

FOUNDATION COURSE
PAPER – 1: 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) A claim that an enterprise is pursuing through legal process, where the outcome is uncertain, is a contingent liability.
 - (ii) If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will disagree.
 - (iii) Stock at the end, if appears in the trial balance, is taken only to the Balance Sheet.
 - (iv) Re-issue of forfeited shares is allotment of shares but not a sale.
 - (v) Both revenue and capital nature transactions are recorded in the Receipts and Payments Account.
 - (vi) Since company has existence independent of its members, it continues to be in existence despite the death, insolvency or change of members. **(6 Statements x 2 Marks = 12 Marks)**
- (b) Distinguish between Money Measurement concept and Matching concept. **(4 Marks)**
- (c) The following are the details of the spare parts of a Chemical Mill:
- | | | |
|-----------|------------------------|----------------------------|
| 1-1-2024 | Opening Inventory | Nil |
| 1-1-2024 | Purchases | 100 units @ ₹ 300 per unit |
| 15-1-2024 | Issued for consumption | 50 units |
| 1-2-2024 | Purchases | 200 units @ ₹ 400 per unit |
| 15-2-2024 | Issued for consumption | 100 units |
| 20-2-2024 | Issued for consumption | 100 units |
- Find out the value of Inventory as on 31.3.2024, if the company follows Weighted Average Method. **(4 Marks)**
- (12+4+4 =20 Marks)**

in the books of Saraswat & Sons. Give the necessary entries to correct them.

- (i) Furniture purchased for office use amounting to ₹ 20,000 has been entered in the purchase day book.
 - (ii) An amount of ₹ 3,000 due from Satyam, which had been written off as bad debts in the previous year, recovered in the current year, and had been posted to the personal Account of Satyam.
 - (iii) Minor Repairs made to the building amounting to ₹ 18,500 were debited to the Building Account
 - (iv) Goods purchased from Ram Singh amounting to ₹ 18,000 have remained unrecorded so far.
 - (v) College fees of proprietor's son, ₹ 15,000 debited to the Audit fees Account.
 - (vi) Receipt of ₹ 4,500 from Kanika credited to the Anita.
 - (vii) Goods amounting to ₹ 8,900 had been returned by a customer and were taken into inventory, but no entry was made in the books.
 - (viii) ₹ 7,500 paid for wages to workmen for making office furniture had been charged to wages account.
 - (ix) Salary paid to a clerk ₹ 18,000 has been debited to his personal account.
 - (x) A purchase of goods from Raghav amounting to ₹ 20,000 has been wrongly entered through the sales book. **(10 Marks)**
- (b) S Chand & Associates purchased a machine for ₹ 3,00,000 on 1.1.2021 Another machine costing ₹4,50,000 was purchased on 1.7.2022. On 31.12.2023 the machine purchased on 1.1.2021 was sold for ₹1,50,000. The company provides depreciation at 15% on Written Down Value Method. The company closes its accounts on 31st December every year. Prepare – (i) Machinery Account, (ii) Machinery Disposal Account and (iii) Provision for Depreciation Account. **(10 Marks)**

(10 +10 = 20 Marks)

3. (a) P, Q, R and S had been carrying on business in partnership sharing profits & losses in the ratio of 4:3:2:1. They decided to dissolve the partnership on the basis of following Balance Sheet as on 30th April, 2024:

| Liabilities | Amount (₹) | Assets | Amount (₹) |
|-------------------|------------|----------------------|------------|
| Capital Accounts | | Land & building | 2,46,000 |
| P 2,16,000 | | Furniture & fixtures | 65,000 |
| Q <u>1,44,000</u> | 3,60,000 | Stock | 1,00,000 |
| | | Debtors | 72,500 |

| | | | |
|------------------|----------|--------------------|----------|
| | | Cash in hand | 15,500 |
| Sundry creditors | 36,000 | Capital overdrawn: | |
| Mortgage loan | 1,10,000 | R 1,000 | |
| | | S <u>6,000</u> | 7,000 |
| | 5,06,000 | | 5,06,000 |

- (i) The assets were realized as under: ₹
- | | |
|----------------------|----------|
| Land & building | 2,30,000 |
| Furniture & fixtures | 42,000 |
| Stock | 72,000 |
| Debtors | 65,000 |
- (ii) Expenses of dissolution amounted to ₹ 7,800.
- (iii) Further creditors of ₹ 18,000 had to be met.
- (iv) R became insolvent and nothing was realized from his private estate.

Applying the principles laid down in Garner Vs. Murray, prepare the Realisation Account, Partners' Capital Accounts and Cash Account.

