



Time Allowed: 3 Hours

Full Marks: 100

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

## SECTION – A (Compulsory)

1. You are required to answer all the questions. Each question is followed by 4 answer choices and only one is correct. You are required to select the choice which according to you is the correct answer. [15 × 2 = 30]
- (i) The basic principles of concept are that business is assumed to exist for an indefinite period
- (A) Business Entity
  - (B) Accounting Period
  - (C) Going Concern
  - (D) Materiality
- (ii) Ledger Folio (L.F.) column in the journal is filled at the time of
- (A) Journalising
  - (B) Posting
  - (C) Casting
  - (D) Balancing
- (iii) A cash book in which only one amount column is maintained on each side to record transactions involving\_\_\_\_
- (A) Cash Discount
  - (B) Discount Received
  - (C) Trade Discount
  - (D) Liquid Cash
- (iv) On 01.04.2025, balance in Provision for Bad Debts was ₹10,000. Bad Debt during the year 2025-26 was ₹3,000. Further Bad debt was ₹5,000. Debtor at the end of the year before further Bad debt was ₹50,000. Provision for Bad and doubtful Debt to be made @ 10% on Sundry Debtors The amount to be Dr / Cr to Profit and Loss Account at the end of the year would be of bad debts
- (A) Credit to P/L Account- ₹2,500
  - (B) Debit to P/L Account- ₹5,000
  - (C) Debit to P/L Account- ₹3,000
  - (D) Debit to P/L Account- ₹2,500
- (v) Ms. Sakshi draws a Bill of exchange on Shreya for ₹50000 payable after 3 months. On the due date the bill was dishonoured and noting charge of ₹100 paid by Sakshi. Shreya requested to draw another bill for one month with 12% p.a. interest on Bills of exchange. The amount of Bill to be drawn by Sakshi would be
- (A) ₹50,000
  - (B) ₹50,100
  - (C) ₹50,600
  - (D) ₹50,500



(vi) Cash sales are ₹2,25,000 and del credere commission is ₹37,500. If the consignee is entitled to del credere commission @5% on gross sales then the amount of credit sales will be

- (A) ₹7,50,000
- (B) ₹5,25,000
- (C) ₹5,00,000
- (D) ₹6,00,000

(vii) Given

Opening sundry creditors ₹19,000

Cash paid to sundry creditors ₹ 54,800

Discount received ₹1,000

Credit purchases ₹ 61,200.

The value of sundry creditors at the end of the year will be

- (A) ₹26,400
- (B) ₹25,400
- (C) ₹24,400
- (D) ₹18,600

(viii) Shiva and Shivam are entered in the business of buy and sale of food grain for a period of one year and sharing the profit in the ratio of 3 :2, this agreement is a

- (A) Lease
- (B) Consignment
- (C) Partnership
- (D) Joint Venture

(ix) A and B are partners having profit sharing ratio of 3:2. They admitted C into the firm giving him 1/5<sup>th</sup> share., What should be the new profit-sharing ratio?

- (A) 3:2:1
- (B) 12:8:5
- (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



## FINANCIAL ACCOUNTING

(xi) Departmental Trading A/c for Department X & Department Y is given below:

Particulars	Dept. X	Dept Y	Particulars	Dept. X	Dept Y
Opening stock,	9,20,000	50,000	Sales	8,80,000	1,80,000
Purchase and Direct Exp		1,20,000	Goods transferred to Y	1,20,000	
Goods transferred from X			Closing stock	80,000	24,000
Gross profit	1,60,000	34,000			
	10,80,000	2,04,000		10,80,000	2,04,000

Goods were sold by X to Y on usual selling price. The unrealized profit in the closing stock of Y will be

- (A) ₹3,800
- (B) ₹3,820
- (C) ₹3,840
- (D) ₹3,860

(xii) Short-term lease which is often cancellable is known as

- (A) Finance Lease
- (B) Net Lease
- (C) Operating Lease
- (D) Leverage Lease

(xiii) Which of the following are Fundamental Accounting Assumptions as per AS-1?

- (A) Going Concern, Matching & Consistency
- (B) Money measurement, Going Concern & Prudence
- (C) Going Concern, Consistency & Accruals
- (D) Accounting Period, Going Concern & Entity Concept

(xiv) Presently in India, \_\_\_\_\_ deals with 'Income Taxes'.

- (A) AS 12
- (B) AS 20
- (C) AS 22
- (D) AS 23

(xv) Subscription of ₹6,25,000 had been shown in the Income and Expenditure Account prepared for the year ending 31st March, 2026. Additional information is as below:

Particulars	On 31st March, 2025 (₹)	On 31st March, 2026 (₹)
Subscription Outstanding	55,000	72,000
Subscription Received in Advance	31,000	37,000

The amount of subscription received during the year 2025-26 would be:

- (A) ₹6,14,000
- (B) ₹6,02,000
- (C) ₹6,36,000
- (D) ₹6,48,000

Answer:

(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	(xi)	(xii)	(xiii)	(xiv)	(xv)
C	B	D	D	C	B	C	D	B	B	C	C	C	C	A



