

KOTHARI INTERNATIONAL SCHOOL, NOIDA
ANNUAL EXAMINATION, SESSION: 2023-24
GRADE: 12 SUBJECT: ACCOUNTANCY (055)
SET A

DAY & DATE: MONDAY - FEBRUARY 12, 2024

MAXIMUM MARKS: 80

TIME ALLOTTED: 3 HOURS

NAME: _____

ROLL NO: _____

GENERAL INSTRUCTIONS:

- i). *This question paper contains 34 questions. All questions are compulsory.*
- ii). *Question Nos.1 to 20 carries 1 mark each.*
- iii). *Questions Nos. 21 to 26 carries 3 marks each.*
- iv). *Questions Nos. 27 to 29 carries 4 marks each*
- v). *Questions Nos. 30 to 34 carries 6 marks each*
- vi). *There is no overall choice. However, an internal choice has been provided in 7 questions of one mark, 2 questions of three marks, 1 question of four marks and 2 questions of six marks.*

Q1.	<p>X is a part of inventory of a firm. X needs further processing for converting into finished products i.e X consists of partly finished goods or semi-finished goods. Identify X.</p> <p>(a) Inventory of raw material (b) Inventory of work-in-progress (c) Inventory of finished goods (d) Inventory of stock-in-trade</p> <p style="text-align: center;">OR</p> <p>A person or an enterprise which is not in a position to pay its debts is called</p> <p>(a) Solvent (b) Insolvent (c) Bad debtor (d) Both (b) and (c)</p>	(1)										
Q2.	<p>Match the columns:</p> <table><tr><th>Column I</th><th>Column II</th></tr><tr><td>A. Capital expenditure</td><td>(i) Advertising</td></tr><tr><td>B. Revenue Expenditure</td><td>(ii) Cost of goods sold</td></tr><tr><td>C. Deferred Revenue Expenditure</td><td>(iii) Building</td></tr><tr><td>D. Expenses</td><td>(iv) Benefit received in one year</td></tr></table> <p>(a) (i) (ii) (iii) (iv) (b) (ii) (iii) (iv) (i) (c) (iii) (iv) (i) (ii) (d) (d) (iv) (i) (ii) (iii)</p>	Column I	Column II	A. Capital expenditure	(i) Advertising	B. Revenue Expenditure	(ii) Cost of goods sold	C. Deferred Revenue Expenditure	(iii) Building	D. Expenses	(iv) Benefit received in one year	(1)
Column I	Column II											
A. Capital expenditure	(i) Advertising											
B. Revenue Expenditure	(ii) Cost of goods sold											
C. Deferred Revenue Expenditure	(iii) Building											
D. Expenses	(iv) Benefit received in one year											

	<p><u>Direction Read the following case study and answer questions 3 to 5 on the basis of the same.</u></p> <p>Dukuma is an MSME business in the Alwar district of Rajasthan. It is 40 years old business of selling hardware parts to local traders of the district and some other retailers of Rajasthan. The company has multiple SKUs and the inventories are valued by their accountant. The accountant of the enterprise also happens to be a good friend of the owner of the enterprise. Therefore, the fees of the accountant were not paid in the year when pandemic set in as the firm was going through cash-crunch. However, the accountant entered the amount of his fees as expense even though cash was not paid. He justified his act by stating some accounting concepts. The accountant further completed the books of accounts for the year ended 31st December, 2020. Over the years, the company has developed a reputation in market by supplying high quality products and customer-friendly service. The owner of the firm asked the accountant to enter this fact but accountant denied and gave the correct reasons. The owner was contended.</p>	
Q3.	<p>Which principle/concept of accounting is highlighted in the line, “Therefore, the fees of the accountant was not paid in the year when pandemic set in as the firm was going through cash-crunch. However, the accountant entered the amount of his fees as expense even though cash was not paid”?</p> <p>(a) Dual aspect principle (b) Accrual concept (c) Consistency concept (d) Cost principle</p>	(1)
Q4.	<p>The company follows the calendar year as accounting year. Which principle is highlighted in the fact that firm divided the whole life of firm into small financial years?</p> <p>(a) Dual aspect principle (b) Materiality principle (c) Prudence principle (d) Accounting period principle</p>	(1)
Q5.	<p>“The owner of the firm asked the accountant to enter this fact but accountant denied and gave the correct reasons.” Which principle was used by accountant to explain the owner?</p> <p>(a) Dual aspect principle (b) Money measurement principle (c) Full disclosure principle (d) Accounting period principle</p>	(1)
Q6.	<p>Which of the following methods of accounting is/are recognised by Companies Act, 2013?</p> <p>(a) Cash basis of accounting (b) Accrual basis of accounting (c) Both (a) and (b) (d) Can't be determined</p>	(1)

	<p style="text-align: center;">OR</p> <p>In, unpaid expenses are recorded in books of accounts.</p> <p>(a) cash basis of accounting (b) accrual basis of accounting (c) Both (a) and (b) (d) Can't be determined</p>	
Q7.	<p>Direction: There are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the appropriate option from the options given below.</p> <p>(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A) (b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A) (c) Assertion (A) is true, but Reason (R) is false (d) Assertion (A) is false, but Reason (R) is true</p> <p>Assertion (A) In accounting equation, each transaction affects both sides of the equation, i.e. Assets side and Liabilities + Capital side. Reason (R) Assets of a business are purchased either from the funds (capital) supplied by the proprietor or from the funds provided by external parties.</p>	(1)
Q8.	<p>For which of the following transactions, capital account will be increased and decreased by the same amount?</p> <p>(a) Income received in advance (b) Outstanding expenses paid (c) Interest on drawings provided (d) Bad debts on insolvency of a debtor</p> <p style="text-align: center;">OR</p> <p>What will be the effect on accounting equation for outstanding expenses? (Options are in format of assets, liabilities, capital).</p> <p>(a) Decrease, Decrease, No change (b) Decrease, No change, Decrease (c) No change, Increase, Decrease (d) Decrease, Increase, Decrease</p>	(1)
Q9.	<p>Reem purchased furniture worth ₹50,000 for cash from M/s XYZ Ltd. The transaction will be shown in the journal as:</p> <p>(a) Furniture A/c Dr ₹50,000 To XYZ Ltd A/c ₹50,000 (b) Furniture A/c Dr ₹50,000 To Cash A/c ₹50,000</p>	(1)

