

MKG CA EDUCATION

MOCK TEST -2

CA FOUNDATION

PAPER 1 – ACCOUNTS

BANK RECONCILIATION STATEMENTS, INVENTORIES, FINAL ACCOUNTS OF SOLE PROPRIETOR, DEPRECIATION AND ACCOUNTING PROCESS

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 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.

1. Cost of property, plant and equipment includes purchase price, refundable taxes & import duties after deducting any discount or rebate.
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. The debts written off as bad, if recovered subsequently are credited to Debtors Account.
4. The adjustment entry in respect of income received in advance is debit Income received in advance account and credit income account.
5. If Closing Stock appears in the Trial Balance, the Closing inventory is then not entered in Trading Account. It is only shown in the Balance Sheet.
6. If the errors are detected after preparing trial balance, then all the errors are rectified through suspense account.

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

Explain any four distinctions between Straight Line Method and Diminishing Balance Method of Depreciation.

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

Prepare a Bank Reconciliation Statement from the following particulars as on 31st December, 2020:

Particulars	₹
Bank Balance as per Cash Book (Debit)	1,98,000
Bank Charges debited by the bank not recorded in Cash Book	34,000
Received from debtors vide RTGS on 31st December, 2020 not recorded in Cash Book	1,00,000
Cheque issued but not presented for payment	45,000
Cheque deposited but not cleared	25,000
Cheque received and deposited but dishonoured. Entry for dishonour not made in the Cash Book	5,000
Instruction for payment given to the bank on 31st December, 2020 but the same effected by the Bank on 01 st January, 2021	4,000

Question 2 (a)**(12 Marks)**

The following is the Trial Balance of C. Wanchoo on 31st Dec. 2021:

Particulars	Rs.	Rs.
Capital Account		10,00,000
Inventory Account	2,00,000	
Cash in hand	1,44,000	
Machinery Account	7,36,000	
Purchases Account	18,20,000	
Wages Account	10,00,000	
Salaries Account	10,00,000	
Discount Allowed A/c	50,000	
Discount Received A/c		30,000
Sundry Office Expenses Account	6,00,000	
Sales Account		50,00,000
Sums owing by customer (Trade receivables)	8,50,000	

Trade payables (sums owing to suppliers)		3,70,000
Total	64,00,000	64,00,000

Value of Closing Inventory on 31st Dec. 2021 was Rs. 2,70,000

Prepare closing entries for the above items and also prepare Trading and Profit and Loss Account.

Question 2 (b)

(8 Marks)

M/s Surya & Co. took lease of a quarry on 1-1-2021 for Rs. 1,00,00,000. As per technical estimate the total quantity of mineral deposit is 2,00,000 tonnes. Depreciation was charged on the basis of depletion method. Extraction pattern is given in the following table:

Year	Quantity of Mineral extracted
2021	2,000 tonnes
2022	10,000 tonnes
2023	15,000 tonnes

Show the Quarry Lease Account and Depreciation Account for each year from 2021 to 2023.

Question 3 (a)

(6 Marks)

Sengupta & Co. employs a team of eight workers who were paid Rs. 30,000 per month each in the year ending 31st December, 2020. At the start of 2021, the company raised salaries by 10% to Rs. 33,000 per month each.

On July 1, 2021 the company hired two trainees at salary of Rs. 21,000 per month each. The work force are paid salary on the first working day of every month, one month in arrears, so that the employees receive their salary for January on the first working day of February etc.

You are required to calculate:

1. Amount of salaries which would be charged to the profit and loss for the year ended 31st December, 2021.
2. Amount actually paid as salaries during 2021
3. Outstanding Salaries as on 31st December, 2021.

Question 3 (b)

(14 Marks)

Journalise the following transactions. Also state the nature of each account (**as per traditional approach**) involved in the Journal entry.

- a. December 1, 2021, Ajit started business with capital Rs. 4,00,000
- b. December 3, he withdrew cash for business from the Bank Rs. 2,000.
- c. December 5, he purchased goods making payment through bank Rs. 15,000.
- d. December 8, he sold goods Rs. 16,000 and received payment through bank.
- e. December 10, he purchased furniture and paid by cheque Rs. 2,500.

- f. December 12, he sold goods to Arvind Rs. 2,400.
- g. December 14, he purchased goods from Amrit Rs. 10,000.
- h. December 15, he returned goods to Amrit Rs. 500.
- i. December 16, he received from Arvind Rs. 2,300 in full settlement.
- j. December 18, he withdrew goods for personal use Rs. 1,000.
- k. December 20, he withdrew cash from business for personal use Rs. 2,000.
- l. December 24, he paid telephone charges Rs. 110.
- m. December 26, amount paid to Amrit in full settlement Rs. 9,450.
- n. December 31, paid for stationery Rs. 200, rent Rs. 5,000 and salaries to staff Rs. 2,000.
- o. December 31, goods distributed by way of free samples Rs. 2,000.

