

CA Foundation Course
DATE: 21.04.2025

MAXIMUM MARKS: 100

(Mock Test Paper – Series : 2)
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:

- (i) Amount spent for the construction of temporary huts, which were necessary for construction of the Cinema House and were demolished when the Cinema House was ready, is capital expenditure.
- (ii) If the amount is posted in the wrong account or it is written on the wrong side of the account, it is called error of principle.
- (iii) Rights issue of shares results in decrease of market value of per share in comparison to market price before rights issue.
- (iv) The balance in forfeited shares account can be used for transfer to capital redemption reserve account.
- (v) Limited Liability Partnership (LLP) is governed by Indian Partnership Act, 1932.
- (vi) Registered debentures are transferable by delivery.

(6 x 2 Marks = 12 Marks)

(b) Distinguish between Going Concern concept and Cost concept.

(4 Marks)

(c) Give journal entries (with narrations) to rectify the following errors located in the books of a Trader after preparing the Trial Balance:

- (i) An amount of Rs. 4,500 received on account of Interest was credited to Commission account.
- (ii) A sale of Rs. 2,760 was posted from Sales Book to the Debit of M/s Sobhag Traders at Rs. 2,670
- (iii) Rs. 35,000 paid for purchase of Air conditioner for the personal use of proprietor debited to Machinery A/c.
- (iv) Goods returned by customer for Rs. 5,000. The same have been taken into stock but no entry passed in the books of accounts.

(4 Marks)

Question 2:

(a) Prepare the Bank Reconciliation Statement of M/s. R.K. Brothers on 30th June 2018 from the particulars given below:

- (i) The Bank Pass Book had a debit balance of Rs. 50,000 on 30th June, 2018.
- (ii) A cheque worth Rs. 800 directly deposited into Bank by customer but no entry was made in the Cash Book.
- (iii) Out of cheques issued worth Rs. 68,000, cheques amounting to Rs. 40,000 only were presented for payment till 30th June, 2018.
- (iv) A cheque for Rs. 8,000 received and entered in the Cash Book but it was not sent to the Bank.
- (v) Cheques worth Rs. 40,000 had been sent to Bank for collection but the collection was reported by the Bank as under.
 - (1) Cheques collected before 30th June, 2018, Rs. 28,000.
 - (2) Cheques collected on 10th July, 2018, Rs. 8,000.
 - (3) Cheques collected on 12th July, 2018, Rs. 4,000.

Mittal Commerce Classes

- (vi) The Bank made a direct payment of Rs. 1,200 which was not recorded in the Cash Book.
- (vii) Interest on Overdraft charged by the bank Rs. 3,200 was not recorded in the Cash Book.
- (viii) Bank charges worth Rs. 160 have been entered twice in the cash book whereas Insurance charges for Rs. 140 directly paid by Bank was not at all entered in the Cash Book.
- (ix) The credit side of bank column of Cash Book was under cast by Rs. 4,000.

(10 Marks)

- (b)** On 1st Oct, 2010, X Ltd purchased a machinery for Rs. 6,00,000. On 31st May, 2012, a part of the machinery purchased on 1st Oct., 2010 for Rs. 80,000 was sold for Rs. 30,000. On the same date a fresh machinery was purchased for Rs. 1,50,000. Depreciation is provided at 20% per annum on the written down value method and the books are closed on 31st March each year. you are required to prepare (a) Machinery Account, (b) Provision for Depreciation Account, and (c) Machinery Disposal Account.

(10 Marks)

Question 3:

- (a)** Dinesh, Ramesh and Naresh are partners in a firm sharing profits and losses in the ratio of 3:2:1. Their Balance Sheet as on 31st March, 2018 is as below:

Liabilities		(Rs.)	Assets		(Rs.)
Trade payables		22,500	Land & Buildings		37,000
Outstanding Liabilities		2,200	Furniture & Fixtures		7,200
General Reserve		7,800	Closing stock		12,600
Capital Accounts:			Trade Receivables		10,700
Dinesh	15,000		Cash in hand		2,800
Ramesh	15,000		Cash at Bank		2,200
Naresh	10,000	40,000			
		72,500			72,500

The partners have agreed to take Suresh as a partner with effect from 1st April, 2018 on the following items:

- (i) Suresh shall bring Rs. 8,000 towards his capital. He paid cheque to the firm.
- (ii) The value of stock to be increased to Rs. 14,000 and Furniture & Fixtures to be depreciated by 10%.
- (iii) Reserve for bad and doubtful debts should be provided at 5% of the Trade Receivables.
- (iv) The value of Land & Buildings to be increased by Rs. 5,600 and the value of the goodwill be fixed at Rs. 18,000.
- (v) The new profit sharing ratio shall be divided equally among the partners.

