

CA Foundation Accounts Test Series

Chapter 6 Accounting for Special Transaction

1. From the following particulars prepare an account current, as sent by Mr. Raju to Mr. Sunil as on 31st October 2020 by means of product method charging interest @ 12% p.a.

2020	Particulars	Amount (₹)
1 st July	Balance due from Sunil	840
15 th August	Sold goods to Sunil	1,310
20 th August	Goods returned by Sunil	240
22 nd September	Sunil paid by cheque	830
15 th October	Received cash from Sunil	560

Solution:-

Mr. Sunil in Account Current with Mr. Raju for the period ending on 31st October, 2020

Date	Particulars	Amount	Days	Products	Date	Particulars	Amount	Days	Products
2020		₹			2020		₹		
July 1	To Balance b/d	840	123	1,00,320	Aug. 20	By Sales Returns	240	72	17,280
Aug 15	To Sales A/c	1,310	77	1,00,870	Sept. 22	By Bank A/c	830	39	32,370
Oct. 31	To Interest A/c	47.73			Oct. 15	By Cash A/c	560	16	8,960
					Oct. 31	By Balance of products			1,15,580
					Oct 31	By Balance c/d	567.73		
		2,197.73		2,04,190			2,197.73		2,04,190

Calculation of interest:

Interest = $1,45,580/366 \times 12\% = \text{Rs } 47.73$

Note: Year 2020 is a leap year; hence 366 days are taken for interest calculation.

On the assumption of 365 days interest will be as below:-

Interest = $1,45,580/355 \times 12\% = \text{Rs } 47.86$ (or) Rs 48.

Note: The alternative answer based on backward method i.e. Epoque method is also possible.

2. Rakesh had the following bills receivable and bills payable against Mukesh.

Date	Bills Receivable	Tenure	Date	Bills Payable	Tenure
1 st June	3,400	3 month	29 th May	2,500	2 month
5 th June	2,900	3 month	3 rd June	3,400	3 month
9 th June	5,800	1 month	9 th June	5,700	1 month
12 th June	1,700	2 month			
20 th June	1,900	3 month			

15th August was a public holiday. However, 6th September, was also declared as sudden holiday.

Calculate the average due date, when the payment can be received or made without any loss of interest to either party.

Solution:

Let us take 12.07.2020 as Base date.

Bills receivable

Due date	No. of days from 12.07.2020	Amount	Product
04/09/2020	54	3,400	1,83,600
08/09/2020	58	2,900	1,68,200
12/07/2020	0	5,800	0
14/08/2020	33	1,700	56,100
23/09/2020	73	1,900	1,38,700
		<u>15,700</u>	<u>5,46,600</u>

Bills payable

Due date	No. of days from 12.07.2020	Amount	Product
01/08/2020	20	2,500	50,000
07/09/2020	57	3,400	1,93,800
12/07/2020	0	5,700	0
		<u>11,600</u>	<u>2,43,800</u>

Excess of products of bills receivable over bills payable = 5,46,600 - 2,43,800 = 3,02,800

Excess of bills receivable over bills payable = 15,700 - 11,600 = 4,100

Number of days from the base date to the date of settlement is $3,02,800 / 4,100 = 73.85$ (approx.)

Hence date of settlement of the balance amount is 74 days after 12th July i.e. 24th September.

On 24th September, 2020 Mukesh has to pay Rakesh Rs 4,100 to settle the account.

3. R & S entered into a joint venture and opened a Joint Bank account with an amount of Rs 1,50,00,000 towards which R contributed Rs 1,00,00,000. They agreed to share profits and losses the ratio of 2 : 1. They purchased a big residential house measuring area of 5,000 sq. ft. @ Rs 2,900 per sq. ft. Out of the total area, 200 sq. ft. was left over for general use as a community hall and remaining area was sub-divided in 6 equal flats. Out of those 6 flats, 4 front facing flats were sold by R for Rs 1,28,00,000 and the remaining 2 flats were sold by S for Rs 56,00,000.

The following expenses were incurred in connection with above transaction -

Registration fees Rs 1,50,000

Stamp duty Rs 1,00,000

Renovation Exp. Rs 25,00,000

R and S were entitled to brokerage @ 2% on flats sold by them.

Separate books were maintained for the joint venture. You are required to prepare the necessary ledger accounts.

Solution:-

Ledgers Accounts
Joint Bank Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To R A/c	1,00,00,000	By Joint Venture A/c:	
To S A/c	50,00,000	Residential house	1,45,00,000
		Other Expenses	<u>27,50,000</u>
To Joint Venture A/c	1,84,00,000	By Finance transferred:	
		R's A/c	1,07,77,333
		S's A/c	<u>53,72,667</u>
	<u>3,34,00,000</u>		1,61,50,000
			<u>3,34,00,000</u>

Joint Venture Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Joint Bank A/c:		By Joint Bank A/c	1,84,00,000
Residential house	1,45,00,000	(Sales)	
Other Expenses	<u>27,50,000</u>		
	1,72,50,000		
To R A/c	2,56,000		
To S A/c	1,12,000		
(Brokerage)			
To Profit to:			
R A/c	5,21,333		
S A/c	<u>2,60,667</u>		
	7,82,000		
	<u>1,84,00,000</u>		<u>1,84,00,000</u>

R's Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Joint Bank A/c		By Joint Bank A/c	1,00,00,000
- Repayment	1,07,77,333	By Joint Venture A/c	2,56,000
		- Brokerage	
		By Joint Venture A/c	5,21,333
		- Profit	
	<u>1,07,77,333</u>		<u>1,07,77,333</u>

