



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

CA FOUNDATION MAY'19

SUBJECT- ACCOUNTS

Test Code - CFN 9132

BRANCH - () (Date :)

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Answer 1:

Corrected Receipts and Payments Account of Trustwell Club for the year ended 31st March, 2018

Receipts		Rs.	Amount Rs.	Payments		Amount Rs.
To	Balance b/d		450	By	Expenses	
To	Subscription				(Rs. 6,300 –	3,600
	Annual Income	4,590		By	Rs. 2,700)	2,700
					Sports Material	
	Less: Receivable as on 31.3.2018			By	Balance c/d	90,720
	Add: Advance received for the year 2018 – 2019	270			(Cash in Hand and at Bank)	
		90				
	Add: Receivable as on 31.3.2017		180			
	Less: Advance received as on 31.3.2017		90			
			4,500			
To	Other Fees		1,800			
To	Donation for Building		90,000			
To	Sale of Furniture		270			
			<u>97,020</u>			<u>97,020</u>

(3 marks)

Income and Expenditure Account of Trustwell club for the year ended 31st March, 2018

Expenditure		Amount	Income		Amount	
		Rs.			Rs.	
To	Sundry Expenses		3,600	By	Subscription	4,590
To	Sports Material			By	Other fees	1,800
	Balance as on 1.4.2017	6,660		By	Interest on investment	1,350
	Add: Purchases	2,700			(5% on Rs. 27,000)	
	Less: Balance as on 31.3.2018			By	Deficit: Excess of Expenditure over Income	3,600
	Loss on sale of Furniture	<u>1,800</u>	7,560			
			180			
			<u>11,340</u>			<u>11,340</u>

(2 marks)

Balance Sheet of Trust well club as on 31st March, 2018

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capital Fund	36,000	Furniture	1,800
Less: Excess of Expenditure over Income	<u>3,600</u>	Less: Sold	<u>450</u>
	32,400	5% Investment	27,000
Building Fund	90,000	Interest Accrued on Investment	1,350
Subscription Received in Advance	90	Sports Material	1,800
		Subscription Receivable	270

		<u>1,22,490</u>	Cash in Hand and at Bank		<u>90,720</u>
					<u>1,22,490</u>

(4 marks)

Working Note:

Balance Sheet of Trustwell Club as on 1st April, 2017

<i>Liabilities</i>	<i>Amount</i>	<i>Assets</i>	<i>Amount</i>
	<i>Rs.</i>		<i>Rs.</i>
Subscription		Furniture	1,800
Received in Advance	90	Investment	27,000
Capital Fund	36,000	Sports Material	6,660
(Balancing Figure)		Subscription Receivable	180
	<u>36,090</u>	Cash in Hand and at Bank	<u>450</u>
			<u>36,090</u>

(1 mark)

Answer 2:

Delhi Artware Ltd.

Cash Book

Dr.

Cr.

	Rs.		Rs.
To Equity Shares Applications Account (application money on 50,000 shares at Rs.25)	12,50,000	By Balance c/d	14,440,000
To Preference Share Application A/c (application money on 1,00,000 shares at Rs. 20)	20,00,000		
To Equity Share Allotment A/c (allotment money on 50,000 shares at Rs.20)	10,00,000		
To Preference Share Allotment A/c (allotment money on 1,00,000 shares at Rs.30)	30,00,000		
To Equity Shares First Call A/c (Rs. 30 on 50,000 shares)	15,00,000		
To Preference Share First Call A/c (Rs.20 on 1,00,000 shares)	20,00,000		
To Equity Shares Final Call A/c (Rs. 25 on 42,000 shares) To Preference Share Final A/c (Rs.30 on 88,000 shares)	10,50,000		
	26,40,000		
	<u>14,440,000</u>		<u>14,440,000</u>
To Balance b/d	14,440,000		

(4 marks)

Journal

		Rs.	Rs.
Equity Share Application A/c	Dr.	12,50,000	
Equity Share Allotment A/c	Dr.	10,00,000	
To Equity Share Capital A/c			22,50,000
[The Credit to share capital on allotment of 50,000 equity shares at Rs. 45 per share (Rs. 25 on application and Rs. 20 on allotment) allotted as per Directors resolution no.... dated]			