Section – B

(Answer any 5 questions out of 7 questions given. Each question carries 14 Marks) [5 × 14 = 70]

2. (a) On 31st January, 2026, Sethi's cash book showed a bank overdraft of ₹ 2,50,000. On comparing with the pass book, the following differences were noted.
- (a) Cash and cheques amounting to ₹ 26,800 were sent to the bank on 27th January, but cheques worth 4600 were credited on 2nd February and one cheque for 900 was returned by them as dishonoured on 4th February.
  - (b) During the month of January, Sethi issued cheques worth ₹ 33,400 to his creditors. Out of these, cheques worth 27,400 were presented for payment on 5th February.
  - (c) According to Sethi's standing orders, the bankers have made the following payments during the month of January:
    - i. Life insurance premium ₹ 3,840
    - ii. Television license fee ₹ 2,400
  - (d) Sethi's bankers have collected ₹ 3,000 as dividend on his shares.
  - (e) Interest charged by the bank ₹ 2,500
  - (f) A bill receivable of ₹ 2,000 discounted with the bank in December, 2022, was dishonoured on 31st January, 2026.

You are required to:

- (i) Prepare the amended cash book balance as on 31st January, 2026
  - (ii) Prepare a Bank Reconciliation Statement from the amended cash book as on 31st January 2026. [7]
- (b) The following errors were detected:
- (i) A Credit Sale of goods to X ₹ 3,000 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 Z ₹ 3,000 posted as ₹ 30,000.
  - (iv) A Credit Sale of goods of ₹ 3,000 to Krishan entered in the purchases book, as ₹ 30,000 and posted there from to the credit of Kishan as ₹ 3,000.
  - (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 there from to the credit of Meena as ₹ 300.
  - (viii) Sales included a sale of furniture having a book of value of ₹ 900 for ₹ 850 on 31st March, 2026.
- Prepare rectifying journal entries with narration. [7]

**INTERMEDIATE EXAMINATION****SET 2****MODEL ANSWER****TERM – JUNE 2026****PAPER – 6****SYLLABUS 2022****FINANCIAL ACCOUNTING****Answer:****(a)****In the Books of Sethi  
Cash Book (Bank column only)****Dr.****Cr.**

Date	Particulars	(₹)	Date	Particulars	(₹)
2026 Jan- 31	To Dividend on shares	3,000	2026 Jan- 31	By Balance b/f	2,50,000
	To Bal c/d	2,58,640		By Drawings (₹ 3840 + ₹ 2400)	6,240
				By Interest	2500
				By Debtors- Cheque dishonoured	900
		2,61,640			2,61,640
			2026 Feb-1	By Bal b/d	2,57,740

**Bank Reconciliation Statement  
as on 31.01.2026**

Particulars	(₹)	(₹)
Bank balance as per Cash Book (overdrawn)		2,58,640
Add: Cheques deposited but not credited in the Pass Book		4,600
Less: Cheques issued but not presented for payment		2,65,240
		27,400
Bank balance as per Pass Book (overdrawn)		<b>2,35,840</b>

**(b)****JOURNAL**

Date	Particulars		Dr. (₹)	Cr. (₹)
(i)	Suspense A/c To X A/c (Being wrong posting now rectified)	Dr.	27,000	27,000
Or,				
	Sales A/c To X A/c (being credit sale of ₹3,000 wrongly posted as ₹30,000, now rectified)	Dr.	27,000	27,000
(ii)	Sales A/c To Suspense A/c (Being wrong posting now rectified)	Dr.	27,000	27,000
Or,				

**INTERMEDIATE EXAMINATION****SET 2****MODEL ANSWER****TERM – JUNE 2026****PAPER – 6****SYLLABUS 2022****FINANCIAL ACCOUNTING**

Date	Particulars		Dr. (₹)	Cr. (₹)
	Sales A/c To, Cash A/c (Being, cash sale of ₹3,000 wrongly posted as ₹30,000, now rectified)	Dr.	27,000	27,000
(iii)	Furniture A/c To Z A/c (Being wrong posting, now rectified)	Dr.	27,000	27,000
(iv)	Krishan A/c Kishan           A/c Suspense A/c To Sales A/c To Purchases A/c (Being sale recorded as purchase with wrong amount and wrong posting there from, now rectified)	Dr. Dr. Dr.	3,000 3,000 27,000	3,000 30,000
(v)	Kishan A/c To Sales A/c To Suspense A/c (Being wrong posting, now rectified)	Dr.	30,000	3,000 27,000
(vi)	Mohan A/c Machinery A/c To Sohan A/c To Purchases A/c To General Expenses A/c (Being purchase of old machinery recorded the Purchases Book and repairing charges debited to General Expenses A/c, now rectified)	Dr. Dr.	71,000 20,000	17,000 71,000 3,000
(vii)	Bills Receivable A/c Bills Payable A/c Meena A/c To Meenu A/c To Suspense A/c (Being B/R drawn recorded in B/P Book, now rectified)	Dr. Dr. Dr.	30,000 3,000 300	30,000 3,300
(viii)	Sales A/c Loss on Sale of Furniture A/c To Furniture A/c (Being the sale of furniture recorded as sales, now rectified)	Dr. Dr.	850 50	900



## FINANCIAL ACCOUNTING

3. (a) Ram of Patna consigns to Shyam of Delhi for sale at invoice price or over. Shyam is entitled to a commission @ 5% on invoice price and 25% of any surplus price realized. Ram draws on Shyam at 90 days sight for 80% of the invoice price as security money. Shyam remits the balance of proceeds after sales, deducting his commission by sight draft.

