

ACCOUNTANCY CLASS—XI

Examination Paper 2015

Time Allowed: 3 Hours

Max. Marks: 80

General Instructions:

1. All the questions are compulsory.
 2. Attempt all the parts of a question at one place.
 3. Show your workings clearly.
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GROUP-A

1. Answer the following questions:

(1 × 24 = 24)

Select the Correct Alternative:

- (i) Which of the following is not qualitative characteristic of accounting information?
 - (a) Understandability
 - (b) Relevance
 - (c) Reliability
 - (d) Presentation
- (ii) Which of the following is an internal user of accounting information?
 - (a) Management
 - (b) Government
 - (c) Customers
 - (d) None of these
- (iii) Suppliers of goods and services on credit are called
 - (a) Customers.
 - (b) Creditors.
 - (c) Investors.
 - (d) Employees.
- (iv) The nature of capital is
 - (a) an asset.
 - (b) an internal liability.
 - (c) an income.
 - (d) an external liability.
- (v) In accounting non-financial transactions are not recorded because of
 - (a) Entity Concept.
 - (b) Money Measurement Concept.
 - (c) Cost Concept.
 - (d) Accrual Concept.
- (vi) Profit and Loss Account is prepared for a period of one year by following
 - (a) Accounting Period Concept.
 - (b) Going Concern Concept.
 - (c) Matching Concept.
 - (d) Entity Concept.
- (vii) Which of the following is fundamental accounting assumption?
 - (a) Accrual
 - (b) Consistency
 - (c) Both (a) and (b)
 - (d) None of these
- (viii) Indian Accounting Standards are issued by
 - (a) ICAI (Institute of Chartered Accountants of India).
 - (b) ICSI.
 - (c) IASC.
 - (d) ICAI (Institute of Cost Accountants of India).

- (ix) Which of the following is correct?
- (a) Assets = Liabilities – Capital (b) Assets = Capital – Liabilities
(c) Assets = Capital + Liabilities (d) Liabilities = Capital + Assets
- (x) The liabilities to third party of a business are ₹ 60,000 and the capital is ₹ 90,000. The total assets of the business are
- (a) ₹ 30,000. (b) ₹ 1,50,000.
(c) ₹ 60,000. (d) ₹ 90,000.
- (xi) The periodical total of the Sales Return Book is posted to the
- (a) Credit of Sales Account. (b) Debit of Sales Account.
(c) Debit of Sales Return Account. (d) Credit of Sales Return Account.
- (xii) Which of the following account has credit balance?
- (a) Carriage Inward Account (b) Carriage Outward Account
(c) Return Inward Account (d) Return Outward Account
- (xiii) Repairing expenses for the machine is debited to Machinery Account, this is an example of
- (a) Compensating error. (b) Error of principle.
(c) Error of commission. (d) Error of omission.
- (xiv) Which of the following factors affect the amount of depreciation?
- (a) Cost of the asset (b) Expected useful life of the asset
(c) Estimated residual value of the asset (d) All of these
- (xv) A furniture costing ₹ 4,000 was purchased on 01.04.2014. Rate of depreciation is 10% p.a. Amount of depreciation for the year ended 31.12.2014 is
- (a) ₹ 400. (b) ₹ 100.
(c) ₹ 300. (d) ₹ 350.
- (xvi) In case of dishonour of bill, noting charges are borne by
- (a) Drawer. (b) Bank.
(c) Creditor. (d) Drawee.
- (xvii) Amal endorsed a bill received from Bimal to his creditor Shyamal in settlement of his debt. The bill is dishonoured on the due date. In the books of Amal, the dishonour of bill will be recorded as
- (a) Debit Shyamal A/c; Credit Bimal A/c.
(b) Debit Bimal A/c; Credit Shyamal A/c.
(c) Debit Bills Receivable A/c; Credit Shyamal A/c.
(d) Debit Bills Receivable A/c; Credit Bimal A/c.
- (xviii) Capital Expenditure is included in
- (a) Trading A/c. (b) Profit and Loss A/c.
(c) Balance Sheet. (d) Profit and Loss Appropriation A/c.
- (xix) Which of the following is not a not-for-profit organisation?
- (a) Public Library (b) Sports Club
(c) Temple (d) Sole Proprietorship Business

- (xx) Advance subscription received by a club on 01.04.2013 was ₹ 5,000 and Advance subscription received on 31.03.2014 ₹ 7,000. If subscription received during 2013–14 ₹ 48,000 the amount of subscription to be recorded in Income and Expenditure Account for the year 2013–14 is
- (a) ₹ 48,000. (b) ₹ 58,000.
(c) ₹ 46,000. (d) ₹ 50,000.
- (xxi) When closing capital is more than opening capital, it denotes
- (a) Profit. (b) Loss.
(c) Profit if there is no introduction of capital.
(d) Profit if there are no introduction of capital and drawings.
- (xxii) Capital at the end ₹ 2,23,000. Drawings made during the year ₹ 12,000, Opening Capital ₹ 1,40,000 and Profit for the year is ₹ 35,000. Capital introduced during the year is
- (a) ₹ 70,000. (b) ₹ 60,000.
(c) ₹ 36,000. (d) ₹ 75,000.
- (xxiii) Opening and closing balance of debtors are ₹ 1,20,000 and ₹ 1,80,000 respectively, Collection from debtors during the year ₹ 90,000. Credit sales for the year is
- (a) ₹ 1,50,000. (b) ₹ 30,000.
(c) ₹ 2,00,000. (d) ₹ 3,00,000.
- (xxiv) What is the full form of DBMS?
- (a) Data Base Management System (b) Data Manage System
(c) Data Base Multiplication System (d) None of these

