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CA FOUNDATION N'18 EXAM

SUBJECT- ACCOUNTS

Test Code – CFP 4005

BRANCH - () (Date :)

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

Tel : (022) 26836666

ANSWER-1

ANSWER-A

- A. True :** If a partner retires, his share of profit or loss will be shared by the other partners in their profit sharing ratio.
- B. False :** When shares are forfeited, the share capital account is debited with called up capital of shares forfeited and the share forfeiture account is credited with amount received on shares forfeited.
- C. False :** Accrual concept implies accounting on 'due' or 'accrual' basis. Accrual basis of accounting involves recognition of revenues and costs as and when they accrue irrespective of actual receipts or payments.
- D. False:** Consignment account is a nominal account.
- E. False :**The Sales book is a register specially kept to record credit sales of goods dealt in by the firm, cash sales are entered in the cash book and not in the sales book.
- F. False :** Inventory Turnover Ratio measures the efficiency of the firm to manage its inventory Capital Turnover Ratio indicates the firm's ability of generating sales per rupee of long term investment.

ANSWER-B

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 find 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.

ANSWER-C

- (i) Error of Principle.
- (ii) Error of Omission.
- (iii) Error of Commission.
- (iv) Error of Omission.
- (v) Error of Commission

ANSWER-2**ANSWER-A**

In the books of Gagan
Consignment to Kumar of Chennai Account

Particulars	Rs.	Particulars	Rs.
To Goods sent on Consignment	20,00,000	By Kumar (Sales)	19,60,000
To Bank (Expenses)	1,00,000	By Loss in Transit 100 cases @ Rs. 1,050 each	1,05,000
To Kumar (Expenses)	63,000	By Consignment Inventories	
To Kumar (Commission)	1,96,000	In hand 300 @ Rs. 1,060 each	3,18,000
To Profit on Consignment Profit & Loss A/c	2,34,000	In transit 200 @ Rs. 1,050 each	2,10,000
	25,93,000		5,28,000
			25,93,000

Kumar's Account

Particulars	Rs.	Particulars	Rs.
To Consignment to Chennai A/c	19,60,000	By Consignment A/c (Expenses)	63,000
		By Consignment A/c (Commission)	1,96,000
		By Balance c/d	<u>17,01,000</u>
	19,60,000		19,60,000

Working Notes:

- (i) Consignor's expenses on 2,000 cases amounts to Rs. 1,00,000; it comes to Rs. 50 per case. The cost of cases lost will be computed at Rs. 1,050 per case.
- (ii) Kumar has incurred Rs. 17,000 on clearing 1,700 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. 17,01,000 is not yet paid.

ANSWER-B**Cash Book (Bank Column)**

Date	Particulars	Amount	Date	Particulars	Amount
2017		Rs.	2017		
Sept. 30			Sept. 30		
	To Party A/c	32,000		By Balance b/d	8,124
	To Customer A/c			By Bank charges	1,160
	(Direct deposit)	2,34,800		By Customer A/c	2,80,000
	To Balance c/d	22,484		(B/R dishonoured)	
		<u>2,89,284</u>			<u>2,89,284</u>

Bank Reconciliation Statement as on 30th September, 2017

Particulars	Amount
	Rs.
Overdraft as per Cash Book	22,484
Add: Cheque deposited but not collected upto 30th Sept., 2017	26,28,000
	26,50,484
Less: Cheques issued but not presented for payment upto 30th Sept., 2017	(26,52,000)
Credit by Bank erroneously on 6th Sept.	(40,000)
Overdraft as per bank statement	41,516

Note: Bank has credited Neel by 40,000 in error on 6th September, 2017. If this mistake is rectified in the bank statement, then this will not be deducted in the above statement along with Rs. 26,52,000 resulting in debit balance of Rs. 1,516 as per pass-book.

