

CA CPT Account Sale of Goods Approval Or Return Basis

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Instruction for Qusetion 1 To 40 MCQ

Qn.1) A trader has credited certain items of sales on approval aggregating Rs.60,000 to sales Account. Of these, goods of the value of Rs.16,000 have been returned and taken into stock at cost Rs.8,000 though the record of return was omitted in the accounts. In respect of another parcel of Rs.12,000 (cost being Rs.6,000) the period of approval did not expire on the closing date. Cost of goods lying with customers should be:
A. Rs.12,000 B. Rs.54,000 C. Rs.6,000 D. None of these [1]

Qn.2) On 1.12.05 A sent some goods costing Rs. 3500 at a profit of 25% on sales to B on sales or returns basis. On 3.12.05, B returned goods costing Rs. 800. At the end of the accounting year i.e. on 31.12.05, the remaining goods were neither returned nor appro
A. Rs. 2700 will be added to closing stock B. Rs. 3500 will be added to closing stock C. Rs. 2700 will be deducted from closing stock D. Rs. 3500 will be deducted from closing stock [1]

Qn.3) Sale or return Day Book and Sale or Return ledger are known as [1]
A. Principal books B. Subsidiary books C. Memorandum books D. None of the above

Qn.4) On 1.12.05 A sent some goods costing Rs. 3500 at a profit of 25% on sales to B on sales or returns basis. On 3.12.05, B returned goods costing Rs. 800. At the end of the accounting year i.e. on 31.12.05, the remaining goods were neither returned nor approved by B. A records goods on approval as normal sales. On 31.12.05, for goods sent but not yet approved and lying with B, in the books of A [1]

A.

No.	Particulars	Dr. Rs.	
1.	Closing stock Dr. To Trading A/c	2700	2700

B.

No.	Particulars	Dr. Rs.	
1.	Stock Appoval Dr. To Trading A/c	3500	3500

C.

No.	Particulars	Dr. Rs.	
1.	Stock Appoval Dr. To Trading A/c	2700	2700

D.

No.	Particulars	Dr. Rs.	
1.	Trading A/c Dr. To Stock Appoval	2700	2700

Qn.5) Under sales or return or approval basis, when transactions are few and the seller at the end of the accounting year reverse the sale entry, then what will be the accounting treatment for the goods returned by the customers on a subsequent date? [1]
A. No entry will be passed for such return of goods B. Entry for return of goods is passed by the sellers C. Only the stock account will be adjusted D. None of the above

Qn.6) ABC Ltd. Sells goods to its approved customers on sale or return basis at a profit basis at a profit of 20% on sales, treating as actual sales. On 26th March,2012 goods costing Rs.10,000 were sent to Annu Ltd. No confirmation has been received from Annu Ltd. till 31st March,2012. The amount of [1]

stock with customers to be shown as closing stock in the balance sheet of ABC Ltd. as on 31st March, 2012 will be:

A. Rs. 12,500 B. Rs. 8,000 C. Rs. 10,000 D. Nil

Qn.7) On 1.12.05 A sent some goods costing Rs. 3500 at a profit of 25% on sales to B on sales or returns basis. On 3.12.05, B returned goods costing Rs. 800. At the end of the accounting year i.e. on 31.12.05, the remaining goods were neither returned nor approved by B. A records goods on approval as normal sales. On 31/12/05, for goods sent but not yet approved, in the balance sheet of A [1]
A. Rs. 3600 will be added to the sundry debtors B. Rs. 3600 will be added to the sundry creditors C. Rs. 3600 will be deducted from the Sunday debtors D. Rs. 3500 will be deducted from the Sunday debtors

Qn.8) Which method is used for "Sale on Approval" basis when the transactions are few in nature? [1]
A. Multi Column Journal Method B. Columnar Sale Day Book Method C. Ordinary Sale Method D. Separate Day Book Method

Qn.9) Closing stock was physically verified on 31st March, 2006 and was valued at Rs. 200000. Goods are normally sold at a profit of 25% on cost. On 21st March, 2006 goods having sale value of Rs. 100000 were sent on sale or return basis to a customer. The period of approval was two weeks. Indicate the value of the closing stock to be taken to the balance sheet as on 31.3.2006 if the customer approved 80% of the goods on 31st March 2006 [1]
A. Rs. 216000 B. Rs. 280000 C. Rs. 300000 D. Rs. 180000

