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**SUGGESTED SOLUTION**

**CA INTERMEDIATE**

**SUBJECT- ADVANCED ACCOUNTS**

**Test Code – CIM 8644**

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

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**ANSWER-1 :****1. Statement of Excess Capital (in Rs.)**

Particulars	P	Q	R
Capital Balance as per Balance Sheet (Cr.)	65,000	50,500	32,000
Less: Loans from Partner (Dr.)	(13,000)	(7,000)	-
1. Net Capital	52,000	43,500	32,000
2. Profit Sharing Ratio	4	3	2
3. Capital Per Unit of Profit (1 ÷ 2)	13,000	14,500	16,000
4. Relative Capital taking P's Capital as base (least of above)	13,000x4=52,000	13,000x3=39,000	13,000x2=26,000
5. Excess Capital of Q and R (1-4)	-	4,500	6,000
6. Capital Per Unit of Profit for Q & R (5 ÷ 2)	-	1,500	3,000
7. Relative Capital taking Q's Capital as base (least of above)	-	1,500x3=4,500	1,500x2=3,000
8. Higher Relative Excess Capital (5-7)	-	-	3,000

**Note:** While distributing surplus among Partners Rs. 3,000 is first paid to R (as per item 8 above) and the next Rs. 7,500 (as per Line 7 also) will be paid to Q & R as Rs. 4,500 and Rs. 3,000. The balance surplus will be distributed to P, Q, R in 4:3:2.

**(5 Marks)****2. Statement of Settlement**

Particulars	Cash	Creditors	P	Q	R
Opening Balance as per B/S	9,000	Due 16,000	Due : 52,000	Due : 43,500	Due : 32,000
Add: Cash collected in January (Net)					
Debtors 9,000+Furniture 8,000(-) Exps 1,000	16,000				
Less: Paid to Creditors	(16,000)	(16,000)	-	-	-
Less: Paid to R	(3,000)	-	-	-	(3,000)
Balance on 31st January (retained)	6,000	-	52,000	43,500	29,000
Less: Liquidation Expenses paid in Feb.	(1,000)	-	-	-	-
Less: Value of Machinery taken over by R		-	-	-	-
- Upto Rs. 7,500 to Q & R (WN 1)			-	(4,500)	(3,000)
- Balance Rs. 1,500 to P, Q, R as 4:3:2			(667)	(500)	(333)
Less: Cash Paid to P, Q, R in 4:3:2	(3,000)	-	(1,333)	(1,000)	(667)
Balance on 28th Feb (retained)	2,000	-	50,000	37,500	25,000
Add: Cash Reed in March (Net) P&M 38,000 + Stk 1,000 + L&B 41,000 (-)Exps (1,700)	87,300				
Less: Cash Paid to P, Q, R in 4:3:2	(89,300)		(36,689)	(29,767)	(19,844)

Loss on Realisation

-

-

13,311

7,733

5,156

(5 Marks)

## ANSWER 2

## Statement of Distribution of Cash by 'Maximum Loss Method'

	Creditors Rs.	G's Loan Rs.	E Rs.	F Rs.	G Rs.	Total
<b>Feb:</b> Balance due	51,600	15,000	1,93,500	53,400	55,500	3,02,400*
Cash available 29,700						
Collection from debtors <u>51,900</u>						
81,600						
Less: prov for expenses <u>13,500</u>						
68,100						
Creditors & Loan paid (50,400 +15,000) <u>65,400</u>	(50,400)	(15,000)				
	1,200	-				
Discount written off <u>(1,200)</u>						
Available for E, F & G 2,700	-					
Maximum possible loss (3,02,400-2,700) = 2,99,700 In ratio of 3:2:1			(1,49,850)	(99,900)	(49,950)	(2,99,700)
			43,650	(46,500)	5,550	
Adjustment for F's deficiency in ratio of 1,13,100: 31,500			(36,370)	46,500	(10,130)	
			7,280	-	(4,580)	
Adjustment for G's deficiency			(4,580)	-	4,580	
			2,700			
Cash paid to E			2,700			
Balance due			1,90,800	53,400	55,500	(2,99,700)
<b>March</b>						
Cash available Rs. 1,39,500						
Maximum possible loss Rs. 2,99,700 – Rs. 1,39,500 = Rs. 1,60,200 in ratio of 3:2:1			(80,100)	(53,400)	(26,700)	(1,60,200)
Cash paid			1,10,700	-	28,800	1,39,500
Balance			80,100	53,400	26,700	1,60,200
<b>April</b>						
18,000 +3,900 (saving in expenses) = 21,900						
Maximum possible loss Rs. 1,60,200-21,900= 1,38,300 in ratio of 3:2:1			(69,150)	(46,100)	(23,050)	(1,38,300)

