



CA FOUNDATION

Test Code – JKN_ACC_01

(Date :06/09/2020)

(Marks - 100)

Question No. 1 is compulsory.

Attempt any four questions from the remaining five questions.

Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer.

Working Notes should form part of the answer

QUESTION NO.1**A. State with reasons, whether the following statements are true or false:**

1. Goods worth Rs. 600 taken by the proprietor for personal use should be credited to Capital Account.
2. Money spent to reduce working expenses is Revenue Expenditure.
3. 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.
4. In case the due date of a bill falls after the date of closing the account, the interest from the date of closing to such due date is known as Red-Ink interest.
5. Limited Liability Partnership (LLP) is governed by Indian Partnership Act, 1932.
6. If the amount is posted in the wrong account or it is written on the wrong side of the account, it is called error of principle.

(6*2 = 12 MARKS)

B. Define revenue receipts and give examples. How are these receipts treated? Explain.

(2 MARKS)

C. Give journal entries (with narrations) to rectify the following errors located in the books of a Trader after preparing the Trial Balance: Also prepare Suspense A/c

- a. An amount of Rs. 4,500 received on account of Interest was credited to Commission account as Rs. 5400
- b. A sale of Rs. 2,760 was posted from Sales Book to the Debit of M/s Sobhag Traders at Rs. 2,670
- c. Rs. 35,000 paid for purchase of Air conditioner for the personal use of proprietor debited to Machinery A/c.
- d. Goods returned by customer for Rs. 5,000. The same have been taken into stock but no entry passed in the books of accounts.

(6 MARKS)

QUESTION NO.2

A. On 30th September, 2019, the bank account of Neel, according to the bank column of the Cash- Book, was overdrawn to the extent of Rs. 8,124. On the same date the bank statement showed balance of Rs. 41,516 in favour of Neel. An examination of the Cash Book and Bank Statement reveals the following:

1. A cheque for Rs. 26,28,000 deposited on 29th September, 2019 was credited by the bank only on 3rd October, 2019
2. A payment by cheque for Rs. 32,000 has been entered twice in the Cash Book.
3. On 29th September, 2019, the bank credited an amount of Rs. 2,34,800 received from a customer of Neel, but the advice was not received by Neel until 1st October, 2019.
4. Bank charges amounting to Rs. 1,160 had not been entered in the Cash Book.
5. On 6th September, 2019, the bank credited Rs. 40,000 to Neel in error, not corrected by bank till date.
6. A bill of exchange for Rs. 2,80,000 was discounted by Neel with his bank. This bill was dishonoured on 28th September, 2019 but no entry had been made in the books of Neel.
7. Cheques issued upto 30th September, 2019 but not presented for payment upto that date totalled Rs.26,52,000.

You are required:

- (a) to show the appropriate rectifications required in the Cash Book of Neel, to arrive at the correct balance on 30th September, 2019 and
- (b) to prepare a bank reconciliation statement as on that date.

(4 MARKS)

B. A of Ahmedabad consigned 1000 units of bed-sheets to B of Bangalore each costing Rs.1,000 adding a load of $16\frac{2}{3}$ % on invoice price. A paid Rs.20,000 for carriage Rs.10,000 for insurance and Rs.15,000 for freight for transporting the goods. Bed sheets of invoice value Rs.60,000 were destroyed in transit for which insurance company admitted a claim of Rs. 40,000. B took delivery of remaining goods and paid Rs.5,700 as clearing charges, Rs.10,000 for storage and Rs.6,300 for selling expenses. B sold 20% of the goods received adding 10% profit on invoice price for cash, sold 50% of goods received so as to get 20% profit on selling price (over invoice price) and kept 10% of the goods with himself. B was to be given commission of 5% on total sales at invoice price, 3% del-credere commission on credit sales and 10% commission on surplus sales over invoice price.

You are required to prepare consignment A/c. and consignee's A/c. in books of A.

(6 Marks)

C. A Firm purchased an old Machinery for Rs. 37,000 on 1st January, 2015 and spent Rs. 3,000 on its overhauling. On 1st July 2016, another machine was purchased for Rs. 10,000. On 1st July 2017, the machinery which was purchased on 1st January 2015, was sold for Rs. 28,000 and the same day a new machinery costing Rs. 25,000 was purchased. On 1st July, 2018, the machine which was purchased on 1st July, 2016 was sold for Rs. 2,000.

