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CA FOUNDATION N' 2018 EXAM

SUBJECT-ACCOUNTS

Test Code- CFN 9011

Date : 22.07.2018

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Answer 1

A. Limitations which must be kept in mind while evaluating the Financial Statements are as follows:

- The factors which may be relevant in assessing the worth of the enterprise don't place in the accounts as they cannot be measured in terms of money.
- Balance Sheet shows the position of the business on the day of its preparation and not on the future date while the users of the accounts are interested in knowing the position of the business in the near future and also in long run and not for the past date.
- Accounting ignores changes in some money factors like inflation etc.
- There are occasions when accounting principles conflict with each other.
- Certain accounting estimates depend on the sheer personal judgement of the accountant.
- Different accounting policies for the treatment of same item adds to the probability of manipulations.

B. Calculation of Interest chargeable from Partners

Taking 1st May as the base date

	Dates	Amount (Rs.)	Days from 1st May	Products (Rs.)
Yash	1.5.2015	75,000	0	0
	30.6.2015	20,000	60	12,00,000
	31.3.2016	15,000	334	50,10,000
		1,10,000		62,10,000

Average Due Date $= \frac{62,10,000}{1,10,000}$ days from 1st May. i.e 57 days

= 27thJune

Interest is chargeable for Yash from 27th June to March 31 i.e. 277 days

Rs. 1,10,000 x 10% x 277/365 = Rs. 8,348

	Dates	Amount (Rs.)	Days from 1st May	Products (Rs.)
Harsh	14.8.2015	60,000	105	63,00,000
	31.12.2015	50,000	244	1,22,00,000
	4.3.2016	75,000	307	2,30,25,000

		1,85,000		4,15,25,000

Average Due Date $= \frac{4,15,25,000}{1,85,000}$ days from 1 May = 225 days.

= 12th Dec.

Interest is chargeable for Harsh from 12 December to 31st March i.e. for 109 days.

Rs. 1,85,000 x$\frac{10}{100}$x$\frac{109}{365}$ = Rs. 5,525

Thus, interest amounting Rs. 8,348 will be charged from Yash and amount of Rs. 5,525 will be charged from Harsh.

Answer 2

A.

In the books of X Limited

Journal Entries

Date 2017	Particulars	Rs.'000	Rs.'000
May 31	Bank A/c To 12% Debentures Application A/c (Being money received for 1,20,000 debentures @ Rs. 90 each)	10,800	 10,800
June 9	12% Debentures Application A/c To Bank A/c (Being excess money on 20,000 debentures @ Rs. 90 refunded as per Board's Resolution No…. dated….)	1,800	 1,800
June 9	12% Debentures Application A/c Discount on Issue of Debentures A/c To 12% Debentures A/c (Being the allotment of 1,00,000 debentures of Rs.100 each at a discount of Rs.10 per debenture as per Board's Resolution No…… dated…)	9,000 1,000	 10,000

Bank Account

Date	Particulars	Rs.	Date	Particulars	Rs.
31.5.2017	To 12% Debentures	10,800	9.6.2017	By 12% Debentures Application A/c	1,800

	Application A/c		9.6.2017	By Balance c/d	9,000
		10,800			10,800

12% Debentures Account

Date	Particulars	Rs.	Date	Particulars	Rs.
30.6.2017	To Balance c/d	10,000	9.6.2017 9.6.2017	By 12% Debentures Application A/c By Discount on Issue of Debentures A/c	9,000 1,000
		10,000			10,000

12% Debentures Application Account

Date	Particulars	Rs.	Date	Particulars	Rs.
9.6.2017 9.6.2017	To Bank A/c To 12% Debentures A/c		31.5.2017	By Bank A/c	10,800
		10,800			10,800

Discount on Issue of Debentures Account

Date	Particulars	Rs.	Date	Particulars	Rs.
9.6.2017	To12% Debentures A/c	1,000	30.6.2017	By Balance c/d	1,000
		1,000			1,000

B. A forfeited share is merely a share available to the company for sale and remains vested in the company for that purpose only. Reissue of forfeited shares is not allotment of shares but only a sale. The share, after forfeiture, in the hands of the company is subject to an obligation to dispose it off. In practice, forfeited shares are disposed off by auction. These shares can be re-issued at any price so long as the total amount received (from the original allottee and the second purchaser) for those shares is not less than the amount in arrears on those shares.