	<p>(c) XYZ Ltd A/c Dr ₹50,000 To Furniture A/c ₹50,000</p> <p>(d) None of the above</p> <p style="text-align: center;">OR</p> <p>Agira purchased furniture worth ₹50,000 on credit from M/s XYZ Ltd. The transaction will be shown in the journal as:</p> <p>(a) Furniture account debited with ₹50,000 and XYZ Ltd account credited with ₹20,000.</p> <p>(b) Furniture account debited with ₹50,000 and Cash account credited with ₹20,000.</p> <p>(c) XYZ Ltd account debited with ₹50,000 and Furniture account credited with ₹20,000.</p> <p>(d) None of the above</p>	
Q10.	<p>How will cheque received from Siddhartha on 6th August amounting ₹2,450 will be recorded in cash book?</p> <p>(a) ₹2,450 will be recorded on the debit side of the cash book.</p> <p>(b) ₹2,450 will be recorded on the credit side of the cash book.</p> <p>(c) It won't be recorded in the cash book.</p> <p>(d) None of the above</p>	(1)
Q11.	<p>Cash deposited into bank ₹50,000 will be recorded as:</p> <p>(a) debit of bank column with ₹50,000 and credit of cash column with ₹50,000.</p> <p>(b) debit of cash column with ₹50,000 and credit of bank column with ₹50,000.</p> <p>(c) debit of bank column with ₹50,000 and also debit of cash column with ₹50,000.</p> <p>(d) debit of cash column with ₹50,000 also credit of cash column with ₹50,000</p>	(1)
Q12.	<p>Dividend collected by bank from investments amounts to ₹1,500. Beginning with Balance as per Pass Book how will it be treated for the purpose of bank reconciliation statement?</p> <p>(a) ₹1,500 will be deducted from the balance as per pass book.</p> <p>(b) ₹1,500 will be added to the balance as per pass book.</p> <p>(c) ₹1,500 will be deducted from the balance as per cash book.</p> <p>(d) None of the above</p> <p style="text-align: center;">OR</p> <p>On 31st March, 2021, P had an overdraft of ₹8,000 as shown by his cash book. Cheques amounting to ₹2,000 had been paid by him but were not collected by the bank. He issued cheques of ₹800 which were not presented to the bank for payment. What will be the balance as per bank pass book?</p> <p>(a) ₹9,200 favourable balance</p> <p>(b) ₹9,200 overdraft</p> <p>(c) ₹6,800 favourable balance</p> <p>(d) ₹6,800 overdraft</p>	(1)

<p>Q13.</p>	<p>Which of the following does not correctly differentiate between straight line and written down value method?</p> <p>(a) In written down value method, depreciation is charged on the basis of original cost whereas in straight line method, the basis of charging depreciation is net book value.</p> <p>(b) The annual amount of depreciation charged every year remains fixed or constant under straight line method whereas in written down value method, the annual amount of depreciation is highest in the first year and subsequently declines.</p> <p>(c) Straight line method is not recognised by Income tax law while written down value method is recognised by the income tax law.</p> <p>(d) None of the above</p> <p style="text-align: center;">OR</p> <p>The original cost of the asset is ₹2,50,000 and freight and installation charges are ₹25,000. The useful life of the asset is 10 years and net residual value is estimated to be ₹50,000. What is the amount of depreciation to be charged every year under straight line method assuming that the asset is purchased on 1st January, 2021?</p> <p>(a) ₹22,500</p> <p>(b) ₹25,000</p> <p>(c) ₹30,000</p> <p>(d) None of these</p>	<p>(1)</p>
<p>Q14.</p>	<p>Direction: There are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the appropriate option from the options given below:</p> <p>(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)</p> <p>(b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A)</p> <p>(c) Assertion (A) is true, but Reason (R) is false</p> <p>(d) Assertion (A) is false, but Reason (R) is true</p> <p>Assertion (A) Reserves reduces the amount of profits available for distribution among the owners of the business.</p> <p>Reason (R) Reserve is a charge against profit.</p>	<p>(1)</p>
<p>Q15.</p>	<p>Which of the following does not correctly differentiate between revenue reserve and capital reserve?</p> <p>(a) Revenue reserve is created out of revenue profits whereas capital reserve is created primarily out of capital profit.</p> <p>(b) Revenue reserve is created to strengthen the financial position, to meet unforeseen contingencies or for some specific purposes. Whereas capital reserve is created for compliance of legal requirements or accounting practices.</p> <p>(c) Revenue reserve can be utilised only for a specific purpose whereas capital reserve can be utilised for any purpose.</p>	<p>(1)</p>

	(d) None of the above									
Q16.	<div>Match the following:</div> <table><tr><td>1. Trial balance is a statement which does not ensure the accuracy of books of accounts .The errors which remain undetected even if the trial balance agrees are</td><td>a. Errors of omission</td></tr><tr><td>2. if the effect of one error is neutralized by the effect of some other error it is</td><td>b. Errors of commission</td></tr><tr><td></td><td>c. Compensating error</td></tr><tr><td></td><td>d. All of the above errors</td></tr></table> <div>Answer 1-d 2- c</div>	1. Trial balance is a statement which does not ensure the accuracy of books of accounts .The errors which remain undetected even if the trial balance agrees are	a. Errors of omission	2. if the effect of one error is neutralized by the effect of some other error it is	b. Errors of commission		c. Compensating error		d. All of the above errors	(1)
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	c. Compensating error									
	d. All of the above errors									
Q17.	<div>Calculate Gross profit if rate of gross profit is 10% on sales and Sales is ₹90000.</div> <div>(a) ₹8500 (b) ₹9000 (c) ₹10000 (d) ₹19000</div>	(1)								
Q18.	<div>Calculate Gross profit if rate of gross profit is 20% on cost of goods sold and cost of goods sold is ₹120000.</div> <div>(a) ₹24000 (b) ₹15000 (c) ₹10000 (d) ₹14000</div>	(1)								
Q19.	<div>Calculate Gross profit if rate of gross profit is 20% on cost of goods sold and Sales is ₹120000.</div> <div>(a) ₹20000 (b) ₹24000 (c) ₹30000 (d) ₹33000</div>	(1)								
Q20.	<div>One account which is always maintained in single entry system is :</div> <div>(a) Building Account (b) Machine Account (c) Cash Account (d) None of the above</div>	(1)								
Q21.	<div>Classify the following Accounts under Traditional Approach (Personal, Real, Nominal).</div>	(3)								