Goods consigned by Ram to Shyam costing ₹20,900 including freight and were invoiced at ₹28,400. Sales made by Shyam were ₹26,760 and goods in his hand unsold at 31st Dec, represented an invoice price of ₹6,920.

(Original cost including freight ₹5,220). Sight draft received by Ram from Shyam up to 31st Dec was ₹6,280.

Others were in- transit.

Prepare necessary Ledger Accounts in the books of Ram.

[7]

- (b) The following particulars relate to hire purchase transactions:

- X purchased three cars from Y on hire purchase basis, the cash price of each car being ₹ 2,00,000.
- The hire purchaser charged depreciation @ 20% on diminishing balance method.
- Two cars were seized by on hire vendor when second instalment was not paid at the end of the second year. The hire vendor valued the two cars at cash price less 30% depreciation charged under it diminishing balance method.
- The hire vendor spent ₹ 10,000 on repairs of the cars and then sold them for a total amount of ₹ 1,70,000.

You are required to Calculate:

- Agreed value of two cars taken back by the hire vendor.
- Book value of car left with the hire purchaser.
- Profit or loss to hire purchaser on two cars taken back by their hire vendor.
- Profit or loss of cars repossessed, when sold by the hire vendor.

[7]

Answer:

(a)

In the books of Ram  
Consignment of Delhi Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Goods Sent on Consignment A/c	28,400	By Goods Sent on Consignment A/c (Loading) ₹(28,400 – 20,900)	7,500
To Y A/c – Commission	2,394	By Shyam A/c – Sale proceeds	26,760
To Stock Reserve A/c ₹(6,920 - 5,220)	1,700	By Stock on Consignment A/c	6,920
To Profit and Loss A/c Profit on consignment transferred	8,686		
	41,180		41,180



## FINANCIAL ACCOUNTING

## Shyam Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Consignment to Delhi A/c	26,760	By Bills Receivable A/c	22,720
To Balance c/d [ $₹6,920 \times 80\%$ ]	5,536	By Consignment to Delhi A/c – Commission	2,394
		By Draft A/c	6,280
		By Draft-in-Transit A/c	902
	32,296		32,296

## Goods Sent on Consignment Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Commission to Delhi A/c	7,500	By Consignment to Delhi A/c	28,400
To Trading A/c (bal.fig)	20,900		
	28,400		28,400

## Workings:

Calculation of Commission:	₹
Invoice value of goods	28,400
Less: Unsold stock	6,920
Invoice value of goods sold	21,480
Total safe proceeds	26,760
Less: Invoice value of goods sold	21,480
Surplus Price	5,280
Commission @ 5% on ₹21,480	1,074
Add: @ 25% on ₹5,280	1,320
	<b>2,394</b>

**Note: Adjustment of advance money:**

As advance is given on the basis of invoice price, it is to be adjusted only when goods are actually sold. So, advance related to unsold stock with invoice price of ₹6,920 must be carried forward. Amount to be carried forward as balance of Consignee A/c is  $6920 \times 80\% = ₹5,536$ . Accordingly, draft in transit will be a balancing figure.

(b)

	Particulars	₹
(i)	Price of two cars = ₹ 2,00,000 x 2	4,00,000
	Less: Depreciation for the first year @ 30%	1,20,000
		2,80,000
	Less: Depreciation for the second year = ₹ 2, 80,000 x (30/100)	84,000
	Agreed value of two cars taken back by the hire vendor	1,96,000
(ii)	Cash purchase price of one car	2,00,000
	Less: Depreciation on ₹ 2,00,000 @ 20% for the first year	40,000
	Written down value at the end of first year	1,60,000
	Less: Depreciation on ₹ 1,60,000 @ 20% for the second year	32,000
	Book value of car left with the hire purchaser	128,000

**INTERMEDIATE EXAMINATION****SET 2****MODEL ANSWER****TERM – JUNE 2026****PAPER – 6****SYLLABUS 2022****FINANCIAL ACCOUNTING**

	Particulars	₹
(iii)	Book value of one car as calculated in working note (ii) above	128,000
	Book value of Two cars = ₹ 1,28,000 x 2	2,56,000
	Value at which the two cars were taken back, calculated in working note (i) above	1,96,000
	Hence, loss on cars taken back = ₹ 2,56,000 – ₹ 1,96,000 =	₹ 60,000
(iv)	Sale proceeds of cars repossessed	1,70,000
	Less: Value at which cars were taken back ₹ 1,96,000	
	Repair ₹ 10,000	2,06,000
	Loss on resale	36,000

4. (a) JB Club furnishes you the Receipts and Payments Account for the year ended 31.03.2026:

