Mock Test Paper - Series I: April, 2024

Date of Paper: 29th April, 2024

Time of Paper: 2 P.M. to 5 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) Accounting Standards for non-corporate entities in India are issued by the Central Government.

   (ii) Subsidy received from the government for working capital by a manufacturing concern is a revenue receipt.

   (iii) Reducing balance method of depreciation is followed to have a uniform charge for depreciation and repairs and maintenance together.

   (iv) Discount at the time of retirement of a bill is a gain for the drawee.

   (v) Business of partnership comes to an end on death of a partner.

   (vi) Receipts and Payments Account highlights total income and expenditure. **(6 Statements x 2 Marks = 12 Marks)**

   (b) Discuss the limitations which must be kept in mind while evaluating the Financial Statements. **(4 Marks)**

   (c) The balance of Machinery Account of a firm on 1st April, 2023 was ₹ 28,54,000. Out of this, a plant having book value of ₹ 2,16,000 as on 1st April, 2023 was sold on 1st July, 2023 for ₹ 82,000. On the same date a new plant was purchased for ₹ 4,58,000 and ₹ 22,000 was spent on its erection. On 1st November, 2023 a new machine was purchased for ₹ 5,60,000. Depreciation is written off @ 15% per annum under the diminishing balance method. Calculate the depreciation for the year ended 31st March, 2024. **(4 Marks)**

   (12+4+4= 20 Marks)

2. (a) Mr. Bhatt's trial balance as on 31st March, 2024 did not agree. The difference was put to a Suspense Account.

During the next trading period, the following errors were discovered:

(i) The total of the Purchases Book of one page, ₹ 5,615 was carried forward to the next page as ₹ 6,551.

(ii) A sale of ₹ 462 was entered in the Sales Book as ₹ 642 and posted to the credit of the customer.

(iii) A return to creditor, ₹ 300 was entered in the Returns Inward Book; however, the creditor's account was correctly posted.

(iv) Cash received from Geet, ₹ 895 was posted to debit of Meet.

(v) Goods worth ₹ 1,400 were dispatched to a customer before the close of the year but no invoice was made out.

(vi) Goods worth ₹ 1,600 were sent on sale or return basis to a customer and entered in the Sales Book at the close of the year, the customer still had the option to return the goods. The gross profit margin was 20% on Sale.

(vii) ₹ 500 due from Mr. Manas was omitted to be taken ·to the trial balance.

(viii) Sale of goods to Mr. Deep for ₹ 6,000 was omitted to be recorded.

You are required to give journal entries to rectify the errors in a way so as to show the current year's profit or loss correctly **(10 Marks)**

(b) The Bank Pass Book of Account No.7749 of Ms. Tina showed an overdraft of ₹ 1,34,300 on 31st March 2024. On going through the Pass Book, the accountant found the following:

(i) A Cheque of ₹4,320 credited in the pass book on 28th March 2024 being dishonoured is debited again in the pass book on 1st April 2024. There was no entry in the cash book about the dishonour of the cheque until 15th April 2024.

(ii) Bankers had credited her account with ₹ 11,200 for interest collected by them on her behalf, but the same has not been entered in her cash book.

(iii) Out of ₹ 82,000 paid in by Ms. Tina in cash and by cheques on 31st March 2024 cheques amounting to ₹ 30,000 were collected on 7th April, 2024.

(iv) Out of Cheques amounting to ₹ 31,200 drawn by her on 27th March, 2024 a cheque for ₹ 10,000 was encashed on 3rd April, 2024.

(v) Bankers seems to have given here wrong credit for ₹ 2,000 paid in by her in Account No. 8765 and a wrong debit in respect of a cheque for ₹ 1,200 against her account No.8765.

(vi) A cheque for ₹ 4,000 entered in Cash Book but omitted to be banked on 31st March, 2024.

(vii) A Bill Receivable for ₹ 20,800 previously dishonoured (Discount ₹ 800) with the Bank had been dishounoured but advice was received on 1st April, 2024.

(viii) A Bill for ₹ 40,000 was retired /paid by the bank under a rebate of ₹ 700 but the full amount of the bill was credited in the bank column of the Cash Book.

(ix) A Cheque for ₹ 9,600 deposited into bank but omitted to be recorded in Cash Book and was collected by the bank on 31st March, 2024.

Prepare Bank Reconciliation Statement as on 31st March, 2024.

