M.K.G CA EDUCATION

9811429230 / 9212011367

WEBSITE : WWW.MKGEDUCATION.COM
EMAIL : MKCAEDUCATION@GMAIL.COM
Youtube channel: MKG CA EDUCATION
Facebook Page : https://www.facebook.com/mkgcaeducation/
Instagram : https://www.instagram.com/mkgcaeducation/

TEST-3

CA FOUNDATION

(12-03-2023)

PAPER 1 – PRINCIPLES AND PRACTICE OF ACCOUNTING

TOPICS COVERED:

1. Bank Reconciliation Statement
2. Depreciation
3. Final Accounts of Sole Proprietor
4. Consignment
5. Accounting Process (Till the portion covered in class)
6. Sale of goods on approval or Return basis
7. Account Current
8. Bills of Exchange
9. Average Due Date

Roll No ………………

Total No. of Question: 6 | **Total No. of Printed Pages: 8**

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 from part of the respective answers.

Question 1 (a) **(6 x 2 = 12 Marks)**

State with reasons, whether the following statements are True or False.

1. When the causes of differences between pass book balance and cash book is not known, then the bank reconciliation statement can be prepared by matching the two books.
2. If the equipment account has a balance of ₹ 12,50,000 and the accumulated depreciation account has a balance of ₹ 4,00,000, the written down value of same shall be ₹ 16,50,000.
3. Cash book shows a debit balance of ₹ 50,000 and the only difference from the balance as shown in pass book relates to cheques issued for ₹ 60,000 but not yet presented for payment. The balance as per pass book should be ₹ 1,10,000
4. If Sundry debtors include ₹ 20,000 due from Robert and sundry creditors include ₹10,000 due to him, then the amount of 10,000 shall be subtracted from both debtors and creditors while preparing final accounts.
5. If the insurance charges of ₹ 6000 cover the period from 1.4.2021 to 30.6.22, then the amount of prepaid insurance as on 31.03.22 shall be nil.
6. Accounting standard 10 is titled as "Accounting for Fixed Assets".

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

Good Pictures Ltd., constructs a cinema house and incurs the following expenditure during the first year ending 31st March, 2022.

(i) Second-hand furniture worth ₹ 9,000 was purchased; repainting of the furniture costs ₹1,000. The furniture was installed by own workmen, wages for this being ₹200.

(ii) Expenses in connection with obtaining a license for running the cinema worth ₹20,000. During the course of the year the cinema company was fined ₹1,000, for contravening rules. Renewal fee ₹2,000 for next year also paid.

(iii) Fire insurance, ₹1,000 was paid on 1st October, 2021 for one year.

(iv) Temporary huts were constructed costing ₹1,200. They were necessary for the construction of the cinema. They were demolished when the cinema was ready.

Point out which expenditure is capital and which expenditure is revenue.

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 ₹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.

Question 2 (a) **(15 Marks)**

Following is the Trial Balance of Shri Arihant as at 31st December, 2021:

Particulars	**Dr.(₹)**	**Cr.(₹)**
Capital		14,00,000
Drawings	75,000	
Opening Stock	80,000	
Purchases	16,20,000	
Freight on Purchases	15,000	
Wages	1,10,000	
Sales		25,00,000
Travelling Expenses	23,000	
Salaries	1,00,000	
Miscellaneous Expenses	35,000	
Printing and Stationery	27,000	
Advertisement Expenses	25,000	
Postage and Telegram	13,000	
Discounts	7,600	14,500
Bad Debts written off (after adjustment recovery of bad debts of ₹6,000 written off in 2013)	14,000	
Building	10,00,000	
Machinery	75,000	
Furniture	40,000	
Debtors	1,50,000	
Provision for Doubtful Debts		19,000
Creditors		1,60,000
Investment (12% Purchases on 1st Oct., 2021)	6,00,000	
Bank Balance	83,900	
	40,93,500	**40,93,500**

- Closing Stock ₹2,25,000 and goods Worth ₹5,000 were taken for personal use.
- Machinery worth ₹35,000 purchased on 1st January, 2019 was wrongly written off against Profit and Loss account. This asset is to be brought into account on 1st January, 21 taking depreciation at 10% p.a. on Straight Line Basis upto 31st December, 2020.
- Depreciate Building at 2.5% p.a., machinery at 10% p.a. and Furniture at 10% p.a. and make provision for Doubtful Debts at 6% on Debtors.
- Manager's commission is 5% of Net Profit after charging his commission.

Prepare the Trading and Profit and Loss Account and a Balance Sheet as at that date.

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

Mr. Lalit owed ₹ 4,000 on 1st January, 2021 to Mr. Sumit. The following transactions took place between them. It is agreed between the parties that interest @ 10% p.a. is to be calculated on all transactions.

	₹
15 January, 2021 Mr. Sumit sold goods to Mr. Lalit	2,230
29 January, 2021 Mr. Sumit bought goods from Mr. Lalit	1,200
10 February, 2021 Mr. Lalit paid cash to Mr. Sumit	1,000
13 March, 2021 Mr. Lalit accepted a bill drawn by Mr. Sumit for one month	2,000

They agree to settle their complete accounts by one single payment on 15th March, 2021.
Prepare Mr. Lalit in Account Current with Mr. Sumit and ascertain the amount to be paid. Ignore days of grace.

