

MKG CA EDUCATION

MOCK TEST-3

CA FOUNDATION

PAPER 1 – ACCOUNTS

FULL SYLLABUS

Time allowed: 3 hours

Maximum Marks: 100

Question No. 1 is compulsory.

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

Working notes should form part of the answer.

Whenever necessary, suitable assumptions may be made and indicated in the answer by the candidates.

Question 1 (a)

(12 Marks)

State with reasons, whether the following statements are true or false:

- (i) Expenses in connection with obtaining a license for running the Cinema Hall is Revenue Expenditure.
- (ii) If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will disagree.
- (iii) There are two ways of preparing an account current.
- (iv) In case of consignment sale, ownership of goods will be transferred to consignee at the time of receiving the goods.
- (v) In case the due date of a bill falls after the date of closing the account, the interest from the date of closing to such due date is known as Red-Ink interest.
- (vi) Limited Liability Partnership (LLP) is governed by Indian Partnership Act, 1932.

Question 1 (b)

(4 Marks)

Differentiate between provision and contingent liability.

Question 1 (c)

(4 Marks)

Give journal entries (narrations not required) to rectify the following:

- (i) Purchase of Furniture on credit from Nigam for ₹ 3,000 posted to Subham account as ₹ 300.

- (ii) A Sales Return of ₹ 5,000 to Jyothy was not entered in the financial accounts though it was duly taken in the stock book.
- (iii) Investments were sold for ₹ 75,000 at a profit of ₹ 15,000 and passed through Sales account.
- (iv) An amount of ₹ 10,000 withdrawn by the proprietor (Darshan) for his personal use has been debited to Trade Expenses account.

Question 2 (a)**(4 Marks)**

Classify the following expenditures as capital or revenue expenditure:

- (i) Money spent to reduce working expenses.
- (ii) Amount spent as lawyer's fee to defend a suit claiming that the firm's factory site belonged to the plaintiff's land.
- (iii) Rings and Pistons of an engine were changed at a cost of ₹ 5,000 to get fuel efficiency.
- (iv) Compensation of ₹ 2.5 crores paid to workers, who opted for voluntary retirement.

Question 2 (b)**(6 Marks)**

Prepare a bank reconciliation statement from the following particulars as on 31st March, 2021.

Particulars	(₹)
Debit balance as per bank column of the cash book	18,60,000
Cheque issued to creditors but not yet presented to the Bank for payment	3,60,000
Dividend received by the bank but not entered in the Cash book	2,50,000
Interest credited by the Bank	6,250
Cheques deposited into bank for collection but not collected by bank up to this date	7,70,000
Bank charges not entered in Cash book	1,000
A cheque deposited into bank was dishonoured, but no intimation received	1,60,000
Bank paid house tax on our behalf, but no intimation received from bank in this connection	1,75,000

Question 2 (c)**(10 Marks)**

The following mistakes were located in the books of a concern after its books were closed and a Suspense Account was opened in order to get the Trial Balance agreed:

- (i) Sales Day Book was overcast by ₹ 1,000.
- (ii) A sale of ₹ 5,000 to X was wrongly debited to the Account of Y.
- (iii) General expenses ₹ 180 was posted in the General Ledger as ₹ 810.
- (iv) A Bill Receivable for ₹ 1,550 was passed through Bills Payable Book. The Bill was given by P.
- (v) Legal Expenses ₹ 1,190 paid to Mrs. Neetu was debited to her personal account.
- (vi) Cash received from Ram was debited to Shyam ₹ 1,500.
- (vii) While carrying forward the total of one page of the Purchases Book to the next, the amount of ₹ 1,235 was written as ₹ 1,325.

Find out the amount of the Suspense Account and Pass entries (including narration) for the rectification of the above errors in the subsequent year's books.

Question 3 (a)**(10 Marks)**

On 1st January 2021, Akshay draws two bills of exchange for ₹ 16,000 and ₹ 25,000.

The bill of exchange for ₹ 16,000 is for two months while the bill of exchange for ₹ 25,000 is for three months. These bills are accepted by Vishal. On 4th March, 2021, Vishal requests Akshay to renew the first bill with interest at 15% p.a. for a period of two months. Akshay agreed to this proposal. On 25th March, 2021, Vishal retires the acceptance for ₹ 25,000, the interest rebate i.e. discount being ₹ 250. Before the due date of the renewed bill, Vishal becomes insolvent and only 50 paise in a rupee could be recovered from his estate. Show the Journal Entries (with narrations) in the books of Akshay.

Question 3 (b)**(10 Marks)**

Ganpath of Nagpur consigns 500 cases of goods costing ₹ 1,500 each to Rawat of Jaipur. Ganpath pays the following expenses in connection with the consignment:

Particulars	₹
Carriage	15,000
Freight	45,000
Loading Charges	15,000

Rawat sells 350 cases at ₹ 2,100 per case and incurs the following expenses:

Clearing charges	18,000
Warehousing and Storage charges	25,000
Packing and selling expenses	7,000

It is found that 50 cases were lost in transit (which is an abnormal loss) and another 50 cases were in transit. Rawat is entitled to a commission of 10% on gross sales. Draw up the Consignment Account and Rawat's Account in the books of Ganpath.

