

CA Foundation Course**DATE: 17.11.2024****(Mock Test Paper – Series : 1)****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 whether the following statements are true or false:**

- (1) The concept helps in keeping business affairs free from the influence of the personal affairs of the owner is known as the matching concept.
- (2) The nature of business is not an important criteria in separating an expenditure between capital and revenue.
- (3) When it is probable that the firm will need to pay off the obligation, this gives rise to Contingent liability.
- (4) The allowance made for promoting sales is called Cash discount.
- (5) Cash column of a Cash-book may show a Debit or Credit Balance.
- (6) At the end of the accounting year, all the nominal accounts of the ledger book are balanced.

(2 Marks Each)**(b) Briefly explain the following?**

- (1) What factors are considered for calculation of depreciation of a plant?
- (2) What is meant by renunciation of rights shares by existing shareholder?

(2 Marks Each)**(c) From the following information, ascertain the value of stock as on 31.3.2017:**

value of stock on 1.4.2016	3,50,000
purchases during the period from 1.4.2016 to 31.3.2017	17,30,000
Manufacturing expenses during the above period	3,50,000
sales during the same period	26,10,000

At the time of valuing stock on 31.3.2016 a sum of Rs. 30,000 was written off a particular item which was originally purchased for Rs. 1,00,000 and was sold for Rs. 80,000. But for the above transaction the gross profit earned during the year was 25% on cost.

(4 Marks)**Question 2:**

The following are the balances extracted from the books of Shri Raghuram as on 31.03.2018, who carries on business under the name and style of M/s Raghuram and Associates at Chennai:

Particulars	Debit (Rs.)	Credit (Rs.)
Capital A/c		14,11,400
Purchases	12,00,000	
Purchase Returns		18,000
Sales		15,00,000
Sales Returns	24,000	
Freight Inwards	62,000	
Carriage Outwards	8,500	
Rent of Godown	55,000	
Rates and Taxes	24,000	
Salaries	72,000	
Discount allowed	7,500	

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Discount received		12,000
Drawings	20,000	
Printing and Stationery	6,000	
Insurance premium	48,000	
Electricity charges	14,000	
General expenses	11,000	
Bank charges	3,800	
Bad debts	12,200	
Repairs the Motor vehicle	13,000	
Interest on loan	4,400	
Provision for Bad-debts		10,000
Loan from Mr. Rajan		60,000
Sundry creditors		62,000
Motor vehicles	1,00,000	
Land and Buildings	5,00,000	
Office equipment	2,00,000	
Furniture and Fixtures	50,000	
Stock as on 31.03.2017	3,20,000	
Sundry debtors	2,80,000	
Cash at Bank	22,000	
Cash in Hand	16,000	
Total	30,73,400	30,73,400

Prepare Trading and Profit and Loss Account for the year ended 31.03.2018 and the Balance Sheet as at that date after making provision for the following:

- Depreciate Building by 5%, Furniture and Fixtures by 10%, Office Equipment by 15% and Motor Car by 20%.
- Value of stock at the close of the year was Rs. 4,10,000.
- One month rent for godown is outstanding.
- Interest on loan from Rajan is payable @ 10% per annum. This loan was taken on 01.07.2017.
- Reserve for bad debts is to be maintained at 5% of Sundry debtors.
- Insurance premium includes Rs. 42,000 paid towards proprietor's life insurance policy and the balance of the insurance charges cover the period from 01.04.2017 to 30.06.2018.

(20 Marks)

Question 3:

- From the following particulars, prepare Bank Reconciliation Statement as on 31st March, with amended Cash Book.

