aglasem.com

FOR CA FOUNDATION EXAM PREPARATION

CA Foundation 2020 Question Paper · Paper 1 Accounting

EXAM	YEAR	TYPE	SUBJECT
CA Foundation	2020	Question Paper	Paper 1 Accounting

DATE

November 2020

Roll No. .....

NOV 2020

Foundation (New Syllabus)
Paper - 1
Principles and Practice of Accounting

Total No. of Questions – **6** Total No. of Printed Pages – **15**

Time Allowed – **3** Hours Maximum Marks – **100**

FYZ

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be valued.

Question No. **1** is compulsory.

Candidates are also required to answer any **four** questions from the remaining **five** questions.

Working notes should form part of the respective answers.

Marks

1. (a) State **with reasons**, whether the following statements are **True** or **False**. **6×2 =12**

(i) In case of admission of a new partner in a partnership firm, the profit/loss on revaluation account is transferred to all partners in their new profit sharing ratio.

(ii) In the balance sheet of X Limited, preliminary expenses amounting to ₹ 5 lakhs and securities premium account of ₹ 35 lakhs are appearing. The accountant can use the balance in securities premium account to write off preliminary expenses.

© The Institute of Chartered Accountants of India

aglasem.com For more Question Papers, Sample Papers, Notes & Syllabus visit aglasem.com

Marks

(iii) Insurance claim received on account of plant and machinery completely damaged by fire is a capital receipt.

(iv) Purchase of office furniture & fixtures of ₹ 2,500 has been debited to General Expense Account. It is an error of omission.

(v) A Limited is sending goods costing ₹ 50,000 to B Limited on consignment basis. The accountant of A Limited is of the opinion that these goods should be sent under a sale invoice.

(vi) A concern proposes to discontinue its business from December 2020 and decides to dispose off all its plants within a period of 3 months. The Balance Sheet as on 31st December, 2020 should continue to indicate the plants at its historical costs as the assets will be disposed off after the Balance Sheet date.

(b) What services can a Chartered Accountant provide to the society ? **4**

(c) The following are some of the transactions of M/s. Kamal & Sons for the year ended 31st March, 2020. You are required to make out their Sales Book. **4**

(i) Sold to M/s. Ashok & Mukesh on Credit :

40 Shirts @ ₹ 900 per shirt

30 trousers @ ₹ 1,000 per trouser

Less : Trade discount @ 10%

(ii) Sold furniture to M/s. XYZ & Co. on credit ₹ 8,000

(iii) Sold 15 shirts to Aman @ ₹ 750 each for cash.

© The Institute of Chartered Accountants of India

aglasem.com For more Question Papers, Sample Papers, Notes & Syllabus visit aglasem.com

Marks

2. (a) On 31-3-2020, Mahesh's Cash Book Showed a Bank overdraft of ₹ 98,700. On comparison he finds the following : **10**

(1) Out of the total cheques of ₹ 8,900 issued on 27th March, one cheque of ₹ 7,400 was presented for payment on 4th April and the other cheque of ₹ 1,500 handed over to the customer, was returned by him and in lieu of that a new cheque of the same amount was issued to him on 1st April. No entry for the return was made.

(2) Out of total cash and cheques of ₹ 6,800 deposited in the Bank on 24th March, one cheque of ₹ 2,600 was cleared on 3rd April and the other cheque of ₹ 500 was returned dishonoured by the bank on 4th April.

(3) Bank charges ₹ 35 and Bank interest ₹ 2,860 charged by the bank appearing in the passbook are not yet recorded in the cash book.

(4) A cheque deposited in his another account of ₹ 1,550 wrongly credited to this account by the bank.

(5) A cheque of ₹ 800, drawn on this account, was wrongly debited in another account by the bank.

(6) A debit of ₹ 3,500 appearing in the bank statement for an unpaid cheque returned for being 'out of date' had been re-dated and deposited in the bank account again on 5th April 2020.

