



**CA (FOUNDATION)
PRINCIPLE AND PRACTICE
OF ACCOUNTING**

FULL SYLLABUS TEST 2

MARKS- 100

QUESTION PAPERS

DURATION- 180 MIN.

INSTRUCTIONS:

- 1. All the questions are compulsory.**
- 2. Properly mention Test no. on First Page and Page no. on every answersheet.**
- 3. In case of multiple choice questions, mention option number only.**
- 4. Working Notes are compulsory wherever required in support of yoursolution.**
- 5. Do not copy any solution from material.**
- 6. Attempt as much as you know to fairly judge your performance.**
- 7. Please upload your Answer Sheet Horizontally.**
- 8. Copy once get evaluated by Evaluator cannot be re-uploaded by the student.**
- 9. Always Check correct Test No. of your subject while uploading answer sheet.10 Handwriting should be clean.**

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Q1. is compulsory
Attempt any Four question from Q.2 to Q.6

Question :1

(A) State with reasons, whether the following statements are true or false:

1. The balance in petty cash book represents an asset.
2. Finished goods are normally valued at cost or market price whichever is higher.
3. Subscriptions received for the current year shall be shown in the balance sheet as a current asset.
4. 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.
5. Discount at the time of retirement of a bill is a gain for the drawee.
6. Bills receivable and bills payable books are type of subsidiary books.

(6 Statements x 2 Marks= 12 Marks)

(B) Change in accounting policy may have a material effect on the items of financial statements.” Explain the statement with the help of an example. (4 Marks)

(C) Pass a journal entry in each of the following cases:

- (i) A running business was purchased by mohan with following assets and liabilities:
Cash Rs.2000 , Land Rs.4000 , Furniture Rs.1000, Stock Rs.2000, Creditors Rs.1000 , Bank Overdraft Rs.2000.
- (ii) Goods Distributed by way of Free Samples, Rs.1000.
- (iii) Rahim became an insolvent and could pay only 50 Paise in a rupee. Amount due from him Rs.600.

(4 Marks)

Question 2

(A) On 31-3-2020, Mahesh's Cash Book Showed a Bank overdraft of Rs.98,700. On comparison he finds the following:

- a. Out of the total cheques of Rs.8,900 issued on 27th March, one cheque of Rs. 7,400 was presented for payment on 4th April and the other cheque of Rs.1,500 handed over to the customer, was returned by him and in lieu of that a new cheque of the same amount was issued to him on 1st April. No entry for the return was made.
- b. Out of total cash and cheques of Rs.6,800 deposited in the Bank on 24th March, one cheque of Rs.2,600 was cleared on 3rd April and the other cheque of Rs.500 was returned dishonoured by the bank on 4th April.
- c. Bank charges Rs.35 and Bank interest Rs.2,860 charged by the bank appearing in the passbook are not yet recorded in the cash book.
- d. A cheque deposited in his another account of Rs.1,550 wrongly credited to this account by the bank.

- e. A cheque of Rs.800, drawn on this account, was wrongly debited in another account by the bank.
- f. A debit of Rs.3,500 appearing in the bank statement for an unpaid cheque returned for being 'out of date' had been re-dated and deposited in the bank account again on 5th April 2020.
- g. The bank allowed interest on deposit Rs.1,000.
- h. A customer who received a cash discount of 4% on his account of Rs.1,00,000 paid a cheque on 20th March, 2020. The cashier erroneously entered the gross amount in the bank column of the Cash Book.

Prepare Bank Reconciliation Statement as on 31-3-2020.

(10 Marks)

(B) The following mistakes were located in the books of a concern after its books were closed and a Suspense Account was opened in order to get the Trial Balance agreed:

- (i) A Bill Receivable for Rs. 1,550 was passed through Bills Payable Book. The Bill was given by Ram.
- (ii) Cash received from Manan was debited to Tapan Rs. 7,500.
- (iii) General expenses Rs. 2600 was posted in the General Ledger as Rs. 6200.
- (iv) Sales Day Book was overcast by Rs. 5,000.
- (v) Legal Expenses Rs. 7,670 paid to Mr. Gupta was debited to her personal account.
- (vi) A sale of Rs. 25,000 to Tina was wrongly debited to the Account of Hina.
- (vii) While carrying forward the total of one page of the Purchases Book to the next, the amount of Rs. 1,690 was written as Rs. 1,960.
- (viii) Rs 7,000 due to Mr. Somdev was omitted to be taken to trial balance.

Find out the nature and amount of the Suspense Account and Pass entries (including narration) for the rectification of the above errors in the subsequent year's books.

(10 Marks)

Question:3

(A) Maya consigned 400 boxes of shaving brushes, each box containing 100 shaving brushes. Cost price of each box was Rs.3,000. Maya spent Rs.500 per box as cartage, freight, insurance and forwarding charges. One box was lost on the way and Maya lodged claim with insurance company and could get 2,700 as claim on average basis. Consignee took delivery of the rest of the boxes and spent Rs.1,99,500 as non-recurring expenses and Rs.1,12,500 as recurring expenses. He sold 370 boxes at the rate of Rs.65 per shaving brush. He was entitled to 2% commission on sales plus 1% del-credere commission.

You are required to prepare Consignment Account.

