



A PIONEER INSTITUTE FOR CA COACHING SINCE 1995  
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PIC/FOUNDATION/N20/01/FT-2

ROLL NO.....

Total No. of Questions-6

Time Allowed – 3 Hours

Attempt - NOV - 2020

Maximum Marks - 100

CA-FOUNDATION

PAPER-1

**PRINCIPLES AND PRACTICE OF ACCOUNTING**

- ☉ Question No. 1 is compulsory.
- ☉ Candidates are also required to answer any FOUR questions from the remaining FIVE questions.
- ☉ In case, any candidate answers extra question(s)/sub-question(s) over and above the required number, then only the requisite number of questions first answered in the answer book shall be valued and subsequent extra question(s) answered shall be ignored.
- ☉ Working notes should form part of respective answers.
- ☉ Whenever necessary, candidates are permitted to make suitable assumptions which should be disclosed by way of note.
- ☉ Use BLACK BALL PEN only.
- ☉ Don't write anything on question paper.

**Q1. (A)** State with reasons, whether the following statements are true or false: [ 6 × 2 =12 Marks]

- (i) When shares are forfeited, the share capital account is debited with called up capital of shares forfeited and the share forfeiture account is credited with calls in arrear of shares forfeited.
- (ii) Discount at the time of retirement of a bill is a gain for the drawee.
- (iii) Receipts and Payments Account highlights total income and expenditure.
- (iv)  $\text{Capital} + \text{Long Term Liabilities} = \text{Fixed Assets} + \text{Current Assets} + \text{Cash} - \text{Current Liabilities}$ .
- (v) Partners can share profits or losses in their capital ratio, when there is no agreement.
- (vi) Accrual concept implies accounting on cash basis.

**(b)** Write short notes on the Trade bill vs. Accommodation bill. [R-M 20/20][M-4]

**(c)** Distinguish between Money Measurement concept and Matching concept. [MTP/Oct.20/6(c)][M-4]

**Q 2(a)(i)** M/s Suman & Co. find the following errors in their books of account before preparation of Trial Balance. You are required to pass necessary journal entries:

- (i) A purchase of Rs. 5,600 from M/s Minu & Co. was recorded in the accounts of M/s Mintu & Co. as Rs. 6,500. Day Book entry has also been passed incorrectly.
- (ii) A sale of Rs. 9,800 to M/s Bantu Bros. was recorded in M/s Bindu & Co.'s account as Rs. 8,900. Day Book entry has also been incorrectly passed.
- (iii) Discount allowed Rs. 560 (as per Cash Book) has been posted to Commission Account. But the Cash Book total should be Rs. 650, because discount allowed of Rs. 90 to M/s Bantu Bros. has been omitted.
- (iv) A cheque of Rs. 9,700 drawn by M/s Bantu Bros. has been dishonoured, but wrongly debited to M/s Bhakt & Co.

Should the Trial Balance tally without rectification of errors?

**(ii)** Classify the following expenditures and receipts as capital or revenue:

- (i) Rs. 10,000 spent as import duty on machinery purchased.
- (ii) Amount received from debtors during the year.
- (iii) Cost of testing whether the equipment is functioning properly.
- (iv) Insurance claim received on account of a machinery damaged by fire.

[RTP/M 19/3(a)&(b)][M-10]

**(b)** Prepare a Triple Column Cash Book from the following transactions and bring down the balance for the start of next month:

2019			Rs.
Nov.	1	Cash in hand	3,000
	1	Cash at bank	12,000
	2	Paid into bank	1,000
	5	Bought furniture and issued cheque	1,500
	8	Purchased goods for cash	500
	12	Received cash from Mohan	980
		Discount allowed to him	20
	14	Cash sales	5,000
	16	Paid to Amar by cheque	1,450
		Discount received	50
	19	Paid into Bank	500
	23	Withdrawn from Bank for Private expenses	600
	24	Received cheque from Parul	1,430
		Allowed him discount	20
	26	Deposited Parul's cheque into Bank	
	28	Withdrew cash from Bank for Office use	2,000
	30	Paid rent by cheque	800

[R-M 20/4(a)][M-10]

**Q3(a)** M/s. Green Channel purchased a second-hand machine on 1st January, 2017 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, 2017.

On 1st July, 2019, the machine installed on 1st January, 2017 was sold for Rs. 1,00,000. Another machine amounted to Rs. 30,000 was purchased and was installed on 30th September, 2019.

Under the existing practice the company provides depreciation @ 10% p.a. on original cost. However, from the year 2020 it decided to adopt WDV method and to charge depreciation @ 15% p.a. You are required to prepare Machinery account for the years 2017 to 2020.

