

Model Test Paper 15

Answers

Question 1

- (i) Single Entry System of Accounting means an accounting system in which both aspects of a transaction may not be recorded.
- (ii) The firm has violated Consistency Concept of Accounting. Consistency Concept prescribes that accounting policy once adopted should be followed consistently year after year.
- (iii) Depletion is a method of charging cost to revenue in the case of wasting assets based on quantity being extracted. It is used in the case of mines and quarries.

(iv)

	Assets (₹)	=	Liabilities (₹)	+	Capital (₹)
Cash/Bank					Ramesh's
Capital Introduced	5,00,000	=	0	+	5,00,000

- (v) Yes, I agree with the statement. Balance in Cash Column of Cash Book cannot be negative, at the most it can be Nil because amount paid or spent in cash cannot exceed the balance of cash in hand at any point of time.
- (vi) The transaction will be shown in the Bank Column in the credit (payments) side of the Cash Book and in the Cash Column in the debit (receipts) side of the Cash Book. In the L.F. column, 'C' is written to indicate that it is not posted to any account. For example, cash withdrawn from bank ₹ 10,000 will be recorded as follows:

Dr.	CASH BOOK (TRIPLE-COLUMN)												Cr.
Date	Particulars	V. No.	L.F.	Discount Allowed ₹	Cash ₹	Bank ₹	Date	Particulars	V. No.	L.F.	Discount Received ₹	Cash ₹	Bank ₹
	To Bank A/c		C		10,000	...		By Cash A/c		C		...	10,000

- (vii) Bill of Exchange has three parties namely: Drawer, Drawee and Payee.
- (viii) (a) Deferred Revenue Expenditure is a revenue expenditure the benefit of which will accrue in more than one accounting period. It is shown on the assets side of the Balance Sheet.
 - (b) General Reserve is the amount set aside out of profits to meet any eventuality and to improve the financial strength of the firm. It is shown on the liabilities side of the Balance Sheet.
- (ix) Profit for the year will be lower because a capital expenditure that is shown in the Balance Sheet is shown as an expense. It is an Error of Principle.
- (x) Receipts and Payments Account is an account prepared by a Non-profit Organisation wherein receipts and payments during the year are shown irrespective of these being for the current year, past year or future year and also whether these are of capital or revenue nature.

Question 2

A.

Mr. Virat

BANK RECONCILIATION STATEMENT *as on 31st March, 2019*

Particulars	₹	₹
Balance as per Cash Book (Cr.)		50,000
<i>Add:</i> Bank Charges debited by Bank along with CGST and SGST	1,120	
Interest Debited by Bank not recorded in the Cash Book	5,000	
LIC Premium paid by bank but not recorded in the Cash Book	16,800	
Cheques Deposited but not yet credited	10,000	32,920
		82,920
<i>Less:</i> Cheque Issued to a creditor but not dispatched	15,000	
Cheque deposited but not recorded in the Cash Book	10,000	
Cheques Issued but not presented for payment	25,000	50,000
Balance (Overdraft) as per Bank Statement (Dr.)		32,920

B.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Partap ...Dr.		1,12,000	
	To Sales A/c			1,00,000
	To Output CGST A/c			6,000
	To Output SGST A/c			6,000
	(Being the goods sold charging CGST and SGST, it being intra-state sale)			
(ii)	Cash/Bank A/c ...Dr.		16,800	
	To Machinery A/c			15,000
	To Output CGST A/c			900
	To Output SGST A/c			900
	(Being an old machine sold, charged CGST and SGST @ 6% each)			

Question 3

A.