Depreciation is charged @ 10% per annum on straight line method. The firm changed the method and adopted diminishing balance method with effect from 1st January, 2016 and the rate was increased to 15% per annum. The books are closed on 31st December every year. (Round off depreciation to nearest rupee)

Prepare Machinery account for four years from 1st January, 2015.

(10 MARKS)

QUESTION NO.3

- A.** 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%.

You are required to prepare Journal Entries in the books of Mr. A

(10 MARKS)

- B.** Stock taking of XYZ Stores for the year ended 31st March, 2019 was completed by 10th April, 2019, the valuation of which showed a stock figure of Rs. 1,67,500 at cost as on the completion date. After the end of the accounting year and till the date of completion of stock taking, sales for the next year were made for Rs. 6,875, profit margin being 33.33 percent on cost. Purchases for the next year included in the stock amounted to Rs. 9,000 at cost less trade discount 10 percent. During this period, goods were added to stock of the mark-up price of Rs. 300 in respect of sales returns. After stock taking it was found that there were certain very old slow moving items costing Rs. 1,125 which should be taken at Rs. 525 to ensure disposal to an interested customer. Due to heavy floods, certain goods costing Rs. 1,550 were received from the supplier beyond the delivery date of customer. As a result, the customer refused to take delivery and net realizable value of the goods was estimated to be Rs. 1,250 on 31st March, 2019.

You are required to calculate the value of stock for inclusion in the final accounts

for the year ended 31st March, 2019. Closing stock is valued by XYZ Stores on generally accepted accounting principles.

(5 MARKS)

- C.** X supplied goods on sale or return basis to customers, the particulars of which are as under:

Date of dispatch	Party's name	Amount Rs.	Remarks
10.12.2019	M/s ABC Co.	10,000	No information till 31.12.2019
12.12.2019	M/s DEF Co	15,000	Returned on 16.12.2019
15.12.2019	M/s GHI Co	12,000	Goods worth Rs. 2,000 returned on 20.12.2019

20.12.2019	M/s DEF Co	16,000	Goods Retained on 24.12.2019
25.12.2019	M/s ABC Co	11,000	Good Retained on 28.12.2019
30.12.2019	M/s GHI Co	13,000	No information till 31.12.2019

Goods are to be returned within 15 days from the dispatch, failing which it will be treated as sales. The books of 'X' are closed on the 31st December, 2019.

Prepare the following account in the books of 'X'.

Goods on "sales or return, sold and returned day books".

Goods on sales or return total account.

(5 MARKS)

QUESTION NO.4

A. Following is trial balance of Mr. M as on 3.03.20.

	Rs.	Rs.
Capital		30,000
Drawings	5,000	—
Goods A/c.	18,000	28,000
Personal A/cs.	12,000	8,000
Salaries (for 15 months)	1,200	—
Rent (for 11 months)	1,320	—
Prepaid insurance	180	—
Outstanding trade expenses	—	500
Machinery	10,000	—
Furniture	8,000	—
Carriage	800	—
Trade expenses	400	—
Bills	5,000	3,000
Articled Clerk's premium (for 3 years from 1.10.18)		750
Leasehold Assets (for 10 years from 1.4.16)	6,300	—
Freight outward	700	—
Advertisement	2,500	—
Suspense A/c	—	1,150
	71,400	71,400

Additional Information:

1. Depreciate Machinery by 10% and furniture by 5%.
2. Value of closing stock was Rs.3,000.
3. Interest on capital is to be allowed at 8% and is to be charged on drawings at 6%.
4. Total of return outward book Rs.1150 was only posted to creditors ledger.

Prepare Trading A/c, P/L A/c. and Balance Sheet.

