CA Foundation Course		(Mock Test Paper – Series : 1)
DATE: 26.10.2024	MAXIMUM MARKS: 100	TIMING: $3^{1/4}$ Hours

PAPER 1 : ACCOUNTING

Question No. 1 is compulsory.

Candidates are required to answer any four questions from the remaining five questions.

Question 1:

(a) State with reasons weather the following statements are true or false:

(i) Accrual means recognition as money is received or paid and not of revenue and costs as they are earned or incurred.

(ii) Balance sheet shows the position of the business on the day of its preparation and not on the future date.

(iii) Amount spent as lawyer's fee to defend a suit claiming that the firm's factory site belonged to the plaintiff's land is Capital Expenditure.

(iv) A claim that an enterprise is pursuing through legal process, where the outcome is uncertain, is a contingent liability.

(v) Promissory note is different from that of a bill of exchange where the amount is paid by the maker in case of former and by the acceptor in the latter.

(vi) When the goods are delivered to customer on sale or return basis, transaction is initially recorded as sales.

(6×2 = 12 Marks)

(b) Distinguish between the following.

(1) Errors of omission and errors of commission.

(2) Money measurement concept and matching concept.

(2×2 = 4 Marks)

(c) The following are some of the transaction of M/s. Kanha & Sons of the year 2020 as per their Waste Book. Make out their Sales Book.

Sold to M/s. Gupta & Verma on credit:

30 shirts @ Rs. 800 per shirt.
20 trousers @ Rs. 1,000 per trouser.
Less : Trade Discount @ 10%

Sold furniture to M/s. Sehgal & Co. on credit Rs. 8,000.
Sold 50 shirts of M/s. Jain & Sons @ Rs. 800 per shirt.
Sold 13 shirts to Cheap Stores @ Rs. 750 each for cash.
Sold on credit to M/s. Mathur & Jain.

100 shirts @ Rs. 750 per shirt
10 overcoats @ Rs. 5,000 per overcoat.
Less: Trade Discount @ 10%

(4 Marks)
(Total 20 Marks)

Question 2:

(a) M/s Meenakshi purchased a brand new machinery on 1st January 2017 for Rs. 3,20,000 and also incurred Rs. 80,000 on its installation. Another machinery was purchased on 1st July 2017 for Rs. 1,60,000. On 1st July 2019, the machinery purchased on 1st January 2017 was sold for Rs. 2,50,000. Another machinery was purchased and installed on 30th September 2019 for Rs. 60,000.

Under existing practice, the company provides for depreciation @10% p.a. on Original cost. However, from the year 2020 it decided to adapt WDV method and charge the depreciation @ 15% p.a. You are required to show the Machinery Account for the years 2019 and 2020 considering the books of accounts are closed on 31st December each year.

(10 Marks)

(b) Before preparation of the Trial Balance, the following errors were found in the books of Hare Rama & Sons. Give the necessary entries to correct them.

(i) Minor Repairs made to the building amounting to Rs. 1,850 were debited to the Building Account.

(ii) An amount of Rs. 3,000 due from Shayam Lal, which had been written off as bad debts in the previous year, recovered in the current year, and had been posted to the personal Account of Shayam Lal.

(iii) Furniture purchased for office use amounting to Rs. 20,000 has been entered in the purchase day book.

(iv) Goods purchased from Ram Singh amounting to Rs. 8,000 have remained unrecorded so far.

(v) College fees of proprietor's son, Rs. 15,000 debited to the Audit fees Account.

(vi) Receipt of Rs. 4,500 from Meet Kumar credited to the Pinki Rani.

(vii) Goods amounting to Rs. 6,200 had been returned by a customer and were taken into inventory, but no entry was made in the books.

(viii) Rs. 1500 paid for wages to workmen for making office furniture had been charged to wages account.

(ix) Salary paid to a clerk Rs. 12,000 has been debited to his personal account.

(x) A purchase of goods from Raghav amounting to Rs. 20,000 has been wrongly entered through the sales book.

(10 Marks)

Question 3:

(a) Fashion Garments Ltd invited applications for issuing 10,000 Equity Shares of Rs. 10 each. The amount was payable as follows:

(i)	On Application	Rs. 1 per share
(ii)	On Allotment	Rs. 2 per share
(iii)	On First call	Rs. 3 per share
(iv)	On Second and final Call	Rs. 4 per share

The issue was fully subscribed. Ram to whom 100 shares were allotted, failed to pay the allotment money and his shares were forfeited immediately after the allotment. Shyam to whom 150 shares were allotted, failed to pay the first call. His shares were also forfeited after the first call. Afterwards the second and final call was made. Mohan to whom 50 shares were allotted failed to pay the second and final call. His shares were also forfeited. Al the forfeited shares were re-issued at Rs. 9 per share fully paid-up.

Pass necessary Journal entries in the books of Fashion Garments Ltd.

