



J.K. SHAH[®]
TEST SERIES
Evaluate Learn Succeed

SUGGESTED SOLUTION

CA FOUNDATION N'19

Test Code – JKN_ACC_01

(Date :06/09/2020)

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

Tel : (022) 26836666

ANSWER -1

ANSWER –A

(6*2 = 12 MARKS)

1. **False:** Goods taken by the proprietor for personal use should be credited to Purchases Account as less goods are left in the business for sale and debited to Drawings Account.
2. **False:** It may be reasonably presumed that money spent for reducing revenue expenditure would have generated long-term benefits to the entity. It becomes part of intangible fixed assets if it is in the form of technical know-how and tangible fixed assets if it is in the form of additional replacement of any of the existing tangible fixed assets. So this is capital expenditure.
3. **False:** When shares are forfeited, the share capital account is debited with called up capital of shares forfeited and the share forfeiture account is credited with amount received on shares forfeited.
4. **True:** 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.
5. **False:** The provisions of the Indian Partnership Act, 1932 shall not apply to a limited liability partnership. Limited Liability (LLPs) Act, 2008 is applicable for Limited Liability Partnerships.
6. **False:** If an amount is posted in the wrong account or is written on the wrong side of the correct account, it is case of "errors of commission" (i.e. error of posting) and is not "error of principle".

ANSWER –B

Receipts which are obtained in course of normal business activities are revenue receipts (e.g. receipts from sale of goods or services, interest income etc.).

Revenue receipts should not be equated with the actual cash receipts. Revenue receipts are credited to the Profit and Loss Account.

(2 MARKS)

ANSWER –C

S. No.		Debit (Rs.)	Credit (Rs.)
1	Commission A/c Dr. To Interest Received A/c To Suspense A/c (Correcting wrong entry of interest received into commission account)	5,400	4,500 900
2	M/s Sobhag Traders A/c Dr.	90	

3	To Suspense A/c		90
	(Being credit sale of Rs. 2,760 posted as Rs. 2,670 i.e. debiting M/s Sobhag Traders A/c less by 90, now rectified)		
	Drawing A/c	Dr.	35,000
4	To Machinery A/c		35,000
	(Correction of wrong debit to machinery account for purchase of air-conditioner for personal use)		
	Return Inward A/c	Dr.	5,000
	To Debtors (Personal) A/c		5,000
	(Correction of omission to record return of goods by customers)		

(4*1 = 4 MARKS)

SUSPENSE ACCOUNT			
DR.		CR.	
PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
TO BALANCE B/D (BALANCE AMOUNT)	990	BY COMMISSION A/C	900
		BY M/s Sobhag Traders A/C	90
TOTAL	990	TOTAL	990

(2 MARKS)

ANSWER -2

ANSWER –A

(i) Cash Book (Bank Column)

Date	Particulars	Amount	Date	Particulars	Amount
2019		Rs.	2019		
Sept. 30	To Party A/c	32,000	Sept. 30	By Balance b/d	8,124
	To Customer A/c			By Bank charges	1,160
	(Direct deposit)	2,34,800		By Customer A/c	2,80,000
	To Balance c/d	22,484		(B/R dishonoured)	
		2,89,284			2,89,284

(2 MARKS)

(ii) Bank Reconciliation Statement as on 30th September, 2019

Particulars	Amount
	Rs.
Overdraft as per Cash Book	22,484
Add: Cheque deposited but not collected upto 30 th Sept., 2019	26,28,000
	26,50,484
Less: Cheques issued but not presented for payment upto 30 th Sept., 2019	(26,52,000)
Credit by Bank erroneously on 6th Sept.	(40,000)
Balance as per bank statement (Credit Balance)	(41,516)

(2 MARKS)

