



GRAPH PAPER IS ON THE PENULTIMATE PAGE

Book No. 1 (containing 28 pages)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

Foundation

Examination

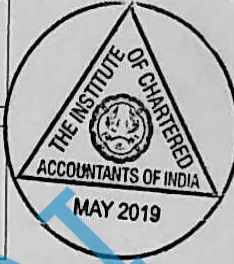
Group No. I Paper No. 1 (HAF2)

Subject Principles & Practices of Accounting

Number of Answer Books used : Main + additional sheets

For use by ICAI only

527588



04 JUN 2019

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Q.No.	To be ticked (✓) by the candidate against the Questions answered	Marks Awarded (To be filled by Examiner)					Total
		a	b	c	d	e	
1	✓	11½	3	4			18½
2	✓	10	10				20
3	✓	7	5	5			17
4	✓	10	10				20
5							
6	✓	10	5	5			20
7							
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12							
13							
14							
Total							95½ = 96

Use only Blue / Black Ball Point Pen to write and shade the circles. **AVOID RED PEN.** Write the marks in the boxes before shading the respective circles.

Total Marks awarded

96

- 0
- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9

Total Marks awarded (In words) Ninty Six only

Examiner's Signature

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INSTRUCTIONS TO THE CANDIDATE

Answers are not to be written on this page

Answers should be written in figures and words in the allotted space at the right hand corner of the answer book and nowhere else including additional answer book/s and graph paper.

Roll number should be written in the box in numbers and darken the appropriate circles of the OMR bubbles provided in the right hand corner of the cover page with **Black / Blue** ball point pen.

Write all particulars such as name of Examination, Group No., Paper No. and subject at the appropriate space at the left hand upper corner.

4. Remove the Bar Code sticker of the particular paper from the Attendance sheet and affix the same on the box provided in the right hand corner of the cover page.
5. Since a machine will read the Roll no., please check and ensure that Roll number written in numbers, words and circles darkened are correct. In case any candidate fills this information wrongly, Institute will not take any responsibility for rectifying the mistake.
6. The answers should be written neatly and legibly.
7. The answer to each question must be commenced on a fresh page and question number prominently written at the top of each answer. Alternatively, the question number should be distinctly written in the margin.
8. The answer to each question in all parts should be fully completed in one page or in a consecutive set of pages, before the next question is taken up.
9. Writing of Roll number in place/s other than the space provided for the purpose or writing distinguishing mark, symbols like "OM", "Sri", "Jesus", "786", etc., will tantamount to adoption of "unfair means"
10. Before submission of answer book to the invigilator take care to score out (X) blank pages, if any, that you might have left.



Ques 4(a)

Ques 4(a)

(1). Cu.

Deu.		Revaluation Account		Cu.	
Particulars	₹	Particulars	₹		
To Stock A/c	1500	By Land & Building	25000		
To profit (1:1:1)		By provision for			
Monika - 8500		doubtful debt	2000.		
Yedhant - 8500					
Zoya - 8500	85500				
	87000				
				87000	

(2). Cu.

Deu.				Partner's Capital Account				Cu.			
Particulars	M	Y	Z	Particulars.	M	Y	Z				
To Zoya's A/c (WN 1 & 2).	4375	4375.		By bal b/d	100,000	75,000	75,000				
To Zoya's Executor A/c			98125	By general Reserve A/c	4000	4000	4000				
To bal c/d	108125	83125		By Monika's A/c			4375				
				By Yedhant's A/c			4375				
				By P/L suspense (3)			1875				
				By Revaluation	8500	8500	8500.				
	112500	87500	98125		112500	87500	98125.				



(3).

Balance Sheet
as at 1st July, 2018.