The outstanding liabilities include Rs. 700 due to Ram which has been paid by Dinesh. Necessary entries were not made in the books.

Prepare (i) Revaluation Account, (ii) Capital Accounts of the partners, (iii) Balance Sheet of the firm after admission of Suresh.

(10 Marks)

- (b)** A firm prepares accounts annually up to 30th November and stock taking takes place in the following weekend. In the year 2022, stock taking commenced on 4th December when the value of stock on that date was found Rs. 25,000. From the following information, you are required to ascertain the value of stock on 30th November 2022:

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1. The average rate of gross profit is 20% on sales.
2. Goods outwards are entered in the Sales Day Book as on the day of dispatch.
3. Goods inward are entered in the Purchases Day Book as on the date of the invoice.
4. Sales during the period 1st to 4th December, as shown by the Sales Day Book and the Cash Book Rs. 1,500.
5. Purchase during the same period as shown by the Purchases Day Book amounted to Rs. 1,200, but of these goods to the value of Rs. 200 were not received until 4th December.
6. Goods invoiced during November and not received until December totalled Rs. 1,600. Of these, goods to the value of Rs. 1,000 were received during the period 1st to 4th December and Rs. 600 after 4th December.
7. In November, goods were sent to a customer on sale or return basis. The sale price was Rs. 1,000. The goods were still returnable by the customer on 15th December.

(5 Marks)

- (c)** On 1st July, 2022 G drew a bill for Rs. 1,60,000 for 3 months on H for mutual accommodation, H accepted the bill of exchange.
G had purchased goods worth Rs. 1,62,000 from J on the same date. G endorsed H's acceptance to J in full settlement.

On 1st September, 2022 J purchased goods worth Rs. 1,80,000 from H.J. endorsed the bill of exchange received from G to H and paid Rs. 18,000 in full settlement of the amount due to H.

On 1st October, 2022 H purchased goods worth Rs. 2,00,000 from G. He paid the amount due to G By cheque.

Give the necessary Journal Entries in the books of H.

(5 Marks)

Question 4:

- (a)** Suresh started business on April 1, 2016 with a capital of Rs. 30,000. The following Trial Balance was drawn up from his books at the end of the year:

Particulars	Amount Rs.	Particulars	Amount Rs.
Drawings	4,500	Capital	40,000
Plant & Fixtures	8,000	Sales	1,60,000
Purchases	1,16,000	Creditors	12,000
Carriage Inward	2,000	Bills Payable	9,000
Wages	8,000		
Return Inward	4,000		
Salaries	10,000		
Printing	800		
Advertisement	1,200		
Trade Charges	600		
Rent	1,400		
Debtors	25,000		
Bills Receivable	5,000		
Investments	15,000		
Discount	500		
Cash at Bank	16,000		
Cash in Hand	3,000		
	2,21,000		2,21,000

The value of stock as at 31 March, 2017 was Rs. 26,000. You are required to prepare his Trading & Profit & Loss Account for the year ended 31st March 2017 and a Balance Sheet as at that date after taking the following facts into account:

- (I) Interest on capital is to be provided at 6% p.a.
- (II) an additional capital of Rs. 10,000 was introduced by Suresh on October 1, 2016.
- (III) Plant & Fixtures are to be depreciated by 10% p.a.
- (IV) Salaries outstanding on March 31, 2017 amounted to Rs. 500.
- (V) Accrued interest on investment amounted to Rs. 750.
- (VI) Rs. 500 are Bad Debts and a provision for Doubtful Debts is to be created at 5% on the balance of debtors.

(10 Marks)

(b) The balance sheet of Mittal on 1st January, 2018 was as follows:

Liabilities	Amount Rs.	Assets	Amount Rs.
Trade payables	16,00,000	Plant & Machinery	31,00,000
Expenses payable	2,50,000	Furniture & Fixture	4,00,000
Capital	51,00,000	Trade receivables	14,50,000
		Cash at bank	7,00,000
		Inventories	13,00,000
	69,50,000		69,50,000

During 2018, his profit and loss account revealed a net profit of Rs. 15,10,000. This was after allowing for the following:

- (i) Interest on capital @ 6% p.a.
- (ii) Depreciation on plant and machinery @ 10% p.a. and on Furniture and Fixtures @ 5% p.a..
- (iii) A provision for Doubtful debts @ 5% of the trade receivables as at 31st December 2018.