	<div>(a) Discount Allowed - Nominal</div> <div>(b) Loan from Bank - Personal</div> <div>(c) Advertising Expenses-Nominal</div> <div>(d) Bad Debts Recovered- Nominal</div> <div>(e) Rent received in Advance- Personal</div> <div>(f) Goodwill - Real</div>																																																	
Q22.	<div>Fill in the Blanks:</div> <div>(a) According to principle, revenue is considered as being earned at the point of sale / on the date on which transaction is entered into.</div> <div>(b) The implication of Business entity concept is that a business unit is from the persons who contribute capital to the business.</div> <div>(c) Companies must prepare financial statements at least yearly as per principle.</div> <div>(d) Recognition of expenses in the sale period as associated revenues is known as the principle.</div> <div>(e) According to principle, assets are recorded at the value paid for acquiring them.</div> <div>(f) The accounting principle that refers to the tendency of accountants to resolve uncertainty and doubt in favour of understating assets and revenues and overstating liabilities and expenses is known as.....</div> <div><div>(a) Realization</div><div>(b) Separate</div><div>(c) Periodicity</div><div>(d) Matching</div><div>(e) Cost</div><div>(f) Conservatism</div></div>	(3)																																																
Q23.	<div>Prepare a Trial Balance from the following balances as at 31st March 2017 :-</div> <table><tr><td></td><td>₹</td><td></td><td>₹</td></tr><tr><td>Stock on 1-4-2016</td><td>28,800</td><td>Returns Inwards</td><td>7,500</td></tr><tr><td>Purchases</td><td>82,000</td><td>Returns Outwards</td><td>5,600</td></tr><tr><td>Sales</td><td>1,60,000</td><td>Carriage Inwards</td><td>1,640</td></tr><tr><td>Wages</td><td>16,160</td><td>Carriage Outwards</td><td>3,200</td></tr><tr><td>Salaries</td><td>6,400</td><td>Furniture</td><td>12,000</td></tr><tr><td>Repair Charges</td><td>500</td><td>Motor Car</td><td>80,000</td></tr><tr><td>Commission Received</td><td>800</td><td>Cash in Hand</td><td>4,700</td></tr><tr><td>Sundry Debtors</td><td>24,200</td><td>Bank Overdraft</td><td>25,400</td></tr><tr><td>Sundry Creditors</td><td>7,300</td><td>Investments</td><td>20,000</td></tr><tr><td>Capital</td><td>90,000</td><td>Interest on Investments</td><td>2,400</td></tr><tr><td>Drawings</td><td>4,400</td><td></td><td></td></tr></table> <div>ANSWER:</div>		₹		₹	Stock on 1-4-2016	28,800	Returns Inwards	7,500	Purchases	82,000	Returns Outwards	5,600	Sales	1,60,000	Carriage Inwards	1,640	Wages	16,160	Carriage Outwards	3,200	Salaries	6,400	Furniture	12,000	Repair Charges	500	Motor Car	80,000	Commission Received	800	Cash in Hand	4,700	Sundry Debtors	24,200	Bank Overdraft	25,400	Sundry Creditors	7,300	Investments	20,000	Capital	90,000	Interest on Investments	2,400	Drawings	4,400			(3)
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	Trial Balance <i>as on March 31, 2017</i>				1/8 th mark
	Name of Accounts	L.F.	Debit ₹	Credit ₹	
	Stock		28,800		
	Purchases		82,000		
	Sales			1,60,000	
	Salary		6,400		
	Repair Charges		500		
	Wages		16,160		
	Commission Received			800	
	Sundry Debtors		24,200		
	Sundry Creditors			7,300	
	Capital			90,000	
	Drawings		4,400		
	Return Inwards		7,520		
	Return Outwards			5,600	
	Carriage Inwards		1,640		
	Carriage Outwards		3,200		
	Furniture		12,000		
	Motor Car		80,000		
	Cash In Hand		4,700		
	Bank Overdraft			25,400	
	Investment		20,000		
	Interest on Investment			2,400	
	Total		2,91,500	2,91,500	
Q24.	Pass the necessary Journal entries to rectify the following errors: (a) Credit sale of ₹850 to Kishan was posted to Krishan's Account. (b) Cash sale of ₹850 to Meenu was posted to the credit of Meena. (c) Amount of ₹1,500 withdrawn from bank by the proprietor for his personal use was debited to Purchases Account.				(3)
	ANSWER:				
	Journal				
	Date	Particulars	L.F.	Debit ₹	Credit ₹
	a)	Kishan's A/c Dr. To Krishan's A/c (Being correcting credit sales to Kishan wrongly posted to Krishan's Account)		850	850
	b)	Meena's A/c Dr. To Sales A/c (Being correcting cash sales to Meenu wrongly posted to credit of Meena's A/c)		850	850

	c)	Drawings A/c To Purchases A/c (Being correcting amount withdrawn for personal use debited to Purchases A/c)	Dr.		1,500		1,500		
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Q25. Calculate Closing Stock from the following details: **(3)**

	₹		₹
Opening Stock	20,000	Purchases	70,000
Cash Sales	60,000	Credit Sales	40,000
		Rate of Gross Profit on Cost $33\frac{1}{3}\%$	