(10 Marks)

(10 +10 = 20 Marks)

3. (a) Lucky 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 required to prepare his final accounts for the year 2023:

	1.1.2023	31.12.2023
	₹	₹
Debtors	1,02,500	–
Creditors	–	46,000
Stock	50,000	62,500
Bank Balance	–	50,000
Fixed Assets	7,500	9,000

Details of his bank transactions were as follows:

	₹
Received from debtors	3,40,000
Additional capital brought in	5,000
Sale of fixed assets (book value ₹ 2,500)	1,750
Paid to creditors	2,80,000
Expenses paid	49,250
Personal drawings	25,000
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. **(10 Marks)**

(b) Arun, Varun and Tarun are in partnership, sharing profits and losses equally.

Tarun died on 30th June 2023. The Balance Sheet of Firm as at 31st March 2023 stood as:

Liabilities	Amount	Assets		Amount
Creditors	20,000	Land and Building		1,50,000
General Reserve	12,000	Investments		65,000
Capital Accounts:		Stock in trade		15,000
Arun	1,00,000	Trade receivables	35,000	
Varun	75,000	Less: Provision for doubtful debt	(2,000)	33,000
Tarun	75,000	Cash in hand		7,000
		Cash at bank		12,000
	2,82,000			2,82,000

In order to arrive at the balance due to Tarun, it was mutually agreed that:

(i) Land and Building be valued at ₹ 1,75,000

(ii) Debtors were all good, no provision is required

(iii) Stock is valued at ₹ 13,500

(iv) Goodwill will be valued at one Year's purchase of the average profit of the past five years. Tarun's share of goodwill be adjusted in the account of Arun and Varun.

(v) Tarun's share of profit from 1st April 2023, to the date of death be calculated on the basis of average profit of preceding three years.

(vi) The profit of the preceding five years ended 1st March were:

2023	2022	2021	2020	2019
25,000	20,000	22,500	35,000	28,750

You are required to prepare:

(1) Revaluation account

(2) Capital accounts of the partners and

(3) Balance sheet of the Firm as at 1st July, 2023. **(10 Marks)**

(10 + 10 = 20 Marks)

4 (a) Amar, Akbar and Antony are in partnership. The following is their Balance Sheet as at March 31, 2024 on which date they dissolved their partnership. They shared profit in the ratio of 5:3:2.

Liabilities		₹	Assets	₹
Creditors		80,000	Plant and machinery	60,000
Loan A/c –	Amar	20,000	Premises	80,000
Capital A/cs -	Amar	1,00,000	Stock	60,000
	Akbar	30,000	Debtors	1,20,000
	Antony	90,000		
		3,20,000		3,20,000

It was agreed to repay the amounts due to the partners as and when the assets were realised, viz.

April 15, 2024	₹ 60,000
May 1, 2024	₹ 1,46,000
May 31, 2024	₹ 94,000

Prepare a statement showing how the distribution should be made under maximum loss method.

(10 Marks)

(b) The following information of M/s. Zara Club are related for the year ended 31st March, 2024:

(1)

Balances	As on 01-04-2023 (₹)	As on 31-3-2024 (₹)
Stock of Sports Material	6,75,000	10,12,500
Amount due for Sports Material	6,07,500	8,77,500
Subscription due	1,01,250	1,48,500
Subscription received in advance	81,000	47,250

(2) Subscription received during the year ₹ 33,75,000

(3) Payments for Sports Material during the year ₹ 20,25,000

You are required to:

(A) Ascertain the amount of Subscription and Sports Material that will appear in Income & Expenditure Account for the year ended 31.03.2024 and

(B) Also show how these items would appear in the Balance Sheet as on 31.03.2024. **(10 Marks)**

(10 + 10 = 20 Marks)

5. (a) From the following information, draw up a Trial Balance in the books of Shri Hari Om as on 31st March,2024:

Particulars	Amount (₹)	Particulars	Amount (₹)
Capital	4,20,000	Purchases	1,08,000
Discount Allowed	3,600	Carriage Inward	26,100
Carriage Outwards	6,900	Sales	1,80,000
Return Inward	900	Return Outwards	2100
Rent and Taxes	3,600	Plant and Machinery	2,42,100
Stock on 1st April 2023	46,500	Sundry Debtors	60,600

Sundry Creditors	36,000	Investments	10,800
Commission Received	5,400	Cash in Hand	300
Cash at bank	30,300	Motor Cycle	1,03,800
Stock on 31st March, 2024	61,500		

(5 Marks)

(b) Attempt any ONE out of the two sub parts i.e. either (i) or (ii).