Answer 3

Journal of JHP Limited

Date 2016	**Particulars**	**Rs.**	**Rs.**
July 1	Bank A/c (Note 1 –Column3) To Equity Share Application A/c (Being application money received on 3,55,000 shares @ Rs. 2 per share)	7,10,000	 7,10,000
July 10	Equity Share Application A/c To Equity Share Capital A/c To Equity Share Allotment A/c (Note 1 Column 5) To Bank A/c (Note 1 – Column 6) (Being application money on 1,00,000 shares transferred to Equity Share Capital Account; on 2,15,000 shares adjusted with allotment and on 40,000 shares refunded as per Board's Resolution No…..dated…)	7,10,000	 2,00,000 4,30,000 80,000
	Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium a/c (Being allotment money due on 1,00,000 shares @ Rs. 5 each including premium at Rs.4 each as per Board's Resolution No…. dated….)	5,00,000	 1,00,000 4,00,000
	Bank A/c (Note 1 – Column 8) Dr. To Equity Share Allotment A/c (Being balance allotment money received)	70,000	 70,000
2017	Equity Share Final Call A/c To Equity Share Capital A/c (Being final call money due on 1,00,000 shares @ Rs. 7 per share as per Board's Resolution No…..dated….)	7,00,000	 7,00,000
April 30	Bank A/c To Equity Share Final Call A/c (Being final call money on 1,00,000 shares @ Rs.7 each received)	7,00,000	7,00,000

Working Notes:

Calculation for Adjustment and Refund

Category	No. of Shares Applied for (1)	No. of Shares Allotted (2)	Amount Received on Application (3)	Amount Required on Application (4)	Amount adjusted on Allotment (5)	Refund [3-4+5] (6)	Amount due on Allotment (7)	Amount received on Allotment (8)
(i)	5,000	5,000	10,000	10,000	Nil	Nil	25,000	25,000
(ii)	30,000	15,000	60,000	30,000	30,000	Nil	75,000	45,000
(iii)	3,20,000	80,000	6,40,000	1,60,000	4,00,000	80,000	4,00,000	Nil
TOTAL	**3,55,000**	**1,00,000**	**7,10,000**	**2,00,000**	**4,30,000**	**80,000**	**5,00,000**	**70,000**

Also,

(i) Amount Received on Application (3) = No. of shares applied for (1) x Rs.2

(ii) Amount Required on Application (4) = No. of shares allotted (2) x Rs.2

Answer 4

Date	**Output (in tones)**	**Royalty @** Rs. **10 per tone** Rs.	**Minimum Rent** Rs.	**Short-workings allowable** Rs.	**Short-workings recouped by lessee** Rs.	**Short-workings irrecoverable** Rs.	**Amount receivable from lessee** Rs.
31-3-12	6,000	60,000	1,00,000	40,000			1,00,000
31-3-13	10,500	1,05,000	1,00,000		5,000		1,00,000
31-3-14	13,000	1,30,000	1,00,000		30,000	5,000	1,00,000
31-3-15	20,000	2,00,000	1,00,000				2,00,000

In the books of Omega

Journal Entries

			Rs.	Rs.
2012 March 31	State Collieries Co. To Royalties Receivable Account To Short-workings allowable Account (Minimum rent receivable from State Collieries Co., royalties receivable being Rs. 60,000; excess of the for me rover the latter being credited to Short workings allowable Account.)	Dr.	1,00,000	 60,000 40,000
March 31	Bank A/c To State Collieries Co. (Receipt of amount due from State Collieries Co.)	Dr.	1,00,000	 1,00,000
March 31	Royalties Receivable Account To Profit & Loss Account (Transfer of Royalties Account to Profit & Loss Account)	Dr.	60,000	 60,000
2013 March 31	State Collieries Co. Short-workings allowable Account To Royalties Receivable Account (Minimum rent receivable from State Collieries Co.,after adjusting Rs. 5,000 of short-workings allowable against royalties receivable)	Dr. Dr.	1,00,000 5,000	 1,05,000
March 31	Bank To State Collieries Co. (Receipt of amount due from State Collieries Co.)	Dr.	1,00,000	 1,00,000
March 31	Royalties Receivable Account To Profit & Loss Account (Transfer of Royalties Account to Profit & Loss Account)	Dr.	1,05,000	 1,05,000
2014 March 31	State Collieries Co. Short-workings allowable Account To Royalties Receivable Account (Minimum rent receivable from State Collieries Co., after adjusting of short-workings allowable Rs. 30,000 against royalties receivable)	Dr. Dr.	1,00,000 30,000	 1,30,000
March 31	Bank To State Collieries Co. (Amount received from State Collieries Co).	Dr.	1,00,000	 1,00,000

March 31	Short-workings allowable Account To Profit & Loss Account (Balance of Short workings allowable count, being irrecoverable short-workings, transferred to Profit & Loss Account.)	Dr.	5,000	5,000
March 31	Royalties Receivable Account To Profit & Loss Account (Transfer of Royalties Receivable Account to Profit & Loss Account)	Dr.	1,30,000	1,30,000
2015 Mar. 31	State Collieries Co. To Royalties Receivable Account (Amount due from State Collieries Co., for royalties receivable for the year)	Dr.	2,00,000	2,00,000
March 31	Bank To State Collieries Co. (Amount of royalties received from State Collieries Co.)	Dr.	2,00,000	2,00,000
March 31	Royalties Receivable Account To Profit & Loss Account Transfer of Royalties Receivable Account to Profit & Loss Account.	Dr.	2,00,000	2,00,000

Answer 5

A. **Accounting and Statistics:** The use of statistics in accounting can be appreciated better in the context of the nature of accounting records. Accounting information is very precise; it is exact to the last paisa. But, for decision-making purposes such precision is not necessary and hence, the statistical approximations are sought.