Cawnpur Marketing, Kanpur

PURCHASES BOOK

Date	Particulars	Invoice No.	L.F.	Details ₹	Cost ₹	Input CGST ₹	Input SGST ₹	Input IGST ₹	Freight & Packing Charges (₹)	Total ₹
2019										
March 2	M/s Mohit Electronics, Lucknow 10 Sony TVs @ ₹ 15,000 each <i>Add:</i> CGST @ 6% SGST @ 6%			1,50,000 9,000 9,000 1,68,000	1,50,000	9,000	9,000			1,68,000
March 10	M/s Bharat Sales, Bengaluru 10 Projectors @ ₹ 10,000 each <i>Add:</i> IGST @ 12%			1,00,000 12,000 1,12,000	1,00,000			12,000		1,12,000
March 31					2,50,000	9,000	9,000	12,000		2,80,000

Note: Purchases from M/s Prabhat Electricals on 23rd March, is against cheque. Hence, it will not be recorded in Purchases Book but will be recorded in Cash Book.

PURCHASES RETURN BOOK

Date	Particulars	Debit Note	L.F.	Details ₹	Cost ₹	Input CGST Cr. (₹)	Input SGST Cr. (₹)	Input IGST Cr. (₹)	Freight & Packing & Charges (₹)	Total ₹
2019										
March 30	M/s Mohit Electronics 1 Sony TV @ ₹ 15,000 Add: CGST @ 6% SGST @ 6%			15,000 900 900 16,800	15,000	900	900			16,800
March 30	M/s Bharat Sales, Bengaluru 1 Projector @ ₹ 10,000 Add: IGST @ 12%			10,000 1,200 11,200	10,000			1,200		11,200
March 31					25,000	900	900	1,200		28,000

Dr.		M/S MOHIT ELECTRONICS, LUCKNOW		Cr.	
Particulars	₹	Particulars	₹		
To Purchases Return A/c	15,000	By Purchases A/c	1,50,000		
To Input CGST A/c	900	By Input CGST A/c	9,000		
To Input SGST A/c	900	By Input SGST A/c	9,000		
To Bank A/c	1,00,000				
To Balance c/d	51,200				
	1,68,000				1,68,000
		By Balance b/d	51,200		

Dr.		M/S BHARAT SALES, BENGALURU		Cr.	
Particulars	₹	Particulars	₹		
To Purchases Return A/c	10,000	By Purchases A/c	1,00,000		
To Input IGST A/c	1,200	By Input IGST A/c	12,000		
To Bank A/c	50,000				
To Balance c/d	50,800				
	1,12,000				1,12,000
		By Balance b/d	50,800		

B. JOURNAL OF COMPUTECH SOLUTIONS

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Donation A/c ...Dr.		56,000	
	To Purchases A/c			50,000
	To Input CGST A/c			3,000
	To Input SGST A/c			3,000
	(Being a computer donated out of intra-state purchase)			
	Computer/Laptop A/c ...Dr.		50,000	
	To Purchases A/c			50,000
	(Being a Laptop purchased for resale used for office purposes) (Note)			

Note: Input CGST and Input SGST will not be reversed because Input credit is available on assets purchased for business.

Question 4

A.

Chandigarh Sports Club
INCOME AND EXPENDITURE ACCOUNT

Dr.	for the year ended 31st March, 2019		Cr.
Expenditure	₹	Income	₹
To Salaries	4,62,000	By Subscriptions	5,00,000
Less: Previous Year's Outstanding	22,000	Less: Subscription:	
	4,40,000	For 2017-18	30,000
Add: Outstanding Salary (Current Year)	40,000		4,70,000
	4,80,000	For 2019-20	15,000
To Coaching Expenses	2,95,000		4,55,000
Add: Outstanding	26,818	Add: Outstanding Subscription	
	3,21,818	for the year	10,000
To Courier and Postage	2,500		4,65,000
To Electricity Expenses	24,000	By Coaching Fee	6,99,500
Less: Previous Year's Outstanding	3,000	By Interest on Fixed Deposits	50,000
	21,000	By Interest on Savings Account	2,800
To Stationery	3,000		
To Refreshment Expenses	24,000		
To Loss on Sale of Sports Equipment	800		
To Sports Equipments Written off	47,000		
To Depreciation on:			
Furniture	3,500		
Computers	5,000		
	8,500		
To Surplus—Excess of Income over Expenditure	3,08,682		
	12,17,300		12,17,300

