

# Answers

## GROUP-A

1. (i) (d); (ii) (d); (iii) (d); (iv) (b); (v) (); (vi) (d); (vii) (d); (viii) (c); (ix) (a); (x) (c); (xi) (a); (xii) (b); (xiii) (c); (xiv) (b); (xv) (c); (xvi) (c); (xvii) (a); (xviii) (b); (xix) (a); (xx) (c); (xxi) (a); (xxii) (b); (xxiii) (d); (xxiv) (c).

## GROUP-B

2. (i) *Deferred Revenue Expenditure*: Deferred Revenue Expenditure is revenue expenditure by nature but it is not treated as revenue expenditure on the basis that its benefit is not fully exhausted in the accounting period in which it is incurred. The example is large advertising expenditure.

OR

Internal Users of Accounting Information are:

- (i) Owners      (ii) Management.
- (ii) *Account*: An Account is a summarised record of relevant transactions at one place relating to a particular head. It records not only the amount of transactions but also their effect and direction.
- (iii) *Matching Concept*: Matching Concept means that an expense is recognised as an expense in the year related revenue is recognised.

OR

*GAAP*: GAAP (Generally Accepted Accounting Principles) is a collection of commonly followed accounting rules and standards for financial reporting.

- (iv) *Contra Entry*: Contra entries means entries which affect both Cash and Bank columns of the Cash Book and are, therefore, recorded on both sides of the Cash Book.

*Examples are:*

- (i) Cash deposited in the bank.      (ii) Cash withdrawn from the Bank.

OR

Cash Book is a Journalised Ledger because Cash and bank transactions are recorded in the Cash Book and from the recorded transactions, Ledger Accounts are prepared. Therefore, Cash Book is a Subsidiary Book. Also, Cash Book by itself is Cash Account and Bank Account. The balances are entered in the Trial Balance directly. Cash Book, therefore, is a part of the Ledger also. Hence, it is also a Principal Book.

Cash Book is, thus, both a Subsidiary Book and a Principal Book.

- (v) *Invoice*: An Invoice or Bill is prepared by the seller when the goods are sold on credit. It has details of the party to whom goods are sold, goods sold and the total sale amount. The original copy of the sales invoice is sent to the purchaser and a duplicate copy is retained as an evidence of the sales for recording it in the books of account and for future reference. For the purchaser, credit purchases are evidenced by bill received from the supplier.

- (vi) *Compound Entry*: Compound (Journal) entry is a Journal entry in which one or more accounts are debited and/or one or more accounts are credited or vice versa. For example, sale of goods to Satish for ₹ 5,000. ₹ 2,000 is received in cash and balance to be received later.

Entry for the transaction is a compound entry as follows:

Cash/Bank A/c	...Dr.	₹ 2,000	
Satish's A/c	...Dr.	₹ 3,000	
To Sales A/c			₹ 5,000

OR

*Doctrine of Materiality*: According to the Convention of Materiality, a transaction should be reported in the financial statements on the basis of its materiality. An item is material if it can influence the decision of the user.

- (vii) Cash Book and Pass Book.  
(viii) Accrual Basis of Accounting.

OR

*Capital Fund*: In the case of Not-for-Profit Organisation, difference between assets and liabilities is termed as 'Capital Fund'.

- (ix) Under '*Double Entry System*' all types of accounts are maintained while under '*Single Entry System*' usually Cash, Bank and personal accounts of debtors and creditors are maintained.  
(x) *Single Entry System*: Under this system of accounting, both the aspects of a transaction are not recorded. Unlike Double Entry System, no set rules are followed in this system. Usually, the Cash Book and Personal Accounts of debtors and creditors are maintained. Real and Nominal Accounts are not maintained.

