

CA Foundation Course**DATE: 27.03.2025****(Mock Test Paper – Series : 1)****MAXIMUM MARKS: 100****TIMING: 3^{1/4} Hours****PAPER 1 : ACCOUNTING****Question No. 1 are 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) Cash Discount is a reduction granted by a supplier from the sale price of goods or services on business considerations for prompt payment.
- (ii) M/s. XYZ & Co. runs a office. They renovated some of the old cabins. Because of this renovation some space was made free and number of cabins was increased from 15 to 18. The total expenditure incurred was Rs. 30,000 and was treated as a revenue expenditure.
- (iii) Valuation of inventory, at cost or net realizable value, whichever higher, is based on principle of Conservatism.
- (iv) In case of bill of exchange, the drawer and the payee may not be the same person but in case of a promissory note, the maker and the payee may be the same person.
- (v) A Partnership firm cannot own any Assets.
- (vi) Since company has existence independent of its members, it continues to be in existence despite the death, insolvency or change of members.

(6 x 2 = 12 Marks)**(b) Distinguish between Provision and Contingent Liability.****(4 Marks)**

(c) Ajay and Vijay are in partnership sharing profits and losses in the ratio of 3:2. As Ajay, on account of his advancing years, feels he cannot work as hard as before, the chief clerk of the firm, Sanjay, is admitted as a partner with effect from 1st January, 2022, and becomes entitled to 1/10th of the net profits and nothing else, the mutual ratio between Ajay and Vijay remaining unaltered.

Before becoming a partner, Sanjay was getting a salary of Rs. 500 p.m. together with a commission of 4% on the net profits after deducting his salary and commission.

It is provided in the partnership deed that the share of Sanjay's profits as a partner in excess of the amount to which he would have been entitled if he had continued as the chief clerk, should be taken out of Ajay's share of profits.

The net profit for the year ended December 31, 2022 is Rs. 1,10,000. Show the distribution of net profit amongst the partners.

(4 Marks)**Question 2:**

(a) Aman, a readymade garment trader, keeps his books of account under single entry system. On the closing date, i.e. on 31st March, 2021 his statement of affairs stood as follows:

Equity & Liabilities	Amount Rs.	Assets	Amount Rs.
Aman's capital	4,80,000	Building	3,25,000
Loan	1,50,000	Furniture	50,000
Creditors	3,10,000	Motor car	90,000
		Stock	2,00,000
		Debtors	1,70,000
		Cash in hand	20,000

		Cash at bank	85,000
	9,40,000		9,40,000

Riots occurred and a fire broke out on the evening of 31st March, 2022, destroying the books of accounts. On that day, the cashier had absconded with the available cash. You are furnished with the following information:

- Sales for the year ended 31st March, 2022 were 20% higher than the previous year's sales, out of which, 20% sales were for cash. He always sells his goods at cost plus 25%. There were no cash purchases.
- Collection from debtors amounted to Rs. 14,00,000, out of which Rs. 3,50,000 was received in cash.
- Business expenses amounted to Rs. 2,00,000, of which Rs. 50,000 were outstanding on 31st March, 2022 and Rs. 60,000 paid by cheques.
- Gross profit as per last year's audited accounts was Rs. 3,00,000.
- Provide depreciation on building and furniture at 5% each and motor car at 20%.
- His private records and the Bank Pass Book disclosed the following transactions for the year 2021-22:

	Rs.
Payment to creditors (paid by cheques)	13,75,000
Personal drawings (paid by cheques)	75,000
Repairs (paid by cash)	10,000
Travelling expenses (paid by cash)	15,000
Cash deposited in bank	7,15,000
Cash withdrawn from bank	1,20,000

- Stock level was maintained at Rs. 3,00,000 all throughout the year.
- The amount defalcated by the cashier is to be written off to the Profit and Loss Account.

You are required to prepare Trading and Profit and Loss A/c for the year ended 31st March, 2022 and Balance Sheet as on that date of Aman. All the workings should form part of the answer.

