

**INTERMEDIATE EXAMINATION**

June 2026

**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:**

2×15=30

- (i) Which of the following accounting concepts assume that the infinite life of an organisation can be split into smaller periods of equal duration?
- (A) Going Concern (B) Consistency  
(C) Accrual (D) Accounting Period
- (ii) Outward Invoice issued is a source document of
- (A) Sales Book (B) Purchase Book  
(C) Return Inward Book (D) Return Outward Book
- (iii) Which of the following will be recorded as Contra Entry in a Cash Book?
- (A) ₹ 1,000 drawn from bank for personal use.  
(B) Cheque of ₹ 500 received from X lodged into bank on the same day.  
(C) Cheque of ₹ 3,000 received from Z before and now lodged into bank.  
(D) ₹ 40,000 directly deposited by a customer in the bank account.
- (iv) A firm maintains a provision for bad debts @5% and a provision for discount @2% on total debtors. The Provision for Doubtful Debt on 1st April, 2025 was ₹ 5,000 and Provision for Discount on Debtors was ₹ 1,900. Total Debtors as on March 31, 2026 were ₹ 60,000 after writing off bad debts of ₹ 3,000 and allowing for discount of ₹ 1,750. The amount of provision for discount on debtors as on 31st March 2026 will be
- (A) ₹ 1,140 (B) ₹ 3,000  
(C) ₹ 1,040 (D) ₹ 1,200
- (v) Raju draws a bill on Sandip on 5th June, 2026 for 65 days. The maturity date of the bill will be
- (A) 12th August, 2026 (B) 11th August, 2026  
(C) 10th August, 2026 (D) 13th August, 2026

- (vi) M of Mumbai sent out certain goods at cost plus 25%, Invoice value of goods sent was ₹ 2,00,000. 4/5th of the goods were sold by consignee at ₹ 1,76,000. Commission is payable at 2% up to invoice value and 10% of any surplus above invoice value. Amount of commission is  
(A) ₹ 4,200 (B) ₹ 4,800  
(C) ₹ 5,200 (D) ₹ 3,200
- (vii) The annual insurance premium for the building amounted to ₹ 15,000, paid on 1st January 2025, and ₹ 24,000, paid on 1st January 2026. Determine the amount of insurance premium that should be charged to the Profit and Loss Account for the year ending 31st March, 2026.  
(A) ₹ 24,000 (B) ₹ 21,750  
(C) ₹ 17,250 (D) ₹ 19,500
- (viii) X and Y entered into a Joint Venture, sharing profits in the ratio of 3:2. X supplied goods worth ₹ 40,000 to Y and incurred miscellaneous expenses of ₹ 5,000. Y advanced ₹ 10,000 to X. Y sold the entire consignment at a profit of 50% on cost and remitted the balance due to X after adjusting all accounts. Determine the amount remitted by Y to X in settlement of the Joint Venture.  
(A) ₹ 19,000 (B) ₹ 44,000  
(C) ₹ 54,000 (D) ₹ 14,000
- (ix) A, B and C are partners sharing profits equally. C decided to retire from the firm. What will be the new profit-sharing ratio, if C's share is purchased by A?  
(A) 4:2 (B) 2:1  
(C) 2:7 (D) 3:2
- (x) The actual average profit of a firm is ₹ 2,40,000. The normal rate of return is 12% per annum, and the capital employed in the business amounts to ₹ 15,00,000. Calculate the value of goodwill using the capitalization of super profit method.  
(A) ₹ 1,80,000 (B) ₹ 7,20,000  
(C) ₹ 12,60,000 (D) ₹ 5,00,000
- (xi) There are two departments, X and Y. Department X sold goods to Department Y at its usual selling price, which is cost plus 20%. At the end of the year, Department Y has closing stock of ₹ 50,000, of which ₹ 20,000 pertains to goods purchased from the outside market and the balance relates to goods purchased from Department X. Calculate the unrealized profit included in the closing stock of Department Y.  
(A) ₹ 6,000 (B) ₹ 5,000  
(C) ₹ 10,000 (D) ₹ 8,333
- (xii) Short-term Lease which is often cancellable is known as  
(A) Operating Lease (B) Finance Lease  
(C) Net Lease (D) Leverage Lease