[R-N 20/7][M-10]

- (b) Stock taking of XYZ Stores for the year ended 31st March, 2019 was completed by 10th April, 2019, the valuation of which showed a stock figure of Rs. 1,67,500 at cost as on the completion date. After the end of the accounting year and till the date of completion of stock taking, sales for the next year were made for Rs. 6,875, profit margin being 33.33 percent on cost. Purchases for the next year included in the stock amounted to Rs. 9,000 at cost less trade discount 10 percent. During this period, goods were added to stock of the mark-up price of Rs. 300 in respect of sales returns. After stock taking it was found that there were certain very old slow moving items costing Rs. 1,125 which should be taken at Rs. 525 to ensure disposal to an interested customer. Due to heavy floods, certain goods costing Rs. 1,550 were received from the supplier beyond the delivery date of customer. As a result, the customer refused to take delivery and net realizable value of the goods was estimated to be Rs. 1,250 on 31st March, 2019. You are required to calculate the value of stock for inclusion in the final accounts for the year ended 31st March, 2019. Closing stock is valued by XYZ Stores on generally accepted accounting principles.

[R-N 19/6][M-5]

- (c) An inexperienced book keeper has drawn up a Trial balance for the year ended 31st March, 2019.

Particulars	Debit (Rs.)	Credit (Rs.)
Provision for Doubtful Debts	250	-
Cash Credit Account	1,654	-
Capital	-	4,591
Trade payables	-	1,637
Due from customers	2,983	-
Discount Received	252	-
Discount Allowed	-	733
Drawings	1,200	-
Office Furniture	2,155	-
Carriage Inward	-	829
Purchases	10,923	-
Returns Inward	-	330
Rent & Rates	314	-
Salaries	2,520	-
Sales	-	16,882
Inventory	2,418	-
Provision for Depreciation on Furniture	364	-
Total	25,033	25,002

Draw up a corrected Trial Balance by debiting or crediting any residual errors to a suspense account.

[ICAI/N19/5(a)][M-5]

- Q4. (a) The following information of M/s. Rose Club are related for the year ended 31st March, 2020:

Balances	As on 01-04-2019 (Rs.)	As on 31-3-2020 (Rs.)
Stock of Sports Material	2,25,000	3,37,500
Amount due for Sports Material	2,02,500	2,92,500
Subscription due	33,750	49,500
Subscription received in advance	27,000	15,750

(2) Subscription received during the year Rs. 11,25,000

(3) Payments for Sports Material during the year Rs. 6,75,000

You are required to ascertain the amount of Subscription and Sports Material that will appear in Income & Expenditure Account for the year ended 31.03.2020.

[MTP/Oct. 20/4(a)][M-5]

(b) P and Q are partners in a firm, sharing Profits and Losses in the ratio of 3 : 2. The Balance Sheet of P and Q as on 31.3.2020 was as follow:

Liabilities	Amount Rs.	Assets	Amount Rs.
Sundry Creditors	25,800	Building	52,000
Bill Payable	8,200	Furniture	11,600
Bank Overdraft	18,000	Stock-in-Trade	42,800
Capital Accounts:		Debtors	70,000
P 88,000		Less: Provision	<u>400</u>
Q <u>72,000</u>	1,60,000	Investment	5,000
		Cash	<u>31,000</u>
	<u>2,12,000</u>		<u>2,12,000</u>

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

- He is admitted for 1/6th share in future profits and to introduce a Capital of Rs. 50,000.
- The new profit sharing ratio of P, Q and R will be 3 : 2 : 1 respectively.
- 'R' is unable to bring in cash for his share of goodwill, partners therefore, decide to raise goodwill account in the books of the firm. They further decide to calculate goodwill on the basis of 'R's share in the profits and the capital contribution made by him to the firm.
- Furniture is to be written down by Rs. 1,740 and Stock to be depreciated by 5%. A provision is required for Debtors @ 5% for Bad Debts. A provision would also be made for outstanding wages for Rs.3,120. The value of Buildings having appreciated be brought upto Rs. 58,400. The value of investment is increased by Rs. 900.
- It is found that the creditors included a sum of Rs. 2,800, which is not to be paid off.

Prepare the following:

- Revaluation Account.
- Partners' Capital Accounts.
- Balance Sheet of New Partnership firm after admission of 'R'.

