

M.K.G CA EDUCATION

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TEST-5

CA FOUNDATION

(15-05-2022)

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
11. ACCOUNTING PROCESS

Roll No ...965412.....

Total No. of Question: 6

Time allowed: 3 hours

Total No. of Printed Pages: 7

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) 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.
- (ii) Accrual concept implies accounting on cash basis.
- (iii) Finished goods are normally valued at cost or market price whichever is higher.
- (iv) Discount at the time of retirement of a bill is a gain for the drawee.
- (v) Depreciation of asset begins when it is available for use.
- (vi) Receipts and Payments Account highlights total income and expenditure.

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

Explain Cash and Mercantile system of accounting.

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

Prepare Journal Entries for the following transactions in the books of Gamma Bros.

- (i) Employees had taken stock worth Rs. 10,000 (Cost price Rs. 7,500) on the eve of Deepawali and the same was deducted from their salaries in the subsequent month.
- (ii) Wages paid for erection of Machinery Rs. 8,000.
- (iii) Income tax liability of proprietor Rs. 1,700 was paid out of petty cash.
- (iv) Purchase of goods from Naveen of the list price of Rs. 2,000. He allowed 10% trade discount, Rs. 50 cash discount was also allowed for quick payment

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

M/s Kedar, Profit and loss account showed a net profit of Rs. 8,00,000, after considering the closing stock of Rs. 7,50,000 on 31st March, 2017. Subsequently the following information was obtained from scrutiny of the books:

- (i) Purchases for the year included Rs. 30,000 paid for new electric fittings for the shop.
- (ii) M/s Kedar gave away goods valued at Rs. 80,000 as free samples for which no entry was made in the books of accounts.
- (iii) Invoices for goods amounting to Rs. 5,00,000 have been entered on 27th March, 2017, but the goods were not included in stock.
- (iv) In March, 2017 goods of Rs. 4,00,000 sold and delivered were taken in the sales for April, 2017.
- (v) Goods costing Rs. 1,50,000 were sent on sale or return in March, 2017 at a margin of profit of 33-1/3% on cost. Though approval was given in April, 2017 these were taken as sales for March, 2017.

You are required to **determine** the adjusted net profit for the year ended on 31.3.2017 and calculate the value of stock on 31st March, 2017.

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

The M/s LG Transport purchased 10 trucks at Rs. 45,00,000 each on 1st April 2014. On October 1st, 2016, one of the trucks is involved in an accident and is completely destroyed and Rs. 27,00,000 is received from the insurance in full settlement. On the same date, another truck is purchased by the company for the sum of Rs. 50,00,000. The company write off 20% on the original cost per annum. The company observe the calendar year as its financial year.

You are required to prepare the motor truck account for two year ending 31 Dec, 2017.

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

On 1st January, 2018, X's account in Y's ledger showed a debit balance of Rs. 5,000. The following transactions took place between Y and X during the quarter ended 31st March, 2018:

2018		Rs.
Jan. 11	Y sold goods to X	6,000
Jan. 24	Y received a promissory note from X due after 3 months	5,000
Feb. 01	X sold goods to Y	10,000
Feb. 04	Y sold goods to X	8,200
Feb. 07	X returned goods to Y	1,000
March 01	X sold goods to Y	5,600
March 18	Y sold goods to X	9,200
March 23	X sold goods to Y	4,000

Accounts were settled on 31st March, 2018 by means of a cheque. Prepare an Account Current to be submitted by Y to X as on 31st March, 2018, taking interest into account @ 10% per annum. Calculate interest to the nearest multiple of a rupee.

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

Mr. B accepted a bill for Rs. 10,000 drawn on him by Mr. A on 1st August, 2017 for 3 months. This was for the amount which B owed to A. On the same date Mr. A got the bill discounted at his bank for Rs. 9,800.

On the due date, B approached A for renewal of the bill. Mr. A agreed on condition that Rs. 2,000 be paid immediately along with interest on the remaining amount at 12% p.a. for 3 months and that for the remaining balance B should accept a new bill for 3 months. These arrangements were carried through. On 31st December, 2017, B became insolvent and his estate paid 40%.

Prepare Journal Entries in the books of Mr. A

Question 4 (a)**(12 Marks)**

The following data is given by Mr. S, the owner, with a request to compile only the two personal accounts of Mr. H and Mr. R, in his ledger, for the month of April, 2015.

1	Mr. S owes Mr. R Rs. 15,000; Mr. H owes Mr. S Rs. 20,000.
4	Mr. R sold goods worth Rs. 60,000 @ 10% trade discount to Mr. S.

5	Mr. S sold to Mr. H goods prices at Rs. 30,000.
17	Record a purchase of Rs. 25,000 net from R, which were sold to H at a profit of Rs.15,000.
18	Mr. S rejected 10% of Mr. R's goods of 4th April.
19	Mr. S issued a cash memo for Rs.10,000 to Mr. H who came personally for this consignment of goods, urgently needed by him.
22	Mr. H cleared half his total dues to Mr. S, enjoying a ½% cash discount (of the payment received, Rs. 20,000 was by cheque).
26	R's total dues (less Rs.10,000 held back) were cleared by cheque, enjoying a cash discount of Rs.1,000 on the payment made.
29	Close H's Account to record the fact that all but Rs. 5,000 was cleared by him, by a cheque, because he was declared bankrupt.
30	Balance R's Account.

