



J.K. SHAH[®]
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SUGGESTED SOLUTION

CA FOUNDATION

SUBJECT- ACCOUNTS

Test Code – CFN 9281

BRANCH - () (Date :)

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

Tel : (022) 26836666

- 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

M/s Raghuram & Associates

Trading Account for the year ended 31st March 2018

Particulars	Details	Amount	Particulars	Details	Amount
		Rs.			Rs.
To Opening Stock		3,20,000	By Sales	15,00,000	
To Purchases	12,00,000		Less: Sales Returns	<u>(24,000)</u>	14,76,000
Less: Purchase Returns	<u>(18,000)</u>	11,82,000	By Closing Stock		4,10,000
To Freight		62,000			
To Gross Profit c/d		<u>3,22,000</u>			
		<u>18,86,000</u>			<u>18,86,000</u>

M/s Raghuram & Associates

Profit and Loss Account for the year ended 31st March 2018

Particulars	Details	Amount	Particulars	Details	Amount
		Rs.			Rs.
To Salaries		72,000	By Gross profit b/d		3,22,000
To Rent for Godown	55,000		By Discount received		12,000
Add: Outstanding	<u>5,000</u>	60,000			
To Provision for Doubtful Debts (W.N.4)		16,200			
To Rent and Taxes		24,000			
To Discount Allowed		7,500			
To Carriage outwards		8,500			
To Printing and stationery		6,000			
To Electricity charges		14,000			

To Insurance premium (W.N. 1)		4,800			
To Depreciation (W.N. 2)		80,000			
To General expenses		11,000			
To Bank Charges		3,800			
To Interest on loan	4,400				
<i>Add: Outstanding (W.N. 3)</i>	<u>100</u>	4,500			
To Motor car expenses (Repairs)		13,000			
To Net Profit transferred to Capital A/c		<u>8,700</u>			<u> </u>
		<u>3,34,000</u>			<u>3,34,000</u>

(10 marks)

Balance Sheet of M/s Raghuram & Associates as at 31st March 2018

Liabilities	Details	Amount	Assets	Details	Amount
		Rs.			Rs.
Capital	14,11,400		Land & Building	5,00,000	
Add: Net Profit	8,700		Less: Depreciation	<u>(25,000)</u>	4,75,000
Less: Drawings	(20,000)		Motor Vehicles	1,00,000	
Less: proprietor's Insurance Premium	(42,000)	13,58,100	Less: Depreciation	(20,000)	80,000
Loan from Rajan	60,000		Office equipment	2,00,000	
Add: Outstanding Interest	100	60,100	Less: Depreciation	(30,000)	1,70,000
Sundry Creditors		62,000	Furniture & Fixture	50,000	
Outstanding rent		5,000	Less: Depreciation	(5,000)	45,000
			Stock in Trade		4,10,000
			Sundry Debtors	2,80,000	
			Less: Provision for	(14,000)	2,66,000

			doubtful debts			
			Cash at hand			22,000
			Cash in bank			16,000
			Prepaid insurance (W.N. 1)			<u>1,200</u>
						(6 marks)
		<u>14,85,200</u>				<u>14,85,200</u>

(6 Marks)

ANSWER – 2

**In the books of Ganpath
Consignment to Rawat of Jaipur Account**

<i>Particulars</i>	<i>Rs.</i>	<i>Particulars</i>	<i>Rs.</i>
To Goods sent on Consignment	7,50,000	By Rawat (Sales)	7,35,000
To Bank (Expenses: 15,000+45,000+15,000)	75,000	By Goods lost in Transit 50 cases @ Rs. 1,650 each (WN1)	82,500
To Rawat (Expenses: 18,000+25,000+7,000)	50,000	By Consignment Inventories: In hand 50 @ Rs. 1,695 each (WN2)	84,750
To Rawat (Commission)	73,500	By Consignment Inventories: In transit 50 @ Rs. 1,650 each (WN3)	<u>82,500</u>
To Profit on Consignment ts/f to Profit & Loss A/c	36,250		<u>9,84,750</u>
	<u>9,84,750</u>		9,84,750

(5 marks)

Rawat's Account

<i>Particulars</i>	<i>Rs.</i>	<i>Particulars</i>	<i>Rs.</i>
To Consignment to Jaipur A/c	7,35,000	By Consignment A/c (Expenses)	50,000
		By Consignment A/c(Commission)	73,500
		By Balance c/d	<u>6,11,500</u>
	<u>7,35,000</u>		7,35,000

Working Notes:

1. Consignor's expenses on 500 cases amounts to Rs. 75,000; it comes to Rs. 150 per case. The cost of cases lost will be computed at Rs. 1,650 per case i.e. $1,500 + 150$.
2. Rawat has incurred Rs. 18,000 on clearing 400 cases, i.e., Rs. 45 per case; while valuing closing inventories with the agent Rs. 45 per case has been added to cases in hand with the agent i.e. $1,500 + 150 + 45$.
3. The goods in transit (50 cases) have not yet been cleared. Hence the proportionate clearing charges on those goods have not been included in their value i.e. $1,500 + 150 = 1,650$.
4. It has been assumed that balance of Rs. 6,11,500 is not yet paid.

