CA Foundation Course **(Mock Test Paper – Series : 2)**
DATE: 02.05.2024 **MAXIMUM MARKS: 100** **TIMING: $3^{1/4}$ Hours**

PAPER 1 : ACCOUNTING

Question No. 1 is compulsory

Candidates are required to answer any four questions from the remaining five questions.

Answer 1:

(a) (i) **True:** }{1 M}
Since the temporary huts were necessary for the construction, their cost should be added to the cost of the cinema hall and thus capitalised. {1 M}

(ii) **False:** }{1 M}
If an amount is posted in the wrong account or is written on the wrong side of the correct account, it is case of "errors of commission" and is not "error of principle". {1 M}

(iii) **True:** }{1 M}
Rights issue of shares results in decrease of market value of per share in comparison to market price before rights issue. {1 M}

(iv) **False:** }{1 M}
The balance in forfeited shares account cannot be used for transfer to capital redemption reserve account. {1 M}

(v) **False:** }{1 M}
The provisions of the Indian Partnership Act, 1932 shall not apply to a limited liability partnership. Limited Liability (LLPs) Act, 2008 is applicable for Limited Liability Partnerships. {1 M}

(vi) **False:** }{1 M}
Registered debentures are not easily transferable by delivery. Bearer debentures are transferable by delivery. {1 M}

Answer:

(b) **Going Concern concept:** The financial statements are normally prepared on the assumption that an enterprise is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the enterprise has neither the intention nor the need to liquidate or curtail materially the scale of its operations; if such an intention or need exists, the financial statements may have to be prepared on a different basis and, if so, the basis used is disclosed. {2 M}

Cost concept: By this concept, the value of an asset is to be determined on the basis of historical cost, in other words, acquisition cost. Although there are various measurement bases, accountants traditionally prefer this concept in the interests of objectivity. It is highly objective and free from all bias. {2 M}

Answer:

(c)

S. No.			Debit (Rs.)	Credit (Rs.)	
1	Commission A/c	Dr.	4,500		{1 M}
	To Interest Received			4,500	
	(Correcting wrong entry of interest received into commission account)				
2	M/s Sobhag Traders A/c	Dr.	90		{1 M}
	To Suspense A/c			90	
	(Being credit sale of Rs. 2,760 posted as Rs. 2,670 i.e. debiting M/s Sobhag Traders A/c less by 90, now rectified)				

3	Drawing A/c	Dr.	35,000	
	To Machinery A/c			35,000
	(Correction of wrong debit to machinery account for purchase of air-conditioner for personal use)			
4	Return Inward A/c	Dr.	5,000	
	To Debtors (Personal) A/c			5,000
	(Correction of omission to record return of goods by customers)			

{1 M}

{1 M}

Answer 2:

(a) **Bank Reconciliation Statement as on 30th June 2018**

	Particulars	Amount	Amount
	Overdraft as per Pass Book (Dr. Balance)		50,000
Add:	Cheques issued but not presented (Rs. 68,000-40,000)	28,000	}{1 M}
	Cheques deposited into the Bank by Customer but not entered in Cash Book	800	}{1 M}
	Bank charges written twice in Cash Book	160	}{1 M}28,960
			78,960
Less:	Cheques received, recorded in cash Book but not sent to the Bank	8,000	}{1 M}
	Cheques sent to the Bank but not collected	12,000	}{1 M}
	Direct payment made by the bank not recorded in the Cash book	1,200	}{1 M}
	Interest on Overdraft charged by Bank	3,200	}{1 M}
	Insurance charges not entered in Cash Book	140	}{1 M}
	Credit side of bank column of Cash Book was under cast	4,000	}{1 M}28,540
	Overdraft as per Cash Book		50,420 }{1 M}

OR

Bank Reconciliation Statement as on 30th June 2018

Particulars	Amount (+)	Amount (-)
Overdraft as per Pass Book (Dr. Balance)		50,000
Cheques issued but not presented (Rs. 68,000-40,000)		28,000 }{1 M}
Cheques deposited into the Bank by Customer but not entered in Cash Book		800 }{1 M}
Bank charges written twice in Cash Book		160 }{1 M}
Cheques received, recorded in cash Book but not sent to the Bank	8,000	}{1 M}
Cheques sent to the Bank but not collected	12,000	}{1 M}
Direct payment made by the bank not recorded in the Cash book	1,200	}{1 M}
Interest on Overdraft charged by Bank	3,200	}{1 M}
Insurance charges not entered in Cash Book	140	}{1 M}
Credit side of bank column of Cash Book was under cast	4,000	}{1 M}
Overdraft as per Cash Book		50,420 }{1 M}