BALANCE SHEET as at 31st March, 2019

Liabilities	₹	Assets	₹
Capital Fund		Furniture	35,000
Opening Balance	14,50,000	Less: Depreciation	3,500
Add: Surplus	3,08,682		31,500
	17,58,682	Computers	25,000
Prize Fund	2,56,000	Less: Depreciation	5,000
Subscription Received in Advance (2019-20)	15,000		20,000
Outstanding Salaries	40,000	Sports Equipments:	
Outstanding Coaching Expenses	26,818	Opening	3,00,000
		Add: Purchases	1,00,000
			4,00,000
		Less: Sold	3,000
		Written off	47,000
			50,000
		Subscription Receivable	10,000
		Fixed Deposits	10,00,000
		Add: During the Year	3,50,000
			13,50,000
		Cash in Hand	22,500
		Cash at Bank	3,12,500
	20,96,500		20,96,500

B. Legacy is the amount received as donation by a Non-Profit Organisation under 'Will' of a deceased person. It may be general donation or for a specific purpose. If it is for a specific purpose, it is shown as capital receipt, *i.e.*, in the Balance Sheet and if it is a general donation, it is shown as revenue receipt, *i.e.*, in the Income and Expenditure Account.

Question 5

A.

In the Books of ...

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2019 April 1	Bank A/c ...Dr. To Cash A/c To Capital A/c (Being the bank account opened with cash and cheque from savings account)		2,51,000	51,000 2,00,000
April 2	Air Conditioner A/c ...Dr. Input CGST A/c ...Dr. Input SGST A/c ...Dr. To Bank A/c (Being an air conditioner purchased for office use)		25,000 1,500 1,500	28,000
April 3	Bank A/c ...Dr. Discount Allowed A/c ...Dr. To Neha & Co. (Being the cheque received and allowed 2% cash discount)		29,400 600	30,000
April 14	Neha & Co. ...Dr. To Discount Allowed A/c To Bank A/c (Being the cheque dishonoured and bank debited charges of ₹ 500)		30,500	600 29,900
April 19	Bank A/c ...Dr. Discount Allowed A/c ...Dr. To Interest A/c To Neha & Co. (Being the draft received from Neha & Co. in full settlement including ₹ 400 for interest)		30,000 900	400 30,500

B.

TRADING ACCOUNT

Dr.		Cr.	
for the year ended...			
Particulars	₹	Particulars	₹
To Opening Stock	50,000	By Sales	15,60,000
To Purchases (Balancing Figure)	11,48,000	Less: Sales Return	50,000
To Carriage Inwards	10,000	By Closing Stock	75,000
To Wages and Salaries	75,000		
To Gross Profit c/d (Note 2)	3,02,000		
	<u>15,85,000</u>		<u>15,85,000</u>

Notes:

- Salaries and Wages is shown in Profit and Loss Account.
- Let Cost be ₹ 100; Gross Profit = ₹ 25
Sales = ₹ 125
∴ Gross Profit = $\frac{25}{125} \times ₹ 15,10,000 = ₹ 3,02,000$.

Question 6

- A. (i) On the transaction IGST will be levied because it is inter-state supply (sale) of goods since M/s Ashutosh & Co. is based in Delhi and has sold goods to M/s Amrit Marketing of Lucknow.

The Journal entry is:

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Purchases A/c ...Dr. Input IGST A/c ...Dr. To Ashutosh & Co. (Being the inter-state purchase of goods, IGST payable @ 12%)		1,00,000 12,000	1,12,000

(ii) Input CGST is set off first against Output CGST; if the balance remains in Input CGST then against Output IGST.

