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SUGGESTED SOLUTION

CA FOUNDATION NOV'19

SUBJECT- ACCOUNTS

Test Code - CFN 9154

BRANCH - () (Date :)

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ANSWER-1

(i)	P & L Adjustment A/c To Suspense A/c (Correction of error by which sales account was overcast last year)	Dr.	1,000	1,000
(ii)	X To Y (Correction of error by which sale of Rs. 5,000 to X was wrongly debited to Y's account)	Dr.	5,000	5,000
(iii)	Suspense A/c To P & L Adjustment A/c (Correct of error by which general expenses of Rs. 180 was wrongly posted as Rs. 810)	Dr.	630	630
(iv)	Bills Receivable A/c	Dr.	1,550	3,100
	Bills Payable A/c To P (Correction of error by which bill receivable of Rs. 1,550 was wrongly passed through BP book)	Dr.	1,550	
(v)	P & L Adjustment A/c To Mrs. Neetu (Correction of error by which legal expenses paid to Mrs. Neetu was wrongly debited to her personal account)	Dr.	1,190	1,190
(vi)	Suspense A/c To Ram	Dr.	3,000	1,500
	To Shyam (Removal of wrong debit to Shyam and giving credit to Ram from whom cash was received)			1,500

(vii)	Suspense A/c	Dr.	90	
	To P&L Adjustment A/c			90
	(Correction of error by which Purchase A/c was excess debited by Rs.90/-, ie: Rs.1,325 – Rs.1,235)			

(7*1 = 7 MARKS)

Suspense A/c

	Rs.		Rs.
To P & L Adjustment A/c	630	By P & L Adjustment A/c	1,000
To Ram	1,500	By Difference in Trial Balance (Balancing figure)	2,720
To Shyam	1,500		
To P&L Adjustment A/c	90		
	3,720		3,720

(3 MARKS)

ANSWER-2

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

(5 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 Books	(5,000)	45,000
Outstanding expenses : Rent	4,000		Less : Depreciation Investments	4,60,000	
			(46,000)		4,14,000
Salaries	3,000	7,000	Securities	1,90,000	
Membership subscription in advance		10,000	Accrued interest	500	1,90,500
			Cash at bank		20,000
			Cash in hand		11,300
		8,15,800			8,15,800

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

(5 MARKS)

ANSWER-3

ANSWER-A

XY in Account Current with AB as on 31st Oct, 2018

		(Rs.)	Days	Product			(Rs.)	Days	Product
				(Rs.)					(Rs.)
01.07.18	To Bal. b/d	1,500	123	1,84,500	28.08.18	By Sales Returns	400	64	25,600
20.8.18	To Sales	2,500	72	1,80,000	25.09.18	By Bank	1,600	36	57,600
31.10.18	To Interest	37			20.10.18	By Cash	1,000	11	11,000
					20.10.18	By Balance of			2,70,300

				31.10.18	Products By Bal. c/d	<u>1,037</u>		
		<u>4,037</u>		<u>3,64,500</u>		<u>4,037</u>		<u>3,64,500</u>

Note:

$$\text{Interest} = ₹ 2,70,300 \times \frac{5}{100} \times \frac{1}{365} = ₹ 37 \text{ (approx.)}$$

(5 MARKS)

ANSWER-B

A	B	C	D = B ± C
	Principal Amount	Interest from Average Due Date to Actual date of Payment	Total amount to be paid
(i) Payment on average due date			
	Rs. 1,75,800	Rs. 1,75,800 x 15/100 x 0/365 = 0	Rs. 1,75,800
(ii) Payment on 28th Aug. 2018			
	Rs. 1,75,800	Rs. 1,75,800 x 15/100 x 18/365 = 1,300 Interest to be charged for period of 18 days from 10 th August 2018 to 28 th Aug. 2018	Rs. 1,77,100
(iii) Payment on 29th July, 2018			
	Rs. 1,75,800	Rs. 1,75,800 x 15/100 x (12)/365 = (867) Rebate has been allowed for unexpired credit period of 12 days from 29.7.2018 to 10.8.2018	Rs. 1,74,933

(5 MARKS)

ANSWER-4

**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

(3.5 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	7,560		
To Loss on sale of Furniture		180		
		11,340		11,340

(3.5 MARKS)

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

Liabilities	Amt. (Rs.)	Assets	Amount
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	270

		Receivable Cash in Hand and at Bank	90,720
	1,22,490		1,22,490

(3 MARKS)

Working Note :

**Balance sheet of Trustwell Club
as on 1st April, 2017**

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

ANSWER-5

ANSWER-A

Calculation of average due date

Alok pays the whole amount on 31st March, 2018 together with interest at 6% per annum.

Due Date	Amount	No. of days from Jan. 1	Product
2018			
Jan. 1	650	0	0
Jan. 15	1,200	14	16,800
Feb. 10	850	40	34,000
March 7	<u>1,500</u>	65	<u>97,500</u>
	<u>4,200</u>		<u>1,48,300</u>

Average due date = Base date + days equal to $\frac{\text{Sum of Products}}{\text{Sum of the amounts}}$

$$= \text{Jan. 1} + \left[\frac{1,48,300}{4,200} \right]$$

$$= \text{Jan. 1} + 35.31 \text{ days}$$

$$= \text{Feb. 6}$$

Interest therefore has been calculated on ₹ 4,200 from 6thFeb. to 31st March, i.e., for 54 days.

$$4,200 \times 6\% \times 54/365 = ₹ 37.28$$

(5 MARKS)

ANSWER-B

An Account Current is a running statement of transactions between parties for a given period of time and includes interest allowed or charged on various items. It takes the form of an ledger account.

There are three ways of preparing an Account Current:

- (i) With help of interest table.
- (ii) By means of products.
- (iii) By means of products of balances.

(2.5 MARKS)

ANSWER-C

In case the due date of a bill falls after the date of closing the account, then no interest is allowed for that. However, interest from the date of closing to such due date is written in "Red-Ink" in the appropriate side of the 'Account current'. This interest is called Red-Ink interest. This Red Ink interest is treated as negative interest. In actual practice, however the product of such bill [value of bill X (due date-closing date)] is written in ordinary ink in the opposite side on which the bill is entered]. It means interest from future date from date of account current i.e., present date. In earlier periods, it was written in red ink; hence it got the name of red ink interest. It implies that rebate will be allowed on interest paid/ received, if settlement of future due transaction is done on account current date.

(2.5 MARKS)