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Your Roll No.....

Sr. No. of Question Paper : 1406

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Unique Paper Code : 2412081103

Name of the Paper : DSC 1.3 – Financial Accounting

Name of the Course : B.Com. (H)

Semester : I – UGCF

Duration : 3 Hour

Maximum Marks : 75

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Answers may be written either in English or Hindi; but the same medium should be used throughout the paper.
3. Attempt **all** questions. **All** questions are compulsory and carry equal marks.
4. Parts of the questions are to be attempted together.
5. Marks of each question and its parts are given alongside.
6. Show all your workings clearly.
7. Use of Simple Calculator allowed.

छात्रों के लिए निर्देश

1. इस प्रश्न-पत्र के मिलते ही ऊपर दिए गए निर्धारित स्थान पर अपना अनुक्रमांक लिखिए।
2. इस प्रश्न-पत्र का उत्तर अंग्रेजी या हिंदी किसी एक भाषा में दीजिए, लेकिन सभी उत्तरों का माध्यम एक ही होना चाहिए।
3. सभी प्रश्नों के उत्तर दें। सभी प्रश्न अनिवार्य हैं और समान अंक के हैं।
4. प्रश्नों के भागों को एक साथ हल करें।
5. प्रत्येक प्रश्न के अंक और उसके भाग साथ में दिये गये हैं।
6. अपने सभी कार्य स्पष्ट रूप से दिखाएं।
7. साधारण कैलकुलेटर के उपयोग की अनुमति है।

P.T.O.

1. (a) Write a note on the role of AI and technology in the future of accounting. (9)
- (b) Explain the meaning of prior period items with example. Give two examples. (3)
- (c) State the accounting principles involved in the following statements:
 - (i) It assumes that a business enterprise will not be sold or liquidated in the near future.
 - (ii) Self-generated goodwill is not recorded.
 - (iii) Rift between production and marketing manager is not directly disclosed in financial statements.
 - (iv) Value of inventories left unsold is carried forward to next accounting year.
 - (v) Advance received from a customer is not recorded as sales.
 - (vi) Bike purchased by proprietor from business account is deducted from his capital. (6)

OR

- (a) Define and distinguish between exceptional and extra-ordinary items. Give two examples of each. What are the disclosure requirements in respect of such items? (9)
 - (b) What are the fundamental accounting assumptions as per AS-1. Explain any two in brief. (9)
2. (a) Indicate in each case the amount of revenue that can be recognised as per AS 9 and date of recognition of revenue.
 - (i) ABC Ltd. sold goods on credit to XYZ Ltd. For Rs. 250 crores on 8th Nov. 2022. XYZ Ltd was planning to export these goods but their export order was cancelled in Dec. 2022. On 10th January 2023 they Ltd. decided to sell the same goods in the local market. ABC Ltd. was

requested to offer a price discount of 15 % but they agreed to give discount of 10%. The directors of ABC Ltd. want to adjust the sales figure to the extent of the discount given to XYZ Ltd. Comment.

- (ii) On 21-3-2023 clothes worth 60,000 were sold to Siya Mart but due to refurbishing of their showroom being underway on their request, clothes were delivered on 12-4 2023.
- (iii) On 15th January, 2022 garments worth 4,00,000 were sent to Anand on consignment basis of which 25% garments unsold were lying with Anand as on 31st March, 2022.
- (iv) On 1st November, 2021 garments worth 2,50,000 were sold on approval basis. The period of approval was 4 months after which they were considered sold. Buyer sent approval for 75% goods up to 31st December, 2021 and no approval or disapproval received for the remaining goods till 31st March, 2022. (2×4)
- (b) Murli group had Property, Plant & Equipment (PP&E) with a book value of Rs. 80,00,000 on 31st March 2023. As part of their practice of revaluing the assets on yearly basis, the Fair Value was assessed on 31st March 2022. Pass the necessary Journal Entry in following cases:
- (i) If Fair Value as a result of Revaluation done on 31st March 2023 was Rs. 86,00,000.
- (ii) If Last year the property was revalued downwards by Rs. 3,00,000 and decrease of that asset was recognized in the Profit and Loss Account and Fair Value as a result of Revaluation done on 31st March 2023 was Rs. 86,00,000.
- (iii) If Last year the property was revalued upwards by Rs. 8,00,000 and increase of that asset was recognized in revaluation reserve account and Fair Value as a result of Revaluation done on 31st March 2023 was Rs. 69,00,000. (2×3)

