

MOST EXPECTED QUESTIONS

CA Foundation (NSET) - Paper - 1 Accounting

1. **State True or False:** [17]
- (a) As per future value, assets are carried at the amount of cash or cash equivalents that could currently be obtained by selling the assets in an orderly disposal. [1]
 - (b) Expenditure incurred for major repair of the asset so as to increase its productive capacity is Revenue in nature. [1]
 - (c) Expenses in connection with obtaining a license for running the cinema is Capital Expenditure. [1]
 - (d) Accrual basis of accounting is the method of recording transactions by which revenues and costs and assets and liabilities are reflected in the accounts in the period in which actual receipts or actual payments are made. [1]
 - (e) If the bank column is showing the opening balance on credit side, it is an overdraft. [1]
 - (f) Purchase account is a nominal account. [1]
 - (g) If the total debit side is greater than the total of credit side, we get a credit balance as opening balance. [1]
 - (h) The balance of purchase returns account has a credit balance. [1]
 - (i) Periodic inventory system is a method of ascertaining inventory by taking an actual physical count. [1]
 - (j) Cost of inventories should comprise all cost of purchase. [1]
 - (k) Providing for depreciation also helps in providing for accumulation of funds to facilitate the replacement at the end of its useful life. [1]
 - (l) Over the life of an asset subject to depreciation, the accelerated method will result in less Depreciation Expense in early years and more depreciation in later years of its life. [1]
 - (m) An asset gives rise to expenditure when it is acquired and to an expense when it is consumed. [1]
 - (n) Both the revenue and capital nature transactions are recorded in the Income and expenditure account. [1]
 - (o) Subscriptions outstanding for the current year are disclosed under the Fixed assets side of the Balance sheet. [1]
 - (p) Financial statements need to be true and correct as per Companies Act. [1]
 - (q) Company is an artificial, legal person created by law. [1]
2. Write short notes on: [4]
- i. Fundamental accounting assumptions.
 - ii. Periodicity concept.
 - iii. Accounting conventions.
3. Change in accounting policy may have a material effect on the items of financial statements. Explain the statement with the help of an example. [4]
4. State with reasons whether the below items relating to the business of A B td are capital or revenue receipts? [4]
- a. A machine with a book value of ₹ 10 lakh is sold for ₹ 12 lakh.
 - b. Premium amounting to ₹ 1 Lakh received on issue of shares

- c. An amount of ₹ 20,000 received from goods sold in cash.
- d. An amount of ₹ 5 lac received on the maturity of fixed deposit from bank. Also, an interest of ₹ 40,000 was received in addition to the maturity amount of the fixed deposits.

5. Give journal entries to rectify the following: [5]

- i. A purchase of goods from Ram amounting to ₹ 150 has been wrongly entered through the Sales Book.
- ii. A Credit sale of goods amounting ₹ 120 to Ramesh has been wrongly passed through the Purchase Book.
- iii. On 31st December, 2022 goods of the value of ₹ 300 were returned by Hari Saran and were taken into inventory on the same date but no entry was passed in the books.
- iv. An amount of ₹ 200 due from Mahesh Chand, which had been written off as a Bad Debt in a previous year, was unexpectedly recovered, and had been posted to the personal account of Mahesh Chand.
- v. A Cheque for ₹ 100 received from Man Mohan was dishonoured and had been posted to the debit of Sales Returns Account.

6. Mr. David, has provided following details related to his financials. Find out the missing figures: [5]

Particulars	(₹ in '000)
Profits earned during the year	5,000
Assets at the beginning of year	A
Liabilities at the beginning of year	12,000
Assets at the end of the year	B
Liabilities at the end of the year	C
Closing capital	35,000
Total liabilities including capital at the end of the year	50,000

7. The following are the Cash Book (bank column) and Pass Book of Jain for the months of March, 2022 and April, 2022: [5]

Cash Book (Bank Column only)

Date	Particulars	Amount (₹) Dr.	Date	Particulars	Amount (₹) Cr.
01/3/2022	To Balance b/d	60,000	03/3/2022	By Cash A/c	2,00,000
06/3/2022	To Sales A/c	3,00,000	07/3/2022	By Modi	60,000
10/3/2022	To Ram	65,000	12/3/2022	By Patil	30,000
18/3/2022	To Singhal	2,70,000	18/3/2022	By Suresh	40,000
25/3/2022	To Goyal	33,000	24/3/2022	By Ramesh	1,50,000
31/3/2022	To Patel	65,000	30/3/2022	By Balance c/d	3,13,000
		7,93,000			7,93,000

Pass Book

Date	Particulars	Amount (₹) Dr.	Amount (₹) Cr.	Dr. or Cr.	Balance ₹
1/4/2022	By Balance b/d		3,65,000	Cr.	3,65,000
3/4/2022	By Goyal		33,000	Cr.	3,98,000

5/4/2022	By Patel		65,000	Cr.	4,63,000
7/4/2022	To Naresh	2,80,000		Cr.	1,83,000
12/4/2022	To Ramesh	1,50,000		Cr.	33,000
15/4/2022	To Bank Charges	200		Cr.	32,800
20/4/2022	By Usha		17,000	Cr.	49,800
25/4/2022	By Kalpana		38,000	Cr.	87,800
30/4/2022	To Sunil	6,200		Cr.	81,600

Reconcile the balance of cash book on 31/3/2022.

