



U. J. Riji
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ST. LAWRENCE HIGH SCHOOL
A Jesuit Christian Minority Institution
PRE - ANNUAL TERM EXAMINATION - 2019
CLASS - XI

F.M.- 80
DATE -15.01.19

SUBJECT - ACCOUNTANCY
Model Answers

GROUP-A

1. Answer the following questions:-

i) Which of the following is not a capital expenditure ?

Ans : c) insurance premium

ii) What accounting principle is described by the following statement?

“For accounting purposes, a business is separate from its owners

Ans : d) business entity

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

Ans : d) board of directors

iv) Under cash basis of accounting, transactions are recorded when –

Ans : c) cash is actually received

v) Accrual concept is one of the consequences of the -

Ans : d) periodicity concept

vi) Accounting Standards are

Ans : a) compulsory for listed companies

vii) Accounting Standards are issued by-

Ans : b) The Institute of Chartered Accountants of India

viii) Revenue Recognition is under which Accounting Standard (AS) of India ?

Ans : c) AS- 9

ix) When goods returned by the customers, a document is prepared called -

Ans : b) credit note

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

Ans : a) Cash Book

xi) X received a cheque of Rs 10,000 from Y in full settlement of dues of Rs 10,500. The cheque was dishonoured. The reversal of discount allowed by X will be recorded in the

Ans : b) Journal Proper

xii) At 30 November , 2018, Mr Das had a bank loan of Rs 8,500 and a balance of Rs 678 at his bank account. How should these amounts be recorded on Mr Das's opening Trial Balance at 1st December ,2018 ?

Ans : c) Credit Rs 8,500 and Debit Rs 678

xiii) A suspense account is a -

Ans : a) temporary account

xiv) A provision can be -

Ans : a) specific

xv) A bill of exchange was drawn on 23rd November, 2018 payable after two months. The due date of the bill is

Ans : b) 25th January 2019

xvi) In case of a sole proprietorship business, income tax is treated as -

Ans : c) drawings of the proprietor

xvii) General Donation is treated as -

Ans : b) Income

xviii) Subscriptions collected in 2015- RS 50,000

Subscriptions in arrear for the year 2015 – Rs 10,000

Subscription received in advance for 2016 – RS 5,000

The subscription income for the year 2015 is -

Ans : d) Rs 55,000

xix) Subscription due but not yet received is –

Ans : b) an asset as well as an income

xx) Under single entry system -

Ans : a) personal accounts are kept

xxi) Closing capital is Rs 2,20,000. Drawings during the year is 30,000. Opening capital is Rs2,00,000. The profit during the year is

Ans : c) Rs 50,000

xxii) Which organization cannot keep its accounts under Single Entry System ?

Ans : d) joint stock company

xiii) ERP stands for -

Ans : b) Enterprise Resource Planning

xxiv) In a computerized system, information is provided in the form of

Ans : a) reports.

GROUP- B

2. Answer the following questions in very short-

(i) Name the three types of accounting information ?

Ans:- The three types of accounting information are : a) Balance Sheet b) Profit and Loss Account and c) Cash Flow Statement.

(ii) 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 account when cash is actually received or paid and not when the transactions take place.

OR

Write any two objectives of accounting ?

Ans :- The two objectives of Accounting are :- (a) To keep a systematic record of financial transactions that effect the business enterprise. (b) To ascertain the profits earned or losses incurred by the business unit during a particular accounting period.

(iii) What is IFRS ?

Ans:- It is the International Financial Reporting Standard. It has been issued by International Accounting Standard Board (IASB).

OR

What is accounting entity concept ?

Ans:- According to the entity concept , business is considered separate and distinct from the owners of the enterprise. This concept starts with the fact that the business unit is a separate entity with its own identity.

(iv) What is double entry book keeping ?

Ans :- Double entry is almost universally used system of business record keeping. It is a system of recording business transactions which recognizes that each transaction has a dual aspect.

(v) Name two books of original entry .

Ans:- The two books of original entry are :- (i) Sales Day Book and (ii) Purchases Day Book.

OR

What is debtor's ledger ?

Ans:- Debtors' Ledger contains the accounts of all the customers to whom goods have been sold on credit. Entries in this ledger are made mostly from sales day books, sales returns book and cash book.

(vi) Name two factors to be considered for calculating the amount or rate of depreciation.

Ans:-The two factors to be considered for calculating the amount or rate of depreciation are :-

- (a) the cost of the assets.
- (b) Useful life of the assets.

(vii) What is days of grace ?

