

Systematic Studies For Professionals

(Where your quest for quality education ends)

FOUNDATION COURSE

MOCK TEST PAPER

Principles & Practices of Accounting

Question No. 1 is compulsory

Answer any four 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)

(100 Marks)

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

- i. Wages paid to workers to produce a tool to be captively consumed is capital expenditure.
- ii. A bill given to a creditor is called bills payable.
- iii. Del - Credere commission is normally calculated on total sales.
- iv. Loss of stock is said to be abnormal loss when such loss is due to inherent characteristics of the commodities.
- v. Error of principle involves an incorrect allocation of expenditure or receipt between capital and revenue.
- vi. Providing depreciation ensures sufficient cash for asset replacement.

(6 x 2 marks)

(b) From the following particulars, prepare a bank reconciliation statement after preparing the adjusted cash book of SSP Engineering Co. as at 31st August, 2018:

- i. Overdraft on 31st August, 2018 as per bank column of cash book ` 18,950;
- ii. Cheque deposited in bank not recorded in cash book ` 1,085.
- iii. Cheque received and recorded in the bank column but not sent to bank for collection ` 1,015;
- iv. Several cheques were drawn in the end of August totaling ` 25,075, of these cheques totaling ` 19,000 were cashed in September.
- v. Similarly, several cheques totaling ` 9,400 were sent for collection, of these cheques of the value of ` 1,500 were credited on 5th September, 2018 and ` 2,050 were credited on 7th September, 2018, the last being credited till 30th August 2018.
- vi. On 11th August, 2018 the debit side of bank column of the cash book was cast ` 1,000 excess and on 15th August, 2018 the credit balance of ` 2,300 was brought forward on 16th August, 2018 as debit balance of ` 3,200.
- vii. Chamber of Commerce fee of ` 2,450 was paid by the bank but was recorded twice in the cash book;
- viii. In the cash book, a bank charge of ` 600 was recorded twice while another bank charge of ` 415 was not recorded at all.

[8 Marks]

Q.2 (a) On 1st July 2011 GS Ltd purchased 3 machinery for ` 2,00,000 each and spent ` 50,000 on installing these. On 1st January 2012 the firm purchased machinery worth ` 1,80,000. On 30th June 2013 one machinery, purchased on 1st July 2011 was sold for ` 86,000 through a broker who charged commission @ 5%.

On 1st July 2013 fresh machinery was purchased on installment basis. Payment for the machinery was to be made as:

1 st July 2013	` 1,00,000
30 th June 2014	` 70,000
30 th June 2015	` 65,000

Payment in 2014 and 2015 include interest of ` 10,000 and ` 5,000 respectively the company writes off depreciation @ 10% p.a. on written down value. The accounts are closed every year on 31st March.

Show the machinery account & Provision for depreciation a/c for four years ending 31st March 2015.

[10 Marks]

Systematic Studies For Professionals

(Where your quest for quality education ends)

(b) SSP Company sends 3,000 bales of cotton to its consignee Modi G at a profit of 25% on I.P. The cost price of each bale to the company is ₹ 1,500. The following are the expenses incurred in connection with the consignment.

- (i) ₹ 1,20,000 paid by the consignor for despatching of the goods.
- (ii) ₹ 1,50,000 paid by way of octroi duty and landing charges by the consignee.
- (iii) ₹ 2,00,000 paid by the consignee by way of godown rent and salaries of salesmen.

300 bales were lost in transit and insurance company admitted the claim of 80% only.

Modii G was entitled to a commission of 10% on invoice price and 20% of the amount realised above the invoice price and also 3% del-credere commission.

Modi G informed the consignor that 1,800 bales were sold at 30% above Invoice price. Sale of 50 bales is found to be irrecoverable.

1/4th of remaining stock destroyed in the godown and no claim is admitted. Consignee also remitted bank draft for the amount due.

