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TEST-4

CA FOUNDATION

(17-04-2022)

PAPER 1 – PRINCIPLES AND PRACTICE OF ACCOUNTING

TOPICS COVERED:

1. BANK RECONCILIATION STATEMENTS
2. CONCEPT AND ACCOUNTING OF DEPRECIATION
3. COMPANY ACCOUNTS
4. INVENTORY
5. FINAL ACCOUNTS OF PROPRIETOR
6. BILL OF EXCHANGE
7. AVERAGE DUE DATE
8. ACCOUNT CURRENT
9. CONSIGNMENT ACCOUNT
10. SALE OF GOODS ON APPROVAL OR RETURN BASIS

Roll No

Total No. of Question: 6

Time allowed: 3 hours

Total No. of Printed Pages: 8

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. When shares are forfeited, the share capital account is debited with called up capital of shares forfeited and the share forfeiture account is credited with Calls in arrear of shares forfeited.
2. Accrual concept implies accounting on cash basis.
3. Cash Sales are entered in the sales book.
4. While calculating average due date, any transaction date cannot be taken as due date.
5. Partners can share profits or losses in their capital ratio, when there is no agreement.
6. Consignment account is of the nature of real account.

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

Explain features of bills of exchange.

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

Classify the following errors under the three categories – Errors of Omission, Errors of Commission and Errors of Principle.

- (i) Sale of furniture credited to Sales Account.
- (ii) Purchase worth Rs. 500 from M not recorded in subsidiary books.
- (iii) Credit sale wrongly passed through the Purchase Book.
- (iv) Machinery sold on credit to Mohan recorded in Journal Proper but omitted to be posted.
- (v) Goods worth Rs. 5000 purchased on credit from Ram recorded in the Purchase Book as Rs. 500.

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

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

Particulars	₹
Carriage	15,000
Freight	45,000
Loading Charges	15,000
Shri 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 and another 50 cases were in transit. Shri Rawat is entitled to a commission of 10% on gross sales. Draw up the Consignment Account and Rawat's Account in the books of Shri Ganpath.

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

Mr. Alok owes Mr. Chirag ₹ 650 on 1st January 2022. From January to March, the following further transactions 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	₹ 1,500

Alok pays the whole amount on 31st March, 2022 together with interest @ 6% per annum. Calculate the interest by average due date method.

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

Attempt any of the following two sub-parts i.e. either (i) or (ii)

(i) Mr. Badhri sends goods to his customers on Sale or Return. The following transactions took place during the month of December 2022.

- December 2nd – Sent goods to customers on sale or return basis at cost plus 25% – ₹ 80,000
- December 10th – Goods returned by customers – ₹ 35,000
- December 17th – Received letters from customers for approval – ₹ 35,000
- December 23rd – 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 Mr. Badhri assuming that the accounting year closes on 31st Dec. 2022.

OR

(ii) From the following prepare an account current, as sent by Avinash to Bhuvanesh on 31st March, 2022 by means of products method charging interest @ 5% per annum :

Date	Particulars	Amount (₹)
2022		
January 1	Balance due from Bhuvanesh	1,800
January 10	Sold goods to Bhuvanesh	1,500
January 15	Bhuvanesh returned goods	650
February 12	Bhuvanesh paid by cheque	1,000
February 20	Bhuvanesh accepted a bill drawn	1,500
	By Avinash for one month	

March 11	Sold goods to Bhuvanesh	720
March 14	Received cash from Bhuvanesh	800

Question 3 (a)**(15 marks)**

The Bank Pass Book of Account No. 5678 of Mrs. Rani showed an overdraft of ₹ 33,575 on 31st March 2022. On going through the Pass Book, the accountant found the following :

- (i) A cheque of ₹ 1,080 credited in the pass book on 28th March 2022 being dishonoured is debited again in the pass book on 1st April 2022. There was no entry in the cash book about the dishonour of the cheque until 15th April, 2022.
- (ii) Bankers had credited her account with ₹ 2,800 for interest collected by them on her behalf, but the same has not been entered in her cash book.
- (iii) Out of ₹ 20,500 paid in by Mrs. Rani in cash and by cheques on 31st March 2022 cheques amounting to ₹ 7,500 were collected on 7th April, 2022.
- (iv) Out of cheques amounting to ₹ 7,800 drawn by her on 27th March 2022 a cheque for ₹ 2,500 was encashed on 3rd April 2022.
- (v) Bankers seems to have give her wrong credit for ₹ 500 paid in by her in Account No. 8765 and a wrong debit in respect of a cheque for ₹ 300 against her account No. 8765.
- (vi) A cheque for ₹ 1,000 entered in Cash Book but omitted to be banked on 31st March, 2022.
- (vii) A Bill Receivable for ₹ 5,200 previously dishonoured (Discount ₹ 200) with the Bank had been dishonoured but advice was received on 1st April, 2022.
- (viii) A Bill for ₹ 10,000 was retired/paid by the bank under a rebate of ₹ 175 but the full amount of the bill was credited in the ban column of the Cash Book.
- (ix) A Cheque for ₹ 2,400 deposited into bank but omitted to be recorded in Cash Book and was collected by the bank on 31st March, 2022.

