31st March but only on 7th April. Following transactions had taken place during the period from 1st April to 7th April.
Sales ` 2,50,000, Purchases 1,50,000, Stock on 7th April, was ` 1,80,000. Goods are normally sold at 25% profit on cost. Market Price on 31st March, 2021 was 64% of Selling Price, Estimated Realisable Expenses 5%.
- Goods (Sale Price ` 25,000) were taken by the proprietor for his personal use but not recorded. Goods (Sale Price ` 37,500) were given away as free samples to Mahesh, a customer recorded in the sales book. On 31st March Goods (Sale Price ` 12,500) were destroyed by fire it was fully insured but the insurance company admitted the claim to the extent of 60% of cost only and paid the claim money on 10th April, 2021. On 31st March, Goods for ` 50,000 were sent to a customer on 'Sale or Return' basis and recorded as actual sales. Goods are normally sold at 25% profit on cost. On 1st Jan. 2021 Investments were sold at 10% profit, but the entire sales proceeds have been taken as Sales.
- Write off further ` 4,000 as bad. Additional discount of ` 1,000 given to debtors. Maintain Provision for Discount on Debtors @ 2%. Maintain a Provision for Doubtful Debts @ 10%. Included amongst the Debtors is ` 3,000 due from Z and included among the Creditors ` 1,000 due to him.
- It was discovered during 2020–2021 that ` 25,000 being repairs to Machinery incurred on 1st July, 2018 had been capitalized and ` 45,000 being the cost of Machinery purchased on 1st Oct, 2017 had been written off to Stores and Wages ` 5,000 paid for its Installation had been debited to Wages Account. A Machine costing ` 1,90,000 was purchased on 1st July 2020. Wages ` 10,000 paid for its Installation have been debited to Wages Account. Rate of depreciation on Plant & Machinery is 20% p.a. on reducing balances basis.
- Printing and Stationery expenses of ` 55,000 relating to previous year had not been provided in that year but was paid in current year by debiting Outstanding Liabilities for Expenses.

Answer the following:

- (a) Calculate the amount of Net Purchases to be shown in the Trading Account. [2 Marks]
- (b) Calculate the amount of Net Sales to be shown in the Trading Account. [2 Marks]
- (c) Calculate the amount of Closing Stock to be shown in the Trading Account. [4 Marks]
- (d) Calculate the total amount to be debited to the Profit & Loss Account in respect of Bad Debts, Discount on Debtors and Provision for Doubtful Debts & Discount on Debtors. [4 Marks]
- (e) Calculate the amount of Closing Balance of Debtors to be shown in the Balance Sheet. [1 Mark]
- (f) Calculate the amount of Closing Balance of Plant and Machinery to be shown in the Balance Sheet. [4 Marks]
- (g) Calculate the amount of Closing Capital (before making an adjustment for current year's Net Profit/Loss) to be shown in the Balance Sheet. [1.33 Mark]

[Note: Financial Statements are not required to be prepared.]

5. AGNI & JAL provides you the following information for the year ending 31st March, 2021:

Particulars	Dr. (₹)	Cr. (₹)
Capital		9,04,000
Fixed Assets	1,50,000	
Opening Stock:		
Department A	30,000	
Department B	40,000	
Purchases:		
Department A	7,00,000	
Department B	13,00,000	
Sales:		
Department A		18,00,000
Department B		29,00,000
General Expenses	18,12,000	
Debtors	10,00,000	
Bank	3,05,000	
Creditors		1,00,000
Drawings	2,80,000	
Discount Received	—	25,000
Discount Allowed	52,000	—
Rent & Rates	60,000	—
	57,29,000	57,29,000

Additional Information:

- (i) Closing Stock: Department A ` 1,30,000, Department B ` 2,60,000. 30% of the Opening and Closing Stocks at each department represented goods received from the other department.
- (ii) Goods of ` 2,50,000 were transferred by A Department to B Department at selling price. Goods of ` 3,75,000 were transferred by B Department to A Department at selling price. 20% of such transferred goods were returned by transferring department to transferee department. Both these transfers and returns have not yet been recorded.

(iii) Depreciate Fixed Assets @ 10% p.a. The Area occupied by Deptt. A and Deptt. B is 6000 square feet and 4000 square feet respectively. Share of Departments in General Expenses is half of the share of General Office and is to be charged to Department A and Department B in the ratio of departmental Gross Profit.

Required: Prepare Trading & Profit & Loss Account of each Department and Prepare an Overall Profit & Loss Account of AGNI & JAL [10+5+3.33 Marks]

PART B [for students who have not opted Computerized Accounting]

6(a) State the two circumstances under which Rule of Garner vs. Murray can not be applied. State the basic presumption in Maximum Loss Method and Proportionate Capital Method of Piecemeal Distribution among the partners. When is it equitable to distribute cash among the partners in their profit sharing ratio without following Maximum Loss Method /Proportionate Capital Method of Piecemeal Distribution among the partners ? [2+2+1= 5 Marks]

6(b) Following is the Balance Sheet of X, Y and Z who were sharing in the ratio of 2:3:5 as at 31st March, 2021, when they decided to dissolve the firm:

Liabilities	₹ (lacs)	Assets	₹ (lacs)
Bank Loan (Secured on Building)	25.00	Land Buildings	25.00
Mrs X's Loan (Secured on Stock)	15.00	Machinery	60.00
Creditors	10.00	Stock	15.00
X's Loan	5.00	Debtors	20.00
Y's Loan	2.50	Cash at Bank	10.50
X's Capital	90.00	Others Assets	127.00
Y's Capital	45.00		
Z's Capital	15.00		
Reserves	50.00		
	257.50		257.50

Note: There was a bill for ₹ 50,000 due on 15th Aug. under discount.

The assets were realised as follows:

15th April	Stock	₹ 16 lacs	Expenses	₹ 0.50 lac
15th May	Land & Building	₹ 20.50 lacs	Expenses	₹ 1.00 lac
15th June	Debtors	₹ 10 lacs	Expenses	₹ 0.75 lac
15th July	Debtors	₹ 9.25 lacs	Expenses	₹ 0.75 lac
15th July	X decided to take Machinery at ₹ 55 lacs			
15th Aug.	Other Assets	₹ 150 lacs	Expenses	₹ 5.75 lacs

Partners decided to keep a minimum cash balance of ₹ 50,000 upto May and ₹ 25,000 thereafter. The Acceptor of the bill under discount met the bill on due date.

Answer the following:

(a) Who will be paid what Amount on 15th April, 2021? [6 Marks]

(b) Calculate the Balance Due to Partners after distribution as per maximum loss method on 15th July, 2021. [9 Marks]

[Note: Detailed Statements showing the Distribution of Cash are not required to be prepared.]