



J.K. SHAH[®]
TEST SERIES
Evaluate Learn Succeed

SUGGESTED SOLUTION

CA FOUNDATION

SUBJECT- ACCOUNTS

Test Code – CFN 9255

BRANCH - () (Date :)

Head Office : Shraddha, 3rd Floor, Near Chinai College, Andheri (E), Mumbai – 69.

Tel : (022) 26836666

ANSWER : 1 (A)

- (i) This is one sided error. Trivedi & Co. account is credited instead of debit. Amount posted to the wrong side and therefore while rectifying the account, double the amount (Rs. 800) will be taken.

Before Trial Balance	After Trial Balance	After Final Accounts
No Entry	Trivedi & Co. A/c. Dr. 800	Trivedi & Co. A/c. Dr. 800
Debit Trivedi A/c. Rs. 800 with	To Suspense A/c. 800	To Suspense A/c. 800

- (ii) Purchase of Rs. 420 is wrongly recorded through sales by book as Rs. 240.

Correct Entry	Entry Made Wrongly
Purchase A/c. Dr. 420 To Mantri & Co. A/c. 420	Mantri & Co. Dr. 240 To Sales A/c. 240

Rectification Entry

Before Trial Balance	After Trial Balance	After Final Accounts
Sales A/c Dr. 240 Purchase A/c. Dr. 420 To Mantri & Co A/c.. 660	Sales A/c Dr. 240 Purchase A/c. Dr. 420 To Mantri & Co. A/c. 660	Profit & Loss Adj. A/c. Dr. 660 To Mantri & Co. A/c. 660

(5 MARKS)**ANSWER : 1(B)**

In the books of 'X'

Goods on sales or return, sold and returned day book

Date	Party to whom goods sent	L.F.	Amount	Date	Sold	Returned
2017			Rs.	2017	Rs.	Rs.
Dec. 10	M/s ABC Co.		10,000	Dec. 25	10,000	-
Dec. 12	M/s DEF Co.		15,000	Dec. 16	-	15,000
Dec. 15	M/s GHI Co.		12,000	Dec. 20	10,000	2,000
Dec. 20	M/s DEF Co.		16,000	Dec. 24	16,000	-
Dec. 25	M/s ABC Co.		11,000	Dec. 28	11,000	-
Dec. 30	M/s GHI Co.		13,000	-		
			77,000		47,000	17,000

Goods on Sales or Return Total Account

2017		Amt. Rs.	2017		Amt. Rs.
Dec. 31	To Returns	17,000	Dec. 31	By Goods sent on sales or return	77,000
	To Sales	47,000			
	To Balance c/d	13,000			
		77,000			77,000

(5 MARKS)

ANSWER : 2

In the books of A
Consignment Account

Dr.			Cr.		
		Amt.			Amt.
2017		Rs.	2017		Rs.
Feb. 18	To Goods sent on consignment account	1,00,000	March 15	By B's account (Sales) (600 × Rs. 160)	96,000
Feb. 18	To Cash / Bank A/c. (Expenses)	1,500	May 20	By B's account (Sales) (300 × Rs. 170)	51,000
Feb. 18	To B's account (Clearance charges)	3,000	June 30	By Consignment Stock (Working note 2)	10,450
June 30	To B's account				
	Selling Expenses (900 × Rs. 20)	18,000			
	Commission (Working note 1)	24,900			
June 30	To Profit and loss account (Profit on consignment transferred)	10,050			
		1,57,450			1,57,450

(5 Marks)

B's Account

Dr.			Cr.		
		Amt.			Amt.
2017		Rs.	2017		Rs.
March 15	To Consignment A/c.(Sales)	96,000	Feb 18	By Consignment A/c. (Clearance charges)	3,000
May 20	To Consignment A/c. (Sales)	51,000	June 30	By Consignment account :	
				Selling expenses	18,000
				Commission	24,900
			June 30	By Cash / Bank A/c.	1,01,100
		1,47,000			1,47,000

(3 Marks)

Working Notes :**1. Calculation of total commission :**

Let total commission be x

$$x = 900 \times \text{Rs. } 25 + \frac{1}{4} [(\text{Rs. } 96,000 + \text{Rs. } 51,000) - x - (900 \times \text{Rs. } 125)]$$

$$x = \text{Rs. } 22,500 + \frac{1}{4} [\text{Rs. } 1,47,000 - x - \text{Rs. } 1,12,500]$$

$$x = \text{Rs. } 22,500 + \frac{1}{4} [\text{Rs. } 34,500 - x]$$

$$4x + x = \text{Rs. } 90,000 + \text{Rs. } 34,500$$

$$5x = \text{Rs. } 1,24,500$$

$$x = \text{Rs. } 24,900$$

2. Valuation of consignment stock :

100 DVD players @ Rs. 100 each

Rs.
10,000Add : Proportionate expenses of A $\frac{(\text{Rs. } 1,500 \times 100)}{1,000}$

150

Proportionate expenses paid by B $\frac{(Rs.3,000 \times 100)}{1,000}$

300

10,450

(2 Marks)

ANSWER : 3

(A)

