

# M.K.G CA EDUCATION

9811429230 / 9212011367

WEBSITE 🌐 : [WWW.MKGEDUCATION.COM](http://WWW.MKGEDUCATION.COM)

EMAIL ✉ : [MKGCAEDUCATION@GMAIL.COM](mailto:MKGCAEDUCATION@GMAIL.COM)

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## TEST-2

CA FOUNDATION

(06-02-2022)

### PAPER 1 – PRINCIPLES AND PRACTICE OF ACCOUNTING

#### TOPICS COVERED:

1. BANK RECONCILIATION STATEMENTS
2. CONCEPT AND ACCOUNTING OF DEPRECIATION
3. COMPANY ACCOUNTS

Roll No .....

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 from 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.

1. A regular bank reconciliation discourages the accountants to be involved in any kind of funds embezzlement.
2. In case an item of Property, Plant & Equipment is revalued, whole class of assets to which that asset being revalued belongs should be revalued.
3. Sum of the years digit method is an example of accelerated method of charging depreciation.
4. Overcasting of credit side of the cash book shall result in a higher bank balance in cash book when compared with pass book balance.
5. Redeemable debentures are not payable during the life time of the company.

6. Debentures can be issued for a consideration other than for cash, such as for purchasing land, machinery etc.

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

Write a note on objectives for providing depreciation.

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

Distinction between debentures and shares. (Any Four)

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

On 1st January 2021 Pigeon Ltd. issued 12% debentures of the face value of ₹ 40,00,000 at 10% discount. Debenture interest after deducting tax at source @10% was payable on 30th June and 31st December every year. All the debentures were to be redeemed after the expiry of five year period at 5% premium.

Pass necessary journal entries for the accounting year 2021.

**Question 3 (20 marks)**

A firm's plant and machinery account at 31st December, 2021 and the corresponding depreciation provision account, broken down by year of purchase are as follows:

Year of Purchase	Plant and Machinery at cost	Depreciation Provision
	₹	₹
2004	2,00,000	2,00,000
2010	3,00,000	3,00,000
2011	10,00,000	9,50,000

2012	7,00,000	5,95,000
2019	5,00,000	75,000
2020	3,00,000	15,000
	30,00,000	21,35,000

Depreciation is at the rate of 10% per annum on cost. It is the Company's policy to assume that all purchases, sales or disposal of plant occurred on 30th June in the relevant year for the purpose of calculating depreciation, irrespective of the precise date on which these events occurred.

During 2021 the following transactions took place:

1. Purchase of plant and machinery amounted to ₹ 15,00,000
2. Plant that had been bought in 2010 for ₹ 170,000 was scrapped.
3. Plant that had been bought in 2011 for ₹ 90,000 was sold for ₹ 5,000.
4. Plant that had been bought in 2012 for ₹ 2,40,000 was sold for ₹ 15,000.

You are required to:

Calculate the provision for depreciation of plant and machinery for the year ended 31st December, 2021. In calculating this provision you should bear in mind that it is the company's policy to show any profit or loss on the sale or disposal of plant as a completely separate item in the Profit and Loss Account. You are also required to prepare the following ledger accounts during 2021.

- (i) Plant and machinery at cost;
- (ii) Depreciation provision;
- (iii) Sales or disposal of plant and machinery.

**Question 4 (a)**

**(8 Marks)**

On 30th September, 2021, the bank account of Neel, according to the bank column of the Cash- Book, was overdrawn to the extent of ₹ 8,124. On the same date the bank statement showed a debit balance of ₹ 41,516 in favour of Neel. An examination of the Cash Book and Bank Statement reveals the following:

1. A cheque for ₹ 26,28,000 deposited on 29th September, 2021 was credited by the bank only on 3rd October, 2021
2. A payment by cheque for ₹ 32,000 has been entered twice in the Cash Book.

3. On 29th September, 2021, the bank credited an amount of ₹ 2,34,800 received from a customer of Neel, but the advice was not received by Neel until 1st October, 2021.
4. Bank charges amounting to ₹ 1,160 had not been entered in the Cash Book.
5. On 6th September, 2021, the bank credited ₹ 40,000 to Neel in error.
6. A bill of exchange for ₹ 2,80,000 was discounted by Neel with his bank. This bill was dishonoured on 28th September, 2021 but no entry had been made in the books of Neel.
7. Cheques issued upto 30th September, 2021 but not presented for payment upto that date totalled ₹26,52,000.

You are required:

- (a) to show the appropriate rectifications required in the Cash Book of Neel, to arrive at the correct balance on 30th September, 2021 and
- (b) to prepare a bank reconciliation statement as on that date.

**Question. 4. (b)**

**(12 Marks)**

The Machinery Account of a Factory showed a balance of ₹ 19,00,000 on 1st January, 2021. Its accounts were made up on 31st December each year and depreciation is written off at 10% p.a. under the Diminishing Balance Method.

On 1st June 2021, a new machinery was acquired at a cost of ₹ 2,80,000 and installation charges incurred in erecting the machine works out to ₹ 8,920 on the same date. On 1st June, 2021 a machine which had cost ₹ 4,37,400 on 1st January 2019 was sold for ₹ 75,000. Another machine which had cost ₹4,37,000 on 1st January, 2020 was scrapped on the same date and it realised nothing.

Write a plant and machinery account for the year 2021, allowing the same rate of depreciation as in the past calculating depreciation to the nearest multiple of a Rupee.

**Question 5 (a)**

**(12 Marks)**

From the following information supplied by Shri Mehta, prepare his bank reconciliation statement as on 31st March after amending the cash book on that date:

1. Bank overdraft as per bank statement ₹1,65,000
2. Cheques issued but not yet presented for payment ₹87,500
3. Cheques deposited with the bank but not yet collected ₹1,05,000
4. Cheque recorded in the bank column of the cash book but not sent to the bank for collection ₹20,000
5. Payments received from customers direct by the bank ₹35,000
6. Bank charges debited in the statement ₹200

7. A bill for ₹ 30,000 (discounted with the bank in February at ₹ 29,780) dishonored on 31st March and noting charges paid by the bank ₹100
8. Premium on life policy of Mehta paid by the bank on standing advice ₹1,800
9. Overdraft (credit) on 25.3, ₹ 80,000 carried over as debit balance on the next day

**Question 5 (b)****(8 Marks)**

Samuel who was the holder of 12,000 preference shares of ₹ 100 each, on which ₹ 75 per share has been called up could not pay his dues on Allotment and First call each at ₹ 25 per share. The Directors forfeited the above shares and reissued 10,000 of such shares to Mr. Robert at ₹ 65 per share paid-up as ₹75 per share.

You are required to prepare journal entries to record the above forfeiture and re-issue in the books of the company.

**Question 6 (a)****(15 Marks)**

ABC Limited issued 20,000 equity shares of ₹ 10 each payable as:

₹ 2 per share on application

₹ 3 per share on allotment

₹ 4 per share on first call

₹ 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 ₹ 2 per share.

Pass the necessary Journal Entries to record the above transactions in the books of ABC Limited.

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

Explain different kinds of preference shares.

**SPACE FOR ROUGH WORK**