Liabilities	₹	Asset	₹
Creditors.	20,000	Land and Building	17,500
Capital Accounts:		Investments.	6,500
Monika - 10,812.5		Stock in trade.	13,500
Yedhant - 8,312.5	191,250	Trade Receivables.	35,000
Zoya's Executor A/c	98,125	Cash in hand	7,000
		Cash at bank.	12,000
		Profit and Loss Suspense	18,750
	309,375		309,375

2

Working Notes :-

(1) Calculation of Goodwill :-

$$\begin{aligned} \text{Average profit} &= \frac{25,000 + 20,000 + 22,500 + 35,000 + 28,750}{5} \\ &= 26,250. \end{aligned}$$

1
2

$$\text{Goodwill} = 26,250.$$

$$\text{Zoya's share of Goodwill} = 8,750.$$

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(2) Calculation of gaining Ratio :-

$$\text{Gaining Ratio} = \text{New Share} - \text{Old Share.}$$

$$\text{Monika} = \frac{1}{2} - \frac{1}{3} = \frac{1}{6}$$

$$\text{Yedhant} = \frac{1}{2} - \frac{1}{3} = \frac{1}{6}$$

So, Goodwill to be debited to their
A/c's are :- Gaining Ratio - 1:1

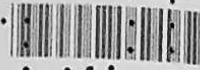
$$\frac{1}{2} \quad \text{Monika} = 8750 \times \frac{1}{2} = 4375 \quad \checkmark$$

$$\text{Yedhant} = 8750 \times \frac{1}{2} = 4375 \quad \checkmark$$

(3) Share of profit :-

$$\begin{aligned} \text{Average profit} &= \frac{25000 + 20,000 + 22500}{3} \\ &= 22500. \end{aligned}$$

$$\begin{aligned} \text{So profit share} &= \frac{22500 \times 1}{3} \times \frac{3}{12} \\ &= 1875. \quad \checkmark \end{aligned}$$



Ques 4(b)

Ques 4(b)

Trading and Profit and loss A/c

Dr. for the year ending 31st Dec, 2018. Cr.

Particulars	₹	Particulars	₹
To opening Stock	4400.	By Sales	9000.
To purchases 12000		(-) Sales Return (1000)	8000
(-) purchase Return (2000)	10,000.	By Closing Stock	4500
To Gross profit	1100.		
	<u>12500.</u>		<u>12500.</u>

To tax and insurance	500.	By Gross profit	1100.
(+) Outstanding	200	By Commission	500.
To Bad debts.	500.	(-) Advance (100)	400
To depreciation	160 ✓	By Accrued Interest	210.
To outstanding Salary	2600 ✓	By Net loss.	2500.
To tax and insurance	500		
(+) outstanding	200		
(-) prepaid	(50)		
To interest on overdraft	300 ✓		
To Reserve for B.D.	500 ✓		
	<u>4210</u>		<u>4210</u>

4 1/2

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Balance Sheet

as at 31st Dec, 2018.

Liabilities	₹	Asset	₹
Capital 16000.		Cash in hand.	1500.
↳ Dividend (2000).		Debtors 5000	5000
↳ Net loss (2500)	11500	Gross	
Bank Overdraft	2000.	↳ Revenue for (1000)	4000.
outstanding tax	200.	↳ ^{Bad debt} Investments	4000.
Creditors.	2000.	Furniture 1600	
Advance Commission	100.	↳ Depreciation (160)	440.
Bills payable	2500.	Bills Receivable	3000.
outstanding salary	100.	Closing Stock	4500.
Outstanding		Prepaid insurance	50.
interest on		Accrued Interest	210.
overdraft	300.		
	<u>18700</u>		<u>18700</u>

Working Notes :-

Dr.	Particulars	₹	Cr.	Particulars	₹
	To Bad debts.	500.		By bal b/d	1000
	To bal b/d	1000.		By P/L A/c	500.
		<u>1500</u>			<u>1500</u>

10



Ques 3(a)

Ques 3(a)

De.	Joint Venture Acc.		Cr.
Particulars	₹	Particulars	₹
To Joint Bank A/c	145,00,000	By R's A/c - Sale	128,00,000
To Joint Bank A/c	275,00,000	By S's A/c - Sale	56,00,000
To R's A/c (WN1)	256,000		
To S's A/c (WN2)	112,000		
To profit (2:1)			
R -	521333		
S -	260667		
	184,00,000		184,00,000

2 1/2

De.	Joint Bank A/c		Cr.
Particulars	₹	Particulars	₹
To R's A/c	100,00,000	By Joint Venture	145,00,000
To S's A/c	50,00,000	By Joint Venture	275,00,000
To R's A/c	2022667		
To S's A/c	227333		
	172,50,000		172,50,000

