PAPER – 1: PRINCIPLES AND PRACTICE OF ACCOUNTING

*Question No. **1** is compulsory.*

*Attempt any **four** questions from the remaining **five** questions.*

Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer.

Working Notes should form part of the answer

Q1. (a) State with reasons, whether the following statement are True or False:

- **i.** Trade Discount is a reduction granted by a supplier from the list price of goods or services on business considerations for prompt payment.
- **ii.** M/s. XYZ & Co. runs a cafe. They renovated some of the old cabins. Because of this renovation some space was made free and number of cabins was increased from 15 to 18. The total expenditure incurred was Rs. 30,000 and was treated as a revenue expenditure.
- **iii.** Valuation of inventory at cost or net realizable value is based on principle of Conversation.
- **iv.** In case of bill of exchange, the drawer and the payee may not be the same person nut in case of a promissory note, the maker and the payee may be the same person.
- **v.** A Partnership firm cannot own any Assets.
- **vi.** Since company has existence independent of its members, it continuous to be in existence despite the death, insolvency or change of members. (**6 * 2 = 12 Marks)**

(b) Distinguish between Provision and Contingent Liability. **(4 Marks)**

(c) X purchased a machinery on 1st January 2017 of Rs. 4,80,000 and spent Rs. 20,000 on its installation. On July 1, 2017 another machinery costing Rs. 2,00,000 was purchased. On 1st July, 2018 the machinery purchased on 1st January, 2017 having become scrapped and was sold for Rs. 2,90,000 and on the same date fresh machinery was purchased for Rs. 5,00,000. Depreciation is provided annually on 31st December at the rate of 10% p.a. on written down value. Prepare Machinery account for the years 2017 and 2018. **(4 Marks)**

Answer:

1.(a) (i) **False :-** Because trade discount is allowed to buy More Goods not for prompt payment.

(ii) **False** :- Because it is a capital expenditure since there is an extension in capital Asset.

(iii) **True :-** Stock is valued at cost or net realizable value whichever is lower, Because prudence or Conservatism states that the accountant should not anticipate income and should provide for all possible losses.

(iv) **False :-** In promissory note maker and payee can not be same person.

(v) **True :-** Partnership firm cannot own asset because of not having Independent entity the partner own the Asset firm.

(vi) **True :-** Because company has existence Independent of its Member, it continues to be in existence despite the death, insolvency or change of members.

1(b)

<u>Distinction Between Contingent Liabilities And Provisions</u>

	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 amount of the obligation.	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.
(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.

1 (c)

Machinery A/c

Date	Particulars	₹	Date	Particulars	₹
1-1-2017	To Bank A/c	480,000	31-12-2017	By depreciation A/c	
1-1-2017	To Bank A/c	20,000		1. 50,000	
1-7-2017	To Bank A/c	2,00,000		2. 10,000	60,000
				By Balance c/d	
			31-12-2017	1. 4,50,000	
				2. 1,90,000	6,40,000
		7,00,000			7,00,000
1-1-2018	To Balance b/d		1-7-2018	By depreciation. A/c	22,500
	1. 4,50,000	6,40,000	1-7-2018	By Bank A/c	2,90,000
	2. 1,90,000		1-7-2018	By profit & Loss	1,37,500
1-7-2018	To bank A/c	5,00,000		(Loss on sale)	
			31-12-2018	By depreciation. A/c	
				2. 19,000	
				3. 25,000	44,000
				By Balance c/d	
			31-12-2018	1. 1,71,000	
				2. 4,75,000	6,46,000
		11,40,000			**11,40,000**

Q2. (a) On 30th September, 2018, the bank account of XYZ, according to the bank column of the cash book, was overdrawn to the extent of Rs. 8,062. An examination of the cash book and Bank Statement reveals the following:

