



J.K. SHAH[®]
TEST SERIES
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SUGGESTED SOLUTION

CAFC NOVEMBER 2018 EXAM

SUBJECT- Accounts

Test Code - CFN 9056

BRANCH - () (Date : 25/08/2018)

Head Office : Shraddha, 3rd Floor, Near Chinai College, Andheri (E), Mumbai – 69.

Tel : (022) 26836666

Answer 1:**(A)**

There is no partnership deed. Therefore, the following provisions of the Indian Partnership Act are to be applied for settling the dispute.

- (i) No interest on capital is payable to any partner. Therefore, Ram is not entitled to interest on capital.
- (ii) No remuneration is payable to any partner. Therefore, Rahim is not entitled to any salary.
- (iii) Interest on loan is payable @ 6% p.a. Therefore, Karim is to get interest @ 6% p.a. on Rs. 2,000 instead of 12%.
- (iv) The profits should be distributed equally.

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

	Particulars		Rs.	Particulars	Rs.
To	Interest on Karim Loan A/c (Rs. 2,000x6/100)		120	By Profit and Loss A/c- (Net profit)	45,000
To	Reserve A/c -10% of		4,488		
To	Share of Profit A/c:				
	Ram:	Rs.13,464			
	Rahim:	Rs.13,464			
	Karim:	Rs. 13,464			
			40,392		
			45,000		45,000

(B)
**In the books of Shri Mehta
Consignment to Sundaram of 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 50 cases @ Rs. 1,050 each		52,500
To Sundaram (Expenses)	31,500	By Consignment Inventories Inhand150@Rs.1,060each In transit 100 @ Rs. 1,050 each	1,59,000 1,05,000	2,64,000
To Sundaram (Commission)	98,000			
To Profit on Consignment to Profit & Loss A/c	1,17,000			
	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 (Expenses)	31,500
		By Consignment A/c (Commission)	98,000
		By Balance c/d	8,50,500
	9,80,000		9,80,000

Working Notes:

- (i) Consignor's expenses on 1,000 cases amounts to Rs.50,000; it comes to Rs.50 per case. The cost of cases lost will be computed at Rs. 1,050 per case.
- (ii) Sundaram has incurred Rs. 8,500 on clearing 850 cases, i.e., Rs. 10 per case; while valuing closing inventories with the agent Rs. 10 per case has been added to cases in hand with the agent.
- (iii) It has been assumed that balance of Rs. 8,50,500 is not yet paid.

Answer 2:

**Income and Expenditure Account of Exe Club
for the year ending 31st March, 2016**

(all figures in thousand)

Expenditure		Rs.	Income	Rs.
To Grounds man's fee		750	By Donations and Subscription	2,550
Rent of Ground To Fares'		250	By Receipts from teas	50
Expenses Less	400		(Fares) less expenses	
:Contribution	(100)	300	(Rs.300 - Rs.250)	
To Printing & Office Expenses			By Proceeds of Variety	
To Repairs		260	Entertainment	780
To Depreciation on Machinery		460	By Interest (Rs.30 + Rs.20)	50
Opening balance and Purchases	2,300			
Less: Closing Balance	(1,750)			
Less: Sale	550			
	(80)	470		
To Honorarium to Sect. & Treasurer		600		
To Bonus to Grounds man		300		
To Excess of Income over Expenditure		40		
		3,430		3,430

Balance Sheet of Exe Club as on 31st March, 2016

Liabilities		Rs.	Assets	Rs.
<u>Outstanding Expenses:</u>				
Grounds man Bonus		300	Cash in hand	250
Printing		80	Cash in Deposit A/c	3,090
Honorarium		600	Subscription Due	100
Bank Overdraft (Rs.260-Rs.150)		110	Interest Due	20
Capital Fund: Opening			Machinery & Equipments	1,750
	3,080			
Add: Surplus for the year Tournament Fund (Donation)	40	3,120		
Tournament Fund (Donation)				
		1,000		
		5,210		5,210

Balance Sheet as on 1st April, 2015

Liabilities		Rs.	Assets	Rs.
Outstanding Expenses and			Cash in hand	100
Honorarium (Rs.100 + Rs.400)		500	Cash in Deposit A/c	2,230
Capital Fund (Balancing Figure)		3,080	Cash in Current A/c	300
			Subscription Due	150
			Machinery	800
		3,580		3,580

Answer 3:**(A)****In the Books of M/s. A, B and C Journal Entries**

		R	Rs
Bank A/c To C's Capital A/c (Cash brought in by C for 1/3rd share)	Dr.	60,000	60,000
C's Capital A/c To A's Capital A/c To B's Capital A/c	Dr.	15,000	7,500 7,500
A's Capital A/c B's Capital A/c To Bank A/c (Amount of goodwill due to A and B withdrawn)	Dr. Dr.	7,500 7,500	15,000

Workings:

- (1) Old Profit Sharing Ratio: 1:1
- (2) New Profit Sharing Ratio: 1:1:1
- (3) C's share of capital Rs. 1,35,000 x 1/3 = Rs.45,000
- (4) Goodwill Rs. 60,000 - Rs. 45,000 = Rs. 15,000 for 1/3rd share.

Total Goodwill: Rs. 15,000 x 3 = Rs. 45,000.

