

INTERMEDIATE EXAMINATION

December 2025

P-6(FA)
Syllabus 2022

FINANCIAL ACCOUNTING

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right-hand side indicate full marks.

*Wherever considered necessary, suitable assumptions may be made
and clearly indicated in the answer.*

All working notes should form part of your answer.

Section-A (Compulsory)

1. Choose the correct alternative: $2 \times 15 = 30$

- (i) Which of the following is not a Fundamental Accounting Assumption?
 - (A) Going Concern
 - (B) Consistency
 - (C) Accrual
 - (D) Materiality

- (ii) Which of the following books is both a journal and a ledger?
 - (A) Sales Day Book
 - (B) Journal Proper
 - (C) Cash Book
 - (D) Bills Receivable

- (iii) The total of Discount Column appearing on the debit side of Triple Column Cash Book is posted to the
 - (A) Credit of Discount Allowed Account.
 - (B) Debit of Discount Allowed Account.
 - (C) Debit of Discount Received Account.
 - (D) Credit of Discount Received Account.

- (iv) The Provision for Doubtful Debt on 1st April, 2024 was ₹ 14,000. During the year 2024-25 the Bad-debt was ₹ 9,500. The Sundry Debtors on 31st March, 2025 were ₹ 3,25,000. Provision is to be made @ 5% on Debtors. If on 31st March, 2025, there was additional Bad debt of ₹ 2,500, then Provision for Doubtful Debt will be
 - (A) Debited to Profit & Loss Account by ₹ 16,125.
 - (B) Debited to Profit & Loss Account by ₹ 14,125.
 - (C) Debited to Profit & Loss Account by ₹ 18,125.
 - (D) Debited to Profit & Loss Account by ₹ 2,000.

(v) A draws a bill on B for ₹ 3,60,000 for mutual accommodation in the ratio of 2 : 1. A got it discounted for ₹ 3,38,400 and remitted $\frac{1}{3}$ rd of the proceeds to B. How much money should be remitted by A to B at the time of maturity so as to enable B to honour the bill?

(A) ₹ 2,33,500
(B) ₹ 2,30,400
(C) ₹ 2,40,000
(D) ₹ 2,40,800

(vi) Goods were sent on consignment at invoice price which is 20% above cost. $\frac{1}{5}$ th of the goods costing ₹ 60,000 were damaged in transit. Find out invoice price of the goods sent on consignment basis.

(A) ₹ 3,75,000
(B) ₹ 3,00,000
(C) ₹ 3,25,000
(D) ₹ 3,60,000

(vii) Closing Stock of ₹ 60,000 includes goods costing ₹ 10,000 sent on approval basis at selling price of ₹ 12,000. 10% of the stock is destroyed by fire (insurance claim accepted for 75% of cost). What amount of Closing Stock will appear in the Balance Sheet?

(A) ₹ 54,000
(B) ₹ 49,500
(C) ₹ 48,750
(D) ₹ 45,000

(viii) X purchased goods costing ₹ 1,00,000. Y sold the goods for ₹ 1,50,000. Profit sharing ratio between X and Y is equal. If same set of books is maintained, what will be the final remittance?

(A) Y will remit ₹ 1,25,000 to X
(B) Y will remit ₹ 25,000 to X
(C) Y will remit ₹ 1,50,000 to X
(D) X will remit ₹ 25,000 to Y

(ix) A and B are partners having profit sharing ratio of 5 : 3. They admitted C into the firm giving him $\frac{3}{10}$ th share. If C acquires $\frac{1}{5}$ th share from A and $\frac{1}{10}$ th share from B, the new profit-sharing ratio will be

(A) 5 : 6 : 3
(B) 8 : 5 : 2
(C) 18 : 24 : 13
(D) 17 : 11 : 12

(x) Given

Average Profit	₹ 17,34,000
Total Assets	₹ 1,35,00,000
Outside Liabilities	₹ 83,00,000
Normal Rate of Return	12%