(10 MARKS)

B. Monika, Yedhant and Zoya are in partnership, sharing profits and losses equally.

Zoya died on 30th June 2018. The Balance Sheet of Firm as at 31st March 2018 stood as

Liabilities	Amount	Assets	Amount
Creditors	20,000	Land and Building	1,50,000
General Reserve	12,000	Investments	65,000
Capital Accounts:		Stock in trade	15,000
Monika	1,00,000	Trade receivables	35,000
Yedhant	75,000	Less: Provision for doubtful debt (2,000)	33,000
Zoya	75,000	Cash in hand	7,000
		Cash at bank	12,000
	2,82,000		2,82,000

In order to arrive at the balance due to Zoya, it was mutually agreed that:

- (i) Land and Building be valued at Rs. 1,75,000
 - (ii) Debtors were all good, no provision is required
 - (iii) Stock is valued at Rs. 13,500
 - (iv) Goodwill will be valued at one Year's purchase of the average profit of the past five years. Zoya's share of goodwill be adjusted in the account of Monika and Yedhant.
 - (v) Zoya's share of profit from 1st April 2018, to the date of death be calculated on the basis of average profit of preceding three years.
 - (vi) The profit of the preceding five years ended 1st March were:
- | 2018 | 2017 | 2016 | 2015 | 2014 |
|--------|--------|--------|--------|--------|
| 25,000 | 20,000 | 22,500 | 35,000 | 28,750 |

You are required to prepare

- (1) Revaluation account
- (2) Capital accounts of the partners and
- (3) Balance sheet of the Firm as at 1st July 2018.

(10 MARKS)

- A. From the following information supplied by M.B.S. Club, **prepare Receipts and Payments account and Income and Expenditure Account** for the year ended 31st March 2019.

	01.04.2018	31.03.2019
	Rs.	Rs.
Outstanding subscription	1,40,000	2,00,000
Advance subscription	25,000	30,000
Outstanding salaries	15,000	18,000
Cash in Hand and at Bank	1,10,000	?
10% Investment	1,40,000	70,000
Furniture	28,000	14,000
Machinery	10,000	20,000
Sports goods	15,000	25,000

Subscription for the year amount to Rs. 3,00,000/-. Salaries paid Rs. 60,000. Face value of the Investment was Rs. 1,75,000, 50% of the Investment was sold at 80% of Face Value. Interest on investments was received Rs. 14,000. Furniture was sold for Rs. 8000 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.

(Note : Investments are sold at the end of the year)

Following Expenses were made during the year:

Sports Expenses: Rs. 50,000

Rent: Rs. 24,000 out of which Rs. 2,000 outstanding

Misc. Expenses: Rs. 5,000

(10 MARKS)

- B. **Prepare a Petty Cash Book on the Imprest System** from the following:

2019		Rs.
April	1	Received Rs. 20,000 for petty cash
"	2	Paid auto fare
"	3	Paid cartage
"	4	Paid for Postage & Telegrams
"	5	Paid wages
"	5	Paid for stationery

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"	6	Paid for the repairs to machinery	1,500
"	6	Bus fare	100
"	7	Cartage	400
"	7	Postage and Telegrams	700
"	8	Cartage	3,000
"	9	Stationery	2,000
"	10	Sundry expenses	5,000

(10 MARKS)

QUESTION NO.6

A. Give necessary journal entries for forfeiture and re-issue of shares.

(i) X Ltd. forfeited 300 shares of Rs.10 each on which Rs.8 per share were called and Rs.5 per share were paid. X Ltd. re-issued 250 shares at Rs.7 as fully paid.

(ii) Y Ltd. forfeited 500 shares of Rs.10 each issued at Rs.18 per share on which Rs.12 (including premium of Rs.5) were called and Rs.6 (including premium of Rs.2) remains unpaid. Y Ltd. re-issued 150 shares at minimum possible amount.

(10 MARKS)

B. On 1st January 2018 Ankit Ltd. issued 10% debentures of the face value of Rs. 20,00,000 at 10% discount. Debenture interest after deducting tax at source @10% was payable on 30th June and 31st December every year. All the debentures were to be redeemed after the expiry of five year period at 5% premium.

Pass necessary journal entries for the accounting year 2018.

(5 MARKS)

C. Explain the differences between Money measurement concept and Matching Concept.

Or

Which subsidiary books are normally used in a business?

(5 MARKS)