- **i.** A cheque for Rs. 11,14,000 deposited on 29th September, 2018 was credited by the bank only 3rd October, 2018.
- **ii.** A payment by cheque for Rs. 18,000 has been entered twice in the Cash book.
- **iii.** On 29th September, 2018, the bank credited an amount of Rs. 1,15,4000 received from a customer of XYZ, but the advice was not received by XYZ until 1st October 2018.
- **iv.** Bank charge amounting to Rs. 280 had not been entered in the cash book.
- **v.** On 6th September 2018, the bank credited Rs. 30,000 to XYZ in error.
- **vi.** A bill of exchange for Rs. 1,60,000 was discounted by XYZ with his bank .The bill was dishonoured on 28th September, 2018 but no entry had been made in the books of XYZ.
- **vii.** Cheques issued upto 30th September, 2018 but not presented for payment upto that date totalled Rs. 13,46,000.
- **viii.** A bill payable of Rs. 2,00,000 had been by the bank but was not entered in the cash book and bill receivable for Rs. 60,000 had been discounted with the bank at a cost Rs. 1,000 which had also been recorded in cash book.

You are required:

To show the appropriate rectifications required in the cash book of XYZ, to arrive at the correct balance on 30th September, 2018 and to prepare a Bank Reconciliation Statement as on that date. (10 Marks)

(b) Correct the following errors (i) without opening a Suspense Account and (ii) with opening a Suspense Account:

1. The sales book has been totalled Rs. 2,100 short.
2. Goods worth Rs. 1,800 returned by Gaurav & Co. have not been recorded anywhere.
3. Goods purchased Rs. 2,250 have been posted to the debit of the supplier Sen Brothers.
4. Furniture purchased from Mary Associates, Rs. 15,000 has been entered in the purchase Daybooks.
5. Discount received from Black and White Rs. 1,200 has not been entered in the books.
6. Discount allowed to Radhe Mohan & Co. Rs. 180 has not been entered in the Discount Column of the Cashbook. The account of Radhe Mohan & Co. has, however, been correctly posted. (10 Marks)

Answer 2(a)

Adjusted Cash Book

Particulars	₹	Particulars	₹
To creditors a/c (Cheque Recorded twice)	18000	By Balance b/d	8,062
		By Bank Charges	280
To XYZ A/c	1,15,400	By Debtors a/c (B/R dishonor)	1,60,000
To Bills Receivable a/c	59,000	By Bills Payable a/c	2,00,000
To Balance c/d	1,75,492		
	3,68,342		**3,68,342**

Particulars	(+)	(-)
1. Overdraft as per Cash Book		1,75,492
2. Cheques deposited but not cleared		11,14,000
3. Cheques issued but not yet presented	13,46,000	
4. Wrongly credited by Bank	30,000	
Balance as per Pass Book		86,058
	13,76,000	**13,76,000**

Q2(b) <u>Solution :-</u>

<u>If a Suspense Account is not opened.</u>

1. Since sales book has been cast RS. 2,100 short, the Sales Account has been similarly credited RS.2,100 short. The correcting entry is to credit to the Sales Account By RS. 2,100 as "By wrong totaling of the Sales Book RS.2,100."
2. To rectify the omission , the returns Inward Account Has to be debited and the account of Gaurav & Co. Credited.
   The entry:-

Returns Inward Account Dr To Gaurav & Co. (Goods returned by the firm, previously omitted from the Return Inward Book)	RS .1800	Rs.1800

3. Sen Brothers. have been debited Rs. 2,250 instead of being Credited. This Account should now be credited by 4,500 to remove the wrong debit and to give the correct debit. The Entry will be on the Credit Side……"By errors in posting
   Rs. 4, 500."
4. By this error Purchases Account has to be debited by Rs. 15,000 whereas the debit should have been to the Furniture Account. The Correcting Entry will be :-

Furniture Account To Purchases Account (Correction of the mistake by which of the Furniture Account)	Rs .15,000	Rs .15,000

5. The Discount of Rs. 15 received from Black & white & co. should have been entered on the credit side of the cash book. Had this been done, the Discount Account would have been credited (through the total of the discount column) and Red & Black would have been debited. This entry should not be made:

Black & white & co. To Discount Account (Rectification of error by which the discount allowed by the firm was not entered in the Cash Book)	RS .1200	Rs.1200

6. In this case the account of customer has been correctly posted; The Discount Account has been debited Rs. 18 short since it has been omitted from the discount column on the debit side of the cash book. The Discount account should now be debited by the entry; "To omission of entry in the Cash Book Rs. 180."

