

SPECIAL TRANSACTIONS

BILLS OF EXCHANGE

ANSWER TO Q.NO. 1

Books of Vijay Journal

2016		Rs.	Rs.
1-Apr	Pritam To Sales Account (Sales of goods to Pritam as per Invoice No...)	Dr. 1,06,000	1,06,000
	Bills Receivable Account To Pritam (3 months acceptance received from Pritam)	Dr. 1,06,000	1,06,000
4 – July	Pritam To Bills Receivable Account (Pritam acceptance cancelled because of renewal)	Dr. 1,06,000	1,06,000
	Bills Receivable Account Cash Account To Pritam To interest [New acceptance for 2 months for Rs.106,000 and Cash (for interest @ 9%) received from Pritam]	Dr. Dr. 1,06,000 1,590	1,06,000 1,590
7 – Sep	Bank Account To Bills Receivable Account (Cash received against Pritam's second acceptance)	Dr. 1,06,000	1,06,000

Books of Pritam Journal

2016		Rs.	Rs.
1-Apr	Purchase Account To Vijay A/c (Purchase of goods from Vijay as per Invoice No...)	Dr. 1,06,000	1,06,000



	Vijay A/c To Bills Payables Account (3 months acceptance given to Vijay)	Dr.	1,06,000	1,06,000
4 – July	Bills Payable Account To Vijay A/c (Cancellation of bill because of renewal)	Dr.	1,06,000	1,06,000
	Vijay Account Interest Account To Cash Account To Bills Payable Account [New acceptance for 2 months for Rs. 106,000 and Cash (for interest) paid to Vijay]	Dr. Dr.	1,06,000 1,590	1,590 1,06,000
7 – Sep	Bills Payable Account To Bank Account (Cash paid against second bill)	Dr.	1,06,000	1,06,000

ANSWER TO Q.2.

Journal Entries in the books of B

Date 2016	Particulars		Debit Rs.	Credit Rs.
Jan. 1	Purchases account To A's account (Being the goods purchased from A on credit)	Dr.	10,000	10,000
	A's account To Bills payable account (Being the acceptance of bill given to A)	Dr.	10,000	10,000
1-Mar	Bills payable account To Bank account To Rebate account (Being the bill discharged under rebate @ 12% p.a. for 1 month)	Dr.	10,000	9,900 100

Working Note :

Calculation of rebate:

$$10,000 \times 12/100 \times 1/12 = \text{Rs. } 100$$



ANSWER TO Q.3.**Journal of A**

		Rs.	Rs.
Bills receivable (No. 1) A/c	Dr.	3000	
Bills receivable (No. 2) A/c	Dr.	2000	
Bills receivable (No. 3) A/c	Dr.	1000	
To B			6,000
(Three bills for Rs. 3,000, Rs. 2,000 and Rs. 1,000 drawn on B and duly accepted by him received)			
B	Dr.	3,000	
To Bills Receivable (No. 1) A/c			3,000
(Bill received from B cancelled for renewal)			
Cash Account	Dr.	1,500	
Bill Receivable (No. 4) Account	Dr.	1,600	
To B			3,000
To Interest Account			100
(Amount received on cancellation of the first bill, 50% along with a new bill for 50% of the amount plus interest Rs. 100)			
C	Dr.	1,600	
To Bills Receivable (No. 4) A/c			1,600
(A's acceptance endorsed in favour of C)			
Bank A/c	Dr.	1,900	
Discount A/c	Dr.	100	
To Bills Receivable (No. 2) A/c			2,000
(Second Bill for Rs. 2,000 discounted with the bank @ 5%)			
Note: time is not mentioned in question			
B	Dr.	2,030	
To Bank A/c			2,030
(Second Bill for Rs. 2,000 discounted with the Bank dishonoured, noting charges Rs. 30 paid by the Bank)			
Bank A/c	Dr.	1,000	
To Bills Receivable (No.3) A/c			1,000
(Amount received on maturity of the third bill)			



ANSWER TO Q.4.

