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SUGGESTED SOLUTION

FOUNDATION MAY 2021 EXAM

**Principles and Practice of
Accounting**

Test Code – A M J 1 0 6 1
Multiple Branches (Revision (June '21))
Dt.: 06 May 2021

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Ans. 1

- (a) Average Due Date = 1st April + Sums of Products/Sum of Amount
= 1st April + 7,02,000/20,000 = 1st April + 35.1 days or Approx. 35 days = 6th May
- (b) Interest is calculated on a certain amount for a certain period. The product is the multiplication of these two things, that means the relevant number of days has already been multiplied, hence now on product only 1 days interest is calculated. (student will be knowing it that days say 30x1 = 30 but 30x0 = 0 that means by multiplying with one we are not changing any value) for e.g. 10 days interest can ₹100 will be same as calculating 1 day interest on Rs₹1000 (i.e. 10 x 100) at a given rate of interest of 3% per month, i.e. interest = ₹1.
- $$\text{₹}100 \times \frac{12}{100} \times \frac{10}{30} \qquad \text{or} \qquad \text{₹}100 \times \frac{12}{100} \times \frac{1}{30}$$
- (c) True
- (d) False
- (e) False
The finished goods are normally valued at lower of cost or net realisable value. Net realisable value is the actual/estimated selling price in the ordinary course of business, less cost of completion and cost necessarily to be incurred in order to make the sale.
- (f) False
To increase the sale and to encourage the consignee to make credit sales, the consignor provides an additional commission generally known as del-credere commission. In case del-credere commission is provided to consignee, bad debts is no more the loss of the consignor and it is borne by the consignee.

Ans. 2

- (a) In the books of Mr. Bhide

Journal Entries

Date 2020	Particulars	L.F.	Dr. (₹)	Cr. (₹)
Dec. 2	Trade receivables A/c----Dr To Sales A/c (Being the goods sent to customers on sale or return basis)		1,60,000	1,60,000
Dec. 10	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)		70,000	70,000
Dec. 23	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)		30,000	30,000
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)		24,000	24,000

Note:

- 1) Alternatively, Sales account or Sales returns 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 = Rs. 30,000 x 100/125 = Rs. 24,000
- 4) It has been considered that the transaction values are at involve price (including profit margin).

- (b)

Journal Entries in the books of Mr. Axis

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
1.	Motor Vehicles Account Dr.		2,700	

	To Profit and Loss Adjustment A/c (Purchase of scooter wrongly debited to conveyance account now rectified capitalisation of ₹2,700, i.e., ₹3,000 less 10% depreciation)			2,700
2.	Suspense Account Dr. To Profit & Loss Adjustment A/c (Purchase Account overcast in the previous year; error now rectified)		10,000	10,000
3.	Profit & Loss Adjustment A/c Dr. To P's Account (Credit purchase from P ₹2,000, entered as sales last year; now rectified)		4,000	4,000
4.	B's Account Dr. To A's Account - (Amount received from A wrongly posted to the account of B; now rectified)		1,000	1,000
5.	Suspense Account Dr. To C's Account (₹500 received from C wrongly debited to his account, now rectified)		1,000	1,000
6.	Trade receivables Dr. To Suspense Account (₹500 due by Q not taken into trial-balance; now rectified)		500	500
7.	R's Account Dr. To Profit & Loss Adjustment A/c (Sales to R omitted last year; now adjusted)		2,000	2,000
8.	Suspense Account Dr. To Profit & Loss Adjustment A/c (Excess posting to purchase account last year, ₹2,593, instead of ₹2,395, now adjusted)		198	198
9.	Profit & Loss Adjustment A/c Dr. To Axis's Capital Account (Balance of Profit & Loss Adjustment A/c transferred to Capital Account)		10,898	10,898
10.	Axis's Capital Account Dr. To Suspense Account (Balance of Suspense Account transferred to the Capital Account)		10,698	10,698

Note: Entries No. (2) and (8) may even be omitted; but this is not advocated.

Profit and Loss Adjustment Account Prior Period Items

Particulars	Rs.	Particulars	Rs.
To P	4,000	By Motor Vehicles A/c	2,700
To Axis's Capital (transfer) (bal' Fig)	10,898	By Suspense A/c	10,000
		By R	2,000
		By Suspense Account	198
	14,898		14,898

Suspense Account

Particulars	Rs.	Particulars	Rs.
To Profit & Loss Adjustment Account	10,000	By Trade Receivables (Q)	500
To C	1,000	By Axis's Capital Account (Transfer) (Bal. Fig.)	10,698
To Profit & Loss Adjustment Account	198		
	11,198		11,198

Ans. 3

(a) Store Ledger of X Ltd. (FIFO Method)

Date	Receipts				Issues				Balance		
	GRN No.	Qty Units	Rate ₹	Amt. ₹	Req No.	Qty. Units	Rate ₹	Amt. ₹	Qty. Units	Rate	Amt. ₹
2018 July											
1	Op. Bal.								200	10	2,000
4	11	300	12	3,600					200	10	2,000

									300	12	3,600
7					101	200	10	2,000			
						200	12	2,400	100	12	1,200
10	12	400	14	5,600					100	12	1,200
									400	14	5,600
19					102	100	12	1,200			
						200	14	2,800	200	14	2,800
22	13	200	16	3,200					200	14	2,800
									200	16	3,200
28					103	200	14	2,800			
						100	16	1,600	100	16	1,600
30					Shortage	20	16	320	80	16	1,280

(b)