© The Institute of Chartered Accountants of India

Marks

(7) The bank allowed interest on deposit ₹ 1,000.

(8) A customer who received a cash discount of 4% on his account of ₹ 1,00,000 paid a cheque on 20th March, 2020. The cashier erroneously entered the gross amount in the bank column of the Cash Book.

Prepare Bank Reconciliation Statement as on 31-3-2020.

(b) Physical verification of stock in a business was done on 23rd February, 2020. The value of the stock was ₹ 28,00,000. The following transactions took place from 23rd February to 29th February, 2020 : **10**

(1) Out of the goods sent on consignment, goods at cost worth ₹ 2,30,000 were unsold.

(2) Purchases of ₹ 3,00,000 were made out of which goods worth ₹ 1,20,000 were delivered on 5th March, 2020.

(3) Sales were ₹ 13,60,000 which include goods worth ₹ 3,20,000 sent on approval. Half of these goods were returned before 29th February, 2020, but no information is available regarding the remaining goods.

(4) Goods are sold at cost plus 25%. However goods costing ₹ 2,40,000 had been sold for ₹ 1,50,000.

Determine the value of stock on 29th February, 2020.

© The Institute of Chartered Accountants of India

aglasem.com For more Question Papers, Sample Papers, Notes & Syllabus visit aglasem.com

Marks

3. (a) Maya consigned 400 boxes of shaving brushes, each box containing 100 shaving brushes. Cost price of each box was ₹ 3,000. Maya spent ₹ 500 per box as cartage, freight, insurance and forwarding charges. One box was lost on the way and Maya lodged claim with insurance company and could get ₹ 2,700 as claim on average basis. Consignee took delivery of the rest of the boxes and spent ₹ 1,99,500 as non-recurring expenses and ₹ 1,12,500 as recurring expenses. He sold 370 boxes at the rate of ₹ 65 per shaving brush. He was entitled to 2% commission on sales plus 1% del-credere commission. **5**

You are required to prepare Consignment Account.

(b) Attempt any **ONE** of the following two sub-parts i.e. **either (i) or (ii).** **5**

(i) From the following particulars prepare a account current, as sent by Mr. Raju to Mr. Sunil as on 31st October 2020 by means of product method charging interest @ 12% p.a.

2020	Particulars	Amount (₹)
1st July	Balance due from Sunil	840
15th August	Sold goods to Sunil	1,310
20th August	Goods returned by Sunil	240
22nd September	Sunil paid by cheque	830
15th October	Received cash from Sunil	560

© The Institute of Chartered Accountants of India

FYZ **Marks**

OR

(ii) Rakesh had the following bills receivable and bills payable against Mukesh.

Date	Bills Receivable	Tenure	Date	Bills Payable	Tenure
1st June	3,400	3 month	29th May	2,500	2 month
5th June	2,900	3 month	3rd June	3,400	3 month
9th June	5,800	1 month	9th June	5,700	1 month
12th June	1,700	2 month			
20th June	1,900	3 month			

15th August was a public holiday. However, 6th September, was also declared a sudden holiday.

Calculate the average due date, when the payment can be received or made without any loss of interest to either party.

(c) Suresh draws a bill for ₹ 15,000 on Anup on 15th April, 2020 for 3 months, which Anup returns to Suresh after accepting the same. Suresh gets it discounted with the bank for ₹ 14,700 on 18th April, 2020 and remits one-third amount to Anup. On the due date Suresh fails to remit the amount due to Anup, but he accepts a bill of ₹ 17,500 for 3 months, which Anup discounts for ₹ 17,100 and remits ₹ 2,825 to Suresh. Before the maturity of the renewed bill Suresh becomes insolvent and only 50% was realized from his estate on 31st October, 2020. **10**

Pass necessary Journal entries for the above transactions in the books of Suresh.