<u>If a Suspense Account is opened :-</u>

	Particulars	Dr. (Rs.)	Cr. (Rs.)
(1)	Suspense Account Dr To Sales Account (Being the correction arising from under –casting of Sales Day Book)	2100	2100
(2)	Return Inward Account Dr To Gaurav &Co. (Being the recorded of unrecorded returns	1800	1800
(3)	Suspense Account Dr To Sen brothers. (Being the correction of the error by which sen brothers . was debited instead of being credited by Rs. 2,250.)	4500	4500
(4)	Furniture Account Dr To Purchase Account (Being the correction of recording purchase of furniture as ordinary purchases)	15,000	15,000

(5)	Black & White Dr To Discount Account (Being the recording of discount omitted to be recorded)	1200	 1200
(6)	Discount Account Dr To Suspense Account (Being the correction of omission of the discount allowed from Cash Book Customer's account already posted Correctly)	180	 180

Suspense Account

Particulars	Amount Rs.	Particulars	Amount Rs.
To Sales A/C **To Sen bros.**	2100 4500	By Difference in Trial Balance By Discount A/C	6420 180
	6600		**6600**

Q3. (a) Anand of Bangalore consigned to Raj of pune, goods to be sold at invoice price which represented 125% of Cost. Raj is entitled to a commission of 10% on sales at invoice price and 25% of any excess realised over invoice price. The expenses on freight and insurance incurred by Anand were Rs. 12,000. The account sales received by Anand insurance incurred by Anand shows that Raj has effected sales amounting to 1,20,000 in respect of 75% of the consignment. His selling expenses to be reimbursed were Rs. 9,600. 10% of consignment goods of the value of Rs. 15,000 were destroyed in fire at the Pune godown and the insurance company paid Rs. 12,000 net of salvage. Raj remitted the balance in favour of Anand.

You are required to prepare Consignment Account and the account of Raj in the books of Anand along with the necessary calculations.

(10 Marks)

(b) A firm sends goods on "Sale or Return basis". Customers have the choice of returning the goods within a month. During May 2018, the following are the details of goods sent:

Date(May)	2	8	12	18	20	27
Customers	P	B	Q	D	E	R
Value(R)	17,000	22,000	25,000	5,500	2,000	28,000

Within the stipulated time, P and Q returned the goods and B, D and E signified that they have accepted the goods.

Show in the books of the firm, the Sale or Return Account and Customers Q for Sale or Return Account as on 15th June 2018. (5 Marks)

(c) Attempt any ONE of the following two sub-parts i.e, either (i) or (ii)

i. The following amounts are due to X by Y.Y wants to pay on 10th July 2019. Interest rate of 9% p.a. is taken into consideration.

Due dates	Rs.
10th January	750
26th January (Republic Day)	1,200
23rd Marh	3,300
18th August (Sunday)	4,100

Determine average due date and the amount to be paid on 10th July 2019. Assume 10th January as base date. (5 Marks)

ii. Ramesh has a Current Account with partnership firm. He had a debit balance of Rs. 85,000 as on 01-07-2018. He has further deposited the following amounts:

Date	Amount (Rs.)
14-07-2018	1,23,000
18-08-2018	21,000

He Withdrew the following amounts:

Date	Amount(Rs.)
29-07-2018	92,000
09-09-2018	11,500

Show Ramesh's A/c in the books of the firm. Interest is to be calculated at 10% on debit balance and 8% on credit balance. You are required to prepare current account as on 30th September, 2018 by means of product of balances method. (5 Marks)