ANSWER:

Calculation of amount of Closing Stock Gross Profit = $33\frac{1}{3}\%$ on cost = $\frac{1}{3}$ rd on cost

∴ Gross Profit on sales = $\frac{1}{4}$ th on sales

And, Sales = Cash Sales + Credit Sales = 60,000 + 40,000 = Rs 1,00,000 So,

Gross Profit = $1,00,000 \times \frac{1}{4}$ = Rs 25,000

Cost of Goods Sold = Sales – Gross Profit = 1,00,000 – 25,000 = Rs 75,000

Cost of Goods Sold = Opening Stock + Purchases + Direct Expenses – Closing Stock

75,000 = 20,000 + 70,000 + 0 – Closing Stock

Closing Stock = Rs 15,000

OR

From the following information, determine Gross Profit for the year ended 31st March, 2019:

	₹		₹
Opening Stock (1st April, 2018)	25,000	Goods purchased during the year	1,40,000
Freight and Packing	10,000	Closing Stock (31st March, 2019)	30,000
Sales	1,90,000	Packing Expenses on Sales	6,000

ANSWER:

Gross Profit	=	Sales + Closing Stock – (Opening Stock + Freight and Packing + Goods Purchased)
	=	1,90,000 + 30,000 – (25,000 + 10,000 + 1,40,000)
	=	2,20,000 – 1,75,000 = ₹45,000

Q26.

Give Journal Entries for the following adjustments in final accounts:

(3)

Extract of Trial Balance as on 31st March, 2019

Particulars	Debit ₹	Credit ₹
Sundry debtors	6,60,000	
Bad debts	15,000	
Provision for doubtful debts		40,000

Additional Information:

(a) Additional Bad Debts ₹20,000.

(b) Maintain the provision for doubtful debts @ 5% on debtors.

ANSWER:

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Bad debts A/c Dr. To Debtors A/c (further bad debts)		20,000	20,000
	Provision for Bad debts A/c Dr. To Bad Debts A/c (bad debts adjusted against provision)		35,000	35,000
	Profit and Loss A/c Dr. To Provision for Bad debts A/c (net amount charged to P/L A/c)		27,000	27,000

Working note: Calculation of bad debts to be transferred to Statement of Profit and Loss:

Particulars	₹
Bad debts	15,000
Add: further bad debts	20,000
Add: New provision of bad debts	32,000
Less: Old provision of bad debts	(40,000)
<i>Bad debts transferred to Statement of Profit and Loss</i>	27,000
Where, New provision = $(6,60,000 - 20,000) \times 5\%$	32,000

OR

Extract of a Trial Balance as at March 31, 2017 is as follows:

Sundry Debtors	₹1,02,000
Bad Debts	₹1,400
Provision for doubtful debts	₹3,400

Additional information:

A debtor of ₹2,000 could not be recovered. It is decided to maintain Provision for Doubtful Debtors @ 5% on Debtors and Provision for Discount at @ 2%.

How these adjustments will be shown in Financial Statements?

ANSWER:

Extract of Profit and Loss Account
for the year ended March 31, 2017

Dr.

Cr.

Particulars	₹	Particulars	₹
Old Bad Debts	1,400		
Add: Further Bad Debts	2,000		
Add: New Provision	5,000		
Less: Old Provision	3,400		
Provision for Discount on Debtors	1,900		

Extract of Balance Sheet
as on March 31, 2017

Liabilities	₹	Assets	₹
		Current Assets	
		Debtors	1,02,000
		Less: Further Bad Debts	2,000
		Less: Provision for Doubtful Debts	5,000
		Less: Provision for Discount on Debtors	1,900
			93,100

Working Notes:

WN1: Calculation of Provision for Doubtful Debts

$$\begin{aligned} \text{Provision for Doubtful Debts} &= (\text{Debtors} - \text{Further Bad Debts}) \times \frac{\text{Rate}}{100} \\ &= (1,02,000 - 2,000) \times \frac{5}{100} = 5,000 \end{aligned}$$

WN2: Calculation of Provision for Discount on Debtors

$$\begin{aligned} \text{Provision for Discount on Debtors} &= (\text{Debtors} - \text{Further Bad Debts} - \text{Provision for Doubtful Debts}) \times \frac{\text{Rate}}{100} \\ &= (1,02,000 - 2,000 - 5,000) \times \frac{2}{100} = 1,900 \end{aligned}$$

Q27.

Journalise the following transactions:

(4)

- (a) Bought goods from Arun for ₹2,00,000 at a trade discount of 15% and cash discount of 2%. Paid 80% amount immediately.
- (b) Cash withdrawn from bank ₹5,000 for personal use and ₹25,000 for office use.
- (c) Goods destroyed by fire : Cost Price ₹40,000.
- (d) Provide 20% depreciation on machinery costing ₹50,000.
- (e) Out of insurance paid this year, ₹3,000 is related to next year.
- (f) Allow ₹5,000 as interest on capital and charge ₹1,000 as interest on drawings.
- (g) Sohan who owed us ₹25,000 was declared insolvent and a cheque of 40 paise in a â,¹ is received from him in full settlement.
- (h) Salary paid ₹80,000 and Salary Outstanding ₹20,000.

ANSWER:

Journal
In the Books of ...

