

2020

FINANCIAL ACCOUNTING–I — HONOURS

Paper : CC-1.1 Ch

Full Marks : 80

*The figures in the margin indicate full marks.*

*Candidates are required to give their answers in their own words as far as practicable.*

Group - A

Answer *any four* questions.

1. Dr. R. K. Das started his profession on 1st January, 2019 as medical practitioner. His incomes and expenses for the year 2019 relating to his profession were as under :

	Amount (₹)
Fees received in cash	24,000
Fees accrued but not received	6,000
Rent paid for the Chamber	6,000
Outstanding Rent	2,000
Salary paid to Staff	6,000
Salary paid in advance to Staff (included in the above)	1,000
Miscellaneous expenses paid	200

You are required to compute the net income of Dr. R. K. Das from his profession for the year ended 31.12. 2019 under (a) Cash Basis; (b) Accrual Basis. 10

2. ABC Industries depreciates its machines @10% p.a. on straight line basis. On 1st April, 2018 the balance in Machinery Account was ₹ 17,00,000 (original cost ₹ 24,00,000). On 1st July, 2018 a new machine was purchased for ₹ 50,000. On 31st December, 2018 an old machine having w.d.v of ₹ 80,000 on 01.04.2018 (original cost ₹ 1,20,000) was sold for ₹ 60,000.

Show the Machinery Account for the year ended 31st March, 2019. 10

3. (a) What is GAAP?  
(b) Explain Fair Value Accounting. 5+5

Please Turn Over

4. Sri Mehta of Bombay consigns 1,000 cases of goods costing ₹ 100 each to Sri Sundaram of Madras. Sri Mehta pays the following expenses in connection with the consignment : carriage ₹ 1,000; freight ₹ 3,000 and loading charges ₹ 1,000. Sri Sundaram sells 700 cases at ₹ 140 per case and incur the following expenses : clearing charges ₹ 850; warehousing and storage ₹ 1,700; and packing and selling expenses ₹ 600. It is found that 50 cases have been lost in transit and 100 cases are still in transit. Sri Sundaram is entitled to a commission of 10% on gross sales.  
Draw up Consignment Account and Sri Sundaram Account in the books of Sri Mehta. 10
5. A trader sends out goods on approval to some customers and includes the same in the sales account. On 31.12.20, the Sundry Debtors balance (₹ 2,50,000) includes ₹ 14,000 regarding goods sent on approval against which no intimation was received as on 31.12.20. These goods were sent out at 25% above cost price and were sent to *A* – ₹ 8,000 and *B* – ₹ 6,000. Stock in trade in godown was valued at ₹ 50,000 on 31.12.20. *A* sent intimation of acceptance on 31.01.21 and *B* returned the goods on 15.01.21.  
Pass adjustment entries on 31.12.20. Show also the entries to be made during January, 21. 10
6. From the following information you are required to prepare the Sales Ledger Adjustment Account as on 31.03.20.

	(₹)
Debtors as on 01.03.20	55,842
Transaction during the month were as follows :	
Sales (including cash sales ₹ 10,000)	1,08,606
Cash received from Debtors	88,753
Discount allowed to Debtors	480
Acceptances received from Debtors	7,120
Return from Debtors	5,430
Bills receivable from Debtors	1,120
Bad debt written off	3,890
Sundry charges debited to customer	378
Transfer to bought ledger	100
Provision for doubtful debts	2,500
Bill endorsed	100

7. From the following particulars, prepare a claim for loss of profit under the consequential loss policy :

Date of fire	30.06.20	
Period of indemnity	6 months	
Sum insured	₹ 80,000	
Turnover for the year ended June 30, 2020		– ₹ 4,00,000
Net profit for the accounting year ending March 31, 2020		– ₹ 25,000
Standing charges for the accounting year ending March 31, 2020		– ₹ 57,000
Turnover for the year ending March 31, 2020		– ₹ 4,10,000
Turnover for the period from 01.07.20 to 31.12.20		– ₹ 1,12,000
Turnover for the period from 01.07.19 to 31.12.19		– ₹ 2,20,000
Saving in standing charges because of fire		– ₹ 6,000
Increased cost of working during dislocation period		– ₹ 12,000

10

8. Trial Balance as on 31.12.2020 of Mr. R. Sen contains the following items :

	(₹)
Provision for doubtful debts	15,000
Bad debt	10,000
Sundry Debtors	1,40,000

On enquiry it was ascertained that Debtors include :

- (i) ₹ 20,000 due from S. Roy and Creditors include ₹ 15,000 due to S. Roy.
- (ii) ₹ 8,000 due on account of sale of furniture.
- (iii) Bad debts ₹ 8,000.