Receipts	₹	Payments	₹
To Cash in hand (1.4.2025)	40,000	By Salary	20,000
To Cash at Bank (1.4.2025)	1,00,000	By Repair expenses	5,000
To Donations	50,000	By Furnitures	60,000
To Subscriptions	1,20,000	By Investments	60,000
To Entrance fee	10,000	By Misc. Expenses	5,000
To Interest on Investments	1,000	By Insurance Premium	2,000
To Interest from Banks	4,000	By Billiards table and other Sports Items	80,000
To Sale of Old Newspaper	1,500	By Stationery Expenses	1,500
To Sale of Drama Tickets	10,500	By Drama Expenses	5,000
		By Cash in Hand (31.03.2026)	26,500
		By Cash at Bank (31.03.2026)	72,000
<b>Total</b>	<b>3,37,000</b>	<b>Total</b>	<b>3,37,000</b>

**Additional Information**

- Subscriptions in arrear for 2025–26 ₹9,000 and subscription in advance for the year 2026–27 ₹3,500.
- ₹400 was the insurance premium outstanding as on 31.03.2026.
- Miscellaneous expenses prepaid ₹900.
- 50% of donation is to be capitalized.
- Entrance fees to be treated as revenue income.
- 8% interest has accrued on investments for five months.
- Billiards table and other sports equipments costing ₹3,00,000 were purchased in the financial year 2024–25 and of which ₹80,000 was not paid as on 31.03.2025. There is no charge for depreciation to be considered.

**Prepare:**

- Income and Expenditure Account for the year ended 31.03.2026.
- Balance Sheet of the Club as at 31.03.2026.

[7]

**INTERMEDIATE EXAMINATION****SET 2****MODEL ANSWER****TERM – JUNE 2026****PAPER – 6****SYLLABUS 2022****FINANCIAL ACCOUNTING**

- (b) Mr. Kanan is running a business of readymade garments. He does not maintain his books of accounts under double entry system. While assessing the income of Mr. Kanan for the financial year 2025–26, the Income Tax Officer feels that he has not disclosed the full income earned by him from his business. He provides you the following information:

Particulars	₹
On 31st March, 2025	
Sundry Assets	16,65,000
Liabilities	4,13,000
On 31st March, 2026	
Sundry Assets	28,40,000
Liabilities	5,80,000
Mr. Kanan's monthly drawings for the year 2025–26	32,000
Income declared to the Income Tax Officer	9,12,000

During the year 2025–26, one life insurance policy of Mr. Kanan was matured and amount received ₹50,000 was retained in the business.

Demonstrate whether the Income Tax Officer's contention is correct by giving necessary working. [7]

Answer:

(a)

JB Club  
Income and Expenditure Account  
for the year ended 31.03.2026

Expenditure	₹	Income	₹
To Salary	20,000	By Subscription (₹1,20,000 + ₹9,000 – ₹3,500)	1,25,500
To Repair Expenses	5,000	By Donation @ 50%	25,000
To Misc. Expenses (₹5,000 – ₹900) (less prepaid)	4,100	By Entrance Fee	10,000
To Insurance Premium	2,000	By Sale of Old Newspaper	1,500
To Stationery Expenses	1,500	By Bank Interest	4,000
To Drama Expenses	5,000	By Interest on Investments [(₹60,000 × 8% × 5/12) + ₹1,000]	3,000
To Excess of Income over Expenditure	1,41,900	By Sale of Drama Tickets	10,500
<b>Total</b>	<b>1,79,500</b>	<b>Total</b>	<b>1,79,500</b>



## FINANCIAL ACCOUNTING

## Balance Sheet as at 01.04.2025

Liabilities	₹	Assets	₹
Capital Fund (Balancing Figure)	3,60,000	Cash in Hand	40,000
Billiards Table Outstanding	80,000	Cash at Bank	1,00,000
		Billiards Table and Other Sports Equipments	3,00,000
<b>Total</b>	<b>4,40,000</b>	<b>Total</b>	<b>4,40,000</b>

## Balance Sheet as at 31.03.2026

Liabilities	₹	Assets	₹
Capital Fund	3,60,000	Cash in Hand	26,500
Add: Donations (Capitalized)	25,000	Cash at Bank	72,000
Add: Excess of Income over Expenditure	5,26,900	Investments	60,000
1,41,900		Accrued Interest	2,000
		Furniture	60,000
Subscription in Advance	3,500	Prepaid Misc. Expenses	900
		Subscription Arrear	9,000
		Billiards Table and Other Sports Equipments	3,00,000
<b>Total</b>	<b>5,30,400</b>	<b>Total</b>	<b>5,30,400</b>

Note:

Insurance Premium Outstanding is not recorded because it is not a transaction.