Preference Share Application A/c Preference Share Allotment A/c To Preference Share Capital A/c [The credit to Preference Share Capital on allotment of 1,00,000 preference shares at Rs. 50 per share (Rs. 20 on application and Rs.30 on allotment), allotted as per Directors' resolution no...dated...]	Dr. Dr.	20,00,000 30,00,000	50,00,000
Equity Share First Call A/c To Equity Share Capital A/c (Amount due on 50,000 equity shares atRs.30 per share as per Directors' resolution no...dated...)	Dr.	15,00,000	15,00,000
Preference Share First Call A/c To Preference Share Capital A/c (Amount due on 1,00,000 preference shares at Rs.20 per share, as per Directors' resolution no...dated...)	Dr.	20,00,000	20,00,000
Equity Share Final Call A/c To Equity Share Capital A/c (Amountdueonfinalcallon50,000 equity shares at Rs.25 per share, as per Directors' resolution no...dated...)	Dr.	12,50,000	12,50,000
Preference Share Final Call A/c To Preference Share Capital A/c (Amount due on final call on 1,00,000 preference shares at Rs. 30 per share, as per Directors' resolution no... dated...)	Dr.	30,00,000	30,00,000

Note: Students may note that cash transactions have not been journalised as these have been entered in the Cash Book. **(6 marks)**

Answer 3:
(A)

Journal Entries

			(Rs.)	(Rs.)
1-1-2017	Bank A/c Discount/Loss on Issue of Debentures A/c . To 12%DebenturesA/c To Premium on Redemption of Debentures A/c (For issue of debentures at discount redeemable at premium)	Dr. Dr.	9,00,000 1,50,000	10,00,000 50,000
30-6-2017	Debenture Interest A/c To Debenture holders A/c To Tax Deducted at Source A/c (For interest payable)	Dr.	60,000	54,000 6,000
	Debenture holders A/c Tax Deducted at Source A/c To Bank A/c (For payment of interest and TDS)	Dr. Dr.	54,000 6,000	60,000
31-12-2017	Debenture Interest A/c To Debenture holders A/c To Tax Deducted at Source A/c (For interest payable)	Dr.	60,000	54,000 6,000

Debenture holders A/c Tax Deducted at Source A/c To Bank A/c (For payment of interest and tax)	Dr. Dr.	54,000 6,000	60,000
Profit and Loss A/c To Debenture Interest A/c (For transfer of debenture interest to profit and loss account at the end of the year)	Dr.	1,20,000	1,20,000
Profit and Loss A/c To Discount/Loss on issue of debenture A/c (For proportionate debenture discount and premium on redemption written off, i.e., 1,50,000 x 1/5)	Dr.	30,000	30,000

(7 marks)

(B)

Debenture is one of the most commonly used debt instrument issued by the company to raise funds for the business. The most common method of supplementing the capital available to a company is to issue debentures which may either be simple or naked carrying no charge on assets, or mortgage debentures carrying either a fixed or a floating charge on some or all of the assets of the company.

(1.5 marks)

FEATURES OF DEBENTURES

1. It is a document which evidences a loan made to a company.
2. It is a fixed interest-bearing security where interest falls due on specific dates.
3. Interest is payable at a predetermined fixed rate, regardless of the level of profit.
4. The original sum is repaid at a specified future date or it is converted into shares or other debentures.
5. It may or may not create a charge on the assets of a company as security.
6. It can generally be bought or sold through the stock exchange at a price above or below its face value.

