J.K. SHAH TEST SERIES

Evaluate Learn Succeed

CA FOUNDATION

Test Code – JK-ACC-01

(Date: 02-08-2020)

(Marks - 100)

PAPER - I

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 form the answer.

Working Notes should form part of the answer

Q.1 (a) State with reasons whether the following are true or false

(1) The financial statements are normally prepared on the assumption that enterprise will continue in operation for indefinite time.

(2) Expense incurred on repairs and white washing for the first time on purchase of an old building are revenue expenses.

(3) If an inflow of economic benefits is probable then a contingent asset is disclosed in the financial statements.

(4) A unified and exhaustive list of accounting policies can be suggested which has universal application.

(5) Reissue of forfeited shares is allotment of shares but not a sale.

(6) Charging depreciation alone ensures sufficient cash flows for asset replacement.

(12 Marks)

(b) Explain the objective of "Accounting Standards" in brief.

(3 Marks)

(c) Following is a petty cash book for the month of January 2020. Post the transactions in necessary ledger accounts.

Receipt	Date	V.No.	Particulars	Total	Cartage	Stationery	Sundries
1000	Jan.1		To Cash	–	–	–	–
	2		By Cartage	100	100	–	–
	10		By Stationery	250	–	250	–
	14		By Sundries	150	–	–	150
	20		By Stationery	50	–	50	–
	25		By Cartage	60	60	–	–
	30		By Sundries	100	–	–	100
				710	160	300	250
			By Balance c/d	290			
1000				1000			
290			To Balance b/d				
710			To Cash				

(5 Marks)

Q.2 (a) Calculate cost of closing inventory following adjusted selling price method.

	₹
Purchase	10,00,000
Trade discount	10%
G.ST. (input tax credit not available)	5%
Transportation charges	15,000
Opening Stock	60,000
Closing Stock (at selling price)	1,50,000
Sales	15,00,000

(b) Books of Mr. A shows balance of ₹1,15,340 in machinery account on 1.4.19. A machine which was purchased on 1.4.17 for Rs.80000 was sold on 1.10.19 for ₹60,000. There was another machine purchased on 1.10.18. A third machine was purchased for ₹40,000 on 1.7.19 and a fourth machine for ₹30,000 was purchased on 1.1.20. Depreciation was calculated every year @ 15% p.a. on W.D.V. Calculate the cost of II machine purchased and prepare machinery A/c. for the year 2019–20.

(c) As per cash book of Mr. Manan there is unfavourable balance of ₹6,000 on 1.2.19. As per his pass book unfavourable balance on 28.2.19 was ₹7,000. Prepare B.R.S. as on 28.2.19 from the following reasons of differences.

(i) Cheques issued during February, but presented in the month of March were : Viraj ₹200, Akshat ₹300, Mandar ₹1,500, Prashant ₹800.

(ii) A cheque of ₹500 is written in current A/c was recorded in pass book of savings account by bank. This cheque was by mistake recorded in cash column of cash book.

(iii) A crossed cheque of ₹1,200 is received from Abhishek which was not deposited.

(iv) Bank has debited bank commission of ₹40 to his account. By mistake it was recorded as ₹4 in this discount column of cash book.

(v) Cheque of ₹7,000 were deposited in the bank during February of which cheque of ₹3,000 was collected in the month of March.

(vi) A bill of ₹3,000 sent to the bank for collection is not collected so far.

(vii) The total of receipt side of cash book, cash column and bank column are overcast by ₹300 and ₹ 500 respectively.

(viii) Bank has debited ₹200 in pass book for interest on cash credit.

(ix) A cheque of ₹1,000 is given by Dinesh which was returned by bank as the signature differed.

(4 + 6 + 10 = 20 Marks)

Q.3 (a) A of Ahmedabad consigned 1000 units of bed−sheets to B of Bangalore each costing ₹1,000 adding a load of $16\frac{2}{3}$ % on invoice price. A paid ₹20,000 for carriage ₹10,000 for insurance and ₹15,000 for freight for transporting the goods. Bed sheets of invoice value ₹60,000 were destroyed in transit for which insurance company admitted a claim of ₹ 40,000. B took delivery of remaining goods and paid ₹5,700 as clearing charges, ₹10,000 for storage and ₹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.

(b) Prepare a account current of Mr. X to be rendered by Mr. Y along with interest @ 12% p.a. by EPOQUE method as on 30.6.20 (take 365 days in year).

01.04.20 ₹10,000 owed by Mr. X to Mr. Y.
10.04.20 Mr. X purchased goods of ₹7,000 on 2 months credit.
15.04.20 Mr. Y paid cash ₹2,000.
28.04.20 Mr. X returned goods of ₹1,000 out of purchase of 10.4.20.
05.05.20 Mr. Y honoured a bill of ₹5,000 drawn by Mr. X 2 months earlier.
20.05.20 Mr. X sold goods of ₹10,000 (1 month credit)
28.05.20 Mr. Y accepted a bill of ₹4,000 for 2 months.
15.06.20 Mr. X paid cash ₹3,000.

