



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

CA FOUNDATION

SUBJECT- ACCOUNTS

Test Code – CFN 9309

BRANCH - () (Date :)

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- 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

Bank Reconciliation Statement as on 30th June 2018

	Particulars	Amount	Amount
	Overdraft as per Pass Book (Dr. Balance)		25,000
<i>Add:</i>	Cheques issued but not presented Rs. (34,000- 20,000)	14,000	
	Cheques deposited into the Bank by Customer but not entered in Cash Book	400	
	Bank charges written twice in Cash Book	<u>80</u>	<u>14,480</u>
			39,480
<i>Less:</i>	Cheques received, recorded in cash Book but not sent to the Bank	4,000	
	Cheques sent to the Bank but not collected	6,000	
	Direct payment made by the bank not recorded in the Cash book	600	
	Interest on Overdraft charged by Bank	1,600	
	Insurance charges not entered in Cash Book	70	
	Credit side of bank column of Cash Book was undercast	<u>2,000</u>	
			<u>14,270</u>
	Overdraft as per Cash Book		25,210

(10 MARKS)

ANSWER -2

ANSWER -A

In the books of 'X'

Goods on sales or return, sold and returned day book

Date	Party to whom goods sent	L.F.	Amount	Date	Sold	Returned
2017			Rs.	2017	Rs.	Rs.
Dec. 10	M/s ABC Co.		10,000	Dec. 25	10,000	-
Dec. 12	M/s DEF Co.		15,000	Dec. 16	-	15,000
Dec. 15	M/s GHI Co.		12,000	Dec. 20	10,000	2,000
Dec. 20	M/s DEF Co.		16,000	Dec. 24	16,000	-
Dec. 25	M/s ABC Co.		11,000	Dec. 28	11,000	-
Dec. 30	M/s GHI Co.		13,000	-		
			<u>77,000</u>		<u>47,000</u>	<u>17,000</u>

Goods on Sales or Return Total Account

2017		Amt. Rs.	2017		Amt. Rs.
Dec. 31	To Sundry debtors (return)	17,000	Dec. 31	By sundry debtors (goods sent)	77,000
	To Sundry debtors (sales)	47,000			

	To Balance c/d	13,000			
		77,000			77,000

(5 MARKS)

ANSWER –B

In the books of CE

Journal Entries

Date	Particulars	L.F.	Dr. (in Rs.)	Cr. (in Rs.)
2016 Sept. 15	Trade receivables A/c Dr. To Sales A/c (Being the goods sent to customers on sale or return basis)		1,00,000	1,00,000
Oct. 20	Return Inward A/c (Note 1) Dr. To Trade receivables A/c (Being the goods returned by customers to whom goods were sent on sale or return basis)		40,000	40,000
Dec. 31	Sales A/c Dr. To Trade receivables A/c (Being the cancellation of original entry of sale in respect of goods on sale or return basis)		20,000	20,000
Dec. 31	Inventories with customers on Sale or Return A/c Dr. To Trading A/c (Note 3) (Being the adjustment for cost of goods lying with customers awaiting approval)		15,000	15,000

Working Note:

- (1) Alternatively, Sales account can be debited in place of Return Inwards account.
- (2) No entry is required for receiving letter of approval from customer.
- (3) Cost of goods with customers = $\frac{20,000 \times 100}{133.33} = \text{Rs. } 15,000$

(5 MARKS)

ANSWER -3

Bank Reconciliation Statement as on 31st March, 2018

Particulars	Details Rs.	Amount Rs.
Debit balance as per Cash Book		18,60,000
<i>Add:</i> Cheque issued but not yet presented to bank for payment	3,60,000	
Dividend received by bank not entered in cash book	2,50,000	
Interest credited by bank	<u>6,250</u>	<u>6,16,250</u>
		24,76,250
<i>Less:</i> Cheques deposited into bank but not yet collected	7,70,000	
Bank charges debited by Bank	1,000	
Cheque deposited into bank was dishonoured	1,60,000	
House tax paid by bank	<u>1,75,000</u>	<u>(11,06,000)</u>

Credit balance as per Pass Book

13,70,250

(10 MARKS)

ANSWER -4

ANSWER -A

In the Books of Mr. Ganesh
Journal Entries

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Dr.</i> Rs.	<i>Cr.</i> Rs.
2018 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.	6,500	6,500
March 31	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.	5,000	5,000
April 25	Trade receivables A/c To Sales A/c (Being goods costing worth Rs. 3,900 sent to Mr. Aditya on sale or return basis has been accepted by him)	Dr.	3,900	3,900

Balance Sheet of Mr. Ganesh as on 31st March, 2018 (Extracts)

<i>Liabilities</i>	Rs.	<i>Assets</i>	Rs.	Rs.
		Trade receivables (Rs. 75,000 - Rs. 6,500)		68,500
		Inventories-in-trade	50,000	
		Add: Inventories with customers on Sale or Return	5,000	
				55,000
				1,23,500

Notes:(1) Cost of goods lying with customers = $100/130 \times \text{Rs. } 6,500 = \text{Rs. } 5,000$

- (2) No entry is required on 15th April, 2018 for goods returned by Mr. Bakkiram. Goods should be included physically in the Inventories.

(6 MARKS)

ANSWER -B

Features of sale of goods on approval or return basis: (i) There is a change in the possession of goods from one person to another. (ii) It does not involve transfer of ownership of goods. The ownership is passed only when the retailer gives his approval or if the goods are not returned within that specified period. (iii) The retailer (customer) does not incur any liability when the goods are merely sent to him.

(2 MARKS)

ANSWER -C

When transactions are numerous, a business maintains the following books: (a) Sale or Return Day Book; and (b) Sale or Return Ledger. 'Ledger' contains the accounts of the customers and the 'Sale or Return' Total account. 'Day Book' is the primary book which records all transactions, and from there these are entered in the 'Sale or Return' Total account. It is important to remember that both are **Memorandum Books**, i.e., these records are not a part of regular books of accounts.

(2 MARKS)

ANSWER -5

Bank Reconciliation Statement on 31st March, 2017

(Rs.)

Bank Balance as per Cash book				27,570
Add :	(i)	Subsidy from government received directly by the bank not recorded in the Cash Book	10,250	
	(ii)	Debit balance of Rs. 2,156 brought forward as credit balance on 20 th March, 2017 in the Cash Book	4,312	
	(vi)	Cheque issued returned marked 'out of date'	1,725	16,287
				43,857
Less :	(ii)	Cash Book under cast on 15 th March, 2017	350	
	(iv)	Discount allowed to a customer, however entry made at gross amount in the Cash Book	100	
	(v)	Commission charged by bank on discounting of bill, not considered in Cash Book	200	
	(vii)	Insurance Premium paid directly by bank understanding instructions	756	
	(viii)	Discounted B/R dishonoured; not entered in Cash Book	1,530	
	(ix)	Bank recorded short cash deposit	45	2,981
Balance as per Bank Statement				40,876

(10 MARKS)