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CA FOUNDATION NOV'19

SUBJECT- ACCOUNTS

Test Code - **CFP 4013**

**BRANCH - () (Date :)**

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

Tel : (022) 26836666

## ANSWER-1

### ANSWER-A

- (i) **False:** The Cinema Hall could not be started without license. Expenditure incurred to obtain the license is pre-operative expense which is capitalized. Such expenses are not revenue and amortized over a period of time.
- (ii) **False:** 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 as they have already been allotted earlier.
- (iii) **False:** If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will agree.
- (iv) **True:** Depreciation is a non-cash expense and unlike other normal expenditure (e.g. wages, rent, etc.) does not result in any cash outflow. Therefore depreciation is a non-cash expense and does not result in any cash outflow.
- (v) **False:** Life Membership Fee received for life membership is a capital receipt as it is of non-recurring nature. It is directly added to capital fund or general fund.
- (vi) **False:** Overhauling expenses for the engine of the motor car is incurred to get better fuel efficiency. These expenses will reduce the running cost in future and thus the benefit is in the form of a long-term advantage. So overhauling expenses should be capitalized.

(6\*2 = 12 MARKS)

### ANSWER-B

#### Difference between Provision and Contingent liability

	Provision	Contingent liability
(1)	Provision is a present liability of uncertain amount, which can be measured reliably by using a substantial degree of estimation.	A Contingent liability is a possible obligation that may or may not crystallise depending on the occurrence or non-occurrence of one or more uncertain future events.
(2)	A provision meets the recognition criteria.	A contingent liability fails to meet the same.
(3)	Provision is recognized when (a) an enterprise has a present obligation arising from past events; an outflow of resources embodying economic benefits is probable, and (b) a reliable estimate can be made of the	Contingent liability includes present obligations that do not meet the recognition criteria because either it is not probable that settlement of those obligations will require outflow of economic benefits, or the amount cannot be reliably estimated.

	amount of the obligation.	
(4)	If the management estimates that it is probable that the settlement of an obligation will result in outflow of economic benefits, it recognises a provision in the balance sheet.	If the management estimates, that it is less likely that any economic benefit will outflow from the firm to settle the obligation, it discloses the obligation as a contingent liability.

(4\*1 = 4 MARKS)

### ANSWER-C

	Value of Physical Stocks on 31 <sup>st</sup> March	Rs. 28,00,000
<b>Add</b>	Goods in Transit	Rs. 3,50,000
<b>Add</b>	Goods held by Other Entities (e.g. stock held by Sub – Contractor, Job Workers)	Rs. 8,30,000
<b>Add</b>	Goods sent on approval & confirmation not received from Customer Sankari Ltd.	Rs. 2,00,000
<b>Less :</b>	Goods sold but delivery pending at Buyer's request (Harini Ltd.)	Rs. 10,00,000
<b>Less :</b>	Goods held by us on behalf of Other Entities (e.g. in our capacity as Consignee Agent)	Rs. 2,50,000
	<b>Value of Stocks as per Balance Sheet</b>	<b>Rs. 29,30,000</b>

(4 MARKS)

### ANSWER-2

### ANSWER-A

#### Consignment Account

	Rs.		Rs.
To Goods sent on consignment A/c (15,000 kg x Rs. 30)	4,50,000	By Consignee's A/c-Sales (7,500 kg x Rs. 60)	4,50,000
To Cash A/c (Expenses 15,000 kg x Rs. 5)	75,000	By loss in transit A/c	14,094
To Consignee's A/c: Advertisement & Recurring expenses	33,000		

Commission @ 5% on Rs.4,50,000	22,500	By Consignment Stock A/c	2,46,644
To Profit and loss A/c (Profit on Consignment)	1,30,238		
	<u>7,10,690</u>		<u>7,10,690</u>

(5 MARKS)