Qn.10) Under sales or return or approval basis, the ownership of goods is passed only [1]
A. When the retailer gives his approval B. If the goods are not returned within specified period. C. Both 1 and 2 D. None of the above

Qn.11) Closing stock was physically verified on 31st March, 2006 and was valued at Rs. 200000. Goods are normally sold at a profit of 25% on cost. On 21st March, 2006 goods having sale value of Rs. 100000 were sent on sale or return basis to a customer. The period of approval was two weeks. Indicate the value of the closing stock to be taken to the balance sheet as on 31.3.2006 if the customer approved 80% of the goods on 31st March 2006 [1]
A. 216000 B. 280000 C. 300000 D. 180000

Qn.12) Y Ltd sends its goods Rs.1,20,000 to one of its dealer on 'sale or return' basis. On 31st March he received an approval letter for goods of Rs.80,000. Y Ltd. Charges 25% profit on cost. The cost price of the un-approved goods with the dealer will be: [1]
A. Rs. 32,000 B. Rs. 40,000 C. Rs. 80,000 D. Rs. 64,000

Qn.13) Umesh sends goods on approval basis as follows The stock of goods sent on approval basis on 31st January will be: [1]

Date	Customer's Name	Sale price of	Goods Accepted	Goods Returned
Jan-06		Goods sent Rs.	Rs.	Rs.
8	Anna	3,500	3,000	500
10	Babu	2,800	2,800	-
15	Chandra	3,680	-	3680
22	Desai	1,260	1,000	260

A. Rs. 500 B. Nil C. Rs. 260 D. None of the above

Qn.14) A company sends its cars to dealers on 'Sale or return' basis. All such transactions are however treated like actual sales and are passed through the sales day book. Just before the end of the financial year, two cars which had cost Rs. 55,000 each have been sent on 'sale or return' and have been debited to customers at Rs. 75,000 each, cost of goods lying with the customers will be [1]
A. Rs. 110,000 B. Rs. 55,000 C. Rs. 75,000 D. None of the above

Qn.15) A sent some goods costing Rs. 3,500 at a profit of 25% on sale to B on sale or return basis. B returned goods costing Rs. 800. At the end of the accounting period i.e. on 31st December, 2005. The remaining goods neither returned nor were approved by him. The stock on approval will be [1]

shown in the balance sheet at Rs

A. 2,000 B. 2,700 C. 2,700 less 25% of 2,700 D. 3,500

Qn.16) Sales = Rs. 1,06,000 Sales Return = Rs. 6,000 Out of Rs. 1,06,000 goods costing Rs. 10,000 were sent on approval for Rs. 12,000 which have not been approved yet. Calculate Net Sales. [1]
A. Rs. 100,000 B. Rs. 88,000 C. Rs. 112,000 D. Rs. 18,000

Qn.17) Varun Ltd. sends goods to its customers on Sale or Return basis recording it as a sale at the time of sending it for approval. During 2012, Varun Ltd. sent goods to customers for Rs.1,00,000 on sale or return basis, at cost plus 33.33% ON September 2012 a letter of approval was received from a customer for RS.40,000. IN this respect, entry will be: [1]
A. Debtors account debited and sales account credited with Rs.40,000 B. Sales account debited and debtors account credited with rs.40,000 C. No entry is required for receiving the letter of approval from the customer D. Entry will be made at the end of the year.

Qn.18) At what price goods lying with customer's are valued at year ending under sale of approval basis: [1]
A. Selling price B. Cost price C. Current price D. Market price

Qn.19) What account is credited for goods lying with the customer as on the last day of the accounting year [1]
A. Customer A/c B. Trading A/c C. Profit and loss A/c D. Manufacturing A/c

Qn.20) What is the objective behind selling goods on approval basis: [1]
A. For introducing a new product is the market B. For pushing up sales C. To capture a larger share in the market D. All of these

Qn.21) Which of the following is not a main column of sale or return journal? [1]
A. Goods sent on approval column B. Goods returned column C. Goods approved column D. Purchase column

Qn.22) Under Sales on Return or approval basis when the transactions are few and the customer accepts the goods, the accounting treatment will be- [1]
A. No journal entry B. Entry in Sales or Return Journal C. Entry in Sales or Return Day Book D. Sundry Debtors A/c Dr To Sales A/c