Date	Particulars	L. F.	Debit ₹	Credit ₹
(a)	Purchases A/c (WN) Dr. To Arun's A/c To Cash A/c To Discount Received A/c (Goods purchased and 80% payment made in cash)		1,70,000	34,000 1,33,280 2,720
(b)	Cash A/c Dr. Drawings A/c Dr. To Bank A/c (Cash withdrawn from bank for personal and office use)		25,000 5,000	30,000
(c)	Loss by Fire A/c Dr. To Purchases A/c (Goods destroyed by fire)		40,000	40,000
(d)	Depreciation A/c Dr. To Machinery A/c (Depreciation charged on machinery)		10,000	10,000
(e)	Prepaid Insurance A/c Dr. To Insurance A/c (Insurance paid in advance)		3,000	3,000
(f)	Interest on Capital A/c Dr. To Capital A/c (Allowed interest on capital)		5,000	5,000
	Drawings A/c Dr.		1,000	

	To Interest on Drawings A/c (Charged interest on drawings)			1,000	
(g)	Cash A/c Bad Debts A/c To Sohan's A/c (Cash received from Sohan and bad debts written-off)	Dr. Dr.	10,000 15,000		25,000
(h)	Salaries A/c To Cash A/c To Outstanding Salaries A/c (Salary paid and outstanding)	Dr.	1,00,000		80,000 20,000
	TOTAL		4,40,000	4,40,000	

OR

Journalise the following transactions:

- (a) Purchased a Motor Car for ₹3,00,000 and paid ₹25,000 for its repair and renewal. Entire payment is made by cheque.
- (b) Charge depreciation on Motor Car ₹32,500.
- (c) Rent due to Landlord ₹10,000 and Salary due to Clerks ₹80,000.
- (d) Charge interest on Capital ₹20,000.
- (e) ₹5,000 due from Sanjay Gupta are bad-debts.
- (f) Goods worth ₹50,000 were destroyed by fire.
- (g) Cash ₹5,000 and goods worth ₹20,000 were stolen by an employee.

ANSWER:

Journal
In the Books of ...

Date	Particulars	L.F.	Debit ₹	Credit ₹
a)	Motor Car A/c To Bank A/c (Purchased motorcar and payment made for repair and renewal)	Dr.	3,25,000	3,25,000
b)	Depreciation A/c To Motor Car A/c (Depreciation charged on motor car)	Dr.	32,500	32,500
c)	Rent A/c Salaries A/c To Outstanding Expenses A/c (Outstanding expenses provided)	Dr. Dr.	10,000 80,000	90,000
d)	Interest on Capital A/c	Dr.	20,000	

		To Capital A/c (Interest on capital provided)			20,000	
e)	Bad Debts A/c To Sanjay Gupta's A/c (Bad debts written-off)	Dr.		5,000	5,000	
f)	Loss by Fire A/c To Purchases A/c (Goods destroyed by fire)	Dr.		50,000	50,000	
g)	Loss by Theft A/c To Cash A/c To Purchases A/c (Cash and goods stolen by an employee)	Dr.		25,000	5,000 20,000	

Q28.

On 1st April, 2018, following balances appeared in the books of M/s Krishna Traders:

(4)

	₹
Furniture Account	50,000
Provision for Depreciation on Furniture Account	22,000

On 1st October, 2018 a part of Furniture purchased for ₹20,000 on 1st April, 2014 was sold for ₹5,000. On the same date a new furniture costing ₹25,000 was purchased.

The depreciation was provided @ 10% p.a. on original cost of the asset and no depreciation was charged on the asset in the year of sale. Prepare 'Furniture Account' and 'Provision for Depreciation Account' for the year ending 31st March, 2019.

ANSWER:

Furniture Account

Dr.

Cr.

Date	Particulars	₹	Date	Particulars	₹
2018 Apr. 01	Balance b/d (30,000 + 20,000)	50,000	2018 Oct. 01	Provision for Depreciation A/c	8,000
Oct. 01	Bank A/c	25,000	Oct. 01	Bank A/c (Sale)	5,000
			Oct. 01	Profit and Loss A/c (Loss on Sale)	7,000
			2019 Mar. 31	Balance c/d	55,000
		75,000			75,000

Provision for Depreciation Account

Dr.

Cr.

Date	Particulars	₹	Date	Particulars	₹
2018 Oct.01	Furniture A/c	8,000	2018 Apr.01	Balance b/d	22,000
2019 Mar.31	Balance c/d	18,250	2019 Mar.31	Depreciation A/c (WN2)	4,250
		26,250			26,250

Working Notes:

WN1: Calculation of Profit & Loss on Sale

Particulars	Amount
Value of Furniture on Apr. 01, 2014	20,000
Less: Depreciation for 4 Years @ 10%	8,000
Value of Furniture on Oct. 01, 2018	12,000
Less: Sale Value	5,000
Loss on Sale	7,000

WN2: Depreciation charged during the year

Particulars	₹
On ₹30,000 @ 10%	3,000
On ₹ 25,000 @ 10% for 6 months	1,250
	4,250

Q29.

Tulsi started business on 1st April, 2016 with a capital of ₹4,50,000. On 31st March, 2017 her position was as under:

	₹
Cash	99,000
Bills Receivable	75,000
Stock	48,000
Land and Building	1,80,000
Furniture	50,000

She owed ₹45,000 to her friend Parvati on that date. She withdrew ₹8,000 per month for household purposes. Ascertain her profit or loss for the year ended 31st March, 2017.

ANSWER:

(4)

