

# M.K.G CA EDUCATION

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## MOCK TEST -3

### CA INTER

(29-05-2022)

## PAPER 1 – ACCOUNTING

### TOPICS COVERED

1. HIRE PURCHASE TRANSACTION
2. ACCOUNTING FOR BRANCHES INCLUDING FOREIGN BRANCH
3. DEPARTMENTAL ACCOUNTS
4. ACCOUNTS FROM INCOMPLETE RECORDS
5. INVESTMENT ACCOUNTS

Roll No ...669875.....

Total No. of Question: 6

Time allowed: 3 hours

Total No. of Printed Pages: 6

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)****(5 Marks)**

Explain Advantages of Departmental Accounting

**Question 1 (b)****(15 Marks)**

The following balances appeared in the books of M/s Sunshine Traders:

	<b>As on 31-03-2019 (₹)</b>	<b>As on 31-03-2020 (₹)</b>
Land and Building	2,50,000	2,50,000
Plant and Machinery	1,10,000	1,65,000
Office Equipment	52,500	42,500
Sundry Debtors	77,750	1,10,250
Creditors for Purchases	47,500	?
Provision for office expenses	10,000	7,500
Stock	?	32,500
Long Term loan from ABC Bank @ 10% per annum	62,500	50,000
Bank	12,500	?
Capital	4,65,250	?

**Other information was as follows:**

	<b>In (₹)</b>
- Collection from Sundry Debtors	4,62,500
- Payments to Creditors for Purchases	2,62,500
- Payment of office Expenses	21,000
- Salary paid	16,000
- Selling Expenses paid	7,500
- Total sales	6,25,000
Credit sales (80% of Total sales)	
- Credit Purchases	2,70,000
Cash Purchases (40% of Total Purchases)	
- Gross Profit Margin was 25% on cost	
- Discount Allowed	2,750
- Discount Received	2,250
- Bad Debts	2,250

- Depreciation to be provided as follows:

Land and Building - 5% per annum

Plant and Machinery - 10% per annum

Office Equipment - 15% Per annum

- On 01.10.2019 the firm sold machine having book value, ₹ 20,000 (as on 31.03.2019) at a loss of ₹7,500. New machine was purchased on 01.01.2020.

- Office equipment was sold at its book value on 01.04.2019.

- Loan was partly repaid on 31.03.2020 together with interest for the year.

You are required to prepare:

(i) Trading and Profit &amp; Loss account for the year ended 31st March, 2020.

(ii) Balance Sheet as on 31st March 2020.

**Question 2****(20 Marks)**

M/s X has two departments, A and B. From the following particulars prepare the consolidated Trading Account and Departmental Trading Account for the year ending 31st December, 2019:

	A ₹	B ₹
Opening Stock [consisting of purchased goods -at cost]	20,000	12,000
Purchases	92,000	68,000
Sales	1,40,000	1,12,000
Wages	12,000	8,000
Carriage	2,000	2,000
Closing Stock:		
(i) Purchased goods	4,500	6,000
(ii) Finished goods	24,000	14,000
Purchased goods transferred:		
by B to A	10,000	
by A to B		8,000

Finished goods transfer:

By A to B	35,000	
By B to A		40,000

Return of finished goods:

By A to B	10,000	
By B to A		7,000

You are informed that purchased goods have been transferred mutually at their respective departmental purchase cost and finished goods at departmental market price and that 20% of the finished stock (closing) at each department represented finished goods received from the other department.

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

A. Adamjee keeps his books on single entry basis. The analysis of the cash book for the year ended on 31st December, 2019 is given below:

Receipts	₹	Payments	₹
Bank Balance as on 1st January, 2019	2,800	Payments to Sundry creditors	35,000
Received from Sundry Debtors	48,000	Salaries	6,500
Cash Sales	11,000	General expenses	2,500
Capital brought during the year	6,000	Rent and Taxes	1,500
Interest on Investments	200	Drawings	3,600
		Cash purchases	12,000
		Balance at Bank on 31 <sup>st</sup> Dec., 2019	6,400
		Cash in hand on 31 <sup>st</sup> Dec., 2019	500
	68,000		68,000

**Particulars of other assets and liabilities are as follows:**

	1st January, 2019	31st December, 2019
Sundry debtors	14,500	17,600
Sundry creditors	5,800	7,900
Machinery	7,500	7,500
Furniture	1,200	1,200
Inventory	3,900	5,700
Investments	5,000	5,000

Prepare final accounts for the year ending 31st December, 2019 after providing depreciation at 10 per cent on machinery and furniture and ₹ 800 against doubtful debts.

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

Mr. X purchased 3 vehicle on 01.04.2019 from ABC limited under hire purchase agreement and cash price of each vehicle is ₹ 4,00,000 and interest is 10% per annum. Down payment is ₹ 1,00,000 per vehicle and remaining amount has been paid in annual instalments of ₹1,00,000 each alongwith interest. Compute Hire purchase price and total interest payable and also pass journal entries in the books of hire vendor under cash price method. Rate of depreciation @ 10% per annum on WDV basis.

**Question 4(a)****(10 Marks)**

X Ltd. purchased 3 milk vans from Super Motors costing ₹ 75,000 each on hire purchase system. Payment was to be made: ₹ 45,000 down and the remainder in 3 equal instalments together with interest @ 9%. X Ltd. writes off depreciation @ 20% on the diminishing balance. It paid the instalment at the end of the 1st year but could not pay the next. Super Motor agreed to leave one milk van with the purchaser, adjusting the value of the other two milk vans against the amount due. The milk vans were valued on the basis of 30% depreciation annually on written down value basis. X Ltd. settled the seller's dues after three months. You are required to give necessary journal entries in the books of X Ltd.