(10 Marks)

- (b)** Aman, Baman and Chaman were in partnership sharing profits and losses 3:4:3 respectively. The accounts of the firm are made up to 31st March every year. The partnership provided, inter alia, that: On the retirement of a partner the goodwill was to be valued at three years' purchase of average profits of the past four years up to the date of the retirement after deducting interest @12%p.a. on capital employed and remuneration of Rs. 2,000 p.m. to each partner. On 1st April 2022, Aman retired and it was agreed on his retirement to adjust goodwill in the capital accounts without showing any amount of goodwill in the Balance Sheet. It was agreed that the capital employed would be Rs. 6,50,000. Baman and Chaman were to continue the partnership, sharing profits and losses equally after the retirement of Aman. The following were the amounts of profits of earlier years before charging salary to partners and interest on capital employed.

Year	Profit
2018-19	2,60,000
2019-20	2,75,000
2020-21	2,65,000
2021-22	2,80,000

You are required to compute the value of goodwill and show the adjustment there of in the books of the firm.

(5 Marks)

- (c) Neeraj Ltd.'s capital structure consists of 45,000 Equity Shares of Rs. 10 each fully paid up and 3,000 9% Redeemable Preference Shares of Rs. 100 each fully paid up as on 31.03.2021. The other particulars as at 31.03.2021 are as follows:

	Amount (Rs.)
General Reserve	1,80,000
Profit & Loss Account	90,000
Investment Allowance Reserve (not free for distribution as dividend)	22,500
Cash at bank	2,92,500

Preference Shares are to be redeemed at a premium of 10%. For the purpose of redemption, the directors are empowered to make fresh issue of Equity Shares at par after utilizing the undistributed reserve & surplus, subject to the conditions that a sum of Rs. 60,000 shall be retained in General Reserve and which should not be utilized. Company also sold investment of 6,750 Equity Shares in Kumar Ltd., costing Rs.67,500 at 90% of cost.

Pass Journal entries to give effect to the above arrangements.

(5 Marks)

OR

- (c) Storek Limited has a subscribed capital of Rs. 21,00,000 in Equity Share Capital consisting of 1,50,000 shares of Rs. 10 each fully paid and 1,00,000 shares of Rs. 10 each, called up capital Rs. 6 per share.
On 01.04.2023 the company decides to convert the partly paid-up shares into fully paid-up shares by way of bonus issue and holders of fully paid-up shares are also allotted fully paid-up bonus share in the 1:1 ratio.

The following figures appear in trial balance of Storek Limited as on 31.03.2023:

	(Rs.)
Capital Redemption Reserve	80,000
Capital Reserve	1,00,000
Securities Premium	2,20,000
General Reserve	12,50,000
Surplus (credit balance in Profit & Loss Account)	2,40,000

Securities Premium Account includes a premium of Rs. 75,000 for shares issued to vendors pursuant to a scheme of absorption. It was decided that there should be minimum reduction in free reserves.

You are required to pass necessary Journal Entries.

(5 Marks)

Question 3:

- (a) On 1st January, 2012, Ram drew on Mohan, who is his debtor for Rs. 15,000 three bills of exchange: First for Rs. 4,000 at one month, Second for Rs. 5,000 at two months and third for Rs. 6,000 at three months. Mohan accepted all the three bills.
On 10th January, 2012, Ram endorsed the first bill to his creditor Sohan in full settlement of his account of Rs. 4,120. This bill was duly met on maturity.
On 20th January, 2012, the second bill was discounted from the bank for Rs. 4,850. This bill was dishonoured on the due date and bank paid Rs. 40 as noting charges.

ON Mohan's request Ram drew a fourth bill on Mohan for 2 months for the amount due plus Rs.200 as interest.

Third bill was paid under a relate of 15% p.a. one month before maturity. The fourth bill was sent to bank for collection on 4th May, 2012 and was duly met on maturity.

Pass Journal entries in the books of Ram.