Answer 3(a) **In The Books of Anand**

Consignment Account

Particulars	₹	Particulars	₹
To Goods sent on Consignment A/c	1,50,000	By Goods sent on Consignment A/c (Loading)	30,000
To Bank A/c	12,000	By Abnormal Loss	13,200
To Raj (Expenses)	9,600	By Raj (Sales)	1,20,000
To Raj (Commission)	13,125	By Inventories on Consignment A/c	24,300
To Inventories Reserve A/c	4,500	By Profit & Loss A/c (Loss)	1725
	1,89,225		1,89,225

Raj Account

Particulars	₹	Particulars	₹
To Consignment A/c	1,20,000	By Consignment A/c (Expense)	9,600
		By Consignment A/c (commission)	13,125
		By Bank A/c	97,275
	1,20,000		1,20,000

1. Calculation of value of goods sent on consignment:

Abnormal Loss at Invoice price = ` 15,000.

Abnormal Loss as a percentage of total consignment = 10%.

Hence the value of goods sent on consignment = 15,000 X 100/ 10 = 1,50,000.
Loading of goods sent on consignment = 1,50,000 X 1/5 = 30,000

2. Calculation of abnormal loss (10%) :

Abnormal Loss at Invoice price = ` 15,000
Abnormal Loss at cost = ` 15000X 100/125 = 12,000
Add: Proportionate expenses of Anand (10 % of ` 12,000)= 1200
` 13200

3. Calculation of closing Inventories (15%):

Invoice price of unsold consignment ` 1,50,000* 15% = 22,500

Add: Anand 's expenses on consignment =12000*15% 1800

Value of closing Inventories = 24,300 =

Loading in closing Inventories = ` 30,000 X 15/100 =4500 `

4 Calculation of commission:

Invoice price of the goods sold = 75% of ` 1,50,000 = ` 1,12,500

Excess of selling price over invoice price = ` 7500 ( ` 1,20,000- ` 1,12,500)

Total commission = 10% of ` 112500 + 25 % of ` 7500

= ` 11250 + ` 1875

= ` 13,125

3(b)

Sale or Return Account

Date	Particulars	`	Date	Particulars	`
2018			2018		
31-May	To Sundries: Sales	29,500	31-May	By Sundries (Goods sent on sale or return basis)	99,500
15-Jun	To Sundries: Returned	42,000			
15-Jun	To Balance c/d	28,000			
		99,500			99,500
				By Balance b/d	28,000

P' s Account

Date	Particulars	`	Date	Particulars	`
2018			**2018**		
May 31	To sales or return a/c	17,000	May 31	By sales or return a/c	17,000
		17,000			17,000

Q3 (c)

Calculation of Average Due Date:-

Due Date	Due Date (Actual)	No. of Day	Amount	Product
10 January	10 January	0	750	0
26 January	25 January	15	1200	18,000
23 March	23 March	72	3300	2,37,600
18 August	17 August	219	4100	8,97,900
			9350	**11,53,500**

Average Due Date = Base Date $\pm \frac{\textit{Sum of Product}}{\textit{Sum of Amount}}$

=10 January +$\frac{11,53,500}{9350}$

= 10 January +123.36 days
= 10 January+ 124 days
=14 May
If Payment made on 10 july then Amount to be paid

=9350+9350*$\frac{9}{100}$*$\frac{57}{365}$ =9350+131.41=**9481.14**

Q3(c) (ii)
Roshan's Current Account with Partnership firm (as on 30.9.2016)

Date	Particulars	Dr	Cr	Balance	Dr. or Cr.	Days	Dr Product	Cr Product
01.07.18	To Bal b/d	85,000		85,000	Dr.	13	11,05,000	
14.07.18	By Cash A/c		1,23,000	38,000	Cr.	15		5,70,000
29.07.18	To Self	92,000		54,000	Dr.	20	10,80,000	
18.08.18	By Cash A/c		21,000	33,000	Dr.	22	7,26,000	
09.09.18	To Self	11,500		44,500	Dr.	22	9,79,000	
30.09.18	To Interest A/c	940.82		45440.82	Dr.			
30.09.18	By Bal. c/d		45,440.82					
		1,89,440.82	1,89,440.82				38,90,000	5,70,000