	<div>Statement of Affairs as on March 31, 2017</div> <table><tr><th>Liabilities</th><th>Amount (Rs)</th><th>Assets</th><th>Amount (Rs)</th></tr><tr><td>Loan from Friend</td><td>45,000</td><td>Cash</td><td>99,000</td></tr><tr><td>Capital (Balancing Figure)</td><td>4,07,000</td><td>Bills Receivable</td><td>75,000</td></tr><tr><td></td><td></td><td>Stock</td><td>48,000</td></tr><tr><td></td><td></td><td>Land and Building</td><td>1,80,000</td></tr><tr><td></td><td></td><td>Furniture</td><td>50,000</td></tr><tr><td></td><td>4,52,000</td><td></td><td>4,52,000</td></tr><tr><td></td><td></td><td></td><td></td></tr></table> <div>Statement of Profit or Loss for the year ended March 31, 2017</div> <table><tr><th>Particulars</th><th>₹</th></tr><tr><td>Capital at the end of the year</td><td>4,07,000</td></tr><tr><td>Add: Drawings made during the year (8,000 × 12)</td><td>96,000</td></tr><tr><td>Less: Additional capital introduced during the year</td><td>-</td></tr><tr><td>Adjusted capital at the end of the year</td><td>5,03,000</td></tr><tr><td>Less: Capital in the beginning of the year</td><td>4,50,000</td></tr><tr><td>Profit made during the year</td><td>53,000</td></tr><tr><td></td><td></td></tr></table>														Liabilities	Amount (Rs)	Assets	Amount (Rs)	Loan from Friend	45,000	Cash	99,000	Capital (Balancing Figure)	4,07,000	Bills Receivable	75,000			Stock	48,000			Land and Building	1,80,000			Furniture	50,000		4,52,000		4,52,000					Particulars	₹	Capital at the end of the year	4,07,000	Add: Drawings made during the year (8,000 × 12)	96,000	Less: Additional capital introduced during the year	-	Adjusted capital at the end of the year	5,03,000	Less: Capital in the beginning of the year	4,50,000	Profit made during the year	53,000			
Liabilities	Amount (Rs)	Assets	Amount (Rs)																																																												
Loan from Friend	45,000	Cash	99,000																																																												
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	4,52,000		4,52,000																																																												
Particulars	₹																																																														
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Less: Capital in the beginning of the year	4,50,000																																																														
Profit made during the year	53,000																																																														
Q30.	<div>Show an Accounting Equation on the basis of the following transactions:</div> <table><tr><td></td><td></td><td>₹</td></tr><tr><td>(a)</td><td>Sunil started business with cash</td><td>1,50,000</td></tr><tr><td>(b)</td><td>Opened a Bank Account by depositing ₹25,000 out of cash</td><td></td></tr><tr><td>(c)</td><td>He sold his personal car for ₹50,000 and deposited the amount in the firm's Bank Account</td><td></td></tr><tr><td>(d)</td><td>He purchased a building and furniture for</td><td>1,00,000</td></tr><tr><td>(e)</td><td>He purchased goods from Ram on credit</td><td>50,000</td></tr><tr><td>(f)</td><td>He paid cartage</td><td>500</td></tr><tr><td>(g)</td><td>He sold to Shyam on credit goods costing ₹6,000 for</td><td>9,000</td></tr><tr><td>(h)</td><td>Received rent from tenants</td><td>1,000</td></tr><tr><td>(i)</td><td>Received security deposit from tenants</td><td>1,500</td></tr><tr><td>(j)</td><td>Purchased stationery for cash</td><td>100</td></tr><tr><td>(k)</td><td>Invested in shares (personal)</td><td>50,000</td></tr></table> <div>ANSWER:</div> <div>Assets = 26,900 + 25,000 + 1,00,000 + 44,000 + 9,000 = 204900</div> <div>Liabilities = 50,000 + 1,500 = 51,500</div> <div>Capital = 1,53,400</div>																₹	(a)	Sunil started business with cash	1,50,000	(b)	Opened a Bank Account by depositing ₹25,000 out of cash		(c)	He sold his personal car for ₹50,000 and deposited the amount in the firm's Bank Account		(d)	He purchased a building and furniture for	1,00,000	(e)	He purchased goods from Ram on credit	50,000	(f)	He paid cartage	500	(g)	He sold to Shyam on credit goods costing ₹6,000 for	9,000	(h)	Received rent from tenants	1,000	(i)	Received security deposit from tenants	1,500	(j)	Purchased stationery for cash	100	(k)	Invested in shares (personal)	50,000	(6)												
		₹																																																													
(a)	Sunil started business with cash	1,50,000																																																													
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(k)	Invested in shares (personal)	50,000																																																													
	Transactions	Assets									Liabilities	+	Capital																																																		
	Cash ₹	+	Bank ₹	+	Building and Furniture	+	Stock ₹	+	Debtors ₹	=	Creditors ₹	+	Security Deposits ₹	₹)																																																	

					₹												
(i)	Sunil started business with Cash Rs 1,50,000.	1,50,000															1,50,000
		1,50,000									=						1,50,000
(ii)	Opened Bank Account by depositing Rs 25,000 from cash	– 25,000		25,000													
		1,25,000	+	25,000													1,50,000
(iii)	Sold personal car for Rs 50,000 and deposited money in Bank A/c			50,000													50,000
		1,25,000	+	75,000													2,00,000
(ii)	Building and Furniture purchased for Rs 1,00,000	– 1,00,000			1,00,000												
		25,000	+	75,000	+	1,00,000											2,00,000
(iii)	Purchased goods from Ram on credit					50,000					=	50,000					
		25,000	+	75,000	+	1,00,000	+	50,000			=	50,000				+	2,00,000
(iv)	Paid Cartage Rs 500	– 500															– 500 (Expenses)
		24,500	+	75,000	+	1,00,000	+	50,000			=	50,000				+	1,99,500
(v)	Sold to Shyam on credit goods costing Rs 6,000 for Rs 9,000					– 6,000	9,000										3,000 (Profits)
		24,500	+	75,000	+	1,00,000	+	44,000	+	9,000	=	50,000				+	2,02,500
(vi)	Received rent from tenants of Rs 1,000	1,000															1,000 (Incomes)
		25,500	+	75,000	+	1,00,000	+	44,000	+	9,000	=	50,000				+	2,03,500
(vii)	Received Security Deposits from tenants of Rs 1,500	1,500												1,500			
		27,000	+	75,000	+	1,00,000	+	44,000	+	9,000	=	50,000	+	1,500	+		2,03,500
(viii)	Purchased Stationery for Cash of Rs 100	– 100															–100 (Expense)
		26,900	+	75,000	+	1,00,000	+	44,000	+	9,000	=	50,000	+	1,500	+		2,03,400

(ix)	Invested in Shares (personal) Rs 50,000			- 50,000													- 50,000 (Drawings)
		26,900	+	25,000	+	1,00,000	+	44,000	+	9,000		=	50,000	+	1,500	+	1,53,400

Q31. Prepare a Two Column Cash Book from the following transactions—
(Journal proper not required) **(6)**

