

**MOCK TEST PAPER 1**  
**FOUNDATION COURSE**  
**PAPER – 1: PRINCIPLES AND PRACTICE OF ACCOUNTING**

*Question No. 1 is compulsory.*

*Attempt 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**

**Maximum Marks: 100**

1. (a) State with reasons, whether the following statements are true or false:
- (i) Wages paid for erection of machinery are debited to Profit and Loss Account.
  - (ii) Amount spent for the construction of temporary huts, which were necessary for construction of the Cinema House and were demolished when the Cinema House was ready, is capital expenditure.
  - (iii) The additional commission to the consignee who agrees to bear the loss on account of bad debts is called overriding commission.
  - (iv) In the calculation of average due date, only the due date of first transaction must be taken as the base date.
  - (v) The business of partnership must be carried on by all the partners.
  - (vi) Debenture interest is payable after the payment of preference dividend but before the payment of equity dividend.

**(6 Statements x 2 Marks = 12 Marks)**

- (b) What services can a Chartered Accountant provide to the society? **(4 Marks)**

- (c) Calculate the missing amount for the following.

|     | Assets      | Liabilities | Capital   |                  |
|-----|-------------|-------------|-----------|------------------|
| (a) | 45,00,000   | 7,50,000    | ?         |                  |
| (b) | ?           | 4,50,000    | 2,25,000  |                  |
| (c) | 43,50,000   | ?           | 41,25,000 |                  |
| (d) | 1,71,00,000 | (8,40,000)  | ?         | <b>(4 Marks)</b> |

2. (a) M/s Krishna took lease of a quarry on 1-1-2019 for ₹ 6,00,00,000. As per technical estimate the total quantity of mineral deposit is 12,00,000 tonnes. Depreciation was charged on the basis of depletion method. Extraction pattern is given in the following table:

| Year | Quantity of Mineral extracted |
|------|-------------------------------|
| 2019 | 12,000 tonnes                 |
| 2020 | 60,000 tonnes                 |
| 2021 | 90,000 tonnes                 |

**Required**

Show the Quarry Lease Account and Depreciation Account for each year from 2019 to 2021.

- (b) On 30<sup>th</sup> June, 2021, Cash Book of Ms. Suman (Bank Column of Account No. 1) shows a Bank Overdraft of ₹ 1,97,400. On going through the Bank Pass book for reconciling the Balance, she found the following:
- Out of cheques drawn on 26<sup>th</sup> June, those for ₹ 14,800 were cashed by the bankers on 2<sup>nd</sup> July.
  - A crossed cheque for ₹ 3000 given to Abdul was returned by him and a bearer cheque was issued to him in lieu on 1<sup>st</sup> July.
  - Cash and cheques amounting to ₹ 13,600 were deposited in the Bank on 29<sup>th</sup> June., but cheques worth ₹ 5,200 were cleared by the Bank on 1<sup>st</sup> July., and one cheque for ₹ 1,000 was returned by them as dishonoured on the latter date.
  - According to Suman's standing instructions, the bankers have on 30<sup>th</sup> June, paid ₹ 1,280 as interest to her creditors, paid quarterly premium on her policy amounting to ₹ 640 and have paid a second call of ₹ 2,400 on shares held by her and lodged with the bankers for safe custody. They have also received ₹ 600 as dividend on her shares and recovered an Insurance Claim of ₹ 3,200, as their charges and commission charged on the above being ₹ 400. On receipt of information of the above transaction, she has passed necessary entries in her Cash Book on 1<sup>st</sup> July.
  - Bankers seem to have given a wrong credit for ₹ 2,000 paid in by her in No. 2 account and wrong debit in respect of a cheque for ₹ 1,200 drawn against her No. 2 account.

Prepare a Bank Reconciliation Statement as on 30<sup>th</sup> June, 2021.

**(10 + 10 = 20 Marks)**

3. (a) Nishant of Noida consigned 15,000 kgs of Sugar at ₹ 30 per kg to his agent Raja at Gurgaon. He spent ₹ 5 per kg as freight and insurance for sending the Sugar at Gurgaon. On the way 100 kgs. of sugar was lost due to the leakage (which is to be treated as normal loss) and 400 kgs. of sugar was destroyed in transit. ₹ 9,000 was paid to consignor directly by the Insurance company as Insurance claim.

Raja sold 7,500 kgs. at ₹ 60 per kg. He spent ₹ 33,000 on advertisement and recurring expenses.