(10 Marks)

(b) On 31st March, 2021 the Trial Balance of Mr. Black was as follows:

Particulars	Debit (Rs.)	Particulars	Credit (Rs.)
Stock on 1/4/2020		Sundry Creditors	1,50,000
Raw Materials	2,10,000	Bills Payables	75,000
Work-in-Progress	95,000	Sale of scrap	25,000
Finished Goods	1,55,000	Commission received	4,500
Sundry Debtors	2,40,000	Provision for doubtful debts	16,500
Carriages on Purchase	15,000	Capital account	10,00,000
Bills Receivables	1,50,000	Sales	16,72,000
Wages	1,30,000	Bank overdraft	85,000
Salaries	1,00,000		
Telephone and Postage	10,000		
Repairs to office furniture	3,500		
Cash at Bank	1,70,000		
Office Furniture	1,00,000		
Repairs to Plant	11,000		
Purchases	8,50,000		
Plan and Machinery	7,00,000		
Rent	60,000		
Lighting	13,500		
General Expenses	15,000		
	30,28,000		30,28,000

The following additional information is available:

Stocks on 31st March,2021 were:

Raw material	Rs. 1,62,000
Finished goods	Rs. 1,81,000
Work-in-progress	Rs. 78,000

Salaries and wages unpaid for the year ended 31st March,2021 were respectively, Rs. 9,000 and Rs. 20,000. Machinery is to be depreciated by 10% and office furniture by 7½%. A provision for doubtful debts is to be maintained @1% of sales. Rent is to be charged as to 3/4 to factory and 1/4 to office. Lighting is to be charged as to 2/3 to factory and 1/3 to office.

Prepare the Manufacturing Account, Trading Account and Profit and Loss Account for the year ended on 31st March, 2021.

(10 Marks)

Question 4:

(a) On 30th September, 2022, the bank account of ABC, according to the bank column of the cash book, was overdrawn to the extent of Rs. 32,248. An examination of the Cash book and Bank Statement reveals the following:

- A cheque for Rs. 22,28,000 deposited on 29th September, 2022 was credited by the bank only on 3rd October, 2022.
- A payment by cheque for Rs. 36,000 has been entered twice in the Cash book.

- (iii) On 29th September, 2022, the bank credited an amount of Rs. 2,30,800 received from a customer of ABC, but the advice was not received by ABC until 1st October, 2022.
- (iv) Bank charges amounting to Rs. 560 had not been entered in the cash book.
- (v) On 6th September 2022, the bank credited Rs. 60,000 to ABC in error.
- (vi) A bill of exchange for Rs. 3,20,000 was discounted by ABC with his bank. The bill was dishonoured on 28th September, 2022 but no entry had been made in the books of ABC.
- (vii) Cheques issued upto 30th September, 2022 but not presented for payment upto that date totalled Rs. 26,92,000.
- (viii) A bill payable of Rs. 4,00,000 had been paid by the bank but was not entered in the cash book and bill receivable for Rs. 1,20,000 had been discounted with the bank at a cost of Rs. 2,000 which had also not been recorded in cash book.

You are required:

To show the appropriate rectifications required in the cash book of ABC, to arrive at the correct balance on 30th September, 2022 and to prepare a Bank Reconciliation Statement as on that date.

(10 Marks)

- (b)** Correct the following errors (i) without opening a Suspense Account and (ii) with opening a Suspense Account:

- (1) The sales book has been totalled Rs. 4,200 short.
- (2) Goods worth Rs. 3,600 returned by Gaurav & Co. have not been recorded anywhere.
- (3) Goods purchased Rs. 4,500 have been posted to the debit of the supplier Sen Brothers.
- (4) Furniture purchased from Mary Associates, Rs. 30,000 has been entered in the purchase Daybook.
- (5) Discount received from Black and White Rs. 2,400 has not been entered in the books.
- (6) Discount allowed to Radhe Mohan & Co. Rs. 360 has not been entered in the Discount Column of the Cashbook. The account of Radhe Mohan & Co. has, however, been correctly posted.