Answer:

(b) **Dr.** **MACHINERY ACCOUNT** **Cr.**

Date	Particulars	Amount	Date	Particulars	Amount
		Rs.			Rs.
2010			2011		
Oct.1	To Bank A/c	6,00,000	Mar. 31	By Balance c/d	6,00,000
2011			2012		
April 1	To Balance b/d	6,00,000	Mar. 31	By Balance c/d	6,00,000
2012			2012		
April 1	To Balance b/d	6,00,000	May 31	By Machinery	
May 31	To Bank A/c	1,50,000		Disposal A/c	80,000
			2013		
			Mar. 31	By Balance c/d	6,70,000 }{1 M}
		7,50,000			7,50,000

Dr. **PROVISION FOR DEPRECIATION ACCOUNT** **Cr.**

Date	Particulars	Amount	Date	Particulars	Amount
		Rs.			Rs.
2011			2011		
Mar. 31	To Balance c/d	60,000	Mar. 31	By Depreciation A/c	60,000 }{1 M}
2012			2011		
Mar. 31	To Balance c/d	1,68,000	April 1	By Balance b/d	60,000
			2012		
			Mar. 31	By Depreciation A/c	
				(Rs. 14,400	
				+ 93,600)	1,08,000 }{1 M}
		1,68,000			1,68,000
2012			2012		
May 31	To Machinery		April 1	By Balance b/d	1,68,000
	Disposal A/c	24,320(1)	May 31	By Depreciation A/c	1,920 }{1 M}
2013			2013		
Mar. 31	To Balance c/d {1 M}{	2,45,480	Mar. 31	By Depreciation A/c	99,880(2) }{1 M}
		2,69,800			2,69,800

Dr. **MACHINERY ACCOUNT** **Cr.**

Date	Particulars	Amount	Date	Particulars	Amount
		Rs.			Rs.
2012			2012		
May 31	To Machinery A/c	80,000	May 31	By Provision for	
				Depreciation A/c	24,320(1) }{1 M}
			May 31	By Bank A/c	30,000
			May 31	By Statement of	
				Profit & Loss	
				(Balancing figure,	
				being loss on sale)	25,680 }{1 M}
		80,000			80,000

Working Notes :

(1) Calculation of depreciation provided on machinery sold :

	Book Value	Accumulated Depreciation
	Rs.	Rs.

Original Cost as on 1st Oct., 2010	80,000	
Less : Depreciation for 2010-11 for 6 months @ 20% p.a.	8,000	8,000
	72,000	
Less : Depreciation for 2011-12 @ 20% on 72,000)	14,400	14,400
	57,600	
Less : Depreciation for 2012-13 for 2 months @ 20% p.a.	1,920	1,920
	55,680	24,320 }{1 M}

(2) Depreciation on machinery in use will be calculated on the balance of 'Machinery A/c' minus balance of 'Provision for Depreciation A/c' :

	Rs.
Balance of Machinery A/c (Rs. 6,00,000 – Rs. 80,000)	5,20,000
Less : Balance of Provision for Depreciation A/c	
(Rs. 1,68,000 + Rs. 1,920 – Rs. 24,320)	1,45,600
	3,74,400
Depreciation for 2012-13 @ 20% on 3,74,400)	74,880
Add : Depreciation on new machinery for 10 months on Rs. 1,50,000	25,000 {1 M}
	99,880

Answer 3:

(a)

Revaluation Account

2018			**Rs.**	**2018**		**Rs.**
April 1	To Provision for bad and doubtful debts		535 }{1/2 M}	April 1	By Inventory in trade	1,400 }{1/2 M}
	To Furniture and fittings		720 }{1/2 M}		By Land and Building	5,600 }{1/2 M}
	To Capital A/cs:					
	(Profit on revaluation transferred)					
	Dinesh	2,873				
	Ramesh	1,915				
	Naresh	957	5,745 }{1 M}			
			7,000			7,000

