

MOCK TEST -1

(18-07-2021 8:00 a.m. to 11:00 a.m.)

CA FOUNDATION

PAPER 1 – ACCOUNTS

BANK RECONCILIATION STATEMENTS AND INVENTORIES

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. 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. Management has daily information about the quantity and valuation of closing stock under Physical Inventory System
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. Inventories are stocks of goods and materials that are maintained for mainly the purpose of revenue generation
5. While preparing the bank reconciliation statement starting with debit balance as per pass book or bank statement, the deposited cheques that are not yet cleared need not be adjusted.
6. When closing inventory is overstated, net income for the accounting period will be understated.

Question 1 (b)**(8 Marks)**

Following are the relevant pass book and cash book:

Messer's Tall & Short, Faiz Bazar, New Delhi-110002 in account with Punjab National Bank, Daryaganj, New Delhi-110002

PASS-BOOK

Date		Particulars	Withdrawals Rs.	Deposits Rs.	Dr. or Cr.	Balance Rs.
2021 Jan.	1	By Cash		4,00,000	Cr.	4,00,000
	4	To Furniture Dealers Ltd.	60,000		Cr.	3,40,000
	4	To Das & Co.	1,25,000		Cr.	2,15,000
	10	By J. Johnson & Co.'s cheque		35,000	Cr.	2,50,000
	12	To Roy & James	1,00,000		Cr.	1,50,000
	15	By B. Babu & Co's cheque		76,000	Cr.	2,26,000
	16	By Cash		30,000	Cr.	2,56,000
	20	To Cash	50,000		Cr.	2,06,000
	26	By J. Rai & Bros cheque		43,000	Cr.	2,49,000
	31	To Premium paid as per standing instructions	25,000		Cr.	2,24,000
	31	To Bank Charges	1,000		Cr.	2,23,000
	31	By Interest collected on Government Securities		20,000	Cr.	2,43,000

CASH-BOOK (Bank column only)

Date	Particulars	Amount Rs.	Date	Particulars	Amount Rs.
2021			2021		
Jan. 1	To Cash	4,00,000	Jan. 2	By Furniture Dealers Ltd.	60,000
Jan. 2	To J. Johnson & Co.	35,000	Jan. 2	By Roy & James	1,00,000
Jan. 8	To B. Babu & Co.	76,000	Jan. 2	By Das & Co.	1,25,000
Jan. 10	To Cash	30,000	Jan. 4	By K. Nagpal & Co.	73,000
Jan. 16	To J. Rai & Bros.	43,000	Jan. 17	By Cash	50,000
Jan. 20	To M. Mohan & Co.	1,05,000	Jan. 20	By B. Babu & Co.	78,000
Jan. 22	To N. Nandy & Sons	34,000	Jan. 31	By Balance c/d	2,37,000
		7,23,000			7,23,000

Prepare bank reconciliation statement.

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

The following are the details of a spare part of Sriram Mills:

1-1-2020	Opening Inventory	Nil
1-1-2020	Purchases	100 units @ Rs. 30 per unit
15-1-2020	Issued for consumption	50 units
1-2-2020	Purchases	200 units @ Rs. 40 per unit
15-2-2020	Issued for consumption	100 units
20-2-2020	Issued for consumption	100 units

Find out the value of Inventory as on 31-3-2020 if the company follows Weighted Average basis.

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

Distinguish between Periodic Inventory System and Perpetual Inventory System.

OR

Distinguish between LIFO and FIFO basis of costing of stock.

Question 2 (c)**(5 Marks)**

The books of Govinda Ltd. revealed that opening inventory is Rs. 6,00,000, Purchases during the year 2021-2022 is Rs. 34,00,000 and Sales during the year 2021-2022 is Rs. 48,00,000.

On March 31, 2022, the value of inventory as per physical stock-taking was Rs. 3,25,000. The company's gross profit on sales has remained constant at 25%.

The management of the company suspects that some inventory might have been pilfered by a new employee.

What is the estimated cost of missing inventory?

