

Model Test Paper 8

Answers

Question 1

- (i) According to Dual Aspect Concept, every transaction has two aspects, a debit and a credit of equal amount. Stating differently, for every debit, there is a credit of equal amount in one or more accounts and *vice versa*. This concept is the basis of Double Entry System.
- (ii) *Journal Proper* is a book in which those transactions are recorded which are not recorded in any of the Subsidiary Books maintained by the firm, like Purchases Book, Sales Book, etc. Following types of entries are recorded in Journal Proper:
- (a) Opening entry to bring forward the opening balances of capital, assets and liabilities.
(b) Credit purchase of fixed assets, like machinery, furniture, etc.
(c) Rectifying entries.

(iii) *Accumulated Depreciation Account* shows the depreciation provided till date on a fixed asset. This account is also known as 'Provision for Depreciation Account'. When depreciation is recorded by maintaining Accumulated Depreciation Account, the amount of depreciation provided during the year is credited to this account. The balance of Accumulated Depreciation Account shows the total amount of depreciation accumulated till date.

- (iv) (a) Commission Payable to Manager is calculated as a percentage of net profit either before charging such commission or after charging such commission.

The formula for calculating Manager's commission under each alternative case is as follows:

1. *Commission on Net Profit before charging such commission:*

$$\text{Commission} = \text{Net Profit before commission} \times \frac{\% \text{ of commission}}{100}$$

2. *Commission on Net Profit after charging such commission:*

$$\text{Commission} = \text{Net Profit before commission} \times \frac{\% \text{ of commission}}{100 + \% \text{ of commission}}$$

- (b) Manager's commission = Net Profit before commission $\times \frac{\% \text{ of commission}}{100 + \% \text{ of commission}}$

$$= ₹ 87,120 \times \frac{10}{100 + 10}$$

$$= ₹ 87,120 \times \frac{10}{110} = ₹ 7,920.$$

- (v) If a drawer agrees to draw new bill replacing the old bill of exchange, it is called *Renewal of Bill*.
- (vi) The balance of Suspense Account shows the net effect of errors affecting the Trial Balance which are still to be located and rectified. Debit balance of the Suspense Account is shown on the Assets Side of the Balance Sheet; while the credit balance is shown on the Liabilities Side of the Balance Sheet.

M.2**An Aid to Accountancy—ISC XI**

- (vii) *Provision* means the amount set aside by charging to the Profit and Loss Account, to provide for any known liability but the amount of which cannot be determined with accuracy. Reserve is an appropriation of profit, whereas provision is a charge against profit.
- (viii) No. I do not agree with the given statement. Personal Accounts and Real Accounts are balanced and Nominal Accounts are not balanced but are closed by transferring them to Trading and Profit and Loss Account.
- (ix) Following items are not recorded in an amended Cash Book:
- Cheques paid (deposited) into bank but not yet credited by the Bank.
 - Cheques issued but not yet presented for payment in the Bank.
- (x) *Depreciation* is the permanent and continuous fall in the book value of a depreciable fixed asset due to use, passage of time, obsolescence or any other reason.
- The objectives of providing depreciation are (Any two):
- To ascertain the correct profit or loss.
 - To present a true and fair view of the financial position.
 - To ascertain the actual cost of production.
 - To make arrangement of funds for replacement of fixed asset.

Question 2**A.****In the Books of M/s Star Furnitures****JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Purchases A/c ...Dr. Input IGST A/c (₹ 2,00,000 × 18/100) ...Dr. To Asha (Being the goods purchased from Asha, payable IGST @ 18%)		2,00,000 36,000	2,36,000
(ii)	Telephone Charges A/c ...Dr. Input CGST A/c (₹ 16,000 × 9/100) ...Dr. Input SGST A/c (₹ 16,000 × 9/100) ...Dr. To Bank A/c (Being the telephone charges paid along with CGST and SGST @ 9% each)		16,000 1,440 1,440	18,880
(iii)	Mohan ...Dr. To Sales A/c To Output CGST A/c (₹ 1,60,000 × 9/100) To Output SGST A/c (₹ 1,60,000 × 9/100) (Being the goods sold to Mohan charged CGST and SGST @ 9% each)		1,88,800	1,60,000 14,400 14,400
(iv)	Rakesh ...Dr. To Sales A/c To Output IGST A/c (₹ 1,20,000 × 18/100) (Being the goods sold to Rakesh charged IGST @ 18%)		1,41,600	1,20,000 21,600
	Setting off Input GST against Output GST Output IGST A/c ...Dr. To Input IGST A/c (Being the Input IGST set off against Output IGST)		21,600	21,600

