



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

SUGGESTED SOLUTION

CA FOUNDATION

SUBJECT- ACCOUNTS

Test Code – CFN 9310

BRANCH - () (Date :)

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

Tel : (022) 26836666

- NOTES: (1) WORKING NOTES SHOULD FORM PART OF ANSWERS.
 (2) INTERNAL WORKING NOTES SHOULD ALSO BE CONSIDERED.
 (3) NEW QUESTION SHOULD BE ON NEW PAGE

ANSWER -1

ANSWER -A

Taking May 18 as the zero or base date

For Yusuf's payments:

<i>Date of Transactions</i>	<i>Due Date</i>	<i>Amount</i>	<i>No. of days from the base date</i>	<i>Products</i>
(1)	(2)	(3)	(4)	(5)
April 18	May 18	12,000	0	0
May 15	June 15	14,000	28	3,92,000
June 16	July 16	<u>16,000</u>	59	<u>9,44,000</u>
Amount Due to Yogesh		42,000	Sum of products	<u>13,36,000</u>

For Yogesh's payments

Taking same base date i.e. May 18

<i>Date of Transactions</i>	<i>Due Date</i>	<i>Amount</i>	<i>No. of days from the base date</i>	<i>Products</i>
(1)	(2)	(3)	(4)	(5)
April 23	May 23	10,600	5	53,000
May 24	June 24	<u>10,000</u>	37	<u>3,70,000</u>
Amount Due to Y		<u>20,600</u>	Sum of products	<u>4,23,000</u>

$$\begin{aligned} \text{Excess of Yusuf's products over Yogesh's} &= \text{Rs. } 13,36,000 - \text{Rs. } 4,23,000 \\ &= \text{Rs. } 9,13,000 \end{aligned}$$

$$\text{Excess amount due to Yogesh Rs. } 42,000 - \text{Rs. } 20,600 = \text{Rs. } 21,400$$

Number of days from the base date to the date of settlement is $9,13,000 / 21,400 = 42.66$ days i.e. 43 days

Hence the date of settlement of the balance amount is 43 days after May 18 i.e., on June 30. Yusuf has to pay Yogesh, Rs. 21,400 to clear the account.

(5 MARKS)

ANSWER - B

In the books of Mr. Perfect
Mr. Smart in Account Current with Mr. Perfect
(Interest to 31st March, 2019 @ 12% p.a.)

(By means of product)

<i>Date 2019</i>	<i>Particulars</i>	<i>Due Date</i>	<i>Amount Rs.</i>	<i>Days</i>	<i>Product</i>	<i>Date 2019</i>	<i>Particulars</i>	<i>Due Date</i>	<i>Amount Rs.</i>	<i>Days</i>	<i>Product</i>
Jan 12	To Sales A/c	Feb. 1	30,000	58	17,40,000	Jan. 1	By Balance b/d	Jan. 1	3,500	90	3,15,000
Jan 31	To Sales A/c	Feb. 15	27,500	44	12,10,000	Feb. 15	By Cash A/c	Feb. 15	40,000	44	17,60,000
Mar. 31	To Interest		130			Feb. 20	By Cash A/c	Feb. 20	7,500	39	2,92,500
	3,96,500/365 12 x 100					Mar. 10	By Sales returns	Mar. 10	7,000	21	1,47,000
						Mar. 25	By Cash A/c	Mar. 25	6,500	6	39,000
Mar. 31	To Balance c/d		6,870			Mar. 31	By Balance of products				3,96,500
			<u>64,500</u>						<u>64,500</u>		<u>29,50,000</u>

(5 MARKS)

ANSWER -2

**Corrected Receipts and Payments Account of Trustwell Club
for the year ended 31st March, 2018**

Receipts	Rs.	Amt.	Payments	Amt.
To Balance b/d		450	By Expenses	
To Subscription Annual Income	4,590		(Rs. 6,300 – Rs. 2,700)	3,600
Less : Receivable as on 31.3.2018	270		By Sports Material	2,700
Add : Advance received for the year 2018 – 2019	90		By Balance c/d (Cash in hand and at Bank)	90,720
Add : Receivable as on 31.3.2017	180			
Less : Advance received as on 31.3.2017	90	4,500		
To Other Fees		1,800		
To Donation for Building		90,000		
To Sale of Furniture		270		
		97,020		97,020

