



## MITKARY SIR'S CAPS ACADEMY

CA Foundation - Test Series - Dec 2021

Marks: 100

SUBJECT - PRINCIPLES & PRACTICE OF ACCOUNTING

Time: 3 hrs.

### INSTRUCTIONS TO CANDIDATES

- Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be valued.
- Question No. 1 is compulsory
- Candidates are also required to answer any **four** questions from the remaining **five** questions.
- Working notes should form part of the respective answers.

1. (a) State with reasons, whether the following statements are True or False:

- Overhead is defined as total cost of direct material, direct wages and direct expenses.
- Balance sheet shows the position of the business on the day of its preparation
- Depreciation is charged with a constant amount under straight line method and charged with a constant percentage under diminishing balance method.
- Debit balance in cash book is same as overdraft as per passbook.
- Super profit means excess of actual average profit over normal profit.
- Non-participating preference shareholders enjoy voting rights.

(6 x 2 = 12 Marks)

1. (b) (i) Accrual Basis of Accounting (ii) Contingent Asset

(4 Marks)

1. (c) The following errors were committed by the Accountant of Hari Om Toys.

- Purchase of Rs. 1620 from Anupam & Co. passed through Sales Day Book as Rs. 1260
- Credit sale of Rs. 16000 to Soni & Co. was posted to the credit of their account.

How would you rectify the errors assuming that:

- They were detected before preparation of Trial Balance.
- They were detected after preparation of Trial Balance but before preparing Final Accounts, the difference was taken to Suspense A/c.
- They were detected after preparing Final Accounts.

(4 Marks)

2. (a) A draws upon B three Bills of Exchange of Rs. 3,000, Rs. 2,000 and Rs. 1,000 respectively. A week later his first bill was mutually cancelled, B agreeing to pay 50% of the amount in cash immediately and for the balance plus interest Rs. 100, he accepted a fresh Bill drawn by A. This new bill was endorsed to C who discounted the same with his bankers for Rs. 1,500. The second bill was discounted by A at 5%. This bill on maturity was returned dishonoured (nothing charge being Rs. 30). The third bill was retained till maturity when it was duly met.

Give the necessary journal entries recording the above transactions in the books of A. (10 Marks)

2. (b) On April 1, 2018 Shubra Ltd. Purchased a machinery for Rs. 12,00,000. On Oct 1, 2020, a part of the machinery purchased on April 1, 2018 for Rs. 80,000 was sold for Rs. 45,000 and a new machinery at a cost of Rs. 1,58,000 was purchased and installed on the same date. The company has adopted the method of providing 10% p.a. depreciation on the written down value of the machinery.

**Required:** Show the necessary ledger accounts for the years ended 31<sup>st</sup> March 2019 to 2021 assuming that (a) 'Provision for Depreciation Account' is not maintained (b) Provision for Depreciation Account is maintained. (10 Marks)

3. (a) Mr. Devender of Dehradun sent on 16<sup>th</sup> February, 2020 a consignment of 500 pen drives to Mr. Satender of Bengal costing Rs. 100 each. Expenses of Rs. 750 were met by the consignor. Satender spent Rs. 1,500 for clearance and selling expenses were Rs. 20 per pen drive.

Satender sold on 15<sup>th</sup> March, 2020, 300 Pen drives @ Rs. 160 per Pen drive and again on 20<sup>th</sup> May, 2020 150 Pen drives @ Rs. 170 each.

Satender is entitled to a commission of Rs. 25 per Pen drive sold plus 1/4 of the amount by which the gross sale proceeds less total commission thereon exceeded a sum calculated @ Rs. 125 per Pen drive sold. Satender sent the amount due to Devender on 30<sup>th</sup> September, 2020.

You are required to prepare the consignment account and Satender's account in the books of Devender. (10 Marks)

3. (b) Meera purchases goods on credit. Her due dates for payments are given below. You are required to calculate average due date.

