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FOR CA FOUNDATION EXAM PREPARATION

CA Foundation 2021 Question Paper · Paper 1 Accounting

EXAM	YEAR	TYPE	SUBJECT
CA Foundation	2021	Question Paper	Paper 1 Accounting

DATE

December 2021

DEC 2021

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

HQV

Roll No. .....

Total No. of Printed Pages : 12

Total No. of Questions : 6

Maximum Marks : 100

Time allowed : 3 Hours

INSTRUCTIONS TO CANDIDATES

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.

SEAL

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

(i) Any amount spent to minimize the working expenses is revenue expenditure.

(ii) Expenses incurred on the repairs for the first time on purchase of an old building are capital expenditure.

(iii) The provision for bad debts is debited to sundry debtors account.

(iv) Non-participating preference shareholders enjoy voting rights.

(v) There is no entry passed by the consignee in his books for the remaining stock of goods lying with him.

(vi) Discount column of the cash book is never balanced.

(6 × 2 = 12 Marks)

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(b) The following are the details of the spare parts of an Oil Mill:

1-1-2021	Opening Inventory	Nil
1-1-2021	Purchases	10 units @ ₹ 300 per unit
15-1-2021	Issued for consumption	5 units
1-2-2021	Purchases	20 units @ ₹ 400 per unit
15-2-2021	Issued for consumption	10 units
20-2-2021	Issued for consumption	10 units

Find out the value of Inventory as on 31-3-2021, if the company follows Weighted Average Method. (4 Marks)

(c) Explain the followings:

(i) Accrual Basis of Accounting

(ii) Amortisation

(iii) Contingent Assets

(iv) Contingent Liabilities

(4 Marks)

2. (a) From the following information, draw up a Trial Balance in the books of Shri M as on 31st March, 2021:

Particulars	Amount (₹.)	Particulars	Amount (₹.)
Capital	1,40,000	Purchases	36,000
Discount Allowed	1,200	Carriage Inward	8,700
Carriage Outwards	2,300	Sales	60,000

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Return Inward	300	Return Outwards	700
Rent and Taxes	1,200	Plant and Machinery	80,700
Stock on 1st April 2020	15,500	Sundry Debtors	20,200
Sundry Creditors	12,000	Investments	3,600
Commission Received	1,800	Cash in Hand	100
Cash at Bank	10,100	Motor Cycle	34,600
Stock on 31st March 2021	20,500		

(5 Marks)

(b) On 1st January, 2019 Kohinoor Transport Company purchased a Bus for ₹. 8,00,000. On 1st July, 2020 this bus was damaged due to fire and was completely destroyed and ₹. 6,00,000 were received by a cheque from the Insurance Company in full settlement on 1st October, 2020. On 1st July, 2020 another Bus was purchased by the company for ₹. 10,00,000.

The Company charges Depreciation @ 20% per annum under the WDV Method. Calculate the amount of depreciation for the year ended 31st March 2021 and gain or loss on the destroyed Bus.

(5 Marks)

(c) According to the cash-book of G,there was a balance of ₹ 4,45,000 in his bank on 30th June, 2021. On investigation you find that :

(i) Cheques amounting to ₹ 60,000 issued to creditors have not been presented for payment till the date.

(ii) Cheques paid into bank amounting to ₹1,10,500, out of which cheques amounting to ₹ 55,000 only collected by the bank up to 30th June 2021.

(iii) A dividend of ₹ 4,000 and rent amounting to ₹ 60,000 received by the bank and entered in the pass-book but not recorded in the cash book.

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(iv) Insurance premium(up to 31st December, 2021) paid by the bank ₹ 2,700 not entered in the cash book.

(v) The payment side of the cash book had been under cast by ₹ 500.

(vi) Bank charges ₹ 150 shown in the pass book had not been entered in the cash book.

(vii) A bill payable of ₹ 20,000 had been paid by the bank but was not entered in the cash book and bill receivable for ₹ 6,000 had been discounted with the bank at a cost of ₹ 100 which had also not been recorded in cash book.

You are required:

(1) To make the appropriate adjustments in the cash book, and

(2) To prepare a statement reconciling it with the bank pass book.

(10 Marks)

3. (a) On 12th May, 2020 A sold goods to B for ₹. 36,470 and drew upon the later two bills one for ₹. 16,470 at one month and the other for ₹. 20,000 at three months. B accepted both the bills.