B. In the Books of Rakesh & Co.

Dr.		MACHINERY ACCOUNT			Cr.
Date	Particulars	₹	Date	Particulars	₹
2014 Jan. 1	To Bank A/c	5,00,000	2014 March 31	By Balance c/d	5,00,000
		5,00,000			5,00,000
2014 April 1	To Balance b/d To Radhey & Co.	5,00,000 2,00,000	2015 March 31	By Balance c/d	7,00,000
		7,00,000			7,00,000
2015 April 1	To Balance b/d	7,00,000	2016 March 31	By Balance c/d	7,00,000
		7,00,000			7,00,000
2016 April 1	To Balance b/d	7,00,000	2017 March 31	By Balance c/d	7,00,000
		7,00,000			7,00,000
2017 April 1	To Balance b/d	7,00,000	2017 June 30	By Provision for Depreciation A/c	1,53,498
2017 July 1	To Bank A/c	5,00,000	2017 June 30	By Bank A/c	3,00,000
			2017 June 30	By Loss on Sale of Machinery A/c	46,502
			2018 March 31	By Balance c/d	7,00,000
		12,00,000			12,00,000

Dr.		PROVISION FOR DEPRECIATION ACCOUNT			Cr.
Date	Particulars	₹	Date	Particulars	₹
2014 March 31	To Balance c/d	12,500	2014 March 31	By Depreciation A/c (Machine I)	12,500
		12,500			12,500
2015 March 31	To Balance c/d	81,250	2014 April 1	By Balance b/d	12,500
			2015 March 31	By Depreciation A/c: Machine I Machine II	48,750 20,000
		81,250			81,250
2016 March 31	To Balance c/d	1,43,125	2015 April 1	By Balance b/d	81,250
			2016 March 31	By Depreciation A/c: Machine I Machine II	43,875 18,000
		1,43,125			1,43,125

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2017 March 31	To Balance <i>c/d</i>	1,98,813	2016 April 1	By Balance <i>b/d</i>	1,43,125
			2017 March 31	By Depreciation A/c: Machine I Machine II	39,488 16,200
		<u>1,98,813</u>			<u>1,98,813</u>
2017 June 30	To Machinery A/c (Transfer)	1,53,498	2017 April 1	By Balance <i>b/d</i>	1,98,813
2018 March 31	To Balance <i>c/d</i>	1,06,280	2017 June 30	By Depreciation A/c (Machine I)	8,885
			2018 March 31	By Depreciation A/c: Machine II Machine III	14,580 37,500
		<u>2,59,778</u>			<u>2,59,778</u>
			2018 April 1	By Balance <i>b/d</i>	1,06,280

Working Note:

Calculation of Loss on Sale of Machinery:	₹
Cost of Machinery (1st January, 2014)	5,00,000
Less: Depreciation (2013–14) ($₹ 5,00,000 \times 10/100 \times 3/12$)	<u>12,500</u>
Book Value of Machinery (1st April, 2014)	4,87,500
Less: Depreciation (2014–15)	<u>48,500</u>
Book Value of Machinery (1st April, 2015)	4,38,750
Less: Depreciation (2015–16)	<u>43,875</u>
Book Value of Machinery (1st April, 2016)	3,94,875
Less: Depreciation (2016–17)	<u>39,488</u>
Book Value of Machinery (1st April, 2017)	3,55,387
Less: Depreciation (till 30th June, 2017) ($₹ 3,55,387 \times 10/100 \times 3/12$)	<u>8,885</u>
Book Value of Machinery on date of sale	3,46,502
Less: Sale Proceeds	<u>3,00,000</u>
Loss on Sale of Machinery	<u><u>46,502</u></u>

Question 7
A.

