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**SUGGESTED SOLUTION**  
**FOUNDATION N'18 EXAM**

**SUBJECT- ACCOUNTS**

**Test Code – CFN 9068**

**(Date :09.09.2018)**

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## ANSWER-1

(If the books are not closed on 31st December, 2017)

### Bank Reconciliation Statement of Mr. Gadbadwala as on 31st Dec., 2017

Particulars	Rs.	Details (Rs.)	Amount Rs.
Balance as per the Cash Book			8,36,400
Add : Mistake in bringing forward Rs.15,260 debit balance as credit balance on 18th Dec., 2017		30,520	
Cheques issued but not presented :			
Issued	11,514		
Cashed	7,815	3,699	
Dividends directly collected by bank but not yet entered in the Cash Book		25,000	
Cheque recorded twice in the Cash Book		3,50,000	
Deposit not recorded in the Bank column		1,50,000	5,599,219
			13,95,619
Less : Wrong casting in the Cash Book on 15th Dec.		10,000	
Cheques issued but not entered in the Bank column		1,31,000	
Subscription paid by the bank directly not yet recorded in the Cash Book		1,000	(1,42,000)
Balance as per the Pass Book			12,53,619

(6 MARKS)

If the books are to be closed on 31st December, then adjusted cash book will be prepared as given below:

### ADJUSTED CASH BOOK

Particulars	Amount Rs.	Particulars	Amount Rs.
To Balance b/d	8,36,400	By wrong casting	10,000
To error for wrong posting	30,520	By cheques not entered	1,31,000
To dividends collected by bank	25,000	By subscription	1,000
To cheques recorded twice	3,50,000	By balance c/d	12,49,920
To deposit not recorded	1,50,000		
	<b>13,91,920</b>		<b>13,91,920</b>

(3 MARKS)

### Bank Reconciliation Statement

Particulars	Amount Rs.
Balance as per the Cash Book (corrected)	12,49,920
Add: Cheques issued but not yet presented	3,699
Balance as per the Pass Book	12,53,619

(1 MARK)

## ANSWER-2

(i)

### Journal in the Books of Sheru Ltd.

Date	Particulars	LF	(₹ 00)	(₹ 00)
2017 Apr 1	Bank A/c To Debenture Application A/c (Being debenture application money received for 1,20,000 debentures)		1,14,000	1,14,000
	Debenture Application A/c Discount on Issue of Debenture A/c To 12% Debenture A/c To Bank A/c (Being application money transferred to debenture account and excess refunded)	Dr Dr	1,14,000 5,000	1,00,000 19,000

(2 MARKS)

(ii)

### Discount on Issue of Debenture A/c

Date	Particulars	Rs.'00	Date	Particulars	Rs.'00
1.4.17	To 12% Debentures A/c	5,000	31.3.18	By Profit & Loss A/c	1,000
			31.3.18	By Balance c/d	4,000
		<u>5,000</u>			<u>5,000</u>
1.4.18	To Balance b/d	4,000	31.3.19	By Profit & Loss A/c	1,000
			31.3.19	By Balance c/d	3,000
		<u>4,000</u>			<u>4,000</u>
1.4.19	To Balance b/d	3,000	31.3.20	By Profit & Loss A/c	1,000
			31.3.20	By Balance c/d	2,000
		<u>3,000</u>			<u>3,000</u>
1.4.20	To Balance b/d	2,000	31.3.21	By Profit & Loss A/c	1,000
			31.3.21	By Balance c/d	1,000
		<u>2,000</u>			<u>2,000</u>
1.4.21	To Balance b/d	1,000	31.3.22	By Profit & Loss A/c	1,000
		<u>1,000</u>			<u>1,000</u>

(3 MARKS)

(iii)

Interest A/c

Date	Particulars	₹'00	Date	Particulars	₹'00
31.3.18	To Debentureholder A/c	12,000	31.3.18	By Profit & Loss A/c	12,000
		<u>12,000</u>			<u>12,000</u>
31.3.19	To Debentureholder A/c	12,000	31.3.19	By Profit & Loss A/c	12,000
		<u>12,000</u>			<u>12,000</u>
31.3.20	To Debentureholder A/c	12,000	31.3.20	By Profit & Loss A/c	12,000
		<u>12,000</u>			<u>12,000</u>
31.3.21	To Debentureholder A/c	12,000	31.3.21	By Profit & Loss A/c	12,000
		<u>12,000</u>			<u>12,000</u>
31.3.22	To Debentureholder A/c	12,000	31.3.22	By Profit & Loss A/c	12,000
		<u>12,000</u>			<u>12,000</u>
		12,000			12,000