You are required to calculate:

- The amount of abnormal loss
  - Value of stock at the end and
  - Prepare Consignment account showing profit or loss on consignment, if Raja is entitled to 5% commission on sales.
- (b) On 1<sup>st</sup> January, 2021, Aditi account in Deepti ledger showed a debit balance of ₹ 7,500. The following transactions took place between Deepti and Aditi during the quarter ended 31<sup>st</sup> March, 2021:

| 2021     |                                                                 | ₹      |
|----------|-----------------------------------------------------------------|--------|
| Jan. 11  | Deepti sold goods to Aditi                                      | 9,000  |
| Jan. 24  | Deepti received a promissory note from Aditi due after 3 months | 7,500  |
| Feb. 01  | Aditi sold goods to Deepti                                      | 15,000 |
| Feb. 04  | Deepti sold goods to Aditi                                      | 12,300 |
| Feb. 07  | Aditi returned goods to Deepti                                  | 1,500  |
| March 01 | Aditi sold goods to Deepti                                      | 8,400  |
| March 18 | Deepti sold goods to Aditi                                      | 13,800 |
| March 23 | Aditi sold goods to Deepti                                      | 6,000  |

Accounts were settled on 31<sup>st</sup> March, 2020 by means of a cheque. Prepare an Account Current to be submitted by Deepti to Aditi as on 31<sup>st</sup> March, 2021, taking interest into account @ 10% per annum. Calculate interest to the nearest multiple of a rupee.

- (c) Mr. Somnath sends goods to his customers on Sale or Return. The following transactions took place during the month of December, 2021.

December 12<sup>th</sup> - Sent goods to customers on sale or return basis at cost plus 25% - ₹ 1,60,000

December 20<sup>th</sup> - Goods returned by customers ₹ 70,000

December 22<sup>nd</sup> - Received letters from customers for approval ₹ 70,000

December 27<sup>th</sup> - Goods with customers awaiting approval ₹ 30,000

Mr. Somnath records sale or return transactions as ordinary sales. You are required to pass the necessary Journal Entries in the books of Mr. Somnath assuming that the accounting year closes on 31<sup>st</sup> Dec., 2021. Considered that the transaction values are at involve price (including profit margin)  
(10 + 5 + 5 = 20 Marks)

4. (a) Amal, Kamal and Tamal are partners in a firm sharing profits and losses as 8:5:3. Their balance sheet as at 31<sup>st</sup> December, 2021 was as follows:

| Particulars                 | ₹                | Particulars      | ₹                |
|-----------------------------|------------------|------------------|------------------|
| Sundry creditors            | 3,00,000         | Cash             | 80,000           |
| General reserve             | 1,60,000         | Bills receivable | 1,00,000         |
| Partners' loan accounts:    |                  | Sundry debtors   | 1,20,000         |
| Amal                        | 80,000           | Stock            | 2,40,000         |
| Kamal                       | 60,000           | Fixed assets     | 5,60,000         |
| Partners' capital accounts: |                  |                  |                  |
| Amal                        | 2,00,000         |                  |                  |
| Kamal                       | 1,60,000         |                  |                  |
| Tamal                       | <u>1,40,000</u>  |                  |                  |
|                             | <u>11,00,000</u> |                  | <u>11,00,000</u> |

From 1<sup>st</sup> January, 2022 they agreed to alter their profit-sharing ratio as 5:6:5. It is also decided that:

- The fixed assets should be valued at ₹ 6,62,000;
- A provision of 5% on sundry debtors to be made for doubtful debts;
- Goodwill of the firm at this date be valued at three years' purchase of the average net profits of the last five years before charging insurance premium; and
- Stock be reduced to ₹ 2,24,000.

There is a joint life insurance policy for ₹ 4,00,000 for which an annual premium of ₹ 20,000 is paid, the premium being charged to profit and loss account. The surrender value of the policy on 31<sup>st</sup> December, 2021 was ₹ 1,56,000.

The net profits of the firm for the last five years were ₹ 28,000, ₹ 34,000, ₹ 40,000, ₹ 44,000 and ₹ 54,000.

Goodwill and the surrender value of the joint life policy was not to appear in the books.

