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Foundation Accounts Test

Topics: Cash Book, Trial Balance, Bills of Exchange, BRS, Rectification of Errors, Final Accounts, Incomplete Records and Company Accounts

BYE

Max Marks: 100

Max Time: 3 hours

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Answers to questions are to be given only in English except in case of candidates who have opted for Hindi Medium. If a candidate who has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

All Questions are compulsory.

Working notes should form part of the answer

Candidate found copying or receiving or giving any help or defying instructions of the invigilators or having/using mobile phone or smart watch will be expelled from the examination and will also be liable for further punitive action.

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Q1 (a) Mr. Aman is running a business of readymade garments. He does not maintains his books of accounts under double entry system. While assessing the income of Mr. Aman for the financial year 2024-25, income tax officer feels that he has not disclosed the full income earned by him from his business. He provides you the following information:

On 31st March 2024

Sundry Assets Rs. 16,65,000

Liabilities Rs. 4,13,000

On 31st March 2025

Sundry Assets Rs. 28,40,000

Liabilities Rs. 5,80,000

Mr. Aman's drawings for the year 2024-25 Rs. 96,000 per Quarter

Income declared to the Income Tax Officer Rs. 9,12,000

During the year 2024-25, one life insurance policy of Mr. Aman was matured and amount Rs. 50,000 was retained in the business.

State whether the Income Tax Officer's contention is correct. Explain by giving your working.

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(b) From the following balances taken from the books of Maya Mirchandani as on 31st March 2025, prepare a trial balance:

	Rs.
Freehold building	27,500

Plant and Machinery	13,320
Stock (1.4.2024)	41,730
Sales	2,07,830
Carriage	4,780
Bad debts	2,250
Wages	12,270
Debtors	54,450
Creditors	24,290
Discount Received	7,630
Discount allowed	8,240
Furniture	11,920
Capital	96,590
General Expenses	13,380
Bank	18,740
Rates and Taxes	1,880
Drawings	18,550
Stock (31.03.2018)	44,000

(c) Enter the following transactions of Kedar Khan in a double column cash book:

2024:

Jan 1 Cash in hand Rs. 1,00,000

Cash at Bank (Cr.) Rs. 30,000

Jan 2 Bought goods by paying cheque amounting to Rs. 5,000

Jan 8 Received a cheque from Krishna for Rs.19,000 allowed him discount Rs.1,000

Jan 10 Deposited above Cheque into Bank

Jan 12 Sold goods for cash Rs. 4,000

Jan 15 Paid into Bank cash amounting to Rs. 16,000

Jan 18 Paid Laxman by cheque Rs. 7,900 after receiving discount Rs.100

Jan 21 Machinery of the book value of Rs.8,000 sold for Rs.7,500

Jan 24 Paid wages by cheque Rs.7,000

Jan 31 Withdrew whole of cash from bank by availing overdraft facility Rs.40,000

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(d) Given below are the copies of the cash book (bank column only) for June 2018 and pass book for July 2018 of Mr. Ambedkar. Prepare a bank reconciliation statement as on 30th June 2018.

Dr.

Cash Book

Cr.

Date	Particulars	Amount	Date	Particulars	Amount
2018					
June 1	To balance b/d	56780	June 1	By Hirachand	25000
June 3	To K.Narayan	5550	June 6	By Wages	1250
June 8	To G. Ramrao	720	June 7	By Bank Charges	30
June 15	To dividend on shares	10850	June 10	By Vanechand	5720
June 18	To H.Veerappa	1450	June 13	By Wages	1500
June 26	To S.Hiremath	3330	June 16	By Interest	150
June 28	To P. Jadhav	1020	June 19	By Drawings	1500

June 29	to M.Ganesh	850	June 20	By Wages	1200
June 30	To B.Swami	2750	June 23	By H.Balram	3000
			June 25	By M.Mohan	2050
			June 26	By Siddapur	250
			June 27	By Wages	1750
			June 29	By Srinivasan	750
			June 30	By Life Insurance	5820
			June 30	By balance c/d	33330
		83300			83300

Mr. Ambedkar in Account Current with Canara Bank

Date		Withdrawals	Deposits	Balance	
		Dr.	Cr.	Dr.	Cr.
2018	Particulars	Rs.	Rs.	Rs.	Rs.
July 1	By balance b/d				33220
July 1	To Siddapur	250			32970
July 3	By S.Hiremath		3330		36300
July 3	To Commission on above	20			36280
July 4	To Self	1200			35080
July 6	To Jalihal	2500			32580
July 8	By M.Ganesh		850		33430
July 8	To Bank Charges	10			33420

