

2023

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

1. (a) Mention two objectives of accounting.
(b) Mention any two qualitative characteristics of accounting information.
(c) Using the accounting equation, calculate the value of creditors from the following data :
Total assets : ₹ 3,00,000 and Capital : ₹ 1,25,000. 2+2+1
- Or,*
- (a) Mention three fundamental accounting assumptions.
(b) State the name of accounting concept or convention applied in each of the following cases :
(i) Valuation of inventory at cost price or net realisable value whichever is lower.
(ii) Recording of capital contribution by the owner in sole proprietorship business. 3+2
2. The books of accounts of ABC Co. Ltd. for the year ended 31.12.2023 were closed with a difference in books carried forward. The following errors were detected during January, 2024 :
(i) Return Outward Book was undercast by ₹ 150.
(ii) ₹ 6,000 being the cost of purchase of office furniture was entered in Purchase Account.
(iii) Purchase goods from Mr. Arnab for ₹ 18,000 but entered into Sales Day Book.
You are required to pass necessary journal entries to rectify the above errors. 1+2+2
3. What are the procedures followed for issuing Accounting Standards in India? 5
- Or,*
- (a) What are the needs for issuing global accounting standards?
(b) What is IFRS? 3+2
4. Discuss the concept of maintenance of capital. What are the approaches for maintenance of capital? 3+2

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5. M/s Sanbad Traders sends goods to its customer on sale or return basis. The following transactions took place during 2023 :

		₹
12.08.2023	Sent goods to customer on sale or return basis at 25% profit on sale	50,000
18.09.2023	Goods returned by the customer	16,000
14.10.2023	Received letter of approval from the customer	34,000
31.12.2023	Goods with customers awaiting approval	10,000

Pass the necessary journal entries to record the above transaction in the books of M/s Sanbad. 5

Or,

From the following particulars for the year ended 31.03.2023, extracted from the books of Sri Gautam, prepare Sales Ledger Adjustment Account in the General Ledger : 5

Particulars	₹	Particulars	₹
Sales Ledger Balance on 01.04.2022 (Dr.)	12,500	Provision for Doubtful Debts	1,000
Sales Ledger Balance on 01.04.2022 (Cr.)	300	Sales (includes cash sales ₹ 4,000)	23,000
Bills Receivable Received	4,000	Cash Received from Customers	18,300
Bills Receivable Dishonoured	420	Return from customers	380
Bills Endorsed	480	Bills Receivable Discounted	500
Cheques Dishonoured	100	Bad Debt	90
Bad Debts Recovered	60	Transfer from Bought Ledger	150
		Balance on 31.03.2023 (Cr.)	1,000

Group - B

6. Plant and Machinery to the value of ₹ 40,000 was purchased on 1st January, 2020. On 1st July, 2023, the machinery was replaced by a new machine costing ₹ 52,000, the vendor taking the old machine in part exchange at a valuation of ₹ 8,200. Write up the Plant & Machinery Account for the four years ended on 31st December, 2023 providing for depreciation by writing 10% off the diminishing value of the Plant & Machinery employed at the end of each year. 10

Or,

Following are the balances taken from the Trial Balance of a trader as on 31.12.2023 :

	Dr. (₹)	Cr. (₹)
Sundry Debtors	1,00,000	—
Bad Debts	7,000	—
Discount allowed	3,000	—
Provision for Bad debts	—	12,000
Provision for discount on Debtors	—	6,000

You are required to prepare Bad Debts Account, Discount Allowed Account, Provision for Bad Debts Account and Provision for Discount on Debtors Account. Also show how they appear in the Profit & Loss Account and in the Balance Sheet, after considering the following : 10

- (i) Further bad debts and discount allowed are ₹ 3,000 and ₹ 2,000 respectively.
- (ii) Provision for bad debts and provision for discount on Debtors to be created @ 10% and 5% respectively.

7. Akash and Bikash are partners in a firm sharing profits and losses in the proportion of 3 : 2. They keep their books on the Single Entry System. On 31st December 2022, the following Statement of Affairs was extracted from their books :

Liabilities	₹	Assets	₹
Capital Accounts :		Plant & Machinery	30,000
Akash	25,000	Stock	20,000
Bikash	20,000	Sundry Debtors	35,000
Loan— Bikash	25,000	Cash at Bank	15,000
Sundry Creditors	30,000		
	1,00,000		1,00,000

On 31st December, 2023, their Assets and Liabilities were :

Sundry Debtors : ₹ 40,000; Sundry Creditors : ₹ 25,000; Plant & Machinery : ₹ 50,000; Stock : ₹ 30,000; Bills Receivable : ₹ 5,000; Cash at Bank : ₹ 25,000; Loan— Bikash : ₹ 25,000.