- (c) List four items of inventory where Ind AS-2 is not applicable. (4)

OR

- (a) A company acquired a patent at a cost of Rs. 50,00,000 for a period of ten years and its product life cycle is also ten years. The company capitalised the cost and started amortising it as per AS 26. After two years it was found that the product life cycle may continue for another five years only. The net cash flows from the product during these 5 years are expected to be 9,00,000, 11,50,000, 11,00,000, 10,00,000 and 8,50,000. Find out amortisation expense of the patent for each of these years company changed amortisation method from straight line method to ratio of expected cash flows. (8)

- (b) Mr. Jatin gives the following information relating to the items forming part of the inventory as on 31.03.2019. His enterprise produces product P using Raw Material X.

- (i) 900 units of Raw Material X (purchased @ 100 per unit). Replacement cost of Raw Material X as on 31.03.2019 is 80 per unit.
- (ii) 400 units of partly finished goods in the process of producing P. Cost incurred till date is 245 per unit. These units can be finished next year by incurring additional cost of * 50 per unit.
- (iii) 800 units of Finished goods P and total cost incurred is 295 per unit. Expected selling price of product P is 280 per unit, subject to a payment of 5% brokerage on selling price.

Determine how each item of inventory will be valued as on 31.03.2019. Also calculate the value of total Inventory as on 31.03.2019. (6)

- (c) Sun Publications publishes a monthly magazine on the 15th of every month. It sells advertising space in the magazine to advertisers on the terms of 80% sale value payable in advance and the balance within 30 days of the release

of the publication. The sale of space for the March 2023 issue was made in February 2023. The magazine was published its scheduled date. It received 3,20,000 on 10-3-2023 and 80,000 on 10-4-2023 for the March 2023 issue.

Discuss in the context of AS 9 the amount of revenue to be recognized and the treatment of the amount received from advertisers for the year ending 31-3-2023. What will be the treatment if the publication is delayed till 2-4-2023? (4)

3. From the following information of Mr. Ram, prepare Manufacturing Account, Trading & Profit and Loss A/c for the year ended 2022 and Balance Sheet as at that date:

Particulars	Dr. (₹)	Cr (₹)	Particulars	Dr. (₹)	Cr (₹)
Cash	300		Bank	7800	
Creditors		12000	Factory wages	41000	
Stock on 1.4.2021:			Sales		158000
Raw material	12000		Repairs to plant	1500	
Work-in-progress	14000		Packing and transport	2200	
Finished goods	3000		Plant bought on 1.10.2021	4000	
Office Salaries	7000		Debtors	21000	
Rent and taxes	3000		Light and Heat	1000	
Purchases	67000		General expenses:		
Capital A/c		73200	Factory	400	
Plant as on 1.4.2021	30000		Office	700	
Insurance	1800		Factory power	7200	
Furniture	1800		Drawings	16000	
Discount received		800	Bank charges	200	
Provision for Doubtful debts		2000	Bad debts	1200	
Advertisement	1900		Total	246000	246000

Additional Information :

(i) Closing stock valued as per AS 2 is as under:

(a) Raw material ₹7,000;

- (b) Work-in-progress ₹3,500;
- (c) Finished goods ₹19,000; and
- (d) Packing material ₹300,

(ii) The following items are to be provided :

- (a) Factory power ₹1,100;
- (b) Rent and taxes ₹800;
- (c) Light and heat ₹300;
- (d) General expenses factory ₹100;
- (e) General expenses office ₹100; and
- (f) Insurance prepaid ₹400.

(iii) Provide depreciation on plant @ 10% p.a. and on furniture @ 5% p.a.

(iv) Increase provision for doubtful debts by ₹1,000.

