



2017

FINANCIAL ACCOUNTING-I (Core)

Full Marks: 80

Time: 3 hours

(The figures in the margin indicate full marks for the questions)

1. (a) State whether the following statements are true or false: $1 \times 5 = 5$

1) Accounting Standards are set by Ministry of Finance.

2) Self balancing system cannot be introduced in a small business where there is only one ledger.

3) Installments under the Hire Purchase system are termed as hire charge till the last installment is paid.

4) Installment purchase system is an agreement of hiring goods.

5) Recoupable shortworking are shown in the Balance Sheet as a current asset.

(b) Write the meaning of the following:

$1 \times 5 = 5$

1) Modifying accounting principle.

2) International Financial Reporting Standard.

3) Interest Suspense A/c under installment payment system.

4) Provisions against shortworking



4) Provisions against shortworking in royalty.

5) Lockout in Royalty A/c.

2. Answer the following questions:

2x5=10

a) Write two purposes of fixing minimum rent in Royalty.

b) Write two points of distinction between Installment Purchase System and Credit Sale.

c) Mention two limitations of Accounting Principles.

d) What is Sectional Balancing?

e) How does Self balancing help in internal check system?

3. Answer the following questions:

5x4=20

(a) State five utilities of Accounting Standard.

Or

Mention the accounting principles applied in the recording of the following events: 1x5=5

1) At the end of the year, an amount is outstanding for electricity that has been consumed during the accounting period.

2) During the year, the company purchased Rs. 100 worth of pencils, these had all been issued from stock and were still in use at the end of the year.

3) Fixed assets would now cost a great deal more than they did when they were originally purchased.

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4) The company has learnt that a debtor's financial condition is hopeless.

5) Appending notes below the Balance Sheet.

(b) What are the rights of the hire vendor under the Hire Purchase Act, 1972?

Or

Niyar purchased on installment basis machinery on 1st January, 2012. The term was that on 31st December each year a payment of Rs. 5,000 has to be made to the vendor which includes interest @ 5% on the balance of cash price due and so on for five years completing the payment in five installments. It was decided to depreciate the machinery @ 10% p.a. on reducing balance method. Calculate the cash price.

(c) On account of the very large number of his transactions, a merchant keeps a separate Bought Ledger and a separate Sold Ledger and also a General Ledger. What matters would you expect to find in each of the above ledgers? How would you make each of the above ledger Self balancing?

Or

It is said that "In a business of any magnitude it is desirable to raise total account in respect of Debtors and Creditors ledger?" What are these total acco

and Creditors ledger?" What are these total accounts and why is it desirable to raise them?

(d) What do you mean by sub-lease in Royalty? State the relationship of the sub-lease with the lessee and the landlord.

Or

Coal Ltd. leased land from Kamrup at a royalty of 25 paise per ton of coal raised. Minimum rent was Rs. 24,000.

Shortworking was to be recouped during the first 4 years. The coal raised in the first 4 years was as follows:

Year	Output (in tons)
2012	80,000
2013	90,000
2014	60,000 (strike for 3 months)
2015	1,20,000

There was a provision for proportionate reduction in minimum rent in case of stoppage of work by strike, lockout etc.

Prepare the statement showing the calculation of Royalty and Shortworking.

4. Discuss the benefits and limitations of Accounting Standards. 5+5=10

Or

Discuss the basic features of accounting principles and their application in the preparation of financial



^ their application in the preparation of financial statements. $5+5=10$

5. Mr. Pathak maintains his ledger in Self balancing system. The transactions from 1.1.2016 to 30.4.2016 are given below:

You are required to prepare the General Ledger Adjustment A/c as will appear in the Debtors Ledger.

10

1) Opening balance (1.1.2016): Debtors ledger Rs. 78,000.

2) Cash sales Rs. 12,000 (being 10% of total Sales).

3) Collection from customers (other than collection on Bills Receivable) amounted to Rs. 1,06,000 which included the following:

a) Rs. 6,500 received from a customer as advance for sale.

b) Rs. 1,250 received from a party whose account was written off in earlier years.

c) A sum of Rs. 3,000 realized from the estate of an insolvent (at 0.60 paisa per rupee).

4) Interest charge to customers on overdue accounts Rs. 2,600.

5) Bills receivable drawn during the period Rs. 18,500.

6) Bills Receivable collected during the period Rs. 10,600 (including Rs. 5,900 collected on Bills receivable drawn during November

December 2015)

^ receivable drawn during November and December 2015).

7) Bills Receivable dishonoured Rs. 1,700.