8. From the following information, ascertain the value of stock as on 31.3.2022: [5]

	₹
Value of stock on 1.4.2021	7,00,000
Purchases during the period from 1.4.2021 to 31.3.2022	34,60,000
Manufacturing expenses during the above period	7,00,000
Sales during the same period	52,20,000

At the time of valuing stock on 31.3.2021 a sum of ₹ 60,000 was written off a particular item which was originally purchased for ₹ 2,00,000 and was sold for ₹ 1,60,000. But for the above transaction the gross profit earned during the year was 25% on cost.

9. The following are the details of a spare part of Sriram mills: [5]

1-1-2022	Opening Inventory	Nil
1-1-2022	Purchases	100 units @ ₹ 30 per unit
15-1-2022	Issued for consumption	50 units
1-2-2022	Purchases	200 units @ ₹ 40 per unit
15-2-2022	Issued for consumption	100 units
20-2-2022	Issued for consumption	100 units

Find out the value of Inventory as on 31-3-2022 if the company follows First in first out basis.

10. The Machinery Account of a Factory showed a balance of ₹ 19,00,000 on 1st January, 2022. Its accounts were made up on 31st December each year and depreciation is written off at 10% p.a. under the Diminishing Balance Method. [10]

On 1st June 2022, a new machinery was acquired at a cost of ₹ 2,80,000 and installation charges incurred in erecting the machine works out to ₹ 8,920 on the same date. On 1st June, 2022 a machine which had cost ₹ 4,37,400 on 1st January 2020 was sold for ₹ 75,000. Another machine which had cost ₹ 4,37,000 on 1st January, 2021 was scrapped on the same date and it realised nothing.

Write a machinery account for the year 2022, allowing the same rate of depreciation as in the past, calculating depreciation to the nearest multiple of a Rupee.

11. Mr. David draws two bills of exchange on 1.1.2022 for ₹ 6,000 and ₹ 10,000. The bills of exchange for ₹ 6,000 is for two months while the bill of exchange for ₹ 10,000 is for three months. These bills are accepted by Mr. [10]

Thomas. On 4.3.2022, Mr. Thomas requests Mr. David to renew the first bill with interest at 18% p.a. for a period of two months. Mr. David agrees to this proposal. On 20.3.2022, Mr. Thomas retires the acceptance for ₹ 10,000, the interest rebate i.e. discount being ₹ 100. Before the due date of the renewed bill, Mr. Thomas becomes insolvent and only 50 paise in a rupee could be recovered from his estate.

You are to give the journal entries in the books of Mr. David.

12. Distinguish between Provision and reserve fund. [4]
13. Mr. Birla is a proprietor engaged in business of trading electronics. An excerpt from his Trading & P&L account is as follows: [10]

Trading and P&L A/c for the year ended 31st March, 2022

Particulars	₹	Particulars	₹
To Cost of Goods Sold	45,00,000	By Sales	C
To Gross Profit c/d	<u>D</u>		
	E		<u>F</u>
To Rent A/c	26,00,000	By Gross Profit b/d	<u>D</u>
To Office Expenses	13,00,000	By Miscellaneous Income	E
To Selling Expenses	B		
To Commission to Manager (on Net Profit before charging such commission)	2,00,000		
TO Net Profit	<u>A</u>		_____
	G		60,000

Commission is charged at the rate of 10%.

Selling Expenses amount to 1% of total sales.

You are required to compute the missing figures.