OR

*Ascertaining Credit Sales*: Credit Sales for the period is determined by preparing Total Debtors Account. Total Debtors Account is prepared by placing following in the debit side:

- (i) Opening Balance
- (ii) Cash paid (say for goods returned)
- (iii) Bills Receivable Dishonoured
- (iv) Debit for charges (say Freight)

On the credit side of Total Debtors Account following are placed:

- (i) Cash/Cheque received
- (ii) Cash Discount Allowed
- (iii) Bills Receivable
- (iv) Returns Inward
- (v) Bad Debts
- (vi) Any other credit allowed (say rebate for quality, Bad Debts, etc.)
- (vii) Closing Balance

Credit Sale is the difference between the two balances.

- (xi) *Software*: It is a general term for the various kind of programs used to operate computer and related devices. Software is a set of instructions on the basis of which a computer operates. Unlike computer hardware, computer software cannot be seen or touched. It is the intangible or invisible part of the computer which is used with hardware to perform computer applications.

OR

*CPU*: Central Processing Unit.

- (xii) Profit & Loss Account is a periodical statement because it shows Net Profit or Net Loss during a particular period of time, *e.g.*, from 1st April, 2021 to 31st March, 2022. All the items of incomes and expenses are related to this specific period only.

### GROUP-C

#### 3. (i) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2020				
Dec. 1	Cash A/c ...Dr. To Capital A/c (Being the business started with cash)		10,000	10,000
Dec. 3	Bank A/c ...Dr. To Cash A/c (Being the cash deposited into Bank)		5,000	5,000
Dec. 7	Sunirban ...Dr. To Purchases Return A/c (Being the goods returned)		1,000	1,000
Dec. 10	Prepaid Salary A/c ...Dr. To Cash/Bank A/c (Being the salary of December paid in Advance)		2,000	2,000

#### (ii) Difference between Cash Discount and Trade Discount

Basis	Cash Discount	Trade Discount
1. <b>Nature</b>	It is allowed on payment being made on or before a certain date.	It is allowed on sale or purchase of certain quantity.
2. <b>Nature of Transaction</b>	It is allowed only on payment.	It is allowed on both cash and credit sales or purchases.
3. <b>Recording</b>	Cash discount is recorded separately in the books of account.	Trade discount is not recorded separately in the books of account.
4. <b>Deduction from Invoice</b>	It is not deducted from the invoice.	The amount of the trade discount is deducted from the invoice.
5. <b>Consideration</b>	The consideration for allowance is payment.	The consideration for allowance is purchases.
6. <b>Relation</b>	It is related to payment.	It is related to sale and purchase of goods.

OR

TRIAL BALANCE  
as on 31st December, 2019

Particulars	Dr. (₹)	Cr. (₹)
Capital A/c	...	4,00,000
Plant & Machinery A/c	2,00,000	...
Debtors A/c	3,50,000	...
Creditors A/c	...	2,00,000
Salaries A/c	2,50,000	...
Sales A/c	...	10,00,000
Cost of Goods Sold	7,50,000	...
Closing Stock	2,00,000	...
<b>Total</b>	<b>17,50,000</b>	<b>16,00,000</b>

(iii) BANK RECONCILIATION STATEMENT  
as on 31st March, 2020

Particulars		₹
Overdraft as per Cash Book (Cr.)		5,000
Add: Bank Charges	200	
Cheques deposited but not cleared (₹ 32,500 – ₹ 28,000)	4,500	4,700
		9,700
Less: Direct deposit by Miss Bhumica	5,500	
Cheques issued but not presented for payment	7,000	12,500
<b>Balance as per Pass Book (Cr.)</b>		<b>2,800</b>

OR

**Difference between Purchase Book and Purchase Account**

Basis	Purchases Book	Purchases Account
1. <b>Part</b>	It is part of Journal.	It is part of Ledger.
2. <b>Format</b>	Like ledger account, it does not have debit and credit columns.	It has debit and credit columns.
3. <b>Contents</b>	Only credit purchases of goods dealt in or consumed for production are recorded.	Credit as well as cash purchases of goods dealt in or consumed for production are recorded.
6. <b>Amount</b>	Total of Purchases Book is posted to the Purchases Account.	Balance in the account is transferred to the Trading Account.

