

Mock Test Paper - Series I: December, 2024

Date of Paper: 20th December, 2024

Time of Paper: 10.30 A.M. to 1.30 P.M.

**FOUNDATION COURSE
PAPER – 1: ACCOUNTING**

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.

(Time allowed: 3 Hours)

(100 Marks)

1. (a) State with reasons whether the following statements are True or False:
- (i) A claim that an enterprise is pursuing through legal process, where the outcome is uncertain, is a contingent liability.
 - (ii) If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will disagree.
 - (iii) Stock at the end, if appears in the trial balance, is taken only to the Balance Sheet.
 - (iv) Re-issue of forfeited shares is allotment of shares but not a sale.
 - (v) Both revenue and capital nature transactions are recorded in the Receipts and Payments Account.
 - (vi) Since company has existence independent of its members, it continues to be in existence despite the death, insolvency or change of members. **(6 Statements x 2 Marks = 12 Marks)**
- (b) Distinguish between Money Measurement concept and Matching concept. **(4 Marks)**
- (c) The following are the details of the spare parts of a Chemical Mill:
- | | | |
|-----------|------------------------|----------------------------|
| 1-1-2024 | Opening Inventory | Nil |
| 1-1-2024 | Purchases | 100 units @ ₹ 300 per unit |
| 15-1-2024 | Issued for consumption | 50 units |
| 1-2-2024 | Purchases | 200 units @ ₹ 400 per unit |
| 15-2-2024 | Issued for consumption | 100 units |
| 20-2-2024 | Issued for consumption | 100 units |

Find out the value of Inventory as on 31.3.2024, if the company follows Weighted Average Method. **(4 Marks)**

(12+4+4 =20 Marks)

2. (a) Before preparation of the trial balance, the following errors were found in the books of Saraswat & Sons. Give the necessary entries to correct them.
- (i) Furniture purchased for office use amounting to ₹ 20,000 has been entered in the purchase day book.
 - (ii) An amount of ₹ 3,000 due from Satyam, which had been written off as bad debts in the previous year, recovered in the current year, and had been posted to the personal Account of Satyam.
 - (iii) Minor Repairs made to the building amounting to ₹ 18,500 were debited to the Building Account
 - (iv) Goods purchased from Ram Singh amounting to ₹ 18,000 have remained unrecorded so far.
 - (v) College fees of proprietor's son, ₹ 15,000 debited to the Audit fees Account.
 - (vi) Receipt of ₹ 4,500 from Kanika credited to the Anita.
 - (vii) Goods amounting to ₹ 8,900 had been returned by a customer and were taken into inventory, but no entry was made in the books.
 - (viii) ₹ 7,500 paid for wages to workmen for making office furniture had been charged to wages account.
 - (ix) Salary paid to a clerk ₹ 18,000 has been debited to his personal account.
 - (x) A purchase of goods from Raghav amounting to ₹ 20,000 has been wrongly entered through the sales book. **(10 Marks)**
- (b) S Chand & Associates purchased a machine for ₹ 3,00,000 on 1.1.2021 Another machine costing ₹4,50,000 was purchased on 1.7.2022. On 31.12.2023 the machine purchased on 1.1.2021 was sold for ₹1,50,000. The company provides depreciation at 15% on Written Down Value Method. The company closes its accounts on 31st December every year. Prepare – (i) Machinery Account, (ii) Machinery Disposal Account and (iii) Provision for Depreciation Account. **(10 Marks)**

(10 +10 = 20 Marks)

3. (a) P, Q, R and S had been carrying on business in partnership sharing profits & losses in the ratio of 4:3:2:1. They decided to dissolve the partnership on the basis of following Balance Sheet as on 30th April, 2024:

Liabilities		Amount (₹)	Assets	Amount (₹)
Capital Accounts			Land & building	2,46,000
P	2,16,000		Furniture & fixtures	65,000
Q	<u>1,44,000</u>	3,60,000	Stock	1,00,000
			Debtors	72,500

		Cash in hand	15,500
Sundry creditors	36,000	Capital overdrawn:	
Mortgage loan	1,10,000	R 1,000	
		S <u>6,000</u>	7,000
	5,06,000		5,06,000

- (i) The assets were realized as under: ₹
- | | |
|----------------------|----------|
| Land & building | 2,30,000 |
| Furniture & fixtures | 42,000 |
| Stock | 72,000 |
| Debtors | 65,000 |
- (ii) Expenses of dissolution amounted to ₹ 7,800.
- (iii) Further creditors of ₹ 18,000 had to be met.
- (iv) R became insolvent and nothing was realized from his private estate.

