

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-4

CA FOUNDATION

(09-04-2023)

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

10. Company Accounts

11. Inventory Valuation

12. Not for profit organisation

Roll No

Total No. of Question: 6

Total No. of Printed Pages: 11

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. If the balance as per cash book is starting point, then wrong debit in pass book shall be deducted.
2. There are 2 methods to prepare trial balance.
3. To derive sales from cost of goods sold, profit margin on sales shall be added.
4. Petty cash book is prepared due to accounting concept of conservatism.
5. In double column cash book, cash and bank columns are prepared.
6. A building is considered inventory in a construction business

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

From the following information prepare the Purchase Book of M/s Shyam & Company:

(i) Purchased from Red & Company on credit:

- 10 pair of black shoes @ ₹ 800 per pair
- 5 pair of brown shoes @ 900 per pair

Less: Trade Discount @ 10%

(ii) Purchased Computer form M/s. Rahul Enterprises on credit for ₹ 40,000.**(iii)** Purchased from Blue & Company in cash:

- 5 pair of black shoes @ ₹ 700 per pair
- 15 pair of brown shoes @ 100 per pair

Less Trade Discount @ 15%

Question 1 (c)**(2 x 2 = 4 Marks)**

Prepare rectification entries (without narration):

1. A bad debt of ₹ 1,560 had not been written off and provision for doubtful debts should have been maintained at 10% of Trade receivables which are shown in the trial balance at ₹ 23,390 with a credit provision for bad debts at ₹ 2,320.
2. Purchase of a scooter was debited to conveyance account ₹ 30,000. 10% is the depreciation rate on scooter.

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)**

Mr. Green and Mr. Red had the following mutual dealings and desire to settle their account on the average due date:

Purchases by Green from Red:	₹
6th January, 2021	6,000
2nd February, 2021	2,800
31st March, 2021	2,000

Sales by Green to Red:

6th January, 2021	6,600
9th March, 2021	2,400
20th March, 2021	500

You are asked to ascertain the average due date. (28 days in feb.)

Question 3 (a)**(12 Marks)**

On 1st July, 2021 Gorge drew a bill for ₹ 1,80,000 for 3 months on Harry for mutual accommodation. Harry accepted the bill of exchange. Gorge had purchased goods worth ₹ 1,81,000 from Jack on the same date. Gorge endorsed Harry's acceptance to Jack in full settlement. On 1st September, 2021, Jack purchased goods worth ₹ 1,90,000 from Harry. Jack endorsed the bill of exchange received from Gorge to Harry and paid ₹ 9,000 in full settlement of the amount due to Harry. On 1st October, 2021, Harry purchased goods worth ₹ 2,00,000 from Gorge. Harry paid the amount due to Gorge by cheque. Give the necessary Journal Entries in the books of Harry and Gorge.

Question 3 (b)**(8 Marks)**

Mr. Hopeful commenced business on 01.01.2017 with capital and plant and equipment worth ₹7,00,000. He charged depreciation by WDV @ 15% and he has a policy of charging full year's depreciation on the assets.

They have further purchased the following plants:

01.08.2018	Machinery II	₹1,50,000
30.09.2021	Machinery III	₹2,00,000

On 01.01.2021 it was decided to change the method of depreciation to SLM and on this date the remaining useful life was assessed as 6 years for assets purchased before 01.01.2021 and 10 years for assets purchased thereafter with no scrap value. Prepare Plant and Equipment account for the year 2021.

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

A sends out goods on approval to few customers and includes the same in the Sales Account. On 31.3.2021, the Trade receivables balance stood at ₹ 1,00,000 which included ₹ 7,000 goods sent on approval against which no intimation was received during the year. These goods were sent out at 25% over and above cost price and were sent to:

Mr. X – ₹ 4,000 and Mr. Y – ₹ 3,000.

Mr. x sent intimation of acceptance on 30th April and Mr. Y returned the goods on 10th April, 2021.

Make the adjustment entries and show how these items will appear in the Balance Sheet on 31st March, 2021. Show also the entries to be made during April, 2021. Value of closing Inventories as on 31st March, 2021 was ₹ 60,000.

