Panoramic Education®
Learn. Excel. Achieve.

Topic: Accounting – Full Test **Batch: CA - Foundation**

Total Time: 3 Hrs. **Date: 21/08/2024** **Total Marks: 100**

Question No. 1 is compulsory.
Answer 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.

1. **12+4+4 = 20**

(A) State with reasons whether the following statements are True or False:

(i) Insurance claim received on account of plant and machinery completely damaged by fire is a capital receipt.

(ii) In the balance sheet of Angel Limited, preliminary expenses amounting to Rs. 15 lakhs and securities premium account of Rs. 105 lakhs are appearing; The accountant can use the balance in securities premium account to write off preliminary expenses.

(iii) The financial statements must disclose all the relevant and reliable information in accordance with the Full Disclosure Principle.

(iv) In case of admission of a new partner in a partnership firm, the profit/loss on revaluation account is transferred to all partners in their new profit sharing ratio.

(v) The debit notes issued are used to prepare Sales Return Book.

(vi) Debenture holders enjoy the voting rights in the company.

(B) Discuss the limitations which must be kept in mind while evaluating the Financial Statements.

(C) A Plant & Machinery costing Rs. 80,00,000 is depreciated on straight line basis assuming 10 year working life and zero residual value, for four years. At the end of the fourth year, the machinery was revalued upwards by Rs. 3,20,000. The remaining useful life was reassessed at 8 years. Calculate Depreciation for the fifth year.

2. **10+10 = 20**

(A) Mr. Ratan was unable to agree the Trial Balance last year and wrote off the difference to the Profit and Loss Account of that year. Next year, he appointed a Chartered Accountant who examined the old books and found the following mistakes:

(i) Purchase of a scooter was debited to conveyance account Rs. 30,000. Mr. Ratan charges 10% depreciation on scooter.

(ii) Purchase account was over cast by Rs. 1,00,000.

(iii) A credit purchase of goods from Mr. X for Rs. 20,000 was entered as sale.

(iv) Receipt of cash from Mr. Anand was posted to the account of Mr. Bhaskar Rs. 10,000.

(v) Receipt of cash from Mr. Chandu was posted to the debit of his account, Rs. 5,000.

(vi) Rs. 5,000 due by Mr. Ramesh was omitted to be taken to the Trial Balance.

(vii) Sale of goods to Mr. Ram for Rs. 20,000 was omitted to be recorded.

(viii) Amount of Rs. 23,950 of purchase was wrongly posted as Rs. 25,930.

Suggest the necessary rectification entries.

(B) According to the cash-book of G, there was a balance of Rs. 4,45,000 in his bank on 30th June, 2021. On investigation you find that:

(i) Cheques amounting to Rs. 60,000 issued to creditors have not been presented for payment till the date.

(ii) Cheques paid into bank amounting to Rs. 1,10,500 out of which cheques amounting to Rs. 55,000 only collected by bank up to 30th June 2021.

(iii) A dividend of Rs. 4,000 and rent amounting to Rs. 60,000 received by the bank and entered in the pass-book but not recorded in the cash book.
(iv) Insurance premium (up to 31st December, 2021) paid by the bank Rs. 2,700 not entered in the cash book.
(v) The payment side of the cash book had been under cast by Rs. 500.
(vi) Bank charges Rs. 150 shown in the pass book had not been entered in the cash book.
(vii) A bill payable of Rs. 20,000 had been paid by the bank but was not entered in the cash book and bill receivable for Rs. 6,000 had been discounted with the bank at a cost of Rs. 100 which had also not been recorded in cash book.

You are required:
(a) To make the appropriate adjustments in the cash book, and
(b) To prepare a statement reconciling it with the bank pass book.

