



J.K. SHAH[®]
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SUGGESTED SOLUTION

CA FOUNDATION

SUBJECT-ACCOUNTS

Test Code – CFN 9307

BRANCH - () (Date :)

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ANSWER -1

Income and Expenditure Account
For the year ending on March 31, 2014

| Expenditure | Amount | Income | Amount |
|--|-----------------|---------------------------------|-----------------|
| | Rs. | | Rs. |
| Loss on sale of old furniture [50,000 – 20,000] | 30,000 | Admission fees | 12,500 |
| Salaries | 5,00,000 | Tuition fees | 5,00,000 |
| Add : outstanding | 30,000 | Add : Outstanding | 25,000 |
| Stationery | 40,000 | Rent for the school hall | 10,000 |
| General expenses | 18,000 | Miscellaneous receipts | 30,000 |
| Depreciation : | | Government grant | 3,50,000 |
| Furniture | 3,000 | Interest accrued on Investments | 60,000 |
| Building | 31,250 | | |
| Library books | 22,500 | | |
| Sports expenses | 15,000 | | |
| Surplus (excess of Income over expenditure) | 2,97,750 | | |
| | 9,87,750 | | 9,87,500 |

Working Notes :

- As admission fee is regular income of a school, so it has been taken as a revenue income of the school.
- Depreciation on furniture has been computed as following on the assumption that furniture was sold on April 1, 2013.

| | Amount |
|--|---------------|
| Book Value on March 31,2014 | 1,00,000 |
| Less : Book Value of Sold Furniture | (50,000) |
| | 50,000 |
| Depreciation on furniture of Rs. 10,000 for one year | 1,000 |
| Depreciation on furniture of Rs. 40,000 for 6 months | 2,000 |
| Total depreciation | 3,000 |

Balance sheet as on March 31, 2014

| Liabilities | Amt. (Rs.) | Assets | Amt. (Rs.) |
|----------------------------|------------------|---------------------|------------------|
| Creditors for Supplies | 15,000 | Buildings | 6,25,000 |
| Outstanding Salaries | 30,000 | Less : Depreciation | 31,250 |
| Donation for Library Books | 62,500 | Furniture | 1,00,000 |
| General fund | 10,00,000 | Less : Sold | 50,000 |
| Add : Surplus | 2,97,750 | | 50,000 |
| | 12,97,750 | Less : Depreciation | 3,000 |
| | | Accrued fees | 25,000 |
| | | Library books | 1,50,000 |
| | | Less : Depreciation | 22,500 |
| | | Investment @ 12% | 5,00,000 |
| | | Interest accrued | 60,000 |
| | | Cash at bank | 50,000 |
| | | Cash in hand | 2,000 |
| | 14,05,250 | | 14,05,250 |

ANSWER -2

Smith Library Society
Income and Expenditure Account
For the year ended 31st March, 2018

| Dr. | | | | | Cr. |
|-------------------------|--------|-----------------|--|--------------------|-----------------|
| Expenditure | Rs. | Rs. | Income | | Rs. |
| To Electric charges | | 7,200 | By Entrance fee (25% of Rs. 30,000) | | 7,500 |
| To Postage & stationary | | 5,000 | By Membership subscription | 2,00,000 10,000 | 1,90,000 |
| To Telephone charges | | 5,000 | Less : Received in advance | | |
| To Rent | 88,000 | | By Sale proceeds of old papers | | 1,500 |
| Add : Outstanding | 4,000 | 92,000 | By Hire of lecture hall | | 20,000 |
| To Salaries | 66,000 | | By Interest on securities (W.N. 2) | 8,000 | |
| Add : Outstanding | 3,000 | 69,000 | Add : Receivable | 500 | 8,500 |
| To Depreciation (W.N.1) | | | By Deficit – excess of expenditure over income | | 16,700 |
| Electrical fittings | 15,000 | | | | |
| Furniture | 5,000 | | | | |
| Book | 46,000 | 66,000 | | | |
| | | 2,44,200 | | | 2,44,200 |

(4 MARKS)

Balance Sheet of Smith Library Society
as on 31st March, 2018

| Liabilities | Rs. | Rs. | Assets | Rs. | Rs. |
|--|----------|-----------------|---------------------|----------|-----------------|
| Capital Fund | 7,93,000 | | Electrical fittings | 1,50,000 | |
| Add : Entrance fees | 22,500 | | Less : Depreciation | (15,000) | 1,35,000 |
| | 8,15,500 | | Furniture | 50,000 | |
| Less : Excess of expenditure over income | (16,700) | 7,98,800 | Less : Depreciation | (5,000) | 45,000 |
| Outstanding expenses : | | | Books | | |
| Rent | 4,000 | | (4,00,000 + 60,000) | 4,60,000 | |
| | | | Less : Depreciation | (46,000) | 4,14,000 |
| Salaries | 3,000 | 7,000 | Investments | | |
| Membership subscription in advance | | 10,000 | Securities | 1,90,000 | |
| | | | Accrued interest | 500 | 1,90,500 |
| | | | Cash at bank | | 20,000 |
| | | | Cash in hand | | 11,300 |
| | | 8,15,800 | | | 8,15,800 |

(4 MARKS)

Working Notes :

| | Rs. | |
|--|------------|---------|
| 1. Depreciation | | |
| Electrical fittings 10% of Rs. 1,50,000 | 15,000 | |
| Furniture 10% of Rs. 50,000 | 5,000 | |
| Books 10% of Rs. 4,60,000 | 46,000 | |
| 2. Interest on Securities | | |
| Interest @ 5% p.a. on Rs. 1,50,000 for full year | 7,500 | |
| Interest @ 5% p.a. on Rs. 40,000 for half year | 1,000 | 8,500 |
| Less : Received | | (8,000) |
| Receivable | | 500 |

(2 MARKS)