Output CGST A/c	...Dr.	14,400	
To Input CGST A/c			1,440
To Input IGST A/c			12,960
(Being the Input CGST and Input IGST set off against Output CGST)			
Output SGST A/c	...Dr.	14,400	
To Input SGST A/c			1,440
To Input IGST A/c			1,440
To Bank A/c (WN)			11,520
(Being the set off against Output SGST and balance paid into government account)			

Working Note:

Settlement of IGST, CGST and SGST: Total Input IGST is of ₹ 36,000. Firstly, it will be completely set off against Output IGST of ₹ 21,600. Out of remaining Input IGST of ₹ 14,400 (i.e., ₹ 36,000 – ₹ 21,600), ₹ 12,960 will be set off against Output CGST and ₹ 1,440 (i.e., ₹ 36,000 – ₹ 21,600 – ₹ 12,960) against Output SGST.

Particulars	IGST (₹)	CGST (₹)	SGST (₹)
Output Liability	21,600	14,400	14,400
Less: <i>Input Tax Credit:</i>			
IGST	21,600	12,960	1,440
CGST	...	1,440	...
SGST	1,440
Amount Payable	Nil	Nil	11,520

B. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Drawings A/c	...Dr.	5,900	
	To Purchases A/c			5,000
	To Input CGST A/c			450
	To Input SGST A/c			450
	(Being the withdrawal of goods by the owner for personal use from the goods purchased locally, i.e., within the state)			
(ii)	Donation A/c	...Dr.	5,900	
	To Purchases A/c			5,000
	To Input CGST A/c			450
	To Input SGST A/c			450
	(Being the goods given as charity)			
(iii)	Loss of Goods by Fire A/c	...Dr.	11,800	
	To Purchases A/c			10,000
	To Input CGST A/c			900
	To Input SGST A/c			900
	(Being the goods lost from the goods purchased locally, i.e., within the state)			
(iv)	Furniture A/c	...Dr.	15,000	
	To Purchases A/c			15,000
	(Being the goods used for making furniture from the goods purchased locally)			

M.4

Question 3

RECTIFYING JOURNAL ENTRIES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Purchases A/c ...Dr. To Suspense A/c (Being the undercasting of Purchases Book rectified)		1,500	1,500
(ii)	Repairs to Machinery A/c ...Dr. To Machinery A/c (Being the revenue expenditure wrongly capitalised, now rectified)		1,140	1,140
(iii)	Sales A/c ...Dr. To Suspense A/c (Being the overcasting of Sales Book rectified)		750	750
(iv)	Dharam ...Dr. To Purchases A/c To Sales A/c (Being the sales wrongly shown in Purchases Book, now rectified)			12,000 6,000 6,000
(v)	Suspense A/c ...Dr. To Mohan Das (Being Mohan Das omitted to be credited, now rectified)		585	585
(vi)	Returns Inward A/c ...Dr. Returns Outward A/c ...Dr. To Suspense A/c (Being the returns inward wrongly shown as returns outward, now rectified)		1,125 1,125	2,250

Dr.		SUSPENSE ACCOUNT				Cr.
Date	Particulars	₹	Date	Particulars	₹	
2019			2019			
March 31	To Difference in Trial Balance	3,915	March 31	By Purchases A/c	1,500	
March 31	To Mohan Das	585	March 31	By Sales A/c	750	
			March 31	By Returns Inward A/c	1,125	
			March 31	By Returns Outward A/c	1,125	
		4,500			4,500	

Question 4

A.