Partners' Capital Accounts

Particulars	**Dinesh**	**Ramesh**	**Naresh**	**Suresh**	**Particulars**	**Dinesh**	**Ramesh**	**Naresh**	**Suresh**
	Rs.	**Rs.**	**Rs.**	**Rs.**		**Rs.**	**Rs.**	**Rs.**	**Rs.**
To Dinesh & Ramesh			1,500 }{1 M}	4,500 }{1 M}	By Balance b/d	15,000	15,000	10,000	–
To Balance c/d	26,973	21,015	10757	3,500	By General Reserve	3,900	2,600	1,300	
					By Bank	–	–	–	8,000
					By Naresh & Suresh	4,500 }{1 M}	1,500 }{1 M}	–	–
					By Outstanding Liabilities (Ram)	700 }{1 M}	–	–	
					By Revaluation A/c	2872	1,915	957	-
	26973	21,015	12257	8,000		26,973	21,015	12,257	8,000

Working Note:

Calculation of sacrificing ratio

Partners	**New share**	**Old share**	**Sacrifice**	**Gain**
Dinesh	¼	3/6	6/24	
Ramesh	¼	2/6	2/24	
Naresh	¼	1/6		2/24
Suresh	¼			6/24

Entry for goodwill adjustment

Naresh (2/24 of Rs. 18,000)	Dr.	1,500	
Suresh (6/24 of Rs. 18,000)	Dr.	4,500	
To Dinesh (6/24 od Rs. 18,000)			4,500
To Ramesh (2/24 of Rs. 18,000)			1,500

Balance Sheet of M/s. Dinesh, Ramesh, Naresh and Suresh as on 1-4-2018

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Trade payables		22,500	Land and Buildings		42,600
Outstanding Liabilities (2,200-700)		1,500	Furniture		6,480
Capital Accounts of Partners :			Inventory of goods		14,000
Mr. Dinesh	26,973		Trade receivables	10,700	
Mr. Ramesh	21,015		Less: Provisions	(535)	10,165
Mr. Naresh	10,757		Cash in hand		2,800
Mr. Suresh	3,500	62,245 }{1 M}	Cash at Bank (2,200+8,000)		10,200
		86,245			86,245 }{1 M}

Answer:

(b) Statement showing the Value of Stock on 30th November, 2022

Particulars	Rs.	Rs.
Value of Stock as on 4th December 2022		25,000
Add: Cost of goods sold between 1st and 4th December (Rs. 1,500-300)	1,200	}{1 M}
Add: Cost of goods with customers on sale or return (Rs. 1,000-200)	800	}{1 M}
Add: Purchase made before 30th November, but goods received after 4th December	600 {1 M}	2,600
		27,600
Less: Goods purchased and received between 1st & 4th December (Rs. 1,200–200)		1,000 }{1 M}
Value of Stock on 30th November, 2022		26,600 }{1 M}

Answer:

(c) BOOKS OF H

Date	Particulars		Amount (Dr.) Rs.	Amount (Dr.) Rs.
1.7.22	G's A/c	Dr.	1,60,000	
	To Bills Payable A/c			1,60,000 {1/2 M}
	(Being Acceptance of Bill drawn by G)			
1.9.22	J's A/c	Dr.	1,80,000	
	To Sales A/c			1,80,000 {1/2 M}
	(Being Sales made to J)			
1.9.22	Bills Receivable A/c	Dr.	1,60,000	
	Banks A/c	Dr.	18,000	
	Discount A/c	Dr.	2,000	
	To J's A/c			1,80,000 {1 M}
	(Being Acceptance received from J's endorsement of bill received from G and Rs. 18,000 received in full settlement of the amount due)			
1.9.22	Bills Payable A/c	Dr.	1,60,000	
	To Bills Receivable A/c			1,60,000 {1 M}

	(Beings Own acceptance received from J's Endorsement cancelled)			
1.10.22	Purchase A/c Dr.	2,00,000		
	To G's A/c		2,00,000	{1 M}
	(Being purchase made from G)			
	G's A/c Dr.	40,000		
	To Bank A/c		40,000	{1 M}
	(Being Amount paid to G after adjustment of Rs. 80,000 for accommodation extended to him)			

Answer 4:

(a)