The value of goodwill under capitalisation of average profits will be

- (A) ₹ 9,50,000
- (B) ₹ 92,50,000
- (C) ₹ 61,50,000
- (D) ₹ 1,44,50,000

(xi) The following details are available in respect of a Departmental Stores for a year:

Department	Opening Stock	Purchase	Sales
X	240 units	2,000 units	2,040 units @ ₹130 each
Y	160 units	4,000 units	3,840 units @ ₹117 each
Z	304 units	4,800 units	4,992 units @ ₹140 each

The total value of purchases is ₹ 9,80,000. It is observed that the rate of Gross Profit is the same in each department. The rate of Gross Profit on sales will be

- (A) 20.00%
- (B) 25.00%
- (C) 30.00%
- (D) 33.33%

(xii) RRS purchased a machine from PKS on hire purchase system, whose cash price was ₹ 8,64,000. The terms of purchase are ₹ 2,16,000 to be paid on delivery and balance in three annual installments of ₹ 2,88,000 each. The amount of interest included in the first installment would be

- (A) ₹ 72,000
- (B) ₹ 57,600
- (C) ₹ 1,08,000
- (D) ₹ 36,000

(xiii) As per AS 1, where should a company disclose its accounting policies?

- (A) In the Annual Report
- (B) In the Auditor's Report
- (C) In the Director's Report
- (D) In the Notes to Financial Statements

(xiv) An entity has acquired an asset costing ₹ 1,00,000 for production of certain items to be sold by it. It is deductible equally over 2 years in the books of accounts. In Tax Law, ₹ 75,000 is deductible in year 1 and balance is deductible in year 2. Tax rate is 10%. In year 2, the entity should

- (A) Create DTL of ₹ 2,500
- (B) Reverse DTL of ₹ 2,500
- (C) Create DTA of ₹ 2,500
- (D) Reverse DTA of ₹ 2,500

(xv) A charitable institution has 250 members with an annual subscription of ₹ 5,000 each. The subscriptions received during 2024-25 were ₹ 11,25,000, which include ₹ 65,000 and ₹ 25,000 for the years of 2023-24 and 2025-26 respectively. Amount of outstanding subscription for 2024-25 will be

- (A) ₹ 90,000
- (B) ₹ 1,25,000
- (C) ₹ 2,15,000
- (D) ₹ 1,90,000

SECTION-B

Answer any five questions out of seven questions given. Each question carries 14 marks.

14×5=70

2. (a) On 31st March, 2025, Sandip's Cash Book showed a bank overdraft of ₹ 2,50,000. On comparing with the pass book, the following differences were noted:

- (i) Cash and cheques amounting to ₹ 26,800 were sent to the bank on 27th March, but cheques worth ₹ 4,600 were credited on 2nd April and one cheque for ₹ 900 was returned by them as dishonoured on 4th April.
- (ii) During the month of March, Sandip issued cheques worth ₹ 33,400 to his creditors. Out of these, cheques worth ₹ 27,400 were presented for payment on 5th April.

- (iii) According to Sandip's standing orders, the bankers have made the following payments during the month of March:
 - (a) Life insurance premium ₹ 3,840.
 - (b) Television license fee ₹ 2,400.
- (iv) Sandip's bankers have collected ₹ 3,000 as dividend on his shares.
- (v) Interest charged by the bank ₹ 2,500.
- (vi) A bill receivable of ₹ 2,000 discounted with the bank in February, 2025, were dishonoured on 31st March, 2025.

You are required to:

- (I) **Ascertain** the amended cash book balance as on 31st March, 2025.
- (II) **Prepare** a Bank Reconciliation Statement from the amended cash book as on 31st March, 2025. 7
- (b) **Classify** the following items as capital or revenue expenditure with proper **reasoning**:
 - (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 extension to foremen's offices in the factory;
 - (v) Rent paid for the factory;
 - (vi) Payment for computer time to operate a new stores control system,
 - (vii) Wages paid to own employees for building the foremen's offices. 7
- 3. (a) Raj and Sonu decided to work in Joint Venture with the following scheme, agreeing to share profit/loss in the ratio of 3 : 1. They guaranteed subscription of 5 lakhs shares of ₹ 20 each in Rainbow Ltd. and to bear all expenses up to allotment. In consideration Rainbow Ltd. will issue 30,000 shares of Snow White Ltd. @ ₹ 20 each fully paid and 1% commission in cash which will be taken by Raj and Sonu equally.