3. (A) ABC sports club had the following income and expenditure account for the year ended 31st Dec 2022. **12+8 = 20**

Income and Expenditure Account for the year ended 31st December, 2022

Particulars	**Amount Rs.**	**Particulars**	**Amount Rs.**
To Salaries	2,35,000	By Subscriptions	2,50,000
To Stationary Expenses	30,000	By Interest	90,000
To Rent and Taxes	5,000	By Donations	40,000
To Insurance	2,000	By Misc. Receipts	3,000
To Office Expenses	8,000		
To Depreciation			
Building	37,500		
Furniture	1,200		
Sports Equipment	1,000		
To Excess of Income over Expenditure	63,300		
	3,83,000		3,83,000

Additional information:

	31-12-2021 Rs.	**31-12-2022 Rs.**
Govt. Securities	18,00,000	18,00,000
Subscription outstanding	70,000	1,00,000
Subscription received in advance	2,000	6,000
Salaries unpaid	10,000	15,000
Furniture	20,000	19,800
Land and Building	20,00,000	19,62,500
Sports Equipment	35,000	39,000
Stock of stationary	3,000	5,500

Cash in hand and Cash at bank as on 31-12-2021 is Rs. 1,08,000.

You are required to prepare Receipts and Payments Account for the period ending 31.12.2022 and Balance Sheet as on 31.12.2022.

(B) Sushil Limited had 10,000, 10% Redeemable Preference Shares of Rs. 100 each, fully paid up. The company had to redeem these shares at a premium of 10%.

It was decided by the company to issue the following:
(i) 80,000 Equity Shares of Rs. 10 each at par.
(ii) 4,000 12% Debentures of Rs. 100 each.

The issue was fully subscribed and all accounts were received in full. The payment was duly made. The company had sufficient profits. Show journal entries in the books of the company.

4. (A) The Balance Sheet of XYZ Ltd. as at 31st March, 2021 inter alia includes the following information: **10+10 = 20**

	Rs.
50,000, 8% Preference Shares of Rs. 100 each, Rs. 70 paid up	35,00,000
1,00,000 Equity Shares of Rs. 100 each fully paid up	1,00,00,000
Securities Premium	5,00,000
Capital Redemption Reserve	20,00,000
General Reserve	50,00,000
Bank	15,00,000

Under the terms of their issue, the preference shares are redeemable on 31st March, 2022 at 5% premium. In order to finance the redemption, the company makes a rights issue of 50,000 equity shares of Rs. 100 each at Rs. 110 per share, Rs. 20 being payable on application, Rs. 35 (including premium) on allotment and the balance on 1st January, 2023. The issue was fully subscribed and allotment made on 1st March, 2022. The money due on allotment were duly received by 31st March, 2022. The preference shares were redeemed after fulfilling the necessary conditions of Section 55 of the Companies Act, 2013.

You are asked to pass the necessary Journal Entries. (Ignore date column)

(B) Mr. Prakash furnishes following information for his readymade garments business:

(i) Receipts and Payments during 2019-20:

Receipts	**Amount Rs.**	**Payments**	**Amount Rs.**
Bank Balance as on		Payment to Sundry	
1-4-2019	16,250	Creditors	3,43,000
Received from Sundry		Salaries	75,000
Debtors	4,81,000		
		General Expenses	22,500
Cash sales	1,70,800	Rent and Taxes	11,800
Capital brought in the		Drawings	96,000
Business during the year	50,000		
		Cash Purchases	1,22,750
Interest on Investment		Balance at Bank on	
Received	9,750	31-03-2020	36,600
		Cash in hand on	
		31-03-2020	20,150
	7,27,800		7,27,800

(ii) Particulars of other Assets and Liabilities are as follows:

	1st April, 2019 (Rs.)	**31st March, 2020 (Rs.)**
Machinery	85,000	85,000
Furniture	24,500	24,500
Trade Debtors	1,55,000	?
Trade Creditors	60,200	?
Stock	38,600	55,700
12% Investment	85,000	85,000
Outstanding Salaries	12,000	14,000

(iii) Additional information:

(a) 20% of Total sales and 20% of total purchases are in cash.

(b) Of the Debtors, a sum of Rs. 7,200 should be written off as Bad debt and further a Reserve for doubtful debts is to be provided @2%.

(c) Provide depreciation @10% p.a. on Machinery and Furniture.

You are required to prepare Trading and Profit & Loss account for the year ended 31st March, 2020, and Balance Sheet as on that date.

5. **5+5+10 = 20**

(A) The Profit and Loss account of Ram showed a net profit of Rs. 5,75,000 after considering the closing stock of Rs. 2,55,000 on 31st March 2022. Subsequently the following information was obtained from scrutiny of the books.