You are required to prepare a Statement of Profit & Loss for the year ended 31st December, 2023 and Statement of Affairs as at that date after taking into consideration the following : 10

- (i) Plant & Machinery is to be depreciated by 10% p.a.
- (ii) Stock is to be reduced to ₹ 25,000.
- (iii) A provision for bad debts to be raised at 5% on Sundry Debtors.
- (iv) Interest on loan is to be allowed at 6% p.a.
- (v) During the period Akash and Bikash drew ₹ 5,000 and ₹ 3,000 respectively.

Or,

From the following Receipts and Payments Account of Evergreen Club for the year ended on 31.03.2023 and additional information, prepare an Income and Expenditure Account for the year ended 31.03.2023 and a Balance Sheet as on the same date :

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Receipts	₹	Payments	₹
Opening Cash in hand and at Bank	10,000	Secretary's salary	8,000
Subscription	40,000	Salaries to staff	12,000
Sale of old newspapers	6,000	Charities	2,000
Entrance Fees	8,000	Printing & Stationery	1,000
Proceeds of Sports and Concerts	6,000	Postage Expenses	200
		Rates & Taxes	2,000
		Upkeep of the land	3,000
		Purchase of Sports Materials	12,000
		Telephone Expenses	4,000
		Closing Cash in hand and at Bank	25,800
	70,000		70,000

Assets and Liabilities as on 31.03.22 and 31.03.23 were as follows :

	31.03.2022 (₹)	31.03.2023 (₹)
Arrear Subscription	4,000	2,000
Subscription received in advance	1,000	800
Furniture	2,000	1,800
Land	20,000	20,000

Depreciation on Furniture has been charged at 10% p.a. Entrance fees received shall be capitalized. Stock of sports materials on 31.03.2023 were useless and to be completely written off.

8. Arup consigned 2000 kg of fine Basmati Rice @ ₹ 10 per kg to Sintu. He paid freight ₹ 3,000, dock charges ₹ 2,500 and insurance ₹ 1,500 on 01.01.2023. 800 kg Rice was destroyed in transit due to an accident. Claim admitted by the Insurance Company was ₹ 4,500. Sintu sold in cash and on credit 1000 kg Rice @ ₹ 15 per kg. He incurred the following expenses :

Clearing charges – ₹ 2,000; Carrying charges – ₹ 1,000; Godown rent – ₹ 1,200 and Selling expenses – ₹ 1,500.

Sintu is entitled to ordinary commission @ 8% and del-credere commission @ 2%, ₹ 2,000 could not be realized from a debtor.

Show the Consignment Account in the books of Arup.

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9. On 31.03.2023, the stock of Amit Traders was destroyed by fire but sufficient records were saved, from where the following particulars were obtained : (all figures in ₹)

Stock at cost 01.01.2022	73,500	Sales for the year ended 31.12.2022	4,87,000
Stock at cost 31.12.2022	79,600	Purchases from 1st January to 31st March, 2023	1,62,000
Purchases for the year ended 31.12.2022	3,98,000	Sales from 1st January to 31st March, 2023	2,31,200

In valuing the stock on 31.12.2022, ₹ 2,300 had been written off certain stock which was a poor selling line, having cost ₹ 6,900. A portion of these goods were sold in March 2023 at a loss of ₹ 300 whose original cost was ₹ 3,500. The remainder of this stock was now estimated to be worth the original cost less 40%. Subject to this the rate of gross profit is uniform. Stock salvaged ₹ 6,000. Policy value was ₹ 30,000 (with average clause).

You are required to compute the net claim.

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Group - C

10. From the following balances, prepare Trading and Profit & Loss Account for the year ended 31.12.2023 and Balance Sheet as on 31.12.2023 in the books of Mr. Arusorka Banerjee, a trader : 15

	Dr. (₹)	Cr. (₹)
Capital	–	2,80,000
Opening Stock	1,00,000	
Purchases	4,00,000	
Salaries	70,000	
Building	1,10,000	
Cash in hand	2,000	
Cash at Bank	1,35,000	
Bills receivables	10,000	
Rent, Rates and Taxes	8,000	
Miscellaneous Receipts	–	10,000
Sales	–	7,20,000
Bad Debt	3,250	
Miscellaneous Expenses	13,450	
Advertisement	22,900	
Furniture	1,10,000	
Debtors	1,45,000	
Creditors	–	80,000
10% Loan on Mortgage	–	70,000
Interest paid on the loan	3,000	
Pre-paid expenses	4,000	
Drawings	30,200	
Bills Payable	–	30,000
Bank charges	3,200	
Travelling expenses	10,000	
Insurance	10,000	
	11,90,000	11,90,000

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Additional information :

- (i) Closing Stock at cost ₹ 57,000 (Market Value ₹ 56,000).
 - (ii) Outstanding salary ₹ 500 at the end of the year.
 - (iii) Goods worth ₹ 20,000 were destroyed by fire and insurance claim admitted ₹ 15,000.
 - (iv) Depreciation on fixed assets to be charged @ 10% p.a.
 - (v) Provision for bad debt is to be maintained @ 5%.
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