Transaction Date	Rs.	Due Date
August 5	600	Sept. 08
Sept. 15	400	Oct. 18
Oct. 10	550	Nov. 13
Nov. 5	800	Dec. 10

**(5 Marks)**

3. (c) (i) From the following information, ascertain the Cash Book balance of Mr. Bajaj as on 31<sup>st</sup> March, 2021:

- (i) Debit balance as per Bank Pass Book Rs. 3,500.
- (ii) A cheque amounting to Rs. 2,500 deposited on 15<sup>th</sup> March, but the same was returned by the Bank on 24<sup>th</sup> March for which no entry was passed in the Cash Book.
- (iii) During March, two bills amounting to Rs. 2,500 and Rs. 500 were collected by the Bank but no entry was made in the Cash Book.
- (iv) A bill for Rs. 5,000 due from Mr. Balaji previously discounted for Rs. 4,800 was dishonored. The Bank debited the account, but no entry was passed in the Cash Book.
- (v) A Cheque for Rs. 1,500 was debited twice in the cash book.

**(5 Marks)****OR**

3. (c) (ii) Hari accepted the following bills drawn by Vinny:

On 8<sup>th</sup> March, 2020 Rs. 12,000 for 4 months.

On 16<sup>th</sup> March, 2020 Rs. 15,000 for 3 months.

On 7<sup>th</sup> April, 2020 Rs. 18,000 for 5 months.

On 17<sup>th</sup> May, 2020 Rs. 15,000 for 3 months.

He wants to pay all the bills on a single day. Find out this date. Interest is charged @ 9% p.a. and Hari want to save Rs. 471 by way of interest. Calculate the date on which he has to affect the payment to save interest of Rs. 471.

**(5 Marks)**

4. (a) Peter, Paul and Prince were partners sharing profits and losses in the ratio 2:1:1. It was provided in the partnership deed that in the event of retirement/death of a partner he/his legal representatives would be paid:

- (i) The balance in the capital Account
- (ii) His share of goodwill of the firm valued at two years purchase of normal average profits (after charging interest on fixed capital) for the last three years to 31<sup>st</sup> December preceding the retirement or death.
- (iii) His share of profits from the beginning of the accounting year to the date of retirement or death, which shall be taken on proportionate basis of profits of the previous year as increased by 25%
- (iv) Interest on fixed capital at 10% p.a. though payable to the partners will not be payable in the year of death or retirement.
- (v) All the asset to be revalued on the date of retirement or death and the profit and loss be debited/credited to the Capital Accounts in the profit-sharing ratio.

Peter died on 30<sup>th</sup> September, 2019. The books of Account are closed on calendar year basis from 1<sup>st</sup> January to 31<sup>st</sup> December.

The balance in the Fixed Capital Accounts as on 1<sup>st</sup> January, 2019 were Peter Rs. 10,000 Paul Rs. 5,000 and Prince Rs. 5,000. The balance in the Current Account as on 1<sup>st</sup> January, 2019 were Peter Rs. 20,000. Paul Rs. 10,000 and Prince Rs. 7,000. Drawings of Peter till 30<sup>th</sup> September, 2019 were Rs. 10,000. The profits of the firm before charging interest on capital for the calendar years 2016, 2017 and 2018 were Rs. 1,00,000, Rs. 1,20,000 and Rs. 1,50,000 respectively. The profits include the following abnormal items of credit:

	2016	2017	2018
	Rs.	Rs.	Rs.
Profit on sale of assets	5,000	7,000	10,000
Insurance claim received	3,000	-	12,000

The firm has taken out a Joint Life Policy for Rs. 1,00,000. Besides the partners had severally insured their lives for Rs. 50,000 each, the premium in respect thereof being charged to the Profit and Loss account. The surrender value of the Policies were 30% of the face value. On 30<sup>th</sup> June, 2019 the firm received notice from the insurance company that the insurance premium in respect of fire policy had been undercharged to the extent of Rs. 6,000 in the year 2018 and the firm has to pay immediately. The revaluation of the assets indicates an upward revision in value of assets to the extent of Rs. 20,000.

Prepare an account showing the amount due to Peter's Legal representatives as on 30<sup>th</sup> September, 2019 along with necessary workings.

