

CMA INTER
Paper 6: Financial Accounting
Chapter 1
Fundamentals of Accounting

Maximum Marks-50

SECTION – A

1. (a) Choose the Correct Answer:
(1 is for 1 mark, 2 to 7 is for 2 marks)

(15 Marks)

1. If an employee of the business files a legal suit on business, it is considered in the books as
 - (a) Legal Expense
 - (b) Liability
 - (c) Contingent Asset
 - (d) Contingent Liability
2. At the end of the accounting year the capital expenditures are shown in the
 - (a) assets side of the Balance Sheet.
 - (b) liabilities side of the Balance Sheet.
 - (c) debit side of the Profit and Loss A/c.
 - (d) credit side of the Profit and Loss A/c.
3. Which of the following is not a method of charging depreciation?
 - (a) Sinking Fund Method
 - (b) Sum of years Digit Method
 - (c) Working hours Method
 - (d) Asset's Life-cycle Method
4. If average inventory is ₹1,25,000 and closing inventory is ₹10,000 less than opening inventory then the value of closing inventory will be
 - (a) ₹ 1,35,000
 - (b) ₹ 1,15,000
 - (c) ₹ 1,30,000
 - (d) ₹ 1,20,000
5. Balance of X's account in creditors ledger is transferred to X's account in debtors ledger, in this case
 - (a) X's account in debtors ledger will be debited.
 - (b) X's account in creditors ledger will be debited.
 - (c) Suspense account will be debited.
 - (d) None of the above
6. Ground rent or surface rent means
 - (a) Minimum rent
 - (b) Maximum royalty payable
 - (c) Minimum royalty payable
 - (d) Fixed rent payable in addition to minimum rent

7. Accounting standard in India are issued by
- (a) Government of India
 - (b) Reserve Bank of India
 - (c) The Institute of Chartered Accountants of India
 - (d) The Institute of Accounting Standard of India

SECTION – B

Answer any five questions from the following:

(5 x 7 = 35 Marks)

Q2. Khetan Ltd. has received two lakh subscriptions during the current year under its new scheme whereby customers are required to pay a sum of 4,500 for which they will be entitled to receive a magazine for a period of 3 years. Khetan wants to treat the entire amount as revenue for current year. Comment.

(2 marks)

(b) Alex Ltd. intends to set up a solar plant. Alex Ltd. has acquired a dilapidated factory, having an area of 7500 acres at a cost of 70,000 per acre. Alex Ltd. has incurred 50,00,000 on demolishing the old factory building thereon. A sum of 43,57,500 (including 5% Sales Tax) was realized from sale of material salvaged from the site. Alex Ltd. Also incurred Stamp Duty and Registration Charges of 5% of Land Value, paid Legal and Consultancy Charges 5,00,000 for land acquisition and incurred 2,00,000 on Title Guarantee Insurance. Compute the value of land acquired.

(5 marks)

Q3. The Trial Balance of S Ltd. as on 31/03/2018 showed the credit in excess by * 415 which was been carried to Suspense Account. On a closed scrutiny of the books, the following errors were revealed:

- (1) A cheque of 3,456 received from AB Ltd. after allowing it a discount of 46 was endorsed to CD Ltd. in full settlement for * 3,500. The cheque was finally dishonoured but no entries are passed in the books of account.
 - (ii) Goods of the value of 230 returned by PQ Ltd. were entered in Purchase Day book and posted therefrom to MN Ltd. as * 320.
 - (iii) Bad debts aggregating 505 written off during the year in Sales Ledger but were not recorded in General Ledger.
 - (iv) Bill for 750 received from Z Ltd. for repairs to Machinery was entered in the Inward Invoice Book as * 650.
 - (v) Goods worth 1,234 purchased from Y Ltd. on 28/03/2018 had not been entered in Day book and credited to Y Ltd. but Goods were not delivered till 5th April, 2018. The title of Goods was however passed on 28/03/2018 and was taken into stock on 31-03-2018.
 - (vi) 79 paid for Freight on Machinery was debited to Freight account as *97.
- Pass the necessary Journal Entries to rectify the above mentioned errors.

(7 Marks)

Q4. Rectify the following errors:

- (i) A Credit Sale of goods to X3,000 posted as 30,000.
- (ii) A Cash Sale of goods to Y 3,000 posted as 30,000.
- (iii) A Credit Sale of furniture to 3,000 posted as 30,000.

- (iv) A Credit Sale of goods of 30,000 to Krishan entered in the purchases book as 30,000 and posted therefrom to the credit of Kishan as 3000
- (v) A Cash Sale of goods of 3,000 to Krishan posted to the credited of Kishan as 30,000.
- (vi) A Credit Purchase of old machinery from Sohan for 17,000 was entered in the Purchases Book as purchase from Mohan for * 71,000. *3,000 paid as Repair Charges of this Machinery debited to General Expenses Account.
- (vii) A Bill drawn on Meenu for 30,000 was passed through bills payable book with 3,000 and posted therefrom to the credit of Meena as 300.
- (viii) Sales included a sale of furniture having a book of value of 900 for 850 on 31 March, 2018.

(7 Marks)

Q5.

Machine No.	Cost of Machine (₹)	Expenses incurred at the time of purchase to be capitalized (₹)	Estimated Residual Value (₹)	Expected Useful Life in years
1	90,000	10,000	20,000	8
2	24,000	7,000	3,100	6
3	1,05,000	20,000	12,500	3
4	2,50,000	30,000	56,000	5

Compute the amount of depreciations to be charged and the rate of depreciations under SLM method.

(7 Marks)

Q6. State the features of Adjustment Entries

(7 Marks)

Q7. On 31.12.2020, Sundry Debtors and Provision for Doubtful Debts are ₹50,000 and ₹5,000 respectively. During the year 2021, ₹3,000 are bad and written off on 30.9.2021, an amount of ₹400 was received on account of a debt which was written off as bad last year on 31.12.2021, the debtors left was verified and it was found that sundry debtors stood in the books were ₹40,000 out of which a customer Mr. X who owed ₹800 was to be written off as bad.

Prepare Bad Debt A/c and Provision for Doubtful A/c assuming that some percentage should be maintained for provision for Doubtful debt as it was on 31.12.2021.

Also show how the illustration appear in Profit & Loss A/c and Balance Sheet

(7 Marks)