Journal Entries in the books of Ankita

Date	Particulars	Rs.	Rs.
2016 Jan. 1	Bhavika's account Dr. To Sales account (Being the goods sold to Bhavika on credit)	5,00,000	5,00,000
	Bills receivable account Dr. To Bhavika's account (Being the acceptance of bill received)	5,00,000	5,00,000
1-Mar	Bank account Dr. Rebate on bills account Dr. To Bills receivable account (Being retirement of bill by Bhavika one month before maturity, the rebate being given to her at 12% p.a.)	4,95,000 5,000	5,00,000

Journal Entries in the books of Bhavika

Date	Particulars	Rs.	Rs.
2016 Jan. 1	Purchases account Dr. To Ankita account (Being the goods purchased from Ankita on credit)	5,00,000	5,00,000
	Ankita Account Dr. To Bills Payable Account (Being the acceptance of bill)	5,00,000	5,00,000
1-Mar	Bills payable Account Dr. To Rebate Income Account To Bank account (Being retirement of bill one month before maturity, the rebate being received at 12% p.a.)	5,00,000	5,000 4,95,000



ANSWER TO Q.5.

Books of K. Katrak Journal Entries

		Rs.	Rs.
(i)	Bills Payable Account Dr. Interest Account Dr. To Cash A/c To Bills Payable Account (Bills Payable to Basu discharged by cash payment of Rs. 1,000 and a new bill for Rs. 1,550 including Rs. 50 as interest)	2,500 50	1,000 1,550
(ii)	(a) G. Gupta Dr. To M. Mehta (G. Gupta's acceptance for Rs. 4,000 endorsed to M Mehta dishonoured, Rs. 20 paid by M. Mehta as noting charges)	4,020	4,020
	(b) M. Mehta Dr. To Bank Account (Payment to M. Mehta on withdrawal of bill earlier received from Mr. G. Gupta)	4,020	4,020
(iii)	Bank Account Dr. Rebate Account Dr. To Bills Receivable Account (Payment received from D. Dalal against his acceptance for Rs. 2,000. Allowed him a discount of Rs. 10)	1,990 10	2,000
(iv)	Bills Payable Account Dr. To Bills Receivable Account (Bills Receivable from P. Mody endorsed to P. Patel in settlement of bills payable issued to him earlier)	5,000	5,000



ANSWER TO Q.NO. 10

In the books of Harry

Journal Entries

Date	Particulars	Rs.	Rs.
1.7.2016	Gorge's account Dr. To Bills payable account (Acceptance of bill drawn by Gorge)	1,80,000	1,80,000
1.9.2016	Jack's account Dr. To Sales account (Sales made to Jack)	1,90,000	1,90,000
1.9.2016	Bills receivable account Dr. Bank account Dr. Discount account Dr. To Jack's account (Acceptance received from Jack's endorsement of bill received from Gorge for Rs.1,80,000 and Rs.9,000 received in full settlement of the amount due)	1,80,000 9,000 1,000	1,90,000
1.9.2016	Bills payable account Dr. To Bills receivable account (Own acceptance received from Jack's endorsement, cancelled)	1,80,000	1,80,000
1.10.2016	Purchase account Dr. To Gorge's account (Purchases made from Gorge)	2,00,000	2,00,000
	Gorge's account Dr. To Bank account (Amount paid to Gorge after adjusting Rs. 180,000 for accommodation extended to him)	20,000	20,000



In the books of Gorge Journal Entries

Date	Particulars	Rs.	Rs.
1.7.2016	Purchases Account Dr. <div style="text-align: right; padding-right: 20px;">To Jack Account</div> (Purchase of goods from Jack)	1,81,000	1,81,000
1.7.2016	Bills Receivable Account Dr. <div style="text-align: right; padding-right: 20px;">To Harry Account</div> (Acceptance by Harry of bill drawn on him)	1,80,000	1,80,000
1.7.2016	Jack's account Dr. <div style="text-align: right; padding-right: 20px;">To discount Account</div> <div style="text-align: right; padding-right: 20px;">To Bills Receivable Account</div> (Harry's bill endorsed to Jack)	1,81,000	1,000 1,80,000
1.10.2016	Harry Account Dr. <div style="text-align: right; padding-right: 20px;">To Sales account</div> (Sales to Harry)	2,00,000	2,00,000
1.10.2016	Bank Account Dr. <div style="text-align: right; padding-right: 20px;">To Harry account</div> (Amount received from Gorge after adjusting Rs.180,000 for accommodation extended by him)	20,000	20,000



