

**CA-FOUNDATION - ACCOUNTING**
FULL SYLLABUS PAPER BY CA. CS. ANSHUL AGRAWAL

Test Duration: 3 Hours + 15 Minutes Reading Time

Total Marks: 100 Marks

IMPORTANT INSTRUCTIONS TO THE CANDIDATES

Please solve question paper in answer sheet using Black pen only. Please write Question No. clearly on all the pages. Working Notes should form part of your answers. Always start a new question from new page. All Sub-Questions of a question should be solved together. **Q. No. 1 is compulsory. Solve any FOUR of remaining Five questions.**

Q.1. (a) State with reasons whether the following statements are True or False:

- (i) A statement containing balances of various ledger accounts, verifying the arithmetical accuracy of accounting is known as 'Balance Sheet'.
- (ii) An amount of Rs. 10,00,000 incurred on extension of a cinema hall by increasing its seating capacity will be treated as 'Revenue Expenditure'.
- (iii) Balance of Securities Premium (not realized in cash) can be used for issuing Bonus shares.
- (iv) An accounting concept that states that businessmen's personal transactions should be kept separate from his business transactions is known as 'Business Entity Concept'.
- (v) The method of depreciation, wherein the amount of depreciation is charged on the basis of usage, is known as 'Straight Line Method'.
- (vi) As per the principle of Garner v/s Murray, if any one partner becomes insolvent then deficiency of such partner is to be shared by other solvent partners in their Profit-Sharing Ratio. **(12 Marks)**

- (b) Netflix Co. acquired the streaming rights of a movie for Rs. 18,00,000 with the contracted duration of the streaming period being 10 years. At the beginning of the fourth year, based on the decline in viewership, Netflix decided to stream the movie only for the next 5 years.
Required: Calculate amortisation for all the Five years. **(4 Marks)**

(c) Pass Rectification entries for the following:

- (i) Cheque received towards interest from TCS Ltd. Rs. 4,000 credited to Dividend Received A/c.
- (ii) Goods sold to Y Rs. 42,000 correctly recorded in the day book but posted to Party's Account as Rs. 24,000.
- (iii) Balance in Plant & Machinery A/c Rs. 36,000 brought forward as Rs. 63,000.
- (iv) The total of 'Discounts Allowed' column in the Cash Book, of Rs. 250 was not posted. **(4 Marks)**

Q.2. (a) Suresh does not maintain his books of accounts under the double entry system. But keeps slips of papers from which he makes up his annual accounts. He has borrowed money from a bank to whom he has to render figures of profits every year. He has given to the bank following profit figures:

2004 - 20,000; 2005 - 32,000; 2006 - 35,000; 2007 - 48,000; 2008 - 55,000

The bank appoints you to audit the statements and verify whether the figures of profits reported are correct or not. For this purpose, the following figures are made available to you:

- a. Position as on 31st December, 2003, Sundry debtors Rs. 20,000, Stock on trade (at 95 % of the cost) Rs. 47,500, Cash on hand and at bank Rs. 12,600, Trade creditors Rs. 6,000, Expenses due Rs. 1,600.
- b. He had borrowed Rs. 5,000 from his wife on 30th September 2001 on which he had agreed to pay simple interest at 12 % p.a. The loan was repaid along with interest on 31st December, 2005.
- c. In December 2002, he had advanced Rs. 8,000 to A for purpose of a vacant land. The property was registered in March, 2006 after payment of balance consideration of Rs. 32,000. Costs of registration incurred for this were Rs. 7,500.
- d. Suresh purchased jewellery for Rs. 15,000 for his daughter in October, 2004. Marriage expenses incurred in January, 2005 were Rs. 24,000.
- e. A new TV was purchased by him in March, 2008 for Rs. 18,000 and presented by him to his friend in November 2008.
- f. His annual household expenses amounted to a minimum of Rs. 24,000.
- g. The position of assets and liabilities as on 31st December, 2008 was found to be : Overdraft with bank (secured against property) Rs. 12,000, Trade creditors Rs. 10,000, Expenses payable Rs. 600, Sundry debtors (including Rs. 600 due from a peon declared insolvent by court) Rs. 28,800, Stock in trade (at 125 % of cost to reflect market value) Rs. 60,000 and Cash on hand Rs. 250.

