J.K. SHAH TEST SERIES
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CA FOUNDATION

SUBJECT- ACCOUNTS

Test Code – CFN 9282

(Date :)

(Marks - 50)

TOPICS : Partnership Accounts and Company Accounts

NOTES: (1) WORKING NOTES SHOULD FORM PART OF ANSWERS.
(2) NEW QUESTION SHOULD BE ON NEW PAGE

QUESTION NO.1 (5*2 = 10 MARKS)

A. J and K are partners in a firm. Their capital are J Rs. 3,00,000 and K Rs. 2,00,000. During the year ended 31st March, 2019 the firm earned a profit of Rs. 1,50,000. Assuming that the normal rate of return is 20%, **calculate the value of goodwill on the firm:**

(i) By Capitalization Method; and

(ii) By Super Profit Method if the goodwill is valued at 2 years' purchase of Super Profit.

B. A, B and C entered into partnership on 1.1.2017 to share profits and losses in the ratio of 5 : 3 : 2. A personally guaranteed that C's share of profit after charging interest on capitals at 5% p.a. would not be less than Rs. 30,000 in any year. Capitals of A, B and C were Rs. 3,20,000, Rs. 2,00,000 and Rs. 1,60,000 respectively.

Profits for the year ending 31.12.2017 before providing for interest on partners capital was Rs. 1,59,000.

You are required to prepare the Profit and Loss Appropriation Account.

QUESTION NO.2 (5*2 = 10 MARKS)

A. Mr. Hello who was the holder of 4,000 preference shares of Rs. 100 each, on which Rs. 75 per share has been called up could not pay his dues on Allotment and first call each at Rs. 25 per share. The Directors forfeited the above shares and reissued 3,000 of such shares to Mr. X at Rs. 65 per share paid – up as Rs. 75 per share.

You are required to **prepare journal entries to record the above forfeiture and re – issue in the books of the company**.

B. HDC Ltd. issues 2,00,000, 12% Debentures of Rs.10 each at Rs.9.40 on 1st January, 2010. Under the terms of issue, 1/5th of the debentures are annually redeemable by drawings, the first redemption occurring on 31st December, 2010. **Calculate the amount of discount to be written-off from 2010 to 2014.**

QUESTION NO.3 **(10 MARKS)**

On 31st March, 2017, the Balance Sheet of P, Q and R sharing profits and losses in proportion to their Capital Stood as below :

Liabilities	Rs.	Assets	Rs.
Capital Account		Land and Building	30,000
Mr. P	20,000	Plant and Machinery	20,000
Mr. Q	30,000	Stock of goods	12,000
Mr. R	20,000	Sundry debtors	11,000
Sundry Creditors	10,000	Cash and Bank Balances	7,000
	80,000		**80,000**

On 1st April, 2017, P desired to retire from the firm and remaining partners decided to carry on the business. It was agreed to revalue the assets and liabilities on that date on the following basis :

(i) Land and Building be appreciated by 20%.
(ii) Plant and Machinery be depreciated by 30%.
(iii) Stock of goods to be valued at Rs. 10,000.
(iv) Old credit balances of Sundry creditors, Rs. 2,000 to be written back.
(v) Provisions for bad debts should be provided at 5%.
(vi) Joint life policy of the partners surrendered and cash obtained Rs. 7,550.
(vii) Goodwill of the entire firm is valued at Rs. 14,000 and P's share of the goodwill is adjusted in the A/cs of Q and R, who would share the future profits equally. No goodwill account being raised.
(viii) The total capital of the firm is to be the same as before retirement. Individual capital is in their profit sharing ratio.
(ix) Amount due to Mr. P is to be settled on the following basis :
50% on retirement and the balance 50% within one year.

Prepare (a) Revaluation account, (b) The Capital accounts of the partners, (c) Cash account and (d) Balance Sheet of the new firm M/s Q & R as on 1.04.2017.

QUESTION NO.4 **(5*2 = 10 MARKS)**

A. On 1st January 2018·Ankit Ltd. issued 10% debentures of the face value of Rs. 20,00,000 at 10% discount. Debenture interest after deducting tax at source @10% was payable on 30th June and 31st December every year. All the debentures were to be redeemed after the expiry of five year period at 5% premium.

Pass necessary journal entries for the accounting year 2018.

B. A and B are in partnership sharing profits and losses at the ratio 3:2. They take C as a new partner. **Calculate the new profit sharing ratio if -**

(i) C purchases 1/10 share from A

(ii) A and B agree to sacrifice 1/10th share to C in the ratio of 2: 3

(iii) Simply gets 1/10th share of profit.

QUESTION NO.5 **(10 MARKS)**

Piyush Limited is a company with an authorized share capital of Rs. 2,00,00,000 in equity shares of Rs. 10 each, of which 15,00,000 shares had been issued and fully paid on 30th June, 2018. The company proposed to make a further issue of 1,30,000 shares of Rs. 10 each at a price of Rs. 12 each, the arrangements for payment being:

(i) Rs. 2 per share payable on application, to be received by 1st July, 2018;

(ii) Allotment to be made on 10th July, 2018 and a further Rs. 5 per share (including the premium) to be payable;

(iii) The final call for the balance to be made, and the money received by 30th April, 2019.

Applications were received for 4,20,000 shares and were dealt with as follows:

(1) Applicants for 20,000 shares received allotment in full;

(2) Applicants for 1,00,000 shares received an allotment of one share for every two applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;

(3) Applicants for 3,00,000 shares received an allotment of one share for every five shares applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and

(4) The money due on final call was received on the due date.

You are required to record these transactions (including cash items) in the journal of Piyush limited.