**Loss in transit A/c**

To consignment A/c	14,094	By Bank A/c	9,000
		By P & L A/c	5,094
	14,094		14,094

**Working Notes:**

**1. Valuation of cost of inventories and cost of goods destroyed in transit :**

	Quantity (kgs)	Amount (Rs.)
Total cost (15000 kg x Rs.30)	15,000	4,50,000
Add: expenses incurred by the consignor		75,000
Less: normal loss in transit	(100)	-
	14,900	52,5000
Less: goods destroyed in transit	(400)	(14094)
	14,500	5,10,906
Less: quantity of ghee sold	(7,500)	-
Quantity of closing stock	7,000	2,46,644
Value of 7,000 kgs – (5,10,906/14,500) x 7,000		

**2. Calculation of abnormal loss (net):**

Cost of goods destroyed in transit	= 14,094
- Insurance claim received	= (9,000)
Abnormal loss	= 5,094

(2.5\* 2 =5 MARKS)

**ANSWER-B**

**Journal of Piyush Limited**

<i>Date</i> <i>2017</i>	<i>Particulars</i>		<i>Dr.</i> <i>Rs.</i>	<i>Cr.</i> <i>Rs.</i>
July 1	Bank A/c (Note 1 – Column 3)  To Equity Share Application A/c  (Being application money received on 4,20,000 shares @ Rs. 2 per share)	Dr.	8,40,000	8,40,000
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 1,30,000 shares transferred to Equity Share Capital Account; on 2,00,000 shares adjusted with	Dr.	8,40,000	2,60,000    4,00,000  1,80,000
July 10	allotment and on 90,000 shares refunded as per Board’s Resolution No.....dated...)			
	Equity Share Allotment A/c	Dr.	6,50,000	
	To Equity Share Capital A/c			3,90,000
	To Securities Premium a/c			2,60,000
	(Being allotment money due on 1,30,000 shares @ Rs. 5 each including premium at Rs. 2 each as per Board’s Resolution No.....dated....)			
	Bank A/c (Note 1 – Column 8)	Dr.	2,50,000	
	To Equity Share Allotment A/c			2,50,000

April 30	(Being balance allotment money received)			
	Equity Share Final Call A/c	Dr.	6,50,000	
	To Equity Share Capital A/c			6,50,000
April 30	(Being final call money due on 1,30,000 shares @ Rs. 5 per share as per Board's Resolution No.....dated....)			
	Bank A/c	Dr.	6,50,000	
	To Equity Share Final Call A/c			6,50,000
	(Being final call money on 1,30,000 shares @ Rs. 5 each received)			

**(6\*1 = 6 MARKS)**

**Working Note:**

**(4 MARKS)**

**Calculation for Adjustment and Refund**

Category	No. of Shares Applied for	No. of Shares Allotted	Amount Received on Application (1x Rs. 2)	Amount Required on Application (2 x Rs. 2)	Amount adjusted on Allotment	Refund [3-4-5]	Amount due on Allotment	Amount received on Allotment
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(i)	20,000	20,000	40,000	40,000	Nil	Nil	1,00,000	1,00,000
(ii)	1,00,000	50,000	2,00,000	1,00,000	1,00,000	Nil	2,50,000	1,50,000
(iii)	3,00,000	60,000	6,00,000	1,20,000	3,00,000	1,80,000	3,00,000	Nil
<b>TOTAL</b>	<b>4,20,000</b>	<b>1,30,000</b>	<b>8,40,000</b>	<b>2,60,000</b>	<b>4,00,000</b>	<b>1,80,000</b>	<b>6,50,000</b>	<b>2,50,000</b>

**ANSWER-3****M/s Raghuram & Associates****Trading Account for the year ended 31<sup>st</sup> March 2018**

Particulars	Details	Amount	Particulars	Details	Amount
		Rs.			Rs.
To Opening Stock		3,20,000	By Sales	15,00,000	
To Purchases	12,00,000		Less: Sales Returns	<u>(24,000)</u>	14,76,000
Less: Purchase Returns	<u>(18,000)</u>	11,82,000	By Closing Stock		4,10,000
To Freight		62,000			
To Gross Profit c/d		<u>3,22,000</u>			
		<u>18,86,000</u>			<u>18,86,000</u>