TRADING AND PROFIT & LOSS ACCOUNT
For the year ending 31st March, 2017

Particulars	Rs.	Particulars	Rs.
To Purchases	1,16,000	By Sales 1,60,000	
To Wages	8,000	Less: Return Inward 4,000	1,56,000 } ½ M
To Carriage Inward	2,000	By Closing Stock	26,000
To Gross Profit c/d	½M} 56,000		
	1,82,000		1,82,000
To Salaries 10,000		By Gross Profit b/d	56,000
Add: Outstanding Salaries 500	½M}10,500	By Accrued Interest on	
To Printing	800	Investment	750 } ½ M
To Advertisement	1,200		
To Trade Charges	600		
To Rent	1,400		
To Discount	500		
To Interest on Capital (1)			
(Rs. 1,800 + Rs. 300)	2,100 } ½ M		
To Depreciation on Plant &			
Fixtures	800 } ½ M		
To Bad Debts 500			
Add: New Provision 1,225	1,725 } ½ M		
To New Profit Transferred to			
Capital A/c	37,125 } ½ M		
	56,750		56,750

BALANCE SHEET
as at 31st March, 2017

Liabilities	Rs.	Assets	Rs.
Bills Payable	9,000	Cash in hand	3,000
Creditors	12,000	Cash at Bank	16,000
Salary Outstanding	½M { 500	Bills Receivable	5,000
Capital 40,000		Debtors 25,000	
Add: Interest on Capital 2,100 } ½ M		Less: Bad Debts 500	} ½ M
Add: Net Profit 37,125 } ½ M		24,500	
79,225		Less: Provision for	
Less: Drawings ½M { 4,500	½M { 74,725	Doubtful Debts ½ M	
		(5% on Rs.24,500) 1,225	23,275 } ½ M
		Closing Stock	26,000 } ½ M

		Investments	15,000		
		Add: Accrued Interest	750	15,750	} ½ M
		Plant & Fixtures	8,000		
		Less: Depreciation	800	7,200	} ½ M
	96,225			96,225	

Note (1) Interest on Capital is calculated as follows:	Rs.	
On Rs. 30,000 @ 6% p.a. for one year	1,800	½ M
On Rs. 10,000 @ 6% p.a. for six months	300	
	2,100	

Answer:

(b) **Profit and Loss Account (Revised)**

Particulars	Rs.	Particulars	Rs.
To Outstanding expenses {1 M}{	1,85,000	By Balance b/d	15,10,000 }{1 M}
To Net profit {1 M}{	13,50,000	By Prepaid insurance	25,000 }{1 M}
	15,35,000		15,35,000

Balance Sheet of Mittal as on 31st December, 2018

Liabilities		Rs.	Assets	Rs.	Rs.
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 }{1 M}
Less: Drawings	(6,20,000)		Plant and Machinery	31,00,000	
	58,30,000		Less: Depreciation	(3,10,000)	27,90,000
Add: Interest on capital {1 M}{	3,06,000	61,36,000 }{1 M}	Furniture & Fixtures	4,00,000	
Outstanding expenses	{1 M}{	1,85,000	Less: Depreciation	(20,000)	3,80,000
Trade payables	{1/2 M}{	13,84,000	Inventories		19,95,000 }{1 M}
			Prepaid insurance		25,000 }{1/2 M}
		77,05,000			77,05,000

Answer 5:

(a) **Receipts and Payments Account**
for the year ending 31st March, 2019

Receipts	Rs.	Payments	Rs.
To Balance b/d (Balancing figure) {1 M}{	16,126	By Upkeep of Ground (11,000+660)	11,660 }{1 M}
To Subscription {1 M}{	19,052	By Printing (1,100+264)	1,364 }{1 M}
To Interest on Prize Fund Investments {1 M}{	1,100	By Salaries	11,100
To Lecture (fee)	1,650	By Furniture (9,900 +1,100)	11,000 }{1 M}
To Entrance Fee {1 M}{	2,860	By Rent	1,660
To Sale of Newspapers (old)	286	By Prizes	2,200 }{1 M}
To Misc. Income	440	By Balance c/d	2,530 }{1 M}
	41,514		41,514

Note:

Rs. 660 paid for upkeep of ground for 2017-18 and Rs. 264 paid for printing have been added to the amount shown as expenditure for the year to arrive at total payment under these heads.