On 5th June, 2020 A sent both the bills to his banker for collection on the due dates. The first bill was duly met. But due to some temporary financial difficulties, B failed to honour the second bill on the due date and the bank had to pay ₹ 20 as noting charges.

However, on 16th August, 2020 it was agreed between A and B that B would immediately pay ₹. 8,020 in cash and accept a new bill at 3 months for ₹. 12,480 which included interest for postponement of the part payment of the dishonoured bill. A immediately sent new acceptance to its bank for collection on the due date. On 1st October, 2020 B approached A offering ₹. 12,240 for retirement of his acceptance. A accepted the request.

You are required to pass journal entries of all the above transactions in the books of A.

(10 Marks)

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(b) Mr. Grow and Mr. Green had the following mutual dealings. They desired to settle their account on the average due date:

Purchases by Grow from Green:	₹
6th January, 2021	60,000
2nd February, 2021	28,000
31st March, 2021	20,000
Sales by Grow to Green:	
6th January, 2021	66,000
9th March, 2021	24,000
20th March, 2021	5,000

You are asked to ascertain the average due date taking base date as 6th January 2021.

(5 Marks)

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

(i) From the following details, prepare an account current, as sent by A to B on 30th June, 2021 by means of product method charging interest @ 6% p.a.:

2021	Particulars	Rs.
January 1	Balance due from B	600
January 11	Sold goods to B	520
January 18	B returned goods	125
February 11	B paid by cheque	400
February 14	B accepted a bill drawn by A for one month	300
April 29	Goods sold to B	615
May 15	Received cash from B	700

(5 Marks)

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(ii) A,B and C are partners in a firm. On 1st April, 2019, their fixed capital stood at ₹. 50,000, ₹. 25,000 and ₹. 25,000 respectively.

As per the provisions of partnership deed :

(1) C was entitled for a salary of ₹. 5000 p.a.

(2) All the partners were entitled to interest on capital at 5% p.a.

(3) Profits and losses were to be shared in the ratio of Capitals of the partners.

Net Profit for the year ended 31st March, 2020 of ₹. 33,000 and 31st March, 2021 of ₹ 45,000, was divided equally without providing for the above adjustments.

You are required to pass an adjustment journal entry to rectify the above errors.

(5 Marks)

4. (a) The Income and Expenditure Account of the Women Club for the Year ended on December 31, 2021 is as follows:

Expenditure	₹	Income	₹
To Salaries	47,500	By Subscription	75,000
To General Expenses	5,000	By Entrance Fees	2,500
To Audit Fee	2,500	By Contribution for Annual Dinner	10,000
To Secretary's Honorarium	10,000		
To Stationary and Printing	4,500	By Annual Sports Meet Receipts	7,500
To Annual Dinner Expenses	15,000		
To Interest and Bank charges	1,500		
To Depreciation	3,000		
To Surplus	6,000		
	95,000		95,000

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This account had been prepared after the following adjustments:

	₹
Subscription outstanding at the end of 2020	6,000
Subscription received in advance on 31st December, 2020	4,500
Subscription received in advance on 31st December, 2021	2,700
Subscription outstanding on 31st December, 2021	7,500

Salaries outstanding at the beginning and end of the year 2021 were respectively ₹ 4,000 and ₹ 4,500. General Expenses include insurance prepaid to the extent of ₹ 600. Audit fee for the year 2021 is as yet unpaid. During the year 2021 audit fee for the year 2020 was paid amounting to ₹ 2,000.

The Club owned a freehold lease of ground valued at ₹1,00,000. The club had sports equipment on 1st January, 2021 valued at ₹ 26,000. At the end of the year 2021, after depreciation, this equipment amounted to ₹27,000. In the year 2020, the Club had raised a bank loan of ₹ 20,000. This was outstanding throughout the year 2021. On 31st December, 2021 cash in hand was ₹16,000.

You are required to:

Prepare the Receipts and Payments Account for the year ended on December 31, 2021 and the Balance Sheet as on that date.

(10 Marks)

(b) A and B are partners, sharing profits and losses in the proportion of 3/4th and 1/4th. As at 31st March, 2021, following is the Balance Sheet of A and B:

Balance Sheet as at 31st March, 2021

Liabilities		(₹)	Assets	(₹)
Capital accounts:			Cash in hand	1,15,000
A	2,85,000		Cash at bank	1,10,000
B	1,55,000	4,40,000	Sundry debtors	1,60,000
Creditors		3,75,000	Stock	2,00,000

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General reserve	60,000	Bills receivable	30,000
		Land and building	2,50,000
		Office furniture	10,000
	8,75,000		8,75,000

They agreed to take C into Partnership on 1st April, 2021 on the following terms :

(i) Goodwill is to be valued at ₹. 2,00,000. C is unable to bring cash for his share of goodwill. So, it was decided that due credit for goodwill be given to A and B for their sacrifice in favour of C through C's current account.