(5 Marks)

(B) **From the following particulars prepare an account current, as sent by Mr. Amit to Mr. Piyush as on 31st December 2020 by means of product method charging interest @ 8% p.a.**

Date	Particulars	Rs.
01-09-2020	Balance due from Piyush	900
15-10-2020	Sold goods to Piyush	1,450
20-10-2020	Goods returned by Piyush	250
22-11-2020	Piyush paid by Cheque	1,200
15-12-2020	Received cash from Piyush	600

(5 Marks)

(C) Suresh draws a bill for Rs.15,000 on Anup on 15th April, 2020 for 3 months, which is returned by Anup to Suresh after accepting the same. Suresh gets it discounted with the bank for Rs.14,700 on 18th April, 2020 and remits one-third amount to Anup. On the due date Suresh fails to remit the amount due to Anup, but he accepts bill of Rs.17,500 for 3 months, which Anup discounts for Rs.17,100 and remits Rs.2,825 to Suresh. Before the maturity of the renewed bill Suresh becomes insolvent and only 50% was realized from his estate on 31st October,2020.

Pass necessary Journal entries for the above transactions in the books of Suresh.

(10 Marks)

Question: 4

From the following data, prepare an Income and Expenditure Account for the year ended 31st December 2020, and Balance Sheet as at that date of the New Max Hospital:

Receipts and Payments Account for the year ended 31 December, 2020

Receipts		Rs.	Payments		Rs.
To Balance b/d			By Salaries:		
Cash	400		(Rs. 3,600 for		15,600
Bank	2,600	3,000	2019)		
To Subscriptions:			By Hospital		8,500
For 2019		2,550	Equipment		
For 2020		12,250	By Furniture		3,000
For 2021		1,200	purchased		
			By Additions to		25,000
			Building		

To Government			By Printing and		1,200
Grant:			Stationery		
For building		40,000	By Diet expenses		7,800
For maintenance		10,000			
Fees from sundry		2,400			
Patients					
To Donations (not to be capitalized)		4,000	By Rent and rates (Rs. 150 for 2021)		1,000
To Net collections from benefit shows		3,000	By Electricity and water charges		1,200
			By Office Expences		1,000
			By Investments		10,000
			By Balances:		
			Cash	700	
			Bank		4,100
				3,400	
		78,400			78,400

Additional information:	Rs.
Value of building under construction as on 31.12.2020	70,000
Value of hospital equipment on 31.12.2020	25,500
Building Fund as on 1.1. 2020	40,000
Subscriptions in arrears as on 31.12.2019	3,250
Investments in 8% Govt. securities were made on 1st July, 2020.	

(20 Marks)

Question: 5

The following are the balances as at 31st March, 2019 extracted from the books of Mr. XYZ.

	₹		₹
Plant and Machinery	19,550	Bad debts recovered	450
Furniture and Fittings	10,250	Salaries	22,550
Bank Overdraft	80,000	Salaries payable	2,450
Capital Account	65,000	Prepaid rent	300
Drawings	8,000	Rent	4,300
Purchases	1,60,000	Carriage inward	1,125
Opening Stock	32,250	Carriage outward	1,350
Wages	12,165	Sales	2,15,300
Provision for doubtful debts	3,200	Advertisement Expenses	3,350
Provision for Discount on debtors	1,375	Printing and Stationery	1,250
Sundry Debtors	1,20,000	Cash in hand	1,450
Sundry Creditors	47,500	Cash at bank	3,125
Bad debts	1,100	Office Expenses	10,160
		Interest paid on loan	3,000

Additional Information:

- (A) Purchases include sales return of Rs 2,575 and sales include purchases return of Rs.1,725.
 (B) Goods withdrawn by Mr. XYZ for own consumption Rs. 3,500 included in purchases.
 (C) Wages paid in the month of April for installation of plant and machinery amounting to Rs. 450 were included in wages account.
 (D) Free samples distributed for publicity costing Rs. 825.
 (E) Create a provision for doubtful debts @ 5% and provision for discount on debtors @ 2.5%.
 (F) Depreciation is to be provided on plant and machinery @ 15% p.a. and on furniture and fittings @ 10% p.a.
 (G) Bank overdraft is secured against hypothecation of stock. Bank overdraft outstanding as on 31.3.2019 has been considered as 80% of real value of stock (deducting 20% as margin) and after adjusting the marginal value 80% of the same has been allowed to draw as an overdraft.

(15 Marks)

(B) Following information is provided for M/s. Ritu Manufacturers for the year ended 31st 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)

Question 6

(A) A Limited is a company with an authorised share capital of Rs.1,00,00,000 in equity shares of Rs.10 each, of which 6,00,000 shares had been issued and fully paid up on 31st March, 2020. The company proposes to make a further issue of 1,35,000 of these Rs.10 shares at a price of Rs.14 each, the arrangement of payment being :

- (i) Rs.2 per share payable on application, to be received by 31st May, 2020;
- (ii) Allotment to be made on 10th June, 2020 and a further Rs.5 per share (including the premium to be payable);
- (iii) The final call for the balance to be made, and the money received by 31st December, 2020. Applications were received for 5,60,000 shares and dealt with as follows:
 - (1) Applicants for 10,000 shares received allotment in full;
 - (2) Applicants for 50,000 shares received allotment of 1 share for every 2 applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;
 - (3) Applicants for 5,00,000 shares received an allotment of 1 share for every 5 shares applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and
 - (4) The money due on final call was received on the due date.

You are required to record these transactions (including bank transactions) in the Journal Book of A Limited. (15 Marks)

(B) Discuss the rules if there is no Partnership Agreement. (5 Marks)