**(10 Marks)**

4. (b) Mr. Birla is proprietor engaged in business of trading electronics. An excerpt from his Trading & P&L account is as follows:

Trading and P&L A/c for the year ended 31<sup>st</sup> March, 2020

Particulars	Rs.	Particulars	Rs.
To Cost of Goods Sold	45,00,000	By Sales	C
To Gross Profit c/d	<u>D</u>		<u>E</u>
	<u>E</u>	By Gross Profit b/d	<u>D</u>
To Rent A/c	26,00,000	By Miscellaneous Income	E
To Office Expenses	13,00,000		
To Selling Expenses	B		
To Commission to Manager (on Net Profit before charging such commission)	2,00,000		
To Net Profit	<u>A</u>		
	<u>G</u>		60,00,000

Commission is charged at the rate of 10%.

Selling Expenses amount to 1% of total sales.

You are required to compute the missing figures.

**(10 Marks)**

5. (a) X who was closing his books on 31.3.2020 failed to take the actual stock which he did only on 9<sup>th</sup> April, 2020, when it was ascertained by him to be worth Rs. 2,50,000. It was found that sales are entered in the sales book on the same day of dispatch and return inwards in the returns book as and when the goods are received back. Purchases are entered in the purchases daybook once the invoices are received. It was found that sales between 31.3.2020 and 9.4.2020 as per the sales daybook are Rs. 17,200. Purchases between 31.3.2020 and 9.4.2020 as per purchases daybook are Rs. 1,200, out of these goods amounting to Rs. 500 were not received until after the stock was taken. Goods invoiced during the month of March, 2020 but goods received only on 4<sup>th</sup> April, 2020 amounted to Rs. 1,000. Rate of gross profit is 33-1/3% on cost. Ascertain the value of physical stock as on 31.3.2020.

**(5 Marks)**

5. (b) Following information is provided for M/s. Ritu Manufactures for the year ended 31<sup>st</sup> Dec. 2020:

	Rs.
Opening Inventory	3,00,000
Purchases	20,16,000
Carriage Inwards	90,000
Wages	1,50,000
Sales	33,00,000
Returns inward	3,00,000
Returns outward	2,16,000
Closing Inventory	6,00,000

You are required to pass necessary closing entries in the journal proper of M/s. Ritu Manufacturers.

**(5 Marks)**

5. (c) From the following information supplied by New Punjabi Bagh Club, prepare Receipts and Payments Account and income and Expenditure Account for the year ended 31<sup>st</sup> March 2021.

	01.04.2020	31.03.2021
	Rs.	Rs.
Outstanding subscription	70,000	1,00,000
Advance subscription	12,500	15,000
Outstanding salaries	7,500	9,000
Cash in Hand and at Bank	55,000	?
10% Investment	70,000	35,000
Furniture	14,000	7,000
Machinery	5,000	10,000
Sports goods	7,500	12,500

Subscription for the year amount to Rs. 1,50,000/-. Salaries paid Rs. 30,000. Face value of the Investment was Rs. 87,500, 50% of the Investment was sold at 80% of Face Value. Interest on investments was received Rs. 7,000. Furniture was sold for Rs. 4000 at the beginning of the year. Machinery and Sports Goods purchased and put to use at the last date of the year. Charge depreciation @ 15% p.a. on Machinery and Sports goods and @ 10% p.a. on Furniture.

Following Expenses were made during the year:

Sports Expenses:	Rs. 25,000
Rent:	Rs. 12,00 out of which Rs. 1,000 outstanding
Misc. Expenses:	Rs. 2,500

**(10 Marks)**

6. (a) B Ltd. issued 20,000 equity shares of Rs. 100 each at a premium of Rs. 20 per share payable as follows: on application Rs. 50; on allotment Rs. 50 (including premium); on final call Rs. 20. Applications were received for 24,000 shares. Letters of regret were issued to applicants for 4,000 shares and shares were allotted to all the other applicants. Mr. A, the holder of 150 shares, failed to pay the allotment and call money, the shares were forfeited. Show the Journal Entries and Cash Book in the books of B Ltd.

**(15 Marks)**

6. (b) Write short notes on:

i. Features of Partnership

ii. Powers of Partners

**(5 Marks)**

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