

# Systematic Studies For Professionals

(Where your quest for quality education ends)

## FOUNDATION COURSE

MOCK TEST PAPER No. 2

ALL

THE

BEST

## 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**

- Discount account should be balanced in the cash book.
- If there appears a sports fund, the expenses incurred on sports activities will be taken to income and expenditure account.
- Deferred Revenue Expenditure is current year's revenue expenditure to be paid in later years.
- Expenditure which results in acquisition of a permanent asset is a capital expenditure.
- Contingent liability is an ascertained liability but its amount and due date are indeterminate.
- In Consignment, the goods are dispatched on the basis that the goods will be sold on behalf of, at the expense of and at the risk of the consignee.

(6 x 2 marks)

**(b)** A book-keeper while preparing his trial balance before preparing the final account he places the difference to a suspense Account. In the next year the following mistakes were discovered:

- A sale of ₹ 4,500 has been passed through the Purchase Day-book. The entry in customer's account has been correctly recorded.
- Goods worth ₹ 2,800 given as charity, remains unrecorded.
- A Bill receivable for ₹ 1,800 received from Krishna discounted through bank have been dishonoured on maturity but no entry passed.
- Salary ₹ 650 paid to a clerk Raju has been debited to Raj.
- A Purchase of ₹ 750 from Raghu has been debited to his account. Purchases Account has been correctly debited.
- A sum of ₹ 2,250 written off as depreciation on furniture has not been debited to Depreciation Account.

Draft the Journal entries for rectifying the above mistakes and prepare Suspense Account.

(8 Marks)

**Q.2 (a)** From the following trail balance and information, prepare Trading and Profit and Loss Account of Mr. Rajat for the year ended 31<sup>st</sup> March, 2019 and a balance sheet as on that date:

Particulars	Dr (₹)	Cr (₹)
Capital	-	1,00,000
Drawings	12,000	-
Land and Building	90,000	-
Plant and Machinery	20,000	-
Furniture	5,000	-
Sales	-	1,40,000
Returns	5,000	4,000
Debtors	18,400	-
Loan from Sohan on 1.7.2018 @ 16% p.a.	-	30,000
Purchases	80,000	-
Carriage outwards	10,000	-
Sundry Expenses	600	-
Printing & Stationery	500	-

## Systematic Studies For Professionals

(Where your quest for quality education ends)

Insurance expenses	1,000	-
Provision for Bad and Doubtful Debts	-	1,000
Outstanding trade expenses	-	380
Bad Debts	400	-
Profit of Textile Dept.	-	10,000
Stock of General Goods on 1.4.18	21,300	-
Wages and Salaries	18,500	-
Creditors	-	12,000
Trade Expenses	800	-
Stock of Textile Goods on 31.3.19	8,000	-
Cash at Bank	4,600	-
Cash in hand	1,280	-
	2,97,380	2,97,380

Information:

- (i) Stock of goods on 31.3.19 valued at ₹ 27,300.
- (ii) Fire occurred on 23<sup>rd</sup> march 2019 and ₹ 10,000 worth of general goods were destroyed. The Insurance Company accepted claim for ₹ 7,000 only and paid the claim money on 10<sup>th</sup> April 2019.
- (iii) Bad debts amounting to ₹ 800 are to be written off. Provision for Bad and doubtful debts is to be made at 6% and for discount at 4% on debtors. Make a provision of 2% on creditors for discount.
- (iv) Sold ₹ 6,000 worth of goods on 27<sup>th</sup> March 2019 but the invoice of sale was not recorded in day Book.
- (v) Rajat distributed goods worth ₹ 2,000 (selling price 3,000) in charity but no record was made thereof.
- (vi) Charge depreciation at 5% on Land & Building, 10% p.a. on Plant & Machinery and 15% p.a. on Furniture.
- (vii) Wages include ₹ 2,000 paid for the erection of Machinery costing ₹ 6,000 on 1.1.2019.
- (viii) Insurance prepaid amounts to ₹ 200.
- (ix) Sales include goods worth ₹ 15,000 sent to Ram and Co. on approval and remaining unsold as on 31<sup>st</sup> march, 2019 the cost of goods was ₹ 12,000.
- (x) The manager is entitled to a commission of 20% of the net profit after charging his commission.