PURCHASES ACCOUNT					
Dr.			Cr.		
Date	Particulars	₹	Date	Particulars	₹
2019 Jan. 3	To Bank A/c	13,000	2019 Jan. 31	By Balance <i>c/d</i>	21,000
Jan. 16	To Cash A/c	6,000			
Jan. 18	To Bank A/c	2,000			
		<u>21,000</u>			<u>21,000</u>

SALES ACCOUNT					
Dr.			Cr.		
Date	Particulars	₹	Date	Particulars	₹
2019 Jan. 31	To Balance <i>c/d</i>	1,700	2019 Jan. 24	By Cash A/c	1,700
		<u>1,700</u>			<u>1,700</u>

Dr.		INPUT CGST ACCOUNT				Cr.
Date	Particulars	₹	Date	Particulars	₹	
2019			2019			
Jan. 3	To Bank A/c (Purchases)	780	Jan. 31	By Balance <i>c/d</i>	990	
Jan. 16	To Cash A/c (Stationery)	90				
Jan. 28	To Bank A/c (Rent)	120				
		990			990	

Dr.		INPUT SGST ACCOUNT				Cr.
Date	Particulars	₹	Date	Particulars	₹	
2019			2019			
Jan. 3	To Bank A/c (Purchases)	780	Jan. 31	By Balance <i>c/d</i>	990	
Jan. 16	To Cash A/c (Stationery)	90				
Jan. 28	To Bank A/c (Rent)	120				
		990			990	

Dr.		INPUT IGST ACCOUNT				Cr.
Date	Particulars	₹	Date	Particulars	₹	
2019			2019			
Jan. 16	To Cash A/c (Purchases)	720	Jan. 31	By Balance <i>c/d</i>	960	
Jan. 28	To Bank A/c (Purchases)	240				
		960			960	

Dr.		OUTPUT CGST ACCOUNT				Cr.
Date	Particulars	₹	Date	Particulars	₹	
2019			2019			
Jan. 31	To Balance <i>c/d</i>	102	Jan. 24	By Cash A/c (Sales)	102	
		102			102	

Dr.		OUTPUT SGST ACCOUNT				Cr.
Date	Particulars	₹	Date	Particulars	₹	
2019			2019			
Jan. 31	To Balance <i>c/d</i>	102	Jan. 24	By Cash A/c (Sales)	102	
		102			102	

- B.** The balance of ₹ 25,000 will appear in the Credit Side of the Cash Book in Bank Column. In the Balance Sheet, it will be shown in the liabilities side.

Question 8

- A.** Grouping of Accounts is an index to the accounts maintained in Double Entry System of accounting but specific to the entity for which it is prepared. A code, which may be numerical or alphanumeric, is allocated to each account and arranges the accounts in logical subdivisions. The example below will elaborate it better.

'Establishment Expenses or Payroll Expenses' is the main head while its subdivisions or sub-accounts are:

- (i) Salaries and Wages
- (ii) Staff Welfare
- (iii) E.S.I. Contribution
- (iv) Provident Fund Contribution

In the Chart of Accounts or Grouping, it will be allocated accounting codes as follows:

Accounting Code	Head of Account
101	Establishment Expenses or Payroll Expenses
1011	Salaries and Wages
1012	Staff Welfare
1013	Provident Fund Contribution
1014	ESI Contribution

It is important because through the grouping of accounts incomes, expenses, liabilities and assets are credited and debited under the specific head of account which gets transferred to Profit and Loss Account or Balance Sheet through the software itself. Incorrect grouping will lead to incorrect results.

B. JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Purchases A/c ...Dr. To Machinery A/c (Being the machinery purchased for reselling wrongly debited to Machinery, now rectified)		50,000	50,000
(ii)	Sanjay ...Dr. To Bills Receivable A/c (Being the acceptance met by Sanjay wrongly credited to him, now rectified)		50,000	50,000
(iii)	Salary A/c ...Dr. To Pawan (Being the salary paid to Pawan wrongly debited to him, now rectified)		25,000	25,000
(iv)	Purchases A/c ...Dr. To Cash A/c (Being the cash purchases omitted to be recorded, now recorded)		10,000	10,000

C. Calculation of Subscription to be credited to Income and Expenditure Account for the year ended 31st March 2019:

Particulars	₹
Subscriptions Received during the year	2,10,000
Less: Subscription received (Subscription in arrear for the year ended 31st March, 2018)	3,000
Subscription for the year ended 31st March, 2020	4,000
	2,03,000
Add: Subscription Outstanding for the year ended 31st March, 2019	5,000
Amount to be credited to Income and Expenditure Account	2,08,000

Question 9

TRADING AND PROFIT AND LOSS ACCOUNT OF AVIJIT KUMAR

Dr.

for the year ended 31st March, 2019

Cr.