(12 Marks)

- (b) Mr. Dilip furnishes the following trial balance and some other information:

Trial Balance as on 31st March, 2024

| Particulars | ₹ | ₹ |
|--------------------------------------|-----------|-----------|
| Capital | | 19,50,000 |
| Purchases and Sales | 12,90,000 | 29,10,000 |
| Opening Inventory | 3,30,000 | |
| Freights Inward | 1,20,000 | |
| Salaries | 6,30,000 | |
| Administration Expenses | 4,50,000 | |
| Furniture | 10,50,000 | |
| Trade receivables and Trade payables | 6,30,000 | 5,70,000 |
| Returns | 60,000 | 36,000 |
| Discount allowed and Received | 57,000 | 27,000 |
| Bad Debts | 15,000 | |
| Investments in Government Securities | 3,00,000 | |
| Cash in Hand and Cash at Bank | 5,67,000 | |
| Input CGST | 30,000 | |
| Input SGST | 30,000 | |
| Output CGST | | 24,000 |
| Output SGST | | 24,000 |

| | | |
|-------------|-----------|-----------|
| Output IGST | | 18,000 |
| | 55,59,000 | 55,59,000 |

Additional information

(i) Inventory as on 31st march,2024 was ₹ 5,40,000.

(ii) Furniture is depreciated at 15% per annum.

Prepare Trading Account, Profit and Loss Account and Balance Sheet as on 31st March, 2024 of Mr. Dilip. **(8 Marks)**

(12+8 = 20 Marks)

4 (a) New State Society showed the following position on 31st March, 2023:

Balance Sheet as on 31st March, 2023

| Liabilities | ₹ | Assets | ₹ |
|------------------|------------------|--------------------------|------------------|
| Capital fund | 15,86,000 | Electrical fittings | 3,00,000 |
| Expenses payable | 14,000 | Furniture | 1,00,000 |
| | | Books | 8,00,000 |
| | | Investment in securities | 3,00,000 |
| | | Cash at bank | 50,000 |
| | | Cash in hand | <u>50,000</u> |
| | <u>16,00,000</u> | | <u>16,00,000</u> |

The receipts and payment account for the year ended on 31st March, 2024 is given below:

| | ₹ | | ₹ |
|--------------------------------|-----------------|------------------------------|-----------------|
| To Balance b/d | | By Electric charges | 14,400 |
| Cash at bank 50,000 | | By Postage and stationary | 10,000 |
| Cash in hand <u>50,000</u> | 1,00,000 | By Telephone charges | 10,000 |
| To Entrance fee | 60,000 | By Books purchased | 1,20,000 |
| To Membership subscription | 4,00,000 | By Outstanding expenses paid | 14,000 |
| To Sale proceeds of old papers | 3,000 | By Rent | 1,76,000 |
| To Hire of lecture hall | 40,000 | By Investment in securities | 80,000 |
| To Interest on securities | 16,000 | By Salaries | 1,32,000 |
| | | By Balance c/d | |
| | | Cash at bank | 40,000 |
| | | Cash in hand | <u>22,600</u> |
| | <u>6,19,000</u> | | <u>6,19,000</u> |

You are required to prepare Income and Expenditure account for the year ended 31st March, 2024 after making the following adjustments:

Membership subscription included ₹ 20,000 received in advance.

Provide for outstanding rent ₹ 8,000 and salaries ₹ 6,000.

Books to be depreciated @ 10% per annum including additions. The additions to the books were made on 01.04.2023. Electrical fittings and furniture are also to be depreciated @ 10% per annum.

60% of the entrance fees is to be capitalized.

Interest on securities is to be calculated @ 15% p.a. including purchases made on 1.10.2023 for ₹ 80,000. **(8 Marks)**

- (b) The following is the Balance Sheet of M/s. Krishna Bros as at 31st March, 2024, they share profit and losses equally:

Balance Sheet as at 31st March, 2024

| Liabilities | | ₹ | Assets | | ₹ |
|-----------------|-------|--------|------------------------------------|--------------|--------|
| Capital | Amit | 24,600 | Machinery | | 30,000 |
| | Lalit | 24,600 | Furniture | | 16,800 |
| | Sumit | 27,000 | Fixture | | 12,600 |
| General Reserve | | 9,000 | Cash | | 9,000 |
| Trade payables | | 14,100 | Inventories | | 5,700 |
| | | | Trade receivables | 27,000 | |
| | | | Less: Provision for Doubtful debts | <u>1,800</u> | 25,200 |
| | | 99,300 | | | 99,300 |

Sumit died on 1st April, 2024 and the following agreement was to be put into effect.

- Assets were to be revalued: Machinery to ₹ 35,100; Furniture to ₹ 13,800; Inventory to ₹ 4,500.
- Goodwill was valued at ₹ 18,000 and was to be credited with his share, without using a Goodwill Account.
- ₹ 6,000 is to be paid to the executors of the dead partner on 5th April, 2024.
- After death of Sumit, Amit and Lalit shares the profit equally.