(3 MARKS)

**Income and Expenditure Account of Trustwell club
for the year ended 31st March, 2018**

Expenditure	Amount	Income	Amount
	Rs.		Rs.
To Sundry Expenses	3,600	By Subscription	4,590
To Sports Material		By Other fees	1,800
Balance as on 1.4.2017	6,660	By Interest on investment (5% on Rs. 27,000)	1,350
Add : Purchases	2,700	By Deficit Excess of Expenditure over Income	3,600
Less : Balance as on 31.3.2018	1,800		
To Loss on sale of Furniture	180		
	11,340		11,340

(3 MARKS)

**Balance Sheet of Trustwell club
as on 31st March, 2018**

Liabilities	Amt.	Assets	Amount
	(Rs.)		
Capital fund	36,000	Furniture	1,800
Less : Excess of Expenditure	3,600	Less : Sold	450
Over Income		5% Investment	27,000
Building Fund	90,000	Interest Accrued on Investment	1,350
Subscription Received in Advance	90	Sports Material	1,800
		Subscription Receivable	270
		Cash in Hand and at Bank	90,720

1,22,490

1,22,490

(4 MARKS)

Working Note :

Balance sheet of Trustwell Clubas on 1st April, 2017

Liabilities	Amount Rs.	Assets	Amount Rs.
Subscription		Furniture	1,800
Received in Advance	90	Investment	27,000
Capital Fund	36,000	Sports Material	6,660
(Balancing Figure)		Subscription Receivable	180
		Cash in Hand and at Bank	450
	36,090		36,090

ANSWER -3

ANSWER -A

Taking 19.6.2018 as a Base date

Transaction Date	Due Date	Amount	Days from 19 th June	Products (Rs.)
8.3.2018	11.7.2018	4,000	22	88,000
16.3.2018	19.6.2018	5,000	0	0
7.4.2018	10.9.2018	6,000	83	4,98,000
17.5.2018	20.8.2018	<u>5,000</u>	62	<u>3,10,000</u>
		<u>20,000</u>		<u>8,96,000</u>

$$\text{Average Due Date} = \text{Base date} + \frac{\text{Total of product}}{\text{Total of amount}}$$

$$= 19.6.2018 + \text{Rs. } 8,96,000 / \text{Rs. } 20,000$$

$$= 19.6.2018 + 44.8 \text{ days (or 45 days approximately)}$$

$$= 3.8.2018$$

Mehnaaz wants to save interest of Rs. 157. The yearly interest is Rs. 20,000 x 18%

$$= \text{Rs. } 3,600.$$

Assume that days corresponding to interest of Rs. 157 are Y.

$$\text{Then, } 3,600 \times Y / 365 = \text{Rs. } 157$$

$$\text{or } Y = 157 \times 365 / 3,600 = 15.9 \text{ days or 16 days (Approx.)}$$

Hence, if Mehnaaz wants to save Rs. 157 by way of interest, she should prepone the payment of amount involved by 16 days from the Average Due Date. Hence, she should make the payment on 18.7.2018 (3.8.2018 – 16 days).

(5 MARKS)

ANSWER –B**Mr. A in Account Current with Mr. X****(interest upto 15th March, 2016 @ 10% p.a.)**

Dr.					Cr.				
Date	Particulars	Amt.	Days	Product	Date	Particulars	Amt.	Days	Product
2016					2016				
Jan 01	To Balance b/d	4,000	75	3,00,000	Jan 29	By Purchase A/c.	1,200	46	55,200
Jan 15	To Sales A/c.	2,230	60	1,33,800	Feb. 10	By Cash A/c.	1,000	34	34,000
Mar. 13	To Red Ink product (Rs. 2,000 × 29)			58,000	Mar. 13	By Bills receivable A/c.	2,000		
Mar. 15	To Interest A/c. $\left(\frac{\text{Rs. } 4,02,600 \times 10 \times 1}{100 \times 366}\right)$	110			Mar. 15	By Balance of product			4,02,600
						By Balance c/d (amount to be paid)	2,140		
		6,340		4,91,800			6,340		4,91,800