ANSWER –B

Consignment Account

Particulars		Amount Rs.	Particulars		Amount Rs.
To Goods sent on consignment A/c.		12,00,000	By Goods sent on consignment A/c.		2,00,000
To Cash A/c.			By Insurance company		40,000
Carriage	20,000		By Abnormal loss A/c. (W.N.1)		12,250
Insurance	10,000		By B's A/c. (Sales)		
Freight	15,000	45,000	Cash	2,58,800	
To B's A/c.			Credit	7,12,500	
Clearing	5,700		Self	1,14,000	10,77,300
Storage	10,000		By Consignment Stock (W.N.3)		2,37,690
Selling Exps.	6,300	22,000			
To B's A/c. (Commission) (W.N.2)		83,505			
To Stock reserve (190 x 200)		38,000			
To P/L A/c.		1,78,735			
		15,67,240			15,67,240

(3.5 Marks)

B's Account (Consignee)

Particulars	Amount Rs.	Particulars	Amount Rs.
To Consignment A/c. (Sales)	10,77,300	By Consignment A/c. (Expenses)	22,000
		By Consignment A/c. (Commission)	83,505
		By Balance c/d	9,71,795
	10,77,300		10,77,300

(1 mark)

Working:

1.	Bed Sheets destroyed (50 x 1000)	50,000
	+ proportionate expenses of A (45,000 x 50/1000)	<u>2,250</u>
	Cost of Bed Sheets destroyed	52,250
	– Insurance claim admitted	<u>40,000</u>
	Abnormal loss <u>12,250</u>	

(0.5 mark)

2. Calculation of Commission

(a)	General Commission = 9,12,000 x 5% =	45,600
(b)	Delcredere Commission = 7,12,500 x 3% =	21,375
(c)	Over-riding Commission = 1,65,300 x 10% =	<u>16,530</u>
		<u>83,505</u>

Total Sales = 10,77,300

– Total Sales at I.P.

9,12,000

Surplus

1,65,300

(0.5 mark)

3. Calculation of Consignment Stock :

	190 (units left) x 1200 =	2,28,000
	+ Proportionate expense of consignor (190 x 45,000/1000)	8,550
	+ Proportionate expense of B (190 x 5700/950)	<u>1,140</u>
		<u>2,37,690</u>

(0.5 mark)

ANSWER –C

**In the books of Firm
Machinery Account**

		Rs.			Rs.
1.1.2015	To Bank A/c	37,000	31.12.2015	By Depreciation A/c	4,000
	To Bank A/c (overhauling charges)	3,000	31.12.2015	By Balance c/d	36,000
		<u>40,000</u>			<u>40,000</u>
1.1.2016	To Balance b/d	36,000	31.12.2016	By Depreciation A/c (Rs. 5,400 + Rs. 750)	6,150

1.7.2016	To	Bank A/c	10,000	31.12.2016	By Balance c/d	39,850
					(Rs. 30,600 + Rs. 9,250)	
			<u>46,000</u>			<u>46,000</u>
1.1.2017	To	Balance b/d	39,850	1.7.2017	By Bank A/c(sale)	28,000
1.7.2017	To	Bank A/c	25,000	1.7.2017	By Profit and Loss A/c (Loss on Sale – W.N. 1)	305
				31.12.2017	By Depreciation A/c	5,558
					(Rs. 2,295 + Rs. 1,388 + Rs. 1,875)	
					By Balance c/d	30,987
					(Rs. 7,862 + Rs. 23,125)	
			<u>64,850</u>			<u>64,850</u>
1.1.2018	To	Balance b/d	30,987	1.7.2018	By Bank A/c (sale)	2,000
				1.7.2018	By Profit and Loss A/c (Loss on Sale – W.N. 1)	5,272
				31.12.2018	By Depreciation A/c	4,059
					(Rs. 590 + Rs. 3,469)	
				31.12.2018	By Balance c/d	<u>19,656</u>
			30,987			30,987

(7 MARKS)

Working Note:

Book Value of machines

	Machine I Rs.	Machine II Rs.	Machine III Rs.
Cost of all machinery (Machinery cost for 2015)	40,000	10,000	25,000
Depreciation for 2015	<u>4,000</u>		
Written down value as on 31.12.2015	<u>36,000</u>		
Purchase 1.7.2016 (6 months)		10,000	
Depreciation for 2016	<u>5,400</u>	<u>750</u>	
Written down value as on 31.12.2016	<u>30,600</u>	9,250	
Depreciation for 6 months (2017)	<u>2,295</u>		
Written down value as on 1.7.2017	<u>28,305</u>		
Sale proceeds	<u>28,000</u>		
Loss on sale	<u>305</u>		
Purchase 1.7.2017			25,000