GROUP-B

2. Answer the following questions in very short (Alternatives are to be noted): (1 × 12 = 12)

- (i) Define liability.
- OR
- Define revenue.
- (ii) What is the main objective of Accounting Standards?
- OR
- State any one benefit of Accounting Standards.
- (iii) What is Going Concern Concept?
- OR
- What is Accounting Entity Concept?
- (iv) What do you mean by Double Entry System?
- (v) Mention a difference between Purchases Book and Purchases Account.
- OR
- What is the basic difference between Journal and Ledger?
- (vi) Mention an error which does not affect the Trial Balance.
- (vii) What is the adjustment entry in preparation of financial statements for cost of goods distributed as free sample?
- (viii) What do you mean by Receipts and Payments Account?
- OR
- Mention a difference between Cash Book and Receipts and Payments Account.

- (ix) How would you treat Entrance fees at the time of preparation of Final Accounts of a not-for-profit organisation?
- (x) From the following information, compute total purchases:
Cash purchases ₹ 2,50,000; credit purchases are 80% of total purchases.
- (xi) What is Software?

OR

- What is meant by Hardware?
- (xii) State one advantage of Computerised Accounting System.

GROUP-C

3. Answer the following questions (Alternatives are to be noted): (4 × 4 = 16)

- (i) The following errors were detected in the books of Karmakar & Co. after preparation of their Trial Balance. Rectify these errors:
 - (a) Total of Returns Inward Book was undercast by ₹ 2,000.
 - (b) Purchase of an office Almirah costing ₹ 12,000 passed through the Purchases Day Book.
 - (c) Recovery of bad debt earlier written off ₹ 700 credited to Debtors Account.
 - (d) Wages of ₹ 2,000 for installation of machinery debited to Wages Account.
- (ii) Distinguish between General Reserve and Specific Reserve.

OR

R. Ltd. purchased a machine on 01.07.2013 for ₹ 60,000. On 01.09.2013 it purchased another machine for ₹ 1,00,000. On 01.06.2014 it sold the first machine for ₹ 32,000 due to its bad performance. The company charges depreciation @ 10% p.a. under Straight Line Method.

Prepare Machinery Account for the year ended 31.12.2013 and 31.12.2014.

- (iii) On 01.02.2014, Diya sold goods to Ria for ₹ 20,000. On 04.02.2014, Ria accepted a bill payable of ₹ 20,000 due after 3 months. On 04.03.2014, Diya discounted the bill with Bank at a discount of 8% p.a. On the due date Ria failed to pay the bill. Noting charges incurred by Bank ₹ 100. Pass Journal entries in the books of Diya.

OR

Define Bill of Exchange. State its features.

- (iv) Write a short note on use of computers in accounting.

GROUP-D

4. Answer the following questions (Alternatives are to be noted): (6 × 3 = 18)

- (i) From the following particulars, prepare a Purchases Day Book of Bikash Sharma who is a retailer of electrical goods:
15.07.2014 Purchased from B.K. Electricals:
100 Tube lights @ ₹ 30 each;
200 CFL Bulbs @ ₹ 110 each;
Trade Discount 10%, Packing and Forwarding charges paid ₹ 150.

22.07.2014 Purchased from Bhatia & Co.:
10 Mixer Grinders @ ₹ 2,500 each;
20% Trade Discount, Sales Tax 15%.

30.07.2014 Purchased from Gagan Bros.:
50 Fans @ ₹ 3,200 each;
20% Trade Discount, Sales Tax 15%;
Transport Charges ₹ 500.

OR

Redraft the following Trial Balance:

Particulars	Dr. (₹)	Particulars	Cr. (₹)
Returns Outward	16,000	Debtors	15,000
Opening Stock	34,200	Carriage Outward	5,000
Salaries	12,000	Capital	45,200
Creditors	28,000	Machinery	18,000
Bank	45,000	Returns inward	3,000
Carriage Inward	6,000	Discount Received	4,000
Commission Received	3,000	General Expenses	6,000
Discount Allowed	2,000	Sales	1,50,000
Purchases	1,00,000	Furniture	10,000
Bills Payable	10,000		
	2,56,200		2,56,200

- (ii) Distinguish between a 'Receipts and Payments Account' and an 'Income and Expenditure Account'.

OR

From the following Receipts and Payments Account and additional information of a club, prepare an Income and Expenditure Account for the year ended 31.12.2014:

RECEIPTS AND PAYMENTS ACCOUNT			
for the year ending 31st December, 2014			
Dr.			Cr.
Receipts	₹	Payments	₹
To Balance b/f		By Salaries	1,400
Cash and Bank	400	By General Expenses	300
To Subscriptions:		By Electric Charges	200
2013	300	By Newspapers	350
2014	1,000	By Repair of Carrom Board	600
2015	100	By Maintenance Expenses of Club Hall	1,100
To Sale of Newspapers	150	By balance c/f	2,100
To Miscellaneous Receipts	100		
To Rent Received from Club Hall	4,000		
	6,050		6,050

Additional Information:

- (a) The club has 50 members and each paying an annual subscription of ₹ 25. Subscription outstanding on 31.12.2013 were ₹ 300.
- (b) Outstanding salary on 31.12.2014 ₹ 100.
- (c) On 01.01.2014, the club had Building ₹ 10,000, Furniture ₹ 2,000.
- (d) Provide depreciation on Building and Furniture @ 10% p.a.