1	Balance as per cash Book	400
2	Cheques receive and recorded in Bank Column but not yet sent to Bank for collection	1,000
3	Cheques deposited into the bank but not recorded in the Cash Book	2,000
4	Cheques deposited but not yet collected by the Bank	1,500
5	Cheques issued but not yet presented for payment	2,500
6	Bank Charges debited in Pas Book only	200
7	Interest allowed in Pass Book only	100
8	Insurance Premium paid directly by Bank under standing advice	500
9	Bills receivables directly collected by the Bank	2,000
10	Cheques deposited for collection, returned dishonored and recorded in Pass Book only	1,000

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11	'Cheques Issued' returned on technical grounds	300
12	A wrong debit given by bank in pass book	800
13	A wrong credit given by bank in pass book	400
14	Bills discounted dishonored but not recorded in Cash Book	4,000
15	Direct payment by a customer into the bank but not recorded in Cash Book	700
16	A Cash receipt recorded in Bank Column	1,000
17	A Cash payment recorded in Bank Column	600

(10 Marks)

- (b) A proprietor of a concern while balancing his book finds some differences in the trial balance. To avoid delay in the preparation of Financial Statements, he places the difference to "Suspense Account" which he carries forward to the next year. In the next year the following mistakes were discovered:

- Sales book was under cast by Rs. 100.
- Purchase book was carried forward as Rs. 250 instead of Rs. 450.
- Credit sales to X Rs. 400 posted as Rs. 4,000.
- Sales to X Rs. 400 recorded in the Sales Book as Rs. 4,000.
- Purchase of a Furniture of Rs. 10,000 passed through the Purchase Book.
- Sales of a Furniture of Rs. 1,000 to Y not entered any where.

You are required to :

- rectify the errors.
- prepare Suspense Account.
- show the effect of rectification of errors on last year's profits.

(10 Marks)

Question 4:

- (a) Following is the extract of the Balance Sheet of K Ltd (listed company) as at 31st March, 2020

Authorized capital:	Rs.
3,00,000 Equity shares of Rs. 10 each	30,00,000
	30,00,000
Issued and Subscribed capital:	
2,00,000 Equity shares of Rs. 10 each, Rs. 8 paid up	16,00,000
Reserves and surplus:	
General Reserve	3,60,000
Capital Redemption Reserve	1,20,000
Securities premium (not realised in cash)	75,000
Profit and Loss Account	6,00,000

On 1st April, 2020, the Company has made final call @ Rs. 2 each on 2,00,000 equity shares. The call money was received by 25th April, 2020. Thereafter, the company decided to capitalize its reserves by way of bonus at the rate of one share for every four shares held.

Show necessary entries in the books of the company and prepare the extract of the Balance Sheet immediately after bonus issue.

(10 Marks)

- (b) The Balance Sheet of A, B and C who were sharing profits in proportion to their capitals stood as follows as at 31st March, 2018:

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	6,900	Cash at Bank	5,500
Investment Fluctuation Reserve	7,500	Sundry Debtors	5,000

Capital Accounts			Less: Provision	100	4,900
A	18,000		Stock		8,000
B	13,500		Investments		11,500
C	9,000	40,500	Land and Building		25,000
		54,900			54,900

B retired on 1st April, 2018, and the following was agreed upon:

- That stock be depreciated by 6%.
- That the Provision for Doubtful Debts be brought up to 5% on Debtors.
- That Land and Buildings be appreciated by 20%.
- That a provision of Rs. 770 be made in respect of outstanding legal charges.
- Investments are brought down to Rs. 8,500.
- That the Goodwill of the entire firm be fixed at Rs. 10,800 and B's share of goodwill be adjusted into the accounts of A and C who are going to share future profits in the ratio of 5:3.
- That the entire capital of the firm as newly constituted be fixed at Rs. 28,000 between A and C in the proportion of 5:3 (actual cash to be brought in paid off, as the case may be).

Pass Journal entries, Partners capital account and show the Balance Sheet after transferring B's share to a separate Account in his name.

(10 Marks)

Question 5:

- (a) The following is the Balance Sheet of the retail business of Sri Srinivas as at 31st December, 20X1:

Liabilities	Rs.	Assets	Rs.
Sri Srinivas's capital	1,00,000	Furniture	10,000
Liabilities for goods	20,500	Stock	70,000
Rent	1,000	Debtors	25,000
		Cash at bank	14,500
		Cash in hand	2,000
	1,21,500		1,21,500

You are furnished with the following information:

- Sri Srinivas sells his goods at a profit of 20% on sales.
- Goods are sold for cash and credit. Credit customers pay by cheques only.
- Payments for purchases are always made by cheques.
- It is the practice of Sri Srinivas to send to the bank every weekend the collections of the week after paying every week, salary of Rs. 300 to the clerk, Sundry expenses of Rs. 50 and personal expenses Rs. 100.