- (b) Determination of Capital Balance of Mr. Kanan on 31.03.2025 and on 31.03.2026

Particulars	31.03.2025 (₹)	31.03.2026 (₹)
Assets	16,65,000	28,40,000
Less: Liabilities	4,13,000	5,80,000
<b>Capital</b>	<b>12,52,000</b>	<b>22,60,000</b>

## Determination of Profit by Applying the Method of Capital Comparison

Particulars	₹
Capital Balance as on 31.03.2026	22,60,000
Less: Fresh Capital Introduced (Matured Life Insurance Policy Amount)	(50,000)
	22,10,000
Add: Drawings (₹32,000 × 12)	3,84,000
	<b>25,94,000</b>



## FINANCIAL ACCOUNTING

Particulars	₹
Less: Capital Balance as on 01.04.2025	(12,52,000)
<b>Profit</b>	<b>13,42,000</b>
Less: Income Declared	(9,12,000)
<b>Suppressed Income</b>	<b>4,30,000</b>

**Conclusion:**

The Income Tax Officer's contention that Mr. Kanan has not declared his true income is **correct**. Mr. Kanan's true income exceeds the disclosed income by **₹4,30,000**.

5. A, B and C were partners in a firm sharing profits & losses in the ratio of 3 : 1 : 1 agreed upon dissolution of their partnership. They each decide to take over certain assets and liabilities and continue business separately.

**Balance Sheet**  
as on date of dissolution

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	6,000	Cash at Bank	3,200
Loan	1,500	Sundry Assets	17,000
Capitals:		Debtors	24,200
A	27,500	Less: Bad Debts Provision	1,200
B	10,000	Stock	7,800
C	7,000	Furniture	1,000
	52,000		52,000

It is agreed as follows:

- (i) Goodwill is to be ignored.
- (ii) A is to take over all the Fixtures at ₹ 800; Debtors amounting to ₹ 20,000 at ₹ 17,200. The creditors of ₹ 6,000 to be assumed by A at that figure.
- (iii) B is to take over all the stocks at ₹ 7,000 and certain of the sundry assets at ₹ 7,200 (being book value less 10%).
- (iv) C takes over the remaining sundry assets at 90% of book values less ₹ 100 allowances and assumes responsibility for the discharge of the loan, together with accruing interest of ₹ 30 which has not been recorded in the books of the firm.
- (v) The expenses of dissolution were ₹ 270. The remaining debtors were sold to a debt collecting agency for 50% of book values.

Prepare Realisation Account, partners' Capital Accounts and Bank Account.

[14]



INTERMEDIATE EXAMINATION

SET 2

MODEL ANSWER

TERM – JUNE 2026

PAPER – 6

SYLLABUS 2022

FINANCIAL ACCOUNTING

Answer:

In the books of A, B and C

Realisation Account

Dr.

Cr.

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets:			By Provision for bad debts		1,200
Sundry Assets	17,000		Capital Account A:		
Debtors	24,200		Fixtures	800	
Stock	7,800		Debtors	17,200	18,000
Fixtures	1,000	50,000	B: Stock	7,000	
To Bank – Expenses		270	Sundry Assets	7,200	14,200
To Capital Account			C: Sundry Assets		8,000
C – Interest on loan		30	By Bank: Collection from Debtors		2,100
			By Loss on realization:		
			A (3/5)	4,080	
			B (1/5)	1,360	
			C (1/5)	1,360	6,800
		50,300			50,300

Capital Account

Dr.

Cr.

Particulars	A (₹)	B (₹)	C (₹)	Particulars	A (₹)	B (₹)	C (₹)
To Dissolution	18,000	14,200	8,000	By Balance b/d	27,500	10,000	7,000
Assets taken				By Creditors	6,000	---	---
To Dissolution A/c Loss	4,080	1,360	1,360	By Loan (with interest)	---	---	1,530
To Bank – Final payment	11,420	---	---	By Bank			
				By Final Receipts	---	5,560	830
	33,500	15,560	9,360		33,500	15,560	9,360

Bank Account

Dr.

Cr.

Particulars	Amounts (₹)	Particulars	Amounts (₹)
To Balance b/d	3,200	By Dissolution A/c	
To Dissolution A/c		Expenses	270
Collection from Debtors	2,100	By Capital A/c	
To Capital A/c		A	11,420
B 5,560			
C 830			
	11,690		11,690

**Working Notes:**

## 1. Realization of Sundry Assets:

	₹
Sundry Assets (Book Value)	17,000
Less: Taken by B [7,200 × (100/90)]	8,000
Remaining at book value	9,000

Taken by C: 90% of Book Value

i.e., (9,000 × (90/100)) = 8,100 – 100 for allowance = 8,000

## 2. Collection from Debtors:

	₹
Debtors (Book Value)	24,200
Less: Taken by (Book Value)	20,000
Remaining at 50% i.e., ₹ 2,100	4,200

6. (a) Rukmani Stores, Delhi invoiced goods to its Jaipur Branch @ 20% less than the Catalogue price which is cost plus 50% with instructions that cash sales were to be made at invoice price and credit sales at catalogue price and allow discount on prompt payment. The following details related to branch are provided by Rukmani Stores for the year ended 31st March, 2026:

	₹
Invoiced Stock: On 01.04.2025	4,50,000
On 31.03.2026	5,10,000
Branch Debtors: On 01.04.2025	3,60,000
Branch Furniture: On 01.04.2025	1,20,000
Cash Sales	13,60,000
Credit Sales	21,50,000
Goods Invoiced to Branch	32,10,000
Goods returned by Branch (Invoice Price)	84,000
Expenses Paid by H.O.: Rent	1,25,000
Salaries	1,80,000
Petty Expenses paid by Branch	11,000
Cash received from Branch Debtors	18,65,000
Remittances by Branch to H.O.	32,00,000
Discount allowed to Branch Debtors	1,85,000
Branch Bad debts	15,800
Goods Returned by Branch Debtors	12,600

It was decided to make provision for discount of ₹ 42,500 on closing debtors for prompt payment.