ANSWER-3

ANSWER-A

Statement of Valuation of Stock on 30th June, 2018

		Rs.
Value of stock as on 23 rd June, 2018		48,00,000
<i>Add:</i> Unsold stock out of the goods sent on consignment	2,40,000	
Purchases during the period from 23 rd June, 2018 to 30 th June, 2018	2,40,000	
Goods in transit on 30 th June, 2018	1,60,000	
Cost of goods sent on approval basis (80% of Rs. 1,60,000)	<u>1,28,000</u>	<u>7,68,000</u>
		55,68,000
<i>Less:</i> Cost of sales during the period from 23 rd June, 2018 to 30 th June, 2018		
Sales (Rs. 13,60,000-Rs. 1,60,000)	12,00,000	
<i>Less:</i> Gross profit	<u>96,000</u>	
		<u>11,04,000</u>
Value of stock as on 30 th June, 2018		<u>44,64,000</u>

Working Notes:

1. Calculation of normal sales:	Rs.	Rs.
Actual sales		13,60,000
Less: Abnormal sales	1,20,000	
Return of goods sent on approval	<u>1,60,000</u>	<u>2,80,000</u>
		<u>10,80,000</u>
2. Calculation of gross profit:		
Gross profit or normal sales $20/100 \times \text{Rs. } 10,80,000$		2,16,000
Less: Loss on sale of particular (abnormal) goods (2,40,000 less 1,20,000)		1,20,000
Gross profit		<u>96,000</u>

ANSWER-B**Books of Pihu Ltd.****Journal**

Particulars	L.F.	Debit (Rs.)	Credit (Rs.)
Bank A/c To Debenture Application A/c (Debenture application money received)	Dr.	20,00,00,000	20,00,00,000
Debenture Application A/c To 9% Debentures A/c (Application money transferred to 9% debentures account consequent upon allotment)	Dr.	20,00,00,000	20,00,00,000
Debenture allotment A/c	Dr.	25,00,00,000	
Discount on issue of debentures A/c To 9% Debentures A/c	Dr.	5,00,00,000	30,00,00,000

(Amount due on allotment)			
Bank A/c	Dr.	25,00,00,000	
To Debenture Allotment A/c			25,00,00,000
(Money received consequent upon allotment)			

ANSWER-C

Trade Receivables Turnover Ratio = Net Credit Sales/Average Trade receivables

Trade Receivables Turnover Ratio = Rs. 3,20,000/ Rs. 80,000

= 4 times

Working notes

1. Credit Sales = Total Sales – Cash Sales

Cash Sales = 20% of Rs. 4,00,000

= Rs. 80,000

Credit Sales = Rs. 4,00,000 – Rs. 80,000 = Rs. 3,20,000

2. Average Trade Receivables = (Opening Trade Receivables + Closing Trade Receivables)/ 2

= (Rs. 40,000 + Rs. 1,20,000)/ 2

= Rs. 80,000

Trade Receivables Turnover Ratios = Net Credit Sales/Average Inventory

Receivables (Debtors') Velocity: Debtors' turnover ratio indicates the average collection period. However, the average collection period can be directly calculated as follows:

Receivable Velocity/Average Collection Period = $\frac{\text{Average Accounts Receivable}}{\text{Average Daily Credit Sales}}$

Or, = $\frac{12 \text{ months} / 52 \text{ weeks} / 360 \text{ days}}{\text{Receivable Turnover Ratio}}$

Average Daily Credit Sales = $\frac{\text{Credit Sales}}{\text{No.of days in year (say 360)}}$

ANSWER-4**ANSWER-A**

1. **Computation of Profit Sharing Ratio :** Let Total Profit be 1.

$$\text{So, Dev's Share} = \frac{1}{5}. \text{ So Balance Share} = 1 - \frac{1}{5} = \frac{4}{5}$$

$$\text{Amit's Share} = \frac{1}{3} \times \frac{4}{5} = \frac{4}{15}, \text{ Bhushan's Share} = \frac{1}{3} \times \frac{4}{5} = \frac{4}{15}, \text{ Charan's Share} = \frac{1}{3} \times \frac{4}{5} = \frac{4}{15}.$$

$$A : B : C : D = \frac{4}{15} : \frac{4}{15} : \frac{4}{15} : \frac{3}{15} = 4 : 4 : 4 : 3$$

2. **Computation of Capital Balance**

Capital brought in by D = Rs. 1,50,000 for 1/5th Share. So, Total Capital of the Firm = Rs. 1,50,000 × 5/1 = Rs. 7,50,000

