J.K. SHAH® TEST SERIES
Evaluate Learn Succeed

CPT – Dec. 2015

Test Code – C D J 5 1 5 1

(100 Marks)

<table>
<tr><th>Que. No.</th><th>Answer</th><th>Solution</th></tr>
<tr><td>1.</td><td>C</td><td>Nominal A/c</td></tr>
<tr><td>2.</td><td>C</td><td>Capital Expenditure</td></tr>
<tr><td>3.</td><td>A</td><td>Opening Stock + Purchases – Closing Stock = Cost of goods sold
70,000+4,16,000-Closing Stock =4,17,600
Closing Stock =68,400
Note: Cost of goods sold = 5,22,000×80% = 4,17,600
Profit of 25% on Cost means 20% on sales</td></tr>
<tr><td>4.</td><td>A</td><td>It should be noted that at the time of calculation of abnormal loss we do not, include the loading on the goods in it. Thus, losses will always be calculated with respect to the cost price.
<table>
<tr><td>Unit</td><td>Amount(Rs.)</td></tr>
<tr><td>Add: Consignor’s</td><td>Rs.3,00,000</td></tr>
<tr><td>Expenses</td><td>Rs.5,000</td></tr>
<tr><td></td><td>Rs.3,05,000</td></tr>
<tr><td>Less: Goods lost(1/10th)</td><td>Rs.30,500</td></tr>
<tr><td>Thus, value of goods lost is</td><td>Rs.30,500</td></tr>
</table>
<table>
<tr><th colspan="4">Goods Lost Account</th></tr>
<tr><td>To consignment A/c</td><td>30.500</td><td>By insurance</td><td>3,000</td></tr>
<tr><td>(value of goods lost)</td><td></td><td>Claim</td><td>27,500</td></tr>
<tr><td></td><td></td><td>By P&L a/c</td><td></td></tr>
<tr><td></td><td>30,500</td><td></td><td>30,500</td></tr>
</table></td></tr>
<tr><td>5.</td><td>B</td><td>Amount received on account of bill will be
₹10,000 –(10,000×15/100×3/12) = ₹9,625
Entry in book A
Bank A/C Dr. 9,625
Discount A/c Dr. 375
To A/c Dr. 10,000</td></tr>
<tr><td>6.</td><td>C</td><td>Fixed assets will be increase by 6,60,000
Asset A/c Dr. 6,60,000
To Cash A/c 1,20,000
To Bills Payable A/c 5,40,000</td></tr>
<tr><td>7.</td><td>B</td><td>Principal book of account</td></tr>
<tr><td>8.</td><td>D</td><td>In joint venture, provisions of partnership act applies</td></tr>
<tr><td>9.</td><td>A</td><td>Two Parties</td></tr>
<tr><td>10.</td><td>C</td><td>Debit the receiver, credit the giver</td></tr>
<tr><td>11.</td><td>C</td><td>₹3,45,000 showing loss by fire in footnote</td></tr>
<tr><td>12.</td><td>A</td><td>Consignment A/c
<table>
<tr><td>To goods sent on consignment
(600×300)</td><td>1,80,000</td><td>By consignee
(sales made)</td><td>1,80,000</td></tr>
<tr><td>To cash (Exp. Of consignor)</td><td>6,000</td><td>By stock on</td><td></td></tr>
<tr><td>To Consignee:</td><td></td><td>Consignment</td><td>31,250</td></tr>
<tr><td>Octroi 1,500</td><td></td><td>(unsold stock)</td><td></td></tr>
<tr><td>Godwon rent 3,500</td><td>5,000</td><td>$(1,80,000 + 6,000)$</td><td></td></tr>
</table></td></tr>
</table>

To consignee:	8,000	$+1{,}500) \times 1/6$	
To profit and loss a/c (Bal. fig)	12,250		
	2,11,250		2,11,250

Calculation commission:

$500 \times 350 = 1{,}75{,}000 \times 4\%$ = 7,000

Surplus $= 1{,}80{,}000 - 1{,}75{,}000, = 5000 \times 20\%$ = 1,000

8,000

13.	D	All of the above
14.	C	Deferred Revenue Expenditure
15.	D	Debited to profit & loss Account
16.	A	Conservation
17.	A	Credit Varun A/c and debit Discount Allowed A/c
18.	C	Debit Motor Car A/c and Credit Purchase A/c
19.	C	20th May, 09
20.	C	In case of Jt Venture, none of the act is applicable
21.	D	Payment of bill before maturity
22.	C	Short by ₹9,000
23.	A	Prudence
24.	B	Average stock $= \frac{opening\ stock + Closing\ Stock}{2}$