You are required to prepare consignment account and consignee's account in the books of consignor and consignor's account in the books of consignee. **[10 Marks]**

Q.3 (a) A Ltd. forfeited 2,000 shares of ₹ 10 each issued at a premium of Re. 1 due to non payment of first call of ₹ 3 each. Final call of ₹ 2 not yet called. 1,500 of these shares were reissued @ ₹ 9 each, ₹ 8 paid up and 300 shares realised 2,700 as fully paid.

Journalise the above. **[4 Marks]**

(b) B Ltd. forfeited 5,000 12% debentures of ₹ 100 each issued at a discount of 10% payable as ₹ 30 on application, ₹ 40 on allotment, ₹ 20 on first call and ₹ 10 on final call. Holder paid the amount due on allotment but failed to pay thereafter. These debentures were subsequently forfeited and 3,000 debentures were reissued at a premium of 20%.

Give the necessary journal entries. **[4 Marks]**

(c) X Ltd. took certain lands on lease from Y Ltd. for a period of 15 years, for mining limestone with a stipulated royalty of ₹ 6 per ton and a minimum rent of ₹ 1,50,000 with a clause to recoup short workings over three subsequent years.

The actual working results were:

Year	Output (tones)
2013	18,000
2014	24,000
2015	31,000
2016	36,000
2017	35,200

You are required to show the Royalties account, Short-working account, Y Ltd. account and all calculations in the books of X Ltd. **[12 marks]**

Q.4 (a) The following is the income and expenditure a/c of SSP youth club for the year ended 31st March 2018.

Expenditure	Amount	Income	Amount
To salaries	19,500	By subscription	62,000
To rent	4,500	By donation	5,000
To printing	750	By Entrance Fees	6,000
To insurance	500		
To audit fees	750		
To games and sports	3,500		
To subscription written off	350		
To Miscellaneous exp.	14,500		
To loss on sale of furniture	2,500		

Systematic Studies For Professionals

(Where your quest for quality education ends)

To Depreciation					
Sports equipment	6,000				
Furniture	<u>3,100</u>	9,100			
To surplus		17,050			
		<u>73,000</u>			<u>73,000</u>

	31 st March 2018	31 st March 2017
Subscription in arrear	2,600	3,700
Subscription in advance	1,000	----
Outstanding Rent	500	800
Prepaid Salary	1,200	350
Sports equipment Less depreciation	23,000	25,000
Furniture less depreciation	27,900	30,000
Pre – paid insurance	---	150

Book value of furniture sold is Rs.6,000. 25% Entrance fees is capitalized.

40% Audit Fees of 2017-18 is unpaid and Audit Fees of last year paid in current year is Rs.600.

On 1st April 2017 there was no cash in hand but a bank overdraft of Rs.12,000. On 31st March 2018 cash in hand amounted to Rs.850 & the rest was bank balance.

Prepare the receipts & payments a/c of the club for the year ended 31.3. 2018 and a balance sheet on 31st march 2018. **[12 Marks]**

(b) The Profit and Loss Account of Rahul showed a net profit of ` 80,000, after considering the closing stock of ` 57,500 on 31st March, 2019. Subsequently the following information was obtained from scrutiny of the books:

- Purchases for the year included ` 25,000 paid for Machinery for the shop on which depreciation is to be provided @ 10%.
- Rahul used goods costing ` 4,000 (Selling price ` 6,000) for which no entry was made in the books of accounts.
- In March, 2019 goods of ` 28,000 sold and delivered were taken in the sales for April, 2019.
- Goods costing ` 7,500 were sent on sale or return in March, 2019 at a margin of Profit of 50% on sales. Though approval was given in April 2019 these were taken as sales for March, 2019.
- Invoices for goods amounting to ` 32,000 have been entered on 27th March, 2019 but the goods were not included in stock.