Depreciate the furniture @ 10% per annum.

Prepare Jaipur Branch Account and Goods Sent to Branch Account in the books of Rukmani Stores.

[7]

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- (b) On 02.06.2025 the stock of Mr. Black was destroyed by fire. However, following particulars were furnished from the record saved:

	₹
Stock at cost on 01.04.2024	1,35,000
Stock at 90% of cost on 31.03.2025	1,62,000
Purchases for the year ended 31.03.2025	6,45,000
Sales for the year ended 31.03.2025	9,00,000
Purchases from 01.04.2025 to 02.06.2025	2,25,000
Sales from 01.04.2025 to 02.06.2025	4,80,000

Sales up to 02.06.2025 includes ₹ 75,000 (invoice price) being the goods not dispatched to the customers.

Purchases up to 02.06.2025 includes a machinery acquired for ₹ 15,000.

Purchases up to 02.06.2025 does not include goods worth ₹ 30,000 received from suppliers, as invoice not received up to the date of fire. These goods have remained in the godown at the time of fire. The insurance policy is for ₹ 1,20,000 and it is subject to average clause.

Evaluate the amount of claim for loss of stock.

[7]

Answer:

(a)

**Books of Rukmani Stores (H.O.)****Jaipur Branch Stock Account****Dr.****Cr.**

Date	Particulars	₹	Date	Particulars	₹
1.4.25	To Balance b/d		1.4.25	By Balance b/d	
	Branch Stock A/c	4,50,000		Stock Reserve	75,000
	Branch Debtors A/c	3,60,000		(Loading on Opening	
	Branch Furniture A/c	1,20,000		Stock)	
1.4.25	To Good Sent to		1.4.25	By Good Sent to	
	Branch A/c	32,10,000		Branch A/c (Loading on	5,35,000
				Goods Sent)	
31.3.26	To Good Sent to		31.3.26	By Good Sent to	
	Branch A/c (Loading	14,000		Branch A/c (Goods	84,000
	on Goods Returned)			Returned)	
31.3.26	To Bank A/c		31.3.26	By Bank A/c	32,00,000
	Rent 1,25,000			(Remittance from	
	Salary <u>1,80,000</u>	3,05,000		Branch)	
31.3.26	To P&L A/c	3,71,100	31.3.26	By Balance c/d	

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Date	Particulars	₹	Date	Particulars	₹
31.3.26	(balancing figure)			Branch Stock A/c	5,10,000
	To balance c/d			Branch Debtors A/c	4,31,600
	Stock Reserve	85,000		Branch Furniture A/c	1,08,000
	(Loading on Closing Stock)			Branch Cash A/c	14,000
	Provision for Discount	42,500			
		49,57,600			49,57,600

**Notes on Jaipur Branch A/c:**

- (1) Since in Question, Invoice Price is given therefore Jaipur Branch Stock A/c should be prepared at Invoice Price.
- (2) In this case Debtor method of Branch Accounting is used therefore petty expenses of ₹ 11,000 incurred by Branch itself would not be shown at the debit of Jaipur Branch A/c. These petty expenses are already adjusted in closing balance of Branch cash of ₹ 14,000.
- (3) On similar logic we have correctly not shown Bad Debts and Discount relating to Jaipur Branch A/c to the debit of Jaipur Branch A/c since these Bad Debts and Discount are already adjusted in closing balance of Branch Debtors.

**Good Sent to Branch Account****Dr.****Cr.**

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
1.4.25	To Jaipur Branch (Loading on Goods Sent)	5,35,000	1.4.25	By Jaipur Branch A/c (Goods Sent)	32,10,000
31.3.26	To Jaipur Branch A/c (Goods Returned)	84,000	31.3.26	By Jaipur Branch A/c (Loading on Goods Returned)	14,000
31.3.26	To Trading A/c	26,05,000			
		32,24,000			32,24,000

**Note on Good Sent to Branch A/c:**

Since in Question, Invoice Price is given therefore Good Sent to Branch A/c should be prepared at Invoice Price.