FYZ

© The Institute of Chartered Accountants of India

Marks

4. (a) M/s. TB is a partnership firm with the partners A, B and C sharing profits and losses in the ratio of 3 : 2 : 5. The balance sheet of the firm as on 30th June, 2020 was as under : **10**

Balance Sheet of M/s. TB as on 30-6-2020

Liabilities	Amount (₹)	Assets	Amount (₹)
A's Capital A/c	1,24,000	Land	1,20,000
B's Capital A/c	96,000	Building	2,20,000
C's Capital A/c	1,60,000	Plant & Machinery	4,00,000
Long Term Loan	4,20,000	Investments	42,000
Bank Overdraft	64,000	Inventories	1,36,000
Trade Payables	2,13,000	Trade Receivables	1,59,000
	10,77,000		**10,77,000**

© The Institute of Chartered Accountants of India

Marks

It was mutually agreed that B will retire from partnership and in his place D will be admitted as a partner with effect from 1st July, 2020. For this purpose, following adjustments are to be made :

(a) Goodwill of the firm is to be valued at ₹ 3 lakhs due to the firm's location advantage but the same will not appear as an asset in the books of the reconstituted firm.

(b) Building and Plant & Machinery are to be valued at 95% and 80% of the respective balance sheet values. Investments are to be taken over by the retiring partner at ₹ 46,000. Trade receivables are considered good only upto 85% of the balance sheet figure. Balance to be considered bad.

(c) In the reconstituted firm, the total capital will be ₹ 4 lakhs, which will be contributed by A, C and D in their new profit sharing ratio, which is 3 : 4 : 3.

(d) The amount due to retiring partner shall be transferred to his loan account.

You are required to prepare Revaluation Account and Partners' Capital Accounts after reconstitution, along with working notes.

© The Institute of Chartered Accountants of India

Marks

(b) From the following balances and particulars of AS College, prepare Income & Expenditure Account for the year ended March, 2020 and a Balance Sheet as on the date : **10**

Particulars	Amount (₹)	Amount (₹)
Security Deposit – Students	–	1,55,000
Capital Fund	–	13,08,000
Building Fund	–	19,10,000
Tuition Fee Received	–	8,10,000
Government Grants	–	5,01,000
Interest & Dividends on Investments	–	1,75,000
Hostel Room Rent	–	1,65,000
Mess Receipts (Net)	–	2,05,000
College Stores – Sales	–	7,60,000
Outstanding expenses	–	2,35,000
Stock of Stores and Supplies (opening)	3,10,000	–
Purchases – Stores & Supplies	8,20,000	–
Salaries – Teaching	8,75,000	–
Salaries – Research	1,25,000	–
Scholarships	85,000	–
Students Welfare expenses	37,000	–
Games & Sports expenses	52,000	–
Other investments	12,75,000	–
Land	1,50,000	–
Building	15,50,000	–
Plant and Machinery	8,50,000	–
Furniture and Fittings	5,40,000	–
Motor Vehicle	2,40,000	–
Provision for Depreciation :		–
Building	–	4,90,000
Plant & Equipment	–	5,05,000
Furniture & Fittings	–	3,26,000
Cash at Bank	3,16,000	
Library	3,20,000	
	75,45,000	**75,45,000**

© The Institute of Chartered Accountants of India

Marks

Adjustments :

(a) Materials & Supplies consumed : (From college stores)

Teaching	–	₹ 52,000
Research	–	₹ 1,45,000
Students Welfare	–	₹ 78,000
Games or Sports	–	₹ 24,000

(b) Tuition fee receivable from Government for backward class Scholars – ₹ 82,000.

(c) Stores selling prices are fixed to give a net profit of 15% on selling price.

(d) Depreciation is provided on straight line basis at the following rates :

Building	5%
Plant & Equipment	10%
Furniture & Fixtures	10%
Motor Vehicle	20%

© The Institute of Chartered Accountants of India

Marks

5. (a) M/s. Applied Laboratories were unable to agree the Trial Balance as on 31st March, 2020 and have raised a suspense account for the difference. Next year the following errors were discovered : **5**

(i) Repairs made during the year were wrongly debited to the building A/c – ₹ 12,500.

