SUGGESTED ANSWERS

CA FOUNDATION

Test Code – JK-ACC-01

Date – 02-08-2020

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Answers

Q.1

(a)

(1) False: The financial statements are prepared on the assumption that enterprise will continue in operation for the foreseeable future.

(2) False: Repairs and white washing expense for first time of an old building are incurred to put the building in usable condition. These are the part of the cost of building. Accordingly, these are capital expenditure.

(3) False: If an inflow of economic benefit is probable then a contingent asset is disclosed in the report of the approving authority (BOD) is case of company and the corresponding approving authority in the case of any other enterprise)

(4) False: It is believed that no unified and exhaustive list of accounting policies can be suggested with uniform application.

(5) False: A forfeited share is merely a share available to the company for sale and remains vested in 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.

(6) True: By charging depreciation company keeps aside cash profit (accrued) which may be used by company in future for asset replacement.

(6×2 marks = 12 marks)

(b)

Accounting standards are selected set of accounting policies or broad guidelines regarding the principles and methods to be chosen out of several alternatives. The Accounting Standards Board of the Institute of Chartered Accountants of India (ICAI) formulates Accounting Standards to be established by the Council of the ICAI. The main objective of Accounting Standards to be established by standards which have to be compiled with to ensure that financial statements are prepared in accordance with generally accepted accounting principles. Accounting Standards seek to suggest rules and criterias of accounting measurements. These standards harmonize the diverse accounting policies and practices at present in use in India.

(3 marks)

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(c)

Petty Cash Account

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2020			2020		
Jan.1	To Cash A/c.	1,000	Jan.31	By Cartage	160
				By Stationery	300
				By Sundries	250
				By Balance c/d	290
		1,000			**1,000**
Feb.1	To Balance b/d	290			
Feb.1	To Cash A/c.	710			

(2 marks)

Cartage Account

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2020			2020		
Jan.31	To Petty Cash A/c.	160			

(1 mark)

Stationery Account

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2020			2020		
Jan.31	To Petty Cash	300			

(1 mark)

Sundries Account

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2020			2020		
Jan.31	To Petty Cash	250			

(1 mark)

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Q.2

(a)

(i)

Purchase	10,00,000
– Trade Discount (10%)	(1,00,000
	9,00,000
+ G.S.T. (5%)	45,000
	9,45,000
+ Transport charges	15,000
Cost of purchase	9,60,000

(1 mark)

(ii) If all goods are sold then sales will be

Sales	15,00,000
Closing Stock at selling price	1,50,000
	16,50,000
Less: Cost of total goods (opening stock + cost of purchase)	(10,20,000)
Gross Profit	6,30,000

Gross Profit rate = $\frac{6,30,000}{16,50,000} \times 100$

= 38.18%

Closing Stock at selling price	1,50,000
Less : Gross Profit (38.18%)	(57,270)
Cost of Closing Stock	92,730

(3 marks)

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(b)

Machinery Account

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2019			2019		
Apr.1	To balance b/d	1,15,340	Oct.7	By Depreciation A/c.	4,488
July 1	To Bank A/c.	40,000	Oct.7	By Bank A/c.	60,000
Oct.1	To Profit on sale of machine A/c.	4,648	2020		
2020			Mar.31	By Depreciation A/c.	13,950
Jan.1	To Bank A/c	30,000	Mar.31	By Balance c/d	1,11,550
		1,89,988			**1,89,988**

(3 marks)

Working:

I.

	M1	M2	M3	M4	Total
Purchase on 1.4.17	80,000	–	–	–	80,000
– Dep. On 31.3.18	(12,000)				(12,000)
Bal. on 1.4.18	68,000				68,000
+ Purchase on 1.10.18		60,000			60,000
– Dep. On 31.3.19	(8,160)	(4,500)			(12,660)
Bal. on 1.4.19	59,840	55,500			1,15,340
+ Purchase on 1.7.19			40,000		40,000
– Dep. On 1.10.19	(4,488)				(4,488)
– Sales on 1.10.19	(60,000)				(60,000)
+ Profit on sale	4,648				4,648
+ Purchase on 1.1.20				30,000	30,000
– Dep. On 31.3.20	–	(8,325)	(4,500)	(1,125)	(13,950)
Balance on 31.3.20		47,175	35,500	28,875	1,11,550

(2 marks)

II. Suppose cost of II Machine is ₹100

Dep on 31.3.19 (7.5)

WDV on 31.3.19 92.5

Cost of II machine purchased $\left[55{,}500 \times \frac{100}{92.5}\right]$ **= 60,000**

(1 mark)

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(c) Bank Reconciliation statement as on 28.2.2019