Qn.23) In the Sale or Return Ledger [1]
A. All the customers are individually debited and the sale or return account is credited with the periodical total of the Sale or Return Day Book. B. All the customers are debited in total and the sale or return account is credited with the periodical total of the Sale or Return Day Book C. All the customers are individually debited and the sale or return account is also credited with the individual total of the sale or return day book D. None of the above

Qn.24) On 1.12.05 A sent some goods costing Rs. 3500 at a profit of 25% on sales to B on sales or returns basis. On 3.12.05, B returned goods costing Rs. 800. At the end of the accounting year i.e. on 31.12.05, the remaining goods were neither returned nor approved by B. A records goods on approval as normal sales. On 3.12.05, when goods are returned, in the books of A [1]
A. No entry will be passed by A B.

No.	Particulars	Dr. Rs.	
1.	Sales Dr. To B	800	800

C.

No.	Particulars	Dr. Rs.	
1.	Sales Dr. To B	1067	1067

D.

No.	Particulars	Dr. Rs.	
1.	Sales Dr. To B	1000	1000

- Qn.25) On 31st December, 2005 goods sold at a sale price of Rs. 30,000 were lying with customer, Mohan to whom these goods were sold on 'Sale or return basis' and recorded as actual sales. Since no consent was received from Mohan, the adjustment entry was made presuming goods were sent on approval at a profit of cost plus 20%. In the balance sheet, the stock with customers account will be shown at Rs. [1]
A. 30,000 B. 24,000 C. 20,000 D. 25,000
- Qn.26) A sent some goods costing Rs. 10,500 at a profit of 25% on sale to B on sale or return basis. B returned goods costing Rs. 2,400. At the end of the accounting period i.e. on 31st December, 2007. The remaining goods neither returned nor were approved by him. The stock on approval will be shown in the balance sheet at Rs [1]
A. Rs. 6,000 B. Rs. 8,100 C. Rs. 6,075 D. Rs. 10,500
- Qn.27) On 31st Dec. 2004 goods sold at a sale of Rs. 3000 were lying with customer, Ritu to whom these goods were sold on 'sale or returns basis' and recorded as actual sales. No consent has been received from Ritu. Goods were sent to on approval at a profit of cost plus 20%. Present market price is 10% less than cost price. [1]
A. will be shown in the balance sheet of Ritu as Rs. 3000. B. will be included at Rs. 3000 in the balance sheet of the consignor. C. will be included at Rs. 2500 in the balance sheet of the consignor. D. will be included at Rs. 2250 in the balance sheet of the consignor.
- Qn.28) A merchant sends out his goods casually to his dealers on approval basis. All such transactions are, however, recorded as actual sales and are passed through the sales book. On 31-12-2005, it was found that 100 articles at a sale price of 200 each sent on approval basis were recorded as actual sales at that price. The sale price was made at cost plus 25%. The amount of stock on approval will be amounting [1]
A. Rs. 16,000 B. Rs. 20,000 C. Rs. 15,000 D. None of the above
- Qn.29) When the goods are returned by the customers within the specified time, they are recorded [1]
A. Initially in the Sale or Return Ledger. Thereafter, in the Sale or Return Day Book B. Initially in the Sale or Return Day Book. Thereafter, in the Sale or Return Ledger. C. Only in the Sale or Return Day Book D. Only in the Sale or Return Ledger
- Qn.30) Under sales on return or approval basis, when transactions are few, the sellers, while sending the goods, treats them as [1]
A. An ordinary sale but no entry is passed in the books B. An ordinary sale and entry for normal sale is passed in the books C. Approval sale and no entry is passed D. None of the above
- Qn.31) Mr. Z sent goods worth Rs. 50,000 on 21st March on reject or approval basis. Goods worth Rs. 25,000 were still pending with the customer on 31st March and the remaining were accepted by the customer. How would you deal with the goods lying with the customer as on 31st March. Assuming that the goods were invoiced at 25% above the cost price? [1]
A. Deduct Rs. 25,000 from sales and Debtors and include goods worth Rs. 20,000 in closing stock B. Deduct Rs. 50,000 from sales and debtors and include goods worth Rs. 25,000 in closing stock C. Deduct Rs. 50,000 from sales and debtors and include goods worth Rs. 20,000 in closing stock. D. Deduct Rs. 25,000 from sales and debtors and include goods worth Rs. 25,000 in closing stock
- Qn.32) On 1.12.05 A sent some goods costing Rs. 3500 at a profit of 25% on sales to B on sales or returns basis. On 3.12.05, B returned goods costing Rs. 800. At the end of the accounting year i.e. on 31.12.05, the remaining goods were neither returned nor approved by B. A records goods on approval as normal sales. On 31/12/05, for goods sent but not yet approved and lying with B, in the balance sheet of A [1]
A. Rs. 2700 will be added to closing stock B. Rs. 3500 will be added to closing stock C. Rs. 2700 will be deducted from closing stock D. Rs. 3500 will be deducted from closing stock
- Qn.33) Mr. X sends the goods costing Rs. 55,000 on approval basis. Goods of Rs. 5,000 were damaged in transit and claim of Rs. 3,000 was received. The amount of goods sent on approval to Mr. Y is:- [1]
A. Rs. 57,000 B. Rs. 53,000 C. Rs. 52,000 D. Rs. 50,000
- Qn.34) On 1.12.05 A sent some goods costing Rs. 3500 at a profit of 25% on sales to B on sales or returns basis. On 3.12.05, B returned goods costing Rs. 800. At the end of the accounting year i.e. on 31.12.05, the remaining goods were neither returned nor approved by B. A records goods on approval as normal sales. On 1.12.05, when goods are sent by A to B, in the books of A [1]
A. No entry will be passed by A B.