Ans:- Any bill of exchange payable otherwise than on demand is entitled to a grace period of 3 days beyond the maturity date. This grace period is called the ' days of grace'.

OR

Name the parties connected with a bills of exchange .

Ans:- The parties connected with a bills of exchange are :- the drawer, the drawee and the payee.

(viii) Give two examples of current liabilities ?

Ans:- The two examples of current liabilities are :- Outstanding expenses and creditors.

(ix) What is an error of principle ?

Ans:- The errors of principle arise because of an incorrect application of the principles of accounting, and failure to differentiate between capital and revenue expenditure.

(x) Give four examples of not- for- profit organizations .

Ans:- The four examples of not- for- profit organizations are :- (i) Football clubs (ii) Cricket clubs (iii) Government – aided Schools and (iv) Government- aided Colleges.

OR

Name the important statements prepared by the not- for- profit organizations ?

Ans :- The important statements prepared by the not- for- profit organizations are :- (i) Receipts and Payments Account (ii) Income and Expenditure Account and (iii) Balance Sheet.

(xi) State any two limitations of incomplete records ?

Ans:- The two limitations of incomplete records are as follows :-

- (a) The personal transactions of the proprietor get mixed up with business transactions.
- (b) The arithmetical accuracy of the books of account cannot be checked.

(xii) Define Accounting Information System .

Ans: - An accounting information system (AIS) is a system that collects, records, stores and processes data to produce information for decision-makers.

OR

Write the full form of MIS ?

Ans:- The full form of MIS is Management Information System.

GROUP - C

3. Answer the following questions:-

3(i) The following errors are detected in the books of N & Co after preparation of their trial balance. Rectify the given errors.

- (a) Sales Returns Day Book overcast by Rs 1600.
- (b) Purchase furniture for Rs 20,000 for office use but wrongly included in the Purchase Account.
- (c) Rs 550 paid for repairs to a machine was entered in the Machinery Account.
- (d) Goods sold on credit of Rs 3000 to Mr Sen but wrongly debited to Mr Gupta's Account.

Sol : In the books of N & Co.

Journal

Date	Particulars	L.F	Amount(Rs)	Amount(Rs)
(i)	Suspense A/cDr To Sales Returns A/c		1600	1600
(ii)	Furniture A/cDr To Purchase A/c		20000	20000
(iii)	Repairs to Machinery A/cDr To Machinery A/c		550	550
(iv)	Mr Sen A/c.....Dr To Mr. Gupta A/c		3000	3000

(ii) Distinguish between Revenue Reserve and Capital Reserve.

Ans :

	Revenue Reserve		Capital Reserve
1.	It can be general or specific.	1.	It is always specific.
2.	It may be distributed as profits.	2.	It is not generally distributed as profits.
3.	It cannot arise during the period prior to incorporation.	3.	It may arise during the period prior to incorporation..

4. It is created by retaining profits.	4. It not created by retaining profits.
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OR

Sen & Co had purchased a machinery on 01.04.13. for Rs 5,00,000. On 01.04.15 the company sold a part of the machinery bought on 01.04.13 costing Rs 1,00,000 for Rs 78,000 and subsequently on 01.10.15 the company bought new machinery for Rs 58,000. Installation charges incurred were Rs 2,000. The company used to charge depreciation @10% per annum on diminishing balance method and the accounts are closed on 31st March each year . Show the machinery account for the period of above three years.

Sol :

In the Books of Sen & Co

Machinery Account

Date	Particulars	J.F	Amount (Rs)	Date	Particulars	J.F	Amount (Rs)
01.04.13	To Bank A/c		5,00,000	31.03.14	By Depreciation		50,000
					By Balance c/d		<u>4,50,000</u>
			<u>5,00,000</u>				<u>5,00,000</u>
01.04.14	To Balance b/d		4,50,000	31.03.15	By Depreciation		45,000
					By Balance c/d		<u>4,05,000</u>
			<u>4,50,000</u>				<u>4,50,000</u>
01.04.15	To balance b/d		4,05,000	01.04.15	By Bank A/c		78,000
					By Loss on sale of machinery		3,000
01.10.15	To bank (58000 +2000)		60000		By Depreciation		35,400
				31.03.16	By Balance b/d		<u>3,48,600</u>
			<u>4,65,000</u>				<u>4,65,000</u>

(iii) On 1st January 2018 , Ram sold goods to Rahim valuing Rs 30,000. On 4th January 2018, Ram received from Rahim Rs10,000 and drew a bill payable for 3 months after date for the balance. On the same date Ram endorsed the accepted bill to Shyam for full settlement of a debt of Rs 21,000. On the due date , the bill was dishonoured and Rahim having become insolvent, met on 10th May2018, 75% of his acceptance. Give the journal entries in the books of Ram.

