7505768117
info@caexams.in
www.caexams.in

CA EXAMS THE COMPLETE EXAMS GUIDE

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CA EXAMS
THE COMPLETE EXAMS GUIDE

CA FOUNDATION – NEW SYLLABUS
PRINCIPLES AND PRACTICE OF ACCOUNTING

MARKS: 30
DURATION: 90 MINS

TEST NO. 7

QUESTION PAPER

INSTRUCTIONS :

- Mention your name, subject name & Test No on your first page of the Answer Sheet.
- Paper will only be accepted when uploaded on the Students dashboard.
- Login in to your dashboard, and upload your answers under "**My Answer sheet**" tab
- You can Use **Adobe Scan app or Other**, available in Play Store / App Store for scanning your answer sheet.
- Scan your answer sheet as a single pdf in order to avoid rejection or delay in evaluation.
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OMR SHEET

Q.N.		Q.N.		Q.N.	
1.	Ⓐ Ⓑ Ⓒ Ⓓ	11.	Ⓐ Ⓑ Ⓒ Ⓓ	21.	Ⓐ Ⓑ Ⓒ Ⓓ
2.	Ⓐ Ⓑ Ⓒ Ⓓ	12.	Ⓐ Ⓑ Ⓒ Ⓓ	22.	Ⓐ Ⓑ Ⓒ Ⓓ
3.	Ⓐ Ⓑ Ⓒ Ⓓ	13.	Ⓐ Ⓑ Ⓒ Ⓓ	23.	Ⓐ Ⓑ Ⓒ Ⓓ
4.	Ⓐ Ⓑ Ⓒ Ⓓ	14.	Ⓐ Ⓑ Ⓒ Ⓓ	24.	Ⓐ Ⓑ Ⓒ Ⓓ
5.	Ⓐ Ⓑ Ⓒ Ⓓ	15.	Ⓐ Ⓑ Ⓒ Ⓓ	25.	Ⓐ Ⓑ Ⓒ Ⓓ
6.	Ⓐ Ⓑ Ⓒ Ⓓ	16.	Ⓐ Ⓑ Ⓒ Ⓓ	26.	Ⓐ Ⓑ Ⓒ Ⓓ
7.	Ⓐ Ⓑ Ⓒ Ⓓ	17.	Ⓐ Ⓑ Ⓒ Ⓓ	27.	Ⓐ Ⓑ Ⓒ Ⓓ
8.	Ⓐ Ⓑ Ⓒ Ⓓ	18.	Ⓐ Ⓑ Ⓒ Ⓓ	28.	Ⓐ Ⓑ Ⓒ Ⓓ
9.	Ⓐ Ⓑ Ⓒ Ⓓ	19.	Ⓐ Ⓑ Ⓒ Ⓓ	29.	Ⓐ Ⓑ Ⓒ Ⓓ
10.	Ⓐ Ⓑ Ⓒ Ⓓ	20.	Ⓐ Ⓑ Ⓒ Ⓓ	30.	Ⓐ Ⓑ Ⓒ Ⓓ

MCQ Marks Scored: /

Note: Kindly mention the question number and sub-question properly.

- Questions with incorrect question number/sub question number will not be evaluated.
- Start new questions on new page.

Question 1: **(10 Marks)**

The Machinery Account of a Factory showed a balance of Rs. 95 Lakhs on 1st April,2020. The Books of Accounts Depreciation is written off of the Factory are closed on 31st March every year and @ 10% per annum under the Diminishing Balance Method. On 1st September,2020 a new machine was acquired at a cost of Rs. 14 Lakhs and Rs. 44,600 was incurred on the same day as installation charges for erecting the machine. On 1st September,2020 a machine which had cost Rs. 21,87,000 on 1st April,2018 was sold for Rs. 3,75,000. Another machine which had cost Rs. 21,85,000 on 1st April,2019 was scrapped on 1st September,2020 and it realized nothing.

Prepare Machinery Account for the year ended 31st March,2021. Allow the same rate of depreciation as in the past and calculate depreciation to the nearest multiple of a rupee. Also show all the necessary working notes.