(10 Marks)

Question 5:

- (a)** The following is the Receipts and Payments Account of The Calcutta Football Club for the year ended 31.12.2022 :

Receipts	Rs.	Payments	Rs.
Cash in hand	2000	Remuneration to club coach	5,000
Balance as per Bank Pass Book :		Groundmen's pay	2,500
Saving Account	19,300	Purchase of equipments	15,500
Current Account	6,000	Bar room expenses	2,000
		Ground rent	2,500
Bank interest	500	Club night expenses	3,800
Entrance fees	1,800	Printing and stationery	3,000
Donations and subscriptions	25,000	Repairs to equipment	5,000
Bar room receipts	4,000	Honorarium to Secretary for the year 2021	4,000
Contribution to club night	1,000	Balance at Bank as per Pass Book :	
Sale of equipment	800	Savings Account	20,400
Net proceeds of club night	7,800	Current Account	2,000
		Cash in hand	2,500
	68,200		68,200

You are given the following additional information (all figures in rupees):

		1.1.2022	31.12.2022
(a)	Subscriptions due from members	1,500	1,000
(b)	Sums due for printing and stationery	1,000	800
(c)	Unpresented cheques on Current Account being payments for repairs	3,000	2,500
(d)	Interest on Savings Bank Account, not entered in Pass Book	--	200
(e)	Estimated value of equipments	8,000	17,500
(f)	For the year ended 31.12.2022, the honorarium to Secretary are to be increased by a total of Rs. 2,000 and the Groundman is to receive a bonus of Rs. 2,000.		

You are required to prepare :

- An Income and Expenditure Account for the year ended 31.12.2022; and
- A Balance Sheet as on that date.

(10 Marks)

- (b) M/s. TB is a partnership firm with the partners A, B and C sharing profits and losses in the ratio of 3:2:5. The balance sheet of the firm as on 30th June, 2020 was as under:

Balance Sheet of M/s. TB as on 30-6-2020

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
A's Capital A/c	1,24,000	Land	1,20,000
B's Capital A/c	96,000	Building	2,20,000
C's Capital A/c	1,60,000	Plant & Machinery	4,00,000
Long Term Loan	4,20,000	Investments	42,000
Bank Overdraft	64,000	Inventories	1,36,000
Trade Payables	2,13,000	Trade Receivables	1,59,000
	10,77,000		10,77,000

It was mutually agreed that B will retire from partnership and in his place D will be admitted as a partner with effect from 1st July, 2020. For this purpose, following adjustments are to be made:

- Goodwill of the firm is to be valued at Rs. 3 lakhs due to the firm's location advantage but the same will not appear as an asset in the books of the reconstituted firm.
- Building and Plant & Machinery are to be valued at 95% and 80% of the respective balance sheet values. Investments are to be taken over by the retiring partner at Rs. 46,000. Trade receivables are considered good only upto 85% of the balance sheet figure. Balance to be considered bad.
- In the reconstituted firm, the total capital will be 4 lakhs, which will be contributed by A, C and D in their new profit sharing ratio, which is 3:4:3.
- The amount due to retiring partner shall be transferred to his loan account.

You are required to prepare Revaluation Account and Partners Rs. Capital Accounts after reconstitution, along with working notes.

(10 Marks)

Question 6:

(a) ABC Limited issued 20,000 equity shares of Rs. 10 each payable as:

Rs. 2 per share on application

Rs. 3 per share on allotment

Rs. 4 per share on first call

Rs. 1 per share on final call

All the shares were subscribed. Money due on all shares was fully received except for Mr. Bird, holding 300 shares, who failed to pay first call and final call money. All these 300 shares were forfeited. The forfeited shares of Mr. Bird were subsequently re-issued to Mr. John as fully paid up at a discount of Rs. 2 per share.

Pass the necessary Journal Entries to record the above transactions in the books of ABC Limited. Company does not open calls in arrears account.

(10 Marks)

(b) Y Company Limited issue 10,000 12% Debentures of the nominal value of Rs. 60,00,000 as follows :

(i) To a vendor for purchase of fixed assets worth Rs. 13,00,000 - Rs. 15,00,000 nominal value.

(ii) To sundry persons for cash at 90% of nominal value of Rs. 30,00,000.

(iii) To the banker as collateral security for a loan of Rs. 14,00,000 - Rs. 15,00,000 nominal value,

You are required to pass necessary Journal Entries.

(5 Marks)

(c) Distinguish between Straight line method of depreciation and Written down value method of depreciation.

(5 Marks)

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