**Question 4(b)****(10 Marks)**

Mr. Harsh provides the following details relating to his holding in 10% debentures (face value of ₹100 each) of Exe Ltd., held as current assets:

01.04.2019	Opening balance – 12,500 debentures, cost ₹ 12,25,000
01.06.2019	Purchased 9,000 debentures @ 98 each ex-interest
01.11.2019	Purchased 12,000 debentures @ ₹ 115 each cum-interest
31.01.2020	Sold 13,500 debentures @ ₹ 110 each cum-interest
31.03.2020	Market value of debentures @ ₹ 115 each

Due dates of interest are 30<sup>th</sup> June and 31<sup>st</sup> December.

Brokerage at 1% is to be paid for each transaction. Mr. Harsh closes his books on 31.03.2019. Show investment account as it would appear in his books assuming FIFO method is followed.

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

KP manufactures a range of goods which it sells to wholesale customers only from its head office. In addition, the H.O. transfers goods to a newly opened branch at factory cost plus 15%. The branch then sells these goods to the general public on only cash basis.

The selling price to wholesale customers is designed to give a factory profit which amounts to 30% of the sales value. The selling price to the general public is designed to give a gross margin (i.e., selling price less cost of goods from H.O.) of 30% of the sales value.

KP operates from rented premises and leases all other types of fixed assets. The rent and hire charges for these are included in the overhead costs shown in the trial balances.

From the information given below, you are required to prepare for the year ended 31st Dec., 2019 in columnar form.

- (a) A Profit & Loss account for (i) H.O. (ii) the branch (iii) the entire business.  
 (b) Balance Sheet as on 31st Dec., 2019 for the entire business.

	H.O.		Branch	
	₹	₹	₹	₹
Raw materials purchased	35,000			
Direct wages	1,08,500			
Factory overheads	39,000			
Stock on 01-01-2019				
Raw materials	1,800			
Finished goods	13,000		9,200	
Debtors	37,000			
Cash	22,000		1,000	
Administrative Salaries	13,900		4,000	
Salesmen Salaries	22,500		6,200	
Other administrative & selling overheads	12,500		2,300	
Inter-unit accounts	5,000			2,000
Capital		50,000		
Sundry Creditors		13,000		
Provision for unrealized profit in stock		1,200		
Sales		2,00,000		65,200
Goods sent to Branch		46,000		
Goods received from H.O.			44,500	
	3,10,200	3,10,200	67,200	67,200

**Notes:**

- (1) On 28th Dec., 2019 the branch remitted ₹ 1,500 to the H.O. and this has not yet been recorded in the H.O. books. Also on the same date, the H.O. dispatched goods to the branch invoiced at ₹ 1,500 and these too

have not yet been entered into the branch books. It is the company's policy to adjust items in transit in the books of the recipient.

(2) The stock of raw materials held at the H.O. on 31st Dec., 2019 was valued at ₹ 2,300.

(3) You are advised that:

- there were no stock losses incurred at the H.O. or at the branch.
- it is KP's practice to value finished goods stock at the H.O. at factory cost.
- there were no opening or closing stock of work-in-progress.

(4) Branch employees are entitled to a bonus of ₹156 under a bilateral agreement.

**Question 6(a)**

**(10 Marks)**

Following transactions of Nisha took place during the financial year 2019 -20:

1 <sup>st</sup> April, 2019	Purchased 9,000 8% bonds of ₹ 100 each at ₹ 80.50 cum- interest. Interest is payable on 1 <sup>st</sup> November and 1st May.
1 <sup>st</sup> May, 2019	Received half year's interest on 8% bonds.
10 <sup>th</sup> July, 2019	Purchased 12,000 equity shares of ₹ 10 each in ABC Limited for ₹44 each through a broker, who charged brokerage @ 2%.
1 <sup>st</sup> October 2019	Sold 2,250 8% bonds at ₹ 81 Ex-interest.
1 <sup>st</sup> November, 2019	Received half year's interest on 8% bonds.
15 <sup>th</sup> January, 2020	ABC Limited made a rights issue of one equity share for every four Equity shares held at ₹ 5 per share. Nisha exercised the option for 40% of her entitlements and sold the balance rights in the market at ₹ 2.25 per share.
15 <sup>th</sup> March, 2020	Received 18% interim dividend on equity shares of ABC Limited.

Prepare separate investment account for 8% bonds and equity shares of ABC Limited in the books of Nisha for the year ended on 31<sup>st</sup> March, 2020. Assume that the average cost method is followed.

**Question 6 (b)**

**(10 Marks)**

Ayan Ltd. invoices goods to its branch at cost plus  $33\frac{1}{3}\%$ . From the following particulars prepare Branch Stock Account, Branch Stock Adjustment Account and Branch Profit and Loss Account as they would appear in the books of head office.

	₹
Stock at commencement at Branch at invoice Price	3,60,000
Stock at close at Branch at Invoice Price	2,88,000
Goods sent to Branch during the year at invoice price (including goods invoiced at ₹ 48,000 to Branch on 31.03.2020 but not received by Branch before close of the year).	24,00,000
Return of goods to head office (invoice Price)	1,20,000
Credit Sales at Branch	1,20,000
Invoice value of goods pilfered	24,000
Normal loss at Branch due to wastage and deterioration of stock (at invoice price)	36,000
Cash Sales at Branch	21,60,000

Ayan closes its books on 31<sup>st</sup> March, 2020

**SPACE FOR ROUGH WORK**