(ii) C pays ₹. 1,40,000 as his capital for 1/5th share in the future profits.

(iii) Stock and Furniture be reduced by 10%.

(iv) A provision @ 5% for doubtful debts be created on debtors.

(v) Land and building be appreciated by 20%.

(vi) Capital Accounts of the partners be readjusted on the basis of their profit-sharing arrangement and any excess or deficiency is to be transferred to their Current Accounts.

Prepare Revaluation Account and Partners Capital Accounts.

(10 Marks)

5. (a) Pass the Journal entries to rectify the following errors detected during preparation of the Trial Balance :

(i) Wages paid for construction of office building debited to wages account ₹. 20,000.

(ii) A credit sale of goods ₹. 1,200 to Ramesh has been wrongly passed through the Purchase Book.

(iii) An amount of ₹. 2,000 due from Mahesh Chand which had been written off as a bad debt in the previous year was unexpectedly recovered and has been posted to the personal account of Mahesh Chand.

(iv) Goods (Cost being ₹. 5,000 and Sales price being ₹. 6,000) distributed as free samples among prospective customers were not recorded anywhere.

(v) Goods worth ₹. 1,500 returned by Green have not been recorded anywhere.

(5 Marks)

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(b) On 31st March, 2021 the Trial Balance of Mr. Black was as follows:

Particulars	Debit (₹.)	Particulars	Credit (₹.)
Stock on 1/4/2020:		Sundry Creditors	1,50,000
Raw Materials	2,10,000	Bills Payables	75,000
Work-in-Progress	95,000	Sale of scrap	25,000
Finished Goods	1,55,000	Commission received	4,500
Sundry Debtors	2,40,000	Provision for doubtful debts	16,500
Carriages on Purchases	15,000	Capital account	10,00,000
Bills Receivables	1,50,000	Sales	16,72,000
Wages	1,30,000	Bank overdraft	85,000
Salaries	1,00,000		
Telephone and Postage	10,000		
Repairs to office furniture	3,500		
Cash at Bank	1,70,000		
Office Furniture	1,00,000		
Repairs to Plant	11,000		
Purchases	8,50,000		
Plant and Machinery	7,00,000		
Rent	60,000		
Lighting	13,500		
General Expenses	15,000		
	30,28,000		30,28,000

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The following additional information is available:

Stocks on 31st March, 2021 were:

Raw materials	₹ 1,62,000
Finished goods	₹ 1,81,000
Work-in-progress	₹ 78,000

Salaries and wages unpaid for the year ended 31st March, 2021 were respectively, ₹ 9,000 and ₹ 20,000. Machinery is to be depreciated by 10% and office furniture by 7½%. A provision for doubtful debts is to be maintained @ 1% of sales. Rent is to be charged as to 3/4 to factory and 1/4 to office. Lighting is to be charged as to 2/3 to factory and 1/3 to office.

Prepare the Manufacturing Account, Trading Account and Profit and Loss Account for the year ended on 31st March, 2021.

(15 Marks)

6. (a) Fashion Garments Ltd invited applications for issuing 10,000 Equity Shares of ₹10 each. The amount was payable as follows: -

(i)	On Application	-	Rs. 1 per share
(ii)	On Allotment	-	Rs. 2 per share
(iii)	On First call	-	Rs. 3 per share
(iv)	On Second and Final Call	-	Rs. 4 per share

The issue was fully subscribed. Ram to whom 100 shares were allotted, failed to pay the allotment money and his shares were forfeited immediately after the allotment. Shyam to whom 150 shares were allotted, failed to pay the first call. His shares were also forfeited after the first call. Afterwards the second and final call was made. Mohan to whom 50 shares were allotted failed to pay the second and final call. His shares were also forfeited. All the forfeited shares were re-issued at ₹. 9 per share fully paid -up.

Pass necessary Journal entries in the books of Fashion Garments Ltd.

(15 Marks)

(b) Discuss the following:

(i) What do you mean by principal books of accounts?

(ii) What are the rules of posting of journal entries into the Ledger?

(5 Marks)

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