**(5 MARKS)****M/s Raghuram & Associates****Profit and Loss Account for the year ended 31<sup>st</sup> March 2018**

Particulars	Details	Amount	Particulars	Details	Amount
		Rs.			Rs.
To Salaries		72,000	By Gross profit b/d		3,22,000
To Rent for Godown	55,000				
Add: Outstanding	<u>5,000</u>	60,000	By Discount received		12,000
To Provision for Doubtful Debts (W.N.4)		16,200			
To Rent and Taxes		24,000			

To Discount Allowed		7,500		
To Carriage outwards		8,500		
To Printing and stationery		6,000		
To Electricity charges		14,000		
To Insurance premium (W.N. 1)		4,800		
To Depreciation (W.N. 2)		80,000		
To General expenses		11,000		
To Bank Charges		3,800		
To Interest on loan	4,400			
Add: Outstanding (W.N. 3)	100	4,500		
To Motor car expenses (Repairs)		13,000		
To Net Profit transferred to Capital A/c		8,700		
		3,34,000		3,34,000



(5 MARKS)

Balance Sheet of M/s Raghuram & Associates as at 31<sup>st</sup> March 2018

<i>Liabilities</i>	<i>Details</i>	<i>Amount</i>	<i>Assets</i>	<i>Details</i>	<i>Amount</i>
		<i>Rs.</i>			<i>Rs.</i>
Capital	14,11,400		Land & Building	5,00,000	
<i>Add:</i> Net Profit	8,700		<i>Less:</i> Depreciation	<u>(25,000)</u>	4,75,000
<i>Less:</i> Drawings	(20,000)		Motor Vehicles	1,00,000	
<i>Less:</i> proprietor's Insurance Premium	<u>(42,000)</u>	13,58,100	<i>Less:</i> Depreciation	<u>(20,000)</u>	80,000
Loan from Rajan	60,000		Office equipment	2,00,000	
<i>Add:</i> Outstanding Interest	<u>100</u>	60,100	<i>Less:</i> Depreciation	<u>(30,000)</u>	1,70,000
Sundry Creditors		62,000	Furniture & Fixture	50,000	
Outstanding rent		5,000	<i>Less:</i> Depreciation	<u>(5,000)</u>	45,000
			Stock in Trade		4,10,000
			Sundry Debtors	2,80,000	
			<i>Less:</i> Provision for doubtful debts	<u>(14,000)</u>	2,66,000
			Cash at hand		22,000
			Cash in bank		16,000
			Prepaid insurance (W.N. 1)		1,200
		14,85,200			14,85,200

(5 MARKS)

**Working Notes:**

<b>(1) Insurance premium</b>	₹
Insurance premium as given in trial balance	48,000
Less: Personal premium	(42,000)
Less: Prepaid for 3 months	
$\left( \frac{6,000}{15} \times 3 \right)$	<u>(1,200)</u>
Transfer to Profit and Loss A/c	<u>4,800</u>
<b>(2) Depreciation</b>	
Building @ 5% on 5,00,000	25,000
Motor Vehicles @ 20% on 1,00,000	20,000
Furniture & Fittings @ 10% on 50,000	5,000
Office Equipment @ 15% on 2,00,000	<u>30,000</u>
Total	80,000
<b>(3) Interest on Loan</b>	
Interest on Loan ₹ 60,000 X 10% X 9/12	= 4,500
Less: interest as per Trial Balance	= <u>(4,400)</u>
Amount (Outstanding)	<u>100</u>

**4. Provision for bad debts A/c**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To bad debts a/c	12,200	By balance b/d	10,000
To balance c/d (5% of 2,80,000)	14,000	By P&L A/c	16,200
	<u>26,200</u>		<u>26,200</u>

