

MKG CA EDUCATION

MOCK TEST-4

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) In case of admission of a new partner in a partnership firm, the profit/loss on revaluation account is transferred to all partners in their new profit sharing ratio.
- (ii) In the balance sheet of X Limited, preliminary expenses amounting to ₹ 5 lakhs and securities premium account of ₹ 35 lakhs are appearing; The accountant can use the balance in securities premium account to write off preliminary expenses.
- (iii) Insurance claim received on account of plant and machinery completely damaged by fire is a capital receipt.
- (iv) Purchase of office furniture & fixtures of ₹ 2,500 has been debited to General Expense Account. It is an error of omission.
- (v) A Limited is sending goods costing ₹ 50,000 to B Limited on consignment basis. The accountant of A Limited is of the opinion that these goods should be sent under a sale invoice.
- (vi) A concern proposes to discontinue its business from December 2020 and decides to dispose off all its plants within a period of 3 months. The Balance Sheet as on 31st December, 2020 should continue to indicate the plants at its historical costs as the assets will be disposed off after the Balance Sheet date.

Question 1 (b)**(4 Marks)**

What services can a Chartered Accountant provide to the society?

Question 1 (c)**(4 Marks)**

The following are some of the transactions of M/s. Kamal & Sons for the year ended 31st March, 2020. You are required to make out their Sales Book.

- (i) Sold to M/s. Ashok & Mukesh on Credit : 40 Shirts @ ₹900 per shirt 30 trousers @ ₹1,000 per trouser
Less: Trade discount @ 10%
- (ii) Sold furniture to M/s. XYZ & Co. on credit ₹8,000
- (iii) Sold 15 shirts to Aman @ ₹ 750 each for cash.

Question 2 (a)**(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 2 (b)**(5 Marks)**

Mr. Alok owes Mr. Chirag 650 on January 2021. From January to March, the following further transaction took place between Alok and Chirag:

January 15	Alok Buys goods 1,200
February 10	Alok Buys goods 850
March 7	Alok receives cash loan 1500

Alok pays the whole amount on 31st March 2021 together with interest @ 6% per annum. Calculate the interest by average due date method.

Question 2 (c)**(5 Marks)**

Mr. Badhri sends goods to his customers on Sale or Return. The following transactions took place during the month of December 2021:

Dec. 2 nd - Sent goods to customers on sale or return basis at cost plus 25 %	₹ 80,000
Dec. 10 th Goods returned by customers	₹ 35,000
Dec. 17 Received letters from customer for approval	₹ 35,000
Dec. 23 Goods with customers awaiting approval	₹ 15,000

Mr. Badhri records sale or return transactions as ordinary sales. You are required to pass the necessary Journal Entries in the books of Badhri assuming that accounting year closes on 31st December, 2021.

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

Prepare the Bank Reconciliation Statement of M/s. R.K. Brothers on 30th June 2021 from the particulars given below:

- (i) The Bank Pass Book had a debit balance of ₹ 25,000 on 30th June, 2021.
- (ii) A cheque worth ₹ 400 directly deposited into Bank by customer but no entry was made in the Cash Book.
- (iii) Out of cheques issued worth ₹ 34,000, cheques amounting to ₹ 20,000 only were presented for payment till 30th June, 2021.
- (iv) A cheque for ₹ 4,000 received and entered in the Cash Book but it was not sent to the Bank.
- (v) Cheques worth ₹ 20,000 had been sent to Bank for collection but the collection was reported by the Bank as under.
 - (1) Cheques collected before 30th June, 2021, ₹ 14,000
 - (2) Cheques collected on 10th July, 2021, ₹ 4,000
 - (3) Cheques collected on 12th July, 2021, ₹ 2,000.
- (vi) The Bank made a direct payment of ₹ 600 which was not recorded in the Cash Book.
- (vii) Interest on Overdraft charged by the bank ₹ 1,600 was not recorded in the Cash Book.
- (viii) Bank charges worth ₹ 80 have been entered twice in the cash book whereas Insurance charges for ₹ 70 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 ₹ 2,000.

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

A Firm purchased an old Machinery for ₹ 37,000 on 1st January, 2017 and spent ₹ 3,000 on its overhauling. On 1st July 2018, another machine was purchased for ₹ 10,000. On 1st July 2019, the machinery which was purchased on 1st January 2017, was sold for ₹ 28,000 and the same day a new machinery costing ₹ 25,000 was purchased. On 1st July, 2020, the machine which was purchased on 1st July, 2018 was sold for ₹ 2,000. Depreciation is charged @ 10% per annum on straight line method. The firm changed the method and adopted diminishing balance method with effect from 1st January, 2018 and the rate was increased to 15% per annum. The books are closed on 31st December every year. Prepare Machinery account for four years from 1st January, 2017.