(c) Journalise the following transactions in books of Aashish when he sends goods on sale or return casually.

2020
Feb.10 Sent goods to Pooja ₹30,000 (cost) adding profit of 33.1/3% on cost.
Feb.25 Pooja returned goods of selling price ₹10,000.
Mar.15 Pooja gave approval for 50% of goods sent at ₹25,000.
Apr.10 Pooja returned balance goods.
(Accounting year ends every year on 31/3)

(8 + 8 + 6 = 20 Marks)

Q.4 (a) A, B and C were partners sharing in ratio 5:3:2. D admits with $1/6^{th}$ share and it was agreed between all that C's share will remain unchanged. Following is their balance sheet as on 31.03.20.

Liabilities		**₹**	**Assets**	**₹**
Capital :			Building	72,000
A	40,000		Furniture	36,000
B	30,000		Stock	27,000
C	20,000	90,000	Joint Life Policy	12,000
Creditors		20,000	Cash	13,000
Bills Payable		30,000		
Bank overdraft		20,000		
		1,60,000		**1,60,000**

D was admitted on 1.4.20 and following was agreed.

1. D is to bring capital equal to 1/6th of Net Assets of new firm.
2. Building is over valued by 20% and furniture and stock are undervalued by 10%.
3. Joint life policy surrendered for 10,000.
4. Profit of the firm for past 3 years was 20,000, 25,000 and ₹18,000 and goodwill of the firm was valued @ 5 years purchase of average profit on the basis of annuity taking discounting rate of 10%. (Annuity factor = 3.79)
5. It was decided to maintain capital in new PSR after D's admission and the difference is to be transferred to their current accounts.
   Prepare Balance Sheet of new firm.

(b) Following is trial balance of Mr. M as on 3.03.20.

	₹	₹
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 ₹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 ₹1150 was only posted to creditors ledger.

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

(10 + 10 = 20 Marks)

Q.5 (a) RSP Library showed following position on 31.03.19.

Balance Sheet as on 31.03.2019

Liabilities	**₹**	**Assets**	**₹**
Capital Fund	3,96,500	Electric fittings	75,000
Expenses payable	3,500	Furniture	25,000
		Books	2,00,000
		Investment in Securities	75,000
		Cash at Bank	12,500
		Cash in hand	12,500
	4,00,000		4,00,000

The receipt and payment account for the year ended 31.03.20 is given below:

	₹		₹
To balance b/d	25,000	By Electric charges	3,600
To Entrance fees	15,000	By Postage and Stationery	2,500
To Subscription	1,00,000	By Telephone charges	2,500
To Sale proceeds of old papers	750	By Books	30,000
To Hire of lecture hall	10,000	By Outstanding expense paid	3,500
To Interest on Securities	4,000	By Rent	44,000
		By Investment in securities	20,000
		By Salaries	33,000
		By Balance c/d	
		Cash	10,000
		Bank	5,650
	1,54,750		**1,54,750**

You are required to prepare income and expenditure account for year ended 31.03.20 and balance sheet as on that date after making following adjustments.

- Subscription include ₹5,000 received in advance.
- Provide for outstanding rent ₹2,000 and salaries ₹1,500.
- Books to be depreciated at 10%. Electric fittings and furniture also to be depreciated same rate.
- 75% of the entrance fees to be capitalised.
- Interest on securities to be calculated @ 5% p.a. including purchase made on 1.10.19 for ₹20,000.

(b) Following information is provided for APL Traders for the year ended 31.03.19.

	₹
Opening inventory	10,000
Purchase	67,200
Carriage inwards	3,000
Wages	5,000
Sales	1,10,000
Returns inward	10,000
Returns outward	7,200
Closing inventory	20,000

You are required to pass closing entries in the journal proper of A&L Traders.

(15 + 5 = 20 Marks)

Q.6 (a) Give necessary journal entries for forfeiture and re–issue of shares.

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

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

(b) A Ltd. issued 20,000 8% Debentures of ₹100 each at ₹94, re–deemable at ₹102 after 5 years. Calculate the total loss on issue of debentures to be written off each year if debentures are redeemable as under.

At the end of	No. of Debentures

Year 1	8,000
Year 2	6,000
Year 3	4,000
Year 4	–
Year 5	2,000

(c) Classify the following expenditures as capital or revenue expenditure.

(i) Amount spent on making few more exits in a cinema hall to comply with Government orders.

(ii) Travelling expenses of the directors for trips abroad for purchase of capital assets.

(iii) Amount spent to reduce working expenses.

(iv) Amount paid for removal of stock to a new site.

(v) Cost of repairs on second hand car purchased.

(10 + 5 + 5 = 20 Marks)