You are required to prepare:

- Journal Entry for Goodwill adjustment.
- Revaluation Account, Capital Accounts of the partners and Balance Sheet after the death of Sumit. **(12 Marks)**

(8 +12 = 20 Marks)

5. (a) Ali draws a bill for ₹45,000 on Akbar on 15th April, 2024 for 3 months, which is returned by Akbar to Ali after accepting the same. Ali gets it discounted with the bank for ₹ 44,100 on 18th April, 2024 and remits one-third amount to Akbar. On the due date Ali fails to remit the amount due to Akbar, but he accepts bill of ₹ 52,500 for 3 months, which Akbar discounts for ₹51,300 and remits ₹ 8,475 to Ali.

Pass necessary Journal entries for the above transactions in the books of Ali. **(5 Marks)**

- (b) Varun does not maintain proper books of accounts. However, he maintains a record of his bank transactions and also is able to give the following information from which you are requested to prepare trading and profit and loss account for the year 2024:

| | 1.1.2024 | 31.12.2024 |
|--------------|----------|------------|
| | ₹ | ₹ |
| Stock | 50,000 | 62,500 |
| Fixed Assets | 7,500 | 9,000 |

Details of his bank transactions were as follows:

| | ₹ |
|---|--------|
| Sale of fixed assets (book value ₹ 2,500) | 1,750 |
| Expenses paid | 49,250 |
| Purchase of fixed assets | 5,000 |

No cash transactions took place during the year. Goods are sold at cost plus 25%. Cost of goods sold was ₹ 2,60,000. **(5 Marks)**

- (c) Following is the extract of the Balance Sheet of Substance Ltd. as at 31st March, 2024

| Authorised capital: | ₹ |
|--|------------------|
| 45,000 12% Preference shares of ₹ 10 each | 4,50,000 |
| 4,50,000 Equity shares of ₹ 10 each | <u>45,00,000</u> |
| | <u>49,50,000</u> |
| Issued and Subscribed capital: | |
| 36,000 12% Preference shares of ₹ 10 each fully paid | 3,60,000 |
| 4,05,000 Equity shares of ₹ 10 each, ₹ 8 paid up | 32,40,000 |
| Reserves and surplus: | |
| General Reserve | 5,40,000 |
| Capital Reserve (profit realized on sale of plant) | 1,80,000 |
| Securities premium | 1,12,500 |
| Profit and Loss Account | 9,00,000 |

On 1st April, 2024, the Company has made final call @ ₹ 2 each on 4,05,000 equity shares. The call money was received by 20th April, 2024. Thereafter, the company decided to capitalize its reserves by way of

bonus at the rate of one share for every four shares held. Company decides to use Capital Reserve for bonus issue as it has been realized in cash.

Show necessary journal entries in the books of the company and prepare the extract of the Balance Sheet as on 30th April, 2024 after bonus issue.

(10 Marks)

(5+5+10=20 Marks)

6. (a) X Limited issued 2,00,000 Equity shares of, 10 each at a premium of 10%, payable ₹ 2 on application; ₹ 4 on allotment (including premium); ₹ 2 on first call and balance on the final call. All the shares were fully subscribed. Mr. P who held 20,000 shares paid full remaining amount on first call itself. The final call which was made after 4 months from the first call was fully paid except a shareholder having 2,000 shares and one another shareholder having 1,000 shares. They paid their due amount after 3 months and 4 months respectively along with interest on calls in arrears, Company also paid interest on calls in advance to Mr. P. The Company maintains Calls in Arrear and Calls in Advance A/c. Give journal entries to record these transactions. Show workings of Interest calculation. **(15 Marks)**
- (b) From the following particulars, prepare a Bank Reconciliation Statement on 31st March 2024.

| Particulars | Amount (₹) |
|---|------------|
| Bank balance as per Pass Book | 75,00,000 |
| Bills discounted dishonored not recorded in Cash Book | 37,50,000 |
| Cheque received entered twice in Cash Book | 75,000 |
| Bank charges entered twice in Cash Book | 15,000 |
| Insurance premium paid directly by Bank understanding instruction | 4,50,000 |
| Cheque issued but not presented to Bank for payment | 37,50,000 |
| Cheque received, but not sent to Bank | 84,00,000 |
| Cheque deposited in Bank, but no entry passed in the Cash Book | 37,50,000 |
| Credit side of the Bank column cast short | 15,000 |

OR

- (c) Explain in brief objective and advantages of setting Accounting Standards. **(5 Marks)**

(15 + 5 = 20 Marks)