

**Corrigendum to the Study Material (October, 2020 Edition)**  
**Foundation Course Paper 1: Principles and Practice of Accounting**

Students are advised to note the following corrections in the October, 2020 edition of the study material:

S.No.	Chapter	Para no. /question no./ Illustration no.	Page No.	Remarks
1.	2 (Unit 4)	Illustration 2	2.61	In solution to this illustration the total amount should be <b>1,26,450</b> instead of <b>1,26,457</b> .
2.	4	Practical Knowledge Question 4	4.24	In the Question the (iii) point the line " <b>but no information is available regarding remaining goods.</b> " should be ignored.
3.	5	Illustration 6	5.14	In solution to this illustration under "Quarry Lease Account" balance figure of year 2019 i.e. by balance c/d to be <b>8,65,000</b> instead of <b>86,500</b> .
4.	8. (Unit 1)	Illustration 9	8.19	In illustration, "Aarti was entitled to rent @ Rs. 5,000/- <b>p.a.</b> for premises belonging to her, used for the partnership business..." should be read as "Aarti was entitled to rent @ Rs. 5,000/- <b>per month</b> for premises belonging to her, used for the partnership business..."

Module 1: Chapter 6 (Page no. 6.37) - Illustration 3

Solution to illustration to be read as:

On expiry of approval period	Trade receivables A/c	Dr.		1,12,500	
	To Sales A/c				1,12,500
	(being the goods equal to 75% of the cost of goods sent on approval basis, with the remaining being rejected)				
	Note- $1,50,000 \times 75\% = 1,12,500$ (accepted)				
	$1,50,000 - 1,12,500 = 37,500$ (rejected)				

Module 1: Chapter 6 (Page no. 6.71) – Illustration 8

Ignore the line "and the insurance company paid Rs. 12,000 net of salvage." in the illustration

Module 2: Chapter 8 (Page no. 8.69) – Example of Case II

Solution to example to be read as:



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C's new share =  $3/9 \times 5/5 = 15/45$

New ratio = 22: 8:15

Module 2: Chapter 8 (Page no. 8.70) – Example of Case V

Solution to example to be read as:

C's new share =  $1/5 \times 5/5 = 3/15$

New ratio = 7:5:3

Module 2: Chapter 8 (Page no. 8.81) - Illustration 11

Solution to illustration to be read as:

Partners Capital A/c

Particulars	Alpha	Beeta	Gyama	Particulars	Alpha	Beeta	Gyama
				By balance b/d	3,00,000	2,00,000	
To Beeta			50,000	By Bank			2,50,000
				By Gyama		50,000	
				By General Reserve	90,000	90,000	
				By Workman comp. fund	30,000	30,000	
To Balance c/d	4,90,000	4,40,000	2,00,000	By Revaluation A/c	70,000	70,000	
	4,90,000	4,40,000	2,50,000		4,90,000	4,40,000	2,50,000

Bank A/c

Particulars	Rs.	Particulars	Rs.
To balance b/d	44,200		
To Gyama's capital	2,50,000	By Balance c/d	2,94,200
	2,94,200		2,94,200

Balance Sheet of Meta-Chem as on 1st April 2020 (after admission)

Liabilities	Rs.	Assets	Rs.
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Capital Accounts:		Factory Building	5,73,600
Alpha	4,90,000	Plant & Machinery	4,09,200
Beeta	4,40,000	Office Furniture	50,000
Gyama	<u>2,00,000</u>	Inventory	70,000
Term Loan from IDFC bank	11,30,000	Trade Receivables	1,40,000
	2,78,000	Less: Reserve for	1,33,000
		Doubtful debts	<u>7,000</u>
Trade Payables	1,22,000	Bank	2,94,200
	<u>15,30,000</u>		<u>15,30,000</u>

Working Note:

Partner	Old Share	New share	Sacrifice Share
Alpha	1/2	- 3/6	= 0
Beeta	1/2	- 2/6	= 1/6
Gyama		- 1/6 (gain)	= 1/6 gain

Module 2: Chapter 8 (Page no. 8.145) - Illustration 5

Solution to illustration to be read as:

Partners Capital A/c

Particulars	Diya	Riya	Kiya	Particulars	Diya	Riya	Kiya
To Goodwill	32,000	16,000	32,000	By Balance b/d	1,50,000	1,80,000	70,000
				By General Reserve	56,000	28,000	56,000
				By Joint life Policy	56,000	28,000	56,000
				By Interest on Capital			4,200
				By revaluation	6,000	3,000	6,000
To Kiya capital	40,000	20,000		By Diya & Riya capital			60,000



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To Bank			2,47,800	By Profit & loss suspense Ac			27,600
To Balance c/d	1,96,000	2,03,000					
	2,68,000	2,39,000	2,79,800		2,68,000	2,39,000	2,79,800

Bank A/c

Particulars	Rs.	Particulars	Rs.
To Balance B/d	34,510	By Kiya's Capital	2,47,800
To Bank (Joint Life Policy)	2,00,000		
To balance c/d	13,290		
	2,47,800		2,47,800

Balance Sheet as on 30th September 2020

Liabilities	Rs.	Assets	Rs.
Capital a/c :		Land & Building	1,98,000
Diya	1,96,000	Furniture	67,500
Riya	2,03,000	Inventory	80,000
Trade payables	60,000	Trade Receivable	94,990
Bank overdraft	13,290	Profit and loss Suspense	31,800
	4,72,290		4,72,290

Working Notes:

1. Goodwill valuation	2016-17	1,62,000
	2017-18	1,99,000
	2018-19	1,87,000
	2019-20	<u>1,96,000</u>

Total 7,44,000

Average =  $7,44,000/4 = 1,86,000$

Less: Interest on Capital  $3,00,000 \times 12\% = 36,000$



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Adjusted Average Profit	=1,50,000
Goodwill (1 year's purchase )	= 1,50,000
Kiya's share (2/5)	=60000

2. Journal entry for adjustment of goodwill

Particulars		Rs.	Rs.
Diya's Capital A/c	Dr.	40,000	
Riya's Capital A/c	Dr.	20,000	
	To Kiya's Capital A/c		60,000
( share of goodwill adjusted)			

3. Kiya's share of profit till the date of death

Average profit for full year before interest on capital = 186000

6 month's profit = 93,000

Less: interest on capital  $4,00,000 \times 12\% \times 6/12$  = 24,000

Adjusted profit till the date of death = 69,000

Kiya's share 2/5th = 27,600

4. The Joint life policy in this question is based on the surrender value method- where in the amount shown in the balance sheet shall be deducted from the JLP proceeds received from insurance co, on the death of a partner.-

Rs. 2,00,000- 60,000 (BS value)= Rs. 1,40,000- divided in profit sharing ratio between the partners.