Question 3 (a)**(8 Marks)**

The cash book of Ms. Anaya showed the balance of Rs. 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 Rs. 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 Rs. 7,000 issued but not presented.
3. A cheque for Rs. 30,000 has been dishonoured but it does not appear in cash book.
4. Bank has credited Rs. 7,000 by mistake.
5. Trade subscription of Rs. 15,000 has been paid vide banker's order.
6. Cheque for Rs. 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 as on 31st March.

Question 3 (b)**(12 Marks)**

Radha Ltd., a dealer in cosmetics, records its inventory under first-in-first-out method, so as to minimize accumulation of outdated stock. The opening stock as on September 01, 2021 is 150 units at the rate of Rs. 20 per unit. The purchases and sales made during the month are:

Date	No. of units	Cost price per unit
04-09-2021	200 purchased	Rs. 25
14-09-2021	100 purchased	Rs. 22
03-09-2021	100 sold	
10-09-2021	150 sold	

With effect from September 01, 2021, the company decided to change the method of inventory valuation from the FIFO method to LIFO method. What is the change in the value of closing inventory consequent upon the change in the method of valuation?

Question 4 (a)**(6 Marks)**

The following are the Cash Book and Pass Book of Jain for the month of October, 2021 and November, 2021:

CASH BOOK (BANK COLUMN ONLY)					
DR. DATE	PARTICULARS	AMOUNT RS.	DATE	PARTICULARS	CR. AMOUNT RS.
01/10	To Balance b/d.	80,000	03/10	By Purchases A/c	23,000
03/10	To Sales A/c.	40,000	07/10	By Building	5,000
06/10	To Ram	10,000	12/10	By Naresh	7,000
13/10	To Gaurav	30,000	18/10	By Risha	2,000
14/10	To Sunny	15,000	24/10	By Krish	3,000
25/10	To Anjali	18,500	26/10	By Mayank	10,000
28/10	To Jyoti	16,000	28/10	By Simmi	5,000
29/10	To Anil	17,000	29/10	By Shilpa	24,000
			31/10	By Bal. C/d.	<u>1,47,500</u>
		<u>2,26,500</u>			2,26,500

PASS BOOK					
DATE	PARTICULARS	AMOUNT DR. RS.	AMOUNT CR. RS.	DR. OR CR.	BALANCE RS.
1/11	By Balance b/d		1,43,500	Cr.	1,43,500
3/11	By Jyoti		16,000	Cr.	1,59,500
5/11	By Anil		17,000	Cr.	1,76,500
7/11	To Simmi	5,000		Cr.	1,71,500
12/11	To Shilpa	24,000		Cr.	1,47,500
15/11	To Rakesh	20,000		Cr.	1,27,500
20/11	By Shalini		8,000	Cr.	1,35,500
25/11	By Vishal		12,000	Cr.	1,47,500
30/11	To Khushboo	24,500		Cr.	1,23,000

Prepare a bank reconciliation statement as on October 31st 2021.

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

State the causes of difference between the balance shown by the passbook and the cash book.

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

On 30th September, 2021, the bank account of X, according to the bank column of the Cash- Book, was overdrawn to the extent of Rs.4,062. On the same date the bank statement showed a credit balance of Rs. 20,758 in favour of X. An examination of the Cash Book and Bank Statement reveals the following:

1. A cheque for Rs.13,14,000 deposited on 29th September, 2021 was credited by the bank only on 3rd October, 2021
2. A payment by cheque for Rs.16,000 has been entered twice in the Cash Book.
3. On 29th September, 2021, the bank credited an amount of Rs.1,17,400 received from a customer of X, but the advice was not received by X until 1st October, 2021.
4. Bank charges amounting to Rs.580 had not been entered in the Cash Book.
5. On 6th September, 2021, the bank credited Rs.20,000 to X in error.
6. A bill of exchange for Rs.1,40,000 was discounted by X with his bank. This bill was dishonoured on 28th September, 2021 but no entry had been made in the books of X.
7. Cheques issued upto 30th September, 2021 but not presented for payment upto that date totalled Rs. 13,26,000.