(v) 80% of rent and taxes, light and heat and insurance are to be allocated to the factory and 20% to the office. (18)

OR

(a) ABC Club has following balances as at January 1, 2022

Sports Fund	Rs. 50,000
10% Sports Fund Investments (Face value 60,000 fully paid)	Rs. 50,000
Transactions of the year	
Donation for Sports Fund received during the year	Rs. 16,000
Sports Prizes awarded during the year	Rs. 8,000
Interest received on Sports Fund Investments during the year	Rs. 5,000
Expenses incurred on sports events during the year	Rs. 4,000
Interest received on General Fund Investments during the year	Rs. 20,000

- How will you deal with the above items while preparing the Income and Expenditure Account for the year ended 31st, December, 2022 and Balance Sheet as on that date. Show the extracts of final statements. (6)
- (b) In 2022, the subscriptions received by Modern Club of Delhi were Rs. 20,450 including 250 for 2021 and Rs. 500 received in advance for 2023. At the end of 2022, total subscriptions outstanding were Rs. 750. The subscriptions due but not received at the end of the previous year i.e., 31.12.2021 were 400 while subscriptions received in advance on the same date were 900. Calculate the amount of subscriptions to be credited to Income and Expenditure Account for the year ending 31.12.2022. (6)
- (c) How will you deal with the following items while preparing the Income and Expenditure Account for the year ended 31st December, 2022 and Balance Sheet as on that date :

Particulars	As at 31st December	
	2022 (Rs.)	2023 (Rs.)
Creditors for Stationery	15,000	25,000
Stock of Stationery	45,000	35,000

During 2022, payments made to the creditors for Stationery amounted Rs. 1,50,000 and cash purchases of Stationery amounted to 20% of the total purchase. (6)

4. XYZ Ltd. invoices goods to its branch at cost plus 20%. The branch sells goods for cash as well as on credit. The branch meets its expenses out of cash collected from its debtors and cash sales and remits balance of cash to head office after withholding 10,000 necessary for meeting immediate requirements of cash. On 1st April, 2020 the assets at the branch were as follows :

	Balance (Rs.)
Account	10,000
Cash in Hand	3,84,000
Trade Debtors	10,80,000
Stock at invoice price	5,00,000
Furniture and Fittings	

During the accounting year ended 31 March, 2021, the invoice price of goods dispatched by the head office to the branch amounted to 1,32,00,000. Out of the goods received by it, the branch sent back to head office goods invoiced at 72,000. Other transactions at the branch during the year were as follows :

	Amount (Rs.)
Cash sales	97,00,000
Credit sales	31,40,000
Cash collected from customers	28,42,000
Discount allowed to debtors	58,000
Returns by customers	1,02,000
Bad debts written off	37,000
Expenses paid by branch	8,42,000

On 1 January, 2021 the branch purchased new furniture for 1,00,000 for which payments were made by head office by means of a cheque. Head office also paid commission of Rs. 60,000 to branch manager by cheque. On 31 March, 2021 branch expenses amounting 6,000 were outstanding and cash in hand was again Rs. 10,000. Furniture is subject to depreciation @ 16% p.a. on Diminishing Balances method. Prepare Branch Stock Account and Branch Account in the books of head office for the year ended 31 March, 2021 assuming branch manager is entitled to a commission @10% of the branch net profits after charging his commission.

OR

Sunny Ltd with its Head Office in Delhi invoices goods to its Branches at Mumbai and Kolkata at 20% less than the list price which is cost plus 50% with instructions that cash sales are to be made at invoice price and credit sales at list price. Branch manager is instructed to give discount at 15% on prompt payments. All branch expenses are paid by the Head Office and all branch collections are remitted daily to Head Office. Details of branch balances and transactions for the year 2022-23 are given below :

SN	Details	Amount (Rs.)
1	Opening Stock At Branch at its cost	12,000
2	Opening Branch Debtors.	10,000
3	Goods Sent to branch (at cost to H.O.)	1,10,000
4	Goods received by Branch till close of the year	1,27,000
5	Transfer from Kolkata branch to Mumbai branch at catalogue price	75,000
6	Transfer to Kolkata branch from Mumbai branch at catalogue price	30,000
7	Goods purchased by Mumbai branch from local suppliers (cost) (Out of this, stock of Rs. 6,000 is left unsold at the end.	30,000
8	Cash Sales	74,800
9	Credit Sales	1,45,000
10	Goods returned by Credit Customers: to branch : directly to H.O.	30,000 15,000
11	Goods returned by Branch to H.O.	24,000
12	Cash remitted by Credit Customers: to Branch : directly to H.O.	45,635 40,000
13	Discount Allowed to Debtors	13,365
14	Loss of Goods by fire (Rs. 3,000 at invoice price) against which 80% of cost was recovered from the insurance Company.	
15	Loss of goods at Branch through normal pilferage (at catalogue price).	3,000
16	Branch Expenses : Paid : Outstanding	9,500 241
17	Branch Manager is entitled to a commission @ 6% of net profits after charging such commission.	

