

FOUNDATION COURSE

PAPER – 1: ACCOUNTING

*Attempt **all** the 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: 35 Minutes

Maximum Marks: 20

Question 1 (10 marks):

Before preparation of the Trial Balance, the following errors were found in the books of Hare Rama & Sons. Give the necessary entries to correct them.

- a) Minor Repairs made to the building amounting to Rs. 1,850 were debited to the Building Account.
- b) An amount of Rs. 3,000 due from Shayam Lal, which had been written off as bad debts in the previous year, recovered in the current year, and had been posted to the personal Account of Shayam Lal.
- c) Furniture purchased for office use amounting to Rs. 20,000 has been entered in the purchase day book.
- d) Goods purchased from Ram Singh amounting to Rs. 8,000 have remained unrecorded so far.
- e) College fees of proprietor's son, Rs. 15,000 debited to the Audit fees Account.
- f) Receipt of Rs. 4,500 from Meet Kumar credited to the Pinki Rani.
- g) Goods amounting to Rs. 6,200 had been returned by a customer and were taken into inventory, but no entry was made in the books.
- h) Rs. 1500 paid for wages to workmen for making office furniture had been charged to wages account.
- i) Salary paid to a clerk Rs. 12,000 has been debited to his personal account.
- j) A purchase of goods from Raghav amounting to Rs. 20,000 has been wrongly entered through the sales book.

Answer 1:**In the books of Hare Rama & Sons
Journal**

	Particulars	L.F.	Dr. ₹	Cr. ₹
(i)	Repairs A/c Dr. To Building A/c (Correction of wrong debit to building A/c for repairs made)		1,850	1,850
(ii)	Shyam Lal A/c Dr. To Bad Debts Recovered A/c (Correction of wrong credit to Personal A/c in respect of recovery of previously written off bad debts)		3,000	3,000
(iii)	Furniture A/c Dr. To Purchases A/c (Correction of wrong debit to Purchases A/c for furniture purchased)		20,000	20,000
(iv)	Purchases A/c Dr. To Ram Singh A/c (Purchases of goods from Ram Singh remained unrecorded)		8,000	8,000
(v)	Drawings A/c Dr. To Audit Fees A/c (Correction of wrong debit to Audit Fees A/c for college fees of proprietor's son)		15,000	15,000
(vi)	Pinki Rani A/c Dr. To Meet Kumar A/c (Correction of wrong credit to Pinki Rani. instead of Meet Kumar.)		4,500	4,500
(vii)	Returns Inwards / Sales Return A/c Dr. To Customer/Debtors A/c (Entry of goods returned by customer and taken in inventory omitted from records)		6,200	6,200
(viii)	Furniture A/c Dr. To Wages A/c (Wages paid to workmen for office furniture wrongly charged to wages a/c now rectified)		1,500	1,500

(ix)	Salaries A/c	Dr.	12,000	
	To Clerk's (Personal) A/c (Correction of wrong debit to Clerk's personal A/c for salaries paid)			12,000
(x)	Purchases A/c	Dr.	20,000	
	Sales A/c	Dr.	20,000	
	To Raghav A/c (Correction of wrong entry in the sales Book for purchases of goods from Raghav)			40,000

Question 2 (10 marks):

According to the cash-book of G there was balance of Rs. 4,45,000 in his bank on 30th June, 2021 On investigation you find that :

- Cheques amounting to 60,000 issued to creditors have not been presented for payment till the date
- Cheques paid into bank amounting to 1,10,500 out of which cheques amounting to Rs. 55,000 only collected by bank up to 30th June 2021
- A dividend of Rs. 4,000 and rent amounting to 60,000 received by the bank and entered in the pass-book but not recorded in the cash book.
- Insurance premium (up to 31st December, 2020) paid by the bank Rs. 2,700 not entered in the cash book.
- The payment side of the cash book had been under cast by Rs. 500
- Bank charges Rs. 150 shown in the pass book had not been entered in the cash book.
- A bill payable of Rs. 20,000 had been paid by the bank but was not entered in the cash book and bill receivable for Rs. 6,000 had been discounted with the bank at a cost of Rs. 100 which had also not been recorded in cash book.

You are required:

- To make the appropriate adjustments in the cash book, and
- To prepare a statement reconciling it with the bank pass book.

Answer 2:

In the Books of G
Cash Book (Bank Column)

Receipts	₹	Payments	₹
To Balance b/d	4,45,000	By Insurance premium A/c	2,700
To Dividend A/c	4,000	By Correction of errors	500
To Rent A/c	60,000	By Bank charges	150
To Bill receivable A/c	5,900	By Bill payable	20,000
		By Balance c/d	4,91,550
	5,14,900		5,14,900

Bank Reconciliation Statement as on 30th June, 2021

	₹
Adjusted balance as per cash book	4,91,550
<i>Add:</i> Cheques issued but not presented for payment till 30th June, 2021	60,000
<i>Less:</i> Cheques paid into bank for collection but not collected till 30th June, 2021	(55,500)
Balance as per pass book	4,96,050