In the Books of Krishna Furniture House
RETURNS INWARD BOOK/SALES RETURN BOOK

Date	Particulars	Credit Note No.	L.F.	Details ₹	Amount ₹
2019					
March 12	M/s Anand Furniture House 3 Chairs @ ₹ 300 each 5 Tables @ ₹ 500 each Less: Trade Discount @ 15%			900 2,500 3,400 510 2,890	2,890

M.6**An Aid to Accountancy—ISC XI****Question 5****A. Calculation of Opening Capital:**STATEMENT OF AFFAIRS
as at 1st April, 2018

Liabilities	₹	Assets	₹
Bills Payable	1,000	Bank	4,350
Creditors	19,000	Bills Receivable	4,000
Capital (Balancing Figure)	41,650	Debtors	12,000
		Stock	18,700
		Furniture	600
		Building	22,000
	61,650		61,650

*Calculation of Closing Capital:*STATEMENT OF AFFAIRS (BEFORE ADJUSTMENT)
as at 31st March, 2019

Liabilities	₹	Assets	₹
Creditors	11,500	Bills Receivable	5,000
Bank Overdraft	3,350	Debtors	14,000
Bills Payable	200	Stock	23,400
Capital (Balancing Figure)	49,950	Furniture	600
		Building	22,000
	65,000		65,000

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

Particulars		₹
Capital at the end		49,950
Add: Drawings		12,520
		62,470
Less: Opening Capital (as above)	41,650	
Additional Capital introduced	5,000	46,650
Profit before Adjustments		15,820
Less: Depreciation on:		
Building	1,100	
Furniture	30	
Provision for Doubtful Debts	1,800	
Outstanding Expenses	4,900	
Prepaid Expenses	(250)	7,580
Net Profit for the year		8,240

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

Liabilities	₹	Assets	₹
Outstanding Expenses	4,900	Bills Receivable	5,000
Creditors	11,500	Debtors	14,000
Bank Overdraft	3,350	Less: Provision for Doubtful Debts	1,800
Bills Payable	200	Stock	23,400
Capital (Opening)	41,650	Prepaid Insurance	250
Add: Additional Capital	5,000	Furniture	600
Net Profit	8,240	Less: Depreciation	30
	54,890	Building	22,000
Less: Drawings	12,520	Less: Depreciation	1,100
	42,370		20,900
	62,320		62,320

B. AN EXTRACT OF BALANCE SHEET
as at 31st March, 2019

Liabilities	₹	Assets	₹
Prize Fund	40,000	10% Prize Fund Investment	40,000
Add: Donation for Prize Fund	6,000	Accrued Interest on Prize Fund Investments	2,200
Interest Received	1,800		
Interest Accrued (Note)	2,200		
	50,000		
Less: Prizes awarded	7,000		
	43,000		

Note: In the given case, total interest due on 10% Prize Fund Investment = ₹ 40,000 × 10% = ₹ 4,000. However, interest received is only ₹ 1,800. So, the balance of ₹ 2,200 is interest accrued.

- Such interest accrued will be added to the Prize Fund; and
- It will also be shown on the assets side of the Balance Sheet.

Question 6

Dr. TRADING AND PROFIT AND LOSS ACCOUNT for the year ended 31st March, 2019 Cr.

Particulars	₹	Particulars	₹
To Opening Stock	57,600	By Sales	9,87,800
To Purchases	4,06,750	Less: Returns Inward	6,800
Less: Returns Outward	5,000	By Closing Stock	68,000
To Carriage on Purchases	20,400		
To Wages	1,04,800		
Less: Cost of erection of cycle shed	20,000		
To Fuel and Power	47,300		
To Gross Profit c/d	4,37,150		
	10,49,000		10,49,000
To Salaries	1,50,000	By Gross Profit b/d	4,37,150
Add: Outstanding	15,000		
To Insurance	6,000		
Less: Prepaid	850		
To Carriage on Sales	32,000		
To General Expenses	20,000		
To Printing and Stationery	10,000		
To Prov. for Doubtful Debts (5/100 × ₹ 1,45,000)	7,250		
To Depreciation on Machinery (10/100 × ₹ 2,00,000)	20,000		
To Patents Amortised (20/100 × ₹ 75,000)	15,000		
To Depreciation on Building (5/100 × ₹ 3,20,000)	16,000		
To Net Profit transferred to Capital A/c	1,46,750		
	4,37,150		4,37,150