No.	Particulars	Dr. Rs.	

1.	B Dr.	4667	4667
	To Sales		

C.

No.	Particulars	Dr. Rs.	
1.	B Dr.	3500	3500
	To Sales		

D.

No.	Particulars	Dr. Rs.	
1.	B Dr.	4375	4375
	To Sales		

- Qn.35)** Closing stock was physically verified on 31st March, 2006 and was valued at Rs. 200000. Goods are normally sold at a profit of 25% on cost. On 21st March, 2006 goods having sale value of Rs. 100000 were sent on sale or return basis to a customer. The period of approval was two weeks. Indicate the value of the closing stock to be taken to the balance sheet as on 31.3.2006 if the customer returned 20% of the goods, approved 80% of the remaining goods on 31st March, 2006 [1]
 A. Rs 216000 B. Rs. 212800 C. Rs. 200000 D. Rs. 228800

- Qn.36)** Total sales of Star Limited for the year ended 31st March 2008 was Rs. 5,00,000, which includes goods sold to R for Rs. 5,500 at a profit of 10% on cost. Such goods are still lying in the Godown of Star Limited at the buyer's risk. In the books of Star Limited sales would be shown as:- [1]
 A. Rs. 500,000 B. Rs. 505,000 C. Rs. 494,500 D. Rs. 495,000

- Qn.37)** When a large number of articles are sent on a sale or return basis, it is necessary to maintain [1]
 A. Sale journal B. Goods returned journal C. Sale or return journal D. None of the above

- Qn.38)** When Sales or Return Journal is maintained, a journal entry is passed for: [1]
 A. Goods delivered B. Goods returned C. Goods approved D. None of these

- Qn.39)** On 1.12.05 A sent some goods costing Rs. 3500 at a profit of 25% on sales to B on sales or returns basis. On 3.12.05, B returned goods costing Rs. 800. At the end of the accounting year i.e. on 31.12.05, the remaining goods were neither returned nor approved by B. A records goods on approval as normal sales. On 31.12.05, for goods sent but not yet approved, in the books of A [1]
 A.

No.	Particulars	Dr. Rs.	Cr. Rs.
1.	Sales Dr.	4667	
	To Debtors		4667

B.

No.	Particulars	Dr. Rs.	Cr. Rs.
1.	Sales Dr.	3600	
	To Debtors		3600

C.

No.	Particulars	Dr. Rs.	Cr. Rs.
1.	Sales Dr.	3500	
	To Debtors		3500

D.

No.	Particulars	Dr. Rs.	Cr. Rs.

1.	Sales Dr.	4375	
	To Debtors		4375

- Qn.40)** Mr. X send the goods costing Rs.55,000 to Mr. Y on approval basis. Goods costing Rs.5,000 were damaged during transit. X claims Rs.3,000 from insurance company. Then cost of goods sent on approval to Y will be: [1]
- A. Rs.57,000 B. Rs.53,000 C. Rs.52,000 D. Rs.50,000