Prepare Provision for doubtful debt Account and Bad debt Account. Provision for doubtful debts is to be created at 5% on trade debtors.

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**Please Turn Over**

**Group - B**Answer *any two* questions.

9. Mr. T. S. Gupta kept no books of accounts for his business. An analysis of his rough Cash Book for the calendar year 2020 shows the following particulars :

Receipts	Amount ₹	Payments ₹	Amount ₹
Received from Debtors	80,000	Overdraft (on. 01.01.2020)	5,000
Further Capital introduced	10,000	Paid to Creditors	42,000
		Business expenses	12,000
		wages paid	17,500
		Proprietor's drawings	5,000
		Balance at bank (31.12.2020)	6,500
		Cash in hand (31.12.2020)	2,000
	<b>90,000</b>		<b>90,000</b>

The following particulars are also available :

	31.12.19 ₹	31.12.20 ₹
Debtors	60,000	90,000
Creditors	20,000	22,500
Stock in trade	16,000	18,000
Plant and Machinery	30,000	30,000
Furniture	2,000	2,000

All his sales and purchase were on credit.

From the above particulars, prepare Trading and Profit & Loss Account for the year ended 31st December, 2020 and a Balance Sheet as on that date. Provide depreciation on plant and machinery @10% p.a. and on furniture @5% p.a.

10. A summary of receipts and payments of Medical Aid Society for the year ended 31.12.2019 is given below :

Receipts	₹	Payments	₹
To, Balance (01.01.2019)	7,000	By, Payment for medicines	30,000
To, Subscription	50,000	By, Honorarium to doctor	10,000
To, Donations	14,500	By, Salaries	27,500
To, Interest on Investments @7% p.a.	7,000	By, Sundry expenses	500
To, Charity show proceeds	10,000	By, Equipment purchased	15,000
		By, Charity show expenses	1,000
		By, Balance (31.12.2019)	4,500
	<b>88,500</b>		<b>88,500</b>

*Additional information* (in ₹) :

	01.01.2019	31.12.2019
Subscriptions due	500	1,000
Subscriptions received in advance	1,000	500
Stock of medicines	10,000	15,000
Amount due to medicine suppliers	8,000	12,000
Value of equipments	21,000	30,000
Value of Buildings	40,000	38,000

You are required to prepare Income and Expenditure Account for the year ended on 31st December, 2019 and the Balance Sheet as on that date.

11. The following is the Trial Balance of Mr. Roy as on 31st March, 2019 :

Debit Balance	₹	Credit Balance	₹
Plant & Machinery	3,10,000	Capital	4,20,000
Opening Stock	30,000	Sundry Creditors	20,000
Sundry Debtors	40,000	Sales	2,10,000
Wages	10,000	Return Outward	20,000
Salaries	15,000	Provision for Doubtful debt	1,000
Rent (April 2018 to June 2019)	18,000	Interest	4,000
Purchases	1,50,000		
Return Inward	10,000		
Bad debt	9,000		
Insurance	3,000		
Office Expenses	5,000		
Cash in hand	30,000		
Cash at Bank	45,000		
	<b>6,75,000</b>		<b>6,75,000</b>

**Additional information :**

- (i) Stock on 31st March, 2019 was valued at ₹ 35,000.
- (ii) Further bad-debt of ₹ 1,000 is to be written off and a provision for doubtful debts @5% on Sundry Debtors is to be maintained.
- (iii) Goods costing ₹ 5,000 have been distributed as free sample.
- (iv) Purchase of machinery worth ₹ 20,000 on 01.10.2018 has been wrongly included in Purchases Account. Depreciation @10% p.a. is to be charged on machinery.
- (v) Office expenses outstanding ₹ 500.

Prepare Trading Account, Profit & Loss Account for the year ended on 31.03.2019 and Balance Sheet of Mr. Roy as on that date.

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12. (a) What are the qualitative characteristics of accounting information?  
 (b) What are the limitations of Historical Cost Accounting?  
 (c) What is the procedure for issuing accounting standards in India?

6+7+7