Depreciation for 2017 (6 months)		<u>1,388</u>	<u>1,875</u>
Written down value as on 31.12.2017		7,862	23,125
Depreciation for 6 months in 2018		<u>590</u>	
Written down value as on 1.7.2018		7,272	
Sale proceeds		<u>2,000</u>	
Loss on sale		<u>5,272</u>	
Depreciation for 2018			<u>3,469</u>
Written down value as on 31.12.2018			<u>19,656</u>

(3 MARKS)

ANSWER -3

ANSWER -A

Journal Entries in the Books of Mr. A

Date		Particulars	L.F.	Dr. Amount Rs.	Cr. Amount Rs.
2017					
August	1	Bills Receivable A/c To B (Being the acceptance received from B to settle his account)	Dr.	10,000	10,000
August	1	Bank A/c Discount A/c To Bills Receivable (Being the bill discounted for Rs. 9,800 from bank)	Dr. Dr.	9,800 200	10,000
November	4	B To Bank Account (Being the B's acceptance is to be renewed)	Dr.	10,000	10,000
November	4	B To Interest Account (Being the interest due from B for 3 months i.e., $8000 \times 3 / 12 \times 12\% = 240$)	Dr.	240	240
November	4	Cash A/c Bills Receivable A/c To B	Dr. Dr.	2,240 8,000	10,240

December	31	(Being amount and acceptance of new bill received from B)			
		B A/c	Dr.	8,000	
		To Bills Receivable A/c			8,000
December	31	(Being B became insolvent)			
		Cash A/c	Dr.	3,200	
		Bad debts A/c	Dr.	4,800	
		To B			8,000
		(Being the amount received and written off on B's insolvency)			

(10 MARKS)

ANSWER – B

Statement showing the valuation of stock as on 31st March, 2019

		Rs.
A	Value of Stock as on 10th April, 2019	1,67,500
B	Add: Cost of sales after 31 st March, till stock taking (Rs.6,875 – Rs. 1,719)	5,156
C	Less: Purchases for the next period (net)	8,100
D	Less: Cost of Sales Returns	225
E	Less: Loss on revaluation of slow moving inventories	600
F	Less: Reduction in value on account of default	<u>300</u>
G	Value of Stock on 31 st March, 2019	<u>1,63,431</u>

Note (1) Profit margin of 33.33 percent on cost means 25 percent on sale price.

(2) Net cost of sales after 31/3 may also be shown as $(6875 - 300) - 25\% = 4931$.

(5 MARKS)

ANSWER – C

Goods on sales or return, sold and returned day book in the books of 'X'

Date 2019	Party to whom goods sent	L.F	Amount Rs.	Date 2019	Sold Rs.	Returned Rs.
Dec.10	M/s ABC		10,000	Dec. 25	10,000	-
Dec.12	M/s DEF		15,000	Dec. 16	-	15,000

Dec.15	M/s GHI		12,000	Dec. 20	10,000	2,000
Dec.20	M/s DEF		16,000	Dec. 24	16,000	-
Dec.25	M/s ABC		11,000	Dec. 28	11,000	-
Dec.30	M/s GHI		<u>13,000</u>	-	<u> </u>	<u> </u>
			<u>77,000</u>		<u>47,000</u>	<u>17,000</u>

Goods on Sales or Return Total Account

2019		Amount Rs.	2019		Amount Rs.
Dec. 31	To Returns	17,000	Dec. 31	By Goods sent	
	To Sales	47,000		on sales or return	77,000
	To Balance c/d	13,000			<u> </u>
		77,000			77,000

(5 MARKS)

