



**J.K. SHAH<sup>®</sup>**  
**TEST SERIES**

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**SUGGESTED SOLUTION**

**CA FOUNDATION**

**SUBJECT- ACCOUNTS**

**Test Code – CFN 9270**

**BRANCH - () (Date :)**

**Head Office : Shraddha, 3<sup>rd</sup> Floor, Near Chinai College, Andheri (E), Mumbai – 69.**

**Tel : (022) 26836666**

**ANSWER -1****ANSWER -A**

- (i) Revenue Expenditure
- (ii) Capital Expenditure
- (iii) Capital Expenditure
- (iv) Revenue Expenditure
- (v) Capital Expenditure

**(5\*1 = 5 MARKS)****ANSWER –B**

Limitations which must be kept in mind while evaluating the Financial Statements are as follows :

The factors which may be relevant in assessing the worth of the enterprise don't find place in the accounts as they cannot be measured in terms of money.

Balance Sheet shows the position of the business on the day of its preparation and not on the future date while the users of the accounts are interested in knowing the position of the business in the near future and also in long run and not for the past date.

Accounting ignores changes in some money factors like inflation etc.

There are occasions when accounting principles conflict with each other.

Certain accounting estimates depend on the sheer personal judgement of the accountant.

Different accounting policies for the treatment of same item adds to the probability of manipulations.

**(5 MARKS)****ANSWER -2****ANSWER -A****Statement of Valuation of Stock on 31<sup>st</sup> March, 2018**

		Rs.	Rs.
	Value of stock as on 15 <sup>th</sup> April, 2018		50,000
Add :	Cost of sales during the period from 31 <sup>st</sup> March, 2018 to 15 <sup>th</sup> April, 2018		
	Sales (Rs. 41,000 – Rs. 1,000)	40,000	
	Less : Gross Profit (20% of Rs. 40,000)	8,000	32,000
	Cost of goods sent on approval basis (80% of Rs. 6,000)		4,800
			86,800
Less :	Purchases during the period from 31 <sup>st</sup> March, 2018 to 15 <sup>th</sup> April, 2018	5,034	
	Unsold stock out of goods received on consignment basis	2,400	7,434

	(30% of Rs. 8,000)		
			79,366

(5 MARKS)

**ANSWER –B**

**Journal Entries in the books of Gama Bros.**

	Particulars	Dr. Amt. (Rs.)	Cr. Amt. (Rs.)
(i)	Advance salary A/c. To Purchase A/c. (Being entry made for stock taken by employees)	7,500	7,500
Next Month	Salary A/c To Advance Salary A/c (Being stock taken by employees in previous month, now recorded in Salary A/c)	7,500	7,500
(ii)	Machinery A/c. To Cash A/c. (Being wages paid for erection of machinery)	8,000	8,000
(iii)	Drawings A/c. To Petty Cash A/c. (Being the income tax of proprietor paid out of business money)	1,700	1,700
(iv)	Purchase A/c. To Cash A/c. To Discount Received A/c. (Being the goods purchased from Naveen for Rs. 2,000 @ 10% trade discount and cash discount of Rs. 50)	1,800	1,750 50

(5 MARKS)

**ANSWER -3**

**ANSWER -A**

Normally, the following subsidiary books are used in a business:

- (i) Cash book to record receipts and payments of cash, including receipts into and payments out of the bank and petty cash book if required.
- (ii) Purchases book to record credit purchases of goods dealt in or of the materials and stores required in the factory.
- (iii) Purchase Returns Books to record the returns of goods and materials previously purchased.
- (iv) Sales Book to record the sales of the goods dealt in by the firm.
- (v) Sale Returns Book to record the returns made by the customers.
- (vi) Bills receivable books to record the receipts of promissory notes or hundies from various parties.
- (vii) Bills Payable Book to record the issue of the promissory notes or hundies to other

parties.

(viii) Journal (proper) to record the transactions which cannot be recorded in any of the seven books mentioned above.