Calculate the value of stock on 31st March 2019 and the adjusted Net Profit for the year ended on that date. **[8 Marks]**

Q.5 (a) Laalu and Kaalu entered into a joint venture sharing profits and losses in the ratio of 3:2. They opened a joint bank account and deposited ` 40,000 each. Laalu purchased 80 tons of an item @ ` 600 per ton and his expenses were ` 15,300. Kaalu purchased a second item of 100 tons @ ` 250 per ton and his expenses were ` 12,100. Expenses were met from private sources and purchases were paid from joint bank.

Laalu sold 65 tons of the 1st item @ ` 1,000 per ton and his selling expenses were ` 16,150. Kaalu sold 82 tons of the second item @ ` 500 per ton and his selling expenses were ` 11,200.

All the sale proceeds were deposited in joint bank account and expenses were met from private sources. They are entitled to commission @ 5% of sales effected by them.

Prepare the following accounts in the books of joint venture of Laalu & Kaalu.

(a) Joint Venture A/c, (b) Joint Venturers A/c,	(c) Joint Bank A/c, (d) Balance Sheet
--	--

[12 Marks]

(b) Shubham draws on Rajendra a bill for ` 1,50,000 on 1st June, 2018 for 4 months. Rajendra accepts the bill and sends it to Shubham who gets it discounted for ` 1,35,000. Shubham immediately remits

Systematic Studies For Professionals

(Where your quest for quality education ends)

₹ 90,000 to Rajendra. On the due date Shubham, being unable to remit the amount due, accepts a bill for ₹ 2,10,000 for three months which is discounted by Rajendra for ₹ 1,92,000. Rajendra sends ₹ 14,000 to Shubham. On the due date Shubham becomes insolvent, his estate paying sixty paise in the rupee.

Give Journal entries in the books of Shubham.

[8 Marks]

Q.6 (a) Gopal and Govind are partners sharing profits and losses in the ratio 60:40. The firm's Balance Sheet as on 31.03.2018 was as follows:

Liabilities		Assets	
Capital Accounts		Fixed Assets	6,00,000
Gopal	4,20,000	Investments	50,000
Govind	3,80,000	Current Assets	5,00,000
Long Term Loan	2,00,000	Loans and Advances	1,00,000
Current Liabilities	2,50,000		
	-----		-----
	12,50,000		12,50,000

Due to financial difficulties, they have decided to admit Guru as a Partner in the firm from 01-04-1992 on the following terms:

Guru will be paid 30% of the profits.

Guru will bring in cash proportionate capital. It is agreed that goodwill of the firm will be valued at 2 year's purchase of 3 years normal average profits of the firm and Guru will bring in cash his share of Goodwill. It was also decided that the partners will not withdraw their share of goodwill nor will the goodwill appear in the books of account.

The profits of the previous three years were as follows:-

For the year ended 31.3.2016: Profit ₹ 2,00,000 (includes insurance claim received of ₹ 40,000).

For the year ended 31.03.2017: Loss ₹ 80,000 (includes voluntary retirement compensation paid ₹ 1,10,000).

For the year ended 31.03.2018: Profit of ₹ 1,35,000 (includes a profit of ₹ 25,000 on the sale of assets).

It was decided to revalue the assets on 31.03.2018 as follows:-

Fixed Assets (net)	₹ 4,00,000
Investments	NIL
Current Assets	₹ 7,80,000
Loans and Advances	₹ 1,00,000

The new profit sharing ratio after the admission of Guru was 45:25:30.

Pass Journal Entries on admission, show goodwill calculation and **prepare** Revaluation Account, Partner's Capital Account and Balance Sheet as on 01.04.2018 after the admission of Guru.

[14 Marks]

(b) The following information relates to a company which has a working capital of ₹ 24,00,000.

Current ratio	: 1.7	Gross profit on Cost	:	25%
Liquidity ratio	: 1.26	Credit period	:	One month
Inventory Turnover Ratio (on cost of sales)	: 12	Creditors to Bills Payable	:	2:1

Calculate the current liabilities and current assets, with break up.

[6 Marks]