S's Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Joint Bank A/c		By Joint Bank A/c	50,00,000
- Repayment	53,72,667	By Joint Venture A/c	1,12,000
		- Brokerage	
		By Joint venture A/c	2,60,667
		- Profit	
	<u>53,72,667</u>		<u>53,72,667</u>

4. On 1st January 2018, Akshay draws two bills of exchange for Rs 16,000 and Rs 25,000.

The bill of exchange for Rs 16,000 is for two months while the bill of exchange for Rs 25,000 is for three months. These bills are accepted by Vishal. On 4th March, 2018, Vishal requests Akshay to renew the first bill with interest at 15% p.a. for a period of two months. Akshay agreed to this proposal. On 25th March, 2018, Vishal retires the acceptance for Rs 25,000, the interest rebate i.e. discount being Rs 250. Before the due date of the renewed bill, Vishal becomes insolvent and only 50 paise in a rupee could be recovered from his estate.

Show the Journal Entries (with narrations) in the books of Akshay.

Solution:

Journal Entries in the books of Akshay

2018			Dr. (₹)	Cr. (₹)
Jan. 1	Bills receivable (No. 1) A/c Bills receivable (No. 2) A/c To Vishal A/c (Being drawing of bills receivable No. 1 due for maturity on 4.3.2018 and bills receivable No. 2 due for maturity on 4.4.2018)	Dr. Dr.	16,000 25,000	41,000
March 4	Vishal's A/c To Bills receivable (No.1) A/c (Being the reversal entry for bill No.1 on renewal)	Dr.	16,000	16,000
March 4	Bills receivable (No. 3) A/c To Interest A/c To Vishal 's A/c (Being the drawing of bill of exchange no. 3 due for maturity on 7.5.2018 together with interest at 15%p.a. in lieu of the original acceptance of Vishal)	Dr.	16,400	400 16,000
March 25	Bank A/c Discount A/c To Bills receivable (No. 2) A/c	Dr. Dr.	24,750 250	25,000

May 7	(Being the amount received on retirement of bills No.2 before the due date)			
	Vishal's A/c	Dr.	16,400	
	To Bills receivable (No. 3) A/c			16,400
	(Being the amount due from Vishal on dishonour of his acceptance on presentation on the due date)			
May 7	Bank A/c	Dr.	8,200	
	To Vishal's A/c			8,200
	(Being the amount received from official assignee of Vishal at 50 paise per rupee against dishonoured bill)			
May 7	Bad debts A/c	Dr.	8,200	
	To Vishal's A/c			8,200
	(Being the balance 50% debt in Vishal's Account arising out of dishonoured bill written off as bad debts)			

5. Manoj of Noida consigned to Kiran of Jaipur, goods to be sold at invoice price which represents 125% of cost. Kiran is entitled to a commission of 10% on sales at invoice price and 25% of any excess realised over invoice price. The expenses on freight and insurance incurred by Manoj were Rs 15,000. The account sales received by Manoj shows that Kiran has effected sales amounting to Rs 1,50,000 in respect of 75% of the consignment. His selling expenses to be reimbursed were Rs 12,000. 10% of consignment goods of the value of Rs 18,750 were destroyed in fire at the Jaipur godown. Kiran remitted the balance in favour of Manoj.

You are required to prepare consignment account in the books of Manoj along with the necessary calculations.

Solution:-

Consignment to Jaipur Account in the Books of Manoj

Particulars	₹	Particulars	₹
To Goods sent on Consignment A/c	1,87,500	By Goods sent on Consignment A/c (loading)	37,500
To Cash A/c	15,000	By Abnormal Loss	16,500
To Kiran (Expenses)	12,000	By Kiran (Sales)	1,50,000
To Kiran (Commission)	16,406	By Inventories on Consignment A/c	30,375
To Inventories Reserve A/c	5,625	By General Profit & Loss A/c	2,156
	<u>2,36,531</u>		<u>2,36,531</u>

Working Notes:

1. Calculation of value of goods sent on consignment:

Abnormal Loss at Invoice price = Rs 18,750

Abnormal Loss as a percentage of total consignment = 10%.

Hence the value of goods sent on consignment = Rs 18,750 X 100/ 10 = Rs 1,87,500

Loading of goods sent on consignment = Rs 1,87,500 X 25/125 = Rs 37,500

2. Calculation of abnormal loss (10%):

Abnormal Loss at Invoice price = Rs 18,750.

Abnormal Loss at cost = Rs 18,750 X 100/125 = Rs 15,000

Add: Proportionate expenses of Manoj (10 % of Rs 15,000) = Rs 1,500

Rs 16,500

3. Calculation of closing Inventories (15%):

Manoj's Basic Invoice price of consignment = Rs 1,87,500

Manoj's expenses on consignment = Rs 15,000

Rs 2,02,500

Value of closing Inventories = 15% of Rs 2,02,500 = Rs 30,375

Loading in closing Inventories = Rs 37,500 x 15/100 = Rs 5,625

Where Rs 28,125 (15% of Rs 1,87,500) is the basic invoice price of the goods sent on consignment remaining unsold.

4. Calculation of commission:

Invoice price of the goods sold = 75% of Rs 1,87,500 = Rs 1,40,625

Excess of selling price over invoice price = Rs 9,375 (Rs 1,50,000 - Rs 1,40,625)

Total commission = 10% of Rs 1,40,625 + 25% of Rs 9,375

= Rs 14,062.5 + Rs 2,343.75 = Rs 16,406

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