

2023

FINANCIAL ACCOUNTING - I — HONOURS

Paper : DSCC-1

Full Marks : 75

*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. Mention any five qualitative characteristics of accounting information.

5

Or,

Name the accounting concepts and conventions which are applicable in each of the following cases :

1×5

- (i) Inventories are valued at cost or net realisable value, whichever is lower.
 - (ii) Recording of capital invested by the proprietor in the business.
 - (iii) Outstanding Expenses are shown in the Balance Sheet.
 - (iv) Cost of goods sold is deducted from revenue for calculating profit.
 - (v) Assets are recorded in the books of accounts at a value at which these are purchased.
2. (a) Using Accounting Equation, find the balance of Assets :
Expenses ₹ 1,40,000, Liabilities ₹ 85,000, Revenue ₹ 1,86,000 and Capital ₹ 2,09,000.
- (b) State, with reason, whether the following are capital, capitalised expenditure or revenue expenditure.
- (i) Import duty paid on purchase of raw materials.
 - (ii) Repair expenses incurred for a second hand machine to improve its efficiency.
 - (iii) Legal expenses paid to acquire a building.

2+3

Or,

What do you mean by expenses? Differentiate between 'expense' and 'expenditure'.

2+3

3. From the following particulars, calculate profit under Accrual Basis of accounting for the year ended 31.03.2023 :

5

Profit under Cash Basis	₹ 92,000
Outstanding salaries on 01.04.2022	₹ 7,000
Outstanding salaries on 31.03.2023	₹ 5,000
Depreciation	₹ 12,000
Bad Debt written off	₹ 3,000
Pre-received rent on building let out	₹ 5,000

Please Turn Over

Group - B

4. On April 01, 2020, Priya & Co. purchased a machine for ₹ 3,00,000 and spent ₹ 60,000 on its installation. On October 01, 2021, a new machine was purchased at a cost of ₹ 2,40,000. On June 30, 2022, the first machine got damaged and was sold as scrap for ₹ 2,34,310. On July 01, 2022 a new machine was purchased for ₹ 5,20,000 and a sum of ₹ 80,000 was spent on its installation.

Show Machinery Account for the three years ended March 31, 2023 while charging depreciation @ 10% p.a. as per the diminishing balance method. Accounts of Priya & Co. are closed every year on March 31. Working should form part of your answer. 10

Or,

KL Bros. maintains provision for doubtful debt @ 20% of debtors. On 01.04.2022, the balance of Provision for Doubtful Debts was ₹ 32,000.

Bad debt written off during the year 2022-2023 ₹ 8,000

On 31.03.2023, the debtors balance stood at ₹ 1,60,000

On scrutiny, it is observed that –

- Recovery of bad debt written off earlier ₹ 5,000, credited to debtors account.
- A debt of ₹ 3,000 is no longer receivable and hence, decided to write off the same.
- Bills receivable as received from customer, Mr. Z, ₹ 8,000 discounted with the bank, now dishonoured, entry for dishonour not yet made.
- An amount of ₹ 17,000 is receivable from Mr. D, a customer and also ₹ 12,000 is payable to him for supply of goods to KL Bros.

Considering the smaller amount of bad debt during this year, the firm has decided to maintain provision for bad debt @ 4% from this year apart from 50% provision against the amount due from Mr. Z due to bills dishonoured.

You are required to prepare the Bad Debt Account and Provision for Doubtful Debt Account in the books of KL Bros. (workings should form part of your answer) 10

5. The Trial Balance of M/s Tirupati Builders & Co. does not agree as on 31st March, 2023. The debit exceeds credit by ₹ 3,500 and the difference has been put to a Suspense Account. The following errors were detected on scrutiny of the books of accounts. Rectify the errors so detected by passing necessary journal entries (you need not write narration) and prepare a Suspense Account. (2×4)+2
- (i) Sold goods to Rahul for ₹ 10,000 wrongly passed through Sales Return Book. Rahul Account has, however, correctly been debited in the Sales Ledger.
 - (ii) Wages of ₹ 15,000 paid for installation of machinery debited to Wages Account as ₹ 1,500.
 - (iii) Total of Discount Allowed column for ₹ 3,000 in the Cash Book has not been posted in Discount Allowed Account in the General Ledger.
 - (iv) Personal income tax of ₹ 5,000 of the proprietor of M/s Tirupati Builders & Co. has been debited to Income Tax Account.

(3)

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Or,

- (a) Specify three objectives of valuation of inventory.
- (b) FB Stores deals with four products which are different. You are supplied with the following information relating to those products :

Particulars	Product K	Product L	Product M	Product N
Cost of unsold goods	₹ 6,400	₹ 12,600	₹ 8,200	₹ 7,000
Market value of unsold goods	₹ 7,000	₹ 15,000	₹ 9,000	₹ 6,900
Commission payable on sales	5%	10%	nil	nil
Expected expenses to be incurred to sell	—	₹ 1,000	₹ 800	₹ 200

Calculate the value of inventory.

