

SUGGESTED SOLUTION

CA FOUNDATION

SUBJECT- ACCOUNT

Test Code – JMU 2401

BRANCH - () (Date :)

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ANSWER : 1(A)**Journal**

Date	Particulars	L.F.	Dr. (Rs.)	Cr. (Rs.)
(i)	Mukesh A/c Dr. To Sales A/c To Output CGST A/c To Output SGST A/c (Being goods sold to Mukesh at a trade discount of 20% charged CGST and SGST @ 6% each)		44,800	40,000 2,400 2,400
(ii)	Discount Allowed A/c Dr. Bank A/c To Sales A/c To Output SGST A/c To Output SGST A/c (Being goods sold to Mukesh at a trade discount of 20% and 5% cash discount, charged CGST and SGST @ 6% each)*		4,000 85,600	80,000 4,800 4,800
(iii)	Bank A/c Dr. Cash A/c Dr. Mukesh's A/c (refer W. N.) Dr. To Sales A/c (1,50,000 x 80%) To Output CGST A/c (1,20,000 x 6%) To Output SGST A/c (1,20,000 x 6%) (Being goods sold to Mukesh at a trade discount of 20% and received 60%, charged CGST and SGST @ 6% each)		60,480 20,160 53,760	1,20,000 7,200 7,200

Note : After allowing cash discount of Rs. 4,000 (Rs. 80,000 × 5%), the balance of Rs. 85,600 is received. Since discount is on account of prompt payment, output CGST and SGST is computed on value determine after deducting trade discount.

Working Note: After allowing trade discount of Rs. 30,000 on Rs. 1,50,000 = Rs. 1,20,000, 60% of the balance amount i.e. Rs. 1,34,400 (Rs. 1,20,000 + 12% GST Rs. 14,400) is paid in cash and by cheque.

Hence, the amount paid in cash and cheque = Rs. 1,34,400 × 60% = Rs. 80,640. Amount paid by cheque = Rs. 80,640 × 3/4 = Rs. 60,480

Amount paid in cash = Rs. 80,640 × 1/4 = Rs. 20,160

Mukesh's A/c = (Rs. 1,20,000 + Rs. 14,400 – Rs. 60,480 – Rs. 20,160) = Rs. 53,760

(3 MARKS)

ANSWER : 1(B)

Accounting Standards are selected set of accounting policies or broad guidelines regarding the principles and methods to be chosen out of several alternatives. The main objective of Accounting Standards is to establish standards which have to be complied with, to ensure that financial statements are prepared in accordance with generally accepted accounting principles. Accounting Standards seek to suggest rules and criteria of accounting measurements. These standards harmonize the diverse accounting policies and practices at present in use in India.

(3 MARKS)**ANSWER : 1(C)**

Limitations which must be kept in mind while evaluating the Financial Statements are as follows:

- ◆ The factors which may be relevant in assessing the worth of the enterprise don't find place in the accounts as they cannot be measured in terms of money.
- ◆ Balance Sheet shows the position of the business on the day of its preparation and not on the future date while the users of the accounts are interested in knowing the position of the business in the near future and also in long run and not for the past date.
- ◆ Accounting ignores changes in some money factors like inflation etc.
- ◆ There are occasions when accounting principles conflict with each other.
- ◆ Certain accounting estimates depend on the sheer personal judgement of the accountant.
- ◆ Different accounting policies for the treatment of same item adds to the probability of manipulations.

(3 MARKS)**ANSWER : 2****MACHINERY ACCOUNT**

Dr.					Cr.
Date	Particulars	Rs.	Date	Particulars	Rs.
01.01.2019	To Bank A/c (A) – Cost	3,00,000	31.12.2019	By Depreciation (A)	40,000
	- Repairs	60,000		By Balance c/d (A)	3,60,000
	- Installation	40,000			
		4,00,000			4,00,000
01.01.2020	To Balance b/d	3,60,000	31.12.2020	By Depreciation (A) 40,000	
				(B) <u>13,000</u>	53,000
01.07.2020	To Bank A/c (B)	2,60,000		By Balance c/d (A) 3,20,000	
				(B) <u>2,47,000</u>	5,67,000
		6,20,000			6,20,000
01.01.2021	To Balance b/d	5,67,000	01.07.2021	By Machinery Disposal A/c (A)	3,00,000

01.07.2021	To Bank A/c (C)	2,50,000		By Depreciation A/c (A) 20,000 (B) 26,000 (C) <u>12,500</u>	58,500
				By Balance c/d (B) 2,21,000 (C) <u>2,37,500</u>	4,58,500
		8,17,000			8,17,000
01.01.2022	To Balance b/d	4,58,500	01.07.2022	By Machinery Disposal A/c (B) By Depreciation A/c (B) 13,000 (C) <u>25,000</u>	2,08,000 38,000
				By Balance c/d	2,12,500
		4,58,500			4,58,500

Machinery Disposal Account

Date	Particulars	Rs.	Date	Particulars	Rs.
01.07.2021	To Machinery A/c (A)	3,00,000	01.07.2021	By Bank A/c	3,20,000
	To Profit Loss A/c (Profit)	20,000			
		<u>3,20,000</u>			<u>3,20,000</u>
01.07.2022	To Machinery A/c (B)	2,08,000	01.07.2022	By Bank A/c	2,30,000
	To P & L A/c (Profit)	22,000			
		2,30,000			2,30,000

(8 MARKS)

ANSWER : 3

Determination of cost of purchases:

Goods received from suppliers	15,75,500
Less: Trade discount 3%	(47,265)
	15,28,235
Add : GST 11%	Rs. 1,68,106
	Rs. 16,96,341
Add: Packaging and transportation charges	Rs. 87,500
	Rs. 17,83,841

