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✉ info@caexams.in
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Subject _____ Strategy: _____

CA FOUNDATION – NEW SYLLABUS
PRINCIPLES AND PRACTICE OF ACCOUNTING

MARKS: 30
DURATION: 90 MINS

TEST NO. 8
SUGGESTED ANSWER

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

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:

(5 Marks)

X who was closing his books on 31.3.2022 failed to take the actual stock which he did only on 9th April, 2022, when it was ascertained by him to be worth ₹ 2,50,000.

It was found that sales are entered in the sales book on the same day of dispatch and return inwards in the returns book as and when the goods are received back. Purchases are entered in the purchases day book once the invoices are received.

It was found that sales between 31.3.2022 and 9.4.2022 as per the sales day book are ₹ 17,200. Purchases between 31.3.2022 and 9.4.2022 as per purchases day book are ₹ 1,200, out of these goods amounting to ₹ 500 were not received until after the stock was taken.

Goods invoiced during the month of March, 2022 but goods received only on 4th April, 2022 amounted to ₹ 1,000. Rate of gross profit is 33-1/3% on cost. Ascertain the value of physical stock as on 31.3.2022.

Answer 1:

Statement of Valuation of Physical Stock as on 31st March, 2022

		₹
Value of stock as on 9th April, 2022		2,50,000
Add: Cost of sales during the intervening period		
Sales made between 31.3.2022 and 9.4.2022	17,200	
Less: Gross profit @25% on sales	(4,300)	12,900
Less: Purchases actually received during the intervening period:		2,62,900
Purchases from 1.4.2022 to 9.4.2022	1,200	
Less: Goods not received upto 9.4.2022	(500)	700
		2,62,200
Less: Purchases during March, 2022 received on 4.4.2022		1,000
Value of physical stock as on 31.3.2022		2,61,200

Question 2:

(5 Marks)

Closing stock is valued by XYZ Stores on generally accepted accounting principles. Stock taking for the year ended 31st March, 2017 was completed by 10th April, 2017, the valuation of which showed a stock figure of ₹ 1,67,500 at cost as on the completion date. After the end of the accounting year and till the date of completion of stock taking, sales for the next year were made for ₹ 6,875, profit margin being 33.33 percent on cost. Purchases for the next year included in the stock amounted to ₹ 9,000 at cost less trade discount 10 percent. During this period, goods were added to stock of the mark up price of ₹ 300 in respect of sales returns. After stock taking it was found that there were certain very old slow moving items costing ₹ 1,125 which should be taken at ₹ 525 to ensure disposal to an interested customer. Due to heavy floods, certain goods costing Rs. 1,550 were received from the supplier beyond the delivery date of customer. As a result, the customer refused to take delivery and net realizable value of the goods was estimated to be ₹ 1,250 on 31st March, 2017.

You are required to calculate the value of stock for inclusion in the final accounts for the year ended 31st March, 2017.

Answer 2:

Statement showing the valuation of stock as on 31st March, 2017

		₹
A	Value of Stock as on 10th October, 2017	1,67,500
B	Add: Cost of sales after 31st March, till stock taking (₹ 6,875 – ₹ 1,719)	5,156
C	Less: Purchases for the next period (net)	8,100
D	Less: Cost of Sales Returns	225
E	Less: Loss on revaluation of slow moving inventories	600
F	Less: Reduction in value on account of default	300
G	Value of Stock on 31st March, 2017	1,63,431

Note: Profit margin of 33.33 percent on cost means 25 percent on sale price.

Question 3:

(5 Marks)

Sky Ltd. keeps no stock records but a physical inventory of stock is made at the end of each quarter and the valuation is taken at cost. The company's year ends on 31st March, 2018 and their accounts have been prepared to that date. The stock valuation taken on 31st March, 2018 was however, misleading and you have been advised to value the closing stocks as on 31st March, 2018 with the stock figure as on 31st December, 2017 and some other information is available to you:

- The cost of stock on 31st December, 2017 as shown by the inventory sheet was ₹ 80,000.
- On 31st December, stock sheet showed the following discrepancies:
 - A page total of ₹ 5,000 had been carried to summary sheet as ₹ 6,000.
 - The total of a page had been undercast by ₹ 200.
- Invoice of purchases entered in the Purchase Book during the quarter from January to March, 2018 totalled ₹ 70,000. Out of this ₹ 3,000 related to goods received prior to 31st December, 2017. Invoices entered in April 2018 relating to goods received in March, 2018 totalled ₹ 4,000.
- Sales invoiced to customers totalled ₹ 90,000 from January to March, 2018. Of this ₹ 5,000 related to goods dispatched before 31st December, 2017. Goods dispatched to customers before 31st March, 2018 but invoiced in April, 2018 totalled ₹ 4,000.
- During the final quarter, credit notes at invoiced value of ₹ 1,000 had been issued to customers in respect of goods returned during that period. The gross margin earned by the company is 25% of cost.