Let, opening stock be x. Closing Stock will be $(x + 4{,}000)$

$20{,}000 = \frac{x+(x+4{,}000)}{2}$

$40{,}000 = 2x + 4{,}000$

$= \frac{(40{,}000-4{,}000)}{2}$

$x = 18{,}000$

25. A

Consignment A/c

To goods sent on consignment (600×300)	1,80,000	By consignee (sales made)	1,80,000
To cash (Exp. Of consignor)	6,000	By stock on	
To Consignee:		Consignment	31,250
Octroi 1,500		(unsold stock)	
Godwon rent 3,500	5,000	$(1{,}80{,}000 + 6{,}000)$	
To consignee:	8,000	$+1{,}500) \times 1/6$	
To profit and loss a/c (Bal. fig)	12,250		
	2,11,250		2,11,250

Calculation commission:

$500 \times 350 = 1{,}75{,}000 \times 4\%$ = 7,000

Surplus $= 1{,}80{,}000 - 1{,}75{,}000, = 5000 \times 20\%$ = 1,000

8,000

26.	C	Stock outflow

<table>
<tr><td>27.</td><td>C</td><td>As footnotes to balance sheet</td></tr>
<tr><td>28.</td><td>B</td><td>Consignor</td></tr>
<tr><td>29.</td><td>D</td><td>Money Measurement</td></tr>
<tr><td>30.</td><td>C</td><td>Primary books</td></tr>
<tr><td>31.</td><td>B</td><td>Only credit transactions</td></tr>
<tr><td>32.</td><td>C</td><td>Value of Goods Lost in transit = 50,000× $\frac{1}{4}$ =12,500/-
Insurance claim admitted at ₹10,000 therefore net loss to be trf. to P/L is ₹2,500.</td></tr>
<tr><td>33.</td><td>C</td><td>Bill drawn on : 30th Jan, 2012
Tenure : One month
Year 2012 is a leap year and month of February has 29 days.
So the due date is 29tgh Feb. plus 3 days of grace i.e. 3rd March, 2012</td></tr>
<tr><td>34.</td><td>C</td><td>No change in the total assets</td></tr>
<tr><td>35.</td><td>D</td><td>Conclusive</td></tr>
<tr><td>36.</td><td>A</td><td>Debit what comes in, credit what goes out.</td></tr>
<tr><td>37.</td><td>B</td><td>Goods-in-transit A/c Dr.
To Purchases A/c</td></tr>
<tr><td>38.</td><td>A</td><td>Discount allowed =₹35,000×2% =₹700
-total amount payable to C =₹35,000-700 =34,300
Out of which bill drawn of ₹30,000
So cash payment =₹34,300-30,000 =₹4,300</td></tr>
<tr><td>39.</td><td>A</td><td>Joint venture is a going concern</td></tr>
<tr><td>40.</td><td>A</td><td>As per the basic accounting equation:
Equity + Liabilities = Total Assets
(Owners'Equity+Profits)+Liabilities=Total Assets
(90,000 + 60,000) +Nil = 1,50,000</td></tr>
<tr><td>41.</td><td>D</td><td>Cash, premises</td></tr>
<tr><td>42.</td><td>D</td><td>An unconditional order to pay</td></tr>
<tr><td>43.</td><td>C</td><td>Locating clerical errors</td></tr>
<tr><td>44.</td><td>B</td><td>Bills payable Account</td></tr>
<tr><td>45.</td><td>B</td><td>Credit Note</td></tr>
<tr><td>46.</td><td>B</td><td>Correct Entry:<table><tr><td>Bank A/c</td><td>…….Dr.</td><td>900</td></tr><tr><td></td><td>To sales A/c</td><td>900</td></tr></table>Wrong entry:<table><tr><td>Bank A/c</td><td>......Dr.</td><td>1,080</td></tr><tr><td></td><td>To sales A/c</td><td>1,080</td></tr></table>Rectification Entry:<table><tr><td>Sales Ac</td><td>….Dr.</td><td>180</td></tr><tr><td></td><td>To Suspense A/c</td><td>180</td></tr></table></td></tr>
<tr><td>47.</td><td>D</td><td>Purchase= COGS- Opening Stock + Closing stock = 80,700 - 5,800 + 6,000 = 80,900</td></tr>
<tr><td>48.</td><td>A</td><td>Goods lost by fire account</td></tr>
<tr><td>49.</td><td>C</td><td>AN extra commission to promote sales of higher price than specified</td></tr>
<tr><td>50.</td><td>B</td><td>Sale is made</td></tr>
<tr><td>51.</td><td>D</td><td>Accrual concept</td></tr>
<tr><td>52.</td><td>B</td><td>Generating income</td></tr>
<tr><td>53.</td><td>C</td><td>₹84,000</td></tr>
<tr><td>54.</td><td>A</td><td>Contra entry</td></tr>
<tr><td>55.</td><td>A</td><td>Capital expenditure</td></tr>
<tr><td>56.</td><td>B</td><td>Adjusted selling price</td></tr>
<tr><td>57.</td><td>B</td><td>Not recorded in the books</td></tr>
<tr><td>58.</td><td>D</td><td>All the amounts paid at the time of installation of the asset are to be capitalized. The purchase price of the asset and all such costs which are incurred to bring the asset to its present condition are added to the cost of the asset. So, the asset account will be debited with ₹10,000 + 1,200 = 12,700</td></tr>
<tr><td>59.</td><td>B</td><td><table><tr><td>Cost of consignment (1000 units @ 50)</td><td>Rs.50,000</td></tr></table></td></tr>
</table>