Answer 1:

Plant and Machinery Account for the year ended 31st March,2021

		Rs.			Rs.
01-04-20	To Balance b/d	95,00,000	01-09-20	By Bank (Sales)	3,75,000
01-09-20	To Bank (14,00,000 + 44,600)	14,44,600		By Depreciation(on sold machine)	73,811
				By Loss on sale	13,22,659
				By Loss on scrapping the machine	18,84,562
				By Depreciation (on Scrapped machinery)	81,938
				ByDepreciation(Note iii)	6,60,471
				By Balance c/d	65,46,159
		109,44,600			109,44,600

Working Note:

(i) Calculation of loss on sale of machine on 01-09-2020		
		Rs.
Cost on 1-4-2018		21,87,000
Less: Depreciation @ 10% on Rs.21,87,000		(2,18,700)
W.D.V. on 31-03-2019		19,68,300
Less: Depreciation @ 10% on Rs.19,68,300		(1,96,830)
W.D.V. on 31-03-2020		17,71,470
Less: Depreciation @ 10% on Rs. 17,71,470 for 5 months		(73,811)
		16,97,659
Less: Sale proceeds on 01-09-2020		(3,75,000)
Loss		13,22,659
(ii) Calculation of loss on scrapped machine		
Cost on 1-4-2019		21,85,000
Less: Depreciation @ 10% on Rs.21,85,000		(2,18,500)
W.D.V. on 31-3-2020		19,66,500
Less: Depreciation @ 10% on Rs.19,66,500 for 5months		(81,938)
Loss		18,84,562

(iii)	Depreciation		
	Balance of machinery account on 1-4-2020		95,00,000
	Less: W.D.V of machinery sold	17,71,470	
	W.D.V. of machinery scrapped	19,66,500	(37,37,970)
	Balance of other machinery after sale and scrap on1-4-2020		57,62,030
	Depreciation @ 10% on Rs.57,62,030 for 12 months		5,76,203
	Depreciation @ 10% on Rs.14,44,600 for 7 months		84,268
			6,60,471

Note: The figures are rounded off to nearest rupee.

Question 2: **(5 Marks)**

Discuss the factors taken into consideration for calculation of depreciation.

Answer 2:

Following factors are taken into consideration for calculation of depreciation.

1. **Cost of asset** including expenses for installation, commissioning, trial run etc.- Cost of a depreciable asset represents its money outlay or its equivalent in connection with its acquisition, installation and commissioning as well as for additions to or improvement thereof for the purpose of increase in efficiency.

2. **Estimated useful life of the asset** - Useful Life' is either (i) the period over which a depreciable asset is expected to be used by the enterprise or (ii) the number of production or similar units expected to be obtained from the use of the asset by the enterprise. Determination of the useful life is a matter of estimation and is normally based on various factors including experience with similar type of assets. Several other factors like estimated working hours, production capacity, repairs and renewals, etc. are also taken into consideration on demanding situation.

3. **Estimated scrap value (if any)** is calculated at the end of useful life of the asset. If such value is considered as insignificant, it is normally regarded as nil. On the other hand, if the residual value is likely to be significant, it is estimated at the time of acquisition/installation, or at the time of subsequent revaluation of asset.

Question 3: **(10 Marks)**

A Firm purchased an old Machinery for Rs. 37,000 on 1st January, 2015 and spent Rs. 3,000 on its overhauling. On 1st July 2016, another machine was purchased for Rs. 10,000. On 1st July 2017, the machinery which was purchased on 1st January 2015, was sold for Rs. 28,000 and the same day a new machinery costing Rs. 25,000 was purchased. On 1st July, 2018, the machine which was purchased on 1st July, 2016 was sold for Rs. 2,000.

Depreciation is charged @ 10% per annum on straight line method. The firm changed the method and adopted diminishing balance method with effect from 1st January, 2016 and the rate was increased to 15% per annum. The books are closed on 31st December every year. Prepare Machinery account for four years from 1st January, 2015.