(iii) From the following data ascertain the amount of Credit Sales:	₹
Opening Balance of Debtors	12,100
Closing Balance of Debtors	20,000
Collection from Debtors	64,000
Bill Receivable received from Debtors	5,000
Bad Debt	2,000
Discount Allowed	800
Returns Inward	1,200
Sundry Charges charged to Debtors	400
Bad Debt Recovered	700

OR

What do you mean by Single Entry system? State the limitations of this system.

(2 + 4)

GROUP-E

5. Answer the following question:

(10 × 1 = 10)

The Trial Balance of Ghose Electricals on 31.12.2014 is given below:

Particulars	Dr. (₹)	Cr. (₹)
Furniture	42,000	...
Building	1,40,000	...
Motor Vehicles	80,000	...
Debtors and Creditors	70,000	52,000
Stock (01.01.2014)	86,000	...
Purchases and Sales	6,42,000	8,86,000
Sales and Purchases Return	6,000	12,000
Cash in hand	18,000	...
Bank Overdraft	...	36,000
Interest on Bank Overdraft	1,800	...
Commission Received	...	2,700
General Expenses	11,000	...
Salaries	60,000	...
Carriage on Purchase	18,000	...
Drawings	84,000	...
Insurance Premium	15,000	...
Investment	40,000	...
Income from Investment	...	1,600
12% Bank Loan (Taken on 01.04.2014)	...	2,00,000
Interest on Bank Loan	16,000	...
Bad Debt	1,200	...
Capital	...	1,40,700
	13,31,000	13,31,000

Other information:

- Closing Stock as on 31.12.2014 was valued at ₹ 54,000.
- Outstanding salaries on 31.12.2014 ₹ 2,400.
- Goods costing ₹ 12,000 destroyed by fire and against which insurance claim admitted by the Insurance Company is ₹ 9,000. The cheque for which is yet to be received.
- Charge depreciation @ 10% p.a. on Furniture and Building and @ 25% p.a. on Motor Vehicles under Diminishing Balance Method.

From the above Trial Balance and other information, prepare a Trading and Profit and Loss Account of Ghose Electricals for the year ended on 31.12.2014 and a Balance Sheet as on that date.

(3 + 4 + 3)

Answers

GROUP-A

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

GROUP-B

2. (i) Liability means amount owed, *i.e.*, payable by the entity. It may be towards the proprietor or partners (called capital) or towards outsiders, *i.e.*, other than proprietor or partners.

OR

Revenue means the amount which, as a result of its business operations, *i.e.*, sale of goods and services, is earned by an enterprise.

- (ii) The main objective of accounting standards is to minimise the diverse accounting policies and practices with an aim to bring harmony and uniformity in accounting practices.

OR

Accounting Standards provide the rules on the basis of which Financial Statements should be prepared.

- (iii) Going Concern Concept is a concept under which it is assumed that business will continue for a foreseeable period and there is no intention to close the business or scale down its operations significantly.

OR

Accounting Entity Concept is a concept under which business is considered to be separate and distinct from its owners, *i.e.*, proprietors, partners and shareholders.

- (iv) Double Entry System of Accounting is a system of accounting under which both, debit and credit, aspects of a transaction are recorded.

- (v) **Difference between Purchases Book and Purchases Account (Any one)**

Basis	Purchases Book	Purchases Account
1. Part	It is a part of Journal.	It is a part of Ledger.
2. Format	Like Ledger Account, it does not have debit and credit columns.	It has debit and credit columns.
3. Contents	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.
4. Amount	Total of Purchases Book is posted to the Purchases Account.	Balance in the account is transferred to the Trading Account.

OR

Difference between Journal and Ledger

<i>Point of Difference</i>	<i>Journal</i>	<i>Ledger</i>
1. Nature of Book	It is a book of primary entry.	It is a book of final entry.
2. Basis for Preparation	Primary documents (such as vouchers, receipts, etc.) are the basis for recording transactions in the Journal.	Journal is the basis for recording transactions in the Ledger.
3. Stage of Recording	Recording in the Journal is the first stage.	Recording in the Ledger is the second stage.
4. Object	It is prepared to record all transactions in chronological order.	It is prepared to see the net effect of various transactions affecting a particular account.
5. Format	Journal has five columns: 1. Date, 2. Particulars, 3. Ledger Folio, 4. Debit Amount, 5. Credit Amount.	Ledger has four identical columns on debit and credit side; 1. Date, 2. Particulars, 3. Folio, 4. Amount.
6. Balancing	Journal is not balanced.	All Ledger accounts (except Nominal Accounts) are balanced in the Ledger.
7. Process	The process of recording in Journal is called Journalising.	The process of recording in the Ledger is called Posting.
8. Basis of Preparation of Final Accounts	Journal directly does not serve as basis for the preparation of final accounts.	Ledger serves as the basis for the preparation of final accounts.

(vi) Errors of complete omission and errors of principle do not affect the Trial Balance.

(vii) Sample Expenses A/c
 To Purchases A/c
 (Being the goods distributed as free samples)

(viii) Receipts and Payments Account is a summary of Cash and Bank transactions during an accounting period summarised under appropriate heads of accounts.