July 10	By Acharya		3500	36920
July 11	To Self	1300		35620
July 15	To Life Insurance	5820		29800
July 18	To Self	1100		28700
July 20	By Cash		2000	30700
July 20	By B.Swami		2750	33450
July 24	To Draft on Mumbai	5000		28450
July 24	To D.D. charges	20		28430
July 25	To Self	1300		27130
July 27	To Srinivasan	750		26380
July 30	To Dividend warrant		15000	41380

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Q2(a) Mr. Gurmeet runs the retail business and maintain books under single entry system. He has furnished the following information:

Balance Sheet as on 31st March, 2022:

Assets:	
Furniture	60,000
Stock	1,15,000
Trade Receivables	65,000
Cash at Bank	1,05,000
Cash in Hand	8,000
Total	3.53,000

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Liabilities:	
Gurmeet's Capital A/c	3,08,000
Trade Payables	45,000
Total	3,53,000

- (i) Goods are invariably sold to earn a gross profit of 20% on cost
- (ii) Depreciation is provided on furniture @ 10% p.a. on diminishing balance.
- (iii) Payment for purchases is always made by cheque. 
- (iv) Goods are sold for cash and credit both. Credit customers are paid by cheque only.
- (v) It is practiced by Mr. Gurmeet to send to bank all the collections of the month as at the last date of each month after paying:

Salaries	3,000 p.m.
Office expenses	1,800 p.m.
Personal withdrawals	1,500 p.m.

- (vi) Analysis of passbook for the year ending 31st March, 2023 disclosed the following information:

Particulars	Amount
Cash deposits in the bank during the year	2,12,000
Receipts from credit customers	12,28,000
Payment to creditors	12,15,000
Payment of insurance premium (for one year ending 30 th June, 2023)	2,400

Miscellaneous receipts (sale of old newspaper)	1,400
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(vii) Balances as on 31st March 2023 were

Trade receivables - Rs. 17,000

Trade payables - Rs. 35,000

Stock - Rs. 90,000

(viii) Claim against Mr. Gurmeet for damages of Rs.. 15,000 is under dispute. He anticipates defeat in the suit.

(ix) On physical verification of cash in cash box carried on 31st March, 2023; shortage of Rs. 10,000 was found. It was noticed that the cashier absconded with-the shortage amount. Further, it is not possible to recover cash from cashier.

You are required to prepare:

- (i) Trading and Profit and Loss Account for the year ending 31st March, 2023
- (ii) Balance sheet as on 31st March, 2023.

(All workings should form part of the answer) 15

(b) Z Limited decides to increase its existing share capital by making right issue to its existing shareholders.

The company is offering 2 new shares for every 5 existing shares held by the shareholders. The market value of shares is Rs. 420 per share.

Company is offering each share at Rs.245 per share.

Calculate the value of right and the ex-right market price of the share. 5

Q3(a) The following details are available of raw material of a manufacturing unit

1-5-2024	Opening Inventory	100 units @ Rs. 15 per unit
2-5-2024	Purchases	300 units @ Rs. 18 per unit
5-5-2024	Issued for Consumption	250 Units
16-5-2024	Purchases	500 Units @ Rs. 21 per unit
21-5-2024	Issued for Consumption	100 Units
25-5-2024	Issue for Consumption	450 Units

The manufacturer also incurred the following expenses:

- Freight of Rs. 300 and unloading charges of Rs. 150 at the time of every purchase respectively.
- Warehouse Rent of Rs.2000 per month
- Administrative Expenses of Rs. 1500 per month

You are required to find out the value of inventory as on May 31,2024 if the company follows

- (i) Weighted average method for inventory valuation
- (ii) First in First Out method for inventory valuation.

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(b) A company had issued 40,000, 12% debentures of Rs. 100 each on 1st April 2015.

The debentures are due for redemption on 1st March 2019. The terms of issue of debentures provided that they were redeemable at a premium of 5% and also conferred option to the debenture holders to convert 10% of their holdings into equity shares (nominal value Rs.10) at a predetermined price of Rs.15 per share and the payment in cash. 50 debenture holders holding total 5000 debentures did not exercise the option. Calculate the number of equity shares to be allotted to the debenture holders and the amount to be paid in cash on redemption.

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(c) Harry draws a bill on Sejal for Rs.60,000 on 01.01.2023 for 3 months. Sejal accepts the bill and sends it back to Harry to get it discounted for Rs.56,000. Harry remits 1/4th amount to Sejal. On the due date, Harry was unable to remit his share to Sejal, rather accepts a bill of Rs.80,000 for a period of 3 months. This bill was discounted by Sejal for Rs.74,600. Sejal after making the payment of first bill sent 3/4th of the amount remaining to Harry. On maturity of the bill, Harry became bankrupt and his estate paying 40 paise in the rupee.