(ii) The addition of the 'Freight' column in the purchase journal was short by ₹ 1,500.

(iii) Goods to the value of ₹ 1,050 returned by a customer, Rani & Co., had been posted to the debit of Rani & Co. and also to sales returns.

(iv) Sundry items of furniture sold for ₹ 30,000 had been entered in the sales book, the total of which had been posted to sales account.

(v) A bill of exchange (received from Raja & Co.) for ₹ 20,000 had been returned by the bank as dishonoured and had been credited to the bank and debited to bills receivable account.

You are required to pass journal entries to rectify the above mistakes.

© The Institute of Chartered Accountants of India

Marks

(b) Max & Co. employs a team of 9 worker who were paid ₹ 40,000 per month each in the year ending 31st December, 2018. At the start of 2019, the company raised salaries by 10% to ₹ 44,000 per month each. **5**

On 1st July, 2019 the company hired 2 trainees at salary of ₹ 21,000 per month each. The work force are paid salary on the first working day of every month, one month in arrears, so that the employees receive their salary for January on the first working day of February, etc.

You are required to calculate :

(i) Amount of salaries which would be charged to the profit and loss for the year ended 31st December, 2019.

(ii) Amount actually paid as salaries during 2019.

(iii) Outstanding salaries as on 31st December, 2019.

(c) Following are the Manufacturing A/c, Creditors A/c and Trading A/c provided by M/s. Shivam related to financial year 2019-20. There are certain figures missing from these accounts. **10**

Raw Material A/c.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening Stock A/c	1,27,000	By Raw Materials Consumed	–
To Creditors A/c	–	By Closing Stock	–

© The Institute of Chartered Accountants of India

FYZ **Marks**

Creditors A/c.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c	23,50,000	By Balance b/d	15,70,000
To Balance c/d	6,60,000		

Manufacturing A/c.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Raw Material A/c.	–	By Trading A/c.	17,44,000
To Wages	3,65,000		
To Depreciation	2,15,000		
To Direct Expenses	2,49,000		

Additional Information :

(i) Purchase of machinery worth ₹ 12,00,000 on 1st April, 2019 has been omitted. Machinery are chargeable at a depreciation rate of 15%.

(ii) Wages include the following :

Paid to factory workers – ₹ 3,15,000

Paid to labour at office – ₹ 50,000

© The Institute of Chartered Accountants of India

Marks

(iii) Direct expenses including following :

Electricity charges	– ₹ 80,000 of which 25% pertained to office
Fuel charges	– ₹ 25,000
Freight inwards	– ₹ 32,000
Delivery charges to customers	– ₹ 22,000

You are required to prepare revised Manufacturing A/c and Raw Material A/c.

6. (a) ABC Limited issued 20,000 equity shares of ₹ 10 each payable as : **10**

- ₹ 2 per share on application
- ₹ 3 per share on allotment
- ₹ 4 per share on first call
- ₹ 1 per share on final call

All the shares were subscribed. Money due on all shares was fully received except for Mr. Bird, holding 300 shares, who failed to pay first call and final call money. All those 300 shares were forfeited. The forfeited shares of Mr. Bird were subsequently re-issued to Mr. John as fully paid up at a discount of ₹ 2 per share.

Pass the necessary Journal Entries to record the above transactions in the books of ABC Limited.

© The Institute of Chartered Accountants of India

Marks

(b) Y Company Limited issue 10,000 12% Debentures of the nominal value of ₹ 60,00,000 as follows : 5

(i) To a vendor for purchase of fixed assets worth ₹ 13,00,000 – ₹ 15,00,000 nominal value.

(ii) To sundry persons for cash at 90% of nominal value of ₹ 30,00,000.

(iii) To the banker as collateral security for a loan of ₹ 14,00,000 – ₹ 15,00,000 nominal value.

You are required to pass necessary Journal Entries.

(c) Discuss the factors taken into consideration for calculation of depreciation. 5

© The Institute of Chartered Accountants of India