OR

Difference between Cash Book and Receipts and Payments Account

<i>Basis</i>	<i>Cash Book</i>	<i>Receipts and Payments Account</i>
1. Basis	It is prepared on the basis of each transaction of receipt and payment.	It is prepared on the basis of Cash Book.
2. Period	Cash Book is written on daily basis.	Receipts and Payments Account is prepared at the end of accounting year. It is a summary of the Cash Book.
3. Date	Transactions are written datewise in the Cash Book.	Transactions under this are not written datewise.
4. Institutions	It is prepared by all organisations be it Not-For-Profit Organisation or a commercial establishment.	It is prepared by the Not-For-Profit Organisation.
5. Ledger Folio	Cash Book has a separate column for Ledger Folio.	There is no column of Ledger Folio.

(ix) Entrance fee is treated as a revenue receipt and is credited to Income and Expenditure Account.

(x) Credit Purchases = 80% of Total Purchases

Cash Purchases = 20% of Total Purchases, i.e., ₹ 2,50,000

∴ Total Purchases = $\frac{₹ 2,50,000}{20} \times 100 = ₹ 12,50,000.$

- (xi) Software is a set of instructions on the basis of which a computer operates. It may be of three types:

Operating Software. It is a specialised program that makes interface between the user and computer hardware.

Utility Software. It is a set of program used for performing supporting operations such as Disk Defragmenters, Anti Virus, Backup, etc.

Application Software. These softwares are designed and developed for performing specific jobs such as Tally for Accounting, Word, Excel, etc.

OR

Hardware is that part of computer which has physical existence such as Keyboard, CPU, Monitor, etc.

- (xii) The advantage of Computerised Accounting System is that it can store and process large number of transactions.

GROUP-C

3. (i) RECTIFYING JOURNAL ENTRIES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(a)	Returns Inward A/c ...Dr. To Suspense A/c (Being the error caused by undercasting of Returns Inward Book, now rectified)		2,000	2,000
(b)	Furniture A/c ...Dr. To Purchases A/c (Being the Almirah purchased wrongly recorded in Purchases Day Book, now rectified)		12,000	12,000
(c)	Debtors A/c ...Dr. To Bad Debts Recovered A/c (Being the amount of bad debts recovered wrongly credited to Debtors Account, now rectified)		700	700
(d)	Machinery A/c ...Dr. To Wages A/c (Being the wages paid for installation of machinery wrongly debited to Wages Account, now rectified)		2,000	2,000

- (ii) **General Reserve** is the amount of reserve set aside out of profit not for a specific purpose. It may be used to meet a contingency or expansion of business. Such reserves are generally made to strengthen the financial position.

Specific Reserve, on the other hand, is that reserve which is set aside out of profit for a specific purpose. For example, Workmen Compensation Reserve is a reserve to meet liabilities to compensate the employees against their claim. Investment Fluctuation Reserve is created to meet the fall in the value of investments.

OR

Dr.			MACHINERY ACCOUNT			Cr.		
Date	Particulars	₹	Date	Particulars	₹			
2013			2013					
July 1	To Cash/ Bank A/c	60,000	Dec. 31	By Depreciation A/c	6,333			
Sep. 1	To Cash/Bank A/c	1,00,000		(10% of ₹ 60,000 for 6 months)				
				(10% of ₹ 1,00,000 for 4 months)				
				By Balance c/d	1,53,667			
		1,60,000			1,60,000			
2014			2014					
Jan. 1	To Balance b/d	1,53,667	June 1	By Depreciation A/c	2,500			
				By Cash/Bank A/c	32,000			
				By Loss on Sale of Machinery A/c	22,500			
				(Profit and Loss A/c)				
			Dec. 31	By Depreciation A/c	10,000			
				By Balance c/d	86,667			
		1,53,667			1,53,667			
2015								
Jan. 1	To Balance b/d	86,667						

(iii)

In the Books of Diya
JOURNAL

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2014				
Feb. 1	Ria ...Dr. To Sales A/c (Being the goods sold)		20,000	20,000
Feb. 4	Bill Receivable A/c ...Dr. To Ria (Being the bill for 3 Months accepted by Ria)		20,000	20,000
Mar. 4	Bank A/c ...Dr. Discounting Charges A/c ...Dr. To Bill Receivable A/c (Being the bill discounted with bank @ 8% p.a.)		19,733 267	20,000
May 7	Ria ...Dr. To Bank A/c (Being the bill not met by Ria on due date and bank paid Noting Charges of ₹ 100)		20,100	20,100

OR

A Bill of Exchange is an instrument in writing containing an unconditional order signed by the maker, directing a certain person to pay a certain sum of money only to, or to the order of, a certain person or to the bearer of the instrument.

Features of Bill of Exchange are:

- (a) Bill of Exchange is a written order.
- (b) It is drawn and signed by the maker, *i.e.*, drawer of the bill.
- (c) It is an unconditional order to a person, *i.e.*, drawee, to pay the specified amount. The drawee must accept it to make it a legitimate document.
- (d) The specified amount is payable to the person named in the bill or to his order or to the bearer.
- (e) It specifies the date by which the amount should be paid.
- (f) It is accepted by the drawee.
- (iv) Accounting function being carried out by means of accounting software, *i.e.*, Computers minimises human intervention but it does not completely eliminates it. Human intervention is limited to preparation of voucher and feeding the same in the accounting software.