(1.5 marks)

Answer 4:

(A)

<i>Journal</i>		<i>Dr.</i> Rs.	<i>Cr.</i> Rs.
Preference Share Capital A/c (4,000 x Rs.75)	Dr	3,00,000	
To Preference Share Allotment A/c	.		1,00,000
To Preference Share First Call A/c			1,00,000
To Forfeited Share A/c			1,00,000
(Being the forfeiture of 4,000 preference shares Rs.75 each being called up for non-payment of allotment and first call money as per Board's Resolution No.... dated)			
Bank A/c (3,000 x Rs.65)	Dr	1,95,000	
Forfeited Shares A/c (3,000 x Rs.10)	Dr	30,000	
To Preference Share Capital A/c	.		2,25,000
(Being re-issue of 3,000 shares at Rs. 65 per share paid-			

up as Rs. 75 as per Board's Resolution No.....dated....)			
Forfeited Shares A/c To Capital Reserve A/c (Note 1) (Being profit on re-issue transferred to Capital/Reserve)	Dr.	45,000	45,000

(3 marks)

Working Note:

Calculation of amount to be transferred to Capital

Reserve Forfeited amount per share =Rs.1,00,000/4000

= 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 3,000 = Rs. 45,000. (2 marks)

(B)

Books of Suvridha Ltd.

Journal

Machinery A/c To Hemant Ltd. (Machinery purchased)	Dr.	1,98,000	1,98,000
Case(i) When debentures are issued at par: Hemant Ltd. To 12% Debentures A/c (12% Debentures issued to Hemant Ltd.)	Dr.	1,98,000	1,98,000
Case(ii) When debentures are issued at 10% discount: Hemant Ltd. Discount on Issue of Debentures A/c To 12% Debentures A/c (12% Debentures issued to Hemant Ltd. at 10% discount)	Dr. Dr.	1,98,000 22,000	2,20,000
Case(iii) When debentures are issued at 10% premium: Hemant Ltd. To 12% Debentures A/c To Premium on Issue of Debentures A/c (12% Debentures issued to Hemant Ltd. at 10% premium)	Dr.	1,98,000	1,80,000 18,000

(3 marks)

Workings:**(a) Number of debentures issued in case of 10% discount:**

(Rs.)

Face value	100
Less: Discount 10%	<u>10</u>
Value at which issued	<u>90</u>
Rs. 1,98,000/90 = 2,200	
Debentures	

(b) Number of debentures issued in case of 10% premium:

(Rs.)

Face value	100
Add: Premium 10%	<u>10</u>
Value at which issued	<u>110</u>
Rs.1,98,000/ 110	= 1,800 Debentures

(2 marks)**Answer 5:****(A)****Calculation of Average Due Date****(Taking 4th May, 2017 as the base date)**

Date of bill	Term	Due date	Amount	No. of days from the base date i.e. May 4, 2017	Product
			Rs.		Rs.
2017		2017			
1 st March	2 months	4 th May	4,000	0	0
10 th March	3 months	13 th June	3,000	40	1,20,000
5 th April	2 months	8 th June	2,000	35	70,000
23 rd April	1 month	26 th May	3,750	22	82,500
10 th May	2 months	13 th July	5,000	70	3,50,000
			17,750		6,22,500

(3 marks)

Average due date = Base date + Days equal to $\frac{\text{Total of products}}{\text{Total amount}}$ **(1 mark)**

$$= 4^{\text{th}} \text{ May, 2017} + \frac{\text{Rs.6,22,500}}{17,750} = 4^{\text{th}} \text{ May, 2017} + 35 \text{ days} = 8^{\text{th}} \text{ June, 2017} \quad \text{(1 mark)}$$

(B)

Sales = Rs. 30,00,000

Capital Employed or Net Assets = Share Capital + Reserves and Surplus + Long-term Debt

$$= (\text{Rs.4,00,000} + \text{Rs.6,00,000}) + (\text{Rs.1,00,000} + \text{Rs.3,00,000}) + (\text{Rs.2,00,000} + \text{Rs.2,00,000})$$

= Rs.18,00,000

Fixed Assets = Rs.8,00,000 + Rs.5,00,000 + Rs.2,00,000 + Rs.1,00,000

= Rs.16,00,000

Working Capital = Current Assets – Current Liabilities

= Rs.4,00,000 – Rs.2,00,000 = Rs. 2,00,000

Net Assets Turnover Ratio = Rs.30,00,000 / Rs.18,00,000 = 1.67 times

Fixed Assets Turnover Ratio = Rs.30,00,000 / Rs.16,00,000 = 1.88 times

Working Capital Turnover = Rs.30,00,000 / Rs.2,00,000 = 15 times.

(5 marks)