You are required to prepare a statement showing the amount of stock at cost as on 31st March, 2018.

Answer 3:

Valuation of Physical Stock as at March 31, 2018

		₹
Stock at cost on 31.12.2017		80,000
Add: (1) Undercasting of a page total	200	
(2) Goods purchased and delivered during January – March, 2018		
₹ (70,000 – 3,000 + 4,000)	71,000	

(3) Cost of sales return ` (1,000 – 200)	800	72,000
Less: (1) Overcasting of a page total ` (6,000 – 5,000)	1,000	<u>1,52,000</u>
(2) Goods sold and dispatched during January – March, 2018		
` (90,000 – 5,000 + 4,000)	89,000	
Less: Profit margin [89,000 x (25/ 125)]	17,800	71,200
Value of stock as on 31st March, 2018		<u>79,800</u>

Question 4:

(8 Marks)

From the following particulars ascertain the value of Inventories as on 31st March, 2022:

Particulars	₹
Inventory as on 1.4.2021	1,42,500
Purchases	7,62,500
Manufacturing Expenses	1,50,000
Selling Expenses	60,500
Administrative Expenses	30,000
Financial Charges	21,500
Sales	12,45,000

Additional Information:

At the time of valuing inventory as on 31st March, 2021, a sum of ₹17,500 was written off on a particular item, which was originally purchased for ₹50,000 and was sold during the year for ₹45,000.

Barring the transaction relating to this item, the gross profit earned during the year was 20% on sales.

Answer 4:

Statement of Inventory in Trade as on 31st March, 2022

Particulars	₹
Inventory as on 1st April, 2021	1,42,500
Less: Book value of abnormal inventory (₹50,000 – ₹17,500)	32,500
Adjusted Opening Inventory	1,10,000
Add: Purchases	7,62,500
Add: Manufacturing Expenses	1,50,000
Total Goods Available for Sale	10,22,500
Less: Cost of Goods Sold:	
Sales as per books	12,45,000
Less: Sales of abnormal item	45,000
Net Sales	12,00,000

Particulars	₹
Less: Gross Profit @ 20% on sales = ₹12,00,000 × 20%	2,40,000
Cost of Goods Sold	9,60,000
Closing Inventory (Balancing Figure)	62,500

Question 5:

(7 Marks)

A trader prepared his accounts on 31st March, each year. Due to some unavoidable reasons, no stock taking could be possible till 15th April, 2018 on which date the total cost of goods in his godown came to ₹ 50,000. The following facts were established between 31st March and 15th April, 2018.

- Sales ₹ 41,000 (including cash sales ₹ 10,000)
- Purchases ₹ 5,034 (including cash purchases ₹ 1,990)
- Sales Return ₹ 1,000.
- On 15th March, goods of the sale value of ₹ 10,000 were sent on sale or return basis to a customer, the period of approval being four weeks. He returned 40% of the goods on 10th April, approving the rest; the customer was billed on 16th April.
- The trader had also received goods costing ₹ 8,000 in March, for sale on consignment basis; 20% of the goods had been sold by 31st March, and another 50% by the 15th April. These sales are not included in above sales.

Goods are sold by the trader at a profit of 20% on sales.

You are required to ascertain the value of Inventory as on 31st March, 2018.

Answer 5:

Statement of Valuation of Stock on 31st March, 2018

	₹	₹
Value of stock as on 15th April, 2018		50,000
Add: Cost of sales during the period from 31st March, 2018 to 15th April, 2018		
Sales (₹ 41,000 – ₹ 1,000)	40,000	
Less: Gross Profit (20% of ₹ 40,000)	8,000	32,000
Cost of goods sent on approval basis (80% of ₹ 6,000)		4,800
		86,800
Less: Purchases during the period from 31st March, 2018 to 15th April, 2018	5,034	
Unsold stock out of goods received on consignment basis (30% of ₹ 8,000)	2,400	7,434
		79,366