ANSWER TO Q.NO.12

In the books of Siriman

Journal Entries

Particulars	L.F.	Rs.	Rs.
Bills Receivable A/c To Rita (Being a 3 month's bill drawn on Rita for the amount due)	Dr.	1,00,000	1,00,000
Bank A/c Discount A/c To Bills Receivable A/c (Being the bill discounted)	Dr.	99,000 1,000	1,00,000
Rita To Bank A/c (Being the bill cancelled up due to Rita's inability to pay it)	Dr.	1,00,000	1,00,000
Rita To Interest A/c (Being the interest due on Rs.5,000 @ 12% for 3 months)	Dr.	1,500	1,500
Bank A/c To Rita (Being the receipt of a portion of the amount due on the bill together with interest)	Dr.	51,500	51,500
Bills Receivable A/c To Rita (Being the new bill drawn for the balance)	Dr.	50,000	50,000
Rita To Bills Receivable A/c (Being the dishonour of the bill due to Rita's insolvency)	Dr.	50,000	50,000
Bank A/c Bad Debts A/c To Rita (Being the receipt of 40% of the amount due on the bill from rita's estate)	Dr. Dr.	20,000 30,000	50,000



ANSWER TO Q.NO. 13

Books of Don

(a)	Ray To Bob (Ray's acceptance endorsed to Bob dishonoured on due date nothing charges paid by Bob Rs.40)	Dr.	3,040	3,040
	Bob Interest To Cash To Bills Payable A/c (Amount payable to Bob Rs. 3,040 settled by cash payment Rs. 1,000 and issue of new bill for Rs. 2,091 including interest Rs. 51 for three months on Rs. 2,040 @ 10% p.a.)	Dr. Dr.	3,040 51	1,000 2,091
	Bills Receivable A/c To Ray To Interest (Bill received from Ray for Rs.3,040 due against earlier acceptance dishonoured plus Rs. 60.80 interest for two months @ 12% p.a.)	Dr.	3,100.80	3,040.00 60.8
(b)	Bills Payable A/c Discount A/c To James (Cancellation of bills payable to Ralph for Rs. 3,160 in settlement of Rs. 3,200 due from James)	Dr. Dr.	3,160 40	3,200
(c)	Bills payable A/c To Bills Receivable A/c To Discount A/c (Settlement of acceptance issued to Mr. Singh by endorsement of John's Acceptance for Rs. 4,450)	Dr.	4,500	4,450 50
(d)	Bank A/c Discount A/c To Total Bills Receivable A/c (Amount received from Ray in settlement of Bills Payable, retired one month before due date)	Dr. Dr.	3,085.30 15.5	3,100.80



ANSWER TO Q.NO. 14
In the books of X
Journal Entries

Date 2016	Particulars	Debit Rs.	Credit Rs.
1-Apr	Bills receivable account Dr. To Y's account (Acceptance received from Y for mutual accommodation)	4,000	4,000
1-Apr	Bank account Dr. Discount account Dr. To Bills receivable account (Bill discounted for Rs. 3,920)	3920 80	4000
	Y's account Dr. To Cash account To Discount account (Half of proceeds remitted to Y)	2,000	1,960 40
Aug. 4	Y's account Dr. To Bills payable account (Acceptance given to Y, being unable to remit the due amount)	7,000	7,000
	Bank account Dr. Discount account Dr. To Y's account (Amount received from Y and discount amount credited to him)	1,300 200	1,500
	Bills payable account Dr. To Y's account (Acceptance to Y dishonoured because of insolvency)	7,000	7,000
	Y account Dr. To Bank account To Deficiency account (Amount paid @ 25 paise in a rupee and balance credited to deficiency account as being unable to pay)	3,500	875 2,625



ANSWER TO Q.NO. 15

In the books of Anil

Journal Entries

Date 2016	Particulars	Debit Rs.	Credit Rs.
5- Apr	Bills receivable account Dr. <div style="text-align: right; padding-right: 20px;">To Sanjay's account</div> (Being acceptance received from Sanjay for mutual accommodation)	9,000	9,000
8-Apr	Bank account Dr. Discount account Dr. <div style="text-align: right; padding-right: 20px;">To Bills receivable account</div> (Being bill discounted with bank)	8,820 180	9,000
8-Apr	Sanjay's account Dr. <div style="text-align: right; padding-right: 20px;">To Bank account</div> <div style="text-align: right; padding-right: 20px;">To Discount account</div> (Being one-third proceeds of the bill sent to Sanjay)	3,000	2,940 60
8-Jul	Sanjay's account Dr. <div style="text-align: right; padding-right: 20px;">To Bills payable account</div> (Being Acceptance given)	12,600	12,600
8-Jul	Bank account Dr. Discount account Dr. <div style="text-align: right; padding-right: 20px;">To Sanjay's account</div> (Being proceeds of second bill received from Sanjay)	2,220 180	2,400
Oct. 11	Bills payable account Dr. <div style="text-align: right; padding-right: 20px;">To Sanjay's account</div> (Being bill dishonoured due to insolvency)	12,600	12,600
Oct. 15	Sanjay's account (12,600 X 2/3) Dr. <div style="text-align: right; padding-right: 20px;">To Bank account</div> <div style="text-align: right; padding-right: 20px;">To Deficiency account</div> (Being insolvent, only 50% amount paid to Sanjay)	8,400	4,200 4,200