M.8
An Aid to Accountancy—ISC XI
BALANCE SHEET as at 31st March, 2019

Liabilities	₹	Assets	₹
Capital:		Freehold Land	2,00,000
Opening Balance	7,10,000	Building	3,00,000
Less: Drawings	52,450	Add: Cycle Shed	20,000
	6,57,550		3,20,000
Add: Net Profit	1,46,750	Less: Depreciation	16,000
Sundry Creditors	1,63,000	Machinery	2,00,000
Outstanding Salaries	15,000	Less: Depreciation	20,000
		Patents	75,000
		Less: Amortisation	15,000
		Stock-in-Trade	68,000
		Sundry Debtors	1,45,000
		Less: Provision for Doubtful Debts	7,250
		Cash at Bank	26,300
		Cash in Hand	5,400
		Prepaid Insurance	850
	9,82,300		9,82,300

Note: An event occurring after the date of Balance Sheet (*i.e.*, fire broke out on 1st April, 2019) does not affect Balance Sheet.

Question 7
BANK RECONCILIATION STATEMENT as on 31st March, 2019

Particulars	Plus Items (₹)	Minus Items (₹)
Balance as per Cash Book (Dr.)	20,910	
(i) Payment side undercasted		250
(ii) Cheque issued but not entered in Bank Column		328
(iii) Deposit not recorded in the Bank Column	375	
(iv) Error in bringing forward ₹ 3,815 debit balance as a credit balance on 10th March	7,630	
(v) Cheques issued but not presented for payment (₹ 28,785 – ₹ 19,538)	9,247	
(vi) Dividends collected and credited by the bank but not entered in the Cash Book	625	
(vii) Subscription paid by bank directly not yet recorded in the Cash Book		250
(viii) Outgoing cheque recorded twice in Cash Book	875	
Balance as per Pass Book (Cr.) (₹ 39,662 – ₹ 828)		38,834
	39,662	39,662

Question 8
A.
JOURNAL OF KARAN

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2019				
Jan. 1	Suresh ...Dr. To Sales A/c (Being the goods sold to Suresh on credit)		25,000	25,000
Jan. 1	Bills Receivable A/c ...Dr. To Suresh (Being the acceptance received from Suresh)		25,000	25,000
Jan. 14	Anuj ...Dr. To Bills Receivable A/c To Discount Received A/c (Being the bill of ₹ 25,000 endorsed to Anuj in full settlement of ₹ 25,500)		25,500	25,000 500

March 4	Suresh Discount Received A/c* To Anuj (Being the bill dishonoured and noting charges paid by Anuj)	...Dr. ...Dr.	25,250 500	25,750
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*On dishonour of bill 'Discount Received' will be written back in the books of Karan.

JOURNAL OF SURESH

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2019				
Jan. 1	Purchases A/c To Karan (Being the goods purchased from Karan)	...Dr.	25,000	25,000
Jan. 1	Karan To Bills Payable A/c (Being acceptance given to Karan)	...Dr.	25,000	25,000
March 4	Bills Payable A/c Noting Charges A/c To Karan (Being the bill dishonoured and noting charges payable to Karan)	...Dr. ...Dr.	25,000 250	25,250

JOURNAL OF ANUJ

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2019				
Jan. 14	Bills Receivable A/c Discount Allowed A/c To Karan (Being the bill of ₹ 25,000 received from Karan in full settlement of ₹ 25,500)	...Dr. ...Dr.	25,000 500	25,500
March 4	Karan To Bills Receivable A/c To Discount Allowed A/c* To Cash A/c (Being the bill dishonoured and noting charges paid)	...Dr.	25,750	25,000 500 250

*On dishonour of bill, 'Discount Allowed' will be written back in the books of Anuj.

