

U. James Ryn... 30/7/19



**ST. LAWRENCE HIGH SCHOOL**  
A Jesuit Christian Minority Institution  
FIRST TERM EXAMINATION - 2019  
CLASS - XI C



**SUBJECT - ACCOUNTANCY**  
Model Answers

**DATE -30.07.19**

**GROUP-A**

**1. Answer the following questions:(Select the correct answer )**

- i) Buyer of goods and services on credit are called  
a) creditors ; b) lenders ; c) customers ; **d) debtors.**
- ii) Which of the following is an internal user of accounting information?  
a)customers ; b)government agency ; c)suppliers ; **d)partners.**
- iii) Under cash basis of accounting, transactions are recorded when  
a)transactions take place ; b)events occur ; **c)cash is actually received** ; d)none of these.
- iv) Under accrual basis of accounting, transactions are recorded  
a)when cash is received ; b)when cash is paid ; **c)when transaction take place** ; d)none of the above.
- v) Accounting is the recording of  
a)present happening ; **b)past happening** ; c)past and future happening ; d)future happening.
- vi) Accounting Standards are  
**a) compulsory for listed companies;** b) compulsory for private companies ; c) compulsory for government companies ; d) optional for all companies .
- vii) Accounting Standards are issued by-  
a) The Institute of Cost and Management Accountants of India  
**b) The Institute of Chartered Accountants of India**  
c) Ministry of Corporate Affairs  
d) Company Law Board
- viii) Cash Flow Statement is under which Accounting Standard (AS) of India ?  
a) AS- 1 ; **b) AS- 3** ; c) AS- 9 ; d) AS-10 .
- ix) Depreciation is under which Accounting Standard (AS) of India ?  
a)AS-2 ; b)AS-3 ; c)AS-5 ; **d)AS-6**

x) Which is both a book of journal and a ledger ?

a) **Cash Book** ; b) General Ledger ; c) Purchases Journal ; d) Sales Journal.

xi) Goodwill is a

a)Nominal Account ; b)Personal Account ; **c)Real Account** ; d)Valuation Account.

xii) Bank is a

a)Nominal Account ; **b)Personal Account** ; c)Real Account ; d)Valuation Account.

xiii) Which of the following is not an external user of accounting information ?

a)investor ; b) government agency ; c) labour union ; **d) board of directors**

xiv) Under matching concept, matching is done between

a)assets and liabilities ; b)capital and drawing ; c)receipts and payments ; **d)expenses and income.**

xv) Journal records all transactions in

a)alphabetical order ; b)random order ; **c)chronological order** ; d)none of the above.

xvi) Which of the following is not a source document ?

a)invoice ; b)credit note ; **c)voucher** ; d)petty cash voucher.

xvii)Discount allowed is an

**a)expense** ; b)income ; c)receipt ; d)payment

xviii) Petty cash book is used to record

a)exceptional items of expenses ; b)abnormal loss of cash ; **c)petty expenses mainly** ; d)petty receipts only.

xix) Petty cash book always show

**a)a debit balance** ; b)a credit balance ; c)petty cash book ; d)none of the above.

xx) Who is called the 'Father of Accounting'

**a)Fra Luca Pacioli** ; b)Kautilya ; c)Galileo ; d)Herodotus

xxi)The first book in which the transaction of a business unit are recorded is called

**a)a journal** ; b)a ledger ; c)a trial balance ; d) none of the above.

xxii) Outstanding telephone bill at the end of the financial year is added to a business's expenses in the profit and loss account. Which accounting principle is being applied ?

a)business entity ; **b)matching** ; c)historical cost ; d)money measurement.

xiii) Accounting is based on a careful and efficient

a) **book-keeping system** ; b) recording system ; c) classifying system ; d) communicating system.

xxiv) The treasurer of a club has decided not to include subscriptions owing by members in the Balance Sheet at the year – end. Which accounting concept is being applied here ?

a) accrual ; b) going concern ; c) money measurement ; **d) prudence.**

#### GROUP- B

**2. Answer the following questions in very short ( Alternatives are to be noted ):**

(i) Write two advantages of accounting .