	₹	₹
Unfavourable balance as per pass book	–	7,000
Add : Cheques issued but not presented	-	2,800
Less : Cheque received but not deposited	1,200	
Bank commission not recorded in bank column of cash book	40	
Cheques deposited but not collected	3,000	
Overcast in receipt side of cash book	500	
Interest on cash credited debited by bank	200	
Cheque dishonoured	1,000	(5,940)
Unfavourable balance as per cash book		**3,860**

(1 mark for each adjustment × 9 = 9 marks + 1 mark for final answer) Total 10 marks

Q.3

(a) Consignment Account

Particulars		**Amount ₹**	**Particulars**		**Amount ₹**
To Goods sent on consignment A/c.		12,00,000	By Goods sent on consignment A/c.		2,00,000
To Cash A/c.			By Insurance company		40,000
Carriage	20,000		By Abnormal loss A/c. (W.N.1)		12,250
Insurance	10,000		By B's A/c. (Sales)		
Freight	15,000	45,000	Cash	2,58,800	
To B's A/c.			Credit	7,12,500	
Clearing	5,700		Self	1,14,000	10,77,300
Storage	10,000		By Consignment Stock (W.N.3)		2,37,690
Selling Exps.	6,300	22,000			
To B's A/c. (Commission) (W.N.2)		83,505			
To Stock reserve (190 x 200)		38,000			
To P/L A/c.		1,78,735			
		15,67,240			**15,67,240**

(4 marks)

B's Account (Consignee)

Particulars	Amount ₹	Particulars	Amount ₹
To Consignment A/c. (Sales)	10,77,300	By Consignment A/c. (Expenses)	22,000
		By Consignment A/c. (Commission)	83,505
		By Balance c/d	9,71,795
	10,77,300		**10,77,300**

(1 mark)

Working:

1. Bed Sheets destroyed (50 x 1000) 50,000
+ proportionate expenses of A (45,000 x 50/1000) 2,250
Cost of Bed Sheets destroyed 52,250
– Insurance claim admitted 40,000
Abnormal loss 12,250

(1 mark)

2. Calculation of Commission

(a) General Commission = 9,12,000 x 5% = 45,600
(b) Delcredere Commission = 7,12,500 x 3% = 21,375
(c) Over–riding Commission = 1,65,300 x 10% = 16,530
83,505

Total Sales = 10,77,300
– Total Sales at I.P. 9,12,000
Surplus 1,65,300

(1 mark)

3. Calculation of Consignment Stock :

190 (units left) x 1200 = 2,28,000
+ Proportionate expense of consignor (190 x 45,000/1000) 8,550
+ Proportionate expense of B (190 x 5700/950) 1,140
2,37,690

(1mark)

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(b)

Mr. Y in account current with Mr. X as on 30.06.20

Date	Particulars	Due Date	No. of days	Product	Amount ₹	Date	Particulars	Due Date	No. of days	Product	Amount ₹
2020						**2020**					
Apr.1	To Bal. b/d	1.4	–	–	10000	Apr.1	By Sales Ret.	10.4	10	10000	1000
10	To Sales A/c.	10.6	71	497000	7000	May.20	By Purchase	20.6	81	8,10,000	10000
15	To Cash A/c.	15.4	15	300000	2000	Jun.15	By Cash	15.6	76	228000	3000
May.23	To Bills payable A/c.	31.7	122	488000	4000		Bal. in amt. x total days (9000 x 91)			819000	
	Net Product			582000		Jun.30	By Bal. c/d)				9191
Jun.30	To Int	–	–	–	191						
				1867000	**23191**					**1867000**	**23191**

(7 marks)

Interest = 5,82,000 x 12% x 1/365.

= 191.34 **(1 mark)**

(c)

Journal entries in books of Aashish

Date	Particulars	L. F.	Debit (₹)	Credit (₹)
2020 Feb.10	Pooja's A/c. To Sales A/c. (Being sent goods to Pooja on approval basis) **(2 marks)**	Dr.	40,000	 40,000
Feb.25	Sales return A/c. To Pooja's A/c. (Being goods returned by Pooja) **(1 mark)**	Dr.	10,000	 10,000
Mar.15	Pooja A/c To Sales A/c (Being entry for sales for incremental price)	Dr.	5,000	 5,000
Mar.31	Sales A/c. To Pooja's A/c. (Being reversal entry of goods not approved on reporting date)	Dr.	10,000	 10,000

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	(1 mark)			
May.31	Inventory with customer To Trading A/c. (Being entry to include unapproved goods in closing inventory) **(2 marks)**	Dr.	8,000	 8,000
			68,000	**68,000**

Q.4

(a)