2016	
May 1	Cash at office ₹72. Bank overdraft ₹1,250.
4	Received from Prem Chand a cheque for ₹1,875 in full settlement of his account of ₹1,900. The cheque was banked on the same day.
5	Bought goods and paid by cheque ₹500.
6	Narinder settled his account of ₹700 by a cheque. This was banked on the same day.
9	Paid to Manohar Lal by a cheque for ₹420. Discount received ₹80.
12	Cash sales to date ₹400 of which ₹300 were banked.
17	Sold old typewriter for cash ₹320.
20	Received a cheque for ₹400 from Naresh in full settlement of his account of ₹460. The cheque is endorsed to Suresh on 24th May in full settlement of his account of ₹420.
25	Received a cheque from Hari Prakash for ₹150. The cheque is endorsed to Raj Prakash on 27th May; Discount received ₹30.
28	Withdrew from Bank for office use ₹100 and for personal use ₹100.
29	Withdrew (from office) for payment of private bills ₹425.
30	Paid by cheque salaries ₹160 and rent ₹100.
31	Bank charges as per Pass Book ₹5.

ANSWER:

Cash Book

Dr.

Cr.

Date	Particulars	L.F.	Cash ₹	Bank ₹	Date	Particulars	L.F.	Cash ₹	Bank ₹
2016					2016				
May 01	Balance b/d		72		May 01	Balance b/d			1,250
May 04	Prem Chand			1,875	May 05	Purchases A/c			500
May 06	Narinder			700	May 09	Manohar Lal			420
May 12	Sales A/c		100	300	May 28	Cash A/c	C	100	
May 17	Office		320		May 28	Drawings A/c			100
May 28	Equipment A/c				May 29	Drawings A/c		425	
	Bank A/c	C	100		May 30	Salaries A/c			160
					May 30	Rent A/c			100
					May 31	Bank Charges A/c			5
					May 31	Balance c/d		167	240

			592	2,875				592	2,875
Apr. 01	Balance b/d		167	240					

Q32. On checking the Bank Pass Book it was found that it showed an overdraft of ₹5,220 as on 31.12.2014, while as per Ledger it was different to Bank Debit. The following differences were noted:

(6)

- (a) Cheques deposited but not yet credited by bank ₹6,000.
- (b) Cheques dishonoured and debited by bank but not given effect to it in the Ledger ₹800.
- (c) Bank charges debited by bank but Debit Memo not received from bank ₹50.
- (d) Interest on overdraft excess credited in the Ledger ₹200.
- (e) Wrongly credited by bank to account, deposit of some other party ₹900.
- (f) Cheques issued but not presented for payment ₹400.

ANSWER:

Bank Reconciliation Statement
as on December 31, 2014

S. No.	Particulars	Plus Items ₹	Minus Items ₹
	Debit Balance (Overdraft) as per Pass Book		5,220
	Add: (i) Cheque deposited but not credited	6,000	
	(ii) Cheque deposited and dishonoured	800	
	(iii) Bank charges	50	
	Less: (iv) Interest on overdraft excess credited in ledger		200
	(v) Amount wrongly credited by bank		900
	(vi) Cheques issued but not presented for payment		400
	Debit Balance as per Cash Book		130
		6,850	6,850

OR

On Checking Ram's Cash Book with the bank statement of his overdraft current account for the month of November 2014, you find the following:

- (a) Cash Book showed an overdraft of ₹16,200.
- (b) The payment side of the Cash Book had been undercast by ₹500.
- (c) A cheque for ₹13,600 drawn on his saving deposit account has been wrongly recorded as drawn on current account in the Cash Book.
- (d) Cheques amounting to ₹18,800 drawn and entered in the Cash Book had not been presented.
- (e) Cheques amounting to ₹7,500 sent to the bank for collection though entered in the Cash Book, had not been credited by the bank.
- (f) Bank charge of ₹150 as per bank statement of account had not been taken in the Cash Book.
- (g) Dividend of the amount of ₹420 had been paid direct to the bank and not entered in the Cash Book.

You are requested to arrive at the balance as it would appear in the bank statement as on 30th November 2014.

ANSWER:

Bank Reconciliation Statement

as on November 30, 2014

S. No.	Particulars	Plus Items ₹	Minus Items ₹
	Credit Balance (Overdraft) as per Cash Book		16,200
	Add: (b) Cheque drawn on Saving A/c recorded as drawn on Current A/c	13,600	
	(c) Cheque issued but not presented	18,800	
	(f) Dividend collected by Bank	420	
	Less: (a) Payment side of Cash Book undercasted		500
	(d) Cheque deposited but not credited		7,500
	(e) Bank charges		150
	Credit Balance as per Pass Book		8,470
		32,820	32,820

Q33.

Ashoka Ltd. bought a machine on 1st April, 2010 for ₹2,40,000 and spent ₹4,000 on its carriage and ₹6,000 towards installation cost. On 1st July, 2011 it purchased a second hand machinery for ₹75,000 and spent ₹25,000 on its overhauling.
On 1st January, 2013 it decided to sell the machinery bought on 1st April, 2010 at a loss of ₹20,000. It bought another machine on the same date for ₹40,000. Company decided to charge depreciation @ 15% p.a. on written down value method.

Prepare machinery account for 3 years. Books are closed each year on 31st March.

