

Model Test Paper 13

Answers

Question 1

(i) The amount received by the society is for a specific purpose, *i.e.*, to set-up library and purchase of books. Thus, it will be accounted following Fund Based Accounting. Therefore, ₹ 10,00,000 and also interest, *i.e.*, ₹ 50,000 will be credited to 'Library Fund' and shown in liabilities side of the Balance Sheet.

(ii) *Goods* means items or products purchased either for resale or for manufacture of another item or items.

Revenue is the gross inflow of cash and receivables that is earned by the enterprise from the sale of goods and/or rendering of services in its ordinary course of business.

(iii) Bad Debts A/c ...Dr. ₹ 5,000*
 To Param ₹ 5,000*
 (Being the amount written off being not recoverable)

*₹ 10,000 + ₹ 600 (CGST) + ₹ 600 (SGST) – ₹ 6,200 = ₹ 5,000.

Cash/Bank A/c ...Dr. ₹ 5,000
 To Bad Debts Recovered A/c ₹ 5,000
 (Being the amount received that was earlier written off)

(iv) Closing Capital = Closing Assets – Liabilities
 = ₹ 60,000 – ₹ 25,000 = ₹ 35,000

Here, Opening Capital is more than Closing Capital, therefore, there is loss.

Loss = Opening Capital – Closing Capital
 = ₹ 75,000 – ₹ 35,000 = ₹ 40,000.

(v) Accrual Basis of Accounting is considered better as compared to Cash Basis of Accounting because:

(a) it gives the complete picture of financial transactions as liabilities undertaken, incomes earned but not received, incomes received in advance, etc.

(b) it shows correct financial performance and position.

On the other hand, Cash Basis of Accounting records only cash transactions. As a result of which financial statements become unreliable.

(vi) Provision for expenses is made using best estimates whereas outstanding expenses means amount payable is determined.

(vii) Difference between Trade Discount and Cash Discount

Basis	Trade Discount	Cash Discount
1. Nature	It is allowed on sale or purchase of certain quantity.	It is allowed on payment being made on or before a certain date.
2. Nature of Transaction	It is allowed on both cash and credit sales or purchases.	It is allowed only on payment.

- (viii) It is considered to be advantageous because of following reasons:
- (a) *Division of Work*: Since in the place of one Journal, Subsidiary Books are also maintained, accounting work can be divided among a number of persons.
 - (b) *Specialisation and Efficiency*: When the same work is handled by a particular person for a considerable time, he acquires knowledge and expertise in it and becomes more efficient in handling it. Thus, accounting is done more efficiently.
- (ix) A direct payment by a customer into bank will:
- (a) increase the credit balance as per Pass Book; and
 - (b) reduce the debit balance as per Pass Book (if the Pass Book has debit balance).
- (x) It is that part of the cost of a fixed asset which has not yet been depreciated. The book value of an asset is its cost when it is acquired. Thereafter, it is the cost *less* accumulated depreciation till date.

Question 2

A.

In the Books of Sahil

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2019				
Jan. 15	Mahesh ...Dr. To Sales A/c (Being the goods sold to Mahesh)		30,000	30,000
Jan. 15	Bills Receivable A/c ...Dr. To Mahesh (Being the acceptance for the amount received from Mahesh)		30,000	30,000
Jan. 31	Bank A/c ...Dr. Discounting Charges A/c ...Dr. To Bills Receivable A/c (Being the bills receivable discounted)		29,250 750	30,000
April 18	Mahesh ...Dr. To Bank A/c (Being the bill dishonoured and bank paid noting charges ₹ 500)		30,500	30,500
April 18	Mahesh ...Dr. To Interest A/c (Being the interest due)		500	500
April 18	Cash A/c ...Dr. To Mahesh (Being the cash received from Mahesh including ₹ 500 each for interest and noting charges)		11,000	11,000
April 18	Bills Receivable A/c ...Dr. To Mahesh (Being the new bill received for 2 months)		20,000	20,000
April 18	Kapil ...Dr. To Bills Receivable A/c (Being the bill endorsed to Kapil)		20,000	20,000

M.56
An Aid to Accountancy—ISC XI
B. PURCHASES BOOK

Date	Particulars	Invoice No.	L.F.	Details ₹	Cost ₹	Input CGST ₹	Input SGST ₹	Input IGST ₹	Total ₹
2019 May 1	M/s Madan Lal Mam Raj, Delhi 100 bags of ITC Wheat Atta @ ₹ 530 per bag 50 bags of Basmati Rice @ ₹ 500 per bag Less: 10% Trade Discount Add: CGST 6% SGST 6%			53,000 25,000 78,000 7,800 70,200 4,212 4,212 78,624	70,200	4,212	4,212	...	78,624
May 3	M/s Gupta Bros., Hapur 25 bags gram @ ₹ 480 per bag 40 bags oats @ ₹ 25 per bag Add: IGST 12%			12,000 1,000 13,000 1,560 14,560	13,000	1,560	14,560
May 31					83,200	4,212	4,212	1,560	93,184