Applying the principles laid down in Garner Vs. Murray, prepare the Realisation Account, Partners' Capital Accounts and Cash Account.

(12 Marks)

- (b) Mr. Dilip furnishes the following trial balance and some other information:

Trial Balance as on 31st March, 2024

Particulars	₹	₹
Capital		19,50,000
Purchases and Sales	12,90,000	29,10,000
Opening Inventory	3,30,000	
Freights Inward	1,20,000	
Salaries	6,30,000	
Administration Expenses	4,50,000	
Furniture	10,50,000	
Trade receivables and Trade payables	6,30,000	5,70,000
Returns	60,000	36,000
Discount allowed and Received	57,000	27,000
Bad Debts	15,000	
Investments in Government Securities	3,00,000	
Cash in Hand and Cash at Bank	5,67,000	
Input CGST	30,000	
Input SGST	30,000	
Output CGST		24,000
Output SGST		24,000

Output IGST		18,000
	55,59,000	55,59,000

Additional information

(i) Inventory as on 31st march,2024 was ₹ 5,40,000.

(ii) Furniture is depreciated at 15% per annum.

Prepare Trading Account, Profit and Loss Account and Balance Sheet as on 31st March, 2024 of Mr. Dilip. **(8 Marks)**

(12+8 = 20 Marks)

4 (a) New State Society showed the following position on 31st March, 2023:

Balance Sheet as on 31st March, 2023

Liabilities	₹	Assets	₹
Capital fund	15,86,000	Electrical fittings	3,00,000
Expenses payable	14,000	Furniture	1,00,000
		Books	8,00,000
		Investment in securities	3,00,000
		Cash at bank	50,000
		Cash in hand	<u>50,000</u>
	<u>16,00,000</u>		<u>16,00,000</u>

The receipts and payment account for the year ended on 31st March, 2024 is given below:

	₹		₹
To Balance b/d		By Electric charges	14,400
Cash at bank 50,000		By Postage and stationary	10,000
Cash in hand <u>50,000</u>	1,00,000	By Telephone charges	10,000
To Entrance fee	60,000	By Books purchased	1,20,000
To Membership subscription	4,00,000	By Outstanding expenses paid	14,000
To Sale proceeds of old papers	3,000	By Rent	1,76,000
To Hire of lecture hall	40,000	By Investment in securities	80,000
To Interest on securities	16,000	By Salaries	1,32,000
		By Balance c/d	
		Cash at bank	40,000
		Cash in hand	<u>22,600</u>
	<u>6,19,000</u>		<u>6,19,000</u>

You are required to prepare Income and Expenditure account for the year ended 31st March, 2024 after making the following adjustments:

Membership subscription included ₹ 20,000 received in advance.

Provide for outstanding rent ₹ 8,000 and salaries ₹ 6,000.

Books to be depreciated @ 10% per annum including additions. The additions to the books were made on 01.04.2023. Electrical fittings and furniture are also to be depreciated @ 10% per annum.

60% of the entrance fees is to be capitalized.

Interest on securities is to be calculated @ 15% p.a. including purchases made on 1.10.2023 for ₹ 80,000. **(8 Marks)**

- (b) The following is the Balance Sheet of M/s. Krishna Bros as at 31st March, 2024, they share profit and losses equally:

Balance Sheet as at 31st March, 2024

Liabilities		₹	Assets		₹
Capital	Amit	24,600	Machinery		30,000
	Lalit	24,600	Furniture		16,800
	Sumit	27,000	Fixture		12,600
General Reserve		9,000	Cash		9,000
Trade payables		14,100	Inventories		5,700
			Trade receivables	27,000	
			Less: Provision for Doubtful debts	<u>1,800</u>	25,200
		<u>99,300</u>			<u>99,300</u>

Sumit died on 1st April, 2024 and the following agreement was to be put into effect.

- Assets were to be revalued: Machinery to ₹ 35,100; Furniture to ₹ 13,800; Inventory to ₹ 4,500.
- Goodwill was valued at ₹ 18,000 and was to be credited with his share, without using a Goodwill Account.
- ₹ 6,000 is to be paid to the executors of the dead partner on 5th April, 2024.
- After death of Sumit, Amit and Lalit shares the profit equally.