**Notes :**

- (i) Furniture at on 31.03.2026 = ₹ 1,20,000 × 90% = ₹ 1,08,000.
- (ii) Cash Balance at Branch on 31.03.2026 = ₹ 13,60,000 (Cash Sales) + ₹ 18,65,000 (Collection from Debtors) – ₹ 32,00,000 (Remittances from Branch) – ₹ 11,000 (Petty Exp. Paid by Branch) = ₹ 14,000.
- (iii) Closing Branch Debtors:

**Memorandum Branch Debtors Account****Dr.****Cr.**

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
1.4.25	To Balance b/d	3,60,000	31.3.26	By Return to Branch A/c	12,600
31.3.26	To Sales (Credit)	21,50,000	31.3.26	By Bank A/c (Collection)	18,65,000
			31.3.26	By Discount Allowed A/c	1,85,000
			31.3.26	By Bad Debts A/c	15,800

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Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
			31.3.26	By Balance c/d	4,31,600
		25,10,000			25,10,000

(b)

**In the Books of Mr. Black**  
**Trading Account for the year ended 31.03.2025**

**Dr.****Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening Stock	1,35,000	By Sales	9,00,000
To Purchase	6,45,000	By Closing Stock at Cost (1,62,000 × 100/90)	1,80,000
To Gross Profit	3,00,000		
	10,80,000		10,80,000

**Memorandum Trading Account**  
**for the period from 01.04.2025 to 02.06.2025**

**Dr.****Cr.**

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Opening Stock (at cost)		1,80,000	By Sales	4,80,000	
To Purchase	2,25,000		Less: goods not dispatched	75,000	4,05,000
Add: Goods received but invoice not received	30,000		By Closing Stock (Balancing Figure)		1,50,000
	2,55,000				
Less: Machinery	15,000	2,40,000			
To Gross Profit (Refer W.N.)		1,35,000			
		5,55,000			5,55,000

**Calculation of Insurance Claim:**

**Claim subject to average clause = (Actual Loss of Stock / Value of Stock on the date of fire) × Amount of policy**  
**= (1,50,000 / (1,50,000 + 4,05,000)) × 1,20,000 = 1,20,000**

Working Notes:

G. P. Ratio =  $(3,00,000 / 9,00,000) \times 100 = 33 \frac{1}{3} \% = ₹ 1,35,000$

7. (a) 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.
- Critically assess and evaluate the amount at which the Machinery should be capitalized as per AS 10. [7]



- (b) On 30-04-2025 MM Ltd. obtained a loan from the bank for ₹200 lakhs to be utilized as under:  
Construction of a shed ₹80 lakhs  
Purchase of Machinery ₹60 lakhs  
Working Capital ₹40 lakhs  
Advance for Purchase of truck ₹20 lakhs  
In March 2026 construction of shed was completed and machinery installed. Delivery of truck was not received. Total interest charged by the bank for the year ending 31-03-2026 was ₹36 lakhs. Analyse the treatment of interest under As-16. [7]

Answer:

- (a)  
(i) Statement showing the computation of the amount at which the machinery should be capitalized in the books of Alpha Ltd.

Particulars		Amount (₹)
Purchase cost of machinery	Given	1,58,00,000
Add: Site Preparation Cost	Given	1,40,000
Add: Architect's Salary	₹45,000 X 3	1,35,000
Initial Delivery Cost	Transportation Cost	50,000
Professional fees for installation	Architect's fees	30,000
Total cost of machinery to be capitalized		1,61,55,000

- (ii) As per provisions of AS 10, any cost directly attributable to bring the assets to the location and conditions necessary for it to be capable of operating in the manner indicated by the management are called directly attributable costs and would be included in the costs of an item of PPE.

Management of Neon Enterprise should capitalize the costs of construction and remodeling the restaurant, because they are necessary to bring the restaurant to the condition necessary for it to be capable of operating in the manner intended by management. The restaurant cannot be opened without incurring the construction and remodeling expenditure amounting ₹30,00,000 and thus the expenditure should be considered part of the asset. However, the cost of salaries of staff engaged in preparation of restaurant ₹7,50,000 before its opening are in the nature of operating expenditure that would be incurred if the restaurant was open and these costs are not necessary to bring the restaurant to the conditions necessary for it to be capable of operating in the manner intended by management. Hence, ₹7,50,000 should be treated as expense.

- (b)

As per As-16 borrowing cost (interest) should be capitalized if borrowing cost is directly attributable to the acquisition, construction or production of qualifying asset. In other words, asset acquired must be qualifying asset and borrowing cost should be directly attributable to the acquisition, construction or production of qualifying asset.

In the question ₹200 lakhs borrowed from Bank was utilized for –

Construction of a shed ₹80 lakhs



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Purchase of Machinery ₹60 lakhs

Purchase of Machinery ₹40 lakhs

Advance for Purchase of truck ₹20 lakhs

Out of the above four payments only construction of a shed of ₹80 lakhs is a qualifying asset as per AS-16, other three payments are not for the qualifying asset. Therefore, borrowing cost attributable to the construction of a shed should only be capitalized which will be equal to ₹36 lakhs  $\times$  80/200 = ₹14.40 lakhs

The balance of ₹21.6 lakhs (₹36 lakhs – ₹14.4 lakhs) should be expensed and debited to Profit and Loss Account.

8. (a) Discuss the broad approaches which can be adopted for the accounting treatment of government grants according to AS-12? [5]

(b) From the following particulars presented by Mr. Shankar for the year ended 31st March 2026, prepare Profit and Loss Account after taking into consideration the given details:

Gross Profit ₹ 1,00,000, Rent ₹22,000; Salaries, ₹10,000; Commission (Cr.) 12,000; Insurance ₹8,000; Interest (Cr.) ₹6,000; Bad Debts ₹2,000; Provision for Bad Debts (1.4.2024) ₹4,000; Sundry Debtors ₹40,000; Discount Received ₹2,000; Plant & Machinery ₹80,000.