Question 3
A. RECTIFYING JOURNAL ENTRIES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Sales A/c ...Dr. To Suspense A/c (Being the error in Sales Book casting, now rectified)		200	200
(ii)	Suspense A/c ...Dr. To Lokesh (Being the sales of goods wrongly over-debited to Lokesh, now rectified)		4,950	4,950
(iii)	Suspense A/c ...Dr. To Purchases A/c (Being the overcasting of Purchases Book, now rectified)		800	800
(iv)	Purchases Return A/c ...Dr. To Suspense A/c (Being the error in carrying forward of total of Purchases Return Book, now rectified)		100	100

(v)	Machinery A/c To Repairs A/c (Being the repairs expenses of machine wrongly debited to repairs, now rectified)	...Dr.	1,00,000	1,00,000
	Depreciation A/c To Machinery A/c (Being the depreciation charged)	...Dr.	5,000	5,000
(vi)	Sales A/c To Advance from Ashish A/c (Being the advance received wrongly credited to Sales, now rectified)	...Dr.	10,000	10,000
(vii)	Suspense A/c To Naresh (Being the sales return wrongly debited to Naresh, now reversed)	...Dr.	10,000	10,000

B. Cost of Goods Sold = Opening Inventory + Purchases (Net) + Direct Expenses – Closing Inventory

$$= ₹ 16,000 + ₹ 72,000 + ₹ 18,600 - ₹ 28,000 = ₹ 78,600.$$

Note: Salaries and Wages and Carriage Outwards are debited to Profit and Loss Account, i.e., not the part of cost.

Question 4

Dr.		TRADING AND PROFIT AND LOSS ACCOUNT for the year ended 31st March, 2019		Cr.	
Particulars	₹	Particulars	₹	₹	₹
To Opening Stock		By Sales	20,73,000		
To Purchases	10,60,000	Less: Sales Return	51,000		20,22,000
Less: Purchases Return	21,000	By Closing Stock			1,49,000
To Freight on Purchases					
28,000					
To Wages	2,60,000				
Add: Outstanding	21,000				
To Gross Profit c/d					
	6,68,000				
	21,71,000				21,71,000
To Salaries	1,10,000	By Gross Profit b/d			6,68,000
To Rent	30,000	By Discount			12,000
To Postage Expenses	14,000				
To Stationery	13,000				
To Repairs	45,000				
To Carriage on Sales	40,000				
To General Expenses	25,000				
Less: Prepaid Insurance	6,000				
To Outstanding Interest on Loan @ 9% p.a.					
13,500					
To Bad Debts	6,000				
Add: Provision for Doubtful Debts	15,000				
To Depreciation on:					
Land and Building	7,000				
Machinery	50,000				
Furniture and Fixtures	7,500				
To Commission to Manager (WN)					
28,180					
To Net Profit transferred to Capital A/c					
	2,81,820				
	6,80,000				6,80,000

BALANCE SHEET OF DEV NARAIN
as at 31st March, 2019

Liabilities	₹	Assets	₹
Current Liabilities		Current Assets	
Sundry Creditors	96,000	Cash in Hand	41,000
Outstanding Wages	21,000	Cash at Bank	64,000
Output IGST	40,000	Sundry Debtors	3,00,000
Manager's Commission Payable (WN)	28,180	Less: Provision for Doubtful Debts	15,000
Mrs. Dev Narain's Loan	3,00,000		2,85,000
Add: Outstanding Interest on Loan	13,500	Closing Stock	1,49,000
	3,13,500	Prepaid Insurance	6,000
Capital		Fixed Assets	
Opening Balance	6,00,000	Furniture and Fixtures	50,000
Add: Net Profit	2,81,820	Less: Depreciation	7,500
	8,81,820		42,500
		Machinery	5,00,000
		Less: Depreciation	50,000
			4,50,000
		Land and Building	3,50,000
		Less: Depreciation	7,000
			3,43,000
	13,80,500		13,80,500

Working Note:

$$\text{Commission to Manager} = \text{Net Profit} \times \frac{\% \text{ of Commission}}{100 + \% \text{ of Commission}} = ₹ 3,10,000 * \times \frac{10}{110} = ₹ 28,180.$$

$$\begin{aligned} * \text{Net Profit} &= ₹ 6,68,000 + ₹ 12,000 - ₹ 1,10,000 - ₹ 30,000 - ₹ 14,000 - ₹ 13,000 - ₹ 45,000 - ₹ 40,000 - ₹ 19,000 - ₹ 13,500 - \\ &\quad ₹ 21,000 - ₹ 64,500 \\ &= ₹ 3,10,000. \end{aligned}$$