CONSIGNMENT ACCOUNTING

ANSWER TO Q.No.27

In the books of Mr. X

Consignment Account

Particulars	Amount Rs.	Particulars	Amount Rs.
To Goods sent on Consignment	1,50,000	By Y's account: (Sales)	1,60,000
To Bank account: Freight and packing etc.	5,500	By Goods sent on consignment (Cancellation of loading)	50,000
To Y's account: Selling expenses	2,000	By Inventories on consignment (W.N.2)	28,990
Commission (W.N.1)	16,000		
To Inventories Reserve (W.N.3)	10,000		
To Profit and loss account (profit on consignment transferred)	55,490		
	2,38,990		2,38,990

Trading and Profit and Loss Account for the year ended.....

Particulars	Amount Rs.	Particulars	Amount Rs.	Amount Rs.
To Purchases	2,00,000	By Sales		90,000
To Gross profit c/d	26,000	By Goods sent on consignment	40,000	1,00,000
		By Inventories in hand	4,000	36,000
		Cost Less: 10%		
	2,26,000			2,26,000
To Expenses and commission	3,000	By Gross profit b/d		26,000
To Net profit	78,490	By Consignment A/c (profit on consignment)		55,490
	81,490			81,490

Working Notes:

i.	Calculation of commission payable to Y:	Rs.
	Total sale proceeds of Y	1,60,000
	Surplus proceeds realised over Rs.30 per metre [4,000 x Rs.(40-30)]	40,000
	Commission:	



5% of total sale proceeds (5% of Rs.1,60,000)	8,000
20% of surplus (20% of Rs.40,000)	8,000
	16,000

ii.	Inventories on Consignment:	Rs.
	Cost of consignment Inventories (1000 mtrs@ Rs.30)	30,000
	Add: Expenses of consignor (5,500X1/5)	1,100
		31,100
	Less: Reduction of 10% in cost due to fall in market price (20,000+1,100) x 10%	2,110
		28,990
iii.	Loading (Rs.10 x 1,000 mtrs)	10,000

ANSWER TO Q.No.28

In the books of A

D's Account

Feb. 1	To Bills payable A/c (80% of Rs. 8,00,000)	6,40,000	Mar. 31	By Cash/Bank A/c (820 x Rs.930)	7,62,600
Mar. 31	To Cash A/c (expenses)	12,500			
	To Commission earned A/c	70,520			
	To Bank A/c	39,580			
		<u>7,62,600</u>			<u>7,62,600</u>

Value of closing inventory with A

160 cycles at Rs. 640 (cost price including freight)	1,02,400
20 cycles (shop-spoiled) at 50% of the cost i.e. at Rs. 320 each	6,400
Value of closing inventory with A i.e. the amount (net effect of the loading) at which D will account for in his books on 31st March, 2016	-
	<u>1,08,800</u>

Working Note: CALCULATION OF COMMISSION:

	7.5 % on the invoice price amount (820x Rs. 800) i.e. Rs. 6,56,000	49,200
	20% on the surplus price amount (820 x Rs. 130) Rs. 1,06,600	21,320
		70,520



ANSWER TO Q.No.29

In the books of Mr. A

Consignment to Mumbai Account

2016		Rs.	2016		Rs.
March 1	To Goods sent on consignment A/c	1,00,000	Dec. 31	By B's A/cs	1,50,000
	To Cash A/c (freight and insurance)	12,000			
	To B's A/c:				
	Clearance expenses 3,000				
	Selling expenses 2,000				
	Commission @ 5% on Rs. 1,50,000 7,500				
	Del-credere commission @3% on Rs. 1,50,000 4,500	17,000			
Dec. 31	To Provision for expenses (bank charges)	260			
	To Profit and loss A/c (profit on consignment)	20,740			
		<u>1,50,000</u>			<u>1,50,000</u>