8) Bills Receivable endorsed to creditors Rs. 6,000, out of which bills receivable for Rs. 2,000 discounted by creditors at 5%, duly met at maturity. Bills Receivable for Rs. 3,000 were dishonoured on maturity (noting charges being Rs. 20) and Bills Receivable amounting Rs. 1,000 will mature in May, 2016.

9) Return inward Rs. 11,600.

10) Transfer from Creditors ledger Rs. 6,900.

Or



Or

From the following information, prepare a Total Debtors A/c and a Total Creditors A/c for the year ended 31st December, 2016.

$$5+5=10$$

	Rs.
Debtors on 1.1.2016	54,600
Creditors on 1.1.2016	40,350
Sales (including cash sales Rs. 27,750)	4,52,400
Sales Return	3,150
Purchases	3,28,500
Purchases Return	7,500
Cash received from debtors (including Rs. 3,000 against a debt previously written off)	3,74,250
Discount allowed	6,075
Bills Receivable received	63,000
Bad debts written off	3,750
Cash paid to creditors	2,16,900
Transfer from Bought Ledger to Sold ledger	4,800
Discount received	12,750
Bills Receivable endorsed to creditors	37,500
Bills payable given to creditors	72,000
Endorsed Bills dishonoured	7,500
Noting charges charged to debtors	15
Provision made for bad and doubtful debts	5,700
Provision made for discount on debtors	450
Provision made for discount on creditors	225
Credit balance in Sold Ledger on 31.12.16	3,150
Debit balance in Bought Ledger on 31.12.16	2,400



6. X Transport Ltd. purchased from DM 3 trucks costing Rs. 50,000 each on the hire purchase system on 1.1.2013. Payment was to be made Rs. 30,000 down and the remainder in 3 equal annual installment payable on 31.12.2013, 31.12.2014, 31.12.2015 and 31.12.2016 together with interest @ 9%. X Transport Ltd. wrote off depreciation at the rate of 20% on the diminishing balance method. It paid the installment due at the end of the first year, i.e. 31.12.13 but could not pay the next on 31.12.2014. DM agreed to leave one truck with the purchaser on 1.1.2015 adjusting the value of the other 2 trucks against the amount due on 1.1.2015. The trucks were valued on the basis of 30% depreciation annually on WDV method. Show the necessary accounts in the books of X Transport Ltd. for the years 2013, 2014 and 2015. 10

Or

CG purchased a machinery on installment basis from MC Co. Ltd. on the following terms:

1) Cash down payment at the time of signing the agreement on 1.1.2011 is Rs. 10,811.

2) Five annual installment of Rs. 7,700 each, the first to commence at the end of twelve months from the date of cash down payment.

3) Interest at 10% p.a. is charged by the seller.

4) Depreciation at 20% p.a. on WDV basis in



4) Depreciation at 20% p.a. on WDV basis in written off on the machinery.

5) Machinery is sold for Rs. 15,000 on the completion of payment of installments.

6) Cash price Rs. 40,000.

7) Accounting year ended on 31st December in each year.

Prepare the Machinery A/c and Vendor's A/c in the books of CG. 5+5=10

7. Abhay Ltd. is engaged in the manufacturing of glass. The company leased a machine from Bhim Ltd. on 1.1.2012 for this purpose. The terms of the lease are as follows:

1) The lessee should pay Rs. 5 for every glass produced.

2) The minimum rent will be Rs. 10,000 p.a.

3) The lessee may recover and shortworking in the first year of operation out of the excess working in the next two following years. Shortworking in the second or subsequent years may be recovered out of any excess in the year next following that in which the shortworking arose.

4) The royalties are payable at 31st December of each year.

Details of glasses produced are:

Year	2012	2013	2014	2015	2016
Units	1600	1900	2460	1840	2720



You are required to prepare necessary ledger

accounts in the books of Abhay Ltd. for the five years ended 31.12.2016. 10

Or

Paresh, who patented a machine, granted Laxmi Ltd. a licence for 5 years to manufacture and sale the machine on the following terms:

(1) Laxmi Ltd. to pay a royalty of Rs. 100 for every machine sold with a minimum rent of Rs. 2,50,000 p.a.

(2) If for any year, the royalties calculated on machines sold amounted to less than Rs. 2,50,000, Laxmi Ltd may recoup the deficiency against royalties payable in excess of the sum as under:

a) 50% in the next year and

b) The balance on the next following year.

(3) As from the commencement of the third year, the agreement was varied and Rs. 2,00,000 was substituted for Rs. 2,50,000 stated above the other terms of the agreement remaining unchanged.

The number of machines sold was:

Year	No. of Machines Sold
2012	2,000
2013	2,200
2014	2,300
2015	2,100
2016	1,800

You are required to prepare Paresh's A/c and Shortworking A/c in the books of Laxmi Ltd.