Ans: The two advantages of accounting are :

(a) It provides information useful for making economic decisions.

(b) It serves primarily those users who have limited authority, ability or resources to obtain information and who rely on financial statements as their principal sources of information about an enterprise's economic activities.

(ii) Write two limitations of accounting .

Ans: The two limitations of accounting are :

(a) Accounting is historical in nature, it does not reflect the current financial position or worth of a business.

(b) The Profit and Loss Account tends to match current revenues with historical costs rather than current costs.

(iii) What are the three branches of accounting ?

Ans : The branches of Accounting are : Financial Accounting, Cost Accounting and Managerial Accounting.

(iv) What is the full form of IFRS ?

Ans : The full form of IFRS is International Financial Reporting Standard.

(v) What is cash basis of accounting ?

Ans: Cash basis of accounting is a method of accounting in which transactions are recorded in the books of accounts when cash is actually received or paid and not when the transactions take place.

(vi) Name two books of original entry .

Ans : The two books of original entry are Sales Day Book and Purchase Day Book.

(vii) State two fundamental accounting assumptions.

Ans : Going concern and consistency are the two fundamental accounting assumptions.



OR

State the nature of Accounting Standard.

Ans : Accounting Standard are mandatory in nature. They are mainly applicable to the published accounts of limited companies. However in sole proprietorships or partnerships, accounting standards mandatorily apply when the financial statements are statutorily required to be audited.

(viii)What do you mean by Accounting Entity Concept ?

Ans : According to entity concept, business is considered separate and distinct from the owners of the enterprise.

(ix) What do you mean by money measurement concept ?

Ans : Under money measurement concept , only those transactions which can be measured in terms of money are to be recorded in the books of accounts.

(x) State two features of Journal.

Ans : The two features of Journal are :

- (i) A journal is a daily accounting record.
- (ii) A journal contains the day to day transactions in chronological order.

(xi) What is the rule of recording discount in Cash Book ?

Ans : Discount allowed is debited and discount received is credited. Trade discount is not at all recorded in the cash book or other books.

OR

Why is trade discount not recorded in cash book ?

Ans : Trade discount is deducted from the list price first. The net amount is recorded in the books of original entry, because of this it is not recorded again.

(xii)What is Journalising ?

Ans : Journalising is the process of recording in the books of account. It is done from the voucher . it is the first input in the accounting system.

### GROUP – C

#### 3. Answer the following questions

(i) Calculate as directed using Accounting Equation :

(a) A business has assets of Rs 54,321 and owner's equity is Rs 34,215, calculate the amount of Liability.

Sol : Asset – Liability = Capital

Or, Asset – Capital = Liability Therefore Liability = Rs (54,321 – 34,215) = Rs 20,106.

(b) Calculate Total Assets if : Capital = Rs 50,000 ; Creditors =Rs 30,000 ; Revenue during the period Rs 52,000 and Expenses during the same period are Rs 38,000.

Sol :Total assets = total liabilities

Or, Total Assets = Capital + profit + liabilities

= Rs 50,000 + Rs ( 52,000 – 38,000 ) + Rs 30,000 = Rs (50,000 + 14,000 + 30,000 ) = Rs 94,000.

(ii) Journalise the following transactions : (write narrations)

(a) Mohan started business with cash Rs 50,000.

(b) Purchased goods on cash Rs 5,000.

(c) Sold goods on cash Rs 7,000.

(d) Paid wages Rs 3,000.

Sol :

Date	Particulars	L.F	Dr Amt	Cr Amt
	Cash A/c Dr To Capital A/c		50,000	50,000
	Purchases A/c Dr To Cash A/c		5,000	5,000
	Cash A/c Dr To Sales A/c		7,000	7,000
	Wages A/c Dr To Cash A/c		3,000	3,000
	Total		65,000	65,000

(iii) Is Cash Book a Journal or a Ledger ? Explain.