It is found that the rate of profit has been uniform throughout the period and the proportion of sales during the years to total sales for the period was in the ratio of 3 : 4 : 4 : 6 : 8. Ascertain the annual profits and indicate differences, if any, with those reported by Suresh to the bank earlier. **(12 Marks)**

- (b) Cash Book of Mr. Satvik showed the Debit Balance of Rs. 1,26,990 as on 31st March 2018. On comparing it with Pass Book, he noticed the following discrepancies:
- Cheques of Rs. 13,800 issued before 31st March 2018, of which cheques of Rs. 12,000 were presented till 31st March.
 - Cheques of Rs. 2,990 deposited before 31st March 2018, of which cheques of Rs. 1,000 were cleared on 5th April 2018.
 - On 27th March 2018, cash deposited in Bank Rs. 2,200 was wrongly credited by bank as 2,020.
 - Bank has made certain payments amounting to Rs. 1,600, not recorded in Cash Book.
 - Bank column on debit side of Cash Book was overcasted by Rs. 700.
- Prepare Bank Reconciliation Statement after adjusting the Cash Book. **(8 Marks)**

Q.3. (a) From the following Trial Balance and further information, prepare Trading and Profit & Loss Account for the year ended 31st March 2018 and Balance Sheet as on that date of Mr. A:

PARTICULARS	DR. AMOUNT	PARTICULARS	CR. AMOUNT
Stock on 1 st April 2017	54,000	Sales	6,15,000
Net Purchases	271,000	Sundry Creditors	82,000
Plant	200,000	R.D.D.	2,500
Equipment	200,000	Discount Received	80,000
Octroi	9,000	A's Capital A/c	3,02,200
Salaries	48,000		
Sundry Debtors	39,800		
Broadband Charges	9,000		
Office Rent	67,500		
Return Inward	12,000		
Cash and Bank	14,400		
Factory Shed	150,000		
Bad Debts	2,000		
Suspense A/c	5,000		
TOTAL	10,81,700	TOTAL	10,81,700

Additional Information:

- Closing Stock is valued at Rs. 49,000.
- Depreciate Plant and Equipment at 10 % P.A. and Factory Shed by 15% P.A.
- Reserve for Doubtful Debts is to be made at 5% and Provision for Discount to Debtors @ 2%.
- Goods of Rs. 2,000 were distributed as free sample.
- Suspense account balance indicates an advance of Rs. 5,000 given to employee.
- Office Rent is paid from 1st July 2017 till 30th September 2018.

(10 Marks)

- (b) Journalise the following in the books of Smith:
- Arya's acceptance for Rs. 10,000 in favour of Smith retired one month before due date, interest is taken at the rate of 6% P.A.
 - James owes Smith Rs. 3,200; he sends Smith's own acceptance in favour of Roy for Rs. 3,160; in full settlement;
 - James informs Smith that Ray's acceptance for Rs. 5,000 has been dishonoured and noting charges are Rs. 100. James accepts Rs. 2,000 in cash and the balance three months bill at interest of 10%. Smith accepts from Ray his acceptance at two months plus interest @ 12% P.A.
 - Smith meets his acceptance in favour of Anand for Rs. 4,500 by endorsing John's acceptance for Rs. 4,450 in full settlement.
 - Smith requested Anil to renew his acceptance of Rs. 10,000 for a further period of 2 months by partly accepting cash Rs. 4,000 & draw fresh bill for balance with interest @ 12% P.A.

(10 Marks)

Q.4. (a) A and B are partners in a firm sharing profits and losses in the ratio of 3: 2. On 31st March 2018 the position of the firm was as follows:

BALANCE SHEET AS ON 31ST MARCH 2018

LIABILITIES	AMOUNT	ASSETS	AMOUNT
Capital A/c:		Land	2,00,000
A	1,00,000	Plant	55,000
B	50,000	Furniture	30,000
Reserves	1,50,000	Inventories	30,000
Bills Payables	40,000	Sundry Debtors	25,000
Outstanding Expenses	20,000	Bills Receivables	10,000
		Cash in Hand	10,000
TOTAL	3,60,000	TOTAL	3,60,000

On 1st April 2018, they admitted 'C' on the following terms:

1. C will bring Rs. 50,000 as capital and Rs. 10,000 for goodwill for 1/5th share.
2. Provision for doubtful debts is to be made on Trade Receivables @ 2%.
3. Inventory to be written down by 10%.
4. Land is to be revalued at Rs. 2,40,000, Plant at Rs. 50,000 and Furniture Rs. 35,000.