Question 4 (a)**(7 Marks)**

Mr. Ganesh sends out goods on approval to few customers and includes the same in the Sales Account. On 31.03.2021, the Trade Receivables balance stood at ₹ 75,000 which included ₹ 6,500 goods sent on approval against which no intimation was received during the year. These goods were sent out at 30% over and above cost price and were sent to-

Mr. Adhitya ₹ 3,900 and Mr. Bakkiram ₹ 2,600.

Mr. Adhitya sent intimation of acceptance on 25th April, 2021 and Mr. Bakkiram returned the goods on 15th April, 2021.

Make the adjustment entries and show how these items will appear in the Balance Sheet as on 31st March, 2021. Show also the entries to be made during April, 2021. Value of Closing Inventories as on 31st March, 2021 was ₹ 50,000.

Question 4 (b)**(7 Marks)**

Kiran had accepted bills payable to Heena, falling due on different dates. The details of bills are as follows:

Date of bill	Amount	Usance of bill
9th April 2021	₹ 3,000	for 4 months
18th April 2021	₹ 5,500	for 3 months
25th May 2021	₹ 3,000	for 6 months
5th June 2021	₹ 6,000	for 3 months

On 1st July, it was agreed that these bills should be withdrawn and that Kiran should accept on that day two bills, one for ₹ 10,000 due in 4 months and the other for the balance with interest, due in 6 months. Calculate the amount of the second bill taking interest @ 10% p.a. Take 365 days in year 2020-2021.

Question 4 (c)**(6 Marks)**

From the following transactions in the books of Mr. Perfect, prepare an Account Current, by means of product to be sent by him to Mr. Smart for the quarter ending 31st March, 2021. Interest is to be charged and/or allowed @ 12% p.a. (Take 365 days in year)

2021		₹
January 1	Balance in Smart's Account (Credit)	3,500
January 12	Sold goods to Smart (due 1st February)	30,000
January 31	Sold goods to Smart (due 15th February)	27,500
February 15	Cash received	40,000
February 20	Cash received	7,500
March 10	Goods returned by Smart	7,000
March 25	Cash received	6,500

Question 5**(20 Marks)**

The following are the balances extracted from the books of Shri Raghuram as on 31.03.2021, who carries on business under the name and style of M/s Raghuram and Associates at Chennai:

Particulars	Debit (₹)	Credit (₹)
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	
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 Building	5,00,000	
Office equipment	2,00,000	
Furniture and Fixtures	50,000	
Stock as on 31.03.2020	3,20,000	
Sundry debtors	2,80,000	
Cash at Bank	22,000	
Cash in Hand	16,000	
Total	<u>30,73,400</u>	<u>30,73,400</u>

Prepare Trading and Profit and Loss Account for the year ended 31.03.2021 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 ₹ 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 01.07.2020
- Provision for bad debts is to be maintained at 5% of Sundry debtors.
- Insurance premium includes ₹ 42,000 paid towards proprietor's life insurance policy and the balance of the insurance charges cover the period from 01.04.2020 to 30.06.2021.

Question 6 (a)

(12 Marks)

Doctor Dinesh after retiring from Govt. service, started private practice on 1st April, 2020 with ₹ 1,00,000 of his own and ₹ 1,50,000 borrowed at an interest of 12% per annum on the security of his life policies. His accounts for the year were kept on a cash basis and the following is his summarized cash account:

Receipts	₹	Payments	₹
Own capital	1,00,000	Medicines purchased	1,22,500
Loan	1,50,000	Surgical equipments	1,25,000
Prescription fees	3,30,000	Motor car	1,60,000
Visiting fees	1,25,000	Motor car expenses	60,000
Fees from lectures	12,000	Wages and salaries	52,500
Pension received	1,50,000	Rent of clinic	30,000
		General charges	24,500
		Household expenses	90,000
		Household Furniture	12,500
		Expenses on daughter's marriage	1,07,500
		Interest on loan	18,000
		Balance at bank	55,000
		Cash in hand	9,500

One-third of the motor car expense may be treated as applicable to the private use of car and ₹ 15,000 of salaries are in respect of domestic servants.

The stock of medicines in hand on 31st March, 2021 was valued at ₹ 47,500.

You are required to prepare his capital account and income and expenditure account for the year ended 31st March, 2021 and balance sheet as on that date. Ignore depreciation of fixed assets.

Question 6 (b)

(8 Marks)

Piyush Limited is a company with an authorized share capital of ₹ 2,00,00,000 in equity shares of ₹ 10 each, of which 15,00,000 shares had been issued and fully paid on 30th June, 2020. The company proposed to make a further issue of 1,30,000 shares of ₹ 10 each at a price of ₹ 12 each, the arrangements for payment being:

- (i) ₹ 2 per share payable on application, to be received by 1st July, 2020;
- (ii) Allotment to be made on 10th July, 2020 and a further ₹ 5 per share (including the premium) to be payable;
- (iii) The final call for the balance to be made, and the money received by 30th April, 2021.

Applications were received for 4,20,000 shares and were dealt with as follows:

- (1) Applicants for 20,000 shares received allotment in full;
- (2) Applicants for 1,00,000 shares received an allotment of one share for every two applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;
- (3) Applicants for 3,00,000 shares received an allotment of one share for every five shares applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and
- (4) The money due on final call was received on the due date.

You are required to record these transactions (including cash items) in the journal of Piyush limited.