Interest is calculated as follows:

On ` 38,90,000 @ 10% for 1 day = 1065.75

On $5,70,000$ @ 8% for 1 day = 124.93

Net Interest = ` 1065.75-124.93 = **940.82**

Q4. (a) Arup and Swarup were partners. The partnership deed provides inter alia:

i. That the annual accounts be balanced on 31st December each year;
ii. That the profits be allocated as follows:
Arup: One-Half; Swarup: One third and Carried to reserve account: One Sixth;
iii. That in the event of death of a partner, his executor will be entitled to the following:

1. The capital to his credit at the date of death;
2. His proportionate share of profit to date of death based on the average profits of the last three completed years; and
3. His Share of goodwill based on three years' purchased of the average profits for the three preceding completed years

Trial Balance as on 31st December 2018

Particular	**Debit (Rs.)**	**Credit(Rs.)**
Arup's Capital		90,000
Swarup's Capital		60,000
Reserve		45,000
Bills receivable	50,000	
Investment	55,000	
Cash	1,10,000	
Trade Payables		20,000
Total	**2,15,000**	**2,15,000**

The profits for the three year were 2016: Rs. 51,000; 2017: Rs. 39,000 and 2018: Rs. 45,000. Swarup died on 1st May 2019.

Show the calculation of Swarup (A) Share of profits; (B) Share of Goodwill; (C) Draw up Swarup's Executors Account as would appear in the firms' ledger transferring the amount to the Loan account.

(10 Marks)

(b) From the following Income and Expenditure account and the Balance sheet of a club, prepare its Receipts and Payments Account and subscription account for the year ended 31st March 2019:

Income & Expenditure Account for the year 2018- 19

Particulars	**Rs.**	**Particulars**	**Rs.**
To Upkeep of ground	11,000	by Subscription	19,052
To Printing	1,100	by Sale of Newspaper (Old)	286
To Salaries	11,100	By Lectures (Fee)	1,650
To Depreciation on furniture	1,100	By Entrance Fee	2,145
To Rent	1,660	By Misc. Income	440

		By Deficit	2,387
	25,960		25,960

Balance sheet as at 31st March 2019

Liabilities		Rs.	Assets	Rs.
Subscription in advance (2019- 20)		110	Furniture	9,900
Prize fund				
Opening balance	27,500			
Add: Interest	1,100			
	28,600		Ground and Building	51,700
Less : Prizes given	2,200	26, 400		
			Prize Fund Investment	22,000
General Fund :			Cash in Hand	2,530
Opening balance	62,062			
Less: Deficit	2,387			
	59,675		Subscription (outstanding)	770
Add: Entrance Fee	715	60,390	(2018- 2019)	
		86,900		86,900

The following adjustments have been made in the above accounts :

(i) Upkeep of ground Rs. 660 and printing Rs. 264 relating to 2017- 18 were paid in 2018- 19

(ii) One fourth of en trance fee has been capitalized by transfer to General Fund

(iii) Subscription outstanding in 2017- 18 was Rs. 880 and for 2018- 19 Rs. 770

(iv) Subscription received in advance in 2017- 18 was Rs. 220 and in 2018- 19 for 2019- 20 was Rs. 110

(v) Furniture was purchased during the year **(10 MARKS)**

Answer 4 (a)

Swarup Capital A/c

PARTICULARS	RS.	PARTICULARS	RS.
To Swarup Executors a/c	1,38,000	By Balance By Reserve A/c $(45000 * \frac{2}{5})$ By profit & Loss suspense A/c By Arup Capital A/c (Goodwill)	60,000 18,000 6,000 54,000
	1,38,000		**1,38,000**