Cash paid			10,950	7,300	3,650	21,900
Balance						
<b>May</b>			69,150	46,100	23,050	1,38,300
Investment taken by G					<u>6300</u>	<u>6300</u>
Balance			69150	46,100	16750	132000
Maximum loss (1,38,300 less 6,300)			(66,000)	(44,000)	(22,000)	(1,32,000)
Balance			3,150	2,100	1,050	6,300
Cash brought by G (6,300 less 1,050)					5,250	5,250
Cash paid to E and F (3:2)			(3,150)	(2,100)		(5,250)
Balance			66,000	44,000	22,000	1,32,000
<b>June</b>						
Stock	96,000					
Maximum loss (1,32,000-96,000)			(18,000)	(12,000)	(6,000)	36,000
<u>Cash paid</u>			<u>48,000</u>	<u>32,000</u>	<u>16,000</u>	<u>96,000</u>
<u>Unpaid balance</u>			<u>(18,000)</u>	<u>(12,000)</u>	<u>(6,000)</u>	<u>36,000</u>

\*Partners' capital balances after adjusting reserves and current A/c balance.

(15 Marks)

**Working Note:**

1)

Particulars	E	F	G
Capital A/c Bal.	1,13,100	35,400	31,500
Add: Reserve (3:2:1)	54,000	36,000	18,000
Add/(less) Current A/c	26,400	(18,000)	6,000
<b>Total</b>	<b>1,93,500</b>	<b>53,400</b>	<b>55,500</b>

Statement showing the cash available for distribution:

Feb. Rs. 29,700 + 51,900 - 13,500 = Rs. 68,100

March Rs. 1,39,500

April Rs. 18,000 + 3,900 = 21,900

May - Nil

June Rs. 96,000

**ANSWER-3 :****1. Adjustment for raising & writing off of Goodwill**

Particulars	P	Q	R	Total
Goodwill of P & Co. (raised in 3:1)	90,000	30,000	-	1,20,000
Goodwill of R & Co. (raised in 2:1)	-	40,000	20,000	60,000
Total(Cr.)	90,000	70,000	20,000	1,80,000
Written off in New Ratio (3:2:1) (Dr.)	90,000	60,000	30,000	1,80,000
<b>Difference</b>	-	<b>Cr. 10,000</b>	<b>Dr. 10,000</b>	-

**2. Revaluation A/c in the books of P & Co.**

Particulars		Rs.	Particulars	Rs.
To Provision for Doubtful Debts (given)		15,000	By Building (1,50,000 - 50,000)	1,00,000
To Partners' Capital A/c (transfer in 3:1)			By Plant & Machinery (2,75,000 - 1,60,000)	1,15,000
P [2,24,000 x 3/4]	1,68,000		By Stock (1,20,000 x 20%)	24,000
Q [2,24,000 x 1/4]	56,000	2,24,000		
<b>Total...</b>	<b>2,39,000</b>	<b>Total</b>		<b>2,39,000</b>

**3. Partners' Capital A/c in the Books of P & Co.**

Particulars	P	Q	Particulars	P	Q
To balance c/d	4,63,000	2,51,000	By balance b/d	2,50,000	1,80,000
			By Reserves(3:1)	45,000	15,000
			By Revaluation A/c(3:1)	1,68,000	56,000
<b>Total</b>	<b>4,63,000</b>	<b>2,51,000</b>	<b>Total</b>	<b>4,63,000</b>	<b>2,51,000</b>

**4. Revaluation A/c in the books of R & Co.**

Particulars		Rs.	Particulars	Rs.
To Provision for Doubtful Debts (given)		30,000	By Plant & Machinery (2,50,000 - 1,70,000)	80,000
To Partners' Capital A/c (transfer in 2:1)			By Stock (1,40,000 x 20%)	28,000
- Q[78,000 x 2/3]	52,000			
- R[78,000 x 1/3]	26,000	78,000		
<b>Total</b>		<b>1,08,000</b>	<b>Total</b>	<b>1,08,000</b>

**5. Partners' Capital A/c in the books of R & Co.**

Particulars	Q	R	Particulars	Q	R
To balance c/d	3,72,000	1,96,000	By balance b/d	2,20,000	1,20,000
			By Reserves(2:1)	1,00,000	50,000
			By Revaluation A/c(2:1)	52,000	26,000
<b>Total</b>	<b>3,72,000</b>	<b>1,96,000</b>	<b>Total</b>	<b>3,72,000</b>	<b>1,96,000</b>