Determination of estimated gross profit margin:

Sales during the year	Rs. 22,45,500
Closing inventory at the selling price	Rs. 2,35,000
	24,80,500
Less: Purchases	Rs. (17,83,841)
Gross profit	Rs. 6,96,659
Gross profit margin	28.09%
Inventory valuation:	
Selling price of closing inventories	Rs. 2,35,000
Less: Gross profit margin 28.09%	Rs. (66,012)
	Rs. 1,68,988

ANSWER : 4**Bank Reconciliation Statement****As on 31st December, 2022**

Particulars	Amount Rs.
Overdraft as per Cash Book	6,340
Add: Interest debited in the Pass Book but not yet entered in the Cash Book	160
Add: Bank charges debited in the Pass Book but not entered in the Cash Book	400
Add : Cheques deposited but not yet credited in the Pass Book	22,17,000
	22,23,900
Less: Cheques issued but not yet presented	(11,68,000)
Less: Interest collected and credited by bank but not yet entered in Cash Book	(12,00,000)
Balance as per Pass Book (Credit/Favourable balance)	(1,44,100)

The above illustration can also be presented with the column for “Plus” and “Minus.”

Particulars	Plus Amount Rs.	Minus Amount Rs.
Overdraft as per Cash Book		6,340
Interest debited in Pass Book but not yet in Cash Book		160
Cheque issued but not yet presented	11,68,000	
Cheques paid in but not yet credited by the Bank		22,17,000
Bank charges		400
Interest collected and credited by the Bank in the Pass Book but not yet entered in Cash Book	12,00,000	
Balance as per Pass Book		1,44,100
	23,68,000	23,68,000

(5 MARKS)

JOURNAL ENTRIES

Particulars		L.F.	Rs.	Rs.
(a)	Cash Account Dr. To D. Das (Being the amount received)		100	100
(b)	Returns Inward Account Dr. To Suspense Account (Being the mistake in totalling the Returns Inward Book corrected)		100	100
(c)	Furniture Account Dr. To Purchases Account (Being the rectification of mistake by which purchase of furniture was entered in Purchases book and hence now corrected by crediting the Purchases Account)		300	300
(d)	Furniture Account Dr. To Wages Account (Being the wages paid to workmen for making show-cases which should have been capitalised and not to be charged to Wages Account)		375	375
(e)	Suspense Account Dr. To Creditors (personal) Account (Being the mistake in crediting the Trade payables Account less by Rs. 7, now corrected)		7	7
(f)	P.C. Joshi Dr. To Allowances Account (Being the cheque of P.C. Joshi dishonoured, previously debited to Allowances Account)		200	200
(g)	Drawings Account Dr. To Miscellaneous Expenses (Being the motor cycle purchased for Mr. Dutt debited to his Drawings Account instead of Miscellaneous Expenses Account as previously done by mistake)		1,000	1,000
(h)	Returns Inward Account Dr.		100	

(i)	To Debtors (Personal) Account (Correction of the omission to record return of goods by customers)	400	100
	Singh & Co. Dr. To Suspense Account (Being the correction of mistake by which the account of Singh & Co. was credited by Rs. 200 instead of being debited)		400

Suspense Account

Dr.			Cr.		
Date	Particulars	Amount	Date	Particulars	Amount
2022 Dec.31	To Difference in Trial Balance	493	2022 Dec. 31	By Returns Inwards A/c.	100
" "	To Trade Payables A/c.	7	" "	By Singh & Co.	400
		500			500

(8 MARKS)

ANSWER : 6

In the books of M/s Raj & Co.

Machinery Account

Date	Particulars	Rs.	Date	Particulars	Rs.
2022 Jan. 1	To Balance b/d (w.n.2)	3,60,000	2022 Dec. 31	By Depreciation A/c (w.n.3)	80,000
			Dec. 31	By Balance c/d	2,80,000
		3,60,000			3,60,000
2023 Jan.1	To Balance b/d	2,80,000			

Depreciation Account

		Rs.			Rs.
2022 Dec. 31	To Machinery A/c	80,000	2022 Dec. 31	By Profit and Loss A/c	80,000
		80,000			80,000

Working Notes :

(1) Total of sum of digit of depreciation for 2017 – 21

$$= (\text{Rs. } 10,00,000 - \text{Rs. } 1,20,000) \times \frac{10+9+8+7+6}{2} = \text{Rs. } 8,80,000 \times \frac{40}{55} = \text{Rs. } 6,40,000$$

- (2) Written down value as on 1.1.2022
 $\text{Rs. } 10,00,000 - \text{Rs. } 6,40,000 = \text{Rs. } 3,60,000$
- (3) Deprecation for 2022
 $(\text{Rs. } 10,00,000 - \text{Rs. } 1,20,000) \times \frac{5}{55} = \text{Rs. } 80,000$

(5 MARKS)

ANSWER : 7

1. **False:** Cash Basis of Accounting is the method of recording transactions by which revenues and costs and assets and liabilities are reflected in the accounts in the period in which actual receipts or actual payments are made.
2. **False:** Expenditure incurred for major repair of the asset so as to increase its productive capacity is capital in nature.
3. **False:** A claim that an enterprise is pursuing through legal process, where the outcome is uncertain, is a contingent asset
4. **True:** An enterprise may adopt FIFO or weighted average method for inventory valuation and the method selected for valuation is called an accounting policy.
5. **True:** Since similar machine is purchased at 20,00,000, the current cost of machine is Rs. 20,00,000.

(5 * 2 MARKS = 10)