(i) Following information is provided for M/s. VS Wires for the year ended 31st March, 2024:

	₹
Opening Inventory	6,00,000
Purchases	40,32,000
Carriage Inwards	1,80,000
Wages	3,00,000
Sales	66,00,000
Returns inward	6,00,000
Returns outward	4,32,000
Closing Inventory	12,00,000

You are required to pass necessary closing entries in the journal proper of M/s. VS Wires. **(5 Marks)**

OR

(ii) Mr. Mandeep runs a factory, which produces detergents. Following details were available in respect of his manufacturing activities for the year ended 31-03-2024.

Opening work-in-progress (27,000 units)	78,000
Closing work-in-progress (42,000 units)	1,44,000
Opening inventory of Raw Materials	7,80,000
Closing inventory of Raw Materials	9,60,000
Purchases	24,60,000
Hire charges of Machinery @ ₹ 0.70 per unit manufactured	
Hire charges of factory	7,80,000
Direct wages-contracted @ ₹ 0.80 per unit manufactured	
and @ ₹ 0.40 per unit of closing W.I.P.	
Repairs and maintenance	5,40,000
Units produced - 15,00,000 units	

You are required to prepare a Manufacturing Account of Mr. Mandeep for the year ended 31-03-2024. **(5 Marks)**

(c) Face Ltd. (unlisted company other than AIFI, Banking company, NBFC and HFC) provides thefollowing information as at 31 March, 2023:

	Particulars	₹	₹
Shareholder's fund			
(a)	Authorized Share Capital		
	90,000 equity shares of ₹10 each fully paid up		9,00,000
	Issued, Subscribed & Paid up		
	60,000 equity shares of ₹ 10 each fully paid up		6,00,000
(b)	Reserve and Surplus		
	Profit & Loss Account	3,24,000	
	Debenture redemption reserve	36,000	3,60,000
Non-current liabilities			
(a)	Long term borrowings		
	12% Debentures		3,60,000
Current Liabilities			
(a)	Trade Payable		3,45,000
	Total		16,65,000
Non-current Assets			
(a)	Property, Plant and Equipment	3,45,000	
(b)	Non-current Investments (DRR Investment)	54,000	3,99,000
Current Assets			
(a)	Inventories	4,05,000	
(b)	Trade Receivables	2,25,000	
(c)	Cash in Hand	90,000	
(d)	Cash at Bank	5,46,000	12,66,000
	Total		16,65,000

At the AGM on 01.04.2023, it was resolved:

(a) To give existing equity shareholders the option to purchase one ₹ 10 share at ₹ 15 for every four shares (held prior to the bonus distribution). This option was taken up by all the shareholders.

(b) To issue one bonus share for every five shares held.

(c) To repay the debentures at a premium of 3%.

Give the necessary journal entries for these transactions. **(10 Marks)**

(5 + 5 + 10 = 20 Marks)

6. (a) Avent Limited is a company with an authorised share capital of ₹ 1,00,00,000 in equity shares of ₹ 10 each, of which 6,00,000 shares had been issued and fully paid up on 31st March, 2023. The company proposes to make a further issue of 1,35,000 of these ₹ 10 shares at a price of ₹ 14 each, the arrangement of payment being :

(i) ₹ 2 per share payable on application, to be received by 31st May, 2023;

(ii) Allotment to be made on 10th June, 2023 and a further ₹ 5 per share (including the premium to be payable);

(iii) The final call for the balance to be made, and the money received by 31st December, 2023.

Applications were received for 5,60,000 shares and dealt with as follows:

(1) Applicants for 10,000 shares received allotment in full;

(2) Applicants for 50,000 shares received allotment of 1 share for every 2 applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;

(3) Applicants for 5,00,000 shares 'received an allotment of 1 share for every 5 shares applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and

(4) The money due on final call was received on the due date.

You are required to record these transactions (including bank transactions) in the Journal Book of Avent Limited. **(15 Marks)**

(b) Discuss the factors taken into consideration for calculation of depreciation. **(5 Marks)**

Or

Write short notes on Accommodation bill and Renewal of bill. **(5 Marks)**

(15 + 5 = 20 Marks)