You are required :

- (a) to show the appropriate rectifications required in the Cash Book of X, to arrive at the correct balance on 30th September, 2021 and
- (b) to prepare a bank reconciliation statement as on that date.

Question 5 (a)**(12 Marks)**

D's Cash Book shows an overdrawn position of Rs. 3,630 on 31.3. though the Bank Statement shows only Rs. 3,378 overdrawn. Detailed examination of two records reviled the following:

1. A cheque for Rs. 1,560 in favour of Rath Associates has been omitted by the Bank from its statement, thus, cheque having been debited to another customer's account.
2. The debit side of owned book has been under caste by Rs. 300.
3. A cheque for Rs. 182 drawn in payment of electricity amount had been entered in the Cash Book on Rs. 128 & was shown correctly in the Bank statement.
4. A cheque for Rs. 210 from S. Gupta having been paid into Bank, was dishonoured & shown as such on Bank statement, although no entry relating to dishonoured had been made in Cash Book.
5. The Bank had debited a cheque for Rs. 126 to D's Account in error. It should have been debited to Sukhal's Account.
6. A dividend of Rs. 90 on D's holding of equity shares has been duly shown by Bank, no entry has been made in Cash Book.

7. A lodgement of Rs. 1,080 on 31.3. had not been credited by Bank.
8. Interest on Rs. 228 had been directly debited by Bank not recorded in Cash Book.

You are required to prepare a Bank Reconciliation Statement after necessary amendment in Cash Book as on 31.3.

Question 5 (b)

(8 Marks)

From the following information, ascertain the value of stock as on 31.3.2022:

	Rs.
Value of stock on 1.4.2021	7,00,000
Purchases during the period from 1.4.2021 to 31.3.2022	34,60,000
Manufacturing expenses during the above period	7,00,000
Sales during the same period	52,20,000

At the time of valuing stock on 31.3.2021 a sum of Rs. 60,000 was written off a particular item which was originally purchased for Rs. 2,00,000 and was sold for Rs. 1,60,000. But except the above transaction the gross profit earned during the year was 25% on cost.

Question 6 (a)

(7 Marks)

The bank account of Mukesh was balanced on 31st March, 2021. It showed an overdraft of Rs. 5,000. This did not agree with the balance shown by bank statement of Mukesh. You are required to prepare a bank reconciliation statement taking the following into account:

1. Cheques issued but not presented for payment till 31.3.2021 Rs.12,00,000.
2. Cheques deposited but not collected by bank till 31.3.2021 Rs. 20,00,000.
3. Interest on term-loan Rs. 10,00,000 debited by bank on 31.3.2021 but not accounted in Mukesh's book.
4. Bank charges Rs. 2,500 was debited by bank during March, 2021 but accounted in the books of Mukesh on 4.4.2021.
5. An amount of Rs. 30,68,000 representing collection of Murukesh's cheque was wrongly credited to the account of Mukesh by the bank in their bank statement.

Question 6 (b)

(5 Marks)

Devakinandan Ltd., a dealer in cars has the following five vehicles of different models and makes in its stock at the end of the financial year:

Car	Fiat	Ambassador	Esteem	Maruti 800	Zen
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Cost (Rs.)	90,000	1,15,000	2,75,000	1,00,000	2,10,000
Net realizable value (Rs.)	95,000	1,55,000	2,65,000	1,25,000	2,00,000

What is the value of closing stock included in the balance sheet of the company as on March 31?

Question 6 (c)

(8 Marks)

Bharat Indian Oil is a bulk distributor of petrol. A periodic inventory of petrol on hand is taken when the books are closed at the end of each month. The following summary of information is available for the month of June:

Sales		Rs. 15,00,000
General administration cost		Rs. 45,500
Opening Stock: 1,00,000 litres @ Rs. 3 per litre		Rs. 3,00,000
Purchases (including freight inward):		
June 1	2,00,000 litres @ Rs. 2.85 per litre	
June 30	1,00,000 litres @ Rs. 3.03 per litre	
June 30	Closing stock 1,30,000 litres	

Compute the value of inventory on June 30 using LIFO method of inventory costing. Also compute the amount of Gross Profit and Net Profit.