**(5 MARKS)**

**ANSWER-4****ANSWER-A****Bank Reconciliation Statement as on 31<sup>st</sup> March, 2018**

<b>Particulars</b>	<b>Rs.</b>
Bank balance (Debit i.e. overdraft) as per Bank Pass book	33,575
(i) No adjustment required as there would be no difference on 31.3.18	
(ii) <i>Add:</i> No entry in Cash book for interest collection by Bank	2,800
(iii) <i>Less:</i> Amount debited in cash book for pending cheques in collection but not credited in Pass Book	(7,500)
(iv) <i>Add:</i> Cheque credited in cash book but not debited in pass book	2,500
(v) <i>Add:</i> Reversal of wrong Credit	500
<i>Less:</i> Reversal of wrong debit	(300)
(vi) <i>Less:</i> Cheque of Rs. 1,0000 entered in cash book but omitted to be banked	(1,000)
(vii) <i>Less:</i> Discounted dishonoured but no entry in Cash book	(5,200)
(viii) <i>Add:</i> Rebate on bill retired not entered in cash book	175
(viii) <i>Add:</i> Cheques deposited in bank not yet recorded in cash book	<u>2,400</u>
<b>Balance (Cr. i.e. overdraft) as per Cash book</b>	<b><u>27,950</u></b>

**Note:** A cheque of Rs. 1,080 credited in Pass Book on 28<sup>th</sup> March, 2018 and later debited in Pass Book on 1<sup>st</sup> April, 2018 has no effect on Bank Reconciliation statement as at 31<sup>st</sup> March, 2018.

**(10 MARKS)****ANSWER-B****Income and Expenditure Account for the year ended 31<sup>st</sup> March, 2018**

<b>Expenditure</b>	<b>Rs.</b>	<b>Income</b>	<b>Rs.</b>
To Expenses	20,000	By Subscriptions (21,000 + 6,000)	27,000
To Interest	4,000	By Locker rent (7,000 - 2,400)	4,600
To Misc. Expenses	4,700	By Sale proceeds of old newspapers	1,000

To Surplus	<u>12,900</u>	By Misc. income	<u>9,000</u>
	<u>41,600</u>		<u>41,600</u>

(4 MARKS)

**Balance Sheet as at 31<sup>st</sup> March, 2018**

Liabilities		Amount (Rs.)	Assets	Amount (Rs.)
Capital fund			Land and Building	1,90,000
			(1,50,000 + 40,000)	
Bal. as on 1.4.2017	1,06,200		Subscription receivable (2017)	1,800
Add: Entrance fee	38,000		(3,800 – 2,000)	
Add: Surplus	<u>12,900</u>	1,57,100		
Loan		40,000	Cash in hand	18,300
Creditors		10,000		
Outstanding expenses (2017) (14,000-12,000)		2,000		
Subscription received in advance		<u>1,000</u>		<u>      </u>
		<u>2,10,100</u>		<u>2,10,100</u>

**Note: Entrance fees have been capitalized in the above solution.**

**One may also assume it as revenue income and credit it to Income and Expenditure Account.**

(6 MARKS)

**ANSWER-5****ANSWER-A****Revaluation Account**

2018			Rs.	2018		Rs.
April 1	To Provision for bad and doubtful debts		535	April 1	By Inventory in trade	1,400
	To Furniture and fittings		720		By Land and Building	5,600
	To Capital A/cs: (Profit revaluation transferred)					
	Dinesh	2,872.50				
	Ramesh	1,915.00				
	Naresh	957.50	5,745			
			7,000			7,000

**(2 MARKS)****Partners' Capital Accounts**

Particulars	Dinesh	Ramesh	Naresh	Suresh	Particulars	Dinesh	Ramesh	Naresh	Suresh
	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.
To Dinesh & Ramesh			1,500	4,500	By Balance b/d	15,000	15,000	10,000	-
					By General Reserve	3,900	2,600	1,300	
To Balance c/d			10,757.50	3,500	By Cash	-	-	-	8,000
	26,972.50	21,015			By Naresh & Suresh	4,500	1,500	-	-
					By Outstanding Liabilities (Ram)	700	-	-	
					By Revaluation A/c	2,872.50	1,915	957.50	-
	26,972.50	21,015	12,257.50	8,000		26,972.50	21,015	12,257.50	8,000