- (xiii) As per AS 1, fundamental accounting assumptions are  
 (A) Going Concern, Matching and Consistency  
 (B) Prudence, Money Measurement and Going Concern  
 (C) Entity, Going Concern and Accounting Period  
 (D) Accruals, Consistency and Going Concern
- (xiv) A capital subsidy has been received from the Central Government for setting up a plant in a notified backward region. The cost of the plant is ₹ 480 lakh, and the subsidy received amounts to ₹ 168 lakh. Which of the following statements is most appropriate regarding the treatment of such subsidy?  
 (A) The subsidy must be deducted from the cost of the plant, and no other treatment is permitted.  
 (B) The subsidy may either be deducted from the cost of the asset or treated as deferred income and recognized in the statement of profit and loss profit over the asset's useful life.  
 (C) The subsidy should be credited directly to Capital Reserve, as it is a non-operating receipt.  
 (D) The subsidy should be recognized immediately as income in the Statement of Profit & Loss Account.
- (xv) Subscription amount appearing in the Income & Expenditure Account of a tennis club for the financial year 2025-26 is ₹ 1,74,000. Determine the amount of subscription received by the club during the year, considering the following details:

|                      | As on 31-03-2025 | As on 31-03-2026 |
|----------------------|------------------|------------------|
| Subscription Due     | ₹ 20,000         | ₹ 24,000         |
| Advance Subscription | ₹ 22,000         | ₹ 16,000         |

- (A) ₹ 1,64,000  
 (B) ₹ 1,74,000  
 (C) ₹ 1,84,000  
 (D) ₹ 1,60,000

### SECTION-B

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

14×5=70

2. (a) On 1st April, 2023, Sandip Ltd. purchased a machine for ₹ 66,000 and spent ₹ 5,000 on shipping and forwarding charges, ₹ 7,000 as import duty, ₹ 1,000 for carriage and installation, ₹ 500 as brokerage and ₹ 500 for an iron pad. It was estimated that the machine will have a scrap value of ₹ 5,000 at the end of its useful life which is 15 years. On 1st January, 2024 repairs and renewals of ₹ 3,000 were carried out. On 1st October, 2025 this machine was sold for ₹ 50,000.

Prepare Machinery Account for the 3 years, assuming the year ends on 31st March. 7

- (b) The books of accounts of Advik Co. Ltd. for the year ending 31.03.2026 were closed with a difference of ₹ 21,510 in the books and the same had been carried forward. The following errors were detected subsequently:
- (i) Return outward book was under cast by ₹ 100.
  - (ii) ₹ 1,500 being the total of discount column on the credit side of the cash book was not posted.
  - (iii) ₹ 6,000 being the cost of purchase of office furniture was debited to Purchase A/c.
  - (iv) A credit sale of ₹ 760 was wrongly posted as ₹ 670 to the Customers A/c in the sales ledger.
  - (v) The Sales A/c was under casted by ₹ 10,000 being the carry over mistakes in the sales day book.
  - (vi) Closing Stock was over casted by ₹ 10,000 being casting error in the schedule of inventory.

**You are required to pass rectification entries and prepare Suspense Account.**

7

3. (a) Ram, for mutual accommodation, draws a bill for ₹ 3,000 on Ratan. Ram discounted it for ₹ 2,925. He remits ₹ 975 to Ratan. On the due date, Ram is unable to remit his dues to Ratan to enable him to meet the bill. He, however, accepts a bill for ₹ 3,750 which Ratan discounts for ₹ 3,625. Ratan sends ₹ 175 to Ram after discounting the above bill. Ram becomes insolvent and a dividend of 80 paise in the rupee is received from his estate.

**You are required to pass necessary Journal Entries in the books of Ram.**

7

- (b) SXT Ltd. has a hire purchase department. Goods were sold on hire purchase at cost plus 60%. From the following particulars, **prepare** Hire Purchase Trading Account and compute the profit or loss for the year ended 31st March, 2026:

| Particulars                                          | ₹         |
|------------------------------------------------------|-----------|
| Goods with customers on 01.04.2025                   | 3,20,000  |
| Installments due on 01.04.2025                       | 20,000    |
| Goods sold on hire purchase during the year          | 16,00,000 |
| Cash received from Customers                         | 11,20,000 |
| Goods re-possessed from customers valued at 40%      | 16,000    |
| Unpaid installments in respect of re-possessed goods | 40,000    |
| Goods with customers as on 31.03.2026 (at HP price)  | 7,20,000  |

7



4. (a) On the basis of the following information prepare Income & Expenditure Account for the year ended 31st March, 2026:

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**Receipts & Payments Account for the year ended 31st March, 2026**

| Receipts                      | Amount (₹)      | Payments                 | Amount (₹)      |
|-------------------------------|-----------------|--------------------------|-----------------|
| To Cash in Hand               | 1,300           | By Salaries              | 2,58,000        |
| To Cash at Bank               | 3,850           | By Rent                  | 71,500          |
| To Subscriptions              | 4,94,700        | By Printing & Stationery | 3,870           |
| To Interest on 8% Govt. Bonds | 4,000           | By Conveyance            | 10,600          |
| To Bank Interest              | 160             | By Scooter Purchased     | 50,000          |
|                               |                 | By 8% Govt. Bonds        | 1,00,000        |
|                               |                 | By Cash in Hand          | 840             |
|                               |                 | By Cash at Bank          | 9,200           |
|                               | <b>5,04,010</b> |                          | <b>5,04,010</b> |