(5 MARKS)**ANSWER – 4****Smith Library Society****Income and Expenditure Account****For the year ended 31st March, 2018**

Dr.			Cr.		
Expenditure	Rs.	Rs.	Income		Rs.
To Electric charges		7,200	By Entrance fee (25% of Rs. 30,000)		7,500
To Postage & stationary		5,000	By Membership subscription	2,00,000	1,90,000
To Telephone charges		5,000	Less : Received in advance	10,000	
To Rent	88,000		By Sale proceeds of old papers		1,500
Add : Outstanding	4,000	92,000	By Hire of lecture hall		20,000
To Salaries	66,000		By Interest on securities (W.N. 2)	8,000	
Add : Outstanding	3,000	69,000	Add : Receivable	500	8,500
To Depreciation (W.N.1)			By Deficit – excess of expenditure over income		16,700
Electrical fittings	15,000				
Furniture	5,000				
Book	46,000	66,000			
		2,44,200			2,44,200

(4 MARKS)

Balance Sheet of Smith Library Society

as on 31st March, 2018

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Capital Fund	7,93,000		Electrical fittings	1,50,000	
Add : Entrance fees	22,500		Less : Depreciation	(15,000)	1,35,000
	8,15,500		Furniture	50,000	
Less : Excess of expenditure over income	(16,700)	7,98,800	Less : Depreciation	(5,000)	45,000
Outstanding expenses : Books				4,60,000	
Rent	4,000		Less : Depreciation	(46,000)	4,14,000
Salaries	3,000	7,000	Investments		
Membership subscription in advance		10,000	Securities	1,90,000	
			Accrued interest	500	1,90,500
			Cash at bank		20,000
			Cash in hand		11,300
		8,15,800			8,15,800

(4 MARKS)

Working Notes :

1. Depreciation	Rs.	
Electrical fittings 10% of Rs. 1,50,000	15,000	
Furniture 10% of Rs. 50,000	5,000	
Books 10% of Rs. 4,60,000	46,000	
2. Interest on Securities		
Interest @ 5% p.a. on Rs. 1,50,000 for full year	7,500	
Interest @ 5% p.a. on Rs. 40,000 for half year	1,000	8,500
Less : Received		(8,000)
Receivable		500

(2 MARKS)

ANSWER – 5

Income and Expenditure Account of Mumbai Club for the year ended 31st December, 2018

Dr.					Cr.
Expenditure	Rs.	Rs.	Income	Rs.	Rs.
To Salary		2,000	By Donation	5,000	
To Repair expenses		500	Less: Capitalised (50%)	<u>2,500</u>	2,500
To Misc. expenses	500		By Subscriptions	12,000	
Less: Prepaid	<u>90</u>	410	Add: Outstanding	<u>900</u>	
To Insurance premium	200			12,900	
Add: Outstanding	<u>40</u>	240	Less: Advance for 2019	<u>350</u>	12,550

To Paper, ink etc.	150	By Entrance fees	1,000
To Drama expenses	500	By Interest on investment	300
To Surplus-excess of income over expenditure	14,150	[100+8/100x6,000x5/12]	
		By Interest received from bank	400
		By Sale of old newspapers	150
		By Sale of drama tickets	<u>1,050</u>
	<u>17,950</u>		<u>17,950</u>

(4 MARKS)

Balance Sheet of Mumbai Club

as on 31st December, 2018

<i>Liabilities</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Capital fund			Billiard table	30,000
Opening balance	36,000		Furniture	6,000
Add: Surplus	14,150		Investments	6,000
Donations	<u>2,500</u>	52,650	Interest accrued	200
Outstanding insurance premium		40	Prepaid expenses	90
Subscription received in advance		350	Subscriptions receivable	900
			Cash in hand	2,650
			Cash at bank	<u>7,200</u>
		<u>53,040</u>		<u>53,040</u>

(4 MARKS)

Working Note:

Balance Sheet of Mumbai Club

as on 31st December, 2017

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Capital fund	36,000	Billiard table	30,000
(balancing figure)		Cash in hand	4,000
Creditors for billiard table	<u>8,000</u>	Cash at bank	<u>10,000</u>
	<u>44,000</u>		<u>44,000</u>

(2 MARKS)