Answer 3:

In the books of Firm
Machinery Account

		Rs.			Rs.
1.1.2015	To Bank A/c	37,000	31.12.2015	By Depreciation A/c	4,000
	To Bank A/c (overhauling charges)	3,000	31.12.2015	By Balance c/d	36,000
		40,000			40,000
1.1.2016	To Balance b/d	36,000	31.12.2016	By Depreciation A/c (Rs. 5,400 + Rs. 750)	6,150
1.7.2016	To Bank A/c	10,000	31.12.2016	By Balance c/d (Rs. 30,600 + Rs. 9,250)	39,850
		46,000			46,000
1.1.2017	To Balance b/d	39,850	1.7.2017	By Bank A/c(sale)	28,000
1.7.2017	To Bank A/c	25,000	1.7.2017	By Profit and Loss A/c (Loss on Sale – W.N. 1)	305
			31.12.2017	By Depreciation A/c (Rs. 2,295 + Rs. 1,388 + Rs. 1,875)	5,558
				By Balance c/d (Rs. 7,862 + Rs. 23,125)	30,987
		64,850			64,850
1.1.2018	To Balance b/d	30,987	1.7.2018	By Bank A/c (sale)	2,000
			1.7.2018	By Profit and Loss A/c (Loss on Sale – W.N. 1)	5,272
			31.12.2018	By Depreciation A/c (Rs. 590 + Rs. 3,469)	4,059
			31.12.2018	By Balance c/d	19,656
		30,987			30,987

Working Note:

Book Value of machines

	Machine I Rs.	Machine II Rs.	Machine III Rs.
Cost of all machinery	40,000	10,000	25,000
(Machinery cost for 2015)			
Depreciation for 2015	4,000		
Written down value as on 31.12.2015	36,000		
Purchase 1.7.2016 (6 months)		10,000	
Depreciation for 2016	5,400	750	
Written down value as on 31.12.2016	30,600	9,250	

Depreciation for 6 months (2017)	2,295		
Written down value as on 1.7.2017	28,305		
Sale proceeds	28,000		
Loss on sale	**305**		
Purchase 1.7.2017			25,000
Depreciation for 2017 (6 months)		1,388	1,875
Written down value as on 31.12.2017		7,862	23,125
Depreciation for 6 months in 2018		590	
Written down value as on 1.7.2018		7,272	
Sale proceeds		2,000	
Loss on sale		**5,272**	
Depreciation for 2018			3,469
Written down value as on 31.12.2018			**19,656**

Question 4: **(5 Marks)**

M/s. Prabha Pharmaceuticals has imported a machine on 1st July, 2014, for Pound 8,000, paid custom duty and freight ` 80,000 and incurred erection charges ` 60,000. Another local machinery costing 1,00,000 was purchased on 1st Jan 2015. On 1st July, 2016, a portion of the imported machinery (value one-third) got out of order and was sold for ` 1,34,800. Another machinery was purchased to replace the same for ` 50,000. Depreciation is to be calculated at 20% p.a on cost. Show the machinery account
for 2014, 2015, and 2016. Exchange rate is ` 80 per pound.

Answer 4:

Machinery A/c

Date	**Particulars**	**Amount**	**Date**	**Particulars**	**Amount**
2014			2014		
Jul-01	To Bank A/c	6,40,000	Dec-31	By Depreciation A/c for ½ yr.	78,000
Jul-01	To Bank A/c	80,000	Dec-31	By balance c/d	7,02,000
Jul-01	To Bank A/c	60,000			
		7,80,000			7,80,000
2015			2015		
Jan-01	To balance b/d	7,02,000	Dec-31	By Depreciation A/c	1,56,000
Jan-01	To Bank A/c	1,00,000	Dec-31	By balance c/d	6,46,000
		8,02,000			8,02,000
Date	Particulars	Amount	Date	Particulars	Amount
2016			2016		
Jan-01	To balance b/d	6,46,000	Jul-01	By Bank A/c	1,34,800

	To Bank A/c	50,000	Jul-01	By Depreciation A/c (On machinery sold)	26,000
			Jul-01	By Profit & Loss A/c (Loss on sale of machinery)	21,200
			Dec-31	By Depreciation A/c	1,24,000
			Dec-31	By balance c/d	3,90,000
		6,96,000			6,96,000

Working Note:

1. In the absence of information about depreciation method to be used, Straight line method of depreciation has been used. Alternatively, written down value method of depreciation may be assumed.
2. The method of machinery sold as on 1.7.2016 may be obtained as follow:

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Cost of machinery sold as on 1.7.2014	2,60,000
Less: Depreciation for 2014 (for ½ year)	(26,000)
	2,34,000
Less: Depreciation for 2015	(52,000)
	1,82,000
Less: Depreciation for 2016 (for ½ year)	(26,000)
	1,56,600
Less: Amount received	(1,34,800)
	21,200