Prepare Bank Reconciliation Statement as on 31st March 2022.

Question 3 (b)**(5 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 4**(20 Marks)**

The trial balance of Kumar as at 31st December, 2022 is as follows:

	Dr.	Cr.
	Rs.	Rs.
Kumar's capital account	-	38,345
Stock 1 st January, 2022	23,400	-
Sales	-	1,94,800
Returns inward	4,300	-
Purchases	1,60,850	-
Returns outward	-	2,900
Carriage inwards	9,800	-
Rent & taxes	2,350	-
Salaries & wages	4,650	-
Sundry debtors	12,000	-
Sundry creditors	-	7,400
Bank loan @ 14% p.a.	-	10,000
Bank interest	550	-
Printing and stationary expenses	7,200	-
Bank balance	4,000	-
Discount earned	-	2,220
Furniture & fittings	2,500	-
Discount allowed	900	-
General expenses	5,725	-
Insurance	650	-
Postage & telegram expenses	1,165	-
Cash balance	190	-
Travelling expenses	435	-
Drawings	15,000	-
	2,55,665	2,55,665

The following adjustments are to be made:

- (1) Provision for bad and doubtful debts be created at 5% and for discount @ 2% on sundry debtors.
- (2) Personal purchases of Kumar amounting to Rs. 300 had been recorded in the purchases day book.
- (3) Depreciation on furniture & fittings @ 10% shall be written off.
- (4) Included amongst the debtors is Rs. 1,500 due from Dayal and included among the creditors Rs. 500 due to him.
- (5) A quarter of the amount of printing and stationary expenses is to be carried forward to the next year.
- (6) Credit purchase invoice amounting to Rs. 200 had been omitted from the books.
- (7) Stock on 31.12.2022 was Rs. 39,300.
- (8) Interest on bank loan shall be provided for the whole year.

You are required to prepare Trading & profit and loss account for the year ended 31.12.2022.

Question 5 (a)**(10 Marks)**

Submarine Ltd. keeps no stock records but a physical inventory of stock is made half yearly and the valuation is taken at cost. The company's year ends on 31st March, 2022 and their accounts have been prepared to that date. The stock valuation taken on 31st March, 2022 was however, misleading and you have been advised to value the closing stocks as on 31st March, 2022 with the stock figure as on 30th September, 2021 and some other information is available to you:

- (i) The cost of stock on 30th September, 2021 as shown by the inventory sheet was ₹ 2,40,000.
- (ii) On 30th September, stock sheet showed the following discrepancies:
- A page total of ₹ 15,000 had been carried to summary sheet as ₹ 16,000.
 - The total of a page had been undercast by ₹ 600.
- (iii) Invoice of purchases entered in the Purchase Book during the quarter from October, 2021 to March, 2022 totaled ₹ 2,10,000. Out of this ₹ 9,000 related to goods received prior to 30th September, 2021. Invoices entered in April, 2022 relating to goods received in March, 2022 totaled ₹ 12,000.
- (iv) Sales invoiced to customers totaled ₹ 2,70,000 from September, 2021 to March, 2022. Of this ₹ 15,000 related to goods dispatched before 30th September, 2021. Goods dispatched to customers before 31st March, 2022 but invoiced in April, 2022 totaled ₹ 12,000.
- (v) During the final quarter, credit notes at invoiced value of ₹ 3,000 had been issued to customers in respect of goods returned during that period. The gross margin earned by the company is 25% of cost.

You are required to prepare a statement showing the amount of stock at cost as on 31st March, 2022.

Question 5 (b)**(10 Marks)**

M/s. JP Wires Co. purchased a second-hand machine on 1st January, 2021 for ₹ 3,20,000. Overhauling and erection charges amounted to ₹ 80,000.

Another machine was purchased for ₹ 1,60,000 on 1st July, 2021.

On 1st July, 2023, the machine installed on 1st January, 2021 was sold for ₹ 1,60,000. Another machine amounted to ₹ 60,000 was purchased and was installed on 30th September, 2023.

Under the existing practice the company provides depreciation @ 20% p.a. on original cost. However, from the year 2024 it decided to adopt WDV method and to charge depreciation @ 15% p.a. You are required to prepare Machinery account for the years 2021 to 2024.

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

On 1st April, 2021, A Ltd. issued 43,000 shares of Rs. 100 each payable as follows:

Rs. 20 on application;

Rs. 30 on allotment;

Rs. 25 on 1st October, 2021;

and Rs. 25 on 1st February, 2022.

By 20th May, 40,000 shares were applied for and all applications were accepted. Allotment was made on 1st June. All sums due on allotment were received on 15th July; those on 1st call were received on 20th October. Journalise the transactions when accounts were closed on 31st March, 2022.

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

Simmons Ltd. issued 1,00,000, 12% Debentures of Rs.100 each at par payable in full on application by 1st April, Application were received for 1,10,000 Debentures. Debentures were allotted on 7th April. Excess money refunded on the same date.

You are required to pass necessary Journal Entries (including cash transactions) in the books of the company.

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

State the causes of difference between the balance shown by the pass book and the cash book.

OR

Which subsidiary books are normally used in a business?

SPACE FOR ROUGH WORK