(5 MARKS)

ANSWER –B

PETTY CASH BOOK

Receipts	Date	V. No.	Particulars	Total	Con-veyance	Cartage	Statio-nery	Postage & Telegrams	Wages	Sundries
Rs.	2019			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
20,000	April 1		To Cash							
	2	1	By Conveyance	500	500					
	3	2	By Cartage	2,500		2,500				
	4	3	By Postage and Telegrams	500				500		
	5	4	By Wages	600					600	
	5	5	By Stationery	400			400			
	6	6	By Repairs to machine	1,500						1,500
	6	7	By Conveyance	100	100					
	7	8	By Cartage	400		400				
	7	9	By Postage and Telegrams	700				700		
	8	10	By Cartage	3,000		3,000				
	9	11	By Stationery	2,000			2,000			
	10	12	By Sundry Expenses	5,000						5,000
				17,200	600	5,900	2,400	1,200	600	6,500
			By Balance c/d	2,800						
20,000				20,000						
2800			To Balance b/d							

17,200	11	To Cash							
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(5 MARKS)

**ANSWER -4**

**ANSWER –A**

**Triple column cash book**

Dr.					Cr.				
Date	Particulars	Discount	Cash	Bank	Date	Particulars	Discount	Cash	Bank
2017		Rs.	Rs.	Rs.	2017		Rs.	Rs.	Rs.
Nov. 1	To Balance b/d	-	3,000	12,000	Nov. 2	By Bank (C)		1,000	
Nov. 2	To Cash (C)	-	-	1,000	Nov. 5	By Furniture A/c.			1,500
Nov. 12	To Mohan	20	980		Nov. 8	By Purchase A/c.		500	
Nov. 14	To Sales A/c.		5,000		Nov. 16	By Amar	50		1,450
Nov. 19	To Cash (C)			500	Nov. 19	By Bank (C)		500	
Nov. 24	To Parul (Note 2)	20	1,430		Nov. 23	By Drawings A/c.			600
Nov. 26	To Cash (C)			1,430	Nov. 26	By Bank (C)		1,430	
Nov. 28	To Bank (C)		2,000		Nov. 28	By Cash (C)			2,000
		-----	-----	-----	Nov. 30	By Rent A/c.			800
		40	12,410	14,930	Nov. 30	By Balance c/d.	-	8,980	8,580
							50	12,410	14,930
Dec. 1	To Balance b/d		8,980	8,580					

**Note :**

- (1) Discount allowed and discount received Rs. 40 and Rs. 50 respectively should be posted in respective accounts in the ledger.
- (2) When cheque is not promptly deposited into Bank, first it is entered in the Cash Column and subsequently at the time of deposit, Bank Account is debited and Cash Account is credited.

(5 MARKS)

**ANSWER –B**

Trial Balance as on 30th June, 2017		
Heads of Accounts	Debit ₹	Credit ₹
Provision for Doubtful Debts	–	200
Bank overdraft	–	1,654
Capital	–	4,591
Trade payables	–	1,637
Trade receivables	2,983	–
Discount Received	–	252
Discount allowed	733	–
Drawings	1,200	–
Office furniture	2,155	–
General Expenses	829	–
Purchases	10,923	–
Returns Inward	330	–
Rent & Rates	314	–
Salaries	2,520	–
Inventory	2,418	–
Provision for Depreciation on Furniture	–	364
Sales	–	16,882
Suspense Account (Balancing figure)	1,175	–
<b>Total</b>	<b>25,580</b>	<b>25,580</b>

**(5 MARKS)****ANSWER - 5****ANSWER –A**

As per Money Measurement concept, only those transactions, which can be measured in terms of money are recorded. Since money is the medium of exchange and the standard of economic value, this concept requires that those transactions alone that are capable of being measured in terms of money be only to be recorded in the books of accounts. Transactions and events that cannot be expressed in terms of money are not recorded in the business books.

In **Matching concept**, all expenses matched with the revenue of that period should only be taken into consideration. In the financial statements of the organization if any revenue is recognized then expenses related to earn that revenue should also be recognized.

**(5 MARKS)****ANSWER –B****Profit and Loss Adjustment Account**

	Dr.		Cr.
	Rs.		Rs.
To Advertisement (samples)	40,000	By Net profit	6,00,000
To Sales (goods approved in April to be taken as April)	1,00,000	By Electric fittings	15,000

sales: 7,500 + 2,500)			
		By Samples	40,000
		By Stock (purchases of March not included in stock)	2,50,000
To Adjusted net profit	10,40,000		
		By Sales (goods sold in March wrongly taken as April sales)	2,00,000
		By Stock (goods sent on approval basis not included in stock)	75,000
	<b>11,80,000</b>		<b>11,80,000</b>

**Calculation of value of inventory on 31st March, 2016**

	₹
Stock on 31st March, 2016 (given)	3,75,000
Add: Purchases of March, 2016 not included in the stock	2,50,000
Goods lying with customers on approval basis	75,000
	7,00,000

**(5 MARKS)**