(3 marks)**ANSWER – 3****In the books of Firm****Machinery Account**

		Rs.			Rs.
1.1.2015	To Bank A/c	37,000	31.12.2015	Depreciation A/c	4,000
	To Bank A/c (overhauling charges)	3,000	31.12.2015	Balance c/d	36,000
		40,000			40,000
1.1.2016	To Balance b/d	36,000	31.12.2016	Depreciation A/c (Rs. 5,400 + Rs. 750)	6,150
1.7.2016	To Bank A/c	10,000	31.12.2016	Balance c/d	39,850
				(Rs. 30,600 + Rs. 9,250)	
		46,000			46,000
1.1.2017	To Balance b/d	39,850	1.7.2017	Bank A/c (sale)	28,000
1.7.2017	To Bank A/c	25,000	1.7.2017	Profit and Loss A/c (Loss on Sale – W.N. 1)	305
			31.12.2017	Depreciation A/c (Rs. 2,295 + Rs. 1,388 + Rs. 1,875)	5,558
				Balance c/d	30,987
				(Rs. 7,862 + Rs. 23,125)	
		64,850			64,850
1.1.2018	To Balance b/d	30,987	1.7.2018	Bank A/c (sale)	2,000
			1.7.2018	Profit and Loss A/c (Loss on Sale – W.N. 1)	5,272

			31.12.2018	Depreciation A/c (Rs. 590 + Rs. 3,469)	4,059
			31.12.2018	Balance c/d	19,656
		30,987			30,987

(5 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 – 4**Manufacturing A/c**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Raw Material Consumed (Balancing Figure)	10,00,000	By Trading A/c (W.N. 4)	18,00,000
To Wages (W.N. 2)	3,00,000		
To Depreciation (W.N. 1)	3,00,000		
To Direct Expenses (W.N. 3)	2,00,000		
	<u>18,00,000</u>		<u>18,00,000</u>

(2 MARKS)**Raw Material A/c**

Date	Particulars	Amount (Rs.)	Date	Particulars	Amount (Rs.)
	To Opening Stock A/c	1,00,000		By Raw Material Consumed (from Trading A/c above)	10,00,000
	To Creditors A/c (W.N. 5)	13,00,000		By Closing Stock A/c (Balancing Figure)	4,00,000
		<u>14,00,000</u>			<u>14,00,000</u>

(2 MARKS)**Working Notes:**

- 1) Since purchase of Machinery worth Rs.10,00,000 has been omitted.

So, depreciation omitted from being charged = Rs.10,00,000 X 10%

$$= \text{Rs.}1,00,000$$

Correct total depreciation expense = Rs.(2,00,000 + 1,00,000)

$$= \text{Rs.}3,00,000$$

- 2) Wages worth Rs.50,000 will be excluded from manufacturing account as they pertain to office and hence will be charged P&L A/c.

(2 MARKS)

3) Expenses to be excluded from direct expenses:

Office Electricity Charges (80,000 X 30%)	24,000
Delivery Charges to Customers	20,000
Total expenses not part of Direct Expenses	<u>44,000</u>

Revised Direct Expenses = Rs.(2,44,000 – 44,000)
= Rs.2,00,000

Fuel charges are related to factory expenses and also freight inwards are incurred for bringing goods to factory/ godown so they are part of direct expenses.

(1 MARK)

4) Revised Balance to be transferred to Trading A/c:

Particulars	Amount
	(Rs.)
Current Balance transferred	17,94,000
Add: Depreciation charges not recorded earlier	1,00,000
Less: Wages related to Office	(50,000)
Less: Office Expenses	(44,000)
Revised balance to be transferred	18,00,000

(2 MARKS)

5) Creditors A/c

Date	Particulars	Amount	Date	Particulars	Amount
		(Rs.)			(Rs.)
	To Bank A/c	22,00,000		By Balance b/d	15,00,000
	To Balance c/d	6,00,000		By Raw Materials A/c (Bal fig.)	13,00,000
		<u>28,00,000</u>			<u>28,00,000</u>

(1 MARK)

ANSWER – 5

	Particulars		Rs.	Rs.
1 2016 July 3	On sending the acceptance to Exe Exe To Bills Payable A/c	Dr.	30,000	30,000
2 2016 July 3	On meeting expenses on the consignment: Exe To Bank	Dr.	2,800	2,800
3 2016 Oct. 6	On meeting his acceptance: Bills payable To Bank	Dr.	30,000	30,000
4	On sales being effected: Trade receivables/Bank To Exe	Dr.	55,000	55,000
5	On there being a bad debt: Exe To Trade receivables	Dr.	600	600
6	On earning the commission: Exe To Commission Earned A/c	Dr.	5,500	5,500
7	On settling the account to Exe: Exe To Bank	Dr.	16,100	16,100

If the commission includes del-credere commission also, he would not be able to debit Exe for the bad debt.

In that case the debit should be to the Commission Earned Account whose net balance will then be Rs.4,900 and he will have to pay Rs. 16,700 to Exe. **(8 MARKS)**