1 1/2

De.	R's Account		Cr.
Particulars	₹	Particulars	₹
To Joint Venture	1,28,00,000	By Joint Bank A/c	100,00,000
		By Joint Venture	256,000
		By Joint Venture	521333
		By Joint Bank A/c	2022667
	128,00,000		128,00,000

1 1/2

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 $\frac{1}{2}$

Dr.		S's Account.		Cr.	
Particulars	₹	Particulars	₹		
To Joint Venture	5600,000	By Joint Bank A/c	50,00,000		
		By Joint Venture	112,000		
		By Joint Venture	260667		
		By Joint Bank A/c	227333		
	<u>5600,000</u>		<u>5600,000</u>		

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Working Notes :-

$$(1) \quad R's \text{ Commission} = \frac{12800,000 \times 2}{100} = 256000$$

$$(2) \quad S's \text{ Commission} = \frac{5600,000 \times 2}{100} = 112000$$

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7



Ques 3(b)

Ques 3(b)

In the Books of Akshay.
Journal Entries

Date	Particulars	LF	Dr (₹)	Cr. (₹)
2018.				
1 Jan	Bills Receivable (1) A/c	Dr	16000	-
	Bills Receivable (2) A/c	Dr.	25000	-
<u>1</u>	To Vishal's A/c		-	41000
	(Being bills drawn by Akshay).			
4 Mar.	Vishal's A/c	Dr	16000	-
<u>1</u> <u>2</u>	To Bills Receivable (1) A/c		-	16000
	(Being first bill cancelled).			
4 Mar.	Bills Receivable (3) A/c	Dr	16400	-
	To Vishal's A/c		-	16000
<u>1</u>	To Interest A/c $(16000 \times 15 \times 2)$ 100 12		-	400
	(Being new bill drawn).			

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25 May	Bank A/c	Dr	24750	-
	Rebate A/c	Dr	250	-
↓	To Bills Receivable (2) A/c.		-	25000
	(Being bill settled).			

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7 May	Vishal's A/c	Dr	16400	-
	To Bills Receivable (3) A/c		-	16400
↓	(Being Vishal became insolvent)			

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7 May	Bank A/c	Dr	8200	-
	Bad debts A/c	Dr	8200	-
↓	To Vishal's A/c		-	16400
	(Being part payment received)			

5



Ques 3 (c)(ii)

Q 2c(ii)

Statement showing Royalty payable.

Year ended	Coal extracted	Royalty @ ₹25/Ton	Shortwork ing allowed	Shortwork ing measured.	Royalty payable
2014	3000	75000	175000	-	250,000
2015	4800	120,000	130,000	-	250,000
2016	10,600	265,000	-	15,000	250,000
2017	16,800	420,000	-	170,000	250,000
2018	21,000	525,000	-	120,000	405,000
	<u>56,200</u>	<u>1,405,000</u>	<u>305,000</u>	<u>305,000</u>	<u>1,405,000</u>

5

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Ques 2(a)

Ques 2(a)

Bank Reconciliation Statement
as on 30th June, 2018

Particulars.	Details	Amount.
(i). Debit balance as per Pass Book.		25000.
(ii). Cheque directly deposited by a Customer in the bank.	400. ✓	
(iii). Cheques issued but not presented.	14000. ✓	
(iv). Cheque recorded in Pass Cash book but not banked.	(4000). ✓	
(v). Cheques sent but not collected.	(6000). ✓	
(vi). Direct payment by bank.	(600). ✓	
(vii). Interest on overdraft charged by bank.	(1600). ✓	
(viii). Bank Charges entered twice in Cash book.	80. ✓	
(ix). Insurance Charges paid by bank	(70). ✓	
Credit side of Cash Book undercast.		210.
<u>Credit balance as per Cash Book.</u>	✓	<u>25210</u>

10



Ques 2(b)

Ques 2(b)