	Particulars	L.F.	Dr. Rs.	Cr. Rs.
(1)	Sales Account Sales Returns Account To Suspense Account (Being the value of goods returned by Mr. Sharma wrongly posted to Sales and omission of debit to Sales Returns Account, now rectified)	Dr. Dr.	10,000 10,000	20,000
(2)	Suspense Account To Mr. Philip (Being wrong debit to Mr. Philip for goods returned by him, now rectified)	Dr.	30,000	30,000
(3)	Mr. Ghanshyam To Mr. Radheshyam To Suspense Account (Being Omission of debit to Mr. Ghanshyam and wrong credit to Mr. Radheshyam for sale of Rs. 20,000, now rectified)	Dr.	20,000	2,000 18,000
(4)	Bad Debts Account To Suspense Account (Being the amount of Bad Debts written of not adjusted in General Ledger, now rectified)	Dr.	45,000	45,000
(5)	Discount Account To Suspense Account (Being the total of Discount allowed during September, 2018 not posted from the Cash Book; error now rectified)	Dr.	25,000	25,000

(5 MARKS)

(B)

Consignment Account

Particulars	Rs.	Particulars	Rs.
To Goods sent on consignment A/c (800 x Rs. 900)	7,20,000	By Consignee's A/c-Sales (740 x 100 x Rs.12)	8,88,000
To Cash A/c (expenses 800 x Rs.100)	80,000	By Cash A/c (insurance claim)	570
To Consignee's A/c: Recurring expenses	22,500	By Profit and loss account (abnormal loss)	430
Non-recurring expenses	39,950	By Consignment stock A/c	61,950

Commission @ 2% on Rs. 8,88,000	17,760	$(838950 \times \frac{59}{799})$	
Del-credere commission @ 1% on Rs. 8,88,000	8,880		
To Profit and loss A/c (profit on consignment)	61,860		
	9,50,950		9,50,950

(5 MARKS)

ANSWER : 4

Bank Reconciliation Statement on 31st March, 2017

(Rs.)

Bank Balance as per Cash book				27,570
Add :	(i)	Subsidy from government received directly by the bank not recorded in the Cash Book	10,250	
	(ii)	Debit balance of Rs. 2,156 brought forward as credit balance on 20 th March, 2017 in the Cash Book	4,312	
	(vi)	Cheque issued returned marked 'out of date'	1,725	16,287
				43,857
Less :	(ii)	Cash Book under cast on 15 th March, 2017	350	
	(iv)	Discount allowed to a customer, however entry made at gross amount in the Cash Book	100	
	(v)	Commission charged by bank on discounting of bill, not considered in Cash Book	200	
	(vii)	Insurance Premium paid directly by bank understanding instructions	756	
	(viii)	Discounted B/R dishonoured; not entered in Cash Book	1,530	
	(ix)	Bank recorded short cash deposit	45	2,981
Balance as per Bank Statement				40,876

(10 MARKS)

ANSWER : 5**(A)****Journal**

	Particulars	L.F.	Debit Rs.	Credit Rs.
1.	Purchases A/c Sales A/c To Ram (Correction of wrong entry in the sales Book for a purchases of goods from Ram)	Dr. Dr.	150 150	300
2.	Ramesh To Purchases A/c To Sales A/c (Correction of wrong entry in the Purchases Book of a credit sale of goods to Ram)	Dr.	240	120 120
3.	Returns Inwards A/c To Hari Saran (Entry of goods returned by him and taken in inventory omitted from records)	Dr.	300	300
4.	Mahesh Chand To Bad Debts Recovered A/c (Correction of wrong credit to Personal A/c in respect of recovery of previously written off bad debts)	Dr.	200	200
5.	Man Mohan To Sales Return A/c (Correction of wrong debit to Sales Returns A/c for dishonour of cheque received from Man Mohan)	Dr.	100	100

Thus it can be said that errors detected before the preparation of trial balance can be rectified either through rectification statements (not entries) or through rectification entries.

(5 MARKS)**(B)****In the Books of A
Journal Entries**

Date	Particulars	L.F.	Rs.	Rs.
2016 March 31	Sales A/c To X's A/c To Y's A/c (Being the cancellation of original entry for sale in respect of goods lying with customers awaiting approval)	Dr.	7,000	4,000 3,000
31-Mar	Inventories with Customers on Sale or Return A/c To Trading A/c (Note 1) (Being the adjustment for cost of goods lying with customers awaiting approval)	Dr.	5,600	5,600
30-Apr	Trade receivables A/c (X) To Sales A/c (Being goods costing Rs. 3,200 sent to Mr. X on sale or return basis has been accepted by him)	Dr.	4,000	4,000

Balance Sheet of A & Co. as on 31st March, 2016 (Extracts)

Liabilities	Rs.	Assets	Rs.	Rs.
		Trade receivables (Rs.1,00,000 - Rs.7,000)		93,000
		Inventories-in-trade	60,000	
		Add: Inventories with customers on Sale or Return	5,600	65,600
				1,58,600

Notes:

- (1) Cost of goods lying with customers = $100/125 \times \text{Rs. } 7,000 = \text{Rs. } 5,600$
- (2) No entry is required on 10th April, 2016 for goods returned by Mr. Y. Goods should be included physically in the Inventories-in-trade.

(5 MARKS)