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CA FOUNDATION NOV'19

SUBJECT- ACCOUNTS

Test Code - CFN 9155

BRANCH - () (Date :)

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ANSWER-1

(a)

Revaluation Account

	<i>Rs.</i>		<i>Rs.</i>
To Furniture A/c	40,000	By Office equipment A/c	47,000
To Stock A/c	50,000	By Building A/c	5,00,000
To Joint life policy	10,000	By Provision for doubtful debts	15,000
To Partners' capital A/cs:			
A 2,31,000			
B 1,54,000			
C <u>77,000</u>	<u>4,62,000</u>		_____
	<u>5,62,000</u>		<u>5,62,000</u>

(2 MARKS)

Partners' Capital Accounts

	<i>A</i>	<i>B</i>	<i>C</i>		<i>A</i>	<i>B</i>	<i>C</i>
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>		<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
To B's capital A/c	90,000	-	30,000	By Balance b/d	8,00,000	4,20,000	4,00,000
To B's loan A/c		8,14,000		By General Reserve	1,80,000	1,20,000	60,000
To Balance c/d	11,21,000		5,07,000	By revaluation reserve	2,31,000	1,54,000	77,000
				By A's capital A/c		90,000	
				By C's capital A/c		30,000	
	<u>12,11,000</u>	<u>8,14,000</u>	<u>5,37,000</u>		<u>12,11,000</u>	<u>8,14,000</u>	<u>5,37,000</u>

Balance Sheet as on 1.4.2018 (After B's retirement)

<i>Liabilities</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>	<i>Rs.</i>
Capital accounts:			Building		15,00,000
A	11,21,000		Furniture		2,00,000
C	<u>5,07,000</u>	16,28,000	Office equipment		3,27,000
B's loan account		8,14,000	Stock		2,00,000
Sundry creditors		3,70,000	Sundry debtors	3,00,000	
			<i>Less: Provision for doubtful debts</i>	<u>(15,000)</u>	2,85,000
			<i>JLP</i>		1,50,000
		28,12,000			
			<i>Cash at bank</i>		1,50,000
					28,12,000

Working Notes:

Calculation of goodwill:

1. Average of last 4 year's profit

$$= (90,000+1,40,000+1,20,000+1,30,000)/4$$

$$= \text{Rs. } 1,20,000$$

2. Goodwill at three years' purchase

$$\text{Rs. } 1,20,000 \times 3 = \text{Rs. } 3,60,000$$

Goodwill adjustment

	Share of goodwill (Old ratio)	Share of goodwill (New ratio)	Adjustment
A	1,80,000	2,70,000	90,000 (Dr.)
B	1,20,000	-	1,20,000 (Cr.)
C	60,000	90,000	30,000 (Dr.)

ANSWER-2

- A. Total amount of discount comes to Rs. 60,000 (Rs. 0.6 X 1, 00,000). The amount of discount to be written-off in each year is calculated as under:

Year end	Debentures	Ratio in which discount	Amount of discount to be
Outstanding		to be written-off	written-off
1st	Rs. 10, 00,000	1/5	1/5th of Rs. 60,000 = Rs. 12,000
2nd	Rs. 10, 00,000	1/5	1/5th of Rs. 60,000 = Rs. 12,000
3rd	Rs. 10, 00,000	1/5	1/5th of Rs. 60,000 = Rs. 12,000
4th	Rs. 10, 00,000	1/5	1/5th of Rs. 60,000 = Rs. 12,000
5th	Rs. 10, 00,000	1/5	1/5th of Rs. 60,000 = Rs. 12,000

(5 MARKS)

B. Journal entries

		<i>Dr.</i> <i>Rs.</i>	<i>Cr.</i> <i>Rs.</i>
Preference Share Capital A/c (2,500 x Rs. 70)	Dr.	1,75,000	
To Preference Share Allotment A/c (2,500 x Rs. 20)			50,000
To Preference Share First Call A/c (2,500 x Rs. 20)			50,000
To Forfeited Share A/c			75,000
(Being the forfeiture of 2,500 preference shares Rs. 70 each being called up for non-payment of allotment and first call money as per Board's Resolution No.... dated)			
Bank A/c (2,000 x Rs.60)	Dr.	1,20,000	
Forfeited Shares A/c (2,000 x Rs.10)	Dr.	20,000	
To Preference Share Capital A/c			1,40,000
(Being re-issue of 2,000 shares at Rs. 60 per share paid-up as			