14. On 31st March, 2022 the Trial Balance of Mr. White were as follows: [15]

Trial Balance as on 31st March, 2022

Particulars	Dr. ₹	Particulars	Cr. ₹
Stock on 1st April 2021			
Raw Materials	21,000	Sundry Creditors	15,000
Work in Progress	9,500	Bills Payable	7,500
Finished goods	15,500	Sale of Scrap	2,500
Sundry Debtors	24,000	Commission Received	450
Carriage on Purchases	1,500	Provision for doubtful debts	1,650
Bills Receivable	15,000	Capital Account	1,00,000
Wages	13,000	Sales	1,67,200
Salaries	10,000	Bank Overdraft	8,500

Telephone, Postage etc.	1,000		
Repairs to Office Furniture	350		
Cash at Bank	17,000		
Office Furniture	10,000		
Repairs to Plant	1,100		
Purchases	85,000		
Plant and Machinery	70,000		
Rent	6,000		
Lighting	1,350		
General Expenses	1,500		
	3,02,800		

The following additional information is available:

Stocks on 31st March, 2022 were:

Raw Materials ₹ 16,200

Finished goods ₹ 18,100

Semi-finished goods ₹ 7,800

Salaries and wages unpaid for March 2022 were respectively, ₹ 900 and ₹ 2,000

Machinery is to be depreciated by 10% and office furniture by $\frac{71}{2}$ %

Provision for doubtful debts is to be maintained @ 1% of sales

Office premises occupy $\frac{1}{4}$ of total area.

Lighting is to be charged as to $\frac{2}{3}$ to factory and $\frac{1}{3}$ to office.

Prepare the Manufacturing Account Trading Account, Profit and Loss Account and the Balance Sheet relating to 31st March 2022.

15. Suppose salaries paid during 2022 were ₹ 23,000. The following further information is available:

[4]

		₹
Salaries unpaid on 31st March,	2021	1,400
Salaries pre-paid on on 31st March,	2021	400
Salaries un-paid on 31st March,	2022	1,800
Salaries pre-paid on 31st March,	2022	600

Required

Calculate the amount to be debited to Income and expenditure account in respect of salaries and also show necessary ledger accounts.

16. Rakesh started his business on 1st of April 2021. He invested a capital of ₹ 1,00,000. On 31st March 2022, he has the following information available as per the Single-entry system maintained by him.

[5]

	₹
Cash balance (counted)	3,200

Inventory (physically verified)	34,800
Receivable from Ajay against credit sales	31,000
Machine	85,000
Payable to Vinod towards credit purchase	12,000
Loan taken from Bank	10,000
Drawings made during the year	24,000

You are required to calculate the profit or loss earned by Rakesh for the year ended 31st March 2022.

17. From the following data furnished by Mr. Manoj, you are required to prepare a Trading and Profit and Loss Account for the year ended 31st March, 2022 and Balance Sheet as at that date. All workings should form part of your answer. [10]

Assets and Liabilities	As on 1st April 2021	As on 31st March 2022
	₹	₹
Creditors	15,770	12,400
Sundry expenses outstanding	600	300
Sundry Assets	11,610	12,040
Inventory in trade	8,040	11,120
Cash in hand and at bank	6,960	8,080
Trade debtors	?	17,870
Details relating to transactions in the year:		
Cash and discount credited to debtors		64,000
Sales return		1,450
Bad debts		420
Sales (cash and credit)		71,810
Discount allowed by trade creditors		700
Purchase returns		400
Additional capital-paid into Bank		8,500
Realisations from debtors paid into Bank		62,500
Cash purchases		1,030
Cash expenses		9,570
Paid by cheque for machinery purchased		430
Household expenses drawn from Bank		3,180
Cash paid into Bank		5,000
Cash drawn from Bank		9,240

Cash in hand on 31-3-2022		1,200
Cheques issued to trade creditors		60,270

18. A and B are partners in a firm, sharing profits and losses in the ratio of 3 : 2. The Balance Sheet of A and B as on 1.1.2022 was as follows: [10]

Liabilities	₹	Amount (₹)	Assets	₹	Amount (₹)
Trade payables		17,000	Building		26,000
			Furniture		5,800
Bank overdraft		9,000	Inventories		21,400
Capital accounts:			Trade receivables	35,000	
A	44,000		Less: Provision	(200)	34,800
B	36,000	80,000	Investment		2,500
			Cash		15,500
		1,06,000			1,06,000

'C' was admitted to the firm on the above date on the following terms:

- C is admitted for $\frac{1}{6}$ share in the future profits and to introduce a capital of ₹ 25,000.
- The new profit sharing ratio of A, B and C will be 3 : 2 : 1 respectively.
- 'C' is unable to bring in cash for his share of goodwill, they decide to calculate goodwill on the basis of C's share in the profits and the capital contribution made by him to the firm.
- Furniture is to be written down by ₹ 870 and Inventory to be depreciated by 5%. A provision is required for trade receivables @ 5% for bad debts. A provision would also be made for outstanding wages for ₹ 1,560. The value of buildings having appreciated be brought upto ₹ 29,200. The value of investments is increased by ₹ 450.
- It is found that the trade payables included a sum of ₹ 1,400, which is not to be paid off.

Prepare the following:

- Revaluation account.
- Partners' capital accounts.