Partners' Capital A/c

Particulars	A	B	C	Particulars	A	B	C
	R	R	R		R	R	Rs.
To A			7,500	By Balance b/d	45,000	45,000	
To B			7,500	By Bank			60,000
To Bank	7,500	7,500		By C	7,500	7,500	
To Balance c/d	45,000	45,000	45,000				
	52,500	52,500	60,000		52,500	52,500	60,000

(B)

When a new partner is admitted into the partnership, assets are revalued and liabilities are reassessed. A Revaluation Account (or Profit and Loss Adjustment Account) is opened for the purpose. This account is debited with all reduction in the value of assets and increase in liabilities and credited with increase in the value of assets and decrease in the value of liabilities. The difference in two sides of the account will show profit or loss. This is transferred to the Capital Accounts of old partners in the old profit sharing ratio.

(C)

A partnership firm may decide to take a Joint Life Insurance Policy on the lives of all partners. The firm pays the premium and the amount of policy is payable to the firm on the death of any partner or on the maturity of policy whichever is earlier. The objective of taking such a policy is to minimize the financial hardships to the event of payment of a large sum to the legal representatives of a deceased partner or to the retiring partner.

Answer 4:**D's Account**

2016		Rs.	2016		Rs.
Feb. 1	To Bills payable A/c	6,40,000	March 31	By Cash/Bank A/c	7,62,600
	(80% of Rs.			(820 x Rs. 930)	
March 31	8,00,000)	12,500			
	To Cash A/c (expenses)	70,520			
	To Commission earned A/c	39,580			
	To Bank A/c	7,62,600			7,62,600

Bills Payable Account

2016		Rs.	2016		Rs.
Mar. 4	To Cash/Bank A/c	6,40,000	Feb. 1	By D's A/c	6,40,000
		6,40,000			6,40,000

Value of closing inventory with A

	Rs.
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	1,08,800

Working Note:

1. CALCULATION OF COMMISSION:	Rs.
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

2.	Rs.
Abnormal loss:	
Cost of packet lost during transit	900
Add: Expenses incurred by Y	100
Gross Abnormal loss	1,000
Less: Insurance claim received	(570)
Net Abnormal loss	430

3. COST OF INVENTORIES AT THE END:	Rs.
59 packets @ Rs. 900	53,100
Add: Expenses incurred by Y (59x Rs.100)	5,900
Add: Proportionate (non-recurring) expenses incurred by the consignee	2,950
(59/799x Rs.39,950)	61,950

Closing inventories	No. of Packets
Packets consigned	800
Less: Packet lost in transit	(1)
	799
Less: Packets sold	740
	59

Answer 5:

(A)

**Income & Expenditure Account (An extract) of Sachin Cricket Club
For the year ended 31st March, 2016**

	Rs.	Rs.
	By Subscription (500 members × Rs. 1,500 per member)	7,50,000

Balance Sheet of Sachin Cricket Club as on 31st March, 2015 (An extract)

Liabilities	Rs.	Assets	Rs.
		Subscription Receivable (Rs.15,000 + Rs.12,000)	27,000

Balance Sheet of Sachin Cricket Club as on 31st March, 2016 (An extract)

Liabilities	Rs.	Assets	Rs.
Unearned Subscription	18,000	Outstanding Subscription of 2014-15 15,000 of 2015-16 Rs. (7,50,000 – 6,15,000)	1,35,000
			1,50,000

(B)

Average maintainable profits:		₹
Trading profit during	2013	40,000
	2014	36,000
	2015	50,000
		<u>1,26,000</u>
Less: Loss during	2016	(6,000)
Total		<u>1,20,000</u>
Average Profits		30,000
Less: Remuneration for the proprietor		(6,000)
Average maintainable Profit		24,000
Less: Normal Profit (12% on capital employed)		(18,000)
Super Profit		6,000
Goodwill at 5 year's purchase of super Profit		30,000

Answer 6:

Profit and Loss Appropriation Account for the year ended March 31,2017

Particulars	Rs.	Particulars	Rs.
To Salary to X	360,000	By Profit and Loss A/c (Net profit)	14,48,000
To Interest on Capital A/c		By Interest on Drawings A/c	40,000
X 1,60,000		X 22,000	
Y <u>1,28,000</u>	288,000	Y <u>18,000</u>	
To profit transferred to Capital A/c			
X (2/3) 5,60,000			
Y (1/3) <u>2,80,000</u>	840,000		
	<u>1,488,000</u>		<u>1,488,000</u>

Partner's Capital Accounts

Particulars	X	Y	Particulars	X	Y
To Drawing A/c	4,80,000	4,80,000	By Balance b/d	20,00,000	16,00,000
To Interest on Drawings A/c	22,000	18,000	By Salary A/c	3,60,000	1,28,000
To Balance c/d	25,78,000	1,510,000	By Interest on Capital A/c	1,60,000	
			By Profit and Loss App A/c	5,60,000	2,80,000
	30,80,000	2,008,000		30,80,000	2,008,000

Working Notes:

- X's Share of Profit**
= 2,80,000 x 3/1 x 2/3 = 5,60,000

2. Interest on Drawings

$$X = 4,80,000 \times \frac{11}{2} \times \frac{1}{12} \times \frac{10}{100} = 22,000$$

$$Y = 4,80,000 \times \frac{9}{2} \times \frac{1}{12} \times \frac{10}{100} = 18,000$$

3. Y's Interest on Capital

$$= 2,88,000 - 1,60,000 = 128,000$$

4. Net profit = Salary + Interest on capital + profit transferred to capital accounts – interest on drawings