Particulars and Profit Share	A(4/15)	B(4/15)	C(4/15)	D (3/15)
Capital to be maintained (Rs. 7,50,000 in 4 : 4 : 4 : 3)	2,00,000	2,00,000	2,00,000	1,50,000
Less : Existing Capital	1,80,000	1,60,000	1,40,000	-
Additional Capital to be recorded	20,000	40,000	60,000	-

3. **Memorandum Revaluation A/c.**

Particulars	Rs.	Particulars	Rs.
To Furniture (1,50,000 – 1,28,000)	22,000	By Machinery (2,06,000 – 1,50,000)	56,000
To Provision for Doubtful Debts (80,000 × 10% - existing)	4,000		
To Capital A/c (3 : 2 : 1)			
A 15,000			
B 10,000			
C 5,000	30,000		
Total	56,000	Total	56,000

Particulars	Rs.	Particulars	Rs.
To Machinery	56,000	By Furniture	22,000
		By provision for Doubtful Debts	4,000
		By Capital A/c. (4 : 4 : 4 : 3)	8,000
		A	
		B	8,000
		C	8,000
		D	6,000
Total	56,000	Total	56,000

4. Partners' Capital A/c.

Particulars	A	B	C	D	Particulars	A	B	C	D
To balance c/d	2,00,000	2,00,000	2,00,000	1,50,000	By balance b/d	1,80,000	1,60,000	1,40,000	-
					By Bank A/c.	-	-	-	1,50,000
					By Current A/c. (bal. fig) (WN 2)	20,000	40,000	60,000	-
	2,00,000	2,00,000	2,00,000	2,00,000		2,00,000	2,00,000	2,00,000	2,00,000

5. Partners' Current A/c.

Particulars	A	B	C	D	Particulars	A	B	C	D
To Balance b/d	-	-	10,000	-	By balance b/d	-	16,000	-	-
To Memorandum Revaluation A/c.	8,000	8,000	8,000	6,000	By Memorandum Revaluation a/c.	15,000	10,000	5,000	-
To Goodwill A/c.	16,000	16,000	16,000	12,000	By Goodwill A/c.	30,000	20,000	10,000	-
To Capital A/c. To balance c/d (bal. fig)	20,000 1,000	40,000 -	60,000 -	- -	By balance c/d (bal. fig)	-	18,000	79,000	18,000
	45,000	64,000	94,000	18,000		45,000	64,000	94,000	18,000

Note : Goodwill Rs. 60,000 is raised in Old Ratio and written – off in New Ratio.

6. Balance Sheet of New Firm as on 1st April

Capital and Liabilities	Rs.	Assets	Rs.
Owners' Funds : Capital A/cs.		Non – Current Assets :	
Amit	2,00,000	Machinery	1,50,000
Bhushan	2,00,000	Furniture	1,50,000
Charan	2,00,000	Current A/cs of Partners	
Dev	1,50,000	Bhushan	18,000
Amit	1,000	Charan	79,000
Current A/c :		Dev	18,000
Current Liabilities :		Current Assets :	
Creditors	1,20,000	Stock	2,10,000
		Debtors 80,000 Less Provision	
		(4,000)	76,000
		Cash & Bank (20,000 + 1,50,000)	1,70,000
Total	8,71,000	Total	8,71,000

ANSWER-B

Calculation of Average Due Date

(Taking 3rd March, 2018 as base date)

Date of bill 2018	Term	Due date 2018	Amount (Rs.)	No. of days from the base date i.e. 3 rd March, 2018 (Rs.)	Product (Rs.)
28th January	1 month	3 rd March	5,000	0	0
20th March	2 months	23 rd May	4,000	81	3,24,000
12th July	1 month	14 th Aug.	7,000	164	11,48,000
10th August	2 months	13 th Oct.	<u>6,000</u>	224	<u>13,44,000</u>
			<u>22,000</u>		<u>28,16,000</u>

Average due date = Base date + Days equal to sum of products/sum of amounts

= 3rd March, 2018 + 2816000/ 22000

= 3rd March, 2018 + 128 days = 9th July, 2018

Working Note:

Bill dated 12th July, 2018 has the maturity period of one month, due date (after adding 3 days of grace) falls on 15th August, 2018. 15th August being public holiday, due date would be preceding date i.e. 14th August, 2018.