**(16 Marks)**

**(b)** From the following particulars, calculate the amount of subscriptions to be credited to the income and expenditure account for the year ended 31<sup>st</sup> March, 2018:

	<b>31.3.2017</b>	<b>31.3.2018</b>
Outstanding subscriptions	1,800	1,200
Subscriptions received in advance	900	540

A sum of ₹ 1,14,670 was received as subscription during the year ended 31<sup>st</sup> march, 2018 out of which ₹ 1,100 is related to 2016-17. Amount of ₹ 250 is found to be irrecoverable. **(4 Marks)**

**Q.3** (a) On 31<sup>st</sup> March 2018, the Balance Sheet of M/s Juhi, Rani and Divya (sharing profits and losses in 3:2:1) , stood as follows:-

<b>Liabilities</b>			<b>Assets</b>	
Capital Accounts:			Land & Buildings	1,80,000
Juhi	3,20,000		Machinery	2,00,000
Rani	1,70,000		Joint Life Policy	20,000
Divya	<u>1,10,000</u>	6,00,000	Closing Stock	1,04,000
Provision for bad debts	4,000		Sundry Debtors	2,00,000
Sundry Creditors	<u>2,00,000</u>		Cash & Bank Balance	<u>1,00,000</u>
	<u>8,04,000</u>			<u>8,04,000</u>

On 31<sup>st</sup> March 2018, Juhi desired to retire from the firm and the remaining partners decided to introduce kat into the firm. It was agreed to revalue the Assets and Liabilities on that date on the following basis:-

## Systematic Studies For Professionals

(Where your quest for quality education ends)

1. Land and Building be appreciated by 20%.
  2. Machinery be depreciated by 10%.
  3. Closing stock to be valued at Rs.80,000.
  4. Provision for bad debts be made at 5%.
  5. Old credit balances of Sundry Creditors Rs.10,000 be written off.
  6. Joint Life policy has surrender value of Rs.60,000.
  7. Goodwill of the firm be valued at Rs.1,80,000 but no goodwill is to be raised.
  8. Amount due to Juhi is to be discharged immediately & for this Rani, Divya & Kat is to contribute such an amount to make their capitals in profit sharing ratio of 3:4:3 & to maintain Rs.50,000 in bank.
- Prepare** Revaluation Account, Capital Accounts of Partners, Cash & Bank Account and Balance Sheet as on 31.3.2018 of the firm after retirement & Admission. **(14 Marks)**

(b) F drew upon C several bills of exchange due for payment on different dates as under:

Date of the Bill	Amount ( ` )	Tenure of the Bill
1st June	1,200	3 Months
12th June	1,600	2 Months
15th July	2,000	3 Months
27th July	1,500	3 Months
7th August	1,800	1 Month
18th August	2,400	2 Months

**Find out** the average due date on which payment may be made in one single amount. **Find out** the date on which he has to effect the payment to save interest of Rs.150 applying rate of 10% p.a. **(6 Marks)**

- Q.4 (a)** Lion Ltd. purchased a running business of Tiger Ltd. for `8,50,000 consisting of assets of `10,00,000 and liabilities of `2,60,000. The amount payable was discharged by paying cash of `50,000 and balance by issuing 12% debentures of `100 each.

**Pass** the journal entries (giving narrations) if deb. were issued

- (i) at a premium of 5%. (market value `108 per debenture)
- (ii) At a discount of 10%. (market value `108 per debenture)

**(8 marks)**

**(b)** X Ltd. issued 80,000 shares of `10 each at `15 share payable as `5 on app. (including premium of `2), `6 on allotment (including premium of `3) Balance in 2 equal calls of `2 each.