(iv) *Advantages of Computerised Accounting:*

1. **Large Volume of Transactions:** In the present-day business environment, the transactions of a business are normally large in volume. The computerised accounting system can store and process such voluminous transactions with speed and accuracy.

- 2. Timely Reporting:** Availability of reports on time enables the management to take quick decisions, which is an important element for the success of an enterprise. A computerised accounting system makes these reports available as and when required.

*Disadvantages of Computerised Accounting:*

- 1. Controls:** If adequate controls are not built and, where built, are not followed, it can lead to loss of data. It is important to take back-ups at regular intervals to avoid such a situation.
- 2. Data Corruption:** The data can get corrupted through viruses that may come in through the internet or the use of external input devices without scanning them for viruses.

**GROUP-D**

**4. (i) SALES DAY BOOK**

Date	Particulars	Invoice No.	L.F.	Details (₹)	Amount (₹)
2019					
Jan. 2	<b>Green Tea Co. Ltd.</b>				
	3 Chests of Tea			700	
	Less: Trade Discount @ 5%			35	665
Jan. 5	<b>Soma &amp; Co.</b>				
	2.5 dozen postage albums @ ₹ 10 each			300	
	Less: Trade Discount @ 5%			15	285
Jan. 9	<b>Dolly Studio:</b>				
	5 dozen photograph frames @ ₹ 15 each			900	
	Less: Trade Discount @ 2.5%			22.50	877.50
Jan. 9	<b>Sales A/c</b> <span style="float: right;"><b>...Cr.</b></span>				1,827.50

**OR**

**Dr. CASH BOOK Cr.**

Date	Particulars	Cash (₹)	Bank (₹)	Date	Particulars	Cash (₹)	Bank (₹)
2020				2020			
Nov. 1	To Balance b/d	12,000	27,500	Nov. 7	By Purchases A/c	...	6,000
Nov. 13	To Sales A/c	15,000	...	Nov. 13	By Bank A/c (C)	15,000	...
Nov. 13	To Cash A/c (C)	...	15,000	Nov. 22	By Cash A/c (C)	...	2,000
Nov. 19	To Cheques-in-Hand A/c	...	7,400	Nov. 30	By Rent A/c	1,500	...
Nov. 22	To Bank A/c (C)	2,000	...	Nov. 30	By Wages A/c	200	...
Nov. 24	To Commission A/c	...	1,000	Nov. 30	By Balance c/d	12,300	42,900
		29,000	50,900			29,000	50,900

(ii) **Difference between Receipts & Payments Account and Income & Expenditure Account**

<i>Basis</i>	<i>Receipts &amp; Payments Account</i>	<i>Income &amp; Expenditure Account</i>
1. <b>Purpose</b>	Purpose of this account is to show the difference between two sides denoting the Cash/Bank balance at the end.	Purpose of this account is to show net result of the activities undertaken during the year resulting in surplus or deficit.
2. <b>Nature</b>	It is a classified summary of cash transactions showing receipts and payments under different heads for the period (Real Account).	It is like a Profit & Loss Account (Nominal Account).
3. <b>Form</b>	Debit side of this account records receipts and credit side records payments.	Debit side of this account records expenses and losses and credit side records incomes.
4. <b>Balance</b>	Balance in the beginning means cash in hand and bank balance in the beginning and balance at the end means cash in hand and bank balance at the end.	There is no balance in the beginning. Balance at the end means either surplus or deficit.
5. <b>Capital and Revenue Items</b>	It records receipts and payments during the year of both capital and revenue items.	It records income and expenditure of only revenue items relating to the accounting period.
6. <b>Contents</b>	It shows receipts and payments made during the year whether they relate to past, current or succeeding year.	It shows incomes and expenditures of the current year only.
7. <b>Adjustments</b>	It is based on cash system of accounting. Hence, no adjustments are made.	It is based on accrual system of accounting. Hence, adjustments are made.
8. <b>Non-cash Items</b>	It does not record non-cash items, e.g., depreciation.	It records both cash and non-cash items.