B's Account

Dec. 31	To Consignment A/c	1,50,000	Dec. 31	By Consignment A/c		
				Clearance expenses	3,000	
				Selling expenses	2,000	
				Commission	7,500	
				Del-credere commission	4,500	17,000
				By Balance c/d		1,33,000
		<u>1,50,000</u>				<u>1,50,000</u>

Bank Account

Jan. 5	To B's account	1,33,000	Jan. 5	By Bank charges	260
			Jan. 5	By Balance c/d	1,32,740
		<u>1,33,000</u>			<u>1,33,000</u>



Provision for Expenses Account

Jan. 5	To Bank charges	260	Jan. 1	By Balance b/d	260
		<u>260</u>			<u>260</u>

ANSWER TO Q.NO.30

In the books of Mr. A

Consignment Account

<u>Particulars</u>	<u>Rs.</u>	<u>Particulars</u>	<u>Rs.</u>
To Goods sent on consignment A/c (800x Rs.900)	7,20,000	By Consignee's A/c-Sales (740x100x Rs.12)	8,88,000
To Cash A/c (expenses 800x Rs.100)	80,000	By Abnormal Loss Cash A/c (insurance claim)	570
To Consignee's A/c		By Profit and loss account (abnormal loss)	430
Recurring expenses	22,500		
Non-recurring expenses	39,950		
Commission @ 2% on Rs.8,88,000	17,760		
Del-credere commission @ 1% on Rs.8,88,000	8,880		
To Profit and loss A/c (profit on consignment)	61,860	By Consignment stock A/c	61,950
	9,50,950		9,50,950

ANSWER TO Q.NO.31

Journal Entries in the books of Consignee

July 3	Exe	Dr.	30,000	
	To Bills Payable A/c			30,000
July 3	Exe	Dr.	2,800	
	To Bank			2,800
Oct. 6	Bills payable	Dr.	30,000	
	To Bank			30,000
	Tradereceivables/Bank	Dr.	55,000	
	To Exe			55,000



	Exe	Dr.	600	
	To Trade receivables			600
	Exe	Dr.	5,500	
	To Commission Earned A/c			5,500
	Exe	Dr	16,100	
	To Bank			16,100

- ❖ Consignee does not pass any journal entry when he receives goods on consignment.
- ❖ If the commission includes del-credere commission also, he would not be able to debit Exe for the bad debt. Instead he will debit “commission earned” account.

ANSWER TO Q.NO.32

In the books of Miss Rakhi

Consignment Account

Particulars	Rs.	Particulars	Rs.
To Goods send on Consignment A/c	9,00,000	By Miss Geeta A/c	9,00,000
To Cash A/c Freight 7,650 Insurance 3,250	10,900	By Insurance Co.	35,000
To Miss Geeta A/c Carriage 10,500 Repairs 2,500 Commission 54,000	67,000	By Profit & Loss A/c abnormal loss (net)	10,545
To Profit & Loss A/c	1,52,036	By Consignment Inventories	1,84,391
	11,29,936		11,29,936

Miss Geeta

Particulars	Rs.	Particulars	Rs.
To Consignment A/c	9,00,000	By Consignment A/c	67,000
		By Bank (bal. fig.)	
	9,00,000		9,00,000



Working Notes:

1. Abnormal loss :

Cost to the consignor: 50 sets @ Rs.900		45,000
Add: Proportionate expenses incurred by the consignor $\frac{50 \times 10,900}{1,000}$		545
Gross abnormal loss		45,545
Less: Insurance claim		(35,000)
Net abnormal loss		<u>10,545</u>

2. Valuation of Inventories

200 sets @ Rs.900		
Add: Proportionate expenses of the consignor $\frac{200 \times 10,900}{1,000}$		2,180
Add: Carriage and customs duty paid by the consignee $\frac{200 \times 10,900}{950}$		2,211
		<u>1,84,391</u>

ANSWER TO Q.No.33

Books of Ajay

Consignment to Vijay Account

Particulars	Rs.	Particulars	Rs.
To Goods sent on Consignment A/c	1,25,000	By Goods sent on Consignment A/c (Loading)	25,000
To Cash A/c	10,000	By Abnormal Loss	11,000
To Vijay (Expenses)	8,000	By Vijay (Sales)	1,00,000
To Vijay (Commission)	10,938	By Inventories on Consignment A/c	20,250
To Inventories Reserve A/c	3,750	By General Profit & Loss A/c	1,438
	1,57,688		1,57,688