(i) Purchases for the year included Rs. 10,500 paid for electrical fittings of the shop.
(ii) Ram gave goods worth of Rs. 25,000 as free samples for which no entry was made.
(iii) Invoices for goods amounting to Rs. 1,85,000 have been entered on 29th March 2022 but were not included in the stock.
(iv) Sales amounting to Rs. 2,05,000 were dispatched on 27th March but were included in sales of April, 2022.
(v) Goods costing Rs. 55,000 were sent on sale or return basis in March, 2022 at a margin of profit of $33^{1/3}$ % on cost. Approval was given in April 2022 but these were considered as sales in March, 2022.

Calculate the value of stock on 31st March, 2022 and the adjusted net profit for the year ended 2022.

(B) Mr. Fazhil is a proprietor in business of trading. An abstract of his Trading and P&L account is as follows:

Trading and P & L A/c for the year ended 31st March, 2018.

Particulars	(Rs.)	Particulars	(Rs.)
To Cost of Goods sold	22,00,000	By Sales	45,00,000
To Gross Profit C/d	?		45,00,000
		By Gross Profit B/d	?
To Salaries paid	12,00,000	By Other Income	45,000
To General Expenses	6,00,000		
To Selling Expenses	?		
To Commission to Manager (On net profit before charging suchcommission)	1,00,000		
To Net Profit	?		
	?		?

Selling expenses amount to 1% of total Sales
You are required to compute the missing figures.

(C) Y. Ltd issued 20,000 shares of Rs. 10 each at premium of 20% per share.
Payables as following:

On Application	Rs. 2 Per share
On Allotment	Rs. 5 per share (including premium)
On First Call	Rs. 3 per share
On Final Call	Rs. 2 per share

Applications were received for 30,000 shares and pro-rata allotment was made to the application for 24,000 shares. Any excess money paid on application was employed on account of sum due on allotment.

Kamal, to whom 400 shares were allotted, failed to pay the allotment money and on his subsequent failure to pay the first call his shares were forfeited.

Tamal, the holder of 600 shares, failed to pay the two calls, and his shares were forfeited after the final call. Out of the shares forfeited, 800 shares were issued to Ramesh Credited as fully paid for Rs. 9 per share, the whole of Kamal’s shares being included.

Pass the necessary journal entries to record the above transactions.

6. (A) On 31st March, 2023, the Balance Sheet of X, Y and Z sharing profits and losses in proportion to their Capital stood as below: **15+5 = 20**

Liabilities	Rs.	Assets	Rs.
Capital Account:		Land and Building	90,000
Mr. X	60,000	Plant and Machinery	60,000
Mr. Y	90,000	Stock of goods	36,000
Mr. Z	60,000	Sundry debtors	33,000
Sundry Creditors	30,000	Cash and Bank Balances	21,000
	2,40,000		2,40,000

On 1st April, 2023, X desired to retire from the firm and remaining partners decided to carry on the business. It was agreed to revalue the assets and liabilities on that date on the following basis:

(i) Land and Building be appreciated by 20%.
(ii) Plant and Machinery be depreciated by 30%.
(iii) Stock of goods to be valued at Rs. 30,000.
(iv) Old credit balances of Sundry creditors, Rs. 6,000 to be written back.
(v) Provisions for bad debts should be provided at 5%.
(vi) Joint life policy of the partners surrendered and cash obtained Rs. 22,650.
(vii) Goodwill of the entire firm is valued at Rs. 42,000 and X's share of the goodwill is adjusted in the A/cs of Y and Z, who would share the future profits equally. No goodwill account being raised.
(viii) The total capital of the firm is to be the same as before retirement. Individual capital is in their profit sharing ratio.
(ix) Amount due to Mr. X is to be settled on the following basis:
50% on retirement and the balance 50% within one year.

Prepare (a) Revaluation account, (b) The Capital accounts of the partners, (c) Cash account and (d) Balance Sheet of the new firm M/s Y & Z as on 1.04.2023.

(B) Write short notes on any two of the following:
(i) Bill of exchange and the various parties to it.
(ii) Retirement of bills of exchange.

OR

Explain, in brief, the basic considerations for distinguishing between capital and revenue expenditures?