Question 4 (b)**(8 Marks)**

Mr. Kotriwal is engaged in business of selling magazines. Several of his customers pay money in advance for subscribing his magazines. Information related to year ended 31st March 2017 has been given below:

On 1.4.2016 he had a balance of Rs.2,00,000 advance from customers of which Rs.1,50,000 is related to year 2016-17 while remaining pertains to year 2017-18. During the year 2016-17 he made cash sales of Rs. 5,00,000.

You are required to compute:

(i) Total income for the year 2016-17.

(ii) Total money received during the year if the closing balance in Advance from customers Account is Rs. 1,70,000

Question 5 (a)**(15 Marks)**

A doctor, after retiring from govt. service, started private practice on 1st April, 2017 with Rs. 20,000 of his own and Rs. 30,000 borrowed at an interest of 15% per annum on the security of his life policies. His accounts for the year were kept on a cash basis and the following is his summarized cash account:

	Rs.		Rs.
Own capital	20,000	Medicines purchased	24,500
Loan	30,000	Surgical equipments	25,000
Prescription fees	52,500	Motor car	32,000
Gifts from patients	13,500	Motor car expenses	12,000
Visiting fees	25,000	Wages and salaries	10,500
Fees from lectures	2,400	Rent of clinic	6,000
Pension received	30,000	General charges	4,900
		Household expenses	18,000
		Household Furniture	2,500

		Expenses on daughter's marriage	21,500
		Interest on loan	4,500
		Balance at bank	11,000
		Cash in hand	1,000
	1,73,400		1,73,400

You are required to prepare his capital account and income and expenditure account for the year ended 31st March, 2018 and balance sheet as on that date. One-third of the motorcar expense may be treated as applicable to the private use of car and Rs. 3,000 of the wages and salaries are in respect of domestic servants.

The stock of medicines in hand on 31st March, 2018 was valued at Rs. 9,500.

Question 5 (b)

(5 Marks)

Pankaj runs a factory which produces motor spares of export quality. The following details were obtained about his manufacturing expenses for the year ended on 31st March:

W.I.P.	OPENING	RS. 3,90,000
	Closing	Rs. 5,07,000
Raw Materials	Purchases	Rs. 12,10,000
	Opening	Rs. 3,02,000
	Closing	Rs. 3,10,000
	Returned	Rs.18,000
	Indirect material	Rs.16,000
Wages	Direct	Rs.2,10,000
	Indirect	Rs. 48,000
By product at selling price		Rs. 20,000

Prepare a Manufacturing Account of Mr. Pankaj for the year ended 31st March.

Question 6 (a)

(10 Marks)

Vikram Milk Foods Co. Ltd. of Vikrampur sent to Sunder Stores, Sonepuri 5,000 kgs of baby food packed in 2,000 tins of net weight 1 kg and 6,000 packets of net weight 1/2 kg for sale on consignment basis. The consignee's commission was fixed at 5% of sale proceeds. The cost price and selling price of the product were as under:

	1 kg. tin	1/2 kg. packet
	Rs.	Rs.
Cost Price	10	6
Selling Price	15	7

The consignment was booked on freight "To Pay" basis, and freight charges came to 2% of selling value. One case containing 50 1kg. tins was lost in transit and the transport carrier admitted a claim of Rs. 450.

At the end of the first half-year, the following information is gathered from the “Account Sales” sent by the consignee:

- (i) Sale proceeds: 1,500 1 kg. tins
 4,000 1/2 kg. packets

(ii) Store rent and insurance charges Rs 600.

Find out the value of closing inventory on consignment.

Show the Consignment A/c in the books of Vikram Milk Food Co. Ltd. assuming that the consignee had paid the amount due from him.

Question 6 (b)

(5 Marks)

Riya Limited issued 20,000 14% Debentures of the nominal value of Rs.1,00,00,000 as follows:

- (a) To sundry persons for cash at 90% of nominal value of Rs. 50,00,000.
 (b) To a vendor for purchase of fixed assets worth Rs. 20,00,000 – Rs. 25,00,000 nominal value.
 (c) To the banker as collateral security for a loan of Rs. 20,00,000 – Rs. 25,00,000 nominal value.

You are required to prepare necessary journal entries Journal Entries.

Question 6 (c)

(5 Marks)

From the following particulars, **prepare** a Bank Reconciliation Statement for Pathak Ltd. As on 31.3.2017

- (1) Balance as per cash book is Rs. 1,20,000.
 (2) Cheques issued but not presented in the bank amounts to Rs. 68,000.
 (3) Bank charges amounts to Rs. 300.
 (4) Interest credited by bank amounts to Rs. 1,500.

OR

(c) Difference between Going Concern Concept and Cost Concept.

SPACE FOR ROUGH WORK