Rs. 70 as per Board's Resolution No.....dated....)			
Forfeited Shares A/c	Dr.	40,000	
To Capital Reserve A/c (Note 1)			40,000
(Being profit on re-issue transferred to Capital/Reserve)			

(3*1 = 3 MARKS)

Working Note:

Calculation of amount to be transferred to Capital Reserve

Forfeited amount per share = ₹ 75,000/2500 = ₹ 30

Loss on re-issue = ₹ 70 – ₹ 60 = ₹ 10

Surplus per share re-issued = ₹ 20

Transferred to capital Reserve = ₹ 20 x 2000 = ₹ 40,000.

(2 MARKS)

ANSWER-3

A. _____

Total Profit for 3 years = (₹ 17,000) + ₹ 50,000 + ₹ 75,000 = ₹ 1,08,000.

Average profits = $\frac{\text{Total Profit}}{\text{No. of years}} \times \frac{1,08,000}{3} = ₹ 36,000$

Average Profits for Goodwill = ₹ 36,000 – Proprietor Remuneration
= ₹ 36,000 – ₹ 6,000 = ₹ 30,000

Normal Profit = Interest on Capital employed
= ₹ 20,000 (i.e. ₹ 2,00,000 x 10/100) = ₹ 20,000

Super Profit = Average Profit - Normal Profit = ₹ 30,000 – ₹ 20,000 = ₹ 10,000

Goodwill = Super Profit x No of years purchases = ₹ 10,000 x 2 = ₹ 20,000

(5 MARKS)

B. Profit and Loss Appropriation Account for the year ended 31st December, 2017

Dr.

Cr.

		Rs.	Rs.		Rs.
To	Interest on capital			By	Net profit
					1,59,000

	A (5% of ₹ 3,20,000)	16,000			
	B (5% of ₹ 2,00,000)	10,000			
	C (5% of ₹ 1,60,000)	<u>8,000</u>	34,000		
To	Partners' capital accounts:				
	[profit (₹ 1,59,000 – ₹ 34,000) transferred]				
	A $\left(\frac{5}{10} \text{ of ₹ 1,25,000} \right)$	62,500			
	Less: Transferred to C	<u>5,000</u>	57,500		
	B $\left(\frac{3}{10} \text{ of ₹ 1,25,000} \right)$		37,500		
	C $\left(\frac{2}{10} \text{ of ₹ 1,25,000} \right)$	25,000			
	Add: Transferred from A	<u>5,000</u>	<u>30,000</u>		
			<u>1,59,000</u>		<u>1,59,000</u>

(5 MARKS)

ANSWER-4

Book of Pihu Limited
Journal

Date	Particulars	L.F.	Debit Amount (Rs.)	Credit Amount (Rs.)
	Bank A/c	Dr.	5,00,000	
	To Equity Share Application A/c			5,00,000
	(Money received on applications for 2,00,000 shares @Rs. 2.50 per share)			
	Equity Share Application A/c	Dr.	5,00,000	
	To Equity Share Capital A/c			5,00,000
	(Transfer of application money on 2,00,000 shares to share capital)			