OR

INCOME & EXPENDITURE ACCOUNT for the year ended 31st December, 2018			
<i>Dr.</i>			<i>Cr.</i>
Expenditure	₹	Income	₹
To Electricity	2,500	By Subscription	20,500
To Printing	1,300	Add: Outstanding Subscription	5,000
To Salaries	3,400	Advance Subscription (Op.)	2,000
To Expenses for Exhibition	4,100	By Donation (50%)	2,400
To Tournament Expenses	3,000	By Interest on Investment	1,500
To Depreciation on Sports Equipments (12,000 × 5/100 × 7/12)	350		
To Surplus: Excess of Income over Expenditure	16,750		
	31,400		31,400

(iii) *Single Entry System*: Under this system of accounting, both the aspects of a transaction are not recorded. Unlike Double Entry System, no set rules are followed in this system. Usually, the Cash Book and Personal Accounts of debtors and creditors are maintained. Real and Nominal Accounts are not maintained.

*Limitations:*

- (i) *Arithmetical Accuracy cannot be Proved:* Trial Balance cannot be prepared hence, arithmetical accuracy of books cannot be proved or tested. Chances of error, mischief or fraud remaining undetected are high.
- (ii) *No Control on Assets:* Since asset accounts are not maintained, it is difficult to keep full control, in order to avoid misappropriations of assets.
- (iii) *Correct Profit or Loss cannot be Determined:* Trading and Profit and Loss Account cannot be prepared hence, correct profit earned or loss incurred during the accounting period cannot be determined.
- (iv) *True Financial Position of the Business cannot be Assessed:* In the absence of assets accounts, it is difficult to determine correct financial position of the business on any particular day by preparing a Balance Sheet.

OR

By preparing Total Creditors Account, we can ascertain the amount of credit purchases.

TOTAL CREDITORS ACCOUNT			
Dr.			Cr.
Particulars	₹	Particulars	₹
To Cash A/c	30,900	By Balance b/d	6,000
To Bill Payable A/c	10,800	By Purchases A/c (Credit)	41,900
To Purchase Return A/c	1,200		
To Discount Received A/c	1,000		
To Balance c/d	4,000		
	47,900		47,900

BILLS PAYABLE ACCOUNT			
Dr.			Cr.
Particulars	₹	Particulars	₹
To Cash A/c	8,800	By Balance b/d	5,000
To Balance c/d	7,000	By Creditors A/c (Balance Figure)	10,800
	15,800		15,800

$$\begin{aligned} \text{Total Purchase} &= \text{Cash Purchase} + \text{Credit Purchase} \\ &= ₹ 25,800 + ₹ 41,900 = ₹ 67,700. \end{aligned}$$

**GROUP-E**

5.

TRADING ACCOUNT			
for the year ended 31st December, 2017			
Dr.			Cr.
Particulars	₹	Particulars	₹
To Opening Stock	35,000	By Sales	2,00,000
To Purchases	1,20,000	By Closing Stock	50,000
To Wages	16,000		
To Gross Profit c/d	79,000		
	2,50,000		2,50,000

PROFIT & LOSS ACCOUNT for the year ended 31st December, 2017			
Dr.			Cr.
Particulars	₹	Particulars	₹
To Salaries 20,000		By Gross Profit b/d	79,000
Add: Outstanding 2,000	22,000	By Provision for Bad Debts (Old) 1,200	
To Rent & Rates	10,000	Less: Provision for Bad Debts (New) 1,000	200
To Depreciation on Furniture	750		
To Net Profit transferred to Capital A/c	46,450		
	79,200		79,200

BALANCE SHEET as at 31st December, 2017			
Liabilities	₹	Assets	₹
Capital A/c:		Machinery	60,000
Opening Balance 1,00,000		Furniture 15,000	
Add: Net Profit 46,450	1,46,450	Less: Depreciation 750	14,250
Creditors	24,000	Debtors 50,000	
Bills Payable	22,000	Less: Provision 1,000	49,000
Outstanding Salary	2,000	Bills Receivable	20,000
		Closing Stock	50,000
		Cash	1,200
	1,94,450		1,94,450