



J.K. SHAH[®]
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SUGGESTED SOLUTION

CA FOUNDATION NOV'19

SUBJECT- ACCOUNTS

Test Code –CFN 9174

BRANCH - () (Date :)

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ANSWER 1 (A)

- a) **False** - Accrual concept implies accounting on 'due' or 'accrual' basis. Accrual basis of accounting involves recognition of revenues and costs as and when they accrue irrespective of actual receipts or payments.
- b) **False** - The Sales book is a register specially kept to record credit sales of goods dealt in by the firm, cash sales are entered in the cash book and not in the sales book.
- c) **False**: Trial balance only checks the arithmetical accuracy of the books. Errors of principle and errors of commission will not affect the agreement of the trial balance.
- d) **False**: Consignment account is a nominal-cum-personal account.
- e) **True**: The balance represents the cash physically in existence and is therefore an asset.

(2 *5=10 MARKS)

ANSWER 1 (B)

- (i) Capital Expenditure
(ii) Revenue receipt
(iii) Capital expenditure
(iv) Capital receipt

(4 MARKS)

ANSWER 2.

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
		-----	-----	-----	Nov. 30	By Balance c/d.	-	8,980	8,580
		40	12,410	14,930			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.

(6 MARKS)**ANSWER 3.****In the books of Mr. Jill****Consignment Account**

Date		Particulars	Rs.	Date		Particulars	Rs.
2018				2018			
Jan. 1	To	Goods sent on Consignment A/c (Invoice price)	1,50,000	Jan. 1	By	Goods sent on Consignment A/c (Loading) Rs. (1,50,000 – 1,00,000)	50,000
	To	Bank A/c – Consignor's Expenses	10,000	Mar. 31	By	Jack – Sales	1,20,000
Mar. 31	To	Jack – Expenses – Commission* (0.05 * Rs. 1,20,000)	3,000 6,000		By	Stock on Consignment A/c 1/5 Rs. (1,50,000 + 10,000 + 3,000)	32,600
Mar. 31	To	Stock Reserve A/c (Rs. 50,000 × 1/5)	10,000				
	To	Profit on Consignment A/c (transferred to Profit and Loss A/c)	23,600				
			<u>2,02,600</u>				<u>2,02,600</u>

*Invoice price of goods sold: = $\frac{4}{5}$ of Rs. 1,50,000 = Rs. 1,20,000.

The goods were sold for Rs. 1,20,000 and hence there was no surplus price.

Therefore, extra commission @ 20% will not be given to Mr. Jack.

(6 MARKS)

Jack's Account

	<i>Particulars</i>	<i>Rs.</i>		<i>Particulars</i>	<i>Rs.</i>	<i>Rs.</i>
To	Consignment A/c		By	Consignment A/c:		
	Sales	1,20,000		Expenses	3,000	
				Commission	<u>6,000</u>	9,000
			By	Bills Receivable A/c		1,00,000
			By	Bank A/c		
				(Balancing figure)		<u>11,000</u>
		<u>1,20,000</u>				<u>1,20,000</u>

(2 MARKS)

ANSWER 4

In the books of Siriman

Journal Entries

Particulars	L.F.		Dr. Rs.	Cr. Rs.
Bills Receivable A/c. To Rita (Being a 3 month's bill drawn on Rita for the amount due)		Dr.	1,00,000	1,00,000
Bank A/c. Discount A/c. To Bills Receivable A/c. (Being the bill discounted)		Dr. Dr.	99,000 1,000	1,00,000
Rita To Bank A/c. (Being the bill cancelled up due to Rita's inability to pay it)		Dr.	1,00,000	1,00,000
Rita To Interest A/c. (Being the interest due on Rs. 50,000 @ 12% for 3 months)		Dr.	1,500	1,500
Bank A/c. To Rita (Being the receipt of a portion of the amount due on the bill together with interest)		Dr.	51,500	51,500
Bills Receivable A/c. To Rita (Being the new bill drawn for the balance)		Dr.	50,000	50,000
Rita To Bills Receivable A/c. (Being the dishonour of the bill due to Rita's insolvency)		Dr.	50,000	50,000
Bank A/c. Bad Debts A/c. To Rita (Being the receipt of 40% of the amount due on the bill from Rita's estate)		Dr. Dr.	20,000 30,000	50,000

(8 MARKS)

ANSWER 5.**Journal Entries**

	Particulars		Dr. (Rs.)	Cr.(Rs.)
(i)	Expenses A/c. To Drawings A/c (Entry for the amount wrongly debited to the latter A/c., now corrected)	Dr.	12,000	12,000
(ii)	Purchase A/c. To Creditors A/c (Entry for purchases not recorded)	Dr.	16,000	16,000
(iii)	Suspense A/c. To Purchase Returns A/c To Sales Returns A/c (Rectification entry for amount wrongly entered in Sales Journal)	Dr.	2,000	1,000 1,000
(iv)	Prepaid Expenses A/c. To Expenses A/c (Prepaid expenses adjusted)	Dr.	6,000	6,000

(4 MARKS)**Trading, Profit and Loss Account of T for the year ending 31st March, 2018****Dr.****Cr.**

		Rs.			Rs.
To Opening stock		60,000	By Sales	22,00,000	
To Purchases	16,00,000		Less : Sales Return		
Add : Amount not recorded	<u>16,000</u>		(99,000 – 1,000)	98,000	21,02,000
	16,16,000		By closing Stock		1,00,000
Less : Purchases Returns					
(69,000 + 1,000)	<u>70,000</u>	15,46,000			
To Gross Profit c/f		5,96,000			
		<u>22,02,000</u>			<u>22,02,000</u>
To Expenses (50,000 – 6,000 + 12,000)		56,000	By Gross Profit		5,96,000
To Rent (17,000 – 5,000)		12,000	BY Interest on Fixed Deposit		20,000
To Depreciation	14,000		By Interest on Investments		20,000
Add : Further Depreciation	<u>10,000</u>	24,000	$\left(2,50,000 \times \frac{12}{100} \times \frac{8}{12}\right)$		
$\left(2,00,000 \times \frac{10}{100} \times \frac{6}{12}\right)$					
To Net Profit		5,44,000			
		<u>6,36,000</u>			<u>6,36,000</u>

(5 MARKS)**Balance Sheet as on 31st March, 2018**

Liabilities		Rs.	Assets		Rs.
Capital	6,00,000		Fixed Assets	1,40,000	
Add : Profit	5,44,000		Additions	<u>2,00,000</u>	
Less : Drawings				3,40,000	
(70,000 – 12,000)	<u>58,000</u>	10,86,000	Less : Depreciation	<u>10,000</u>	3,30,000
Creditors	2,20,000		Stock		1,00,000
Add : Purchases not recorded	<u>16,000</u>	2,36,000	Investments		2,50,000
Overdraft		8,000	Debtors		2,50,000
			Interest accrued		20,000
			Bank fixed deposit		2,00,000
			Prepaid Expenses		11,000
			(6,000 + 5,000)		
			Bank		1,69,000
		<u>13,30,000</u>			<u>13,30,000</u>

(5 MARKS)