**Additional Informations:**

- Salaries paid includes ₹ 6,000 paid in advance for April, 2026. Monthly salaries paid were ₹ 21,000.
  - Outstanding rent on 31st March, 2025 and 31st March, 2026 amounted to ₹ 5,500 and ₹ 6,000 respectively.
  - Stock of Printing & Stationery material as on 31st March, 2025 was ₹ 340; it was ₹ 365 as on 31st March, 2026.
  - Scooter was purchased on 1st October, 2025. Depreciation @20% p.a. is to be provided on it.
  - Investments were made on 1st April, 2025.
  - Subscriptions due but not received on 31st March, 2025 and 31st March, 2026 totalled ₹ 14,000 & ₹ 12,800 respectively. On 31st March, 2026 subscriptions amounting to ₹ 700 had been received in advance for April, 2026.
- (b) Following is the Balance Sheet of Sri Agni as on 31st March, 2025:

| Liabilities       | Amount (₹)       | Assets        | Amount (₹)       |
|-------------------|------------------|---------------|------------------|
| Capital A/c       | 10,00,000        | Fixed Assets  | 4,00,000         |
| Trade Creditors   | 1,40,000         | Stock         | 3,00,000         |
| Profit & Loss A/c | 60,000           | Trade Debtors | 1,50,000         |
|                   |                  | Cash & Bank   | 3,50,000         |
|                   | <b>12,00,000</b> |               | <b>12,00,000</b> |

The management estimates the purchase and sales for the year ended 31st March, 2026 as under:

|           | Up to 28.02.2026 | March 2026 |
|-----------|------------------|------------|
| Purchases | ₹ 14,10,000      | ₹ 1,10,000 |
| Sales     | ₹ 19,20,000      | ₹ 2,00,000 |

It was decided to invest ₹1,00,000 in purchase of fixed assets, which are depreciated @10% on cost.

The time lag for payment to trade creditors for purchases and the collection period from sales is one month in each case. The business earns a gross profit of 30% on Sales. Sundry Expenses are 10% of Sales. The amount of depreciation is not included in these expenses.

Draft a Balance Sheet as on 31st March, 2026 assuming that creditors are all Trade Creditors for purchase and debtors are all debtors arising from Sales and there are no other items of current assets and liabilities apart from stock and cash & bank balances.

7

5. Raj, Chandan and Preetam sharing profits & losses in the ratio of 2:2:1 agreed upon dissolution of their partnership on 31st January, 2026 on which date their Balance Sheet was as under:

| Liabilities            | Amount (₹)      | Assets                               | Amount (₹)      |
|------------------------|-----------------|--------------------------------------|-----------------|
| Capital                |                 | Fixed Assets                         | 50,000          |
| Raj 40,000             |                 |                                      |                 |
| Chandan 30,000         | 70,000          |                                      |                 |
| Reserve Fund           | 10,000          | Joint Life Policy at Surrender Value | 10,000          |
| Joint Life Policy Fund | 10,000          | Debtors 10,000                       |                 |
|                        |                 | Less: Provision 500                  | 9,500           |
| Creditors 19,000       |                 | Stock at Invoice Price 10,000        |                 |
| Less: Provision 500    | 18,500          | Less: Price Loading 2,000            | 8,000           |
| Salary Outstanding     | 2,000           | Investments 8,000                    |                 |
|                        |                 | Less: Fluctuation Fund 500           | 7,500           |
|                        |                 | Capital Account-Preetam              | 2,000           |
|                        |                 | Bank                                 | 23,500          |
|                        | <b>1,10,500</b> |                                      | <b>1,10,500</b> |

It was agreed as follows:

- Investments were taken over by Raj at ₹ 6,000, creditors of ₹ 10,000 were taken over by Chandan who has agreed to settle accounts with them at ₹ 9,900. Remaining creditors were paid at ₹ 7,500.
- Joint Life Policy was surrendered and Fixed Assets realized ₹ 70,000, Stock and Debtors realized ₹ 7,000 and ₹ 9,000 respectively. One customer, whose account was written off as bad, now paid ₹ 800 which is not included in ₹ 9,000 mentioned above.



- (iii) There was an unrecorded asset estimated at ₹ 3,000, half of which was handed over to an unrecorded liability of ₹ 5,000 in settlement of claim of ₹ 2,500 and the remaining half was sold in the market which realized ₹ 1,300.
- (iv) Chandan took over the responsibility of completing the dissolution and he is granted a salary of ₹ 400 per month. The expenses of dissolution were ₹ 1,100.