Dr.		Machinery Account				Cr.	
Date	Particulars	JF	Amount (₹)	Date	Particulars	JF	Amount (₹)
2015				2015.			
1 Jan	To Bank A/c (37000 + 3000)	✓	40,000	31 Dec	By Depreciation	✓	4000
					By bal c/d		36000
			40000				40,000
2016				2016.			
1 Jan	To bal b/d.	✓	36000	31 Dec	By Depreciation		
1 July	To Bank A/c	✓	10,000		(5400 + 750)	✓	6150
					By bal c/d		39850
			46000				46000
2017				2017.			
1 Jan	To bal b/d	✓	39850	1 July	By Depreciation (1)	✓	2295
1 July	To bank A/c	✓	25000		By Bank A/c	✓	28000
					By P/L A/c	✓	305
				31 Dec	By Depreciation	✓	3262
					By bal c/d	✓	30987
			64850				64850
2018				2018.			
1 Jan	To bal b/d.	✓	30987	1 July	By Depreciation	✓	590
					By Bank A/c	✓	2000

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7 1/2

30987

By P/L A/c

✓ 5272

31 Dec

By Depreciation

✓ 8469

By bal c/d

19656

30987

Working Notes :-

1) Depreciation for Machines :-

Purchased on.

		1 Jan 2015	1 July 2016	1 July 2017
2015	Cost	40,000		
	(-) Depreciation	(4000)		
2016	WDV	36,000	10,000	
	(-) Depreciation	(5400)	(750)	
2017	WDV	30600	9250	25000
	(-) Depreciation	(2295)	(1388)	(1875)
2018	WDV	28305	7862	23125
	(-) Depreciation		(590)	(3469)
			7272	✓ 19656
	(-) Sale		2000	
			✓ 5272	
	(-) Sale	28,000		
	Loss on sale	✓ 305		

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Ques 6(a)

Ques 6(a)

In the books of Bhagwati Ltd.
Journal Entries.

Date	Particulars	LF	Du. (₹)	Cr. (₹)
1	Bank A/c Du.		900,000	-
	✓ To Equity Share Application A/c. (Being applications for 300,000 shares received).		-	900,000
1	Equity Share Application A/c Du		900,000.	-
	To Equity Share Allotment A/c		-	300,000.
	To Equity Share Capital A/c (Being 300,000 shares allotted on pro-rata basis).		-	600,000
1	Equity Share Allotment A/c Du		10,00,000	-
	To Equity Share Capital A/c (Being allotment money due).		-	10,00,000
1	Bank A/c Du		700,000	-
	To Equity Share Allotment A/c. (Being allotment money received).		-	700,000

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1	Equity Share first & final Call A/c	Dr	400,000	-
	To Equity Share Capital A/c		-	400,000
	(Being first call money due).			

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1	Bank A/c	Dr	394,000	-
	Calls-in-advance A/c	Dr	6,000	-
	To Equity Share first & final Call A/c		-	400,000
	(Being call money received)			

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1	Equity Share Capital A/c	Dr	30,000	-
	To Equity Share forfeiture A/c		-	24,000
	To Calls-in-advance A/c		-	6,000
	(Being B's share forfeited)			

1	Bank A/c	Dr	15,000	-
	Equity Share forfeiture A/c	Dr	10,000	-
	To Equity Share Capital A/c		-	25,000
	(Being shares issued)			

1	Equity Share forfeiture A/c	Dr	10,000	-
	To Capital Reserve A/c (WN1)		-	10,000
	(Being transfer to Capital Reserve)			

Working Notes :-

(1) Transfer to Capital Reserve :-

$$\frac{1}{1} = \frac{24000}{3000} \times 2500 - 10,000$$

(10) \checkmark
= 10,000

[Ques 6 (b)]

[Ques 6(b)]

Journal Entries-

Date	Particulars	lf	Dr. (₹)	Cr. (₹)
2018 1 Jan.	Bank A/c	Dr	1800,000	-
	To Debenture Application A/c		-	1800,000
<u>1</u> <u>2</u>	(Being 10% Debentures iss application money received).			
1 Jan.	Debenture Application A/c	Dr	1800,000.	-
	Dr on issue of Debenture A/c	Dr	300,000.	-
<u>1</u> <u>2</u>	To 10% Debenture A/c		-	20,00,000.
	To Premium on redemption A/c		-	100,000
	(Being 10% Debentures issued).			