The process of classifying (posting) into the Ledger Account, summarising and balancing the accounts and preparation of financial statements (Trading, Profit and Loss Account and Balance Sheet) is carried out by the computer itself because the software is designed to perform these functions. Thus, it reduces considerable time in maintenance of accounts as compared to Manual Accounts.

The process of automation becomes effective, if grouping of accounts is proper. Incorrect grouping of accounts will lead to incorrect classification, summarisation and preparation of financial statements.

GROUP-D

4. (i)		PURCHASES DAY BOOK						
Date	Particulars	L.F.	Invoice No.	Details ₹	Cost ₹	Sales Tax ₹	Freight ₹	Total ₹
2014 July 15	B.K. Electricals 100 Tubelights @ ₹ 30 each 200 CFL Bulbs @ ₹ 110 each Less: Trade Discount @10% Add: Packing and forwarding charge			3,000 22,000 25,000 2,500 22,500 150 22,650	22,500	...	150	22,650
July 22	Bhatia & Co. 10 Mixer Grinders @ ₹ 2,500 each Less: Trade Discount @ 20% Add: Sales Tax @ 15%			25,000 5,000 20,000 3,000 23,000	20,000	3,000	...	23,000
July 30	Gagan Bros. 50 Fans @ ₹ 3,200 each Less: Trade Discount @ 20% Add: Sales Tax @ 15% Add: Freight Charges			1,60,000 32,000 1,28,000 19,200 1,47,200 500 1,47,700	1,28,000	19,200	500	1,47,700
July 31					1,70,500	22,200	650	1,93,350

OR

REDRAFTED TRIAL BALANCE			
Dr.			Cr.
Particulars	₹	Particulars	₹
Opening Stock	34,200	Return Outward	16,000
Salaries	12,000	Creditors	28,000
Bank	45,000	Commission Received	3,000
Carriage Inward	6,000	Bills Payable	10,000
Discount Allowed	2,000	Capital	45,200
Purchases	1,00,000	Discount Received	4,000
Debtors	15,000	Sales	1,50,000
Carriage Outward	5,000		
Machinery	18,000		
Returns Inward	3,000		
General Expenses	6,000		
Furniture	10,000		
	2,56,200		2,56,200

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

Basis	Receipts and Payments Account	Income and Expenditure Account
1. Purpose	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. Nature	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 and Loss Account (Nominal Account).
3. Form	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. Balance	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. Capital and Revenue Items	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. Contents	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. Adjustments	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. Depreciation	It does not record non-cash items, e.g., depreciation.	It records non-cash items, e.g., depreciation.

OR
INCOME AND EXPENDITURE ACCOUNT
for the year ended 31st December, 2014

Dr.			Cr.	
Particulars	₹		Particulars	₹
To Salaries	1,400		By Subscriptions	1,000
Add: Outstanding	100	1,500	Add: Outstanding	250
To General Expenses		300	By Sale of Newspapers	150
To Electric Charges		200	By Miscellaneous Receipts	100
To Newspapers		350	By Rent (Club Hall)	4,000
To Repairs (Carrom Board)		600		
To Maintenance Expenses (Club Hall)		1,100		
To Depreciation:				
Building	1,000			
Furniture	200	1,200		
To Surplus (Excess of Income Over Expenditure)		250		
		5,500		5,500

(iii)

Dr.			Cr.	
Particulars	₹		Particulars	₹
To Balance b/d	12,100		By Cash/Bank A/c	64,000
To Sundry Charges A/c	400		By Bills Receivable A/c	5,000
To Sales A/c—Credit Sales (Balancing Figure)	80,500		By Bad Debts A/c	2,000
			By Discount Allowed A/c	800
			By Returns Inward A/c	1,200
			By Balance c/d	20,000
		93,000		93,000

Thus, Credit Sales for the year is ₹ 80,500.

OR

Single Entry system of accounting is a system of accounting under which Cash Book and accounts of Debtors and Creditors are maintained. Since Real and Nominal Accounts are not maintained, it is known as Single Entry system of Accounting.

Limitations of Single Entry System: Single Entry System is an incomplete and insufficient system of information, hence it has following limitations:

- (a) *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.
- (b) *No Control on Assets:* Since Asset Accounts are not maintained, it is difficult to keep full control, in order to avoid misappropriations of assets.

- (c) *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.
- (d) *Financial Position of the Business cannot be Assessed:* In the absence of Asset Accounts, it is difficult to determine correct financial position of the business on any particular day by preparing a Balance Sheet.
- (e) *No Internal Check:* Since internal check is not possible, the method leaves room for errors and frauds, besides their detection becomes difficult.
- (f) *Difficult to Ascertain the Value of Business:* The records being inadequate, it is difficult to value the business, especially goodwill.
- (g) *Incomplete and Unscientific System:* This system is incomplete and unscientific as both the aspects of a transaction are not recorded and no set rules are followed for recording them.
- (h) *Comparative Study is Difficult:* A major defect of this system is that the financial position of the current year cannot be compared with that of the previous year due to incomplete information of transactions of business.

GROUP-E

5.