ANSWER -4

ANSWER –A

Mr. M's trading and Profit and Loss Account for the year ended on 31.03.2020

Particulars	Rs.	Rs.	Particulars	Rs.
To Purchases	18,000		By Sales	28,000
– Return outward	(1,150)	16,850	By Closing Stock	3,000
To Carriage		800		
To Gross Profit		13,350		
		31,000		31,000
To Salaries	1,200		By Gross Profit	13,350
– Prepaid	(240)	960	By Articled Clerks' Premium	750
To Rent	1,320		– Pre–received	(450)
+ Outstanding	120	1,440	By Interest on drawings	300
To Depreciation :				
Machine		1,000		
Furniture		400		
To Trade expenses		400		
To Leasehold Assets written off		900		
To Freight outwards		700		
To Advertisement A/c.		2,500		
To Interest on Capital		2,400		
To Net Profit		3,250		
		13,950		13,950

(5 marks)

Mr. M's Balance Sheet as on 31.03.2020

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Capital	30,000		Machine	10,000	
+ Interest on Capital	2,400		– Dep. (10%)	(1,000)	9,000
+ Profit (Net)	3,250		Furniture	8,000	
– Drawings	(5,000)		– Dep. (5%)	(400)	7,600
– Interest on drawings	(300)	30,350	Bills Receivable		5,000

Creditors		8,000	Prepaid salaries		240
Outstanding rent		120	Closing Stock		3,000
Outstanding trade exps.		500	Debtors		12,000
Bills payable		3,000	Prepaid insurance		180
Pre received article's premium		450	Leasehold Assets	6,300	
			- written off	(900)	5,400
		42,420			42,420

(5 marks)

ANSWER –B

(a)

Revaluation Account

Particulars	Rs.	Particulars	Rs.
To Stock	1,500	By Land & Building	25,000
To Partners: (Revaluation Profit)		By Provision for doubtful debt	2,000
Monika	8,500		
Yedhant	8,500		
Zoya	8,500		
	27,000		27,000

(2 MARKS)

Partners' Capital Accounts

Particulars	Monika	Yedhant	Zoya	Particulars	Monika	Yedhant	Zoya
To Zoya	4,375	4,375	-	By Bal b/d.	1,00,000	75,000	75,000
To Zoya's Executor	-	-	98,125	By General reserve	4,000	4,000	4,000
				By Monika & Yedhant	-	-	8,750
To Bal. c/d	1,08,125	83,125		By Profit and Loss Adjustment* (suspense) A/c	-	-	1,875
				By Revaluation	8,500	8,500	8,500
	1,12,500	87,500	98,125		1,12,500	87,500	98,125

*Profit and Loss Adjustment = $[(25,000 + 20,000 + 22,500)/3] \times 3/12 \times 1/3 = 1,875$

(3 MARKS)

Balance Sheet of Firm as on 1.7.2018

Particulars	Rs.	Particulars	Rs.
Monika	1,08,125	Land & Building	1,75,000
Yedhant	83,125	Investment	65,000
Zoya Executor	98,125	Stock	13,500
Creditors	20,000	Trade receivable	35,000
		Profit & Loss Adjustment	1,875

		Cash in hand	7,000
		Cash at bank	12,000
	3,09,375		3,09,375

Calculation of goodwill and Zoya's share

Average of last five year's profits and losses for the year ended on 31st March

31.3.2014	28,750
31.3.2015	35,000
31.3.2016	22,500
31.3.2017	20,000
31.3.2018	<u>25,000</u>
Total	<u>1,31,250</u>
Average profit	26,250

Goodwill at 1 year purchase = Rs. 26,250 x 1 = Rs. 26,250

Zoya's Share of Goodwill = Rs. 26,250 x 1/3

= Rs. 8,750

Which is contributed by Monika and Yedhant in their gaining Ratio

Monika = Rs. 8750 x 1/2 = Rs. 4375

Yedhant = Rs. 8750 x 1/2 = Rs. 4375

(5 MARKS)

