

MOCK TEST PAPER 2
FOUNDATION COURSE
PAPER – 1: PRINCIPLES AND PRACTICE OF ACCOUNTING

Question No. 1 is compulsory.

*Answer 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. Prior Period Items need not be separately disclosed in the current statement of profit and loss.
 - ii. Capital + Long Term Liabilities= Fixed Assets + Current Assets + Cash- Current Liabilities.
 - iii. The sale value of the by-product is credited to Trading Account.
 - iv. Discount at the time of retirement of a bill is a gain for the drawee.
 - v. If a partner retires, then other partners have a gain in their profit sharing ratio.
 - vi. Net income in case of persons practicing vocation is determined by preparing profit and loss account.

(6 Statements x 2 Marks = 12 Marks)
 - (b) Discuss the limitations which must be kept in mind while evaluating the Financial Statements.
- (4 Marks)**
- (c) From the following information provided by Mr. Shivam for the year ended 31st March,2022. Find the unknown figures for the certain items:

| Particulars | Amount (₹) |
|-------------------------------------|------------|
| Machinery | 10,00,000 |
| Trade Payables | 70,000 |
| Inventory | 56,000 |
| Total Liabilities including Capital | 12,25,000 |
| Cash at bank | 75,000 |
| Cash in hand | ? |
| Trade Receivables | ? |
| Opening Capital | 7,50,000 |
| Profit during the Year | 45,000 |
| Capital introduced during the Year | 1,00,000 |
| Closing Capital | ? |
| Loans | ? |

Additional information: During the year sales of ₹ 13,75,000 was made of which ₹13,15,000 have been received.

(4 Marks)

2. (a) M/s Avneet took lease of a quarry on 1-4-2019 for ₹ 2,00,00,000. As per technical estimate the total quantity of mineral deposit is 4,00,000 tonnes. Depreciation was charged on the basis of depletion method. Extraction pattern is given in the following table:

| Year | Quantity of Mineral extracted |
|---------|-------------------------------|
| 2019-20 | 4,000 tonnes |
| 2020-21 | 20,000 tonnes |
| 2021-22 | 30,000 tonnes |

Show the Quarry Lease Account and Depreciation Account for each year from 2019-20 to 2021-22.

- (b) M/s Mandeep, Profit and loss account showed a net profit of ₹ 32,00,000, after considering the closing stock of ₹ 30,00,000 on 31st March, 2022. Subsequently the following information was obtained from scrutiny of the books:

- Purchases for the year included ₹ 1,20,000 paid for new electric fittings for the shop.
- M/s Mandeep gave away goods valued at ₹ 3,20,000 as free samples for which no entry was made in the books of accounts.
- Invoices for goods amounting to ₹ 20,00,000 have been entered on 27th March, 2022, but the goods were not included in stock.
- In March, 2022 goods of ₹ 16,00,000 sold and delivered were taken in the sales for April, 2022.
- Goods costing ₹ 6,00,000 were sent on sale or return in March, 2022 at a margin of profit of 33-1/3% on cost. Though approval was given in April, 2022 these were taken as sales for March, 2022.

You are required to determine the adjusted net profit for the year ended on 31.3.2022 and calculate the value of stock on 31st March, 2022. **(10 Marks +10 Marks= 20 Marks)**

3. (a) Mr. Y accepted a bill for ₹ 50,000 drawn on him by Mr. X on 1st August, 2021 for 3 months. This was for the amount which Y owed to X. On the same date Mr. X got the bill discounted at his bank for ₹ 49,000.

On the due date, Y approached X for renewal of the bill. Mr. X agreed on condition that ₹ 10,000 be paid immediately along with interest on the remaining amount at 12% p.a. for 3 months and that for the remaining balance Y should accept a new bill for 3 months. These arrangements were carried through. On 31st December, 2021, Y became insolvent and his estate paid 40%.

Prepare Journal Entries in the books of Mr. X

- (b) From the following details calculate the average due date:

| Date of Bill | Amount (₹) | Usance of Bill |
|--------------------------------|------------|----------------|
| 28 th January, 2022 | 5,000 | 1 month |
| 20 th March, 2022 | 4,000 | 2 months |
| 12 th July, 2022 | 7,000 | 1 month |
| 10 th August, 2022 | 6,000 | 2 months |

- (c) On 31st December, 2021 goods sold at a sale price of ₹ 10,500 were lying with customer, Shama to whom these goods were sold on 'sale or return basis' were recorded as actual sales. Since no consent has been received from Shama, you are required to pass adjustment entries presuming goods were sent on approval at a profit of cost plus 20%. Present market price is 10% less than the cost price. **(10 + 5 + 5 = 20 Marks)**

4. (a) The Balance Sheet of a Partnership Firm M/s Pradeep & Associates consisted of two partners Anil and Bharat who were sharing Profits and Losses in the ratio of 5 : 3 respectively. The position as on 31-03-2022 was as follows:

| Liabilities | ₹ | Assets | ₹ |
|-------------------|-----------|-------------------|-----------|
| Anil's Capital | 8,20,000 | Land & Building | 7,60,000 |
| Bharat's Capital | 6,60,000 | Plant & Machinery | 3,40,000 |
| Profit & Loss A/c | 2,24,000 | Furniture | 2,18,960 |
| Trade Creditors | 1,09,600 | Stock | 2,90,520 |
| | | Sundry debtors | 1,20,000 |
| | | Cash at Bank | 84,120 |
| | 18,13,600 | | 18,13,600 |