### 6. Computation of Capital of the PQR & Co.

Particulars	P	Q	R
Transferred from P & Co.	4,63,000	2,51,000	-
Transferred from R & Co.	-	3,72,000	1,96,000
Total Capital Balance	4,63,000	6,23,000	1,96,000
(+)/(-):Adjustment for Goodwill (WN 1)	-	10,000	(10,000)
Sub Total [A]	4,63,000	6,33,000	1,86,000
Total Capital of the Firm [Total of above]	12,82,000		
Required Capital in new Profit Sharing Ratio i.e, 3:2:1 [B]	6,41,000	4,27,333	2,13,667
Capital to be brought in / withdrawn [B - A]	1,78,000	(2,05,667)	27,667
	(brought in)	(withdrawn)	(brought in)

**(10 Marks)**

### 7. Balance Sheet of M/s. PQR & Co.

Capital and Liabilities		Rs.	Properties and Assets		Rs.
Capital Account :			Non-current assets :		
- P	6,41,000		Tangible Fixed Assets		
- Q	4,27,333		Building (1,50,000 + 60,000)		2,10,000
- R	2,13,667	12,82,000	Plant and Machinery (2,75,000 + 2,50,000)		5,25,000
Current Liabilities			Office Equipments (50,000 + 46,000)		96,000
Sundry Creditors (1,30,000+ 1,36,000)		2,66,000	Current Assets :		
Bank Overdraft		80,000	Stock in Trade (1,44,000 + 1,68,000)		3,12,000
			Debtors (1,60,000 + 2,00,000)	3,60,000	
			Less : Provision for Bad Debts	(45,000)	3,15,000
			Bank Balance		1,40,000
			Cash in Hand		30,000
			(20,000 + 10,000 + 1,78,000 - 2,05,667 +   27,667)		
<b>Total</b>		<b>16,28,000</b>	<b>Total</b>		<b>16,28,000</b>

**Note:** Due to R & Co. and Due from R & Co. will be mutually cancelled on amalgamation.

**(5 MARKS)**

**ANSWER-4 :****Business Purchase Account**

<b>20X2</b>	<b>Rs.</b>	<b>20X2</b>	<b>Rs.</b>
<i>Dec. 31</i>			
To Balance b/d	80,000	By Bank Loan	18,000
To Investments	5,000	By Gupta's Capital A/c	30,000
To Insurance Policy	2,000	By Singh's Capital A/c	20,000
		By Goodwill	6,000
		By Profit & Loss A/c	13,000
		(Balancing figure, profit upto 31st March, 20X2)	
	87,000		87,000

**(2 MARKS)****Profit & Loss Account of Raman for the year ended 31st December, 20X2**

	<b>Rs.</b>		<b>Rs.</b>
To Opening Stock	40,000	By Sales	4,00,000
To Purchases	3,20,000	By Closing Stock	50,000
To Expenses	12,000		
To Business Purchase (Profit upto 31st March)	13,000		
To Net Profit			
Raman's Capital A/c	65,000		
	4,50,000		4,50,000

**(3 MARKS)****Balance Sheet of Raman as on 31st December, 20X2**

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
Raman's Capital A/c 30,000		Goodwill	6,000
Add : Profit <u>65,000</u>	95,000	Furniture	3,000
Sundry Creditors	15,000	Stock in trade	50,000
		Sundry Debtors	48,000
		Cash at Bank	3,000
	1,10,000		1,10,000

### Working Notes :

#### (1) Goodwill

	<b>Rs.</b>
Value of Assets taken over	
Stock	46,000
Debtors	35,000
Furniture	3,000
	84,000
<i>Less : Creditors</i>	<i>(10,000)</i>
Net assets	74,000
Goodwill (Balancing figure)	6,000
Purchase Consideration	80,000

#### (2) Increase in net assets upto 31st March 20X2 :

	<b><i>as on 1st January</i></b>	<b><i>as on 31st March</i></b>
	<i>Rs.</i>	<i>Rs.</i>
Debtors	30,000	35,000
Stock	40,000	46,000
Furniture	3,000	3,000
	73,000	84,000
<i>Less : Creditors</i>	<i>(12,000)</i>	<i>(10,000)</i>
	61,000	74,000
Profit, equal to net increase	13,000	–
	74,000	74,000

**(5 MARKS)**