ANSWER -5

ANSWER -A

Receipts and Payments Account for the year ended 31-03-2019

Receipts	Rs.	Payments	Rs.
To balance b/d		By Salaries	60,000
Cash and bank	1,10,000	By Purchase of sports goods	10,000
To Subscription received (W.N.1)	2,45,000	Rs. (25,000-15,000)	
To Sale of investments (W.N.2)	70,000	By Purchase of machinery	10,000
To Interest received on investment	14,000	Rs. (20,000-10,000)	
To Sale of furniture	8,000	By Sports expenses	50,000
		By Rent paid	22,000
		Rs. (24,000 -2,000)	
		By Miscellaneous expenses	5,000
		By Balance c/d	
		Cash and bank	<u>2,90,000</u>
	<u>4,47,000</u>		4,47,000

(3 MARKS)

Income and Expenditure account for the year ended 31-03-2019

Expenditure	Rs.	Rs.	Income	Rs.	Rs.
To Salaries	60,000		By Subscription		3,00,000
Add: Outstanding for 2019	<u>18,000</u>		By Interest on Investment		
	78,000		Received	14,000	
Less: Outstanding for 2018	<u>(15,000)</u>	63,000	Accrued (W.N.5)	<u>3,500</u>	17,500
To Sports expenses		50,000			
To Rent		24,000			
To Miscellaneous exp.		5,000			
To Loss on sale of furniture (W.N.3)		6,000			
To Depreciation (W.N.4)					
Furniture	1,400				
Machinery	1,500				
Sports goods	<u>2,250</u>	5,150			
To Surplus		<u>1,64,350</u>			
		<u>3,17,500</u>			<u>3,17,500</u>

(3 MARKS)

Working Notes:

(4 MARKS)

1. Calculation of Subscription received during the year 2018-19

	Rs.
Subscription due for 2018-19	3,00,000
Add: Outstanding of 2018	1,40,000
Less: Outstanding of 2019	(2,00,000)
Add: Subscription of 2019 received in advance	30,000
Less: Subscription of 2018 received in advance	<u>(25,000)</u>
	<u>2,45,000</u>

2. Calculation of Sale price and profit on sale of investment

Face value of investment sold: Rs. 1,75,000 × 50% = Rs. 87,500

Sales price: Rs. 87,500 × 80% = Rs. 70,000

Cost price of investment sold: Rs. 1,40,000 × 50% = Rs. 70,000

Profit/loss on sale of investment: Rs. 70,000 - Rs. 70,000 = NIL

3. Loss on sale of furniture

	Rs.
Value of furniture as on 01-04-2018	28,000
Value of furniture as on 31-03-2019	14,000
Value of furniture sold at the beginning of the year	14,000
Less: Sales price of furniture	<u>(8,000)</u>
Loss on sale of furniture	<u>6,000</u>

4. Depreciation

Furniture - Rs.14,000 × 10%=		1,400
Machinery- Rs.10,000 × 15% =		1,500
Sports goods – Rs.15,000 × 15% =		2,250

5. Interest accrued on investment

	Rs.
Face value of investment on 01-04-2018	1,75,000
Interest @ 10%	17,500
Less: Interest received during the year	<u>(14,000)</u>
Interest accrued during the year	<u>3,500</u>

Note: It is assumed that the sale of investment has taken place at the end of the year.

ANSWER –B

PETTY CASH BOOK

Receipts	Date	V. No.	Particulars	Total	Conveyance	Cartage	Stationery	Postage & Telegrams	Wages	Sundries
Rs.	2019			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
20,000	April 1		To Cash							
	2	1	By Conveyance	500	500					
	3	2	By Cartage	2,500		2,500				
	4	3	By Postage and Telegrams	500				500		
	5	4	By Wages	600					600	
	5	5	By Stationery	400			400			
	6	6	By Repairs to machine	1,500						1,500
	6	7	By Conveyance	100	100					
	7	8	By Cartage	400		400				
	7	9	By Postage and Telegrams	700				700		
	8	10	By Cartage	3,000		3,000				
	9	11	By Stationery	2,000			2,000			
	10	12	By Sundry Expenses	5,000						5,000

			17,200	600	5,900	2,400	1,200	600	6,500
		By Balance c/d	2,800						
20,000			20,000						
2800		To Balance b/d							
17,200	11	To Cash							

(10 MARKS)

ANSWER -6

ANSWER –A

(i)

