



J.K. SHAH[®]
TEST SERIES
Evaluate Learn Succeed

SUGGESTED SOLUTION

CA FOUNDATION

SUBJECT- ACCOUNTS

Test Code – CFN 9282

BRANCH - () (Date :)

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

Tel : (022) 26836666

- NOTES: (1) WORKING NOTES SHOULD FORM PART OF ANSWERS.
 (2) INTERNAL WORKING NOTES SHOULD ALSO BE CONSIDERED.
 (3) NEW QUESTION SHOULD BE ON NEW PAGE

ANSWER – 1

ANSWER –A

(i) Capitalisation Method:

Total Capitalised Value of the firm

$$= \frac{\text{Average Profit}}{\text{Normal rate of return}} \times 100 = \frac{150000}{20} \times 100 = \text{Rs. } 750000$$

Goodwill = Total Capitalised Value of Business – Capital Employed
 = Rs.7,50,000 – Rs.5,00,000 [i.e., Rs.3,00,000 (J) + Rs.2,00,000 (K)]
 Goodwill = Rs. 2,50,000

(ii) Super Profit Method:

Normal Profit = Capital Employed x 20/100 = Rs. 1,00,000
 Average Profit = Rs. 1,50,000
 Super Profit = Average profit – Normal Profit
 =Rs.1,50,000 – Rs.1,00,000 = Rs. 50,000
 Goodwill = Super Profit x Number of years' purchase
 = Rs. 50,000 x 2 = Rs.1,00,000

(2.5*2 = 5 MARKS)

ANSWER –B

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

| Dr. | Rs. | Rs. | Cr. | Rs. |
|---|--------|--------|-------------------|----------|
| To Interest on capital | | | By Net profit b/d | 1,59,000 |
| A (5% of Rs. 3,20,000) | 16,000 | | | |
| B (5% of Rs. 2,00,000) | 10,000 | | | |
| C (5% of Rs. 1,60,000) | 8,000 | 34,000 | | |
| To Partners' capital A/c. [Profit (Rs. 1,59,000 – Rs. 34,000) transferred] | | | | |
| A ($\frac{5}{10}$ of Rs. 1,25,000) | 62,500 | | | |
| Less : Transferred to C | 5,000 | 57,500 | | |
| B ($\frac{3}{10}$ of Rs. 1,25,000) | | 37,500 | | |

| | | | |
|-------------------------------------|--------|-----------------|-----------------|
| C ($\frac{2}{10}$ of Rs. 1,25,000) | 25,000 | | |
| Add : Transferred from A | 5,000 | 30,000 | |
| | | 1,59,000 | 1,59,000 |

(5 MARKS)

ANSWER – 2

ANSWER –A

In the books of Company Journal

| Particulars | | Dr. Rs. | Cr. Rs. |
|---|------------|--------------------|----------------------------------|
| Preference Share Capital A/c (4,000 × Rs. 75) To Preference Share Allotment a/c To Preference Share First Call A/c To Forfeited Share A/c (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....) | Dr. | 3,00,000 | 1,00,000 1,00,000 1,00,000 |
| Bank A/c (3,000 × Rs. 65) Forfeited Shares A/c (3,000 × Rs. 10) To Preference Share Capital A/c (Being re – issue of 3,000 shares at Rs. 65 per share paid – up as Rs. 75 as per Board’s Resolution No. dated....) | Dr. Dr. | 1,95,000 30,000 | 2,25,000 |
| 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 |

Working Note :

Calculation of amount to be transferred to Capital Reserve

Forfeited amount per share = Rs. 1,00,000/4,000 = 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 × 3,000 = Rs. 45,000.

(5 MARKS)

ANSWER –B

Calculation of amount of discount to be written-off

| At the Year end | Debentures Outstanding before redemption | Ratio of benefit Derived | Amount of discount to be written-off |
|-----------------|--|--------------------------|---|
| 2010 | Rs. 20,00,000 | 5 | 5/15th of Rs. 1,20,000 = Rs. 40,000 |
| 2011 | Rs. 16,00,000 | 4 | 4/15th of Rs. 1,20,000 = Rs. 32,000 |
| 2012 | Rs. 12,00,000 | 3 | 3/15th of Rs. 1,20,000 = Rs. 24,000 |
| 2013 | Rs. 8,00,000 | 2 | 2/15th of Rs. 1,20,000 = Rs. 16,000 |
| 2014 | Rs. 4,00,000 | 1 | 1/15th of Rs. 1,20,000 = <u>Rs. 8,000</u> |
| | TOTAL | 15 | Rs. 1,20,000 |

