

MODEL TEST PAPER 10
FOUNDATION COURSE
PAPER – 1: 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)

(100 Marks)

1. (a) State with reasons, whether the following statements are True or False:
- (i) The rule of nominal accounts states that all expenses and losses are recorded on credit side.
 - (ii) Overhaul Expenses of a second-hand machinery purchased are Revenue Expenditure.
 - (iii) Valuation of inventory at cost or net realizable value is based on Principle of Conservatism.
 - (iv) A Promissory Note can be made payable to the Bearer.
 - (v) The Receipts and payment account for a non-profit organization follows the accrual concept of accounting.
 - (vi) Legal heirs of a deceased partner are entitled to his capital account balance only. **(6 x 2=12 Marks)**
- (b) Differentiate between Book-keeping and Accounting. **(4 Marks)**
- (c) Pass the necessary journal entries to rectify the following errors, using a Suspense Account:
- (i) Goods of the value of ₹ 500 returned by Mr. A were entered in the Sales Day Book and posted there from to the credit of his account;
 - (ii) ₹ 250 entered in the Sales Returns Book, has been posted to the debit of Mr. R, who returned the goods;
 - (iii) A sale of ₹ 700 made to Mr. Q was correctly entered in the Sales Day Book but wrongly posted to the debit of Mr. S as ₹ 70;
 - (iv) The total of "Discount allowed" Column in the Cash Book for September amounting to ₹ 350 was not posted. **(4 Marks)**
2. (a) The cash book of Hari showed a debit balance of ₹ 1,36,800 as on 31.12.2023 which was in disagreement with balance as per pass book. Following discrepancies were noticed:
- (i) Dividend of ₹ 18,000 was deposited in the bank of which Hari had no information
 - (ii) Cheque was issued to Suresh of ₹ 14,780 on 18.12.2023 which was recorded in cash book as ₹ 14,870.

- (iii) Cheques totaling of ₹ 55,000 were deposited into bank on 30.12.2023 which were not cleared until 31.12.2023.
- (iv) Mediclaim premium of ₹ 14,160 was paid as per the standing instruction of Hari which was not recorded in cash book.
- (v) Goods amounting ₹ 1,60,000 were sold to Ajay in November 2023. He deposited cheque on 15.12.2023 after deducting 4% cash discount. This entry was missed while preparing cash book.
- (vi) Bank charges for issue of cheque book ₹ 150 was skipped while preparing cash book.
- (vii) Hari received a UPI of ₹ 1,000 on 29.12.2023 for sale of scrap which was not entered in cash book.
- (viii) Cheques amounting to ₹ 1,80,000 were issued during the month but cheques of ₹ 1,44,000 were only presented during the month for payment.

Prepare Bank Reconciliation Statement on 31.12.2023 and ascertain balance as per pass-book. **(10 Marks)**

- (b) Harry draws a bill on Sejal for ₹ 60,000 on 01.01.2023 for 3 months. Sejal accepts the bill and sends it back to Harry to get it discounted for ₹ 56,000. Harry remits 1/4th amount to Sejal. On the due date, Harry was unable to remit his share to Sejal, rather accepts a bill of ₹ 80,000 for a period of 3 months. This bill was discounted by Sejal for ₹ 74,600. Sejal after making the payment of first bill sent 3/4th of the amount remaining to Harry. On maturity of the bill, Harry became bankrupt and his estate paying 40 paise in the rupee.

Give journal entries in the books of Sejal. Also prepare ledger account of Harry. All workings should form part of the answer. **(10 Marks)**

3. (a) The following trial balance is the trial balance of a Proprietor as on March 31 2024. Prepare Trading and Profit & Loss Account for the year ending March 31st 2024 and a Balance Sheet as at that date.