Ghose Electricals

Dr. TRADING AND PROFIT AND LOSS ACCOUNT for the year ended 31st December, 2014 Cr.			
Particulars	₹	Particulars	₹
To Opening Stock	86,000	By Sales	8,86,000
To Purchases	6,42,000	Less: Sales Return	6,000
Less: Purchases Return	12,000	By Loss by Fire A/c	12,000
To Carriage on Purchase	18,000	By Closing Stock	54,000
To Gross Profit carried to Profit and Loss A/c	2,12,000		
	9,46,000		9,46,000
To Interest on Bank Overdraft	1,800	By Gross Profit brought from Trading A/c	2,12,000
To General Expenses	11,000	By Commission Received	2,700
To Salaries	60,000	By Income from Investment	1,600
Add: Outstanding	2,400		
To Insurance Premium	15,000		
To Interest on Bank Loan	16,000		
Add: Outstanding	2,000		
To Bad Debts	1,200		
To Loss by Fire A/c (Irrecoverable)	3,000		
To Depreciation:			
Furniture	4,200		
Building	14,000		
Motor Vehicle	20,000		
To Net Profit transferred to Capital Account	65,700		
	2,16,300		2,16,300

BALANCE SHEET
as at 31st December, 2014

Liabilities		₹	Assets		₹
Capital	1,40,700		Furniture	42,000	
Add: Net Profit	65,700		Less: Depreiation	4,200	37,800
	2,06,400		Building	1,40,000	
Less: Drawings	84,000	1,22,400	Less: Depeciation	14,000	1,26,000
Bank Loan	2,00,000		Motor Vehicles	80,000	
Add: Outstanding Interest	2,000	2,02,000	Less: Depreciation	20,000	60,000
Creditors		52,000	Investments		40,000
Bank Overdraft		36,000	Debtors		70,000
Salaries Outstanding		2,400	Closing Stock		54,000
			Cash in Hand		18,000
			Insurance Company		9,000
		4,14,800			4,14,800

ACCOUNTANCY CLASS—XI

Examination Paper 2016

Time Allowed: 3 Hours

Max. Marks: 80

General Instructions:

1. All the questions are compulsory.
 2. Attempt all the parts of a question at one place.
 3. Show your workings clearly.
-

GROUP-A

1. Answer the following questions:

(1 × 24 = 24)

Select the Correct Alternative:

- (i) Which of the following is not a branch of accounting?
(a) Management Accounting (b) Cost Accounting
(c) Financial Accounting (d) Book-keeping
- (ii) In which basis of accounting the doctrine of conservatism is observed?
(a) Cash Basis (b) Accrual Basis
(c) Mixed Basis (d) None of these
- (iii) Which of the following will not be recorded in the books of account?
(a) Sale of Goods (b) Payment of Salary
(c) Quality of Staff (d) Paid for Stationery
- (iv) Which of the following is not an asset?
(a) Patent (b) Goodwill
(c) Stock (d) Bills Payable
- (v) Financial Institutions are users of accounting information.
(a) External (b) Internal
(c) Primary (d) None of these
- (vi) Which of the following is transaction?
(a) To recruit Mr. Roy as a manager with monthly salary of ₹ 10,000.
(b) To give a gift on sister's marriage.
(c) To open a Current Account in a commercial bank by ₹ 20,000.
(d) All of these.
- (vii) Depreciation is under which Accounting Standard of India?
(a) AS-6 (b) AS-3
(c) AS-7 (d) AS-29
- (viii) Which Institution is responsible in India to implement Accounting Standards?
(a) IASB (b) ICAI
(c) ICSI (d) ICWAI
- (ix) Which of the following is not a Liability?
(a) Capital (b) Bills Payable
(c) Provision for Doubtful Debts (d) Patent Right

- (x) If Calcutta Furniture Mart purchased 2 almirahs, it will be treated in accounting as
- (a) Asset. (b) Expenses.
(c) Purchase. (d) Income.
- (xi) Under Matching Concept, matching is done between
- (a) Assets and Liabilities. (b) Capital and Drawings.
(c) Receipts and Payments. (d) Expenses and Incomes.
- (xii) Purchase of Assets indicates
- (a) Capital Expenditure. (b) Revenue Expenditure.
(c) Deferred Revenue Expenditure. (d) None of these.
- (xiii) What will be the amount of liability to the owners, if total assets of an organisation are ₹ 1,20,000 and liabilities to the third party of ₹ 50,000?
- (a) ₹ 1,70,000 (b) ₹ 1,20,000
(c) ₹ 70,000 (d) ₹ 50,000
- (xiv) Depreciation on fixed asset is
- (a) Cash transaction. (b) Credit transaction.
(c) Internal transaction. (d) None of these.
- (xv) An order for sale of an article is received on the 1st, goods are sent on the 15th and amount received in cash on the 18th. The date of revenue recognition in this case will be
- (a) 1st. (b) 15th.
(c) 18th. (d) closing date of accounting year.
- (xvi) On 01.01.2015, Mr. X draws a bill on Mr. Y for 3 months, the maturity date of the bill will be
- (a) 01.04.15. (b) 04.05.15.
(c) 03.04.15. (d) 04.04.15.
- (xvii) In case of 'after sight bill' due date is counted
- (a) from the date of acceptance.
(b) from the date of drawing of bill.
(c) no difference between the date of drawing and date of acceptance.
(d) none of these.
- (xviii) The credit balance of Income and Expenditure Account is
- (a) Surplus. (b) Deficit.
(c) Capital. (d) Asset.
- (xix) A club has total 1,100 members. Annual subscription for every member of ₹ 1,000, opening and closing accrued subscription are ₹ 1,00,000 and ₹ 2,00,000 respectively, Which amount of money as subscription is to be credited to Income and Expenditure Account for that accounting year?
- (a) ₹ 11,00,000 (b) ₹ 12,00,000
(c) ₹ 10,00,000 (d) None of these