Raj spent ₹ 16,500 as stamp charge, ₹ 15,000 as advertisement and ₹ 35,000 towards car expenses and printing charges. Similarly, Sonu spent ₹ 13,000 towards rent and ₹ 10,000 towards legal charges.

Application fell short of 20,000 shares and Raj introduced necessary cash for purchase of these shares. The guarantee having been met, Rainbow Ltd. handed over the shares as agreed and paid commission in cash. All shares subsequently were sold @ ₹ 19 per share and the co-venturers share the proceeds equally.

You are required to **prepare**:

- (i) Memorandum Joint Venture Account
- (ii) Joint Venture with Sonu in Raj's Book. 7

(b) PQ Ltd. sold machinery to BR Ltd. and immediately leased it back. The Written Down Value (WDV) of the machinery in PQ Ltd.'s books is ₹ 80 lakhs. The leaseback is classified as an operating lease, except where specifically mentioned.

You are required to **comment** on the accounting treatment under **AS-19** (Accounting for Leases) in each of the following cases:

- (i) Sale price of ₹ 100 lakhs is equal to fair value.
- (ii) Fair value is ₹ 120 lakhs.
- (iii) Fair value is ₹ 90 lakhs and sale price is ₹ 76 lakhs.
- (iv) Fair value is ₹ 80 lakhs and sale price is ₹ 100 lakhs.
- (v) Fair value is ₹ 92 lakhs and sale price is ₹ 100 lakhs.
- (vi) Fair value is ₹ 70 lakhs and sale price is ₹ 78 lakhs.
- (vii) Fair value of the machinery is ₹ 95 lakhs, sale price is ₹ 100 lakhs, and the present value of lease payments substantially covers the fair value of the machinery (i.e. the leaseback is a finance lease).

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4. (a) Following is the summary of Receipts and Payments of RR Clinic for the year ended 31st March, 2025:

	(₹)
Opening Cash Balance	56,000
Donation Received (including ₹ 50,000 for Building Fund)	1,55,000
Payment to Creditors for Medicines Supply	2,10,000
Salaries	70,000
Purchase of Medical Equipment	1,05,000
Medical Camp Collection	87,500
Subscription Received	3,50,000
Interest on Investments @ 9% p.a.	63,000
Honorarium to Doctors	1,90,000
Telephone Expenses	6,000
Medical Camp Expenses	10,500
Miscellaneous Expenses	7,000

Additional Information:

Sl.		01.04.2024 (₹)	31.03.2025 (₹)
1	Subscription Due	10,500	15,400
2	Subscription Received in Advance	8,400	4,900
3	Stock of Medicine	70,000	1,05,000
4	Medical Equipment	1,47,000	2,14,200
5	Building	3,50,000	3,15,000
6	Creditors for Medicine Supply	63,000	91,000
7	Investments	7,00,000	7,00,000

You are required to **prepare** Income and Expenditure Account for the year ended 31st March, 2025. 7

(b) Chandana Enterprises maintain their books of accounts under single entry system. The Balance-Sheet as on 31st March, 2025 was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital A/c	6,75,000	Furniture & fixtures	1,50,000
Trade creditors	7,57,500	Stock	9,15,000
Outstanding expenses	67,500	Trade debtors	3,12,000
		Prepaid insurance	3,000
		Cash in hand & at bank	1,20,000
	15,00,000		15,00,000

The following was the summary of cash and bank book for the year ended 31st March, 2025:

Receipts	Amount (₹)	Payments	Amount (₹)
Cash in hand & at Bank on 1 st April, 2024	1,20,000	Payment to trade creditors	1,24,83,000
Cash sales	1,10,70,000	Sundry expenses paid	9,31,050
Receipts from trade debtors	27,75,000	Drawings	3,60,000
		Cash in hand & at Bank on 31 st March, 2025	1,90,950
	1,39,65,000		1,39,65,000

Additional Information:

- (i) Discount allowed to trade debtors and received from trade creditors amounted to ₹ 54,000 and ₹ 42,500 respectively (for the year ended 31st March, 2025).
- (ii) Annual fire insurance premium of ₹ 9,000 which is part of Sundry Expenses was paid every year on 1st August for the renewal of the policy.
- (iii) Furniture & fixtures were subject to depreciation @ 15% p.a. on diminishing balance method.
- (iv) The following are the balances as on 31st March, 2025:

Stock	₹ 9,75,000
Trade debtors	₹ 3,43,000
Outstanding expenses	₹ 55,200

- (v) Gross profit ratio of 10% on sales is maintained throughout the year.

You are required to **prepare** Trading and Profit & Loss account for the year ended 31st March, 2025 and Balance Sheet as on that date. 7

5. The Balance Sheet of Amit, Bhusan and Charan, who share profit and losses as 3 : 2 : 1 respectively, as on 01.04.2024 is as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts: Amit	1,80,000	Machinery	1,50,000
	1,60,000	Furniture	1,50,000
	1,40,000	Debtors	80,000
Current Accounts: Bhusan	16,000	Less: Provision	4,000
Creditors	1,20,000	Stock	2,10,000
		Cash	20,000
		Current Account: Charan	10,000
Total	6,16,000	Total	6,16,000

Dev is admitted as a partner for 1/5th share in the profit and loss.

Following are agreed upon:

- (i) The profit and loss sharing ratio among the old partners will be equal.
- (ii) Dev brings in ₹ 1,50,000 as capital but is unable to bring the required amount of premium for goodwill.
- (iii) The goodwill of the firm is valued at ₹ 60,000.

(iv) Assets and liabilities are to be valued as follows:

Machinery ₹ 2,16,000; Furniture ₹ 1,28,000; Provision for doubtful debts @ 10% on debtors.

(v) Necessary adjustments regarding goodwill and profit/loss on revaluation are to be made through the partner's Current Accounts.

(vi) It is decided that the revalued figures of assets including goodwill and liabilities will not appear in the Balance Sheet of the new firm.

(vii) Capital Accounts of the old partners in the new firm should be proportionate to the new profit and loss sharing ratio, taking Dev's Capital as base. The existing partners will not bring cash for future Capital.

The necessary adjustments are to be made through the partners' current account.

Prepare Partner's Capital & Current Account and Balance Sheet of the new firm after admission. 14

6. (a) From the following particulars of Delta Ltd., **prepare** Patna Branch Account in the books of Mumbai H.O. assuming that the sales at branch are on cash basis:

(Figures are in ₹)

Opening Stock at Branch	30,000
Goods sent to Branch	90,000
Sales	1,20,000
Expenses at Branch:	
Salaries	10,000
Other Expenses	4,000

Closing stock could not be ascertained, but it is known that the branch usually sells at cost plus 20%. The Branch Manager is entitled to a commission of 5% on the profit before charging such commission. 7

(b) A fire occurred in the premises of M/s Bright on 25th May, 2024. As a result of fire, sales were adversely affected up to 30th September, 2024. The firm had taken Loss of profit policy (with an average clause) for ₹ 3,50,000 having indemnity period of 5 months. There is an upward trend of 10% in sales. The firm incurred an additional expenditure of ₹ 30,000 to maintain the sales.