Analysis of the Bank Pass-Book for the 13 weeks period ending 31st March, 20X2 disclosed the following:

	Rs.
Payments to creditors	75,000
Payments of rent up to 31.3.20X2	4,000
Amounts deposited into the bank	1,25,000
(include Rs. 30,000 received from debtors by cheques)	
The following are the balances on 31st March, 20X2:	Rs.
Stock	40,000
Debtors	30,000
Creditors for goods	36,500

On the evening of 31st March, 20X2 the Cashier absconded with the available cash in the cash box. There was no cash deposit in the week ended on that date.

You are required to prepare a statement showing the amount of cash defalcated by the Cashier and also a Profit and Loss Account for the period ended 31st March, 20X2 and a Balance Sheet as on that date.

(10 Marks)

- (b)** You are given following balances as on 1st April, 2005 :
- | | |
|--------------------------------|--------------|
| Machinery A/c | Rs. 5,00,000 |
| Provision for Depreciation A/c | Rs. 1,16,000 |
- Depreciation is charged on machinery at 20% p.a. by the Diminishing Balance Method. A piece of machinery purchased on 1st April, 2003 for Rs. 1,00,000 was sold on 1st October, 2005 for Rs. 60,000. Prepare the Machinery Account and Provision for Depreciation Account for the year ended 31st March, 2006. Also, prepare the Machinery Disposal Account.

(10 Marks)

Question 6:

- (a)** The Following is the Receipts and Payments Accounts of 'Vikas Club' for the year ended on 31st march, 2017:

Receipts	Rs.	Payments	Rs.
To Balance b/d	4,400	By Salaries	44,000
To Subscription:		By Furniture	
2015-2016	1,500	(Purchased on 1st Jan. 2017)	10,000
2016-2017	96,000	By Sports Expenses	11,000
2017-2018	500	By Drama Expenses	18,400
To Entrance Fees	8,000	By Newspapers	2,500
To Sports Fund	15,000	By Municipal Taxes	3,600
To Sale drama tickets	24,000	By Refreshments	32,200
To Sale of waste paper	150	By Lighting and Heating	6,000
To Interest on Investments	1,350	By Medicines Purchased	4,000
		By Balance c/d	19,200
	1,50,900		1,50,900

Prepare Income and Expenditure A/c for the year ended 31st March, 2017, and the Balance Sheet as at that date, after taking the following information into account:

- The club has 200 members each paying an annual subscription of Rs. 500 and the subscription of two members is still in arrear for 2015-2016.
- Stock of medicines on 31 st March, 2017 was Rs. 1,000.
- Salaries are paid @ Rs. 4,000 per month.
- The other assets on 1st April, 2016 were : Furniture Rs. 40,000 and 9%. Investment Rs. 18,000 (Face value Rs. 20,000).
- Depreciate furniture at 10% P.a. and provide up to date interest on investment.
- Entrance fees is treated as income.

(10 Marks)

- (b)** X Ltd. issued for Public subscription 40,000 equity shares of Rs. 10 each at a premium of Rs. 2 per share payable as under; on application Rs. 4 Per share; on allotment Rs. 5 per share (including premium) and on call Rs. 3 per share.

Applications were received for 60,000 shares. Allotment was made pro-rata to the applicants for 48,000 shares. the remaining applications being refused. Money overpaid on application was utilized towards sums due on a allotment.

Shri Manoj, to whom, 1,500 share were allotted, failed to pay the allotment and call money and shri Hussain to whom 2,000 shares were allotted failed to pay the call money. These shares were subsequently forfeited. All the forfeited shares were sold to Shri Banerjee as fully paid up at Rs. 8 per share. Show the journal entries to record the above transactions. Company does not open calls in arrear account.

(10 Marks)

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