Subscription Account

		Rs.			Rs.
2018			2018	By Subscription in Advance (2017-18)	220
April	To Subscription Outstanding (2017-18)	880	April 1	By Subscription Outstanding (2018-19)	770
	To Subscription In Advance (2018-19)	110		By Cash (Balancing figure)	19,052
2019					
March	To Income & Expenditure A/c	19,052			
		20,042			20,042

{1 M}

Answer:

(b) **Journal Entries in the books of Sanjay Ltd.**

		Rs.	Rs.
1-4-2022	Equity share final call A/c Dr.	10,80,000	
	To Equity share capital A/c		10,80,000 {1/2 M}
	(For final calls of Rs. 2 per share on 5,40,000 equity shares due as per Board's Resolution dated….)		
20-4-2022	Bank A/c Dr.	10,80,000	
	To Equity share final call A/c		10,80,000 {1/2 M}
	(For final call money on 5,40,000 equity shares received)		
	Securities Premium A/c Dr.	1,50,000	{1/2 M}
	Capital redemption Reserve A/c Dr.	2,40,000	{1/2 M}
	General Reserve A/c Dr.	7,20,000	{1/2 M}
	Profit and Loss A/c (b.f.) Dr.	2,40,000	{1/2 M}
	To Bonus to shareholders A/c		13,50,000 {1 M}
	(For making provision for bonus issue of one share for every four shares held)		
	Bonus to shareholders A/c Dr.	13,50,000	
	To Equity share capital A/c		13,50,000 {1 M}
	(For issue of bonus shares)		

Extract of Balance Sheet as at 30th April, 2022 (after bonus issue)

		Rs.
Authorised Capital		
60,000 12% Preference shares of Rs. 10 each		6,00,000 {1/2 M}
6,75,000 Equity shares of Rs.10 each (refer W.N.)		67,50,000 {1/2 M}
Issued and subscribed capital		
48,000 12% Preference shares of Rs.10 each, fully paid		4,80,000 {1/2 M}
6,75,000 Equity shares of Rs.10 each, fully paid		67,50,000 {1/2 M}
(Out of the above, 1,35,000 equity shares @ Rs.10 each were issued by way of bonus shares)		
Reserves and surplus		
Capital Redemption Reserve	2,40,000	
Less: Utilised for bonus issue	(2,40,000) {1/2 M}	NIL
Securities premium	1,50,000	
Less: Utilised for bonus issue	(1,50,000) {1/2 M}	NIL
General Reserve	7,20,000	

Less: Utilised for bonus issue	(7,20,000) }{1/2 M}	NIL
Profit and Loss Account	12,00,000	
Less: Utilised for bonus issue {1/2 M}{	(2,40,000)	9,60,000 }{1/2 M}

Working Note:

1. Number of bonus shares to be issued- 5,40,000/4 X1= 1,35,000 shares }{1/2 M}
2. The authorised capital should be increased as per details given below:

	Rs.
Existing issued Equity share capital	54,00,000
Add: Issue of bonus shares to equity shareholders	13,50,000
	67,50,000

Answer 6:

(a) **JOURNAL**

Date	Particulars	L.F.	Dr.(Rs.)	Cr.(Rs.)
	Bank A/c Dr.		9,00,000	
	To Share Application A/c			9,00,000 {1/2 M}
	(Application money received on 3,00,000 shares @ 3 per share)			
	Share Application A/c Dr.		9,00,000	
	To Share Capital A/c			6,00,000
	To Share Allotment A/c			3,00,000 {1 M}
	(Application money transferred to Share Capital A/c for 2,00,000 shares @ Rs. 3 per share and to Allotment A/c for 1,00,000 shares @ Rs. 3 per share.)			
	Share Allotment A/c Dr.		8,00,000	
	To Share Capital A/c			4,00,000
	To Securities Premium Reserve A/c			4,00,000 {1/2 M}
	(Allotment due on 2,00,000 shares @ Rs. 4 per share)			
	Bank A/c(2) Dr.		4,99,000	
	To Share Allotment A/c			4,99,000 {1/2 M}
	(Allotment money received except on 400 share of R)			
	Share First Call A/c Dr.		6,00,000	
	To Share Capital A/c			6,00,000 {1/2 M}
	(First call due on 2,00,000 share at Rs. 3 per share)			
	Bank A/c Dr.		5,97,000	
	To Share First Call A/c			5,97,000 {1/2 M}
	(First call money received, except on 400 shares of R and 600 shares of M)			
	Share Capital A/c Dr.	{1/2 M}{	3,200	
	Securities Premium Reserve A/c(3) Dr.	{1/2 M}{	800	
	To Share Allotment A/c			1,000 }{1/2 M}
	To Share First Call A/c			1,200 }{1/2 M}
	To Share Forfeiture A/c			1,800 }{1/2 M}
	(The forfeiture of 400 shares of R; Share Capital A/c debited @ Rs. 8 per share called up)			
	Share Second Call A/c Dr.		3,99,200	
	To Share Capital A/c			3,99,200 {1/2 M}
	(Second call money due on 1,99,660 shares at Rs. 2 per share)			
	Bank A/c Dr.		3,98,000	
	To Share Second Call A/c			3,98,000 {1/2 M}
	(Second call money received on 1,99,000 shares)			
	Share Capital A/c(4) Dr.		6,000 }{1/2 M}	
	To Share First Call A/c			1,800 }{1/2 M}
	To Share Second Call A/c			1,200 }{1/2 M}