In accounts, all values are important individually because they relate to business transactions. As against this, statistics is concerned with the typical value, behaviour or trend over a period of time or the degree of variation over a series of observations. Therefore, wherever a need arises for only broad generalisations or the average of relationships, statistical methods have to be applied in accounting data.

Further, in accountancy, the classification of assets and liabilities as well as the heads of income and expenditure has been done as per the needs of financial recording to ascertain financial results of various operations. Other types of classification like the geographical and historical ones and ad hoc classification are done depending on the purpose to make such classification meaningful.

Accounting records generally take a short-term view of events and are concerned to a year while statistical analysis is more useful if a longer view is taken for the purpose. For example, to fit the trend line a longer period will be required. However, statistical methods do use past accounting records maintained on a consistent basis.

The functional relations showing mathematical relations of one variable with one or more other variables are based on statistical work. These relations are used widely in making cost or price estimates for some estimated future values assigned to the given independent variables. For example, given the functional relation of total cost to the price of an input, the effect of changes in future prices on the cost of production can be calculated.

In accountancy, a number of financial and other ratios are based on statistical methods, which help in averaging them over a period of time. Several accounting and -financial calculations are based on statistical formulae.

Statistical methods are helpful in developing accounting data and in their interpretation. For example, time series and cross-sectional comparison of accounting data is based on statistical techniques. Now-a-days multiple discriminate analysis is popularly used to identify symptoms of sickness of a business firm. Therefore, the study and application of statistical methods would add extra edge to the accounting data.

B. For the year ended April 1, 2016:

Equity = Capital = Rs. 1,00,000

Liabilities = Bank Loan + Trade Payables

= Rs. 1,00,000 + Rs. 75,000

= Rs. 1,75,000

Assets = Fixed Assets + Trade Receivables + Inventory + Cash & Bank

= Rs. 1,25,000 + Rs. 75,000 + Rs. 70,000 + Rs. 5,000

= Rs. 2,75,000

Equity + Liabilities = Assets

Rs. 1,00,000 + Rs. 1,75,000 = Rs.2,75,000

For the year ended April 1, 2017:

Assets = Rs. 1,10,000 + Rs. 80,000 + Rs. 80,000 + Rs. 6,000 = Rs. 2,76,000

Liabilities = Rs. 1,00,000 + Rs. 70,000 = Rs. 1,70,000

Equity = Assets – Liabilities = Rs. 2,76,000 – Rs. 1,70,000 = Rs. 1,06,000

Profits = New Equity – Old Equity = Rs. 1,06,000 – Rs.1,00,000 = Rs. 6,000

Answer 6

A.

	Journal	Rs.	Rs.
	Preference Share Capital A/c (2,000xRs.75) Dr To Preference Share Allotment A/c To Preference Share First Call A/c To Forfeited Share A/c (Being the forfeiture of 2,000 preference shares Rs.75 each being called up for non-payment of allotment and first call money as per Board's Resolution No....dated)	1,50,000	50,000 50,000 50,000
	Bank A/c (1,500 x Rs.65) Dr. Forfeited Shares A/c (1,500 x Rs.10) Dr. To Preference Share Capital A/c (Being re-issue of 1500 shares at Rs. 65 per share paid-up as Rs. 75 as per Board's Resolution No…. dated….)	97,500 15,000	1,12,500
	Forfeited Shares A/c Dr To Capital Reserve A/c (Note 1) (Being profit on re-issue transferred to Capital/Reserve)	22,500	22,500

Working Note:

Calculation of amount to be transferred to Capital Reserve

Forfeited amount per share = Rs. 50,000/2000 = Rs. 25

Loss on re-issue = Rs. 75 – Rs. 65 = Rs. 10

Surplus per share re-issued Rs. 15

Transferred to capital Reserve Rs. 15 x 1500 = Rs. 22,500

B.

B in Account Current with A

for the period ending on 30th June, 2016

Date 2016	**Particulars**	**Amount** Rs.	**Days**	**Products**	**Date** 2016	**Particulars**	**Amount** Rs.	**Days**	**Products**
Jan.1	To Balance b/d	600	182	1,09,200	Jan.18	By Sales Returns	125	164	20,500
Jan. 11	To Sales A/c	520	171	88,920	Feb. 11	By Bank A/c	400	140	56,000
Apr. 29	To Sales A/c	615	62	38,130	Feb. 14	By B/R A/c (due date: March 17)	300	105	31,500
June 30	To Interest A/c	15.75			May 15	By Cash A/c	700	46	32,200
					June 30	By Balance of products			96,050
						By Balance c/d	225.75		
		1,750.75		2,36,250			1,750.75		2,36,250

Calculation of interest:

Interest = $\frac{96{,}050}{366} \times \frac{6}{100}$ = Rs.15.75