ANSWER-5

ANSWER-A

Smith Library Society
Income and Expenditure Account for the year
ended 31st March, 2018

Dr.					Cr.
Expenditure	Rs.	Rs.	Income		Rs.
To Electric charges		7,200	By Entrance fee (25% of Rs. 30,000)		7,500
To Postage and stationary		5,000			
To Telephone charges		5,000	By Membership subscription	2,00,000	
To Rent	88,000		Less: Received in advance	<u>10,000</u>	1,90,000
Add: Outstanding	<u>4,000</u>	92,000			
To Salaries	66,000		By Sale proceeds of old papers		1,500
Add: Outstanding	<u>3,000</u>	69,000			
To Depreciation (W.N.1)			By Hire of lecture hall		20,000
Electrical fittings	15,000		By Interest on securities	8,000	
Furniture	5,000		(W.N.2)		
Books	<u>46,000</u>	66,000	Add: Receivable	<u>500</u>	8,500
					16,700

- Household Expenses	18,000	By Net Income from Practice	47,500
- Daughter's Marriage Expenses	21,500	(from Income and expenditure A/c.)	
- Wages of Domestic Servants	3,000		
- Household Furniture	2,500		
To balance c/d (balancing figure)	48,500		
Total	97,500	Total	97,500

ANSWER-6

ANSWER-A

Journal Entries

	Particulars	Dr.	Cr.
1.	(a) Forfeiture : Equity Share Capital A/c. (300 Shares × Rs. 10) Dr. To Equity Share Final Call A/c (300 Shares × Rs. 4) To Equity Shares Forfeited A/c. (Amount received at Rs. 6 per share) (Being 300 shares of Rs. 10 each, originally issued at par, fully called – up, forfeited for non – payment of Final call of Rs. 4 vide Board's Resolution No.dtd.....)	3,000	1,200 1,800
	(b) Re – Issue : Bank A/c. (300 Shares × Rs. 5) Dr. Equity Shares Forfeited A/c (bal. fig. Rs. 5 per share) Dr. To Equity Share Capital A/c (300 Shares × Rs. 10) (Being re – issue of 300 Shares at Rs. 5 per share, as Rs. 10 paid – up, balance loss transferred to Shares Forfeited A/c, vide Board's Resolution No.... dtd....)	1,500 1,500	3,000
	(c) Gain Transfer to Capital Reserve : Equity Shares Forfeited A/c. To Capital Reserve A/c. (Being gain on re – issue transferred to Capital Reserve, amt. Forfeited Rs. 1,800, less Loss on Re – issue Rs. 1,500 = Net Gain Rs. 300)	Dr.	300 300
2.	(a) Forfeiture : Equity Share Capital A/c. (200 Shares × Rs. 8) Dr. To Equity Share First Call A/c (200 Shares × Rs. 2) To Equity Share Forfeited A/c. (Amount received at Rs. 6 per share) (Being 200 Shares of Rs. 10 each, originally issued at par, Rs. 8 called – up, forfeited for non – payment of First Call of Rs. 2 vide Board's Resolution No.... dtd....)	1,600	400 1,200
	(b) Re – Issue : Bank A/c (200 Shares × Rs. 5) Dr. Equity Shares Forfeited A/c (bal. fig. Rs. 3 per Share) Dr. To Equity Share Capital A/c (200 Shares × Rs. 8) (Being re – issue of 200 Share at Rs. 5 per share, as Rs. 8 paid – up, balance loss transferred to Shares Forfeited A/c, vide Board's Resolution No....dtd....)	1,000 600	1,600
	(c) Gain Transfer to Capital Reserve : Equity Shares Forfeited A/c. To Capital Reserve A/c (Being gain on re – issue transferred to Capital Reserve, Amt	Dr.	600 600