	To Share Forfeiture A/c			3,000
	(The forfeiture of 600 shares of M)			
	Bank A/c Dr.		7,200	
	Share Forfeiture A/c Dr.		800	
	To Share Capital A/c			8,000
	(800 shares re-issued at Rs. 9 per share)			
	Share Forfeiture A/c Dr.		3,000	
	To Capital Reserve A/c			3,000
	(Profit on 800 re-issued shares transferred to Capital Reserve A/c)			

{1/2 M} {1/2 M} {1/2 M}

Dr. **BANK ACCOUNT** **Cr.**

Particulars	Rs.	Particulars	Rs.
To Share Application A/c	9,00,000	By Balance c/d	24,01,200
To Share Allotment A/c	4,99,000		
To Share First Call A/c	5,97,000		
To Share Second Call A/c	3,98,000		
To Share Capital A/c	7,200		
	24,01,200		24,01,200

{1 M}

(2) (A) Excess amount received from R on application :
R has been allotted 400 shares. He must have applied for more shares.
If shares allotted were 2,00,000, shares applied for were = 3,00,000

$\therefore$ If shares allotted were 2,00,000, shares applied for were $= \frac{3,00,000}{2,00,000} \times 400$

= 600 shares. {1/2 M}

Excess application money received from R

= 600 shares–400 shares=200 shares $\times$ Rs. 3 = Rs. 600 {1/2 M}

		Rs.
(B) Amount due from R on allotment : 400 shares $\times$ Rs. 4	=	1,600
Less : Excess received from R on application	=	600
Net amount due from R on allotment, which has not been received		1,000
(C) Total amount due on allotment 2,00,000 shares $\times$ Rs. 4	=	8,00,000
Less : Excess amount received on application (1,00,000 shares x Rs. 3)	=	3,00,000
Balance Due	=	5,00,000
Less : Amount not received from R on allotment	=	1,000 {1/2 M}
Net Amount received on allotment	=	4,99,000 {1/2 M}

(3) Premium is due with allotment. R has not paid the amount of allotment. Therefore, Securities Premium A/c Will be debited by 400 shares $\times$ Rs. 2 = Rs. 800. {1/2 M}

(4) M has paid the amount of allotment. Therefore, he has paid premium also. Premium Reserve A/c' will not be once collected cannot be cancelled. As such 'Security Premium Reserve A/c' will not be debited when his shares are forfeited.

(5) Only 800 shares are re-issued. Therefore, the profit on 800 shares will only be transferred to Capital Reserve :

Profit on 400 shares of R = Rs. 1,800 {1/2 M}

Profit on 400 shares of M $= \frac{\text{Rs. } 3,000}{600 \text{ shares}} \times 400$ shares = Rs. 2,000 {1/2 M}

	Rs.	3,800
Less : Loss on re-issued of 800 shares @ Rs. 1 each	Rs.	800
	Rs.	3,000 }{1/2 M}

(6) Profit on 600 shares of M was Rs. 3,000, out of which 400 shares have beenre-issued. Therefore, the balance of profit remaining in Share Forfeiture A/c for 200 shares = $\frac{3,000}{600} \times 200$ = Rs. 1,000. This balance of Rs. 1,000 will be shown on the liabilities side of the Balance Sheet under the head 'Share Capital'

Answer:
(b)

	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.

{1 M Each for Any 5 Points}

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