Ans : Cash book performs both the functions of a Journal and a Ledger.

Similarities with journal:

a) Like journal all cash transactions are recorded in the cash book chronologically.

b) Like journal narration is also written in cash book.

Similarities with ledger :

a) The ruling of the cash book is similar to that of the ledger accounts.

b) The recording of various cash transactions in the cash book really takes the shape of a ledger account. There is no need to open a separate Cash or Bank Account in the ledger.

(iv) What is imprest system of petty cash book ? What kind of transactions are recorded in the petty cash book?

Ans : Imprest system is a system of controlling petty cash . Under this system , a fixed sum or float is allocated as sufficient to meet petty cash expenditure for an agreed period of time. At the end of the agreed period, the petty cashier submits the account of the amount spent by him. The sum expended by the petty cashier is reimbursed , thus making up the balance to the original terms.

#### GROUP – D

4. Answer the following questions (Alternatives are to be noted) :

6X3 = 18

(i) Distinguish between Cash basis and Accrual basis of accounting.

Ans :

Cash Basis	Accrual Basis
1. It records only cash transactions.	1. It records both cash and credit transactions.
2. It is not the basis of the double entry system of book keeping.	2. It is the basis of the double entry system of book keeping.
3. Income is earned when cash is received and expenses are incurred when cash is paid.	3. Income and expenses are measured when transactions take place.
4. Profit is the difference between cash receipts and cash payments.	4. Profit is the difference between revenue and expenses.
5. No attempt is made to record prepayments and accruals.	5. Prepayments and accruals are recorded.
6. Trading , Profit & Loss Account And Balance Sheet cannot be prepared.	6. Trading , Profit & Loss Account And Balance Sheet can be prepared.

(ii) Distinguish between Cash Discount and Trade Discount.

Cash Discount	Trade Discount
1. These are discount receivable or allowable on payment within a specified period.	1. These are discounts off the prices of goods.
2. These are allowed only at the time payment is made.	2. These are allowed only at the time the goods are sold.
3. These discount arise only when goods are sold on credit.	3. These discount has nothing to do with the goods being sold in cash or on credit.
4. It is calculated on the list price of the goods less trade discount.	4. It is calculated on the list price of the goods.
5. A provision may be created for cash discount.	5. No provision is created in the books for trade discounts.
6. The question of shifting cash discount by the wholesaler to the customers does not arise.	6. A part of the trade discount can be shifted by the wholesaler to the customers.



(iii) Journalise the following transactions :

(a) 2019 March 1 - Mr Gupta started business contributing motor vehicle Rs 10,700 ; furniture Rs 14,000 and cash Rs 3,000.

(b) March 2 - Purchased goods on credit from Mr Basu for Rs 1,600.

(c) March 5 - Goods given away as free samples Rs 500.

(d) March 10 - Sales goods on credit to Mr Sen for Rs 2000.

(e) March 20 - Withdrew cash from bank for office use Rs 1,000.

(f) March 29 - Received cash from Mr Sen Rs 1,500.

Sol :

Date	Particulars	L.F	Dr Amt	Cr Amt
2019 March				
01.	Motor Vehicle A/c Dr.....		10,700	
	Furniture A/c Dr.....		14,000	
	Cash A/c Dr.....		3,000	
	To Capital A/c			27,700
02.	Purchases A/c Dr.....		1,600	
	To Mr Basu A/c			1,600
05.	Advertisement A/c Dr.....		500	
	To Purchases A/c			500
10.	Mr Sen A/c Dr.....		2,000	
	To Sales A/c			2,000
20.	Cash A/c Dr .....		1,000	
	To Bank A/c			1,000
29.	Cash A/c Dr.....		1,500	
	To Mr Sen A/c			1,500
	Total		34,300	34,300

#### GROUP - E

5. Answer the following question :

Record the following transactions in the Cash Book of M/s. Sen & Co and draw the closing balances of Cash and Bank columns:-

2019

Jan 1 Cash in hand Rs 4,750

Cash at Bank Rs 64,400