19. A, B, C, and D sharing profits in the ratio of 4 : 3 : 2 : 1 decided to dissolve their partnership on 31st March 2022 when their balance sheet was as under: [10]

Liabilities	₹	Assets	₹
Creditors	15,700	Bank	535
Employees Provident Fund	6,300	Debtors	15,850
Capital Accounts:		Stock	25,200
A	40,000	Prepaid Expenses	800
B	<u>20,000</u>	Plant & Machinery	20,000
		Patents	8,000
		C's Capital A/C	3,200

		D's Capital A/c	8,415
	82,000		82,000

Following information is given to you:-

- One of the creditors took some of the patents whose book value was ₹ 5,000 at a valuation of ₹ 3,200. Balance of the creditors were paid at a discount of ₹ 400.
- There was a joint life policy of ₹ 20,000 (not mentioned in the balance sheet) and this was surrendered for ₹ 4,500.
- The remaining assets were realized at the following values:- Debtors ₹ 10,800; Stock ₹ 15,600; Plant and Machinery ₹ 12,000; and Patents at 60% of their book-values. Expenses of realization amounted to ₹ 1,500.

D became insolvent and a dividend of 25 paise in a rupee was received in respect of the firm's claim against his estate. Prepare necessary ledger accounts.

20. A limited Company, with an authorized capital of ₹ 20,00,000 divided into shares of ₹ 100 each, issued for subscription 10,000 shares payable at ₹ 25 per share on application, ₹ 30 per share on allotment, ₹ 20 per share on first call three months after allotment and the balance as and when required. [10]

The subscription list closed on January 31, 2022 when application money on 10,000 shares was duly received and allotment was made on March 1, 2022. All amounts due were received within one month of the date they were called.

The allotment amount was received in full but, when the first call was made, one shareholder failed to pay the amount on 1,000 shares held by him and another shareholder with 500 shares paid the entire amount on his shares.

Give journal entries in the books of the Company to record these share capital transactions.

21. Koinal Chemicals Ltd. issued 15,00,000, 10% debenture of ₹ 50 each at premium of 10 %, payable as ₹20 on application and balance on allotment. Debentures are redeemable at par after 6 years. All the money due on allotment was called up and received. Record necessary entries when premium money is included in application money. [5]

22. Following notes pertain to the Balance Sheet of Mars Company Limited as at 31st March 2022: [5]

Particulars	₹
Authorised capital:	
50,000 12 % Preference shares of ₹ 10 each	5,00,000
5,00,000 Equity shares of ₹ 10 each	50,00,000
	55,00,000
Issued and Subscribed capital:	
50,000 12% Preference shares of ₹ 10 each fully paid	5,00,000
4,00,000 Equity shares of ₹ 10 each, ₹ 8 paid up	32,00,000
Reserves and surplus:	
General Reserve	1,60,000
Capital Redemption Reserve	2,40,000
Securities premium (collected in cash)	2,75,000

Revaluation Reserve	1,00,000
Profit and Loss Account	16,00,000

On 1st April, 2022, the Company has made final call @ ₹ 2 each on 4,00,000 equity shares. The call money was received by 25th April, 2022. Thereafter, on 1st May 2022 the company decided to capitalise its reserves by way of bonus at the rate of one share for every four shares held, it decided that there should be minimum reduction in free reserves.

On 1st June 2022, the Company issued Rights shares at the rate of two shares for every five shares held on that date at issue price of ₹ 12 per share. All the rights shares were accepted by the existing shareholders and the money was duly received by 20th June 2022.

Show necessary journal entries in the books of the company for bonus issue and rights issue.

23. The Board of Directors of a Company decided to issue minimum number of equity shares of ₹ 9 to redeem ₹ 5,00,000 preference shares. The maximum amount of divisible profits available for redemption is ₹ 3,00,000. Calculate the number of shares to be issued by the company to ensure that the provisions of Section 55 are not violated. Also determine the number of shares if the company decides to issue shares in multiples of ₹ 50 only. [4]
24. The following balances appeared in the books of Paradise Ltd (unlisted company other than AIFI, Banking company, NBFC and HFC) as on 1-4-2021: [10]

- i. 12% Debentures ₹ 7,50,000
- ii. Balance of DRR ₹ 25,000
- iii. DRR Investment 1,12,500 represented by 10 % ₹ 1,125 Secured Bonds of the Government of India of ₹ 100 each.

Annual contribution to the DRR was made on 31st March every year. On 31-3-2022, balance at bank was ₹ 7,50,000 before receipt of interest. The investment were realised at par for redemption of debentures at a premium of 10 % on the above date.

You are required to prepare the following accounts for the year ended 31st March, 2022.

1. Debentures Account
2. DRR Account
3. DRR Investment Account
4. Bank Account
5. Debenture Holders Account.