But while preparing the profit and loss account he had forgotten to provide for (1) outstanding expenses totalling Rs. 1,85,000 and (2) prepaid insurance to the extent of Rs. 25,000.

His current assets and liabilities on 31st December, 2018 were: Trade receivables Rs. 21,00,000; Cash at bank Rs. 5,20,000 and Trade payables Rs. 13,84,000. During the year he withdrew Rs. 6,20,000 for domestic use. Closing inventories is equal to net trade receivables at the year-end.

You are required to draw up revised Profit and Loss account and Balance Sheet at the end of the year.

(10 Marks)

Question 5:

- (a)** From the following Income and Expenditure account and the Balance sheet of a club, prepare its Receipts and Payments Account and subscription account for the year ended 31st March, 2019:

Income & Expenditure Account for the year 2018-19

Particulars	Rs.	Particulars	Rs.
To Upkeep of ground	11,000	By Subscriptions	19,052
To Printing	1,100	By Sale of Newspapers (Old)	286
To Salaries	11,100	By Lectures (Fee)	1,650
To Depreciation on furniture	1,100	By Entrance Fee	2,145
To Rent	1,660	By Misc. Income	440
		By Deficit	2,387
	25,960		25,960

Balance sheet as at 31st March 2019

Liabilities		Rs.	Assets	Rs.
Subscription in advance (2019-20)		110	Furniture	9,900
Prize fund:			Ground and Building	51,700
Opening balance	27,500		Prize Fund Investment	22,000
Add: Interest	1,100		Cash in Hand	2,530
	28,600		Subscription (outstanding) (2018-2019)	770
Less: Prizes given	2,200	26,400		
General Fund:				
Opening balance	62,062			
Less: Deficit	2,387			
	59,675			
Add: Entrance Fee	715	60,390		
		86,900		86,900

The following adjustments have been made in the above accounts:

- Upkeep of ground Rs. 660 and printing Rs. 264 relating to 2017-18 were paid in 2018-19.
- One fourth of entrance fee has been capitalized by transfer to General Fund.
- Subscription outstanding in 2017-18 was Rs. 880 and for 2018-19 Rs. 770.
- Subscription received in advance in 2017-18 was Rs. 220 and in 2018-19 for 2019-20 was Rs. 110.
- Furniture was purchased during the year.

(10 Marks)

(b) Following notes pertain to the Balance Sheet of Sanjay Ltd. as at 31st March, 2022

Authorised capital:	Rs.
60,000 12% Preference shares of Rs. 10 each	6,00,000
6,00,000 Equity shares of Rs. 10 each	60,00,000
	66,00,000
Issued and Subscribed capital:	
48,000 12% Preference shares of Rs. 10 each fully paid	4,80,000
5,40,000 Equity shares of Rs. 10 each, Rs. 8 paid up	43,20,000
Reserves and surplus:	
General Reserve	7,20,000
Capital Redemption Reserve	2,40,000
Securities premium (collected in cash)	1,50,000
Profit and Loss Account	12,00,000

On 1st April, 2022, the Company has made final call @ Rs. 2 each on 5,40,000 equity shares. The call money was received by 20th April, 2022. Thereafter, the company decided to capitalise its reserves by way of bonus at the rate of one share for every four shares held.

Show necessary journal entries in the books of the company and prepare the extract of the balance sheet as on 30th April, 2022 after bonus issue.

(10 Marks)

Question 6:

- (a) A limited company issued a prospectus inviting applications for 2,00,000 shares of Rs. 10 each at a premium of Rs. 2 per share payable as follows : On Application Rs. 3; On Allotment Rs. 4 (including premium) : On First Call Rs. 3 and On Second Call Rs. 2.

Applications were received for 3,00,000 shares and allotment was made on pro-rate basis. Money overpaid on application was employed on account of sums due on allotment.

R, to whom 400 shares were allotted failed to pay the allotment money and on his subsequent failure to pay the First Call his share were forfeited. M, the holder of 600 share failed to pay the two calls and his shares were forfeited after the Second Call. Of the shares forfeited, 800 shares were sold to K as fully paid, K paying Rs. 9 per share, the whole of R's share being included.

Give journal entries, prepare Bank Account. Calls in arrear account is not opened by company.

(15 Marks)

- (b) Distinguish between Periodic Inventory System and Perpetual Inventory System.

(5 Marks)

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