Particulars	Amount (₹)	Particulars	Amount (₹)
Plant and Machinery	5,00,000	Capital	4,00,000
Office Furniture	26,000	Sundry Creditors	5,20,000
Opening Stock	4,80,000	Sales	48,00,000
Motor Van	1,20,000	Bills Payable	56,000
Sundry Debtors	4,57,000	Provision for Doubtful Debts	25,000
Cash in hand	4,000	Return Outwards	55,000
Cash at Bank	65,000	Discount Received	37,000
Wages	15,00,000		
Salaries	1,40,000		
Purchases	21,35,000		

Bills Receivable	72,000		
Return Inwards	93,000		
Drawings	70,000		
Advertisements	60,000		
Factory Rent	8,000		
Insurance	63,000		
General Expenses	10,000		
Bad debts	25,000		
Discount allowed	65,000		
	58,93,000		58,93,000

Additional Information to be considered:

- (i) Closing Stock on March 31st 2024 is ₹ 5,20,000.
 - (ii) During the year, plant and machinery was purchased for ₹ 3,00,000 but it was debited to purchase account.
 - (iii) 3 months factory rent is due but not paid ₹ 3,000.
 - (iv) Provide depreciation at 5% per annum on furniture and 10% on plant and machinery and motor van.
 - (v) Further bad debts ₹ 7,000.
 - (vi) Provision for doubtful debts to be increased to ₹ 30,000 at year-end.
 - (vii) Provision for discount on Debtors to be made at 2%. **(10 Marks)**
- (b) The following is the Balance Sheet of Krish and Bala, sharing profit and loss in the ratio 3: 2

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts:		Land & Buildings	28,000
Krish 25,000			
Bala <u>15,000</u>	40,000	Plant & Machinery	15,000
General Reserve	26,000	Stock	10,000
Workmen's Compensation Reserve	10,000		
Creditors	10,000	Debtors 25,000	
Employee's Provident Fund	8,000	Less: Provision for Doubtful debts <u>4,000</u>	21,000
		Bank	20,000
	94,000		94,000

On admission of Sobha for 1/6th share in the profits, it was decided that:

- (1) Value of land and buildings to be increased by ₹ 5,000.
- (2) Value of stock to be increased by ₹ 3,500.
- (3) Provision of doubtful debts to be increased by ₹ 1,500.
- (4) Liabilities of workmen's compensation reserve was determined to be ₹ 8,000.
- (5) Sobha was to bring in cash of ₹ 25,000 as her capital.
- (6) Sobha brought in her share of goodwill ₹ 12,000 in cash.

Prepare the Revaluation Account, the Capital Account and the Balance Sheet of the new firm. **(10 Marks)**

4. (a) X, Y and Z were in a firm sharing profit and loss as 3: 2: 1. Their Balance Sheet on 31st March, 2024 was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
X's Capital	78,000	Goodwill	12,000
X's Capital	42,000	Patents	30,000
Z's Capital	31,000	Machinery	60,000
Investment		Investment (Market value ₹ 27,600)	25,000
Fluctuation Fund	6,000	Stock	30,650
Workmen's Compensation	12,000	Debtors 50,000	
Trade Creditors	31,000	Less: Provision for doubtful debts <u>4,000</u>	46,000
Employee's Provident Fund	12,000	Cash at Bank	8,350
	<u>2,12,000</u>		<u>2,12,000</u>

Z retired on the above date on the following terms:

- (1) Goodwill of the firm was valued at ₹ 60,000.
- (2) Value of patents was to be reduced by 20% and that of machinery to 90%.
- (3) Provision for doubtful debts was to be raised to 10%.
- (4) Liability on account of Provident fund was only ₹ 6,000.
- (5) Liability for workmen compensation to the extent of ₹ 6,000 is to be created.
- (6) Z took over the investment at market value.

- (7) Amount due to Z is to be settled on the following basis- 50% on retirement, 50% of the balance within one year and the balance by a bill of exchange (without interest) at 3 months.

You are required the following:

- (i) Show entries for the treatment of goodwill,
- (ii) Prepare Revaluation Account,
- (iii) Partner Capital Account, &
- (iv) Balance Sheet.

(10 Marks)

- (b) From the following Receipts and Payments Account of Delhi Club, prepare Income & Expenditure Account for the year ended 31.12.2023 and its Balance Sheet as on that date.