Give Journal entries in the books of Sejal. Also prepare ledger account of Harry. All workings should form part of the answer.

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Q4(a) The following information is given to you from the books of manufacturer in respect of the year ended 31st March 2017:

Particulars	Amount
Stock of Raw Materials (1.4.2016)	25,000
Freight Inward	8,500
Freight Outward	6,000
Wages- Direct	18,000
Wages-Indirect	14,000
Sales	4,18,000
Stationery	1,500
Travelling Expenses	5,000
Salaries	26,000

Factory Expenses	26,000
Interest on loan paid	1,800
Returns Inward	5,000
Returns Outwards	3,500
Power and fuel	8,000
Work-in-progress (1.4.2016)	7,000
Work-in-progress (31.2.2017)	4,000
Electricity and Telephone	6,000
Selling Expenses	6,000
Miscellaneous Expenses	14,000
Stock of Raw Materials (31.3.17)	22,000
Stock of finished goods	
-opening	30,000
-closing	40,000
Provision for doubtful debts	8,500
Depreciation on Plant	4,000
Depreciation on office furniture and equipment	3,000
Repairs to Plant and Machinery	4,650
Scrap Sale	3,700
Purchase of Raw Materials	2,50,000
Coal consumed	9,000
Bank interest received	2,600

Additional Information:

- (i) Finished goods worth Rs. 5000 were distributed as free samples
- (ii) A loan was obtained on 1st October for Rs.50,000 carrying interest @10% p.a.
- (iii) Bad debts to be written off Rs. 750 and Provision for Doubtful debts to be maintained at Rs.7,000
- (iv) Electricity and telephone to be apportioned as: Factory 3/5th and Office 2/5th
- (v) A fire occurred destroying finished goods worth Rs.15,000. Insurance company admitted a claim of Rs.12,000 not yet received.
- (vi) Stock of stationery in hand (31.03.2017) Rs. 150.

You are required to prepare the Manufacturing Account and Trading and Profit and Loss Account for the year ended 31st March 2017.

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(b) Give necessary journal entries for the forfeiture and re-issue of shares:

(i) Avtar Ltd. forfeited 900 shares of ₹ 10 each fully called up, held by Varun for non-payment of allotment money of ₹ 3 per share and final call of ₹ 4 per share. He paid the application money of ₹ 3 per share. These shares were re-issued to Nitesh for ₹ 8 per share.

(ii) X Ltd. forfeited 200 shares of ₹ 10 each (₹ 7 called up) on which Naresh had paid application and allotment money of ₹ 5 per share. Out of these, 150 shares were reissued to Mahesh as fully paid up for ₹ 6 per share

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Q5(a) The following balances appeared in the Books of Mac Ltd. as on 31st

December, 2023:

PARTICULARS	Amount (Rs.)

80,000, 10% Preference shares of Rs. 100 each, Rs. 75 paid up	60,00,000
2,00,000 Equity share of Rs. 100 each fully paid up	2,00,00,000
Securities Premium	6,50,000
Capital Redemption Reserve	42,00,000
General Reserve	85,00,000

Under the terms of their issue, the preference shares are redeemable on 31st

March, 2024 at a premium of 5%. In order to finance the redemption, the company makes a right issue of 60,000 equity shares of Rs. 100 each at a premium of 10%, Rs. 25 being payable on application, Rs. 45 (including premium) on allotment and the balance on 1st August, 2024. The issue was fully subscribed and the allotment made on 1st March, 2024. The amount due on allotment was duly received by 25th March, 2024. The preference shares were redeemed after fulfilling the necessary conditions of section 55 of the Companies Act, 2023. You are required to pass the necessary Journal Entries (including narrations) to give effect to the above arrangement. Also prepare the Notes to accounts on Share Capital Reserves and Surplus relevant to the Balance Sheet immediately after the redemption of preference shares as on 31st March, 2024. Ignore date column in Journal.

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(b) Zed Enterprises furnishes the following information for the year ended 31st March, 2021.

Particulars	Amount (Rs.)
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Value of Stock as on 1st April,2020	28,00,000
Purchases during the year Manufacturing	1,38,40,000
Expenses during the year	28,00,000
Sales during the year	2,08,80,000

The following further information is also provided:

- (i) At the time of valuing stock on 31st March,2020 a sum of Rs. 2,40,000 was written off for a particular item which was originally purchased for Rs. 8,00,000. This item was sold during the year ended 31st March,2021 for Rs. 6,40,000.
- (ii) Except for the above transaction, the rate of gross profit during the year was $\frac{1}{3}$ rd on cost.

Ascertain the value of Stock as on 31st March,2021.

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