(2 MARKS)

Debenture holder A/c

Date	Particulars	Rs.'00	Date	Particulars	Rs.'00
31.3.18	To Bank A/c	10,800	31.3.18	By Interest A/c	12,000
31.3.18	To TDS A/c	1,200			<u>12,000</u>
		<u>12,000</u>			
31.3.19	To Bank A/c	10,800	31.3.19	By Interest A/c	12,000
31.3.19	To TDS A/c	1,200			<u>12,000</u>
		<u>12,000</u>			
31.3.20	To Bank A/c	10,800	31.3.20	By Interest A/c	12,000
31.3.20	To TDS A/c	1,200			<u>12,000</u>
		<u>12,000</u>			
31.3.21	To Bank A/c	10,800	31.3.21	By Interest A/c	12,000
31.3.21	To TDS A/c	1,200			<u>12,000</u>
		<u>12,000</u>			
31.3.22	To Bank A/c	10,800	31.3.22	By Interest A/c	12,000
31.3.22	To TDS A/c	1,200			<u>12,000</u>
		<u>12,000</u>			

(3 MARKS)

### ANSWER-3

If a Suspense Account is not opened.

- (a) Since sales book has been cast Rs.100 short, the Sales Account has been similarly credited Rs.100 short. The correcting entry is to credit the Sales Account by Rs.100 as "By wrong totalling of the Sales Book Rs.100".
- (b) To rectify the omission, the Returns Inwards Account has to be debited and the account of Green & Co. credited. The entry:

Returns Inward Account To Green & Co. (Goods returned by the firm, previously omitted from the Returns Inward Book)	Dr.	Rs. 150	Rs. 150
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- (c) Gupta & Co. have been debited Rs.250 instead of being credited. This account should now be credited by 500 to remove the wrong debit and to give the correct debit. The entry will be on the credit side... "By errors in posting Rs.500".
- (d) By this error Purchases Account has to be debited by Rs.1,000 whereas the debit should have been to the Furniture Account. The correcting entry will be:

Furniture Account Dr. To Purchases Account (Correction of the mistake by which of the Furniture Account)		Rs. 1,000	Rs. 1,000
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- (e) The discount of Rs.15 received from Red & Black should have been entered on the credit side of the cashbook. Had this been done, the Discount Account would have been credited (through the total of the discount column) and Red & Black would have been debited. This entry should not be made:

Red & Black To Discount Account (Rectification of the error by which the discount allowed by the firm was not entered in Cash Book)	Dr.	Rs. 15	Rs. 15
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- (f) In this case the account of the customer has been correctly posted; the Discount Account has been debited Rs.18 short since it has been omitted from the discount column on the debit side of the cashbook. The discount account should now be debited by the entry; "To Omission of entry in the Cash Book Rs.18."

**(6\*0.5=3 MARKS)**

If a Suspense Account is opened :

	Particulars	L.F.	Debit Rs.	Credit Rs.
a.	Suspense Account Dr. To Sales Account (Being the correction arising from under- casting of Sales Day Book)		100	100
b.	Return Inward Account Dr. To Green & Co. (Being the recording of unrecorded returns)		150	150
c.	Suspense Account Dr. To Gupta & Co. (Being the correction of the error by which Gupta & Co. was debited instead of being credited by Rs. 250).		500	500
d.	Furniture Account Dr. To Purchases Account (Being the correction of recording purchase of furniture as ordinary purchases)		1,000	1,000
e.	Red & black Dr. To Discount Account (Being the recording of discount omitted to be recorded)		15	15
f.	Discount Account Dr. To Suspense Account (Being the correction of omission of the discount allowed from Cash Book customer's account already posted correctly).		18	18

(6 MARKS)

Dr. Suspense Account  
Cr.

Date	Particulars	Amount Rs.	Date	Particulars	Amount Rs.
	To Sales A/c	100		By Difference in Trial Balance	582
	To Gupta & Co.	500		By Discount A/c	18
		<b>600</b>			<b>600</b>

(1 MARK)

**Notes:**

- (i) One should note that the opening balance in the Suspense Account will be equal to the difference in the trial balance.
- (ii) If the question is silent as to whether a Suspense Account has been opened, the student should make his assumption, state it clearly and then proceed.