The company received applications for 1,35,000 shares & decided to make pro – rata allotment in 2:3. Co. received full money except from Mr. X, holder of 500 shares who failed to pay allotment money & 1st call money and his shares are forfeited before final call. Mr. Y, who has applied for 1500 shares failed to pay 1st & Final call & his share were also forfeited after final call. X's 500 shares were reissued @ `12 per share fully paid where as 700 shares of Y were reissued at discount of `2 per share fully paid up. **(12 Marks)**

- Q.5 (a)** A of Delhi consigned goods of the invoice price of `8 lakhs which is 25% above cost to B of Calcutta, on the following conditions:

- (i) Consignee to get a commission of 5 % on all sales and 20% of any surplus realised over I.P.
- (ii) Any goods taken by the consignee himself or lost through consignee's negligence shall be valued at cost plus 10% and no commission would be allowed on them.

The expenses incurred by consignor were carriage and freight `6,720 and insurance `3,440.

Goods of the invoice price of `60,000 were destroyed in transit and insurance claim of 80% is admitted.

The consignor received `4,00,000 as advance against the consignment. Account sale together with a draft for the balance due was received by the consignor showing the following position:

Goods of the invoice price of `5,00,000 were sold for `7,20,000. Goods of the invoice price of `40,000 and `8,000 were taken by B and lost through his negligence resp. `25,000 on selling expenses were incurred by B.

**Prepare** consignment account and consignee's account in the books of the consignor. **(12 Marks)**

## Systematic Studies For Professionals

(Where your quest for quality education ends)

**(b)** Journalize the following transactions with narration in the books of R.

- i. M's acceptance for ₹ 5,000 renewed for a further period of 3 months, interest charged @ 10% p.a.
- ii. R's acceptance to P for ₹ 15,000 renewed for 3 months on the condition that ₹ 4,000 is paid in cash immediately and the balance to carry interest @ 12% p.a.
- iii. R's promissory note for ₹ 10,000 in favour of S settled by sending to S, N's acceptance for similar amount.
- iv. R retired his acceptance for ₹ 16,000 by paying ₹ 14,900.

**(2 Marks x 4)**

**Q.6** The following is the receipts and payments account of modern club for the year ending on 31<sup>st</sup> March, 2018

Receipts	Amount	Payments	Amount
Cash in hand	150	Honorarium to secretary & treasurer	4,800
Balance as per bank pass book	8,230	Rates & taxes	1,260
Subscription	2,400	Printing & stationery	470
Receipts from fetes	10,710	Other miscellaneous expenses	1,530
Net proceeds of variety show	4,270	Ground man's wages	840
Bank interest	230	Expenditure on fetes	2390
Bar taking	7,450	Payments for bar purchases	5,770
Cash overspent	20	Repairs	320
		New car ( less sale proceeds of old car Rs.3,000)	12,600
		Balance as per pass book	3,480
	33,460		33,460

You are given the following additional information.

	31-3-2017	31-3-2018
Subscription due	1,200	980
Un presented cheques being payment for stationery	190	230
Club premises at cost	29,000	---
Depreciation of club premises	12,800	---
Car at cost	12,190	---
Depreciation on car	8,290	---
Value of bar stock	1,710	870
Amount due for bar purchases	1,590	430

Cash overspent represents amount of honorarium to the treasurer not drawn due to shortage of funds. But the total salary payable to him for the year was already included in Rs. 4,800.

Depreciation is to be provided @ 5% p.a. on the written down value of the premises and @ 15% p.a. on car for the whole year. **You are required to** prepare

1. Bar Trading a/c.
2. An income and expenditure account of the club for the year ended on 31<sup>st</sup> March 2018.
3. A balance sheet as on 31<sup>st</sup> March 2018.

**(15 Marks)**

**(b)** U & I are partners sharing profits in 2:3. They decided to change this proportion to 3:2 from the previous two years. The profits for the year 2016 - 17 & 2017 - 18 were Rs.3,00,000 & Rs.3,60,000.

However the profits were arrived upon without adjusting:

	2016 - 17	2017 - 18
Outstanding Rent	Rs.6,000	Rs.9,000
Accrued Interest on Investment	Rs.3,000	Rs.7,000

Rent of previous year discharged & Accrued Interest realized in next year.

**Pass** the adjustment entry.

**(5 Marks)**