Vijay's Account

Particulars	Rs.	Particulars	Rs.
To Consignment A/c	1,00,000	By Consignment A/c	8,000
		By Consignment A/c	10,938
		By Bank A/c	81,062
	1,00,000		1,00,000



Working Notes:

1. Calculation of value of goods sent on consignment:

Abnormal Loss at Invoice price	= Rs.12,500.
Abnormal Loss as a percentage of total consignment	= 10%
Hence the value of goods sent on consignment	= Rs.12,500 × 100/10 = Rs. 1,25,000.
Loading of goods sent on consignment	= Rs. 1,25,000 × 25/125 = Rs. 25,000.

2. Calculation of abnormal loss (10%):

Abnormal Loss at invoice price	= Rs.12,500.
Abnormal Loss at cost = Rs.12,500 × 100/125	= Rs.10,000
Proportionate expenses of Ajay (10% of Rs.10,000)	<u>= Rs.1,000</u>
	<u>Rs.11,000</u>

3. Calculation of closing Inventories (15%):

Ajay's Basis Invoice price of consignment	= Rs.1,25,000
Ajay's expenses on consignment	= <u>Rs.10,000</u>
	<u>Rs.1,35,000</u>
Value of closing Inventories = 15% of Rs.1,35,000	= Rs. 20,250
Loading in closing Inventories = Rs.25,000 × 15/100	= Rs.3,750

Where Rs.18,750 (15% of Rs.1,25,000) is the basis invoice price of the goods sent on consignment remaining unsold.

4. Calculation of commission:

Invoice price of the goods sold	= 75% of Rs.1,25,000 = Rs.93,750
Excess of selling price over invoice price	= Rs. 6,250 (Rs.1,00,000 – Rs.93,750)
Total commission	= 10% of Rs. 93,750 + 25% of Rs.6,250
	= Rs. 9,375 + Rs. 1,562.50
	= Rs. 10,937.50 OR 10,938

Note:

1. It has been assumed that final payment received from Vijay.
2. Abnormal loss is always calculated at cost even if invoice price of goods is given.
3. Value of inventories always valued at invoice price if invoice price is given.

ANSWER TO Q.NO.34:

Vikram Milk Foods Co. Ltd.
Consignment to Sonepuri Account



Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
To Goods sent on Consignment A/c			By Sunder Stores		
2,000 1 kg. tins @ Rs.10	20,000		1,500 1 kg. tins @ Rs.15	22,500	
6,000 1/2 kg. pkts. @ Rs.6	36,000	56,000	4,000 1/2 kg. pkts. @ Rs.7	28,000	50,500
To Sunder Stores:			By Insurance - Claim		450
Freight	1,440		By Profit & Loss A/c		65
Rent and insurance	600		By Inventory on consignment A/c		16,915
Commission	2,525	4,565			
To Profit & Loss A/c		7,365			
		67,930			67,930

Sunder Stores, Sonepuri

Particulars	Rs.	Particulars	<u>Rs.</u>
To Consignment to Sonepuri Account	50,500	By Consignment to Sonepuri A/c	4,565
		By Bank A/c	45,935
	50,500		50,500

Working Notes:

(i) **Sale value of total consignment:**

2,000 1 kg. tins @ Rs.15	30,000
6,000 1/2 kg. pkts. @ Rs.7	42,000
	72,000

(ii) Freight @ 2% of above 1,440

(iii) **Inventories at the end:**

450 1 kg. tins @ Rs.10 (Selling Price Rs.6,750)	4,500
2,000 1/2 kg. pkts. @ Rs.6 (Selling Price Rs.14,000)	12,000
	16,500

Add: Freight 2% of (Selling Price Rs.20,750) 415

16,915

Loss in transit: Cost of 50 1 kg. tins @ Rs.10	500
Freight @ 2% of Selling Price Rs.750	15
Gross abnormal Loss	515
Less : Claim	(450)
Net abnormal Loss	65



ANSWER TO Q.NO.35
In the books of Shri Mehta
Consignment to Chennai Account

Particulars	Rs.	Particulars	Rs.
To Goods sent on Consignment	10,00,000	By Sundaram (Sales)	9,80,000
To Bank (Expenses)	50,000	By Loss in Transit (WN 1)	52,500
To Sundaram (Expenses)	31,500	By Consignment Inventory(WN2)	
To Sundaram	98,000	In hand 1,59,000	
To Profit on Consignment	1,17,000	In transit 1,05,000	2,64,000
	12,96,500		12,96,500