Adjustments:

(a) Outstanding salaries amounted to ₹4,000;

(b) Rent paid for 11 months;

(c) Interest due but not received amounted to ₹2,000

(d) Prepaid Insurance amounted to ₹2,000;

(e) Depreciate Plant and Machinery by 10% p.a.

(f) Further Bad Debts amounted to ₹2,000 and make a provision for Bad Debts @5% on Sundry Debtors.

(g) Commissions received in advance amounted to ₹2,000. [5]

(c) X and Y are partners sharing profit/loss in the ratio of 5:4. They admit Z into partnership for 1/5th share in the profits which is given 2/15th by X and 1/15th by Y. Z brings ₹1,50,000 as his capital and ₹60,000 as premium for goodwill.

Goodwill account appears in the books at ₹1,65,000.

Prepare necessary journal entries in the books of the firm at the time of Z's admission and calculate the new profit-sharing ratio. [4]

Answer:

(a) Accounting Treatment of Government Grants

Capital Approach versus Income Approach

Two broad approaches may be followed for the accounting treatment of government grants: the 'capital approach', under which a grant is treated as part of shareholders' funds, and the 'income approach', under which a grant is taken to income over one or more periods.

**Capital approach:**

- Many Government grants are in the nature of promoters' contribution, i.e., they are given with reference to the total investment in an undertaking or by way of contribution towards its total capital outlay and no repayment is ordinarily expected in the case of such grants. These should, therefore, be credited directly to shareholders' funds.
- It is inappropriate to recognise Government grants in the profit and loss statement, since they are not earned but represent an incentive provided by government without related costs.

**Income approach:**

- Government grants are rarely gratuitous. The enterprise earns them through compliance with their conditions and meeting the envisaged obligations. They should therefore be taken to income and matched with the associated costs which the grant is intended to compensate.
- As income tax and other taxes are charges against income, it is logical to deal also with Government grants, which are an extension of fiscal policies, in the profit and loss statement.
- In case grants are credited to shareholders' funds, no correlation is done between the accounting treatment of the grant and the accounting treatment of the expenditure to which the grant relates.

It is generally considered appropriate that accounting for Government grant should be based on the nature of the relevant grant. Grants which have the characteristics similar to those of promoters' contribution should be treated as part of shareholders' funds. Income approach may be more appropriate in the case of other grants.

It is fundamental to the 'income approach' that Government grants be recognised in the profit and loss statement on a systematic and rational basis over the periods necessary to match them with the related costs. Income recognition of government grants on a receipts basis is not in accordance with the accrual accounting assumption.

In most cases, the periods over which an enterprise recognises the costs or expenses related to a Government grant are readily ascertainable and thus grants in recognition of specific expenses are taken to income in the same period as the relevant expenses.

(b)

Mr. Shankar  
Profit and Loss Account  
for the year ended 31st March 2026

Particulars	₹	₹	Particulars	₹	₹
To Rent	22,000		By Trading A/c – Gross Profit		1,00,000
Add: Outstanding	2,000	24,000			
To Salaries	10,000		By Commission	12,000	
Add: Outstanding	4,000	14,000	Less: Received in advance	2,000	10,000
To Insurance	8,000		By Interest	6,000	

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Particulars	₹	₹	Particulars	₹	₹
Less: Prepaid	2,000	6,000	Add: Accrued Interest	2,000	8,000
To Bad Debts	2,000		By Discount Received		2,000
Add: Further Bad Debts	2,000	4,000	By Provision for Bad Debts	4,000	
To Depreciation on Plant & Machinery @ 10% on ₹80,000		8,000	Less: New Provision @ 5% on (₹40,000 – ₹2,000)	1,900	2,100
To Capital A/c (Net Profit Transferred)		66,100			
<b>Total</b>		<b>1,22,100</b>	<b>Total</b>		<b>1,22,100</b>

(c)

**Journal**

Particulars	Dr. (₹)	Cr. (₹)
<b>Bank A/c Dr.</b>	2,10,000	
To Z's Capital A/c		1,50,000
To Premium for Goodwill A/c		60,000
<i>(Being amount brought in as capital and premium for goodwill by Z)</i>		
<b>Premium for Goodwill A/c Dr.</b>	60,000	
To X's Capital A/c		40,000
To Y's Capital A/c		20,000
<i>(Being transfer of premium brought by Z to X &amp; Y's A/c)</i>		

(Assuming that the goodwill shown in the books of account is purchased goodwill.)

**New Profit sharing ratio will be:**

$$X's \text{ new share} = 5/9 - 2/15 = (25-6)/45 = 19/45$$

$$Y's \text{ new share} = 4/9 - 1/15 = (20-3)/45 = 17/45$$

$$Y's \text{ new share} = 1/5 \text{ or } 9/45$$

$$\text{Hence new ratio} = 19 : 17 : 9$$