On the above date, Dev was admitted as a partner on the following terms:

- Dev should get $\frac{1}{5}$ th of share of profits.
- Dev brought ₹ 4,80,000 as his capital and ₹ 64,000 for his share of Goodwill.
- Plant and Machinery would be depreciated by 15% and Land & Buildings would be appreciated by 40%.
- A provision for doubtful debts to be created at 5% on sundry debtors.
- An unrecorded liability of ₹ 12,000 for repairs to Buildings would be recorded in the books of accounts.
- Immediately after Dev's admission, Goodwill brought by him would be adjusted among old partners. Thereafter, the capital accounts of old partners would be adjusted through the current accounts of partners in such a manner that the capital accounts of all the partners would be in their profit sharing ratio.

Prepare Revaluation A/c, Capital Accounts of the partners, new profit sharing ratio and Balance Sheet of the Firm after the admission of Dev.

- (b) Ms. Veena is engaged in business of selling magazines. Several of his customers pay money in advance for subscribing his magazines. Information related to year ended 31st March, 2022 has been given below:

On 1.4.2021 he had a balance of ₹ 3,00,000 advance from customers of which ₹ 2,25,000 is related to year 2021-22 while remaining pertains to year 2022-23. During the year 2021-22 he made cash sales of ₹ 7,50,000. You are required to compute:

- Total income for the year 2021-22.
- Total money received during the year if the closing balance in Advance from customers Account is ₹ 2,55,000. **(12 + 8 Marks)**

5. (a) The Receipts and Payments account of Silver Stitch Club prepared on 31st March, 2022 is as follows:

Receipts and Payments Account

| Receipts | ₹ | Amount ₹ | Payments | Amount ₹ |
|--|--------------|------------------|--|------------------|
| To Balance b/d | | 9,000 | By Expenses (including Payment for sports material ₹ 54,000) | 1,26,000 |
| To Annual Income from Subscription | 91,800 | | By Loss on Sale of Furniture (cost price ₹ 9,000) | 3,600 |
| Add: Outstanding of last year received this year | <u>3,600</u> | | By Balance c/d | 18,09,000 |
| | 95,440 | | | |
| Less: Prepaid of last year | <u>1,800</u> | 93,600 | | |
| To Other fees | | 36,000 | | |
| To Donation for Building | | 18,00,000 | | |
| | | <u>19,38,600</u> | | <u>19,38,600</u> |

Additional information:

Silver Stitch Club had balances as on 1.4.2021 :-

Furniture ₹ 36,000; Investment at 5% ₹ 5,40,000;

Sports material ₹ 1,33,200;

Balance as on 31.3.2022 : Subscription Receivable ₹ 5,400;

Subscription received in advance ₹ 1,800;

Stock of sports material ₹ 36,000.

Do you agree with above Receipts and Payments account? If not, prepare correct Receipts and Payments account and Income and Expenditure account for the year ended 31st March, 2022 and Balance Sheet on that date.

- (b) The following mistakes were located in the books of a concern after its books were closed and a Suspense Account was opened in order to get the Trial Balance agreed:
- Sales Day Book was overcast by ₹ 7,000.
 - Legal Expenses ₹ 7,670 paid to Mr. Bansal was debited to her personal account.
 - General expenses ₹ 4,900 was posted in the General Ledger as ₹ 9,400.
 - A Bill Receivable for ₹ 1,550 was passed through Bills Payable Book. The Bill was given by Jai.
 - Cash received from Deepak was debited to Vivek ₹ 7,500.
 - A sale of ₹ 25,000 to Reema was wrongly debited to the Account of Shikha.
 - While carrying forward the total of one page of the Purchases Book to the next, the amount of ₹ 21,690 was written as ₹ 21,960.
 - ₹ 7,000 due to Mr. Surya was omitted to be taken to trial balance.

Find out the nature and amount of the Suspense Account and Pass entries (including narration) for the rectification of the above errors in the subsequent year's books. **(12 + 8 = 20 Marks)**

6. (a) Hari Om Limited registered with an authorised equity capital of ₹ 4,00,000 divided into 4,000 shares of ₹ 100 each, issued for subscription of 2,000 shares payable at ₹ 25 per share on application, ₹ 30 per share on allotment, ₹ 20 per share on first call and the balance as and when required. Application money on 2,000 shares was duly received and allotment was made to them. The allotment amount was received in full, but when the first call was made, one shareholder failed to pay the amount on 200 shares held by him and another shareholder with 100 shares, paid the entire amount on his shares. The company did not make any other call. Give the necessary journal entries in the books of the company to record these transactions. **(10 Marks)**
- (b) On 1st April, 2021 Peanut Ltd. issued 12% debentures of the face value of ₹ 40,00,000 at 10% discount. Debenture interest after deducting tax at source @10% was payable on 30th June and 31st December every year. All the debentures were to be redeemed after the expiry of five years period at 5% premium.
- Pass necessary journal entries for the financial year 2021-22. **(5 Marks)**
- (c) State the causes of difference between the balance shown by the pass book and the cash book.

OR

Which subsidiary books are normally used in a business? **(5 Marks)**