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

Mr. Samphat who was the holder of 12,000 preference shares of ₹ 100 each, on which ₹ 60 per share has been called up could not pay his dues on Allotment and First call each at ₹ 20 per share. The Directors forfeited the above shares and reissued 10,000 of such shares to Mr. Sushil at ₹ 50 per share paid-up as ₹60 per share.

You are required to prepare journal entries (without narration) to record the above forfeiture and re-issue in the books of the company.

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

Physical verification of stock in a business was done on 23rd June, 2021. The value of the stock was ₹48,00,000. The following transactions took place between 23rd June to 30th June, 2021:

1. Out of the goods sent on consignment, goods at cost worth ₹ 2,40,000 were unsold.
2. Purchases of ₹ 4,00,000 were made out of which goods worth ₹ 1,60,000 were delivered on 5th July, 2021.
3. Sales were ₹ 13,60,000, which include goods worth ₹ 3,20,000 sent on approval. Half of these goods were returned before 30th June, 2021, but no information is available regarding the remaining goods.
4. Goods are sold at cost plus 25%. However goods costing ₹ 2,40,000 had been sold for ₹1,20,000.

Determine the value of stock on 30th June, 2021.

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)**(5 Marks)**

D of Delhi appointed A of Agra as its selling agent on the following terms:

- Goods to be sold at invoice price or over.
- A to be entitled to a commission of 7.5% on the invoice price and 20% of any surplus price realized over invoice price
- The principals to draw on the agent a 30 days bill for 80% of the invoice price.
- On 1st February, 2022, 1,000 cycles were consigned to A, each cycle costing ₹ 640 including freight and invoiced at ₹ 800.
- Before 31st March, 2022, (when the principal's books are closed) A met his acceptance on the due date; sold off 820 cycles at an average price of ₹ 930 per cycle, the sale expenses being ₹ 12,500; and remitted the amount due by means of Bank draft.
- Twenty of the unsold cycles were shop-spoiled and were to be valued at a depreciation of 50% of cost.

Show D's account in the books of A.

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

M/s. Applied Laboratories were unable to agree the Trial Balance as on 31st March, 2021 and have raised a suspense account for the difference. Next year the following errors were discovered:

- (i) Repairs made during the year were wrongly debited to the building A/c - ₹ 12,500.
- (ii) The addition of the 'Freight' column in the purchase journal was short by ₹ 1,500.
- (iii) Goods to the value of ₹ 1,050 returned by a customer, Rani & Co., had been posted to the debit of Rani & Co. and also to sales returns.
- (iv) Sundry items of furniture sold for ₹ 30,000 had been entered in the sales book, the total of which had been posted to sales account.
- (v) A bill of exchange (received from Raja & Co.) for ₹ 20,000 had been returned by the bank as dishonoured and had been credited to the bank and debited to bills receivable account.

You are required to pass journal entries to rectify the above mistakes.

Question 6**(20 Marks)**

The following was the receipts and Payments Account of Exe Club for the ended March, 31, 2022

All the figures in thousands

Receipts	₹	Payments	₹
Cash in hand	100	Groundsman's Fee	750
Balance at Bank as per Pass Book:		Moving Machine	1,500
Deposit Account	2,230	Rent of Ground	250
Current Account	600	Cost of Teas	250
Bank Interest	30	Fares	400
Donations and Subscriptions	2,600	Printing & Office Expenses	280
Receipts from teas	300	Repairs to Equipment	500
Contribution to fares	100	Honorarium to Secretary and	
Sale of Equipment	80	Treasurer of 2021	400
Net proceeds of Variety		Balance at Bank as per Pass Book:	
Entertainment	780	Deposit Account	3,090
Donation for forth coming		Current Account	150
Tournament	1,000	Cash in hand	250
	7,820		7,820

You are given the following additional information:

	April, 1, 2021	March, 31, 2022
	₹	₹
Subscription due	150	100
Amount due for printing etc.	100	80
Cheques unrepresented being payment for repairs	300	260
Estimated value of machinery and equipment	800	1,750
Interest not yet entered in the Pass book		20
Bonus to Groundsman o/s.		300

For the year ended March. 31, 2022, the honorarium to the Secretary and Treasurer are to be increased by a total of ₹200.

Required

Prepare the income and Expenditure Account for period ending 31-03-2022 and the relevant Balance sheet.

SPACE FOR ROUGH WORK