B. Grouping of Accounts in Computerised Accounting is extremely important because grouping is initial step in computerised accounting that determines which accounts will be part of revenue, expense, liabilities, assets and capital. If grouping is not correct the financial statements shall be also incorrectly drawn.

Question 9

A.

Dr.		MACHINERY ACCOUNT		Cr.	
Date	Particulars	₹	Date	Particulars	₹
2016			2017		
April 1	To Bank A/c (Machine I)	2,00,000	March 31	By Depreciation A/c: Machine I (₹ 2,50,000 × 20/100)	50,000
April 1	To Bank A/c (Expenses)	50,000		Machine II	50,000
Oct. 1	To Bank A/c (Machine II)	5,00,000		(₹ 5,00,000 × 20/100 × 6/12)	
			March 31	By Balance c/d: Machine I	2,00,000
				Machine II	4,50,000
					<u>7,50,000</u>
		<u>7,50,000</u>			

M.10

An Aid to Accountancy—ISC XI

2017				2018			
April	1	To	Balance b/d:	March	31	By	Depreciation A/c:
			Machine I				Machine I (₹ 2,00,000 × 20/100)
			Machine II				Machine II (₹ 4,50,000 × 20/100)
							40,000
							90,000
				March	31	By	Balance c/d:
							Machine I
							Machine II
							1,60,000
							3,60,000
							6,50,000
							6,50,000
2018				2018			
April	1	To	Balance b/d:	Sept.	30	By	Depreciation A/c:
			Machine I				Machine I (₹ 1,60,000 × 20/100 × 6/12)
			Machine II				Machine II (₹ 7,50,000 × 20/100 × 6/12)
							16,000
							1,12,500
Sept.	30	To	Bank A/c (Machine III)	Sept.	30	By	Bank A/c (Sale Proceeds)
							Loss on Sale of Machinery A/c (WN 1)
							31,500
				2019			
				March	31	By	Depreciation A/c:
							Machine II (₹ 3,60,000 × 20/100)
							Machine III (₹ 7,50,000 × 20/100 × 6/12)
							72,000
							75,000
				March	31	By	Balance c/d:
							Machine II
							Machine III
							2,88,000
							6,75,000
							12,70,000
							12,70,000

Working Notes:

1. Calculation of Profit/Loss on Sale of Machine I:

Particulars	₹
Book Value as on 1st April, 2018	1,60,000
Less: Depreciation up to date of sale for 6 months (₹ 1,60,000 × 20/100 × 6/12)	16,000
Book Value of Machine I as on date of sale	1,44,000
Less: Sale Proceeds	1,12,500
Loss on Sale of Machine I	31,500

2. The amount spent on repairs of Machine II ₹ 5,000 on 1st April, 2017 is of revenue nature and not of capital nature and hence, not debited to Machinery Account.

B.

In the Books of M/s Siddhartha & Sons

Dr.						CASH BOOK (TRIPLE-COLUMN)					Cr.
Date	Particulars	L.F.	Discount Allowed	Cash	Bank	Date	Particulars	L.F.	Discount Received	Cash	Bank
			₹	₹	₹				₹	₹	₹
2019						2019					
Mar. 1	To Balance b/d			10,500	26,250	Mar. 6	By Purchases A/c		500	9,500	...
Mar. 12	To Sales A/c		787	14,963	...	Mar. 8	By Salary A/c			...	16,000
Mar. 15	To Sales A/c			5,750	...	Mar. 18	By Basu		375	1,375	1,500
Mar. 20	To Cash A/c	C		...	5,750	Mar. 20	By Bank A/c	C		5,750	...
Mar. 27	To Das			...	9,250	Mar. 31	By Bank Charges A/c			...	250
						Mar. 31	By Balance c/d			14,588	23,500
			787	31,213	41,250				875	31,213	41,250