There was a saving of ₹5,000 in the insured standing charges. Following information are available:

Actual turnover from 25 th May, 2024 to 30 th September, 2024	₹ 1,75,000
Turnover from 25 th May, 2023 to 30 th September, 2023	₹ 6,00,000
Net profit for last financial year	₹ 2,00,000
Insured standing charges for the last financial year	₹ 1,75,000
Total standing charges for the last financial year	₹ 3,00,000
Turnover for the last financial year	₹ 15,00,000
Turnover for one year from 25 th May, 2023 to 24 th May, 2024	₹ 14,00,000

You are required to **calculate the loss of profit claim amount**, assuming that entire sales during the interrupted period were due to additional expenses. 7

7. (a) (i) Alpha Ltd. contracted with a supplier to purchase machinery which is to be installed in one of its department in three months' time. Special foundations were required for the machinery which were to be prepared within this supply lead time. The cost of the site preparation and laying foundation were ₹ 1,40,000. These activities were supervised by a technician during the entire period, who is employed for this purpose @ ₹ 45,000 per month. The machine was purchased at ₹ 1,58,00,000 and ₹ 50,000 transportation charges were incurred to bring the machine to the factory site. An Architect was appointed at a fee of ₹ 30,000 to supervise machinery installation at the factory site.

You are required to **ascertain** the amount at which the Machinery should be **capitalized as per AS 10**.

(ii) Neon Enterprise operates a major chain of restaurants located in different cities. The company has acquired a new restaurant located at Chandigarh. The new-restaurant requires significant renovation expenditure. Management expects that the renovations will last for 3 months during which the restaurant will be closed.

Management has prepared the following budget for this period:

Salaries of the staff engaged in preparation of restaurant before its opening:	₹ 7,50,000
Construction and remodelling cost of restaurant:	₹ 30,00,000

Explain the treatment of these expenditures as per the provisions of **AS 10 “Property, Plant and Equipment”**. 7

(b) (i) Raj & Co. has taken a loan of US\$ 20,000 at the beginning of the financial year for a specific project at an interest rate of 6% per annum, payable annually. On the day of taking loan, the exchange rate between currencies was ₹ 48 per 1 US\$. The exchange rate at the closing of the financial year was ₹ 50 per 1 US\$. The corresponding amount could have been borrowed by the company in Indian Rupee at an interest rate of 11% per annum. **Determine** the treatment of **borrowing cost** in the books of account.

(ii) Rohini Limited has obtained loan from an Institution for ₹ 500 lacs for modernization and renovation of its plant and machinery. The installation of plant and machinery amounting to ₹ 320 lacs was completed on 31.3.2025 and ₹ 50 lacs were advanced to suppliers of additional assets and the balance of ₹ 130 lacs have been utilized for working capital requirements. Total interest paid for the above loan amounted to ₹ 65 lacs during 2024-25. You are required to **state** how the interest on **institutional loan is to be accounted** for in the year 2024-25. 7

8. (a) HIL Ltd. was making provision for non-moving stocks based on no issues having occurred for the last 12 months up to 31.03.2024. The company now wants to make provision based on technical evaluation during the year ending 31.03.2025.

Total value of stock: ₹ 120 lakhs

Provision required based on technical evaluation: ₹ 3.00 lakhs.

Provision required based on 12 months no issues: ₹ 4.00 lakhs.

You are required to **discuss** the following points in the light of **Accounting Standard (AS)-1:**

(i) Does this amount to change in accounting policy?
 (ii) Can the company change the method of accounting? 5

(b) How will you **deal** with the following while preparing final accounts?

A plant of the book value of ₹ 20,000 was disposed of for ₹ 7,600 in part exchange for a new machine costing ₹ 16,800. The net invoice of ₹ 9,200 was passed through the purchase book. 5

(c) A & B, who were partners sharing profits and losses in the ratio of 4 : 3 respectively, decided to dissolve the partnership on 31.03.2025. On the date of dissolution, A's capital was ₹ 1,25,030 and B's capital was ₹ 2,070. The creditors amounted to ₹ 23,150 and cash ₹ 4,520. The remaining assets realised ₹ 1,24,910 and the expenses of dissolution were ₹ 1,860. Both A & B are solvent.

Prepare

- (i) **Balance Sheet** at the beginning,
- (ii) **Capital Account** of partners on Dissolution.