Sundaram's Account

Particulars	Rs.	Particulars	Rs.
To Consignment to Chennai A/c	9,80,000	By Consignment A/c	1,29,500
		By Balance c/d	8,50,500
	9,80,000		9,80,000

WORKING NOTES:

1. Units lost in transit = 50

Cost price = 50 x 1000 50,000

Add: consignor's expenses = 50000 / 1000 x 50 = 2,500

Total value of goods lost in transit = 52,500

2. Units in stock in hand = 1000 – 700 – 50 – 100 = 150

Cost price = 150 x 1000

Add: consignor's expenses = 50000 / 1000 x 150

Add: clearing charges = 8500 / 850 x 150

Total value of stock = 159000

Units in stock but in transit = 100

Cost price = 100 x 1000

Add: consignor's expenses = 50000 / 1000 x 100

Total value of stock = 105000



SALE OF GOODS ON APPROVAL

ANSWER TO Q.NO.16: In the books of CE

Journal Entries

Date	Particulars	L. F.	Dr. (in Rs.)	Cr. (in Rs.)
2016 Sept. 15	Trade receivables A/c Dr. To Sales A/c (Being goods sent to customers on sale or return basis)		1,00,000	1,00,000
Oct. 20	Return Inward A/c Dr. To Trade receivables A/c (Being the goods returned by customers to whom goods were sent on sale or return basis)		40,000	40,000
Dec. 31	Sales A/c Dr. To Trade receivables A/c (Being the cancellation of original entry of sale in respect of goods on sale or return basis)		20,000	20,000
Dec. 31	Inventories with customers on Sale or Return A/c Dr. To Trading A/c (Being the adjustment for cost of goods lying with customers awaiting approval)		15,000	15,000

ANSWER TO Q.NO.19: In the books of S. Ltd.

Date	Particulars	L.F.	Rs	Rs
2016 Dec. 31	Return Inwards A/c (Rs 250 X 50) Dr. To Trade receivables A/c (Being the adjustment for 50 units of goods returned by customers to whom goods were sent on sale or return basis)		12,500	12,500
Dec. 31	Sales A/c (Rs 250 X 80) (Note 1) Dr. To Trade receivables A/c (Being the cancellation of original entry for sale in respect of 80 units of goods not yet returned or approved by customers)		20,000	20,000
Dec. 31	Inventories with Customers on Sale or Return A/c Dr. To Trading A/c (Being the cost of goods sent to customers on approval or return basis not yet approved, adjusted)		16,000	16,000

Note: (1) Quantity of goods lying with dealer as on 31.12.2016 = 200 – 50 – 70 = 80

ANSWER TO Q.NO.20:

Sale or Return Account

Date	Particulars	Rs.	Date	Particulars	Rs.
2016 31-May	To Sundries: Sales	24,000	2016 31-May	By Sundries (Goods sent on sale or return basis)	93,000
15-Jun	To Sundries: Returned	43,000			
15-Jun	To Balance c/d	26,000			
		<u>93,000</u>			<u>93,000</u>

P's Account

Date	Particulars	Rs.	Date	Particulars	Rs.
2016 31-May	To Sale or Return A/c	15,000	2016 May 31	By Sale or Return A/c	15,000

ANSWER TO Q.NO.21:

In the books of Caly Company

Journal Entries

Date	Particulars	L.F.	Rs	Rs
	Trade receivables A/c Dr. To Sales A/c (Being the adjustment for excess price of 20 gas containers @ 300 each)		6,000	6,000
	Sales A/c Dr. To Trade receivables A/c (Being the cancellation of original entry for sale in respect of 80 gas containers @ Rs 1,200 each)		96,000	96,000
	Inventories with Customers on Sale or Return A/c Dr. To Trading A/c (Being the adjustment for cost of 80 gas container lying with customers awaiting approval)		72,000	72,000



ANSWER TO Q.NO.22:

**In the books of E Ltd.
Journal Entries**

Date	Particulars	L.F.	Rs.	Rs.
2016 Dec 24	Trade Receivables Account Dr. To Sales Account (300 x 280)		84,000	84,000
Dec.31	Sales A/c (Rs.30 x 90) Dr. To Trade receivables A/c (Being the adj. for reduction in the selling price of 90 accounting machines @ Rs. 30 each)		2,700	2,700
Dec.31	Sales A/c (Rs. 280 x 210) Dr. To Trade receivables A/c (Being the cancellation of original entry for sale in respect of 210 accounting machines sent to customers not yet returned or approved)		58,800	58,800
	Inventories with customers on Sale or Return A/c Dr. To Trading A/c (Being the cost of 210 accounting machines @ Rs. 200 each adjusted against Trading Account)		42,000	42,000

ANSWER TO Q.NO.23:

Journal Entries

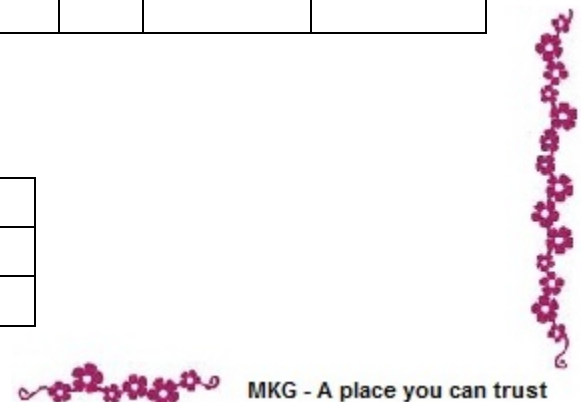
	Particulars	L.F.	Rs	Rs
2016 31st Dec.	Sales A/c Dr. To Ritu's A/c (Being cancellation of entry for sale of goods, not yet approved)		3,000	3,000
	Inventories with customers A/c (Refer W.N.) Dr. To Trading A/c (Being Inventories with customers recorded at market price)		2,250	2,250

Working Note:

Calculation of cost and market price of Inventories with customer

Sale price of goods sent on approval	Rs 3,000
Less: Profit (3,000 x 20/120)	Rs 500
Cost of goods	Rs 2,500

Market price = 2,500 - (2,500 x 10%) = Rs 2,250.



ANSWER TO Q.NO.24:

In the books of 'X'
Goods on sales or return, sold and returned day book

Date 2016	Party to whom goods sent	Goods sent Rs.	Sold Rs.	Returned Rs.	Balance
Dec.10	M/s. ABC Co.	10,000	10,000	-	-
Dec.12	M/s. DEF Co.	15,000	-	15,000	-
Dec.15	M/s. GHI Co.	12,000	10,000	2,000	-
Dec.20	M/s. DEF Co.	16,000	16,000	-	-
Dec.25	M/s. ABC Co.	11,000	11,000	-	-
Dec.30	M/s. GHI Co.	13,000	-	-	13,000
		<u>77,000</u>	<u>47,000</u>	<u>17,000</u>	<u>13,000</u>

Goods on Sales or Return Total Account

Date	Particulars	Amount Rs.	Date	Particulars	Amount Rs.
2016 Dec. 31	To Sundries	17,000	2016 Dec. 31	By Sundries	77,000
	To Sundries	47,000			
	To Balance c/d	13,000			
		<u>77,000</u>			<u>77,000</u>



ANSWER TO Q.NO.25:

In the Books of A
Journal Entries

Date	Particulars	L.F.	Rs.	Rs.
2016 March 31	Sales A/c Dr. To Trade receivables A/c (Being the cancellation of original entry for sale in respect of goods lying with customers awaiting approval)		7,000	7,000
31-Mar	Inventories with Customers on Sale or Return A/c Dr. To Trading A/c (Note 1) (Being the adjustment for cost of goods lying with customers awaiting approval)		5,600	5,600
<u>APRIL</u> 30-Apr	Trade receivables A/c Dr. To Sales A/c (Being goods costing Rs.3,200 sent to Mr. X on sale or return basis has been accepted by him)		4,000	4,000

Balance Sheet of A & Co. as on 31st March, 2016 (Extracts)

Liabilities	Rs.	Assets	Rs.	Rs.
		Trade receivables (Rs.1,00,000–Rs. 7,000)		93,000
		Inventories-in-trade	60,000	
		Add: Inventories with customers on Sale or Return	5,600	65,600
				<u>1,58,600</u>

Notes:

(1) Cost of goods lying with customers = $\frac{1}{5} \times \text{Rs. } 7,000 = \text{Rs. } 5,600$

(2) No entry is required on 10th April, 2016 for goods returned by Mr. Y. Goods should be included physically in the Inventories-in-trade.