Dissolution was completed and final payments were made on 31st May, 2026.

You are required to prepare the Realization A/c, Partners' Capital A/c and Bank A/c. 14

6. (a) Green Ltd. with their H.O. at Kolkata, invoiced goods to their Patna Branch at 20% less than the list price, which is cost plus 100% with instruction that cash sales are made at invoice price and credit sales are made at list price. From the following particulars, prepare Branch Stock account and Branch Stock Adjustment Account for the year ended on 31.03.2026: 7

| Particulars                      | (₹)    | Particulars                | (₹)    |
|----------------------------------|--------|----------------------------|--------|
| Stock at cost (01.04.2025)       | 4,800  | Cash received from Debtors | 34,254 |
| Debtors (01.04.2025)             | 4,000  | Expenses at Branch         | 6,946  |
| Goods received from H.O. (at IP) | 52,800 | Remitted to H. O.          | 48,000 |
| Goods returned to H.O.           | 400    | Debtor (31.03.2026)        | 9,746  |
|                                  |        | Stock at IP (31.03.2026)   | 7,040  |
| Sales: Credit                    | 40,000 |                            |        |
| Cash                             | 18,400 |                            |        |

- (b) On 01.04.2026, godown of Balducci Ltd. was destroyed by fire. The records of the company revealed the following particulars:

| Particulars                                  | Amount (₹) |
|----------------------------------------------|------------|
| Stock on 01.01.2025                          | 75,000     |
| Stock on 31.12.2025                          | 80,000     |
| Purchases during 2025                        | 3,10,000   |
| Sales during 2025                            | 4,00,000   |
| Purchase from 01.01.2026 to the date of fire | 75,000     |
| Sales from 01.01.2026 to the date of fire    | 1,00,000   |

In valuing Closing Stock of 2025, ₹ 5,000 was written off whose cost was ₹ 4,800. Part of this stock (Original Cost: ₹ 2,400) was sold in 2026 at a loss of ₹ 400. Stock salvaged was ₹ 5,000.

Calculate the insurance claim to be made against the insurance company. 7

7. (a) Alpha Ltd. purchased a plant from Beta Ltd. on 01.10.2025 with a quoted price of ₹ 180 lakhs. Beta Ltd. offered 3 months' credit with a condition that discount of 1.25% will be allowed if the payment is made within 1 month. GST is 12.5% on quoted price. The company incurred 2% and 3% of quoted price respectively towards transportation and erection costs. Pre-operative cost amounts to ₹ 1.50 lakhs. To finance the purchase of plant, the company took a bank loan of ₹ 125 lakhs at an interest rate of 14.50% p.a. The machine was ready for use on 31.12.2025, however it was put to use only on 01.04.2026.

You are required to ascertain the amount at which the Machinery should be capitalized as per AS 10. 7

- (b) During the financial year 2024-25, Zed Ltd., an e-commerce firm entered into a foreign currency transaction relating to fees for technical services paid to Lucas Ltd., an Atlanta based organisation in the USA. The transaction was for \$24,000, which was entered into on 07.12.2024. The payment for the same was made on 20.05.2025. Given that the exchange rates are: on 07.12.2024: \$1 = ₹ 73.80; on 01.01.2025: \$1 = ₹ 73.95; on 31.03.2025: \$1 = ₹ 75.45; on 20.05.2025: \$1 = ₹ 76.50.

You are required to:

- Ascertain the amount at which the transaction would get recognised in the books; and
- Calculate the amount of foreign exchange gain/ loss to be recorded in the financial statement for the years 2024-25 and 2025-26. 7

8. (a) Discuss the factors considered for selection of accounting policies as per AS1. 5

- (b) R & Co employs a team of 80 workers who were paid ₹ 30,000 per month each in the year ending 31st Dec'2024. At the start of 2025, the company raised salaries by 10%. On 1st July, 2025, 10 trainees were hired at a salary of ₹ 21,000 per month. The company pays its workforce on the first working day of every month, one month in arrear, so that employees receive their salary for January on the first working day in February.

You are required to calculate:

- The amount of salaries to be charged to Profit & Loss Account for the year ended 31st December, 2025

- The amount actually paid in Salaries during the year 2025. 5

- (c) C retires from a partnership firm on 30.09.2025 and his dues are not settled on the date of retirement. Based on the following information for the financial year 2025-26, calculate the amount payable to the retiring partner under section 37 of the Indian Partnership Act, 1932:

- Unsettled capital of the retiring partner, C : ₹ 52,000

- Capitals of Continuing Partners A & B on the date of retirement : ₹ 57,000 & ₹ 76,000

- Net profit earned by the firm after retirement : ₹ 25,000. 4