(4 MARKS)

Working Note:

Calculation of sacrificing ratio

Partners	New share	Old share	Sacrifice	Gain
Dinesh	$\frac{1}{4}$	$\frac{3}{6}$	$\frac{6}{24}$	
Ramesh	$\frac{1}{4}$	$\frac{2}{6}$	$\frac{2}{24}$	
Naresh	$\frac{1}{4}$	$\frac{1}{6}$		$\frac{2}{24}$
Suresh	$\frac{1}{4}$			$\frac{6}{24}$

Entry for goodwill adjustment

Naresh (2/24 of Rs.18,000)	Dr.		1,500	
Suresh (6/24 of Rs.18,000)	Dr.		4,500	
To Dinesh (6/24 of Rs.18,000)				4,500
To Ramesh (2/24 of Rs.18,000)				1,500

Balance Sheet of M/s. Dinesh, Ramesh, Naresh and Suresh as on 1-4-2018

<i>Liabilities</i>	Rs.	Rs.	<i>Assets</i>	Rs.	Rs.
Trade payables		22,500	Land and Buildings		42,600
Outstanding Liabilities (2,200-700)		1,500	Furniture		6,480
Capital Accounts of Partners :			Inventory of goods		14,000
Mr. Dinesh	26,972.50		Trade receivables	10,700	
Mr. Ramesh	21,015.00		Less: Provisions	(535)	10,165
Mr. Naresh	10,757.50		Cash in hand		2,800
Mr. Suresh	3,500.00	62,245	Cash at Bank (2,200+8,000)		10,200
		86,245			86,245

(4 MARKS)

**ANSWER-B****Journal Entries in the books of Miss Daisy**

<i>Date</i>	<i>Particulars</i>		<i>Dr. (Rs.)</i>	<i>Cr. (Rs.)</i>
(i)	Profit & Loss Adjustment A/c To Suspense* A/c (Purchase Account under cast in the previous year; error now rectified)	Dr.	8,000	8,000
(ii)	Rahim's Account To Profit & Loss Adjustment A/c (Sales to Rahim omitted last year; now adjusted)	Dr.	2,500	2,500
(iii)	Anbu's Account To Asok's Account (Amount received from Asok wrongly posted to the account of Anbu; now rectified)	Dr.	1,200	1,200
(iv)	Profit & Loss Adjustment A/c To Suspense* A/c (Excess posting to sales account last year, Rs. 4,617, instead of Rs.4,167 now adjusted)	Dr.	450	450
(v)	Profit & Loss Adjustment A/c To Machinery A/c (Repairs to machinery was wrongly debited to machinery account, now rectified)	Dr.	1,800	1,800
(vi)	Profit & Loss Adjustment A/c To Mr. Paul Account Credit purchase of goods from Mr. Paul sale last year, now rectified)	Dr.	6,000	6,000
(vii)	Daisy's Capital A/c	Dr.	13,750	

	To Profit and Loss Adjustment Account (Being balance in P & L Adjustment Account transferred to Daisy's Capital A/c – Refer W.N. 1)			13,750
(viii)	Suspense A/c	Dr.	8,450	
	To Daisy's Capital A/c (Being balance of Suspense A/c transferred to Capital A/c– Refer W.N. 2)			8,450

\*Considering that the difference was posted to Suspense account.

