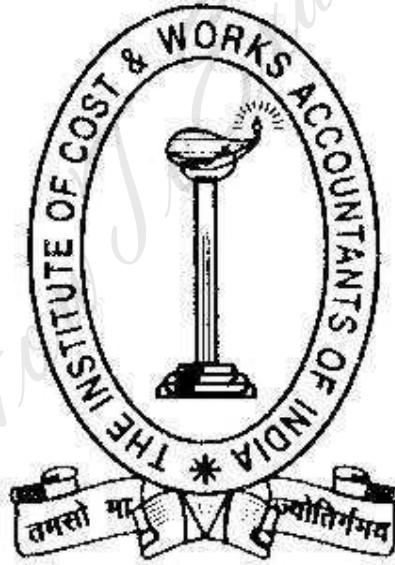


REVISED SYLLABUS 2008

REVALIDATION TEST PAPER

Intermediate Group 1



**THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA
DIRECTORATE OF STUDIES**

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PAPER-5

FINANCIAL ACCOUNTING

REVALIDATION TEST PAPER-RV/05/FAC/2010

Time Allowed-3 Hours

Full Marks-100

Answer Question No I which is compulsory and any five from the rest

1(a). Distinguish Between Liability and Provision. (3 marks)

(b).A & B are two partners of a firm sharing the profits & losses in the ratio of 7/12 and 5/12 respectively. On 1st April 2009,they take C as a partner giving him 1/6 share. A & B agreed further to share the C future profits in the ratio of 13/12 & 7/24 resp.C,in addition to his capital, brings in Rs96000 as his goodwill for 1/6 share. The goodwill is amount to be shred between A & B.

The share of goodwill amount of A & B respectively will be

A: Rs24000 & Rs72000

B: Rs72000 & Rs24000

C: Rs56000 & Rs40000

D: Rs52000 & Rs44000

Choose the correct answer. (3 marks)

©Match the following

- | | |
|------------|---|
| (i) AS-4 | (1) Disclosure of Accounting Policies |
| (ii) AS-10 | (2) Contingencies & Events occurring after the Balance Sheet Date |
| (iii)As-26 | (3) Accounting for Fixed Assets |
| (iv)AS-1 | (4) Intangible Assets |
- (4 marks)

(d) Match the following

- | | |
|------------------------|--------------------------|
| (i) Cash Reserve | (1)Electricity Supply Co |
| (ii)Clear Profit | (2) Construction Co |
| (iii)Escalation Clause | (3)Banking Co |
- (3 marks)

(e) Can a company change the method of providing Depreciation? (3 marks)

(f)State whether each of the following statement is true or false

- (i) Dividend can be declared out of revaluation of fixed assets
 - (ii) Calls in arrears is shown in the B/S under the heading current assets
- (4 marks)

(g) Mention the funds out of which a company can purchase its own share? (3 marks)

(h) Choose the correct answer

Under the Hire Purchase System the last installment paid comprises

- (i) Cash Price only
- (ii) Interest only
- (iii) Cash Price and Interest

(2 marks)

2. (a) M/s Rama and Rina commenced business on 1st January 2005, when they purchased plant and equipment for Rs. 7,00,000. They adopted a policy of (i) charging depreciation at 15% p.a. on diminishing balance method and (ii) charging full year's depreciation on additions. Over the years, their purchases of plant have been :

| Date | Amount |
|--------------------|----------|
| August 1, 2006 | 1,50,000 |
| September 30, 2009 | 2,00,000 |

On January 1, 2009 it was decided to change the method and rate of depreciation to 10% p.a. on straight line method with retrospective effect from January 1, 2005, the adjustment being made in the accounts for the year ending 31st December, 2009. Kolkata the difference in depreciation to be adjusted in the Plant and Equipment Account on January 1, 2009 and show the ledger account for the year 2009. (10 marks)

(b) Classify the following items as capital or revenue expenditure:

- (i) An extension of railway tracks in the factory area;
- (ii) Wages paid to machine operators;
- (iii) Installation costs of new production machine;
- (iv) Materials for extensions to foremen's offices in the factory;
- (v) Rent paid for the factory.