You are required to make necessary adjustments in the capital of the partners and show the Balance Sheet of the new firm. **(10 Marks)**

- (b) A partnership firm was dissolved on 30 th June, 2022. Its Balance Sheet on the date of dissolution was as follows:

LIABILITIES	AMOUNT	ASSETS	AMOUNT
Capital A/c:		Cash	10,800
A	76,000	Sundry Assets	1,89,200
B	48,000		
C	36,000		
B's Loan A/c	10,000		
Sundry Creditors	30,000		
TOTAL	2,00,000	TOTAL	2,00,000

The assets were realized in instalments and the payments were made on the proportionate capital basis. Creditors were paid Rs. 29,000 in full settlement of their account. Expenses of realization were estimated to be Rs. 5,400 but actual amount spent was Rs. 4,000. This amount was paid on 15 th September. Draw up a statement showing distribution of cash, which was realized as follows: 5th July 2022 Rs. 25,200; 20th August 2022 Rs.60,000; 15th September 2022 Rs. 80,000. The partners shared profits and losses in the ratio of 2 : 2 : 1. Prepare a statement showing distribution of cash amongst the partners by 'Highest Relative Capital' method. **(10 Marks)**

- Q.5. (a) Lakshya Ltd. recorded the following information as on 31st March, 2018:

Stock as on 1st April, 2017	1,60,000
Accounts payable as on 1st April, 2017	60,000
Accounts payable as on 31st March, 2018	80,000
Amount paid to creditors during the year	3,00,000
Sales	4,00,000

It is noticed that goods worth Rs. 60,000 were destroyed due to fire against this, the insurance company accepted a claim of Rs. 40,000. The company sells goods at cost plus 33 1/3 %. Consider the following to do valuation of closing stock as on 31st March 2018. **(5 Marks)**

- (b) "Stay-Fit Club", Pune has furnished the following particulars for the year 2018:
Subscription received in Cash is Rs. 42,000 (Including Rs. 1,600 for 2017 and Rs. 600 for 2019).
Outstanding Subscription for 2018, Rs. 3,000.
Calculate the amount of Subscription to be credited to Income and Expenditure Account. **(5 Marks)**

- (c) M/s. GC Equipment purchased a second-hand machine on 1st January, 2015 for Rs. 1,60,000. Overhauling and erection charges amounted to Rs. 40,000. Another machine was purchased for Rs. 80,000 on 1st July, 2015. On 1st July, 2017, the machine installed on 1st January, 2015 was sold for Rs. 1,00,000. Another machine amounted to Rs. 30,000 was purchased and was installed on 30th September, 2017. Under the existing practice the company provides depreciation @ 10% P.A. on original cost. However, from the year 2018, it decided to adopt WDV method and to charge depreciation @ 15% P.A. You are required to prepare Machinery account for the years 2015 to 2018. **(10 Marks)**

- Q.6. (a) Lakshya Limited with an Authorised Share Capital of Rs. 5,00,000 divided into Equity Shares of Rs. 10 each, issued shares as under –

- (i) 20,000 fully paid Equity Shares to the promoters for their services.
- (ii) Purchase an asset for Rs. 65,000, paid Rs. 10,000 in cash and for balance issued 5,000 Equity Shares.
- (iii) Issued 25,000 Equity Shares to the public at 20% premium, payable as –
On Application Rs. 5 per share
On Allotment Rs. 5 per share (Including Premium)
On First & Final Call Balance Amount

Applications were received for 40,000 shares and the Directors made pro-rata allotment to the applicants for 30,000 shares. Record journal entries for above transactions in the books of the Company. **(10 Marks)**

- (b) Case Ltd. (unlisted company other than AIFI, Banking company, NBFC and HFC) provides the following information as at 31st March, 2022:

PARTICULARS	AMOUNT
SHAREHOLDER'S FUNDS	
(a) Share Capital	
Authorised Share Capital:	4,50,000
45,000 Equity Shares of Rs. 10 each fully paid up	3,00,000
30,000 Equity Shares of Rs. 10 each fully paid up	
(b) Reserves & Surplus	1,62,000
Profit & Loss A/c	18,000
Debenture Redemption Reserve A/c	
Non-Current Liabilities	
Long Term Borrowings – 12% Debentures	1,80,000
Current Liabilities	
Trade Payables	1,72,500
NON CURRENT ASSETS	
Property, Plant & Equipment (Freehold Property)	1,72,500
Non Current Investments – DRR Investments	27,000
CURRENT ASSETS	
Inventories	2,02,500
Trade Receivables	1,12,500
Cash at Bank	2,73,000
Cash in Hand	45,000

At the Annual General Meeting on 1.4.2022, it was resolved:

- (a) To give existing shareholders the option to purchase one Rs. 10 share at Rs. 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%. The DRR Investments realised at par as per existing Book value.

Give the necessary journal entries for these transactions.

(10 Marks)



MY OBSERVATIONS AFTER THIS TEST AND MY ACTION PLAN ----->>>

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