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30 June	Debt Interest Acc	du	100,000	-
	To TDS payable		-	10,000
$\frac{1}{2}$	To Debenture holders Acc.		-	90,000
	(Being interest due).			

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30 June	TDS payable Acc	du	10,000	-
	Debenture holders Acc	du	90,000	-
$\frac{1}{2}$	To Bank Acc		-	100,000
	(Being interest paid).			

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31 Dec.	Debt Interest Acc	du	100,000	-
	To TDS payable		-	10,000
$\frac{1}{2}$	To Debenture holders Acc		-	90,000
	(Being interest due).			

31 Dec	TDS payable Acc	du	10,000	-
	Debenture holders Acc	du	90,000	-
$\frac{1}{2}$	To Bank Acc		-	100,000
	(Being interest due).			

31 Dec	Profit and Loss Acc	du	260,000	-
	To Debt Interest Acc		-	200,000
$\frac{1}{2} + \frac{1}{2}$	To loss on issue of Debenture		-	60,000
	(Being loss transferred).			

(5)



Ques 6(c)

Ques 6(c)

Statement for Calculation of Inventory

Inventory on 10 th April 2019.	125000.
(+) Sales.	20,000.
(-) Gross profit (WN 1)	(4000)
	16000.
(+) Free samples issued	4000.
(-) Purchases.	10,000.
(-) Goods still not received.	(2000)
	(8000).
(+) Goods not included in Stocks.	20,000.
Value of Inventory on 31 st Mar, 2019	157000.

Working Notes :-

(1) Gross profit :-

$$= \frac{20,000 \times 25}{125} = 4000.$$

5



Ques 1(a)

Ques 1(a)

(i). True.

Amount spent for the construction of temporary huts necessary for Cinema House are Capital expenditure because they are non-recurring in nature and it is necessary for Cinema House without which Cinema Hall cannot be put to use.

(ii). False.

If the error is posted in the wrong account or it is written on the wrong side of the account, it is error of Commission.

Error of principle relates to treating a revenue expense as Capital or treating the sale of furniture as an ordinary sale.



(iii). False.

1/2

In the Consignment Sale, when the goods are delivered to the Consignee, there is mere passing of possession of goods, ownership remains with the Consignor only.

(iv). True.

2

If the due date of a bill falls after the date of closing the account, the interest thereon is not paid however such interest is written on the appropriate side in Red Ink.

It is called Red Ink Interest.

(v). False.

2

Limited Liability Partnership is governed by Limited Liability Partnership Act, 2008. according to which LLP is a type of organisation where



The liability of every partner is limited to the extent of capital contributed by them.

(vis. False).

$$\text{Working Capital Ratio} = \text{Current Asset} - \text{Current Liability}$$

So, the relationship between Current asset and Current liability is working Capital Ratio.

2 However, the relationship between Sales and Fixed Asset is expressed as Fixed Assets Turnover Ratio.

11½



Ques 1(b)

Ques 1(b)

Going Concern Concept

As per going concern concept, it is assumed that the business will continue in the long-term and has no intention of shutting down.

$\frac{1}{2}$
As per this concept only, Assets and liabilities are categorised as long term / fixed assets or short term / Current assets.

Cost Concept

As per this concept, all the assets and liabilities are recorded at their historical cost that is acquisition cost.

Historical Cost is more practical in calculation rather than Current cost or Present value. Because, it



will not be easy to find the current cost of the asset without any personal bias or estimation of the accountant.

3 whereas Historical Cost is free from any biasness or estimation.

[Ques 1(c)]

[Ques 1(c)]

Journal Entries.

Date	Particulars	LF	Dr. (₹)	Cr. (₹)
1/1	Commission A/c Dr.		4500	-
	To Interest A/c		-	4500
	(Being ₹ amount received as interest credited to Commission A/c).			
1/1	M/S Sobhag Traders A/c Dr.		90	-
	To Suspense A/c		-	90
	(Being wrong amount posted).			
1/1	Drawings A/c Dr.		35000	-
	To Machinery A/c		-	35000
	(Being ₹ Machine purchased for personal use of proprietor).			