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

The cash book of Ms. Anaya showed the balance of ₹ 2,30,000 as on 31st March but you find that it does not agree with the balance as per the Bank Pass Book due to the following discrepancies:

1. Bill of exchange worth ₹ 2,000 was discounted with bank and was dishonoured on 28th March but no entry has been made in the cash book.
2. Cheques worth ₹ 7,000 issued but not presented.
3. A cheque for ₹ 30,000 has been dishonoured but it does not appear in cash book.
4. Bank has credited ₹7,000 by mistake.
5. Trade subscription of ₹ 15,000 has been paid vide banker's order.
6. Cheque for ₹ 20,000 drawn by Ms. Ananya has been wrongly charged to Ms. Anaya's account.

Calculate the balance of adjusted cash book and then prepare a Bank Reconciliation Statement.

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

On 1.1.2020 machinery was purchased for ₹ 80,000. On 1.7.2021 additions were made to the amount of ₹40,000. On 31.3.2022, machinery purchased on 1.7.2021, costing ₹12,000 was sold for ₹11,000 and on 30.06.2022 machinery purchased on 1.1.2020 costing ₹ 32,000 was sold for ₹26,700. On 1.10.2022, additions were made to the amount of ₹20,000. Depreciation was provided at 10% p.a. on the Diminishing Balance Method. Show the Machinery Accounts for three years from 2020-2022. (year ended 31st December)

Question 4 (a) **(5 Marks)**

X supplied goods on sale or return basis to customers, the particulars of which are as under:

Date of dispatch	Party's name	Amount ₹	Remarks
10.12.2021	M/s ABC Co.	10,000	No information till 31.12.2021
12.12.2021	M/s DEF Co	15,000	Returned on 16.12.2021
15.12.2021	M/s GHI Co	12,000	Goods worth ₹ 2,000 returned on 20.12.2021
20.12.2021	M/s DEF Co	16,000	Goods Retained on 24.12.2021
25.12.2021	M/s ABC Co	11,000	Good Retained on 28.12.2021
30.12.2021	M/s GHI Co	13,000	No information till 31.12.2021

Goods are to be returned within 15 days from the dispatch, failing which it will be treated as sales. The books of 'X' are closed on the 31st December, 2021.

Prepare the following account in the books of 'X'.

1. Goods on "sales or return, sold and returned day books".
2. Goods on sales or return total account.

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

Calculate average due date from the following information:

Date of bill	Term	Amount (₹)
1st March, 2021	2 months	20,000
10th March, 2021	3 months	15,000
5th April, 2021	2 months	10,000
23rd April, 2021	1 months	18,750
10th May, 2021	2 months	25,000

Question 4 (c) **(10 Marks)**

Anand of Bangalore consigned to Raj of Pune, goods to be sold at invoice price which represents 125% of cost. Raj is entitled to a commission of 10% on sales at invoice price and 25% of any excess realized over invoice price. The expenses on freight and insurance incurred by Anand were ₹12,000. The account sales received by Anand shows that Raj has effected sales amounting to ₹1,20,000 in respect of 75% of the consignment. His selling expenses to be reimbursed were ₹9,600 10% of consignment goods of the value of ₹15,000 were destroyed in fire at the Pune godown and the insurance company paid ₹12,000 net of salvage. Raj remitted the balance in favour of Anand.

You are required to prepare Consignment Account and ·the account of Raj in the books of Anand along with the necessary calculations.

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

Journalize the following in the books of Don:

a) Bob informs Don that Ray's acceptance for ₹ 3,000 has been dishonoured and noting charges are ₹40. Bob accepts ₹ 1,000 cash and the balance as bill at three months at interest of 10%. Don accepts from Ray his acceptance at two months plus interest @ 12% p.a.
b) James owes Don ₹ 3,200; he sends Don's own acceptance in favour of Ralph for ₹3,160; in full settlement.
c) Don meets his acceptance in favour of Singh for ₹ 4,500 by endorsing John's acceptance for ₹ 4,450 in full settlement.
d) Ray's acceptance in favour of Don retired one month before due date, interest is taken at the rate of 6% p.a.

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

Nike sports Co. of New Delhi consigned 100 shoes to Adidas Co. of Ahmedabad costing ₹ 1,500 each, invoiced at ₹ 2,000 each. The consignor paid freight ₹ 10,000 and insurance in transit ₹ 1,500. During transit, 10 shoes were totally damaged.

Adidas Co took delivery of remaining shoes and paid ₹ 1,530 for octroi duty. Adidas co. sent a bank draft to Nike sports Co. for Rs 50,000 as advance and later on sent an account sales showing that 80 shoes had been sold @ ₹ 2,200 each. Expenses incurred by Adidas Co. on godown rent were ₹ 2,000. Adidas Co. is entitled to a commission of 5% on invoice price and 25% on any surplus of sale price over invoice price. Insurance claim was settled at ₹ 14,000.

Prepare consignment account and the related working notes account in the books of the Nike sports Co.

Question 6 **(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.

SPACE FOR ROUGH WORK