Particulars	₹	Particulars	₹
To Opening Stock	2,25,000	By Sales	47,72,000
To Purchases	25,14,750	Less: Sales Return	1,12,500
Less: Purchases Return	1,24,000	By Closing Stock (WN 1)	2,50,500
To Wages and Salaries	2,15,000		
To Carriage Inwards	15,750		
To Gross Profit c/d (transferred to Profit and Loss A/c)	20,63,500		
	<u>49,10,000</u>		<u>49,10,000</u>
To Discount Allowed	22,375	By Gross Profit b/d	20,63,500
To Rent	1,10,000	By Sundry Creditors (Creditors not Payable) (WN 3)	5,000
Add: Outstanding	10,000	By Provision for Doubtful Debts	35,000
To Carriage Outwards	37,500	Less: Bad Debts	10,000
To General Expenses	17,500		25,000
To Depreciation on:		Less: Provision (Required)	14,700
Computers	18,000	By Gain (Profit) on Exchange of Machinery A/c (WN 4)	5,000
Building	22,000		
Machinery	1,13,000		
Furniture and Fixtures	2,550		
To Net Profit transferred to Capital A/c	17,30,875		
	<u>20,83,800</u>		<u>20,83,800</u>

BALANCE SHEET

as at 31st March, 2019

Particulars	₹	Particulars	₹
Sundry Creditors	18,90,000	Sundry Debtors	5,00,000
Less: Creditors (Not Payable) 5,000		Less: Bad Debts	10,000
Vendor of Machine	28,000		4,90,000
	33,000	Less: Provision for Doubtful Debts	14,700
Bills Payable	1,75,000	Bills Receivable	50,000
Outstanding Rent (WN 2)	11,200	Cash in Hand	55,000
Capital	13,32,125	Bank Balance	12,47,000
Add: Net Profit	17,30,875	Computers	90,000
		Less: Depreciation	18,000
		Building	11,00,000
		Less: Depreciation	22,000
		Machinery	11,50,000
		Less: Exchange	20,000
			11,30,000
		Less: Depreciation	1,13,000
		Furniture and Fixtures	25,500
		Less: Depreciation	2,550
		Land	8,00,000
		Closing Stock	2,50,500
		Input SGST (WN 5)	38,450
	<u>51,06,200</u>		<u>51,06,200</u>

Working Notes:

1. As per Prudence Concept, stock is valued at cost or realisable value (*i.e.*, Market Value), whichever is lower.
2. Rent for 1 month is payable. It will be recorded as under:

		₹	₹
Rent A/c	...Dr.	10,000	
Input CGST A/c	...Dr.	600	
Input SGST A/c	...Dr.	600	
To Outstanding Rent A/c			11,200

3. A creditor of ₹ 5,000 is not payable. This amount is written back (credited) to Profit and Loss Account.
4. Entry for Machine given in Exchange will be recorded as follows:

		₹	₹
Ramesh & Co.	...Dr.	28,000	
To Machinery (Old) A/c			20,000
To Gain (Profit) on Exchange of Machinery A/c			5,000
To Output IGST A/c			3,000

5. Input CGST, Input SGST and Input IGST shall be first adjusted against Output CGST, Output SGST and Output IGST respectively. Thereafter, balance in Input CGST (₹ 40,600) shall be adjusted against Output IGST and balance (₹ 2,150) in Output IGST shall be adjusted against Input SGST leaving a balance of ₹ 38,450 in Input SGST Account.