You are required to prepare:

- Journal Entry for Goodwill adjustment.
- Revaluation Account, Capital Accounts of the partners and Balance Sheet after the death of Sumit. **(12 Marks)**

(8 +12 = 20 Marks)

5. (a) Ali draws a bill for ₹45,000 on Akbar on 15th April, 2024 for 3 months, which is returned by Akbar to Ali after accepting the same. Ali gets it discounted with the bank for ₹ 44,100 on 18th April, 2024 and remits one-third amount to Akbar. On the due date Ali fails to remit the amount due to Akbar, but he accepts bill of ₹ 52,500 for 3 months, which Akbar discounts for ₹51,300 and remits ₹ 8,475 to Ali.

Pass necessary Journal entries for the above transactions in the books of Ali. **(5 Marks)**

- (b) Varun does not maintain proper books of accounts. However, he maintains a record of his bank transactions and also is able to give the following information from which you are requested to prepare trading and profit and loss account for the year 2024:

	1.1.2024	31.12.2024
	₹	₹
Stock	50,000	62,500
Fixed Assets	7,500	9,000

Details of his bank transactions were as follows:

	₹
Sale of fixed assets (book value ₹ 2,500)	1,750
Expenses paid	49,250
Purchase of fixed assets	5,000

No cash transactions took place during the year. Goods are sold at cost plus 25%. Cost of goods sold was ₹ 2,60,000. **(5 Marks)**

- (c) Following is the extract of the Balance Sheet of Substance Ltd. as at 31st March, 2024

Authorised capital:	₹
45,000 12% Preference shares of ₹ 10 each	4,50,000
4,50,000 Equity shares of ₹ 10 each	<u>45,00,000</u>
	<u>49,50,000</u>
Issued and Subscribed capital:	
36,000 12% Preference shares of ₹ 10 each fully paid	3,60,000
4,05,000 Equity shares of ₹ 10 each, ₹ 8 paid up	32,40,000
Reserves and surplus:	
General Reserve	5,40,000
Capital Reserve (profit realized on sale of plant)	1,80,000
Securities premium	1,12,500
Profit and Loss Account	9,00,000

On 1st April, 2024, the Company has made final call @ ₹ 2 each on 4,05,000 equity shares. The call money was received by 20th April, 2024. Thereafter, the company decided to capitalize its reserves by way of

bonus at the rate of one share for every four shares held. Company decides to use Capital Reserve for bonus issue as it has been realized in cash.

Show necessary journal entries in the books of the company and prepare the extract of the Balance Sheet as on 30th April, 2024 after bonus issue.

(10 Marks)

(5+5+10=20 Marks)

6. (a) X Limited issued 2,00,000 Equity shares of, 10 each at a premium of 10%, payable ₹ 2 on application; ₹ 4 on allotment (including premium); ₹ 2 on first call and balance on the final call. All the shares were fully subscribed. Mr. P who held 20,000 shares paid full remaining amount on first call itself. The final call which was made after 4 months from the first call was fully paid except a shareholder having 2,000 shares and one another shareholder having 1,000 shares. They paid their due amount after 3 months and 4 months respectively along with interest on calls in arrears, Company also paid interest on calls in advance to Mr. P. The Company maintains Calls in Arrear and Calls in Advance A/c. Give journal entries to record these transactions. Show workings of Interest calculation. **(15 Marks)**
- (b) From the following particulars, prepare a Bank Reconciliation Statement on 31st March 2024.

Particulars	Amount (₹)
Bank balance as per Pass Book	75,00,000
Bills discounted dishonored not recorded in Cash Book	37,50,000
Cheque received entered twice in Cash Book	75,000
Bank charges entered twice in Cash Book	15,000
Insurance premium paid directly by Bank understanding instruction	4,50,000
Cheque issued but not presented to Bank for payment	37,50,000
Cheque received, but not sent to Bank	84,00,000
Cheque deposited in Bank, but no entry passed in the Cash Book	37,50,000
Credit side of the Bank column cast short	15,000

OR

- (c) Explain in brief objective and advantages of setting Accounting Standards. **(5 Marks)**

(15 + 5 = 20 Marks)