Sol :

In the books of Ram

Journal

Date	Particulars	L.F	Amount (Dr)	Amount (Cr)
2018	Rahim A/c.....Dr		30,000	
Jan 1	To Sales A/c			30,000
4	Cash A/cDr		10,000	
	To Rahim A/c			10,000
4	Bills Receivable A/c.....Dr		20,000	
	To Rahim A/c			20,000
4	Shyam A/c.....Dr		21,000	
	To Bills Receivable A/c			20,000
	To Discount Received A/c			1,000

Apr 7	Rahim A/cDr Discount Received A/c To Shyam A/c	20,000 1,000	21,000
May 10	Bank A/cDr Bad Debts A/c...Dr To Rahim A/c	15,000 5,000	20,000

OR

Short note – (a) Due Date – Ans : The date of maturity of a bills of exchange is the date when the amount of the bill is payable by drawee. It is also called the 'Due Date'.

Short note - (b) Noting charges- Ans : Upon dishonour, the holder of the bill should get the fact of dishonour noted by a notary public. A notary public is a legal practitioner, usually a solicitor. He is empowered to note the dishonoured bills of exchange. The notary public charges some fees for doing all these, which is called noting charges.

(iv) (iv) State any four limitations of Computerized Accounting System (CAS).

Ans : The four limitations of Computerized Accounting System (CAS) are-

- (a) Reporting of business information is not real time, it is still based on historic data.
- (b) Processes are transaction oriented.
- (c) A CAS which is not customized for specific business need, could provide less flexibility and would be cumbersome.
- (d) An unsecured system could be a big nuisance.

GROUP – D

4. Answer the following questions:-

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

2018

Jan 1 Cash in hand Rs 8000

 Cash at Bank Rs 5000

2 Received from Mr X – Rs 2000

10 Received a cheque from Saha & Co – Rs 3000

12 Cheque of Saha & Co deposited into bank.

15 Paid Rent – Rs 1000

20 Sold goods – Rs 1500

23 Paid to Mr Z by cheque – Rs 500

27 The cheque of Saha & Co which was deposited into bank on 12.01.18, was dishonoured by the bank.

28 Purchased goods for
cash – Rs 2500

31 Deposited cash into bank – Rs 3500.

Sol :

In the books of M/s Roy & Co

Cash Book (Double column)

Date	Particulars	L.F	Cash	Bank	Date	Particulars	L.F	Cash	Bank
1.1.16	To Balance b/d		8000	5000	12.1.16	By Bank A/c	(c)	3000	
2.1.16	To Mr X A/c		2000		15.1.16	By Rent A/c		1000	
10.1.16	To Saha & Co A/c		3000		23.1.16	By Z A/c			500
12.1.16	To Cash A/c	(c)		3000	27.1.16	By Saha & Co A/c			3000
20.1.16	To Sales A/c		1500		28.1.16	By Purchases A/c		2500	
31.1.16	To Cash A/c	(c)		3500	31.1.16	By Bank A/c	(c)	3500	
					31.1.16	By Balance c/d		4500	8000
			14500	11500				14500	11500

OR

From the under mentioned particulars of Mr Gupta prepare a Bank Reconciliation Statement as on 31st December 2015 :

- (i) On 31st December 2015 the cash book of Mr Gupta showed an overdraft of Rs 22,050.
- (ii) On 29th December 2015 cheques amounting to Rs 6,000 , Rs 12,000 and Rs 15,000 were deposited into bank, but the cheque for Rs 12,000 was collected by the bank on 5th January 2016.

- (iii) It is learnt that out of the cheques for Rs 2,500 , Rs 4,500 , Rs 7,800 and Rs 11,000 issued on 25th December 2015, only the first two cheques (for Rs 2,500 and Rs 4,500) were presented to bank in December 2015.
- (iv) On 31st December 2015 the pass book of Mr Gupta has been debited with Rs 1800 for interest on overdraft, but the same was not entered in his cash book within 31st December 2015.
- (v) A debtor directly deposited a cheque for Rs 2,500 into the bank of Mr Gupta but the same was not recorded in the cash book.

