



J.K. SHAH[®]
TEST SERIES
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SUGGESTED SOLUTION

CA FOUNDATION MAY 2019 EXAM

SUBJECT- ACCOUNTS

Test Code - CFN 9116

BRANCH - () (Date :)

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

Tel : (022) 26836666

Answer 1:

	Particulars	L.F.	Debit Rs.	Credit Rs.
i	Suspense Account To Return Outward A/c	Dr.	6,160	6,160
ii	Suspense Account To Discount Allowed Account To Discount Received Account	Dr.	2,640	1,320 1,320
iii	Suspense Account To Sales Account	Dr.	10,000	10,000
iv	Suspense Account To Customer Account	Dr.	270	270
v	Suspense Account To Vehicle Account To Profit on Sale of Vehicle Account	Dr.	1,500	1,200 300
vi	Telephone Charges Account To Outstanding Expenses Account	Dr.	560	560
vii	Bad Debts Account To Trade receivables Account Provision for Doubtful Debts Account Dr. To Profit and Loss Account	Dr.	1,560 1,642	1,560 1,642
viii	Loose Tools Account To Purchases Account	Dr.	1,200	1,200
ix	Drawings Account To Purchases Account	Dr.	1,960	1,960

1. Bad debts will be debited in the profit and loss account.
2. Provision @ 10% of Rs.21,560 i.e. 2,156; Excess provision Rs.164 (2320 - 2156 = 164).

(9 marks)**Working Notes:**

i	Trade receivables as per books		23,390
	Deduction vide item (iv) 270	270	
	Bad Debts	1,560	1,830
			21,560

(1 mark)**Answer 2:**

(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
		10,000	13,95,619
Less: Wrong casting in the Cash Book on 15th Dec.		1,31,000	
Cheques issued but not entered in the Bank column		1,000	(1,42,000)
Subscription paid by the bank directly not yet recorded in the Cash Book			12,53,619
Balance as per the Pass Book			

(10 marks)

Answer 3:

(A)

In the books of S. Ltd.

Journal Entries

Date	Particulars	L.F.	Rs.	Rs.
2016 March 31	Return Inwards A/c (Rs.250 X 50) Dr. To Trade receivables A/c (Being the adjustment for 50 units of goods returned by customers to whom goods were sent on sale or return basis)		12,500	12,500
March 31	Sales A/c (Rs.250 X 80) (Note 1) Dr. To Trade receivables A/c (Being the cancellation of original entry for sale in respect of 80 units of goods not yet returned or approved by customers)		20,000	20,000
March 31	Inventories with Customers on Sale or Return A/c Dr. To Trading A/c (Being the cost of goods sent to customers on approval or return basis not yet approved, adjusted)		16,000	16,000

Note: (1) Quantity of goods lying with dealer as on 31.12.2016 = 200 – 50 – 70 = 80 (4 marks)

(B)

The difference between the balance shown by the passbook and the cashbook may arise on account of the following:

- (i) Cheques issued but not yet presented for payment.
- (ii) Cheques deposited into the bank but not yet cleared.
- (iii) Interest allowed by the bank.
- (iv) Interest and expenses charged by the bank.
- (v) Interest and dividends collected by the bank.
- (vi) Direct payments by the bank.
- (vii) Direct deposits into the bank by a customer.
- (viii) Dishonour of a bill discounted with the bank.
- (ix) Bills collected by the bank on behalf of the customer.
- (x) An error committed by the bank etc.

(6 marks)

Answer 4:

Journal Entries

	Particulars	L.F.	Debit Rs.	Credit Rs.
a	Cash Account Dr. To D. Das (Being the amount received)		100	100
b	Returns Inward Account Dr. To Suspense Account (Being the mistake in totaling the Returns Inward Book corrected)		100	100
c	Furniture Account Dr. To Purchases Account (Being the rectification of mistake by which purchase of furniture was entered in Purchases book and hence debited to Purchases Account)		300	300
d	Furniture Account Dr. To Wages Account (Being the wages paid to workmen for making show-cases which should be capitalized and not to be charged to Wages Account)		375	375
e	Suspense Account Dr. To Creditors (personal) Account (Being the mistake in crediting the Trade payables Account less by Rs. 7, now corrected)		7	7
f	P.C. Joshi Dr. To Allowances Account (Being the cheque of P.C. Joshi dishonored, previously debited to Allowances Account)		200	200
g	Drawings Account Dr. To Miscellaneous Expenses (Being the motor cycle purchased for Mr. Dutt debited to his Drawings Account instead of Miscellaneous Expenses Account as previously done by mistake)		1,000	1,000
h	Returns Inward Account Dr. To Debtors (Personal) Account (Correction of the omission to record return of goods by customers)		100	100
i	Singh & Co. Dr. To Suspense Account (Being the correction of mistake by which the account of Singh & Co. was credited by Rs. 200 instead of being debited)		400	400

(9 marks)

Dr.

Suspense Account

Cr.

Date 2015	Particulars	Amount Rs.	Date 2015	Particulars	Amount Rs.
Dec. 31	To Difference in Trial Balance	493	Dec. 31	By Return Inward A/c	100
Dec. 31	To Trade Payables A/c	7	Dec. 31	By Singh & Co.	400
		500			500

(1 mark)

Answer 5:

(A)

In the Books of A

Journal Entries

Date	Particulars	L.F.	Rs.	Rs.
2016 March 31	Sales A/c To Trade Receivables A/c (Being the cancellation of original entry for sale in respect of goods lying with customers awaiting approval)	Dr.	7,000	7,000
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 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

(3 marks)

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

(1 mark)

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.

(B)

Bank Reconciliation Statement

Particulars	Amount Rs.
Balance as per cash book	2,40,000
Add : Cheque issued but not presented	1,36,000
Interest credited	1,250
	3,77,250
Less : Cheque deposited but not yet cleared	(90,000)
Bank charges	(300)
Balance as per pass book	2,86,950

(6 marks)