**Avi in account current with Adam
for the year ending on 30th June 2018**

Date	Particulars	Rs.	Days	Product	Date	Particulars	Rs.	Days	Product
2018					2018				
Jan 1	To Balance b/d	600	181	1,08,600	Jan 17	By Sale Return	125	164	20,500
Jan 10	To Sales A/c	520	171	88,920	Feb 10	By Bank A/c	400	140	56,000
Apr 29	To Sales A/c	615	62	38,130	Feb 14	By B/R A/c (Due date: Mar. 17)	300	105	31,500
Jun 30	To Interest A/c	27.21	-	-	May 15	By Cash A/c	700	46	32,200
	To Balance c/d	262.79	-	-	June 5	By B/R (Due date: 8th Sept)	500	(70)	(35,000)
		2025	-	2,35,650			2,025		1,05,200

Interest on Debit side Product Total [2,35,650 x 6/100 x 1/365]	38.74
Interest on Credit side Product Total [1,05,200 x 4/100 x 1/365]	11.53
Net	27.21

Ans. 4

(a) Statement showing the valuation of stock as on 31st March

	Particulars	(₹)
A	Stock as per physical verification as at 7th April	4,00,000
B	Less: Cost of Net goods purchased after 31st March till stock taking [Rs. 2,00,000 - 20% of Rs. 2,00,000]	(1,60,000)
C	Add: Cost of Net goods sold after 31st March till stock taking Goods Units: [80% of (Rs. 2,00,000 - 20% of Rs. 2,00,000)] Defective Units: [80% of (Rs. 1,80,000 + 1/9th of Rs. 1,80,000)]	1,28,000 1,60,000
D	Add: Cost of Net goods sent to others after 31st March till stock taking: Goods sent on approval: [80% of (Rs. 2,00,000 - 20% of Rs. 2,00,000)] Goods sent on Consignment [80% of Rs. 2,00,000]	1,28,000 1,60,000
E	Less: Goods received for sale on Consignment basis & still remaining unsold [20% of Rs. 2,00,000]	(40,000)
F	Stock as per books as at 31st March	7,76,000

Notes:

- No adjustment has been made in respect of goods returned by customers to whom goods were sent on approval basis since these goods are already included in the stock given as on 7th April.
- No adjustment has been made in respect of goods sold out of those received for sale on consignment basis since these goods are not included in the stock given as on 7th April.

(b)

Calculation of average due date [Let the base date: 18th May]

Due Date (A)	Amount (B)	No. of days from Base Date (C)	Products (D) = (B) x (C)
18th May	1,100	0	0
24th June	625	13 + 24 = 37	23,125
30th July	1,800	13 + 30 + 30 = 73	1,31,400
18th Aug	1,750	13 + 30 + 31 + 18 = 92	1,61,000
20th Oct.	1,000	13 + 30 + 31 + 31 + 30 + 20 = 155	1,55,000
24th Nov.	500	13 + 30 + 31 + 31 + 30 + 31 + 24 = 190	95,000
	6,775		5,65,525

Average Due Date = Base Date + [(Total of Products/ Total of Amount) days]
 = 18th May + 5,65,525/6,775 = 83.47 Days or 83 Days = 18th May + 83 days = 9th August

Ans. 5

Consignor's Account

Particulars	₹	Particulars	₹
To Goods Sent on Consignment A/c	13,10,000	By Consignee (Sale Proceeds)	14,40,000
To Bank A/c (Expenses)	13,100	By Loss-in-transit A/c	8,100
To B (Expenses):		By Consignment Stock A/c	1,01,700
Unloading	3,000	By Goods Sent on Consignment A/c (1,310 x Rs. 200)	2,62,000
Transport	6,100		
Godown Rent	6,000		
Adv. Exp	2,000		
Selling Expenses	4,000		
To B (Commission)	86,400		
To Consignment Stock reserve A/c	20,000		
To Profit t/f to P&L A/c	3,61,200		
	18,11,800		18,11,800

Consignee's Account

Particulars	₹	Particulars	₹
To Consignment to A/c (sales)	14,40,000	By Bank A/c (Advance)	2,50,000
		By Consignment A/c (Exp.)	21,100
		By Consignment A/c (Comm.)	86,400
		By Bank A/c	10,82,500
	14,40,000		14,40,000

Working Notes:

1. Statement showing the Calculation of Abnormal Loss and Unsold Stock

	Particulars	Units	₹
A	Cost of Goods Sent	1,310	10,48,000
B	Expenses incurred by Consignor	-	13,100
C	Total Cost of Goods Sent (A + B)	1,310	10,61,100
D	Less: Cost of Goods not reached the city of Consignee		
	Cost of Goods damaged-in-transit	10	8,100
E	Cost of Goods reached the city of Consignee (C - D)	1,300	10,53,000
F	Add: Non-recurring expenses incurred by Consignee	-	9,100
G	Cost of Goods received by Consignee	1,300	10,62,100
H	Cost of Unsold Stock	100	81,700

2. Calculation of invoice value of unsold stock

Particulars	Unsold Stock Rs
A. Cost	81,700
B. Add: Loading @ ₹200 per unit	20,000

3. Calculation of Invoice value of Unsold Stock

Let Cost be X and Invoice Price be Y

Sale Price = Cost + 50%

$$₹1,200 = [X + (50\% \times X)]$$

$$X = ₹1,200 / 1.5 = ₹800$$

Sale Price = Invoice Price + 20% of Invoice Price Rs.

$$1,200 = Y + 20\% \times Y$$

$$Y = ₹1,200 / 1.2 = \text{Rs. } 1,000$$

Thus, Invoice Price = ₹1,000