		Less: Normal loss of 5%(50 units) — - Cost of consignment(950 units) — Rs.50,000 Add: Profit @ 14% on cost — Rs.7000 Sale price of 950 unit's — Rs.57,000 Sale price of per unit(rs.57000)/950 = Rs.60per unit
60.	B	Purchased on credit
61.	B	Consignor to Consignee
62.	A	Transactions
63.	D	Profit & loss account
64.	B	Consistency
65.	A	Partner's Current Account
66.	C	Cost of goods sold = 80,000× 25% = 60,000 Closing stock =Total goods Available for sale – Cost of goods sold =1,00,000–60,000 =40,000
67.	B	Del-credere commission is provided for protection against bad debts to the consignee. After this, bad debts is no more the expense of the consignor. It is provided on total sales Commission =10% of total sales(cash + credit) =10% of 1,50,000 = 15,000
68.	D	None
69.	B	Insurance
70.	C	When drawer held the bill till maturity
71.	A	Ledger
72.	B	A revenue or a liability
73.	B	Correct Entry for dishonor should be:
74.	C	Joint Venture A/c
75.	B	Total value of goods sold = Rs.2,00,000 Amount paid by Q in cash = Rs.60,000

Question 73:

Correct Entry for dishonor should be:

Yuvraj's A/c	..Dr.	500	
To bank			500
Wrong Entry that has been passed:			
Discount A/c	..Dr.	500	
To Bank			500
Rectification Entry will be:			
Yuvraj's A/c	..Dr.	500	
To Discount A/c			500

In the rectification entry a nominal account is credited . i.e. discount hence profit will increase by ₹500

Question 74:

Joint Venture A/c

To A (good purchased)	16,000	By B (Sales)	20,000
To loss by fire	1,000		
To profit A 1500 B 1500	3,000		
	20,000		20,000

Note: Net loss by fire = Loss by fire – claim received

₹ 4,000 – ₹ 3,000 = ₹ 1,000

		Balance = Rs.1,40,000 Less: Amount of discount allowed by P(2% on balance) $=\left[\frac{2}{100}\times 1{,}40{,}000\right]$ Rs.2,800 Balance Rs.1,37,200
76.	A	The expenses relating to postage and conveyance
77.	C	Principle
78.	D	There is no change in total assets
79.	A	Consignment A/c is debited and stock reserve A/c is credited
80.	A	Historical cost
81.	C	**Right Entry:** Cash A/c Dr 100 To interest A/c 100 (being interest received) **Wrong Entry:** Interest A/c Dr 100 To Cash A/c 100 (Being interest paid) The effect of the above wrong entry will be that cash balance will be reduced by ₹ 200
82.	D	Co-ventures may contribute funds for unning the venture
83.	B	When separate set of books is maintained, expenses paid by venturer will be credited to venturer's capital account.
84.	A	Debited to joint venture account
85.	C	Sales of ₹ 5000 would have increase G.P. by ₹ 5,000 but it has been recorded as purchases, which has reduce G.P. by ₹ 5,000. The net effect of this error will be that gross profit will be reduced by ₹ 10,000
86.	C	No change in assets
87.	B	By Acceptor
88.	B	Group of items method only
89.	A	A will draw a bill on B
90.	D	As a current liability
91.	C	Balance Sheet
92.	A	Capital Expenditure
93.	A	Profit earned after deducting purchase of scooter from revenue expenses=₹140000 And, depreciation on scooter =₹20,000×15%=₹3,000 Adjusted profit=Profit + Cost of Scooter – depreciation =1,40,000+20,000-3,000=₹1,57,000
94.	B	Profit
95.	A	Half Amount remitted is ₹ 48,500 Amount obtained from bank after discounting $=48{,}500 \times 2 = 97{,}000/-$ Bill amount can be ascertained as follows: Discounting charges deducted for 3 months. Here effective charge : $12\% \times \frac{2}{100} = 3\%$ If bill amount is X: $X \times (1 - 0.03) = 97{,}000$ $X = 1{,}00{,}000$
96.	C	If the accepter can prove that the bill was not properly presented to him for payment, he can escape the liability, hence for dishonor it is produced

97.	A	Purchase book
98.	D	Trade Receivable and Liability
99.	A	Income of the joint venture, hence credited to joint venture account
100.	C	Cost of net realizable value whichever is lower