(5 marks)

3.(a) The Bihar Coal Co. Ltd. holds a lease of coal mines for a period of twelve years, commencing from 1st April 2002. According to the lease, the company is to pay Rs 7.50 as royalty per ton with a minimum rent of Rs 150,000 per year. Short workings can, however, be recovered out of the royalty in excess of the minimum rent of the next two years only. For the year of a strike the minimum rent is to be reduced to 60%. The output in tons for the 6 years ending 31st March, 2008 is as under: 2002-03 : 10,000; 2003-04 : 12,000; 2004-05: 25,000; 2005-06: 20,000; 2006-07: 50,000; and 2007-08: 15,000 (strike). Write up the necessary Ledger Accounts in the books of Bihar Coal Co. Ltd. (10 marks)

(b) Distinguish between Hire Purchase System and Instalment System. (5 marks)

4 (a) From the following information, calculate the value of goodwill by super profit method and Capitalisation method

- (i) Average Capital employed in the business Rs. 7,00,000.
- (ii) Net trading profit of the firm for the past three years Rs. 1,47,600; Rs. 1,48,100 and Rs.1,52,500.
- (iii) Rate of Interest expected from capital having regard to the risk involved —18%.
- (iv) Fair remuneration to the partners for their services 12,000 per annum.
- (v) Sundry Assets (excluding goodwill) of the firm Rs. 7,54,762.
- (vi) Sundry Liabilities Rs. 31,329.
- (vii) Goodwill valued at 2 years' purchase (10 marks)

(b) Write a short Note on Segmental Reporting (5 marks)

5 (a) Swapna Ltd has two branches, at Mumbai and at Delhi. Goods are invoiced to Branches at cost plus 50%. Goods are transferred by/to another branch at its cost. Following information is available of the transactions of Mumbai for the year ended on 31st March 2008.

| | Rs. |
|--|-------------------|
| (a) Opening Stock at its cost | 26,700 |
| (b) Goods sent to Branch (including goods invoiced at to Branch on 31st March but not received by Branch before closing) | . 1,500 78,300 |
| (c) Goods received from Delhi Branch | 600 |
| (d) Goods transferred to Delhi Branch | 5,100 |
| (e) Goods returned by Branch to H.O. | 1,170 |
| (f) Goods returned by Credit Customers to Branch | 570 |
| (g) Goods returned by Credit Customers directly to H.O. | 120 |
| (h) Agreed allowance to Customers off the selling price (already taken into account while invoicing) | 100 |
| (i) Normal loss due to wastage and deterioration of stock (at cost) | 150 |
| (j) Loss-in transit (at invoice price) Rs. 660 against which a sum of Rs.400 was recovered from the Insurance Company in full settlement of the claim. | |
| (k) Cash Sales Rs. 3,200 and Credit Sales | 72940 |
| (l) Branch Expenses (including Insurance charges) | 5,000 |
| (m) Bad Debts Rs. 100 and Discount allowed to Customers | 50 |

Prepare Branch Stock Account, Branch Adjustment Account and Branch Profit and Loss Account in the following case

If the Closing Stock at Branch at its cost as per physical verification amounted to Rs. 20,000 (10 marks)

(b) Write short notes on treatment of abnormal losses in Branch Account. (5 marks)

6. (a) Alpha Ltd issued a prospectus inviting applications for 2,000 shares of Rs.10 each at a premium of Rs. 2 per share, payable as follows :

On Application Rs.2 On Allotment Rs 5 (including premium)
On First Call Rs.3 On Second & Final Call Rs. 2

Applications were received for 3,000 shares and *pro rata* allotment was made on the applications for 2,400 shares. It was decided to utilise excess application money towards the amount due on allotment.

Mohit, to whom 40 shares allotted, failed to pay the allotment money and on his subsequent failure to pay the first call, his shares were forfeited.

Jagat, the holder of 60 shares failed to pay the two calls and on his such failure, his shares were forfeited.

Of the shares forfeited, 80 shares were sold to Rishav credited as fully paid for Rs. 9 per share, the whole of Mohit's shares being included.

Give Journal Entries to record the above transactions (including cash transactions) (10 marks)

(b) Discuss the conditions of Companies Act with regard to buy back of shares. (5 marks)

7 (a) Hansa Ltd. was incorporated on 1st July, 2008 to acquire a running business with effect 1st April, 2008. The accounts for the year ended 31st March, 2009 disclosed the following :

- (i) There was a gross profit of Rs. 30,00,000.
- (ii) The sales for the year amounted to Rs. 1,20,00,000 of which Rs. 24,00,000 were for the first six months.
- (iii) The expenses debited to the Profit and Loss Account included—directors' fees : Rs. 1,50,000; bad debts : Rs. 36,000; advertising : Rs. 1,20,000 (under a contract amounting to Rs. 10,000 per month); salaries and general expenses : Rs. 6,40,000; preliminary expenses written off Rs. 50,000; and donation to a political party given by the company Rs. 50,000.

Prepare a statement showing the amount of profit made before and after incorporation. (10 marks)

(b) Distinguish between Statutory Reserve and Cash Reserve in respect of Banking Companies (5 marks)

8. Write NOTES ON

- (a) Double Accounting System
- (b) Reinsurance
- ©Materiality Concept
- (d)Minimum Rent
- (e) Bonus Share

(15 marks)

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