Swarup executors A/c

To Swarup Executor Loan A/c	1,38,000	By Swarup Capital A/c	1,38,000

Working Notes

Profit Sharing ratio

Arup	Swarup	Reserve
$\frac{1}{2}$	$\frac{1}{3}$	$\frac{1}{6}$

$$\frac{3:2:1}{6}$$

Arup		Swarup
3	:	2

1. Calculation of Swarup share of profit

Average Profit :- $\frac{51000+39000+45000}{3}$

$= \frac{135000}{3} = 45,000$

Share of Swarup Profit :- $45000 * \frac{2}{5} * \frac{4}{12}$

$= 6000$

2. Calculation of Goodwill

Average Profit = $\frac{51000+39000+45000}{3}$

$= \frac{135000}{3}$

= 45,000

Goodwill = 45000 * 3

= 135000

Swarup Share of goodwill = $135000 * \frac{2}{5}$

= 54000

Answer 4 (b)

Receipt and Payment A/c

For the year ending 31st March 2019

Receipts	Rs.	Payment	Rs.
To Balance b/d (B/f)	16,126	BY upkeep of Ground 11000 Add:- Paid For 2017-18 660	11,660
To Subscription 19052 Add:- o/s for 2017-18 880 Less:-o/s for 2018-19 (770) Add: advance for 2019-20 110	19,052	By _Printing 1100 Add:- Paid for 2017-18 264 By Salaries	1,364 11,100
Less:- Advance Received In 2017-18 (220)	2,860	By Rent By Prizes Given By Furniture A/C	1,660 2,200 11,000
To Entrance Fees (715+2145)	440	(9900+1100) By Balance C/d	2530
To Miscellaneous income	286		
To Sale of Old Newspaper	1,650		
To Lectruer Fees	1,100		
To Interest on Investment			
	41,514		**41,514**

Subscription A/c

Particulars	`	Particulars	`
To Outstanding subscription A/c	880	By advance subscription A/c	220
To Income & expenditure A/c	19,052	By bank A/c (B/F)	19052
To advance subscription A/c	110	By Outstanding subscription A/c	770
	20,042		**20,042**

Q5 (a)

Corrected Trial Balance As on 31st March 2019

P	**Dr.**	**Cr.**
Provision for Doubtful Debts		250
Cash credit Account		1,654
Capital		4,591
Trade payable		1,637
Due from customer	2,983	
Discount Received		252
Discount allowed	733	
Drawings	1,200	
Furniture	2,155	
Carriage inward	829	
Purchase	10,923	
Return inward	330	
Rent & Rates	314	
Salary	2,520	
Sales		16,882
Inventory	2,418	
Provision for depreciation		364
Suspense Account	1,225	
	25,630	**25,630**

Q5 (b)

In the Books of Mr. shyam Lal Manufacturing Account for the Year ended 31.3.2019

Particulars		Units	Amount `	Particulars	Units	Amount `
To Opening Work-in- Process		9,000	26,000	ByClosingWork-in-Process	14,000	48,000
To Raw Materials Consumed:				By Trading A/c – Cost of finished goods transferred	5,00,000	19,33,600
Opening inventory	2,60,000					
Add: Purchases	8,20,000					
Closing Inventory	(3,20,000)		7,60,000			
To DirectWages –			4,05,600			
To Directexpenses: Hire charges on Machinery –			3,50,000			
To Indirect expenses: Hire chargesof Factory			2,60,000			
Repairs Maintenance			1,80,000			
			19,81,600			19,81,600

Working Notes :

1. Direct Wages - 5,00,000 units @ ` 0.80 = 4,00,000
   Add: 14,000 units @ ` 0.40 <u>5,600</u>
   <u>405600</u>
2. Hire charges on Machinery - 5,00,000 units @ ` 0.70 = 3,50,000

Q5 (c)

Profit and Loss Account (Revised)

Particulars	`	Particulars	`
To Outstanding expenses	1,85,000	By Balance b/d	15,10,000
To Net profit	13,50,000	By Prepaid insurance	25,000
	15,35,000		15,35,000