(10 Marks)

(b) The following balances appeared in the books of Lakshya Ltd. as on 1-4-2021:

(i) 10 % Debentures Rs. 37,50,000

(ii) Balance of DRR Rs. 1,25,000

(iii) DRR Investment 5,62,500 represented by 10% Rs. 5,625 Secured Bonds of the Government of India of Rs. 100 each.

Annual contribution to the DRR was made on 31st March every year. On 31-3-2022, balance at bank was Rs. 37,50,000 before receipt of interest. Interest on Debentures had already been paid. The investment were realized at par for redemption of

debentures at a premium of 10% on the above date.
Lakshya Ltd. is an unlisted company (other than AIFI, Banking company, NBFC and HFC). You are required to prepare Debenture Redemption Reserve Account, Debenture Redemption Reserve Investment Account, Bank Account & Debenture Holders Account in the books of Lakshya Ltd. for the year ended 31st March, 2022.

(10 Marks)

Question 4:

(a) On 31st March 2015, the bank column of the Cash Book of Mr. Sanjeev disclosed an overdraft balance of Rs. 8,300. On examining the Cash Book and bank statement you find that :

(i) Cheques were deposited into bank for Rs. 16,000, but of these cheques for Rs. 4,600 were cleared and credited in April 2015.

(ii) Cheques were issued for Rs. 7,500, out of which cheques for Rs. 6,000 had been presented for payment in March 2015.

(iii) In March Mr. Sanjeev had discounted with bank a bill of exchange for Rs. 10,000 and had entered this amount in the Cash Book, but the proceeds credited, as shown by the Pass Book, amounted to Rs. 9,600.

(iv) No entry is made in the Cash Book of an amount of Rs. 6,100 directly deposited by a customer in the bank account.

(v) Bank column of the payment side of the Cash Book was undercast by Rs. 1,000.

(vi) Payment of insurance premium of Rs. 2,000 and receipt of insurance claim of Rs. 8,000 appear in the Pass Book but not entered in the Cash Book.

(vii) A cheque for Rs. 3,500 issued to Mr. X was omitted to be recorded in the Cash Book.

(viii) A cheque for Rs. 2,800 issued to Mr. Y was entered in the cash column of the Cash Book.

Make the appropriate adjustments in the Cash Book and prepare a bank reconciliation statement with the Amended Cash Book balance as on 31st March 2015.

(10 Marks)

(b) Inventory taking for the year ended 31st March, 2022 was completed by 10th April 2022, the valuation of which showed a inventory figure of Rs. 33,50,000 at cost as on the completion date. After the end of the accounting year and till the date of completion of inventory taking, sales for the next year were made for Rs. 1,37,500, profit margin being 33.33% on cost. Purchases for the next year included in the inventory amounted to Rs. 1,80,000 at cost less trade discount 10%. During this period, goods were added to inventory at the mark up price of Rs. 6,000 in respect of sales returns. After inventory taking it was found that there were certain very old slow-moving items costing Rs. 22,500, which should be taken at Rs. 10,500 to ensure disposal to an interested customer. Due to heavy flood, certain goods costing Rs. 31,000 were received from the supplier beyond the delivery date of customer. As a result, the customer refused to take delivery and net realizable value of the goods was estimated to be Rs. 25,000 on 31st March. Compute the value of inventory for inclusion in the final accounts for the year ended 31st March, 2022.

(5 Marks)

(c) The following are the details of a spare part of Santosh Mills:

1-1-2020	Opening Inventory	Nil
1-1-2020	Purchases	100 units @ Rs. 30 per unit
15-1-2020	Issued for consumption	50 units

1-2-2020	Purchases	200 units @ Rs. 40 per unit
15-2-2020	Issued for consumption	100 units
20-2-2020	Issued for consumption	100 units

Find out the value of Inventory as on 31-3-2020 if the company follows Weighted Average basis.

(5 Marks)

Question 5:

(a) BABAI Sold goods to KACHARI for Rs. 90,000 on 1st April, 2018 for which the later accepted three bills of Rs. 30,000 each due respectively in 1,2 and 3 months. The first bill is retained by Babai and is duly met. The second bill was discounted (discount being Rs. 600) and is met in due course. The third bill is also discounted (discounted being Rs. 900) and is dishonoured, the Noting charges being Rs. 150.

New arrangements were duly made whereby Kachari pays Cash Rs. 10,150 and accepted a new bill due in 2 months for the balance of the amount with interest at 15% p.a. The bill is retained, on due date the same is dishonoured, noting charges being Rs. 180. Kachari declared insolvent on 15th Sept. 2018 and 35 paise in a rupee were received from his estate.

Required:

Pass Journal Entries in the Books of BABAI.

(10 Marks)

(b) The following information relates to the business of Mr. Shiv Kumar, who requests you to prepare a Trading and Profit & Loss Account for the year ended 31st March, 2022 and Balance Sheet as on that date:

(a)

	Balance as on 31st March, 2021 Rs.	**Balance as on 31st March, 2022 Rs.**
Building	3,20,000	3,60,000
Furniture	60,000	68,000
Motorcar	80,000	80,000
Inventory	?	40,000
Bills payable	28,000	16,000
Cash and bank balances	1,80,000	1,04,000
Sundry debtors	1,60,000	?
Bills receivable	32,000	28,000
Sundry creditors	1,20,000	?