Equity Share Allotment A/c To Equity Share Capital A/c (Amount due on the allotment of 2,00,000 shares @ Rs. 3 per share)	Dr.	6,00,000	6,00,000
Bank A/c To Equity Share Allotment A/c (Allotment money received)	Dr.	6,00,000	6,00,000
Equity Share First Call A/c To Equity Share Capital A/c (Being first call made due on 2,00,000 shares at Rs..2 per share)	Dr.	4,00,000	4,00,000
Bank A/c To Equity Share First Call A/c To Calls in Advance A/c (Being first call money received along with calls in advance on 20,000 shares at Rs.2.50 per share)	Dr.	4,50,000	4,00,000 50,000
Equity Share Final Call A/c To Equity Share capital A/c (Being final call made due on 2,00,000 shares at Rs.2.50 each)	Dr.	5,00,000	5,00,000
Bank A/c Calls in Advance A/C Calls in Arrears A/c To Equity share final call A/c (Being final call received for 1,78,000 shares and calls in advance for 20,000 shares adjusted)	Dr. Dr. Dr.	4,45,000 50,000 5,000	5,00,000
Interest on Calls in Advance A/c To shareholders A/c Being interest made due on calls in advance of Rs.50,000 at the rate of 12% p.a.)	Dr.	1,500	1,500
Shareholders A/c To bank A/c	Dr.	1,500	1,500

(Being payment of Interest made to shareholders)				
Shareholders A/c	Dr.		83.34	
To Interest on Calls in Arrears A/c				83.34
(Being interest on calls in arrears made due at the rate of 10%)				
Bank A/c	Dr.		5,083.34	
To Calls in Arrears A/c				5,000
To Shareholders A/c				83.34
(Being money received from shareholder for calls in arrears and interest thereupon)				

(10 MARKS)

ANSWER-5

In the books of Beautiful Co. Ltd.

Journal

Date	Particulars		Rs.	Rs.
	Equity Share Capital A/c (1,500 xRs.10)	Dr.	15,000	
	Securities Premium A/c (500 x Rs.2)	Dr.	1,000	
	To Equity Share Allotment A/c (500 x Rs. 5)			2,500
	To Equity Share Call A/c (1,500 x Rs. 4)			6,000
	To Forfeited Shares A/c			7,500
	(Being forfeiture of 1,500 equity shares for non payment of allotment and call money on 500 shares and for non-payment of call money on 1,000 shares as per Board's Resolution No..... dated)			
	Bank A/c	Dr.	10,000	
	Forfeited Shares A/c	Dr.	2,500	
	To Equity Share Capital A/c			12,500
	(Being re-issue of 1250 shares @ Rs.8 each as per Board's Resolution No.... dated....)			
	Forfeited Shares A/c	Dr.	3,500	
	To Capital Reserve A/c			3,500
	(Being profit on re-issue transferred to Capital Reserve)			

(3*1 = 3 MARKS)

Balance Sheet of Beautiful Limited as at.....

Particulars	Notes No.	Rs.
EQUITY AND LIABILITIES		
Shareholders' funds		
Share capital	1	2,99,000
Reserves and Surplus	2	62,500
Total		3,61,500
ASSETS		
Current assets		
Cash and cash equivalents (bank)		3,61,500
Total		3,61,500

Notes to accounts

		Rs.	Rs.
1. Share Capital			
Equity share capital			
Issued share capital			
30,000 Equity shares of Rs. 10 each Subscribed, called up and paid up share capital		3,00,000	
29,750 Equity shares of Rs. 10 each		2,97,500	
Add: Forfeited shares		1,500	2,99,000
2. Reserves and Surplus			
Securities Premium		59,000	
Capital Reserve		3,500	62,500

(4 MARKS)

Working Note :

(3 MARKS)

(1) Calculation of Amount to be Transferred to Capital Reserve

Amount forfeited per share of Ram	Rs.3	Amount forfeited per share of Shyam	Rs. 6
<i>Less: Loss on re-issue per share</i>	<u>(Rs.2)</u> 1	<i>Less: Loss on re-issue per share</i>	<u>(Rs.2)</u>
Surplus	<u>Rs.1</u>	Surplus	<u>Rs.4</u>
Transferred to Capital Reserve: Ram share (500 x Rs. 1) Shyam's Share (750 x Rs. 4)		Rs. 500 Rs.3,000	
Total		Rs.3,500	

(2) Balance of Security Premium = 60,000

Total Premium amount receivable on allotment

Less: Amount reversed on forfeiture = (1,000)

Balance remaining = 59,000