Sol :

Mr Gupta

Bank Reconciliation Statement as on 31.12.2015

	Rs	Rs
Bank Balance as per Cash Book(overdraft)		22,050
Add: (ii) Cheque deposited but not credited by bank within December	12,000	
(iv) Interest on overdraft not recorded in the Cash Book	1,800	13,800
		35,850
Less : (iii) Cheque issued but not presented for payment within December (7,800+11,000)	18,800	
(v) Debtor directly deposited cheque into the bank but the same was not recorded in the cash book	2,500	21,300
Bank Balance as per Pass Book(overdraft)		14,550

(ii) Distinguish between a ' Receipt and Payment Account ' and an ' Income and Expenditure Account '

Ans :

	Receipt and Payment Account		Income and Expenditure Account
1.	It is the summary of cash and bank transactions of a particular period.	1.	It is a summary of expenses and incomes of a particular period.
2.	It is almost like a real account.	2.	It is almost like a nominal account.
3.	It is prepared on cash basis.	3.	It is prepared on accrual basis.
4.	Cash receipts are recorded on debit side and cash payments are recorded on the credit side.	4.	Expenditures are recorded on debit side and incomes are recorded .
5.	Generally nature of closing balance of this account is debit but occasionally bank balance may be credit.	5.	Nature of closing balance of this account may be either debit or credit.
6.	Closing balance of this account is transferred to asset side or liability side of balance sheet under separate heading.	6.	Closing balance of this account is transferred to capital fund..

OR

From the following Receipt and Payment Account and additional information of a club , prepare an Income and Expenditure Account for the year ended 31.12.15.

Receipts	Amt (Rs)	Payments	Amt(Rs)
Cash in hand (opening)	4,500	Salary	49,500
Cash at bank (opening)	1,26,000	Paper, ink etc	1,950
Subscriptions	1,52,400	Repairing expenses	7,020
Donations	72,000	Billiard Table	58,050
Interest on Investments	1,800	Purchase of Investments	61,980
Entrance Fees	18,000	Miscellaneous Expenses	6,600
Interest received from bank	6,300	Purchase of Furniture	1,23,000
Sale of old newspapers	900	Insurance Premium	2,700
		Cash in hand (closing)	4,200
		Cash at bank (closing)	66,900
	<u>3,81,900</u>		<u>3,81,900</u>

Additional Information :

- Subscriptions in arrear for 2015 Rs 13,500 and subscriptions in advance for 2016 Rs 3,900.
- Insurance Premium prepaid Rs 300.
- Miscellaneous expenses outstanding Rs 900.
- 50% of donations are to be capitalised.
- Entrance fees are to be treated as revenue income.

Sol : **Income and Expenditure Account for the year ended 31.12.15**

Expenditure	Amt (Rs)	Income	Amt (Rs)
To Salary	49,500	By Subscriptions	1,62,000
To Paper, Ink etc.	1,950	By Donations (50%)	36,000
To Repairing Expenses	7,020	By Interest on Investment	1,800
To Miscellaneous Expenses 6600		By Entrance Fees	18,000
Add:- Outstanding <u>900</u>	7,500	By Interest received from bank	6,300
To Insurance 2700		By Sale of old newspapers	900
Less :- Prepaid <u>300</u>	2,400		
To excess of Income over Expenditure	<u>1,56,630</u>		
	<u>2,25,000</u>		<u>2,25,000</u>

(iii) Distinguish between Single Entry System and Double Entry System.

Ans :

Single Entry System	Double Entry System
1.It is an unscientific system of accounting.	1.It is a scientific system of accounting.
2.In this system both sides of each transactions are not recorded.	2.In this system both sides of each transaction are recorded.
3.In this system personal accounts and cash books are only kept.	3.In this system personal accounts, real accounts and nominal accounts are kept.
4.To prove the arithmetical accuracy of accounting , preparation of trial balance is not possible here.	4.To prove the arithmetical accuracy of accounting, preparation of trial balance is possible here.

5.To determine the financial result, statement of profit and loss is prepared at the end of accounting year in this system.	5.To determine the financial result, profit and loss account is prepared at the end of accounting year in this system.
6.To determine the financial situation of a concern , statement of affair is prepared at the end of a particular accounting year based on incomplete records and assumptions.	6.To determine the financial situation of a concern , balance sheet is prepared at the end of a particular accounting year based on proper records.

OR

From the following facts supplied by Mr Sinha , who does not keep a complete set of books you are required a to calculate Total Purchases and prepare Bills Payable Account :

- Opening balance of bills payable – Rs 5,000
- Opening balance of creditors – Rs 6,000
- Closing balance of bills payables – Rs 9,000
- Closing balance of creditors – Rs 4,000
- Bills payable discharged during the year – Rs 8,900
- Cash paid to creditors during the year – Rs 30,200
- Returns Outwards – Rs 1,200
- Cash purchases – Rs 25,800.