Required: Prepare Mumbai Branch Stock Account, Mumbai Branch adjustment A/c, Mumbai Branch Expenses A/c and Mumbai Branch Profit & Loss A/c and Mumbai Branch Debtors A/c under Stock & Debtors Method assuming provision is to be made for discount to be allowed to debtors, at year end on the basis of year's trend of prompt payments. (18)

5. (a) X Ltd. has leased equipment over its useful life that costs 7,47,30,200 for a three year lease period. After the lease term the asset would revert to the Lessor. You are informed that :

- (i) The guaranteed residual value and estimated unguaranteed residual value is Rs. 1 lakh each.
- (ii) The annual lease payments have been structured in such a way that the sum of their present values together with that of the residual value of the asset will equal the cost thereof.
- (iii) Implicit interest rate is 10%.

You are required to ascertain the annual lease payment and the unearned finance income. P.V. factor @ 10% for years 1 to 3 are 0.909, 0.826 and 0.751 respectively. (8)

(b) M/s. Jason is a Departmental Store having three departments X, Y and Z. The information regarding three departments for the year ended 31st March, 2023 is given below :

Particulars	Dept. X	Dept. Y	Dept. Z
Opening Stock	18,000	12,000	10,000
Purchases	66,000	44,000	22,000
Debtors at end	7,500	5,000	5,000
Sales	90,000	67,500	45,000
Closing Stock	22,500	8,750	10,500
Value of furniture in each Department	10,000	10,000	5,000
Floor space occupied by each Dept. (in sq. ft.)	1,500	1,250	1,000
Number of employees in each Department	25	20	15
Electricity consumed by each Department (in units)	300	200	100

Additional Information :

Particulars	Amount (Rs.)
Carriage inwards	1,500
Carriage outwards	2,700
Salaries	24,000
Advertisement	2,700
Discount allowed	2,250
Discount received	1,800
Rent, Rates and Taxes	7,500
Depreciation on furniture	1,000
Electricity Expenses	3,000
Labour welfare expenses	2,400

Prepare Departmental Trading and Profit & Loss Account for the year ended 31st March, 2022 after providing provision for Bad Debts at 5%. (10)

OR

- (a) Gautam Ltd. took a machine on lease from S.K. Ltd. the fair value being 15,00,000 on April 1, 2022. The economic life of the machine as well as the lease term is 3 years. At the end of each year Gautam Ltd pays 6,00,000. Gautam Ltd has guaranteed a residual value of 46,880 on the expiry of the lease to the S.K. Ltd. However, S.K. Ltd estimates that the residual value of the machinery will be only 30,000. The implicit rate of return is 15% p.a. and the present value factors at 15% are 0.869, 0.756 and 0.657 at the end of first, second and third year respectively. Gautam Ltd charges depreciation @ 33% p.a. on straight line basis. Calculate the value of machinery to be considered by the lessee for recording it and finance charges in each year. Pass journal entries in the books of the lessee for the accounting year ending 31st March, 2023. (10)

- (b) Star Ltd carries its business through two departments. Relevant information regarding these departments is given below :

Dept.	Purchases (Units)	Opening Stock (Units)	Closing Stock (Units)
A	1,000	100	300
B	2,000	200	400

Additional Information :

- (i) Purchases were made at a total cost of Rs. 32,000
- (ii) Selling Price per unit for Dept. A and B is Rs.10 and Rs. 15 respectively.
- (iii) Rate of gross profit to sales is same for both departments
- (iv) There is no change in purchase and sale price for the last two years.

Prepare departmental trading account.

(8)