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TEST

CA FOUNDATION

(08-06-2022)

PAPER 1 – PRINCIPLES AND PRACTICE OF ACCOUNTING

(FULL SYLLABUS)

Roll No351462.....

Total No. of Question: 6

Time allowed: 3 hours

Total No. of Printed Pages: 6

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) Wages paid for erection of machinery are debited to Profit and Loss Account.
- (ii) 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.
- (iii) The additional commission to the consignee who agrees to bear the loss on account of bad debts is called overriding commission.
- (iv) In the calculation of average due date, only the due date of first transaction must be taken as the base date.
- (v) The business of partnership must be carried on by all the partners.
- (vi) Debenture interest is payable after the payment of preference dividend but before the payment of equity dividend.

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

What services can a Chartered Accountant provide to the society

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

Calculate the missing amount for the following.

	Assets	Liabilities	Capital
(a)	45,00,000	7,50,000	?
(b)	?	4,50,000	2,25,000
(c)	43,50,000	?	41,25,000
(d)	1,71,00,000	(8,40,000)	?

Question 2 (a)**(10 Marks)**

M/s Sam, Profit and loss account showed a net profit of ₹ 24,00,000, after considering the closing stock of ₹ 22,50,000 on 31st March, 2022. Subsequently the following information was obtained from scrutiny of the books:

- (i) Purchases for the year included ₹ 90,000 paid for new electric fittings for the shop.
- (ii) M/s Sam gave away goods valued at ₹2,40,000 as free samples for which no entry was made in the books of accounts.
- (iii) Invoices for goods amounting to ₹ 15,00,000 have been entered on 27th March, 2022, but the goods were not included in stock.
- (iv) In March, 2022 goods of ₹12,00,000 sold and delivered were taken in the sales for April, 2022
- (v) Goods costing ₹4,50,000 were sent on sale or return in March, 2022 at a margin of profit of 33-1/3% on cost. Though approval was given in April, 2022 these were taken as sales for March, 2022.

You are required to determine the adjusted net profit for the year ended on 31.3.2022 and calculate the value of stock on 31st March, 2022

Question 2 (b)**(10 Marks)**

S & Co. purchased a machine for ₹1,00,000 on 1.1.2019 Another machine costing ₹1,50,000 was purchased on 1.7.2020. On 31.12.2021 the machine purchased on 1.1.2019 was sold for ₹50,000.

The company provides depreciation at 15% on Written Down Value Method. The company closes its accounts on 31st December every year.

Prepare –

- (i) Machinery Account,
- (ii) Machinery Disposal Account and
- (iii) Provision for Depreciation Account.

Question 3 (a)**(10 marks)**

M/s Krishna took lease of a quarry on 1-1-2019 for ₹ 6,00,00,000. As per technical estimate the total quantity of mineral deposit is 12,00,000 tonnes. Depreciation was charged on the basis of depletion method.

Extraction pattern is given in the following table:

Year	Quantity of Mineral extracted
2019	12,000 tonnes
2020	60,000 tonnes
2021	90,000 tonnes

Required

Show the Quarry Lease Account and Depreciation Account for each year from 2019 to 2021.

Question 3 (b)**(10 marks)**

On 30th June, 2021, Cash Book of Ms. Suman (Bank Column of Account No. 1) shows a Bank Overdraft of ₹1,97,400. On going through the Bank Pass book for reconciling the Balance, she found the following:

- (a) Out of cheques drawn on 26th June, those for ₹14,800 were cashed by the bankers on 2nd July.
 (b) A crossed cheque for ₹ 3000 given to Abdul was returned by him and a bearer cheque was issued to him in lieu on 1st July.
 (c) Cash and cheques amounting to ₹13,600 were deposited in the Bank on 29th June., but cheques worth ₹ 5,200 were cleared by the Bank on 1st July., and one cheque for ₹ 1,000 was returned by them as dishonoured on the latter date.
 (d) According to Suman's standing instructions, the bankers have on 30th June, paid ₹ 1,280 as interest to her creditors, paid quarterly premium on her policy amounting to ₹ 640 and have paid a second call of ₹2,400 on shares held by her and lodged with the bankers for safe custody. They have also received ₹ 600 as dividend on her shares and recovered an Insurance Claim of ₹3,200, as their charges and commission charged on the above being ₹400.

On receipt of information of the above transaction, she has passed necessary entries in her Cash Book on 1st July.

- (e) Bankers seem to have given a wrong credit for ₹ 2,000 paid in by her in No. 2 account and wrong debit in respect of a cheque for ₹ 1,200 drawn against her No. 2 account.

Prepare a Bank Reconciliation Statement as on 30th June, 2021.