	forfeited Rs. 1,200, less Loss on Re – issue Rs. 600 = Net Gain Rs. 600)			
3.	(a) Forfeiture : Equity Share Capital A/c. (300 Shares × Rs. 8) Dr. 2,400 To Equity Share First Call A/c. (300 Shares × Rs. 2) To Equity Shares Forfeited A/c. (Amt. recd excl premium 8 – 2 = 6 per Share) (Being 300 shares of Rs. 10 each, issued at 30% premium, Rs. 8 called – up, forfeited for non – payment of First Call of Rs. 2 vide Board’s Resin No.dt....)			600 1,800
	(b) Re – Issue : Bank A/c (100 Shares × Rs. 6) Dr. 600 Equity Shares Forfeited A/c. (bal. fig. Rs. 4 per share) Dr. 400 To Equity Share Capital A/c. (100 Shares × Rs. 10) (Being re – issue of 100 Shares at Rs. 6 each, as Rs. 10 paid – up, balance loss transferred to Shares forfeited A/c, vide Board’s Resolution No. ...dtd...)			1,000
	(c) Gain Transfer to Capital Reserve : Equity Shares Forfeited A/c. Dr. 200 To Capital Reserve A/c. (Being gain on re – issue transferred to Capital Reserve, Amt. forfeited Rs. 1,800 × 100 / 300 = Rs. 600, less Loss on Re – issue Rs. 400 = Net Gain Rs. 200) Note : In this case, the balance amount in Shares forfeited A/c. = 1800 – 600 = Rs. 1,200.			200
4.	(a) Forfeiture : Equity Share Capital A/c. (300 Shares × Rs. 8) Dr. 2,400 Securities Premium A/c. (300 Shares × Rs. 3) Dr. 900 To Equity Share Allotment A/c. (300 Shares × Rs. 5) To Equity Share First Call A/c. (300 Shares × Rs. 3) To Equity Shares Forfeited A/c (Amt. recd on appln = Rs. 3 per share) (Being 300 Shares of Rs. 10 each, issued at 30% premium, Rs. 8 called – up, forfeited for non – payment of Allotment and First Call vide Board’s Resin No.... dt....)			1,500 900 900
	(b) Re – Issue : Bank A/c. (200 Shares × Rs. 12) Dr. 2,400 To Equity share Capital A/c. (200 Shares × Rs. 10) To Securities Premium A/c (200 Shares × Rs. 2, new premium) (Being re – issue of 200 Shares at Rs. 12 each, as Rs. 10 fully paid – up, excess amount over Face Value transferred to Securities Premium A/c vide Board’s Resolution No. ...dtd...)			2,000 400
	(c) Gain Transfer to Capital Reserve : Equity Shares Forfeited A/c. Dr. 600 To Capital Reserve A/c. (Being gain on re – issue transferred to Capital Reserve, Amt. forfeited Rs. 900 × 200 / 300 = Rs. 600, less Loss on Re – issue Nil = Net Gain Rs. 600) Note In this case, the balance amount in Shares Forfeited A/c = 900 – 600 = Rs. 300.			600

ANSWER-B

Rules regarding posting of entries in the ledger

1. Separate account is opened in ledger book for each account and entries from journal are posted to respective account accordingly.
2. It is a practice to use words 'To' and 'By' while posting transactions in the ledger.
3. The concerned account debited in the journal should also be debited in the ledger but reference should be of the respective credit account.

ANSWER-C

Motor Truck A/c

Date	Particulars	Amount	Date	Particulars	Amount
2016			2016		
Jan-01	To balance b/d	2,92,50,000	Oct-01	By bank A/c	27,00,000
Oct-01	To Profit & Loss A/c (Profit on settlement of Truck)	4,50,000	Oct-01	By Depreciation on lost assets	6,75,000
Oct-01	To Bank A/c	50,00,000	Dec-31	By Depreciation A/c	83,50,000
			Dec-31	By balance c/d	<u>2,29,75,000</u>
		<u>3,47,00,000</u>			<u>3,47,00,000</u>
2017			2017		
Jan-01	To balance b/d	2,29,75,000	Dec-31	By Depreciation A/c	91,00,000
			Dec-31	By balance c/d	1,38,75,000
		<u>2,29,75,000</u>			<u>2,29,75,000</u>

Working Note:

To find out loss on Profit on settlement of truck

Original cost as on 1.4.2014	45,00,000
Less: Depreciation for 2014	<u>6,75,000</u>

	38,25,000
<i>Less: Depreciation for 2015</i>	9,00,000
	<hr/> 29,25,000
<i>Less: Depreciation for 2016 (9 months)</i>	6,75,000
	<hr/> 22,50,000
<i>Less: Amount received from Insurance company</i>	27,00,000
	<hr/> 4,50,000
	<hr/>