[MTP/Oct. 20/4(b)][M-15]

**Q5(a)** The following are the balances as at 31st March, 2020 extracted from the books of Mr. Sanjeev.

	Rs.		Rs.
Plant and Machinery	39,100	Bad debts recovered	900
Furniture and Fittings	20,500	Salaries	45,100
Bank Overdraft	1,60,000	Salaries payable	4,900
Capital Account	1,30,000	Prepaid rent	600
Drawings	16,000	Rent	8,600
Purchases	3,20,000	Carriage inward	2,250
Opening Stock	64,500	Carriage outward	2,700
Wages	24,330	Sales	4,30,600
Provision for doubtful debts	6,400	Advertisement Expenses	6,700
Provision for Discount on debtors	2,750	Printing and Stationery	2,500
Sundry Debtors	2,40,000	Cash in hand	2,900
Sundry Creditors	95,000	Cash at bank	6,250
Bad debts	2,200	Office Expenses	20,320
		Interest paid on loan	6,000

**Additional Information:**

- Purchases include sales return of Rs. 5,150 and sales include purchases return of Rs. 3,450.
  - Goods withdrawn by Mr. Sanjeev for own consumption Rs. 7,000 included in purchases.
  - Create a provision for doubtful debts @ 5% and provision for discount on debtors @ 2.5%.
  - Free samples distributed for publicity costing Rs. 1,650.
  - Wages paid in the month of April for installation of plant and machinery amounting to Rs. 900 were included in wages account.
  - Bank overdraft is secured against hypothecation of stock. Bank overdraft outstanding as on 31.3.2020 has been considered as 80% of real value of stock (deducting 20% as margin) and after adjusting the marginal value 80% of the same has been allowed to draw as an overdraft.
  - Depreciation is to be provided on plant and machinery @ 15% p.a. and on furniture and fittings @ 10% p.a.
- Prepare a Trading and Profit and Loss Account for the year ended 31st March, 2020 and a Balance Sheet as on that date.

[MTP/Oct. 20/5(b)][M-12]

- (b) Mr. P who was the holder of 2,500 preference shares of Rs. 100 each, on which Rs. 70 per share has been called up could not pay his dues on Allotment and First call each at Rs. 20 per share. The Directors forfeited the above shares and reissued 2,000 of such shares to Mr. Q at Rs. 60 per share paid-up as Rs. 70 per share.

You are required to prepare the Journal Entries to record the above forfeiture and re-issue in the books of the company. [R-N 18/17][M-4]

(C) Write a Short note on:

- (i) Del-credere commission.
- (ii) Account Sales

[M-4]

**Q6.(a)[SMP4]**Physical verification of stock in a business was done on 23<sup>rd</sup> June, 2016. The value of the stock was Rs.48,00,000. The following transactions took place between 23<sup>rd</sup> June to 30<sup>th</sup> June, 2016:

- (i) Out of the goods sent on consignment, goods at cost worth Rs.2,40,000 were unsold.
  - (ii) Purchases of Rs.4,00,000 were made out of which goods worth Rs.1,60,000 were delivered on 5<sup>th</sup> July, 2016.
  - (iii) Sales were Rs.13,60,000, which include goods worth Rs.3,20,000 sent on approval. Half of these goods were returned before 30<sup>th</sup> June, 2016, but no information is available regarding the remaining goods.
  - (iv) Goods are sold at cost plus 25%. However goods costing Rs.2,40,000 had been sold for Rs.1,20,000.
- Determine the value of stock on 30<sup>th</sup> June, 2016.

[CA(F) N-18/2(c (ii)) (MTP OCT.18/2(b)[1/10 of Amount CA (Foundation)Nov, 2000][M-10]

**(B)** Prepare a Bank Reconciliation Statement of Shri Hari as on 31st March, 2020:

- (i) Balance as per Pass Book is Rs. 10,000.
- (ii) Bank collected a cheque of Rs. 500 on behalf of Shri Hari but wrongly credited it to Shri Hari's Account (another customer of bank).
- (iii) Bank recorded a cash deposit of Rs. 1,589 as Rs. 1,598.
- (iv) Withdrawal column of the Pass Book undercast by Rs. 100.
- (v) The credit balance of Rs. 1,500 on page 5 was recorded on page 6 as debit balance.
- (vi) The payment of a cheque of Rs. 350 was recorded twice in the Pass Book.
- (vii) The Pass Book showed a credit for a cheque of Rs. 1,000 deposited by Shri Hari (another customer of the bank).

[R-N 20/5][M-5]

**(c)** Rita owed Rs.1,00,000 to Siriman. On 1st October, 2019, Rita accepted a bill drawn by Siriman for the amount at 3 months. Siriman got the bill discounted with his bank for Rs.99,000 on 3rd October, 2019. Before the due date, Rita approached Siriman for renewal of the bill. Siriman agreed on the conditions that Rs.50,000 be paid immediately together with interest on the remaining amount at 12% per annum for 3 months and for the balance, Rita should accept a new bill at three months. These arrangements were carried out. But afterwards, Rita became insolvent and 40% of the amount could be recovered from his estate.

Pass journal entries (with narration) in the books of Siriman.

[R-N 20/8][M-5]

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