**ANSWER-4****ANSWER-A****Sale or Return Account**

Date	Particulars	Rs.	Date	Particulars	Rs.
2016			2016		
31-May	To Sundries: Sales	24,000	31-May	By Sundries	
15-Jun	To Sundries: Returned	43,000		(Goods sent on sale or return basis)	
15-Jun	To Balance c/d	26,000			93,000
		93,000		By Balance b/d	93,000
					26,000

**(4 MARKS)****P's Account**

Date	Particulars	Rs.	Date	Particulars	Rs.
2016			2016		
May 31	To sale or Return A/c	15,000	May 31	By sale or Return A/c	15,000

**(1 MARK)****ANSWER-B**

The method of correction of error indicated so far is appropriate when the errors have been located before the end of the accounting period. After the corrections the trial balance will agree. Sometimes the trial balance is artificially made to agree inspite of errors by **opening a suspense account** and putting the difference in the trial balance to the account - the suspense account will be debited if the total of the credit column in the trial balance exceeds the total of the debit column; it will be credited in the other case. Each and every error detected can only be corrected by a complete journal entry. Those errors for which journal entries were not possible at the earlier stage will now be rectified by a journal entry(s), the difference or the unknown side is being taken care of by suspense account. Those errors for which entries were possible even at the first stage will now be rectified in the same way.

**(5 MARKS)**

**ANSWER-5****Delhi Artware Ltd.****Cash Book****Dr.****Cr.**

	Rs.		Rs.
To Equity Shares Applications Account (application money on 50,000 shares at Rs.25)	12,50,000	By Balance c/d	14,440,000
To Preference Share Application A/c (application money on 1,00,000 shares at Rs. 20)	20,00,000		
To Equity Share Allotment A/c (allotment money on 50,000 shares at Rs.20)	10,00,000		
To Preference Share Allotment A/c (allotment money on 1,00,000 shares at Rs.30)	30,00,000		
To Equity Shares First Call A/c (Rs. 30 on 50,000 shares)	15,00,000		
To Preference Share First Call A/c (Rs.20 on 1,00,000 shares)	20,00,000		
To Equity Shares Final Call A/c (Rs. 25 on 42,000 shares) To Preference Share Final A/c (Rs.30 on 88,000 shares)	10,50,000		
	26,40,000		
	14,440,000		14,440,000
To Balance b/d	14,440,000		

**(4 MARKS)****Journal**

		Rs.	Rs.
Equity Share Application A/c	Dr.	12,50,000	
Equity Share Allotment A/c	Dr.	10,00,000	
To Equity Share Capital A/c			22,50,000
[The Credit to share capital on allotment of 50,000 equity shares at Rs. 45 per share (Rs. 25 on application and Rs. 20 on allotment) allotted as per Directors resolution no.... dated ]			



Preference Share Application A/c	Dr.	20,00,000	
Preference Share Allotment A/c	Dr.	30,00,000	
To Preference Share Capital A/c			50,00,000
[The credit to Preference Share Capital on allotment of 1,00,000 preference shares at Rs. 50 per share (Rs. 20 on application and Rs.30 on allotment), allotted as per Directors' resolution no...dated...]			
Equity Share First Call A/c	Dr.	15,00,000	
To Equity Share Capital A/c			15,00,000
(Amount due on 50,000 equity shares at Rs.30 per share as per Directors' resolution no...dated...)			
Preference Share First Call A/c	Dr.	20,00,000	
To Preference Share Capital A/c			20,00,000
(Amount due on 1,00,000 preference shares at Rs.20 per share, as per Directors' resolution no...dated...)			
Equity Share Final Call A/c	Dr.	12,50,000	
To Equity Share Capital A/c			12,50,000
(Amount due on final call on 50,000 equity shares at Rs.25 per share, as per Directors' resolution no...dated...)			
Preference Share Final Call A/c	Dr.	30,00,000	
To Preference Share Capital A/c			30,00,000
(Amount due on final call on 1,00,000 preference shares at Rs. 30 per share, as per Directors' resolution no... dated...)			

**(6\*1=6 MARKS)**

**Note:** Students may note that cash transactions have not been journalised as these have been entered in the Cash Book.