Receipts	Amount (₹)	Payments	Amount (₹)
Cash in hand (Opening)	8,100	Salary	3,000
Cash in Bank (Opening)	15,000	Repair Expenses	500
Donations	7,000	Purchase of furniture	7,000
Subscriptions	10,000	Miscellaneous Expenses	500
Entrance fees	1,500	Purchase of Investments	6,000
Interest on Investments	100	Insurance Premium	300
Interest received from Bank	400	Billiards Table	10,000
Sale of Old Newspaper	250	Paper, Ink, etc.	250
Sale of Drama Tickets	1,250	Drama Expenses	500
		Cash in hand (Closing)	4,500
		Cash in Bank (Closing)	11,050
	43,600		43,600

Information:

- (1) Subscriptions in Arrear for 2023 ₹ 1,200, subscription in advance for 2024 ₹ 550.
- (2) Insurance Premium outstanding ₹ 80, Miscellaneous Expenses prepaid ₹ 90.
- (3) 50% of Donation is to be capitalized.
- (4) Entrance fee are to be treated as Revenue Income.
- (5) 8% Interest has accrued on Investments for 5 months.
- (6) Billiards Table costing ₹ 30,000 were purchased during the last year and ₹ 20,000 were paid for it.

(10 Marks)

5. (a) Physical verification of stock in a business was done on 23rd June, 2023. The value of the stock was ₹ 4,80,000. The following transactions took place between 23rd June, 2023 and 30th June, 2023:

- (i) Out of the goods sent on consignment, goods at cost worth ₹ 24,000 were unsold.
- (ii) Purchase of ₹ 40,000 were made out of which goods worth ₹ 16,000 were delivered on 5th July, 2023
- (iii) Sales were ₹ 1,36,000 which include goods worth ₹ 32,000 sent on approval. Half of these goods were returned before 30th June 2023, but no information is available regarding the remaining goods.
- (iv) Goods are sold at cost plus 25%. However, Goods costing ₹ 24,000 had been sold for ₹ 12,000.

Determine the value of stock on 30th June, 2023.

(5 Marks)

- (b) Attempt any ONE of the two sub-parts i.e. either (i) or (ii):

- (i) PQR associates bought a computer set on 01.04.2020 for ₹ 2,00,000 and charged depreciation @ 20% p.a. on diminishing balance method. They made further additions as follows:

Date	Amount
01.04.2021	₹ 1,50,000
01.04.2023	₹ 1,00,000

On 01.04.2023 it was decided to change the method to straight line basis and charge depreciation assuming the expected life of all the computers to be 8 years from 01.04.2023. Prepare Computers A/c for year ending 31.03.2024.

OR

- (ii) Following information relates to Mr. Prem who maintains his books under single entry system. He is not able to ascertain the amount of bad debts incurred by him and seeks your help.

Debtors as on 01.04.2023 ₹ 6,50,000

Debtors as on 31.03.2024 ₹ 8,50,000

Sale for Financial Year 2023-2024 is 16,00,000 out of which 80% is on credit.

Payment received during the year is ₹ 7,50,000 out of which cheques of ₹ 18,000 were dishonored. Bills of exchange accepted by customers ₹ 2,90,000

Discount allowed is 1% of the credit sale.

(5 Marks)

- (c) XYZ Ltd. an unlisted company issued 6000, 12% debentures of ₹ 100 each at a discount of 5% on 01.04.2021. Interest is payable annually on 31st March every year. The debentures are redeemable at premium of 10% in 3 equal annual installments beginning from 31.03.2022. The company invested in specified securities for the redemption of debentures. Entire loss on issue to be booked in the 1st year. You are required to pass journal entries for all the 3 years.

(10 Marks)

6. (a) P Limited issued 6,00,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share, payable as ₹ 3 on application, ₹ 5 on allotment (including premium) and the balance in two calls of equal amount. Applications were received for 8,00,000 shares and pro-rata allotment was made to all the applicants. The excess application money was adjusted towards allotment. Harish to whom 1600 shares were allotted failed to pay both calls and his shares were subsequently forfeited after second call. You are required to pass journal entries in the books of P Limited and prepare bank account. **(15 Marks)**
- (b) Differentiate between Periodic Inventory System and Perpetual Inventory System. **(5 Marks)**