Question 4 (a)**(10 Marks)**

Nishant of Noida consigned 15,000 kgs of Sugar at ₹ 30 per kg to his agent Raja at Gurgaon. He spent ₹ 5 per kg as freight and insurance for sending the Sugar at Gurgaon. On the way 100 kgs. of sugar was lost due to the leakage (which is to be treated as normal loss) and 400 kgs. of sugar was destroyed in transit. ₹ 9,000 was paid to consignor directly by the Insurance company as Insurance claim.

Raja sold 7,500 kgs. at ₹ 60 per kg. He spent ₹ 33,000 on advertisement and recurring expenses.

You are required to calculate:

- (i) The amount of abnormal loss
 (ii) Value of stock at the end and
 (iii) Prepare Consignment account showing profit or loss on consignment, if Raja is entitled to 5% commission on sales.

Question 4 (b)**(10 Marks)**

On 1st January, 2021, Aditi account in Deepti ledger showed a debit balance of ₹ 7,500. The following transactions took place between Deepti and Aditi during the quarter ended 31st March, 2021:

2021		₹
Jan 11	Deepti sold goods to Aditi	9,000
Jan 24	Deepti received a promissory note from Aditi due after 3 months	7,500

Feb 01	Aditi sold goods to Deepti	15,000
Feb 04	Deepti sold goods to Aditi	12,300
Feb 07	Aditi returned goods to Deepti	1,500
March 01	Aditi sold goods to Deepti	8,400
March 18	Deepti sold goods to Aditi	13,800
March 23	Aditi sold goods to Deepti	6,000

Accounts were settled on 31st March, 2020 by means of a cheque. Prepare an Account Current to be submitted by Deepti to Aditi as on 31st March, 2021, taking interest into account @ 10% per annum. Calculate interest to the nearest multiple of a rupee

Question 5**(20 Marks)**

Amal, Kamal and Tamal are partners in a firm sharing profits and losses as 8:5:3. Their balance sheet as at 31st December, 2021 was as follows:

Particulars	₹	Particulars	₹
Sundry creditors	3,00,000	Cash	80,000
General reserve	1,60,000	Bills receivable	1,00,000
Partners' loan accounts:		Sundry debtors	1,20,000
Amal	80,000		
Kamal	60,000		
Partners' capital accounts:		Stock	2,40,000
Amal	2,00,000		
Kamal	1,60,000		
Tamal	1,40,000		
		Fixed assets	5,60,000
	11,00,000		11,00,000

From 1st January, 2022 they agreed to alter their profit-sharing ratio as 5:6:5. It is also decided that:

- The fixed assets should be valued at ₹6,62,000;
- A provision of 5% on sundry debtors to be made for doubtful debts;
- Goodwill of the firm at this date be valued at three years' purchase of the average net profits of the last five years before charging insurance premium; and
- Stock be reduced to ₹2,24,000.

There is a joint life insurance policy for ₹ 4,00,000 for which an annual premium of ₹20,000 is paid, the premium being charged to profit and loss account. The surrender value of the policy on 31st December, 2021 was ₹1,56,000.

The net profits of the firm for the last five years were ₹ 28,000, ₹ 34,000, ₹ 40,000, ₹ 44,000 and ₹54,000. Goodwill and the surrender value of the joint life policy was not to appear in the books.

Draft journal entries necessary to adjust the capital accounts of the partners and prepare the revised balance sheet.

Question 6 (a)**(10 Marks)**

Hari Om Ltd. registered with an authorised equity capital of ₹16,00,000 divided into 8,000 shares of ₹100 each, issued for subscription of 4,000 shares payable at ₹25 per share on application, ₹30 per share on allotment, ₹ 20 per share on first call and the balance as and when required.

Application money on 4,000 shares was duly received and allotment was made to them. The allotment amount was received in full, but when the first call was made, two shareholders failed to pay the amount on 400 shares each held by them and another shareholder with 400 shares, paid the entire amount on his shares. The company did not make any other call. Give the necessary journal entries in the books of the company to record these transactions.

Question 6 (b)**(5 Marks)**

Sampati Ltd. issued 300 lakh 8% debentures of ₹100 each at a discount of 6%, redeemable at a premium of 5% after 3 years payable as : ₹ 50 on application and ₹ 44 on allotment.

You are required to prepare the necessary journal entries for issue of debentures.

Question 6 (c)**(5 Marks)**

From the following particulars, prepare a Bank Reconciliation Statement for Adam Ltd. As on 31.3.2022

- (1) Balance as per cash book is ₹ 6,00,000.
- (2) Cheques issued but not presented in the bank amounts to ₹ 3,40,000.
- (3) Bank charges amounts to ₹ 1,500.
- (4) Interest credited by bank amounts to ₹ 7,500.

OR

Explain in brief objective and advantages of setting Accounting Standards

SPACE FOR ROUGH WORK