Balance Sheet as on 1.4.2020

Liabilities		₹	Assets	₹
Capital A/c.			Building	60,000
A	45,725		Furniture	40,000
B	27,436		Stock	30,000
C	23,104		Cash	55,518
D	19,253	1,15,518	A's Current A/c.	934
Current A/c. B		5,438	C's Current A/c.	4,504
Creditors		20,000		
Bills Payable		30,000		
Bank overdraft		20,000		
		1,90,956		**1,90,956**

(4 marks)

Working:

1. Revaluation A/c

Particulars	₹	Particulars	₹
To Building A/c.	12,000	By Furniture A/c.	4,000
		By Stock A/c.	3,000
		By Partner's Capital A/c.	5,000
	12,000		**12,000**

(1 mark)

2. Partner's Capital Account

	A	B	C	D		A	B	C	D
To Joint Life Policy A/c.	1000	600	400		By Bal. b/d	40000	30000	20000	
					By D's A/c	8291	4974		
To A's A/c.				8291	By Cash A/c.				32518
To B's A/c.				4974	By Current A/c.	934		4504	
To Revaluation	2500	1500	1000						
To Current A/c.		5438							

To Balance c/d	45725	27436	23104	19253					
	49225	34974	24504	32518		**49225**	**34974**	**24504**	**32518**

(2 mark)

3. Cash Account

Particulars	₹	Particulars	₹
To Balance b/d To Joint Life Policy To D's Capital	13,000 10,000 32,518	By Balance c/d	55,518
	55,518		**55,518**

(1 mark)

Working:

4. Suppose total profit of firm = ₹1

$1-\frac{1}{6}-\frac{2}{10}=\frac{19}{30}$ **remaining profit**

A's Share = $\frac{19}{30}\times\frac{5}{8}=\frac{95}{240}$

B's Share = $\frac{19}{30}\times\frac{3}{8}=\frac{57}{240}$

Now PSR = A : $\frac{95}{240}$, B : $\frac{57}{240}$: C : $\frac{48}{240}$; D : $\frac{40}{240}$

= 95 : 57 : 48 : 40

(0.5 mark)

5. Calculation of Goodwill

Average profit = $\frac{20000+25000+18000}{3}=21000$

Goodwill = 21000 x 3.79

= 79590

0.5 mark)

6. Treatment of Goodwill

	A	B	C	D
Raise full value of Goodwill in old PSR	39,795 Cr.	23,877 Cr.	15,918 Cr.	–
Write off full value of Goodwill in new PSF	31,504 Dr.	18,903 Dr.	15,918 Dr.	13,265 Dr.
	8291 Cr.	**4974 Cr.**	–	**13625 Dr.**

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Suppose total capital of new firm = 1

$1 - \frac{1}{6} = \frac{5}{6}$ old partner's capital

Old partner's Capital	New Partner's Capital
5/6	1/6
96265	?

$= 96,265 \text{ x } \frac{1}{6} \times \frac{6}{5}$

= 19,253

(1 mark)

(b)

Mr. M's trading and Profit and Loss Account for the year ended on 31.03.2020

Particulars	₹	₹	Particulars		₹
To Purchases	18,000		By Sales		28,000
– Return outward	(1,150)	16,850	By Closing Stock		3,000
To Carriage		800			
To Gross Profit		13,350			
		31,000			**31,000**
To Salaries	1,200		By Gross Profit		13,350
– Prepaid	(240)	960	By Articled Clerks' Premium	750	
To Rent	1,320		– Pre–received	(450)	300
+ Outstanding	120	1,440	By Interest on drawings		300
To Depreciation :					
Machine		1,000			
Furniture		400			
To Trade expenses		400			
To Leasehold Assets written off		900			
To Freight outwards		700			
To Advertisement A/c.		2,500			
To Interest on Capital		2,400			
To Net Profit		3,250			
		13,950			**13,950**

(5 marks)

Mr. M's Balance Sheet as on 31.03.2020

Liabilities	₹	₹	Assets	₹	₹
Capital	30,000		Machine	10,000	

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+ Interest on Capital	2,400		– Dep. (10%)	(1,000)	9,000
+ Profit (Net)	3,250		Furniture	8,000	
– Drawings	(5,000)		– Dep. (5%)	(400)	7,600
– Interest on drawings	(300)	30,350	Bills Receivable		5,000
Creditors		8,000	Prepaid salaries		240
Outstanding rent		120	Closing Stock		3,000
Outstanding trade exps.		500	Debtors		12,000
Bills payable		3,000	Prepaid insurance		180
Pre received article's premium		450	Leasehold Assets	6,300	
			– written off	(900)	5,400
		42,420			**42,420**

(5 marks)

Q.5

(a)

RIP Clubs Income and Expenditure A/c. for the year ended 31.03.2020.