Balance Sheet
as on 31st December, 2018

Liabilities		₹	Assets		₹
Capital	51,00,000		Cash at Bank		5,20,000
Add: Net Profit	13,50,000		Trade receivables	21,00,000	
	64,50,000		Less: Provision for doubtful debts	(1,05,000)	19,95,000
Less : Drawings	(6,20,000)		Plant and Machinery	31,00,000	
	58,30,000	61,36,000	Less: Depreciation	(3,10,000)	27,90,000
Add: Interest on capital	3,06,000		Furniture & Fixtures	4,00,000	
Outstanding expenses		1,85,000	Less: Depreciation	(20,000)	3,80,000
Trade payables		13,84,000	Inventories		19,95,000
			Prepaid insurance		25,000
		77,05 000			**77,05,000**

Q6 (a)

Particulars		Dr.	Cr.
Bank A/C	Dr.	1,50,000	
To Equity Share Application A/C			1,50,000
Equity Share Application A/C	Dr.	1,50,000	
To Equity Share Capital A/C			1,50,000
Equity Share Allotment A/c	Dr.	2,50,000	
To Equity Share Capital A/c			1,50,000
To Securities Premium Reserve A/C			1,00,000
Bank A/C	Dr.	2,45,000	
Calls in Arrears A/C(1000*5)	Dr.	5,000	
To Equity Share Allotment A/C			2,50,000
Equity Share First &Final Call A/C	Dr.	2,00,000	
To Equity Share Capital A/C			2,00,000
Bank A/C	Dr.	1,88,000	
Calls in Arrear A/C(3000*4)		12,000	
To Share First &Final Call A/c			2,00,000
Equity Share Capital A/C	Dr.	10,000	
Securities Premium Reserve A/C(1000*2)	Dr.	2,000	
To Calls in Arrears A/C(1000*9)			9,000
To Share Forfeited A/C (1000*3)			3,000
Equity Share Capital A/C	Dr.	20,000	
To Calls in Arrears A/C (2000*4)			8,000
To Share Forfeited A/C (2000*6)			12,000
Bank A/C (2500*8)	Dr.	20,000	
Forfeited Shares A/C (2500*2)	Dr.	5,000	
To Equity Share Capital A/C			25,000
Forfeited Shares A/C	Dr.	7,000	
To Capital Reserve A/C			7,000
$\{\frac{12000}{2000}*1500+3000-5000\}$			

BALANCE SHEET of B Ltd.
As on ……….

Particulars	Notes No.	₹`
EQUITY AND LIABILITIES		
Shareholders' funds		
Share capital	1	4,98,000
Reserves and Surplus	2	1,05,000
Total		**6,03,000**
ASSETS		
Current assets		
Cash and cash equivalents (bank)		6,03,000
Total		**6,03,000**

Notes to Accounts

		`	`
1.	**Share Capital**		
	Equity share capital Issued share capital		
	50,000 Equity shares of ` 10 each	5,00,000	
	Subscribed, called up and paid up share capital		
	49,500 Equity shares of ` 10 each	4,95,000	
	Add: Forfeited shares	3,000	4,98,000
2.	**Reserves and Surplus**		
	Securities Premium	98,000	
	Capital Reserve	7,000	1,05,000

Working Notes

Balance of Security Premium

Total Premium amount receivable on allotment	=	100,000
Less: Amount reversed on forfeiture	=	(2,000)
Balance remaining	=	98,000

Q6 (b)

Distinction Between Periodic Inventory System And Perpetual Inventory System

S. No.	Periodic Inventory System	Perpetual Inventory System
1.	This system is based on physical verification.	It is based on book records.
2.	This system provides information about inventory and cost of goods sold at a particular date.	It provides continuous information about inventory and cost of sales.
3.	This system determines inventory and takes cost of goods sold as residual figure.	It directly determines cost of goods sold and computes inventory as balancing figure.
4.	Cost of goods sold includes loss of goods as goods not in inventory are assumed to be sold.	Closing inventory includes loss of goods as all unsold goods are assumed to be in Inventory.
5.	Under this method, inventory control is not possible.	Inventory control can be exercised under this system.
6.	This system is simple and less expensive.	It is costlier method.
7.	Periodic system requires closure of business for counting of inventory.	Inventory can be determined without affecting the operations of the business.