Question 4 (a)**(15 Marks)**

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, 2021 is as below:

Liabilities	(₹)	Assets	(₹)
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 <u>10,000</u>	<u>40,000</u>		—
	<u>72,500</u>		<u>72,500</u>

The partners have agreed to take Suresh as a partner with effect from 1st April, 2021 on the following items:

- Suresh shall bring ₹ 8,000 towards his capital.
- The value of stock to be increased to ₹ 14,000 and Furniture & Fixtures to be depreciated by 10%.
- Provision for bad and doubtful debts should be provided at 5% of the trade receivables.
- The value of Land & Buildings to be increased by ₹ 5,600 and the value of the goodwill be fixed at ₹18,000.
- The new profit sharing ratio shall be divided equally among the partners.

The outstanding liabilities include ₹ 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.

Question 4 (b)**(5 Marks)**

Mr. Fazhil is a proprietor in business of trading. An abstract of his Trading and P& L account is as follows:

Trading and P & L A/c for the year ended 31.03.2022

Particulars	Rs.	Particulars	Rs.
To Cost of Goods sold	22,00,000	By Sales	45,00,000
To Gross Profit C/d	?		
	45,00,000		45,00,000
To Salaries paid	12,00,000	By Gross Profit B/d	?
To General Expenses	6,00,000	By Other Income	45,000
To Selling Expenses	?		
To commission to manager (On Net profit before charging such commission)	1,00,000		
To Net Profit	?		
	?		?

Selling expenses amount to 1% of total sales.

You are required to compute missing figures.

Question 5 (a)**(5 Marks)**

An inexperienced book keeper has drawn up a Trial balance for the year ended 31st March, 2022.

Particulars	Debit (₹)	Credit (₹)
Provision for Doubtful Debts	250	-
Cash Credit Account	1,654	-
Capital	-	4,591
Trade payables	-	1,637
Due from customers	2,983	-
Discount Received	252	-

Discount Allowed	-	733
Drawings	1,200	-
Office Furniture	2,155	-
Carriage Inward	-	829
Purchases	10,923	-
Returns Inward	-	330
Rent & Rates	314	-
Salaries	2,520	-
Sales	-	16,882
Inventory	2,418	-
Provision for Depreciation on Furniture	364	-
Total	25,033	25,002

Draw up a corrected Trial Balance by debiting or crediting any residual errors to a suspense account.

Question 5 (b)

(5 Marks)

Mr. Shyamal runs a factory, which produces detergents. Following details were available in respect of his manufacturing activities for the year ended 31-03-2022.

Opening work-in-progress (9000 units)	26,000
Closing work-in-progress (14,000 units)	48,000
Opening inventory of Raw Materials	2,60,000
Closing inventory of Raw Materials	3,20,000
Purchases	8,20,000
Hire charges of Machinery @ ₹ 0.70 per unit manufactured	
Hire charges of factory	2,60,000
Direct wages-contracted @ ₹ 0.80 per unit manufactured and @ ₹ 0.40 per unit of closing W.I.P.	
Repairs and maintenance	1,80,000

Units produced - 5,00,000 units

You are required to prepare a Manufacturing Account of Mr. Shyamal for the year ended 31-03-2022.

Question 5 (c)

(10 Marks)

The balance sheet of Mittal on 1st January, 2021 was as follows:

Liabilities	Amount ₹	Assets	Amount ₹
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 2021, his profit and loss account revealed a net profit of ₹ 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 2021.

But while preparing the profit and loss account he had forgotten to provide for

- (1) outstanding expenses totalling ₹1,85,000 and
- (2) prepaid insurance to the extent of ₹ 25,000.

His current assets and liabilities on 31st December, 2021 were: Trade receivables ₹ 21,00,000; Cash at bank ₹ 5,20,000 and Trade payables ₹ 13,84,000. During the year he withdrew ₹ 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

Question 6 (a)

(15 Marks)

X limited invited applications for issuing 75,000 equity shares of ₹ 10 each at a premium of ₹ 5 per share. The total amount was payable as follows:

- ₹ 9 per share (including premium) on application and allotted
- Balance on the First and Final Call

Application for 3,00,000 equity shares were received. Applications for 2,00,000 equity shares were rejected and money refunded. Shares were allotted on pro-rata basis to the remaining application. The first and final

call was made. The amount was duly received expect on 1,500 shares applied by Mr. Raj. His shares were forfeited. The forfeited shares were re-issued at a discount of ₹ 4/- per share.

Pass necessary Journal entries for the above transactions in the books

Question 6 (b)

(5 Marks)

What are the advantages of subsidiary books?

*****All the best*****