**(8\*1 = 8 MARKS)**

### Working Notes

**1. Profit and Loss Adjustment Account**

	Rs.		Rs.
To Suspense A/c	8,000	By Rahim's A/c	2,500
To Suspense A/c	450	By Daisy's Capital A/c	13,750
To Machinery A/c	1,800	(Bal. Transfer)	
To Mr. Paul's A/c	6,000		
	<u>16,250</u>		<u>16,250</u>

**2. Suspense Account**

	Rs.		Rs.
To Daisy's Capital A/c (Balance Transfer)	8,450	By P & L Adj. A/c	8,000
		By P & L Adj. A/c	450
	<u>8,450</u>		<u>8,450</u>

**(2\* 1 = 2 MARKS)**



**ANSWER-6****ANSWER-A**

1. Depreciable Value = Original cost – Residual Value	= Rs. 9,70,000 – Rs. 10,000	= Rs. 9,60,000
2. Depreciation amount per annum	= Rs. 9,60,000 ÷ 8 years	= Rs. 1,20,000
3. Present Book Value (i.e. after three years)	= Rs. 9,70,000 – (Rs. 1,20,000 × 3 yrs)	Rs. 6,10,000
4. Revised Useful Life		= 3 years
5. Revised Depreciation amount per annum considering residual value of Rs. 10,000	= (Rs. 6,10,000 – Rs. 10,000) ÷ 3 years	= Rs. 2,00,000

**(6\*1 = 6 MARKS)****ANSWER-B**

Computation of Average Due Date (Note : Base Date = 15<sup>th</sup> January)

Due Date Col. (1)	No. of days from Base Date Col. (2)	Amount (Rs.) Col. (3)	Product (Rs.) Col. (4) = (2) × (3)
15 <sup>th</sup> January	0	5,000	0
10 <sup>th</sup> February	16 + 10 = 26	4,000	1,04,000
5 <sup>th</sup> April	16 + 28 + 31 + 5 = 80	8,000	6,40,000
20 <sup>th</sup> May	16 + 28 + 31 + 30 + 20 = 125	10,000	12,50,000
18 <sup>th</sup> June	16 + 28 + 31 + 30 + 31 + 18 = 154	9,000	13,86,000
<b>Total</b>		<b>36,000</b>	<b>33,80,000</b>

$$\text{Average Due Date} = \text{Base Date} \pm \frac{\text{Total of Products}}{\text{Total of Amounts}} = 15^{\text{th}} \text{ January} + \frac{33,80,000}{36,000}$$

$$= 15^{\text{th}} \text{ January} + 94 \text{ days (approx.)} = \mathbf{19^{\text{th}} \text{ April}}$$

Days from ADD to 30<sup>th</sup> June (period end) = 11 + 31 + 30 = 72 days, So, **Interest** = Rs. 36,000 × 10% ×  $\frac{72}{365}$  = **Rs. 710**

**(6 MARKS)****ANSWER-C**

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 Outstanding	Debentures	Ratio in which discount to be written-off	Amount of discount to be 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

(2 MARKS)

**ANSWER-D**

**Journal Entries in the Books of Mr. A**

Date		Particulars	L.F.	Dr. Amt.	Cr. Amt.
2017 August	1	Bills Receivable A/c. To B (Being the acceptance received from B to settle his account)	Dr.	10,000	10,000
August	1	Bank A/c. Discount A/c. To Bills Receivable (Being the bill discounted for Rs. 9,800 from bank)	Dr. Dr.	9,800 200	10,000
November	4	B To Bank Account (Being the B's acceptance is to be renewed)	DR.	10,000	10,000
November	4	B To Interest Account (Being the interest due from B for 3 months i.e., $8000 \times 3/12 \times 12\% = 240$ )	Dr.	240	240
November	4	Cash A/c. Bills Receivable A/c. To B (Being amount and acceptance new bill received from B)	Dr. Dr.	2,240 8,000	10,240
December	31	B A/c. To Bills Receivable A/c. (Being B became insolvent)	Dr.	8,000	8,000
December	31	Cash A/c. Bad Debts A/c. To B (Being the amount received and written off on B's insolvency)	Dr. Dr.	3,200 4,800	8,000

(6 MARKS)