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

On 31-3-2021, Mahesh's Cash Book Showed a Bank overdraft of ₹98,700. On comparison he finds the following :

- (1) Out of the total cheques of ₹8,900 issued on 27th March, one cheque of ₹7,400 was presented for payment on 4th April and the other cheque of ₹1,500 handed over to the customer, was returned by him and in lieu of that a new cheque of the same amount was issued to him on 1st April. No entry for the return was made.
 - (2) Out of total cash and cheques of ₹6,800 deposited in the Bank on 24th March, one cheque of ₹2,600 was cleared on 3rd April and the other cheque of ₹500 was returned dishonoured by the bank on 4th April.
 - (3) Bank charges ₹35 and Bank interest ₹2,860 charged by the bank appearing in the passbook are not yet recorded in the cash book.
 - (4) A cheque deposited in his another account of ₹1,550 wrongly credited to this account by the bank.
 - (5) A cheque of ₹800, drawn on this account, was wrongly debited in another account by the bank.
 - (6) A debit of ₹3,500 appearing in the bank statement for an unpaid cheque returned for being 'out of date' had been re-dated and deposited in the bank account again on 5th April 2021.
 - (7) The bank allowed interest on deposit ₹1,000.
 - (8) A customer who received a cash discount of 4% on his account of ₹1,00,000 paid a cheque on 20th March, 2021. The cashier erroneously entered the gross amount in the bank column of the Cash Book.
- Prepare Bank Reconciliation Statement as on 31-3-2021.

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

Physical verification of stock in a business was done on 23rd February, 2021. The value of the stock was ₹ 28,00,000. The following transactions took place from 23rd February to 28th February, 2021:

- (1) Out of the goods sent on consignment, goods at cost worth ₹2,30,000 were unsold.
 - (2) Purchases of ₹3,00,000 were made out of which goods worth ₹1,20,000 were delivered on 5th March, 2021.
 - (3) Sales were ₹13,60,000 which include goods worth ₹3,20,000 sent on approval. Half of these goods were returned before 28th February, 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 ₹1,50,000.
- Determine the value of stock on 28th February, 2021.

Question 5 (a)**(20 Marks)**

Prepare the journal and ledger accounts on the basis of following transactions in the books of a trader:

Debit Balances on January 1, 2022:

Cash in Hand Rs. 8,000, Cash at Bank Rs. 25,000, inventory of Goods Rs. 20,000, Building Rs. 10,000. Trade receivables: Vijay Rs. 2,000 and Madhu Rs. 2,000.

Credit Balances on January 1, 2022:

Trade payables: Anand Rs. 12,000, Capital Rs. 55,000

Transactions:

Jan. 1	Purchased goods worth Rs. 5,000 (payable at later date) for cash less 20% trade discount and 5% cash discount.
Jan. 4	Received Rs. 1,980 from Vijay and allowed him Rs. 20 as discount.
Jan. 8	Purchased plant from Mukesh for Rs.5,000 and paid ₹100 as cartage for bringing the plant to the factory and another Rs. 200 as installation charges.
Jan. 12	Sold goods to Rahim on credit Rs.600.
Jan. 15	Rahim became insolvent and could pay only 50 paise in a rupee.
Jan. 18	Sold goods to Ram for cash Rs.1,000

Question 6 (a)

(15 Marks)

Following particulars are extracted from the books of Mr. Sandeep for the year ended 31st December, 2020.

Particulars	Amount	Particulars	Amount
Debit Balances:		₹ Credit Balances:	₹
Cash in hand	1,500	Capital	16,000
Purchase	12,000	Bank overdraft	2,000
Sales return	1,000	Sales	9,000
Salaries	2,500	Purchase return	2,000
Tax and Insurance	500	Provision for Bad debts	1,000
Bad debts	500	Creditors	2,000
Debtors	5,000	Commission	500
Investments	4,000	Bills payable	2,500
Opening stock	1,400		
Drawings	2,000		
Furniture	1,600		
Bills receivables	3,000		
	35,000		35,000

Other information:

- (i) Closing stock was valued at ₹ 4,500
- (ii) Salary of ₹100 and Tax of ₹200 are outstanding whereas insurance ₹50 is prepaid.
- (iii) Commission received in advance is ₹100.
- (iv) Interest accrued on investment is ₹210
- (v) Interest on overdraft is unpaid ₹300
- (vi) Reserve for bad debts is to be kept at ₹1,000
- (vii) Depreciation on furniture is to be charged @ 10%

You are required to prepare the final accounts after making above adjustments.

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

From the following particulars ascertain the value of inventories as on 31st March, 2021:

Inventory as on 1st April, 2020	₹3,50,000
Purchase made during the year	₹12,00,000
Sales	₹18,50,000
Manufacturing Expenses	₹1,00,000
Selling and Distribution Expenses	₹50,000
Administration Expenses	₹80,000

At the time of valuing inventory as on 31st March, 2020, a sum of ₹20,000 was written off on a particular item which was originally purchased for ₹55,000 and was sold during the year for ₹ 50,000.

Except the above-mentioned transaction, gross profit earned during the year was 20% on sales.

***** All the Best *****