Question 5**Rajasthan Club**

INCOME AND EXPENDITURE ACCOUNT

Dr.	₹	Cr.	₹
Expenditure		Income	
To Rent and Taxes	86,100	By Subscriptions	2,20,000
Add: Outstanding at the end	18,000	Add: Outstanding at the end	7,000
	1,04,100		2,27,000
Less: Outstanding in the beginning	18,000	Less: Outstanding in the beginning	6,000
	86,100		2,21,000
To Salaries	1,09,000	By Donations	1,06,100
To Electricity Charges	6,200	By Interest on Investments	4,100
To General Expenses	12,500	By Surplus from Cultural Programme	8,200
To Office Expenses	45,000		
To Depreciation on:			
Books	30,000		
Furniture	5,000		
	35,000		
To Surplus, i.e., Excess of Income over Expenditure	45,600		
	3,39,400		3,39,400

BALANCE SHEET as at 31st March, 2019

Liabilities	₹	Assets	₹
Capital Fund		Cash in Hand	43,000
In the beginning (WN)	4,87,300	Cash at Bank	61,900
Add: Surplus	45,600	Investments	1,40,000
Entrance Fees	55,200	Books:	
Rent Outstanding	18,000	In the beginning	3,00,000
		Additions	31,200
			3,31,200
		Less: Depreciation	30,000
		Furniture	58,000
		Less: Depreciation	5,000
		Subscription Outstanding	7,000
	6,06,100		6,06,100

Working Note:

Calculation of Opening Capital Fund:

BALANCE SHEET as at 1st April, 2018

Liabilities	₹	Assets	₹
Rent Outstanding	18,000	Cash in Hand	1,41,300
Capital Fund (Balancing Figure)	4,87,300	Subscriptions Outstanding	6,000
		Books	3,00,000
		Furniture	58,000
	5,05,300		5,05,300

Question 6

A.

STATEMENT OF AFFAIRS as at 31st March, 2018

Liabilities	₹	Assets	₹
Sundry Creditors	3,00,000	Cash at Bank	45,000
Capital (Balancing Figure)	3,58,000	Cash in Hand	3,000
		Stock-in-Trade	4,00,000
		Debtors	1,20,000
		Office Equipment	50,000
		Furniture	40,000
	6,58,000		6,58,000

STATEMENT OF AFFAIRS (AFTER ADJUSTMENTS) as at 31st March, 2019

Liabilities	₹	Assets	₹
Sundry Creditors	2,00,000	Cash at Bank	30,000
Capital (Balancing Figure)	6,03,500	Cash in Hand	40,000
		Stock-in-Trade	4,50,000
		Debtors	2,00,000
		Office Equipment	50,000
		Less: Depreciation	2,500
		Furniture	40,000
		Less: Depreciation	4,000
	8,03,500		8,03,500

STATEMENT OF PROFIT AND LOSS for the year ended 31st March, 2019

Particulars	₹
Capital as on 31st March, 2019	6,03,500
Add: Drawings during the year	40,000
	6,43,500
Less: Capital introduced during the year	60,000
Adjusted capital at the end	5,83,500
Less: Capital in the beginning on 31st March, 2018	3,58,000
Net Profit for the year	2,25,500

B. (i) Amount to be paid by Gulshan to the Vendor is ₹ 5,60,000 (i.e., ₹ 5,00,000 + ₹ 60,000).

(ii) Machinery Account will be debited by ₹ 5,50,000 (i.e., ₹ 5,00,000 + ₹ 20,000 + ₹ 30,000).

(iii) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2018				
Oct. 1	Machinery A/c ...Dr. Input IGST A/c ...Dr. To Vendor (Being the amount due to Vendor against purchase of machinery)		5,00,000 60,000	5,60,000
	Machinery A/c ...Dr. To Cash A/c (Being the expenses on loading/unloading and installation of machinery)		50,000	50,000
2019				
March 31	Depreciation A/c ...Dr. To Machinery A/c (Being the depreciation charged @ 10% p.a. on ₹ 5,50,000 for 6 months)		27,500	27,500