Expenses	₹	₹	Income	₹	₹
To Electric charges		3,600	By Entrance Fees		3,750
To Postage and stationery		2,500	By Subscription	1,00,000	
To Telephone charges		2,500	– Received in adv.	(5,000)	95,000
To Rent	44,000		By Sales proceeds of old papers		750
+ Outstanding	2,000	46,000	By Hire of lectue hall		10,000
To Salaries	33,000		By int. on securities	4,000	
+ Outstanding	1,500	34,500	Add : Receivables	250	4,250
To Depreciation : Electrical fittings		7,500	By Deficit : excess of expense over incomes		8,350
Furniture		2,500			
Books		23,000			
		1,22,100			**1,22,100**

(7.5 marks)

Balance Sheet as on 31.03.2020

Liabilities	₹	₹	Assets	₹	₹
Capital Fund	3,96,500		Electric fittings	75,000	
+ Entrance Fees	11,250		– Dep.	(7,500)	67,500

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– Deficit	(8,350)	3,99,400	Furniture	25,000	
Outstanding rent		2,000	– Dep.	(2,500)	22,500
Outstanding salaries		1,500	Books	2,00,000	
Subscription received in advance		5,000	+ Purchases	30,000	
			– Dep.	(23,000)	2,07,000
			Investment in Sec.		95,000
			Interest receivable		250
			Cash balance		10,000
			Cash at bank		5,650
		4,07,900			**4,07,900**

(7.5 marks)

(b)

Journal Proper in books of APL Traders

Date	Particulars	L. F.	Debit (₹)	Credit (₹)
2019				
Mar.31	Return outward A/c.	Dr.	7,200	
	To Purchase A/c.			7,200
	(Being the transfer of returns to purchase A/c.)			
	(1 mark)			
	Sales A/c.	Dr.	10,000	
	To Return inward A/c.			10,000
	(Being transfer of returns to Sales A/c.)			
	(0.5 mark)			
	Sales A/c.	Dr.	1,00,000	
	To Trading A/c.			1,00,000
	(Being the transfer of balance of sales A/c. to trading (A/c)			
	(1 mark)			
	Trading A/c.	Dr.	78,000	
	To Opening inventory A/c.			10,000
	To Purchase A/c.			60,000
	To Wages A/c.			5,000
	To Carriage Inwards A/c.			3,000

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	(Being the transfer of balance of opening inventory, purchase carriage and wages) **(1 mark)**			
	Closing Inventory A/c. To Trading A/c. (Being the incorporation of closing inventory) **(0.5 mark)**	Dr.	20,000	 20,000
	Trading A/c. To P/L A/c. (Being, transfer the balance of trading account to P/L A/c. **(1 mark)**	Dr.	42,000	 42,000

Q.6

(a)

Date	Particulars	L. F.	Debit (₹)	Credit (₹)
(a)	Equity Share Capital A/c. To Share forfeiture A/c. To Calls–in–arrears (Being entry to forfeit 300 shares)	Dr.	2,400 –	 1,500 900
(b)	Bank A/c. Share Forfeiture A/c. To Equity Share Capital (Being shares reissued as fully paid)	Dr. Dr.	1,750 750	 2,500
(c)	Share forfeiture A/c. To Capital reserve A/c. (Being the balance of share forfeiture of reissued shares transferred to Capital reserve)	Dr.	500	 500

(3 × 2 marks = 6 marks)

(ii)

Date	Particulars	L. F.	Debit (₹)	Credit (₹)
(a)	Equity Share Capital A/c.	Dr.	3,500	

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	Securities Premium A/c.	Dr.	1,000	
	To Share Forfeiture A/c.			1,500
	To Calls–in–arrears A/c.			3,000
	(Being 500 shares forfeited)			
(b)	Bank A/c.	Dr.	600	
	Share Forfeiture A/c.	Dr.	450	
	To Equity Share Capital			1,050
	(Being 150 shares reissued at minimum amount i.e. after giving maximum discount of ₹3)			

(2 × 2 marks = 4 marks)

(b)

Year	Benefit received	Ratio	Loss on issue written off
1	20,00,000	10	76,190
2	12,00,000	6	45,714
3	6,00,000	3	22,857
4	2,00,000	1	7,619
5	2,00,000	1	7,620
		21	**1,60,000**

(5 marks)

(c)

(i) Revenue Expenditure
(ii) Capital Expenditure
(iii) Revenue Expenditure
(iv) Revenue Expenditure
(v) Capital Expenditure

(5 × 1 mark = 5 marks)

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