3+7

6. From the following information, prepare the Debtors' Ledger Adjustment Account and Creditors' Ledger Adjustment Account as they would appear in the General Ledger of Vartika Ltd. :

5+5

	₹		₹
Opening Debtors (Dr.)	25,250	Opening Creditors (Cr.)	14,000
Opening Debtors (Cr.)	2,000	Closing Creditors (Dr.)	2,000
Credit Sales	20,000	Discount Received	250
Credit Purchases	10,000	Bills Dishonoured	500
Discount Allowed	750	Transfer from Debtors' Ledger to Creditors' Ledger	1,000
Received from Debtors	10,000	Bills Payable accepted	4,000
Payment to Creditors	8,000	Allowances to customers	500
Bad Debts	2,000	Bills drawn on Debtors	1,000
Cash paid to debtors to clear credit balances.	2,000		

Please Turn Over

Group - C

7. Following is the Trial Balance of M/s Aparna & Co. as at 31st March, 2023 :

Debit Balances	Amount (₹)	Credit Balances	Amount (₹)
Drawings	20,000	Capital	3,40,000
Office Equipments	2,20,000	Sales	3,82,900
Purchases	2,36,000	Returns	8,000
Carriage Inward	10,000	Discount Received	2,000
Bad Debts	10,000	Creditors	4,04,000
Carriage Outward	14,000	Bills Payable	11,200
Discount Allowed	4,000	Bank Overdraft	24,000
Sales Commission	8,000	10% Loan (taken on 01.04.2022)	60,000
Rent	8,000		
Interest on loan	3,000		
Office Expenses	32,000		
Sundry Debtors	4,30,000		
Bills Receivable	20,000		
Investments	50,000		
Opening stock	54,000		
Cash	25,000		
Bank	88,100		
	12,32,100		12,32,100

Additional Information :

- Stock at Net Realisable Value is ₹ 55,000. However, Cost Price of the stock is ₹ 60,000.
- Provide for depreciation on Office Equipment @ 10% p.a.
- Goods costing ₹ 10,000 was destroyed by fire on 15.03.2023. Insurance company, however, admitted a claim on 25.03.2023 to the extent of 60% only and paid the claim on 10.04.2023.
- Sales include goods sent on approval for ₹ 6,000 on 25th March, 2023. Till 31.03.2023 approval for sale of goods has not been received from the customers. Goods are sent at a price of 1/5th profit on cost. These were recorded as actual sales.
- Prepaid Rent - ₹ 1,000 and Outstanding Office Expenses - ₹ 2,000.
- Make provision for interest on Loan for full year.

You are required to prepare a Trading and Profit & Loss Account for the year ended 31st March, 2023 and a Balance Sheet as on that date.

8. (a) The following information has been extracted from the books of Mr. Mukherjee :

Particulars	31.03.2022 (₹)	31.03.2023 (₹)
Stock	20,000	26,000
Sundry Debtors	50,000	40,000
Sundry Creditors	55,000	45,000

During the year 2022-23 the following transactions took place :

- Amount received from Debtors ₹ 33,500 (after allowing a discount of ₹ 1,500).
 - Bad debt written off ₹ 2,000.
 - Discount allowed by Creditors ₹ 2,500.
 - The business maintains a steady rate of profit @ 25% on cost.
 - The Cash purchases are 25% of Total Purchases and Cash Sales are 20% of Total Sales.
- You are required to determine the amount paid to creditors during 2022-23.

- (b) Mention any two points of differences between 'Statement of Affairs' and 'Balance Sheet'.

11+4

Or,

From the following Receipts and Payments Account of Go-Green Sports Society for the year ended 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 that date :

Receipts	Amount (₹)	Payments	Amount (₹)
Opening Cash in hand and at Bank	20,000	Secretary's Salary	16,000
Subscription	80,000	Salaries to Staff	24,000
Sale of Old Newspapers	12,000	Charities	4,000
Entrance Fees	16,000	Printing and Stationery	2,000
Proceeds of Sports and Concerts	12,000	Postage Expenses	400
		Rates and Taxes	4,000
		Upkeep of the land	6,000
		Purchase of Sports materials	24,000
		Telephone expenses	8,000
		Closing Cash in Hand and at Bank	51,600
	1,40,000		1,40,000

Please Turn Over

Assets and Liabilities as on 31.03.2022 and 31.03.2023 were as follows :

	31.03.2022 (₹)	31.03.2023 (₹)
Arrear Subscription	8,000	4,000
Subscription received in advance	2,000	1,600
Furniture (after depreciation)	4,000	3,600
Land	40,000	40,000
Outstanding Salaries to Staff	4,000	3,000

Depreciation on Furniture has been charged at 10% p.a. Entrance fees received shall be capitalized.
Sports Materials are to be completely written off.