Draft journal entries necessary to adjust the capital accounts of the partners and prepare the revised balance sheet.  
(20 Marks)

5. (a) The trial balance of Sahil as at 31st March, 2021 is as follows:

|                                   | Dr.       | Cr.       |
|-----------------------------------|-----------|-----------|
|                                   | ₹         | ₹         |
| Sahil's capital account           | -         | 1,91,725  |
| Stock 1 <sup>st</sup> April, 2020 | 1,17,000  | -         |
| Sales                             | -         | 9,74,000  |
| Returns inward                    | 21,500    | -         |
| Purchases                         | 8,04,250  | -         |
| Returns outward                   | -         | 14,500    |
| Carriage inwards                  | 49,000    | -         |
| Rent & taxes                      | 11,750    | -         |
| Salaries & wages                  | 23,250    | -         |
| Sundry debtors                    | 60,000    | -         |
| Sundry creditors                  | -         | 37,000    |
| Bank loan @ 14% p.a.              | -         | 50,000    |
| Bank interest                     | 2,750     | -         |
| Printing and stationary expenses  | 36,000    | -         |
| Bank balance                      | 20,000    | -         |
| Discount earned                   | -         | 11,100    |
| Furniture & fittings              | 12,500    | -         |
| Discount allowed                  | 4,500     | -         |
| General expenses                  | 28,625    | -         |
| Insurance                         | 3,250     | -         |
| Postage & telegram expenses       | 5,825     | -         |
| Cash balance                      | 950       | -         |
| Travelling expenses               | 2,175     | -         |
| Drawings                          | 75,000    | -         |
|                                   | 12,78,325 | 12,78,325 |

The following adjustments are to be made:

- (1) Provision for bad and doubtful debts be created at 5% and for discount @ 2% on sundry debtors.
- (2) Personal purchases of Sahil amounting to ₹ 1,500 had been recorded in the purchases day book.
- (3) Depreciation on furniture & fittings @ 10% shall be written off.
- (4) Included amongst the debtors is ₹ 7,500 due from Sunder and included among the creditors ₹ 2,500 due to him.
- (5) A quarter of the amount of printing and stationary expenses is to be carried forward to the next year.

- (6) Credit purchase invoice amounting to ₹ 1,000 had been omitted from the books.
- (7) Stock on 31.03.2021 was ₹ 1,96,500.
- (8) Interest on bank loan shall be provided for the whole year.

You are required to prepare Trading & profit and loss account for the year ended 31.03.2021.

- (b) The following information of M/s. Badminton Club are related for the year ended 31<sup>st</sup> March, 2021:

(1)

| Balances                         | As on 01-04-2020<br>(₹) | As on 31-3-2021<br>(₹) |
|----------------------------------|-------------------------|------------------------|
| Stock of Sports Material         | 4,50,000                | 6,75,000               |
| Amount due for Sports Material   | 4,05,000                | 5,85,000               |
| Subscription due                 | 67,500                  | 99,000                 |
| Subscription received in advance | 54,000                  | 31,500                 |

- (2) Subscription received during the year ₹ 22,50,000
- (3) Payments for Sports Material during the year ₹ 13,50,000

You are required to:

- (A) Ascertain the amount of Subscription and Sports Material that will appear in Income & Expenditure Account for the year ended 31.03.2021 and
- (B) Also show how these items would appear in the Balance Sheet as on 31.03.2021.

**(15 + 5 = 20 Marks)**

6. (a) Give necessary journal entries for the forfeiture and re-issue of shares:

- (i) Akhil Pvt. Ltd. forfeited 9,000 shares of ₹ 10 each fully called up, held by Aditya for non-payment of allotment money of ₹ 3 per share and final call of ₹ 4 per share. He paid the application money of ₹ 3 per share. These shares were re-issued to Katen for ₹ 8 per share.
- (ii) Mr. C, who was the holder of 10,000 preference shares of ₹ 100 each, on which ₹ 70 per share has been called up, could not pay his dues on Allotment and First call each at ₹ 20 per share. The Directors forfeited the above shares and reissued 8,000 of such shares to Mr. D at ₹ 60 per share paid-up as ₹ 70 per share.

- (b) Galaxy Limited issued 10,000 8% Debentures of the nominal value of ₹1,00,00,000 as follows:

- (a) To sundry persons for cash at 90% of nominal value of ₹ 25,00,000.
- (b) To a vendor for purchase of fixed assets worth ₹ 10,00,000 – ₹ 12,50,000 nominal value.
- (c) To the banker as collateral security for a loan of ₹ 10,00,000 – ₹ 12,50,000 nominal value

You are required to prepare necessary Journal Entries.

- (c) Write short notes on:

- (i) Adjusted Selling Price method of determining cost of stock.
- (ii) Principal methods of ascertainment of cost of inventory.

**(10 + 5 + 5 = 20 Marks)**