Date	Particulars	L. F.	Debit (Rs.)	Credit (Rs.)
(a)	Equity Share Capital A/c. To Share forfeiture A/c. To Calls–in–arrears (Being entry to forfeit 300 shares)	Dr.	2,400 –	1,500 900
(b)	Bank A/c. Share Forfeiture A/c. To Equity Share Capital (Being shares reissued as fully paid)	Dr. Dr.	1,750 750	2,500
(c)	Share forfeiture A/c. To Capital reserve A/c. (Being the balance of share forfeiture of reissued shares transferred to Capital reserve)	Dr.	500	500

(3 × 2 marks = 6 marks)

(ii)

Date	Particulars	L. F.	Debit (Rs.)	Credit (Rs.)
(a)	Equity Share Capital A/c. Securities Premium A/c. To Share Forfeiture A/c. To Calls–in–arrears A/c. (Being 500 shares forfeited)	Dr. Dr.	3,500 1,000	1,500 3,000
(b)	Bank A/c. Share Forfeiture A/c. To Equity Share Capital (Being 150 shares reissued at minimum amount i.e. after giving maximum discount of Rs.3)	Dr. Dr.	600 450	1,050

(2 × 2 marks = 4 marks)

ANSWER –B

Journal Entries

			Dr. (Rs.)	Cr. (Rs.)
1-1-2018	Bank A/c	Dr.	18,00,000	
	Discount/Loss on Issue of Debentures A/c	Dr.	3,00,000	
	To 10% Debentures A/c			20,00,000
	To Premium on Redemption of Debentures A/c			1,00,000
	(For issue of debentures at discount redeemable at premium)			
30-6-2018	Debenture Interest A/c	Dr.	1,00,000	
	To Debenture holders A/c			90,000
	To Tax Deducted at Source A/c			10,000
	(For interest payable)			
	Debenture holders A/c	Dr.	90,000	
	Tax Deducted at Source A/c	Dr.	10,000	
	To Bank A/c			1,00,000
	(For payment of interest and TDS)			
31-12-2018	Debenture Interest A/c	Dr.	1,00,000	
	To Debenture holders A/c			90,000
	To Tax Deducted at Source A/c			10,000
	(For interest payable)			
	Debenture holders A/c	Dr.	90,000	
	Tax Deducted at Source A/c	Dr.	10,000	
	To Bank A/c			1,00,000
	(For payment of interest and tax)			
	Profit and Loss A/c	Dr.	2,00,000	
	To Debenture Interest A/c			2,00,000
	(For transfer of debenture interest to profit and loss account at the end of the year)			

	Profit and Loss A/c	Dr.	60,000	
	To Discount/Loss on issue of debenture A/c			60,000
	(For proportionate debenture discount and premium on redemption written off, i.e., 3,00,000 x 1/5)			

(5 MARKS)

ANSWER – C

Difference between Money measurement concept and matching concept

As per **Money Measurement concept**, only those transactions, which can be measured in terms of money are recorded. Since money is the medium of exchange and the standard of economic value, this concept requires that those transactions alone that are capable of being measured in terms of money be only to be recorded in the books of accounts. Transactions and events that cannot be expressed in terms of money are not recorded in the business books.

In **Matching concept**, all expenses matched with the revenue of that period should only be taken into consideration. In the financial statements of the organization if any revenue is recognized then expenses related to earn that revenue should also be recognized.

(5 MARKS)

Or

Normally, the following subsidiary books are used in a business:

- (i) Cash book to record receipts and payments of cash, including receipts into and payments out of the bank and petty cash book if required.
- (ii) Purchases book to record credit purchases of goods dealt in or of the materials and stores required in the factory.
- (iii) Purchase Returns Books to record the returns of goods and materials previously purchased.
- (iv) Sales Book to record the sales of the goods dealt in by the firm.
- (v) Sale Returns Book to record the returns made by the customers.
- (vi) Bills receivable books to record the receipts of promissory notes or hundies from various parties.
- (vii) Bills Payable Book to record the issue of the promissory notes or hundies to other parties.
- (viii) Journal (proper) to record the transactions which cannot be recorded in any of the seven books mentioned above.

(5 MARKS)