



CA FOUNDATION ACCOUNTS

1st Session



SALE OF GOODS ON APPROVAL OR RETURN BASIS

Q.1. Mr. A sends goods to his customer on Sale or Returns. The following transactions took place during 2016:

Dec. 15	Sent goods to customers on sale or return basis at cost plus 33 – 1/3%	₹ 1,00,000
Dec. 20	Goods returned by customers	₹ 30,000
Dec. 25	Received letters of approval from customers	₹ 50,000
Dec. 31	Goods with customers awaiting approval	₹ 20,000

Mr. A records sale or return transactions as ordinary sales. You are required to pass the necessary Journal Entries in the books of Mr. A assuming that accounting year closes on 31st December, 2016.

Q.2. 'X' supplied goods on sale or return basis to customers, the particulars of which are as under:

Date of Dispatch	Party's name	Amount	Remarks
10.12.2019	ABC Co.	10,000	No intimation till 31.12.2019
12.12.2019	DEF Co.	15,000	Returned on 16.12.2019
15.12.2019	GHI Co.	12,000	Goods worth Rs. 2,000 Returned on 20.12.2019
20.12.2019	DEF Co.	16,000	Goods Retained on 24.12.2019
25.12.2019	ABC Co.	11,000	Goods Retained on 28.12.2019
30.12.2019	GHI Co.	13,000	No information till 31.12.2019

Goods are to be returned within in 15 days from the date of dispatch, failing which it will be treated as Sales. The books of 'X' are closed on 31st December, 2019.

Prepare the following account in the book of 'X'.

- (i). Goods on Sales or Returns, Sold and Returned Day Books.
- (ii). Goods on Sales or Return Total Account.

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BILLS OF EXCHANGE

Q. 1. Journalize the following transactions in K. Katrak's books.

- Katrak's acceptance to Basu for ₹ 2,500 discharged by a cash payment of ₹ 1,000 and a new bill for the balance plus ₹ 50 for interest.
- G. Gupta's acceptance for ₹ 4,000 which was endorsed by Katrak to M. Mehta was dishonoured. Mehta paid ₹ 20 noting charges. Bill withdrawn against cheque.
- D. Dalal retires a bill for ₹ 2,000 drawn on him by Katrak for ₹ 10 discount.
- Katrak's acceptance to Patel for ₹ 5,000 discharged by Mody's acceptance to Katrak for a similar amount.

Q. 2. Lata draws a bill for ₹ 40,000/- and Pallavi accepts the same for the mutual accommodation of both of them to the extent of $\frac{3}{4}$ and $\frac{1}{4}$ respectively. Lata discounts the bill for ₹ 39,800/- and remits $\frac{1}{4}$ of the proceeds to Pallavi. Before the due date, Pallavi draws another bill for ₹ 50,000 on Lata in order to provide funds to meet the first bill. The second bill is discounted for ₹ 49,000/- with the help of which the first bill is met and a sum of ₹ 9,200/- is remitted to Lata. Before the due date of the second bill, Lata becomes insolvent and Pallavi received a dividend of 60 paise in a rupee in full satisfaction.

Show journal entries in the books of Lata & Pallavi.

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PQ 3	6.27

DEPRECIATION

Q. 1. M/s Suba Pharmaceuticals has imported a machine on 1st July, 2017 for ₹ 6,40,000. They also paid customs duty and freight ₹ 80,000 and incurred erection charges ₹60,000. Another local machinery costing ₹ 1,00,000 was purchased on January 1, 2018. On 1st July, 2019 a portion of the imported machinery (value one third) got out of order and was sold for ₹ 1,34,800. Another machinery was purchased to replace the same for ₹ 50,000. Depreciation is to be calculated at 20% p.a. Show the Machinery account for 2017, 2018 & 2019, using WDV method and provision for depreciation account was maintained.

Q. 2. A machine of cost ₹ 12,00,000 is depreciated straight – line assuming 10 year working life and zero residual value for three years. At the end of third year, the machine was revalued upwards by ₹ 60,000 the remaining useful life was reassessed at 9 years

Find Depreciation for 4th year.

Q. 3. Amazing Groups had Property, Plant & Equipment (PP&E) with a book value of ₹35,00,000 on 31st December, 2019. The balance in Revaluation Surplus on that date was ₹3,00,000. As part of their practice of revaluing the assets on a yearly basis, another revaluation was carried out on 31st December, 2019. Evaluate the impact of Revaluation if the Fair Value as a result of Revaluation done on 31st December, 2019 was

- (a). ₹ 37,00,000
- (b). ₹ 33,00,000
- (c). ₹ 31,00,000

Also give the Journal Entries.

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ILLUSTRATION 10	5.20
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BANK RECONCILIATION STATEMENT

Q.1. The following is a summary of a cash book as presented to you for the month of December 2017:

	₹		₹
Receipt	1,469	Balance b/d	761
Balance c/d	554	Payment	1,262
	2,023		2,023

All receipt are banked and payment made by cheque. On investigation you discover:

1. Bank charges of ₹ 136 entered in the bank statement had not been entered in the cash book.
2. Cheque drawn amounting to ₹ 267 had not been presented to the bank for payment.
3. Cheque received totaling ₹ 762 had been entered in the cash book and paid in to bank but had not been credited by the bank until Jan 2018.
4. A cheque for ₹ 22 had been entered as a receipt in the cash book instead of as a payment.
5. A cheque for ₹ 25 had been debited by the bank in error.
6. A cheque received for ₹ 80 had been returned by the bank and marked "no fund available". No adjustment had been made in the cashbook.
7. All dividend receivable are credited directly to the bank account. During December amount totaling ₹ 62 were credited by the bank and no entries made in the cash book.
8. A cheque drawn for ₹ 6 had been incorrectly entered in the cash book as ₹ 66.
9. The balance brought forward should have been ₹ 711.
10. The bank statement as on 31st December, 2017 showed an overdraft of ₹ 1,162.

You are required to:

- (1) Show the adjustment required in the cash book.
- (2) Prepare a bank reconciliation statement as on 31.12.2017.

Q.2. Prepare a Bank Reconciliation Statement as on 30th September, 2003 from the following particulars, also state the balance to show in balance sheet.

	₹
Bank balance as per the pass book	10,000
Cheque deposited in to the bank, but no entry was passed in the cash book.	500
Cheque received but not sent to bank	1,200
Credit side of bank column cast short	600
Insurance premium paid directly by the bank under the standing advice	20
Bank charges entered twice in the cash book	500
Cheque issued, but not presented to the bank for the payment	1,000
Cheque received entered twice in the cash book	5,000
Bills discounted dishonored not recorded in the cash book	1,000

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