ANSWER:

Machinery Account

Dr.			Cr.		
Date	Particulars	₹	Date	Particulars	₹
2010 Apr. 01	Bank A/c (M1) (2,40,000 + 4,000 + 6,000)	2,50,000	2011 Mar. 31	Depreciation A/c	37,500
			Mar. 31	Balance c/d	2,12,500
		2,50,000			2,50,000
2011 Apr. 01	Balance b/d	2,12,500	2012 Mar. 31	Depreciation A/c	
July 01	Bank A/c (M2) (75,000+25,000)	1,00,000		M1	31,875
				M2 (for 9 months)	11,250
					43,125

(6)

				Mar. 31	Balance c/d		
					M1	1,80,625	
					M2	88,750	2,69,375
			3,12,500				3,12,500
2012				2013			
Apr. 01	Balance b/d			Jan. 01	Depreciation A/c (M1)		20,320
	M1	1,80,625			Bank A/c (<i>Sale of M1</i>)		1,40,305
	M2	88,750	2,69,375		Profit and Loss A/c (<i>Loss on Sale of M1</i>)		20,000
2013				Mar. 31	Depreciation A/c		
Jan. 01	Bank A/c (M3)		40,000		M2	13,312	
					M3 (<i>for 3 months</i>)	1,500	14,813
				Mar. 31	Balance c/d		
					M2	75,438	
					M3	38,500	1,13,938
			3,09,375				3,09,375

Working Note: Calculation of Sale Price of M1

Particulars	Amount
Value of Machinery on Apr. 01, 2012	1,80,625
Less: Depreciation for 9 months	20,320
Value of Machinery on Jan. 01, 2013	1,60,305
Less: Loss on Sale (<i>given</i>)	20,000
Sale Value (<i>Balancing Figure</i>)	1,40,305

Q34.

Following are the balances extracted from the books of Narain on 31st March, 2019:

Particulars	₹	Particulars	₹
Narain's Capital	3,00,000	Sales	15,00,000
Narain's Drawings	50,000	Sales Return	20,000
Furniture and Fittings	26,000	Discounts (Dr.)	16,000
Bank Overdraft	42,000	Discounts (Cr.)	20,000
Creditors	1,38,000	Insurance	20,000
Business Premises	2,00,000	General Expenses	40,000
Stock on 1st April, 2018	2,20,000	Salaries	90,000
Debtors	1,80,000	Commission (Dr.)	22,000
Rent from Tenants	10,000	Carriage on Purchases	18,000
Purchases	11,00,000	Bad Debts Written off	8,000

Additional Information:

(a) Closing Stock as on 31st March, 2019 was ₹2, 00,600.

(b) Depreciate: Business Premises by ₹3,000.

(c) Outstanding salary was ₹15,000.

(6)

Prepare Trading and Profit and Loss Account for the year and Balance Sheet as at that date.

ANSWER:

Trading Account
for the year ended March 31, 2019

Dr.		Cr.	
Particulars	₹	Particulars	₹
Opening Stock	2,20,000	Sales	15,00,000
Purchases	11,00,000	Less: Returns	20,000
Carriage on Purchases	18,000	Closing Stock	2,00,600
Gross Profit	3,42,600		
	16,80,600		16,80,600

Profit & Loss Account
for the year ended March 31, 2019

Dr.		Cr.	
Particulars	₹	Particulars	₹
Commission	22,000	Gross Profit	3,42,600
Insurance Premium	20,000	Discount	20,000
Salaries	90,000	Rent from Tenants	10,000
Add: Outstanding Salaries	15,000		
Bad Debts Written Off	8,000		
Discount	16,000		
General Expenses	40,000		
Depreciation on:			
Business Premises	3,000		
Net Profit	1,58,600		
	3,72,600		3,72,600

Balance Sheet
as on March 31, 2019

Dr.		Cr.	
Liabilities	₹	Assets	₹
Bank Overdraft	42,000	Furniture & Fittings	26,000
Creditors	1,38,000	Business Premises	2,00,000
Outstanding Salaries	15,000	Less: Depreciation	3,000
Capital	3,00,000	Debtors	1,80,000
Less: Drawings	50,000	Less: Provision	
Add: Net Profit	1,58,600	Closing Stock	2,00,600
	4,08,600		

	6,03,600		6,03,600

OR

The following balances were extracted from the books of Modern Traders as at 31st March, 2017:-

Particulars	₹	Particulars	₹
Capital Account	85,000	Printing and Stationery	800
Drawings Account	5,000	Sundry Creditors	23,000
Plant and Machinery	40,000	Sales	1,20,000
Stock on 1-4-2016	15,000	Postage	800
Purchases	82,000	Bad-Debts	400
Sundry Debtors	20,600	Provision for Doubtful Debts	800
Furniture	5,000	Discount received	400
Freight Inward	2,000	Rent Revenue	1,200
Carriage Outward	500	Insurance	700
Rent, Rates and Taxes	4,600	Salaries	20,000
		Wages	1,300
		Cash in Hand	6,200
		Cash at Bank	25,500

Prepare Final Accounts for the year ended 31st March, 2017 after taking into account the following:

- Stock on 31st March, 2017 was valued at ₹15,000.
- Prepaid Insurance was ₹100.
- Provide Depreciation on Plant and Machinery @ 10%.

ANSWER:

Financial Statements of Modern Traders
Trading Account
for the year ended March 31, 2017

Dr.

Cr

Particulars	₹	Particulars	₹
Opening Stock	15,000	Sales	1,20,000
Purchases	82,000		
Freight Inwards	2,000	Closing Stock	15,000
Wages	1,300		
Gross Profit (<i>Balancing Figure</i>)	34,200		
	1,35,000		1,35,000

Profit and Loss Account			
for the year ended March 31, 2017			
Particulars	₹	Particulars	₹
Depreciation: (WN1)		Gross Profit	34,200
Plant & Machinery		Discount Received	400
	4,000	Rent Revenue	1,200
Bad Debts	400	Old Provision	800
Carriage Outwards	500		
Insurance (700-100)	600		
Rent, Rates & Taxes	4,600		
Printing & Stationery	800		
Postage & Telegram	800		
Salaries	20,000		
Profit	5400		
	31800		31800

Balance Sheet <i>as on March 31, 2017</i>					
Liabilities		₹	Assets		₹
Capital	85,000		Fixed Assets		
Add: Net Profit	5400		Plant & Machinery	40,000	
Less: Drawings	5,000	85400	Less: Depreciation	4,000	36,000
			Furniture		5,000
Current Liabilities					
Creditors		23,000			
			Current Assets		
			Prepaid Insurance		100
			Closing Stock		15,000
			Cash in Hand		6,200
			Cash at Bank		25,500
			Debtors	20,600	
		108400			108400