**Essentials of Financial Accounting**

**September 2021 Examination**

**1. Alfa and Gamma Ltd with Head Office in Madhya Pradesh opened a branch at Mumbai. For the financial year 2019- 2020, various business operations were undertaken. Details of the same are as under.**

|  |  |
| --- | --- |
| **Opening stock of goods at the beginning of the year** | **7 lakhs** |
| **Goods supplied to the branch** | **20 lakhs** |
| **Rent paid on monthly basis for the branch** | **0.5 lakhs** |
| **Selling and admin expenses paid for the year** | **5 lakhs** |
| **Cash remitted by the branch through the bank account** | **37 lakhs** |
| **Closing stock at the year end** | **2 lakhs** |

**Pass the relevant journal entries to record the transactions in the books and reflect on the amount in the General profit and loss account, concerning the branch account (10 Marks) –**

**Note: Passing journal entries 6 marks**

**Coming up with the correct entry and amount of General profit and loss account 4 marks**

**Ans 1.**

**Introduction:**

The accounting system is a bookkeeping method in which separate accounts are maintained for each branch or operational site of a business, referred to as branch accounting in the industry. A greater level of transparency in the operations and cash flows and the overall financial condition and performance of each unit is typically observed in geographically dispersed businesses, multinational corporations, and chain operators. Additionally, branch accounts can be defined as records that have been created individually for the performance of several lIts Half solved only

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**2. Smile Therapist provides a lot of services in relation to acupressure, online counselling, yoga and pranayama during this pandemic situation. The outflows were limited to online marketing, electricity and broadband connectivity. There was a huge inflow on account of the various consultancy and therapies provided by the entity. The owner of the entity, Mrs. Surekha wants to account for the money received from the various services rendered. She approaches you to understand about how to account for all these financial inflows and outflows. Discuss in the light of given scenario, the various steps in relation to accounting cycle. (10 Marks)**

**Ans 2.**

**Introduction:**

The eight stages of the accounting cycle are essential for all types of bookkeepers to understand. It divides the entire bookkeeping procedure into eight crucial phases, each of which is discussed below. Fortunately, software and technology services are frequently used to automate many of these processes. However, it is critical for small business accountants who have limited access to technical assistance to understand and use the manual processes when working on the accounts.

**3. Miss Aarti sold goods worth Rupees 7.5lacs for Rs 8.5 lacs on credit to Mr. Aaram, as on 20th March 2021. Mr. Aaram agreed that he will make the payment after 4 weeks in the next accounting period.**

**a. Discuss whether such amount should be recognized in the books of accounts or not. And if this transaction needs to be recognized then at what amount the transaction will be recognized and as per the applicability of which concept, and why? (5 Marks)**

**Ans 3a.**

**Introduction:**

According to the Indian Institute of Certified Public Accountants (ICAI), AS 9 Revenue Recognition defines revenue as "the gross inflow of cash, receivables, or other compensation from the commercial sale of products to services & from many other sources, such as interest, r

**b. When the goods are sold on credit in the above case discuss the impact of above transaction as per the double entry system of accounting. (5 Marks)**

**Ans 3b.**

**Introduction:**

Accrual accounts are one of two types of accounting systems; the other is cash accounting. Accrual accounting is a method of analyzing a company's performance and financial status by recognizing economic events independently of cash transactions. To understand accrual accounting, we must first know what