Sol :

Bills Payable Account

Particulars	Amt(Rs)	Particulars	Amt(Rs)
To Cash	8,900	By balance b/d	5,000
To balance c/d	9,000	By Creditors (balancing figures)	12,900
	<u>17,900</u>		<u>17,900</u>

Creditors Account

Particulars	Amt(Rs)	Particulars	Amt(Rs)
To Cash	30,200	By Balance b/d	6,000
To Return Outward	1,200	By Credit Purchase (balancing figure)	42,300
To Bills Payable	12,900		
To Balance c/d	4,000		
	<u>48,300</u>		<u>48,300</u>

Total Purchases :- Cash Rs 25,800 + Credit Rs 42,300= **Rs 68,100(Ans)**

GROUP – E

5. Answer the following question :

The Trial Balance of M/s Guha & Bros prepared on 31.03.16 is given below. On the basis of the Trial Balance and other information given, you are required to prepare a Trading Account and Profit and Loss Account for the year ended 31.03.16 and a Balance Sheet as on that date.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
Opening Stock	1,50,000	Miscellaneous Receipts	1,500
Machinery	2,55,000	Bills Payable	19,500
Purchases	5,25,000	Sales	10,50,000
Office Rent	16,500	Creditors	45,000
Cash in hand	5,700	Discount	1,800
Cash at bank	30,000	Purchase Returns	5,850
Telephone charges	1,680	Capital	2,70,000
Bills Receivable	37,500		
Salary	33,000		
Sales Returns	3,600		
Discount	1,050		
Debtors	75,000		
Carriage on Purchase	7,050		
Furnitures	19,500		
Land and Buildings	2,20,000		
Carriage on Sales	10,070		
Fire Insurance Premium	3,000		
	13,93,650		13,93,650

Other Informations :

- Closing stock on 31st March, 2016 values at Rs 2,30,000.
- On 31st March 2016, outstanding office rent was Rs 1,200 and salary paid in advance amounted to Rs 1,000.
- Create a provision for bad debt @ 5% on debtors.
- Depreciate machinery @ 10% per annum and furnitures @ 20% per annum
- Goods costing Rs 10,000 have been destroyed by fire during this year. The Insurance Company has agreed to pay Rs 7,500 against the claim.

Sol :

In the books of M/s Guha & Bros

Trading Account for the year ended 31.03.16

Particulars	Amt(Rs)	Particulars	Amt(Rs)
To Opening Stock	1,50,000	By Sales	10,50,000
To Purchases	5,25,000	Less: Returns	<u>3,600</u>
Less: Returns	<u>5,850</u>	By Goods Destroyed by Fire	10,000
To Carriage on Purchases	7,050	By Closing Stock	2,30,000
To Gross Profit	6,10,200		
	<u>12,86,400</u>		<u>12,86,400</u>

Profit and Loss Account for the year ended 31.03.16

Particulars	Amt (Rs)	Particulars	Amt(Rs)
To Salaries	33,000	By Gross Profit	6,10,200
Less:-	<u>1,000</u>	By Miscellaneous Receipts	1,500
To Office Rent	16,500	By Discount Received	1,800
Add :- Outstanding	<u>1,200</u>		
To Telephone Charges	1,680		
To Discount Allowed	1,050		
To Carriage on Sales	10,070		
To Fire Insurance Premium	3,000		
To Goods destroyed by fire	2,500		
To Provision for Bad Debts	3,750		
To Depreciation on :			
Machinery	25,500		
Furniture	3,900		
To Net Profit	5,12,350		
	6,13,500		6,13,500

Balance Sheet of M/s Guha & Bros as at 31.03.16

Liabilities	Amt(Rs)	Assets	Amt(Rs)
Capital A/c :	2,70,000	Land & Building	2,20,000
Add: Net Profit	<u>5,12,350</u>	Machinery	2,55,000
Creditors	45,000	Less : Depreciation	<u>25,500</u>
Bills Payable	19,500	Furniture	19,500
Outstanding Office Rent	1,200	Less : Depreciation	<u>3,900</u>
		Stock – in- Trade	2,30,000
		Debtors	75,000
		Less : Prov for Bad debt	<u>3,750</u>
		Bills Receivable	37,500
		Insurance Claim	7,500
		Cash at Bank	30,000
		Cash in Hand	5,700
		Salary Paid in Advance	1,000
	8,48,050		8,48,050