(5 MARKS)

ANSWER – 3**(i) Revaluation Account**

| Date | Particulars | Rs. | Date | Particulars | Rs. |
|---------------|--|---------------|---------------|--|---------------|
| 2017 April | To Plant & Machinery | 6,000 | 2017 April | By Land and building | 6,000 |
| | To Stock of goods | 2,000 | | By Sundry creditors | 2,000 |
| | To Provision for bad and doubtful debts | 550 | | By Cash & Bank Joint life Policy surrendered | 7,550 |
| | To Capital accounts (Profit on revaluation transferred) | | | | |
| | Mr. P (2/7) | 2,000 | | | |
| | Mr. Q(3/7) | 3,000 | | | |
| | Mr. R (2/7) | 2,000 | | | |
| | | 7,000 | | | |
| | | 15,550 | | | 15,550 |

(2 MARKS)**(b) Partners' Capital Accounts****Dr.****Cr.**

| Particulars | P | Q | R | Particulars | P | Q | R |
|---------------------------------------|---------------|---------------|---------------|---|---------------|---------------|---------------|
| | Rs. | Rs. | Rs. | | Rs. | Rs. | Rs. |
| P's Capital A/c. – goodwill | - | 1,000 | 3,000 | By Balance b/d | 20,000 | 30,000 | 20,000 |
| To Cash & Bank A/c. – (50% dues paid) | 13,000 | - | - | By Revaluation A/c. | 2,000 | 3,000 | 2,000 |
| To P's Loan A/c. – (50% transfer) | 13,000 | - | - | By Q & R's Capital A/cs – goodwill | 4,000 | - | - |
| To Balance c/d | - | 35,000 | 35,000 | By Cash & Bank A/c. – amount brought in (Balancing figures) | - | 3,000 | 16,000 |
| | 26,000 | 36,000 | 38,000 | | 26,000 | 36,000 | 38,000 |

(3 MARKS)**(c) Cash and Bank Account**

| Particulars | Rs. | Particulars | Rs. |
|---|---------------|-----------------------------------|---------------|
| To Balance b/d | 7,000 | By P's Capital A/c. 50% dues paid | 13,000 |
| To Revaluation A/c – surrender value of joint life policy | 7,550 | By Balance b/d | 20,550 |
| To Q's Capital A/c. | 3,000 | | |
| To R's Capital A/c. | 16,000 | | |
| | 33,550 | | 33,550 |

(2 MARKS)

(d) Balance sheet of M/s Q & R as on 01.04.2017

| Liabilities | | Rs. | Assets | | Rs. |
|------------------------|--------|---------------|-----------------------------------|--------|---------------|
| Partners' Capital A/c. | | | Land & Building | 30,000 | |
| Mr. Q | 35,000 | | Add : Appreciation 20% | 6,000 | 36,000 |
| Mr. R | 35,000 | 70,000 | Plant & Machinery | 20,000 | |
| Mr. P's Loan account | | 13,000 | Less : Depreciation 30% | 6,000 | 14,000 |
| Sundry Creditors | | 8,000 | Stock of goods | 12,000 | |
| | | | Less : revalued | 2,000 | 10,000 |
| | | | Sundry Debtors | 11,000 | |
| | | | Less : Provision for bad debts 5% | 550 | 10,450 |
| | | | Cash & Bank balances | | 20,550 |
| | | 91,000 | | | 91,000 |

Working Notes :

| | |
|--|--------|
| Adjustment for Goodwill : | |
| Goodwill of the firm | 14,000 |
| Mr. P's Share (2/7) | 4,000 |
| Gaining ratio of Q & R; | |
| Q = $\frac{1}{2} - \frac{3}{7} = \frac{1}{14}$ | |
| R = $\frac{1}{2} - \frac{2}{7} = \frac{3}{14}$ | |
| Q : R = 1 : 3 | |

Therefore, Q will bear – $\frac{1}{4} \times 4,000$ or Rs. 1,000

R will bear = $\frac{3}{4} \times 4,000$ or Rs. 3,000

(3 MARKS)