(b) Cash transactions during the year included the following besides certain other items:

	Rs.		**Rs.**
Sale of old papers and miscellaneous income	20,000	Cash purchases	48,000
Miscellaneous Trade expenses (including salaries etc.)	80,000	Payment to creditors	1,84,000
Collection from debtors	2,00,000	Cash sales	80,000

(c) Other information:

- Bills receivable drawn during the year amount to Rs. 20,000 and Bills payable accepted Rs. 16,000.

- Some items of old furniture, whose written down value on 31st March, 2021 was Rs. 20,000 was sold on 30th September, 2021 for Rs. 8,000. Depreciation is to be provided on Building and Furniture @ 10% p.a. and on Motorcar @ 20% p.a. Depreciation on sale of furniture to be provided for 6 months and for additions to Building for whole year.
- Of the Debtors, a sum of Rs. 8,000 should be written off as Bad Debt and a reserve for doubtful debts is to be created @ 2%.
- Mr. Shivkumar has been maintaining a steady gross profit rate of 30% on turnover.
- Outstanding salary on 31st March, 2021 was Rs. 8,000 and on 31st March, 2022 was Rs. 10,000. On 31st March, 2021, Profit and Loss Account had a credit balance of Rs. 40,000.
- 20% of total sales and total purchases are to be treated as for cash.
- Additions in Furniture Account took place in the beginning of the year and there was no opening provision for doubtful debts.

(10 Marks)

Question 6:

(a) The Accountant of 'Retreat & Refresh' Club furnishes you the following Receipts and Payment Account for the year ending 31st March, 2018:

Receipts	**Rs.**	**Payments**	**Rs.**
Opening Balance:		Honoraria to Secretary	19,200
Cash & Bank (as per cash book)	33,520	Misc. expenses	6,120
Subscription	42,840	Rates & Taxes	5,040
Sale of Old Magazines	9,600	Ground man's wages	3,360
Entertainment Fees	17,080	Printing & Stationary	1,880
Bank Interest	920	Payment for bar purchases	23,080
Bar Receipts	29,800	Repairs	1,280
Proceeds from Sale of Old Car sold on 1.4.17	12,000	Telephone expenses	9,560
		New Car	62,400
		Closing Balance:	
		Cash & Bank	13,840
	1,45,760		1,45,760

Additional Information

	1.4.2017 (Rs.)	**31.3.2018 (Rs.)**
Subscription due (not received)	4,800	3,920
Cheque issued, but not presented (payment of printing expenses)	360	120
Club premises at cost	1,16,000	--
Depreciation on club premises provided so far	75,200	--
Car at cost	48,760	--
Depreciation on car provided so far	41,160	--
Value of Bar stock	2,840	3,480
Amount unpaid for bar purchases	2,360	1,720

Depreciation is to be provided @ 5% p.a. on written down value of the club premises and @ 15% p.a. on car for the whole year.

You are required to prepare an Income & Expenditure A/c of Retreat & Refresh Club for the year ending 31st March, 2018 and Balance Sheet as on that date.

(10 Marks)

(b) The following are the balances as at 31st March, 2023 extracted from the books of Mr. Shyam.

	Rs.		Rs.
Plant and Machinery	39,100	Bad debts recovered	900
Furniture and Fittings	20,500	Salaries	45,100
Bank Overdraft	1,60,000	Salaries payable	4,900
Capital Account	1,30,000	Prepaid rent	600
Drawings	16,000	Rent	8,600
Purchases	3,20,000	Carriage inward	2,250
Opening Stock	64,500	Carriage outward	2,700
Wages	24,330	Sales	4,30,600
Provision for doubtful debts	6,400	Advertisement Expenses	6,700
Provision for Discount on		Printing and Stationery	2,500
debtors	2,750	Cash in hand	2,900
Sundry Debtors	2,40,000	Cash at bank	6,250
Sundry Creditors	95,000	Office Expenses	20,320
Bad debts	2,200	Interest paid on loan	6,000

Additional Information:

1. Purchases include sales return of Rs. 5,150 and sales include purchases return of Rs. 3,450.
2. Goods withdrawn by Mr. Shyam for own consumption Rs. 7,000 included in purchases.
3. Create a provision for doubtful debts @ 5% and provision for discount on debtors @ 2.5%.
4. Free samples distributed for publicity costing Rs. 1,650.
5. Wages paid in the month of April for installation of plant and machinery amounting to Rs. 900 were included in wages account.
6. Closing Stock Rs. 2,50,000.
7. Depreciation is to be provided on plant and machinery @ 15% p.a. and on furniture and fittings @ 10% p.a.

Prepare a Trading and Profit and Loss Account for the year ended 31st March, 2023 and a Balance Sheet as on that date. Also show the rectification entries.

(10 Marks)

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