Question 7

CASH BOOK											
Dr.						Cr.					
Date	Particulars	L.F.	Discount Allowed ₹	Cash ₹	Bank ₹	Date	Particulars	L.F.	Discount Received ₹	Cash ₹	Bank ₹
2018						2018					
Oct. 1	To Balance b/d			50,000	1,00,000	Oct. 7	By Purchases A/c			...	30,000
Oct. 18	To Suraj			2,500	...	Oct. 7	By Input IGST A/c			...	3,600
Oct. 20	To Deepak		500	15,000	...	Oct. 8	By Purchases A/c			5,000	...
Oct. 20	To Cash A/c	C		...	15,000	Oct. 8	By Input CGST A/c			300	...
Oct. 23	To Bank A/c	C		4,000	...	Oct. 8	By Input SGST A/c			300	...
Oct. 27	To Sales A/c			22,000	...	Oct. 10	By Bills Payable A/c			...	10,000
Oct. 27	To Output CGST A/c			1,320	...	Oct. 14	By Petty Expenses A/c			500	...
Oct. 27	To Output SGST A/c			1,320	...	Oct. 20	By Bank A/c	C		15,000	...
						Oct. 23	By Cash A/c	C		...	4,000
						Oct. 24	By Bhanu & Co.		200	3,000	...
						Oct. 25	By Drawings A/c			...	4,000
						Oct. 31	By Balance c/d			72,040	63,400
			500	96,140	1,15,000				200	96,140	1,15,000
2018											
Nov. 1	To Balance b/d			72,040	63,400						

Question 8

In the Books of Jitin, Gurugram (Haryana)

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Drawings A/c ...Dr. To Purchases A/c To Input CGST A/c To Input SGST A/c (Being the goods used for domestic purpose, Input CGST and Input SGST reversed)		5,600	5,000 300 300
(ii)	Postage A/c ...Dr. To Cash A/c (Being the postage paid)		150	150
(iii)	Loss by Fire A/c ...Dr. To Purchases A/c To Input IGST A/c (Being the goods lost by fire, Input IGST reversed)		6,720	6,000 720
(iv)	Machine A/c ...Dr. To Cash A/c (Being the wages paid for installation of machine)		4,000	4,000
(v)	Depreciation A/c ...Dr. To Furniture A/c (Being the depreciation charged on furniture)		5,000	5,000
(vi)	Rent A/c ...Dr. Input CGST A/c ...Dr. Input SGST A/c ...Dr. Drawings A/c ...Dr. To Bank A/c (Being the rent paid along with CGST and SGST, half the amount transferred to drawings)		1,20,000 7,200 7,200 1,34,400	2,68,800
(vii)	Charity A/c ...Dr. To Purchases A/c To Input IGST A/c (Being the goods given as charity, Input IGST reversed)		1,120	1,000 120
(viii)	Purchases A/c ...Dr. Input IGST A/c ...Dr. To Pooja (Being the goods purchased from Pooja, payable IGST @ 12%)		20,000 2,400	22,400
(ix)	Insurance A/c ...Dr. To Cash A/c (Being the insurance premium paid)		12,000	12,000
(x)	Cash A/c ...Dr. To Capital A/c (Being the amount invested in a firm)		1,00,000	1,00,000
(xi)	Salaries A/c ...Dr. To Outstanding Salaries A/c (Being the salaries payable to employees)		20,000	20,000
(xii)	Bank Interest A/c ...Dr. To Bank A/c (Being the bank interest charged by bank)		1,000	1,000

Question 9

A.

TRIAL BALANCE as on 31st March, 2019

Heads of Accounts	L.F.	Dr. Balance ₹	Cr. Balance ₹
Furniture		20,000	...
Capital	2,00,000
Debtors		2,00,000	...
Stock (1st April, 2018)		1,04,000	...
Creditors	80,000
Trade Expenses.....		50,000	...
Sales	8,58,000
Wages		30,000	...
Machinery		50,000	...
Purchases		6,25,000	...
Wife's loan to the business.....		...	50,000
Discount Allowed.....		4,000	...
Drawings		45,000	...
Motor Van		60,000	...
Total		11,88,000	11,88,000

Notes: At the time of correction of the Trial Balance, students should note the following:

1. All assets and expense accounts show a *debit balance*.
2. All liabilities and income accounts show a *credit balance*.

B. The different components of computerised accounting system are:

1. *Computer Hardware:* Computer hardware refers to the machine comprising CPU, Monitor and Keyboard in which the financial data is fed with the aim of producing books of account and financial data.
2. *Software:* Software are of two kinds, *i.e.*, Operating Software and Application Software.
Operating Software: Operating software is the computer software on the basis of which a computer operates, *i.e.*, computer accepts commands.
Application Software: Application software is a software that is designed to perform a specific task, *e.g.*, MS Word.
3. *Financial Data:* Accounting is concerned with recording of financial transactions and events. It is also known as financial data. It is an essential component of CAS because without financial data, accounting cannot be carried out.
4. *Chart of Accounts and Grouping of Accounts:* An important component of CAS is that the accounts should be appropriately grouped in the manner that all accounts of one nature are classified under one broad head of account and appropriately grouped as asset, liability, expenditure and income. For example, all current banking accounts should be classified under the broad head 'Bank Accounts' and they should be further grouped under Current Assets in the Balance Sheet.

It must be kept in mind that wrong grouping will lead to distorted financial statements, meaning an income, if grouped as liability, will show lower income and higher liability.