ANSWER – 4

ANSWER – A

Journal Entries

| | | | Dr. (Rs.) | Cr. (Rs.) |
|-----------|---|-----|-----------|-----------|
| 1-1-2018 | Bank A/c | Dr. | 18,00,000 | |
| | Discount/Loss on Issue of Debentures A/c | Dr. | 3,00,000 | |
| | To 10% Debentures A/c | | | 20,00,000 |
| | To Premium on Redemption of Debentures A/c | | | 1,00,000 |
| | (For issue of debentures at discount redeemable at premium) | | | |
| 30-6-2018 | Debenture Interest A/c | Dr. | 1,00,000 | |
| | To Debenture holders A/c | | | 90,000 |

| | | | | |
|---------------------------|--|----------|----------|----------|
| 31-12-2018 | To Tax Deducted at Source A/c (For interest payable) | | | 10,000 |
| | Debenture holders A/c | Dr. | 90,000 | |
| | Tax Deducted at Source A/c | Dr. | 10,000 | |
| | To Bank A/c (For payment of interest and TDS) | | | 1,00,000 |
| | Debenture Interest A/c | Dr. | 1,00,000 | |
| | To Debenture holders A/c | | | 90,000 |
| | To Tax Deducted at Source A/c (For interest payable) | | | 10,000 |
| | Debenture holders A/c | Dr. | 90,000 | |
| | Tax Deducted at Source A/c | Dr. | 10,000 | |
| | To Bank A/c (For payment of interest and tax) | | | 1,00,000 |
| Profit and Loss A/c | Dr. | 2,00,000 | | |
| To Debenture Interest A/c | | | 2,00,000 | |
| | (For transfer of debenture interest to profit and loss account at the end of the year) | | | |
| | Profit and Loss A/c | Dr. | 60,000 | |
| | To Discount/Loss on issue of debenture A/c | | | 60,000 |
| | (For proportionate debenture discount and premium on redemption written off, i.e., 3,00,000 x 1/5) | | | |

(5 MARKS)

ANSWER – B

(i) New profit sharing ratio:

$$A = 3/5 - 1/10 = 5/10$$

$$B = 2/5 \text{ i.e. } 4/10$$

$$C = 1/10$$

i.e 5:4:1

(ii) A's sacrifice $1/10 \times 2/5 = 2/50$

$$B's \text{ sacrifice } 1/10 \times 3/5 = 3/50$$

New profit sharing ratio

$$A = 3/5 - 2/50 = 28/50$$

$$B = 2/5 - 3/50 = 17/50$$

$$C = 1/10 \text{ i.e. } 5/50$$

i.e. 28:17: 5

(iii) Let total share be 1

$$C's \text{ share} = 1/10$$

$$\text{Remaining share} = 1 - 1/10 = 9/10$$

Distribution:

$$A = 9/10 \times 3/5 = 27/50$$

$$B = 9/10 \times 2/5 = 18/50$$

$$C = 1/10 \text{ i.e. } = 5/50$$

i.e. 27:18: 5

(5 MARKS)

ANSWER – 5**Journal of Piyush Limited**

| <i>Date</i> | | | <i>Dr.</i> | <i>Cr.</i> |
|-------------|---|-----|------------|------------|
| <i>2018</i> | <i>Particulars</i> | | <i>Rs.</i> | <i>Rs.</i> |
| July 1 | Bank A/c (Note 1 – Column 3) | Dr. | 8,40,000 | |
| | To Equity Share Application A/c | | | 8,40,000 |
| | (Being application money received on 4,20,000 shares @ Rs. 2 per share) | | | |
| July 10 | Equity Share Application A/c | Dr. | 8,40,000 | |

| | | | | | |
|----------|--|-----|----------|----------|--|
| | To Equity Share Capital A/c | | | 2,60,000 | |
| | To Equity Share Allotment A/c | | | 4,00,000 | |
| | (Note 1 - Column 5) | | | | |
| | To Bank A/c (Note 1–Column 6) | | | 1,80,000 | |
| | (Being application money on 1,30,000 shares transferred to Equity Share Capital Account; on 2,00,000 shares adjusted with 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 | |
| | (Being balance allotment money received) | | | | |
| | Equity Share Final Call A/c | Dr. | 6,50,000 | | |
| | To Equity Share Capital A/c | | | 6,50,000 | |
| | (Being final call money due on 1,30,000 shares @ Rs. 5 per share as per Board’s Resolution No.....dated....) | | | | |
| 2019 | | | | | |
| April 30 | 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:**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 |
| TOTAL | 4,20,000 | 1,30,000 | 8,40,000 | 2,60,000 | 4,00,000 | 1,80,000 | 6,50,000 | 2,50,000 |

(4 MARKS)