

**PAPER – 5
FINANCIAL ACCOUNTING**

TEST PAPER – I/5/FAC/2008/T-4

Time Allowed: 3 Hours

Full Marks: 100

All questions to be answered

Q1a) Indicate the correct answer

1. Livestock in the case of mixed farming is
 - (a) A fixed asset.
 - (b) A current asset.
 - (c) A wasting asset.
 - (d) A tangible asset.

2. Crops are valued at
 - (a) market price
 - (b) Cost price
 - (c) Capitalized value
 - (d) Economic value

3. Final accounts of a farmer can be prepared under
 - (a) Single entry method
 - (b) Double entry method
 - (c) Both single and double entry methods
 - (d) None of the above

4. The cash book usually maintained by the farmer is
 - (a) petty cash book
 - (b) two-column cash book
 - (c) Analytical cash book
 - (d) Three column cash book

5. Livestock purchased will figure in
 - (a) The balance sheet
 - (b) The trading account
 - (c) The profit and loss account
 - (d) The current account

Q1b) Discuss the chief features and relative advantage and disadvantages of the Double Account system as compared with Single Account System

Q2) The following figures are extracted from the books of Z Insurance Company Ltd. As at 31st December, 2001:

Rs.

Claims paid less re-insurance	
Fire	80,000
Marine	62,000
General Reserve	1,18,000
Commission paid:	
Fire	48,000
Marine	39,000
Share Capital (20,000 shares of Rs. 100 each)	20,00,000
Expenses of Management	
Fire	53,000
Marine	36,000
Reserve for Unexpired Risks:	
Fire	2,04,000
Marine	1,23,000
Investments at Costs:	
Central Government Securities deposited with RBI	19,21,000
Other Central Government Securities	1,23,000
State Government Securities	2,22,000
Shares in Companies	2,49,000
Depreciation	21,000
Additional Reserves:	
Fire	1,32,000
Marine	16,000
Interest Accrued	25,000
Furniture (Cost Rs. 18,000)	12,000
Building (Cost Rs.1,25,000)	87,000
Office Equipment (Cost Rs. 48,000)	30,000
Cash in hand	56,000
Cash in Bank	1,04,000
Premium less re-insurances:	
Fire	2,11,000
Marine	1,62,000
Tax deducted at source	9,000
Premium due:	
Fire	28,000
Marine	20,000
Claims outstanding on 1st January, 2001	
Fire	14,000
Marine	2,000
Due from other Insurers	27,000
Directors' fees	4,000
Commission on re-insurance ceded:	
Fire	23,000
Marine	2,000
Dividends	20,000
Interest on investments	1,00,000
Dues to other insurers	43,000
Contingency reserve	39,000

Investment reserve 47,000

The following further information is also given:

(1) Claims Outstanding as on 31st December, 2001, are:

Fire	17,000
Marine	6,000

(2) Market value of investments is Rs. 24,01,00.

(3) Increase Additional Reserve by 10 per cent of net premium for the year of fire.

(4) Maintain reserves for unexpired risks at 50 per cent of Premium for the year in case of Fire insurance and 10 per cent of Premium for the year in case of Marine Insurance.

Prepare Revenue Accounts, Profits and Loss Account and Balance Sheet.

Q3a) From the following figures and ratios, draw out a Balance Sheet of Nagarjuna Ltd. as on 31st December, 2006:

Fixed Assets/Turnover Ratio (Cost of Goods Sold)	2
Debt Collection Period	2 months
Current Ratio	1.5
Debt Equity Ratio (Total Debt/Equity)	0.6
Current Liabilities to Net Worth	0.8
Reserves to Bank Balance	4
Consumption of Raw Materials	40% of Cost of sales
Stock of Raw Materials	3 months' consumption
Stock of Finished Goods	15% of Cost of Sales
Bank Balance	1/30th of Sales
Fixed Assets	Rs. 6,00,000
Gross Profit	1/5th of Sales

Q3b) From following information prepare the Balance Sheet of XYZ. Co. Ltd., showing the details working:

Paid-up Capital	Rs. 50,000	Fixed Assets Turnover	2
Plant and Machinery	Rs. 1,25,000	Sales Return	20% of Sales
Total Sales (Annual)	Rs. 5,00,000	Average Collection Period	73 days
Gross Profit Margin	25%	Bank Credit To Trade Credit	2
Annual Credit Sales	80% of Net Sales	Cash to Inventory	1:15
Current Ratio	2	Total Debt to Current Liabilities	3
Inventory Turnover	4		

Q4) The following are the figures extracted from the books of Rupali Bank Limited as on 31-3-2007:

Interest and Discount received	37,05,738
Interest paid on Deposits	20,37,452
Issued and subscribed Capital	10,00,000
Salaries and allowances	2,00,000
Directors fees and allowances	30,000
Rent and Taxes paid	90,000
Postage and Telegrams	60,000
Statutory reserve fund	8,00,000
Commission, exchange and brokerage	1,90,000
Rent received	65,000
Profit on sale of investments	2,00,000

Depreciation on Bank's properties	30,000
Stationery Expenses	40,000
Preliminary expenses	25,000
Auditor's fees	5,000

The following further information is given:

- (a) A customer to whom a sum of Rs. 10 lakhs has been advanced has become insolvent and it is expected only 50% can be recovered from his estate.
- (b) There were also other debts for which a provision of Rs. 1,50,000 was found necessary by the auditors.
- (c) Rebate on Bills discounted on 31-3-06 was Rs. 12,000 and on 31-3-07 was Rs. 16,000.
- (d) Provide Rs. 6,50,000 for Income-tax.
- (e) The directors desire to declare 10% dividend.

Prepare the Profit and Loss Account of New Era Bank Limited for the year ended 31-3-1990 and also show how the Profit and Loss Account will appear in the Balance Sheet if the Profit and Loss Account opening balance was Nil as on 31-3-1989.

Q5) a. The Naida Electric Co., Ltd. re-built and re-equipped a part of their power-house at a cost of Rs. 80,00,000; the part of the old power-house thus superseded had cost originally Rs. 50,00,000 but if erected at the present time would cost 20% more. Rs. 6,00,000 is realised from the sale of old materials and Rs. 3,00,000 worth of old materials are used in the reconstruction and are included in the cost of Rs. 80,00,000 mentioned above. Give necessary entries for recording the above transactions in the books of the company, indicating the allocations between capital and revenue and give reasons for such allocations.

Q5) b. From the following information and details relating to the year ended 31 st March, 2007 and bearing in mind the provisions of the Electricity (Supply) Act, 1948, indicate the disposal of profits of Electricity Company:

Particulars	Rs	Particulars	Rs
Net profit before charging debenture interest	22,00,000	Security deposits of Customers	150,00,000
Fixed Assets	400,00,000	Customers Contribution to Main lines	4,00,000
Depreciation written-off on fixed assets	160,00,000	Preliminary expenses	10,00,000
Loan from Electricity Board	60,00,000	Share Capital	200,00,000
6% Investments of the Reserve fund (F.v. Rs 120,00,000)	120,00,000	Average of Current Assets	40,00,000
6% Investments of the Contingencies Reserve	40,00,000	Development Reserve	20,00,000
Tariffs and Dividends Control Reserve	12,00,000	10% Debenture	16,00,000

Indicate the disposal of profit ,assuming that the Reserve Bank of India rate on the relevant date was 8 %.