(iv).	Sales Return A/c	Dr	5000	-
	To Customer's A/c		-	5000
1	(Being goods returned by Customer but no entry passed).			

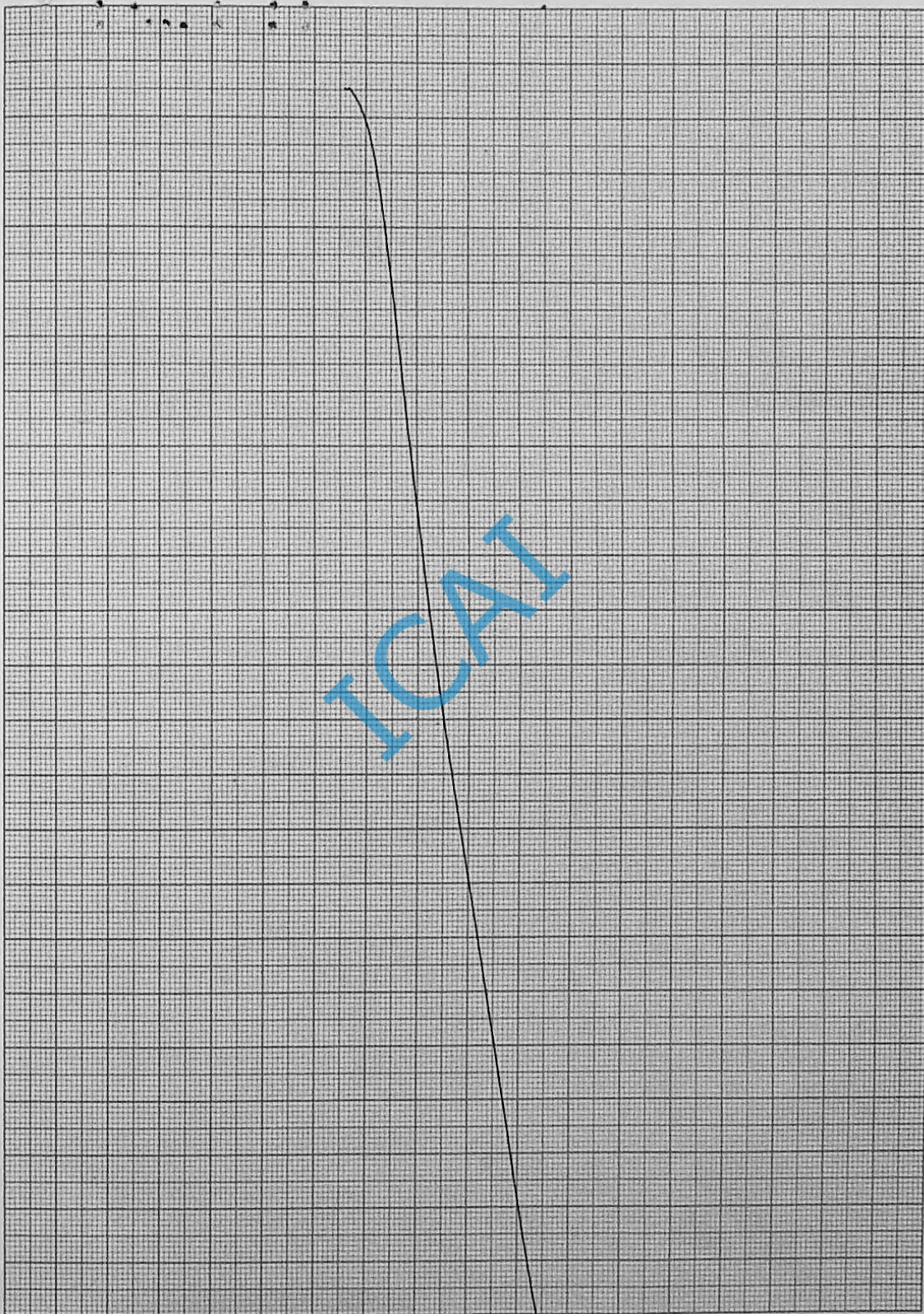
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