- (xx) If the opening capital is ₹ 20,000 more than the closing capital and the amount of drawings is ₹ 50,000, then what will be the amount of trading profit?
- (a) ₹ 30,000 (b) ₹ 70,000
(c) ₹ 20,000 (d) ₹ 50,000
- (xxi) Surplus or Deficit of a non-profit seeking organisation is transferred to which account?
- (a) Capital Account (b) Capital Fund Account
(c) Drawing Account (d) Special Fund Account
- (xxii) Machinery purchased for ₹ 10,000 and wrongly recorded in Purchase Day Book. It is the error of
- (a) Omission. (b) Commission.
(c) Principle. (d) Compensating.
- (xxiii) Which of the following is not a hardware?
- (a) Key-board (b) Mouse
(c) Monitor (d) Operating System
- (xxiv) RAM is
- (a) Permanent Memory. (b) Temporary Memory.
(c) Human Memory. (d) None of these.

GROUP-B

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

(1 × 12 = 12)

- (i) What is a Transaction?
(ii) Give an example of Fictitious Asset.

OR

What do you mean by Current Liability?

- (iii) What is the full form of ASB?
(iv) What are the sources of income of a non-profit seeking concern?

OR

Write one disadvantage of Receipts and Payments Account.

- (v) What is Trade Discount?

OR

State one distinction between Cash Discount and Trade Discount?

- (vi) Give an example of error of complete omission.

OR

What is error of principle?

- (vii) Give the Journal entry for bad debt recovery.

OR

State one difference between Reserve and Provision.

- (viii) Who is a drawer of a bill?

- (ix) Goods worth ₹ 10,000 destroyed by fire. How will it be shown in the final accounts?

- (x) What type of enterprise generally follow Single Entry System?

- (xi) What is Voucher?

OR

What is Current Asset?

- (xii) Write one difference between Software and Hardware.

GROUP-C

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

(4 × 4 = 16)

- (i) The following errors were detected in the books of Nath & Co. after preparation of their Trial Balance. Rectify these errors:
- (a) Purchases Return Book was overcast by ₹ 5,000.
 - (b) Purchased Furniture of ₹ 10,000 for office use but wrongly included in Purchases Account.
 - (c) Recovery of bad debt earlier written off ₹ 800 credited to Debtors Account.
 - (d) Goods sold on credit of ₹ 2,000 to Mr. Roy but wrongly debited to Mr. Ghosh's Account.
- (ii) Show the differences between Revenue Reserve and Capital Reserve.

OR

On 01.04.2015, a business had a balance of ₹ 76,000 in its Machinery Account. The business closes the books of account on 31st March every year. Depreciation is charged @ 10% p.a. on machineries under Reducing Balance Method. On 01.10.2015 a new machinery was purchased for ₹ 13,920 and on the same day an old machinery was sold for ₹ 3,000, which was installed on 01.4.2012 at ₹ 4,000. Prepare a Machinery Account for the year ended 31.3.2016.

- (iii) On 05.01.2015, Bimal sold goods to Kamal for ₹ 30,000. On the same day, Kamal accepted a bill for the same amount for three months. On 07.01.2015, Bimal endorsed the bill to Gopal in full settlement of his claim of ₹ 31,500. On the due date, the bill was dishonoured.

Show necessary Journal entries in the books of Bimal.

OR

Explain: (a) Noting charges, (b) Days of grace.

(2 + 2)

(iv) State four limitations of computerised accounting.

GROUP-D

4. Answer the following questions (Alternatives are to be noted): (6 × 3 = 18)

(i) From the following particulars, prepare a Sales Day Book of Rahul Traders:

2015

January 8 Sold to White Tea Centre 200 kg. of Green Tea @ ₹ 100 per kg. Less Trade discount @ 10%, Sales Tax was 5%.

January 15 Sold to Black Tea Company 150 kg. of special quality tea @ ₹ 160 per kg. Less Trade discount @ 5%, Sales Tax was 6% and Packing charges were ₹ 50.

January 24 Sold to Red Tea Ltd. 100 kg. of Herbal Tea for ₹ 4,000. Less Trade discount @ 5%.

OR

Redraft the following Trial Balance:

A Book keeper extracted the following Trial Balance as on 31st March, 2016:

Heads of Accounts	Dr. Balances ₹	Cr. Balances ₹
Furniture	20,000	...
Capital	...	2,00,000
Debtors	2,00,000	...
Stock (01.04.2015)	1,04,000	...
Creditors	...	80,000
Trade Expenses	50,000	...
Sales	...	8,58,000
Wages	30,000	...
Stock (31st March, 2016)	98,000	...
Machinery	...	50,000
Purchase	6,25,000	...
Wife's Loan to the Business	50,000	...
Discount Allowed	...	4,000
Drawings made by the Proprietors	...	45,000
Motor Van	60,000	...
Total	12,37,000	12,37,000

- (ii) What do you mean by Income and Expenditure Account? State the characteristics of Income and Expenditure Account. (2 + 4)

OR

From the given Receipts and Payments Account of Calcutta Recreation Club, and other information, prepare an Income and Expenditure Account for the year ended 31st December, 2015:

RECEIPTS AND PAYMENTS ACCOUNT			
for the year ended 31st December, 2015			
Dr.			Cr.
Receipts	₹	Payments	₹
To Balance b/f:		By Salaries	45,000
in hand	50,000	By Repairs	15,000
at Bank	60,000	By Sports Equipments	1,50,000
To Subscriptions:		By Miscellaneous Expenses	25,000
2014	20,000	By Insurance Premium	5,000
2015	1,00,000	By Balance c/f:	
2016	20,000	in hand	12,000
To Donations	60,000	at Bank	88,000
To Admission Fees	20,000		
To Interest on Bank Deposit	7,000		
To Sale of old Newspapers	3,000		
	3,40,000		3,40,000

Additional Information:

- (a) Subscription outstanding for 2015 was ₹ 20,000 and Subscription received in 2014 for the year 2015 amounted to ₹ 10,000.
- (b) 40% of donations is to be capitalised.
- (c) Depreciation are to be charged on Sports Equipment @ 10%.
- (iii) From the following information, ascertain the total purchase:

	₹
Opening Balance of Creditors	9,850
Cash paid to Suppliers	45,760
Discount Received	1,740
Bills Payable accepted	12,500
Returned Defective Goods	2,100
Cash Purchase	35,000
Closing Balance of Creditors	8,300

OR

What do you mean by Double Entry System? Differentiate between Single Entry System and Double Entry System. (2 + 4)

GROUP-E

5. Answer the following question:

(10 × 1 = 10)

The Trial Balance of Mr. Sarkar as on 31st March, 2016 was as follows:

Heads of Accounts	Dr. Balances ₹	Cr. Balances ₹
Purchase	8,12,525	...
Sales	...	12,62,000
Provision for Doubtful Debts	...	26,000
Sundry Debtors	2,51,000	...
Sundry Creditors	...	1,52,630
Bills Payable	...	19,750
Opening Stock	1,33,625	...
Wages	1,15,685	...
Salaries	27,875	...
Furniture	36,250	...
Postage	21,130	...
Power and Fuel	6,750	...
Trade Expenses	29,155	...
Bad Debts	2,625	...
Loan to Rajkumar (01.10. 2015)	15,000	...
Cash in Hand and at Bank	50,000	...
Trade Expenses Accrued but not paid	...	3,500
Drawings A/c	22,260	...
Capital A/c	...	50,000
Outstanding Wages	...	10,000
Total	15,23,880	15,23,880

Prepare Trading and Profit & Loss Account for the year ended 31st March, 2016 and Balance Sheet as on that date after taking into consideration the following information:

- (i) Closing Stock on 31st March, 2016 was ₹ 65,000.
- (ii) Depreciation on Furniture is to be charged @ 10%.
- (iii) Provision for Doubtful Debts is to be maintained @ 5% on Sundry Debtors.
- (iv) Sundry Debtors include an item of ₹ 2,500 due from a customer who has become insolvent.
- (v) Goods of the value of ₹ 7,500 have been destroyed by fire and insurance company admitted a claim for ₹ 5,000.
- (vi) Received ₹ 6,000 worth of goods on 27th March, 2016 but the invoice of purchases was not recorded in Purchase Book.

Answers

GROUP-A

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

GROUP-B

2. (i) Transaction means a financial transaction or event entered into by two parties and recorded in the books of account.
(ii) Advertisement Expenses written off in more than one year.

OR

Current liability is a liability that is payable within 12 months from the end of the accounting period such as creditors, bills payable.

- (iii) Accounting Standards Board.
(iv) The sources of income of a non-profit seeking concern are subscriptions, donations and rent.

OR

Disadvantage of Receipts and Payments Account is that it does not show Income and Expense of the Accounting Year.

- (v) *Trade Discount*: Trade Discount is the rebate allowed by the seller on the basis of sales, either quantity or value. Sales are recorded at net value, i.e., Sales – Trade Discount. Similarly, purchases are recorded by the purchaser at net value, i.e., Purchases – Trade Discount.

OR

Distinction between Cash Discount and Trade Discount (Any One):

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

(vi) Not recording credit sales in the Sales Day Book.

OR

Error of Principle is an error where a transaction is recorded in contravention of accounting principles (that is not as per the accounting principles). For example, wages paid for installation of machinery debited to Wages Account instead of Machinery Account.

(vii) Cash/Bank A/c ...Dr.
 To Bad Debts Recovered A/c
 (Being the bad debts recovered)

OR

Difference between Reserve and Provision (Any One):

<i>Basis</i>	<i>Reserve</i>	<i>Provision</i>
1. Nature	It is an appropriation of profit.	It is a charge against profit.
2. Purpose	It is created to strengthen the financial position and to meet unforeseen liabilities or losses.	It is made to meet known liability or contingency, if the amount is not determined.
3. Effect on Profit	It is debited to the Profit and Loss Appropriation Account. Hence, profit is not affected.	It is debited to the Profit and Loss Account. Hence, profit is reduced.
4. Investment	It may be invested outside the business.	It is not invested.
5. Distribution	Unutilised part can be distributed as dividend. It reduces divisible profits.	It cannot be used for distribution as profit/dividend. It reduces net profits.
6. Compulsion/ Prudence	It is created as a matter of prudence out of profits.	It is made out of legal necessity.
7. Presentation	A reserve is shown on the liabilities side of Balance Sheet under the head 'Reserves and Surplus.	It is shown either as a liability under the head 'Current Liabilities' or as deduction from the asset.

(viii) Drawer is the person who makes or writes the Bill of Exchange.

(ix) In the Trading Account on the credit side by writing:

By Loss by Fire A/c—₹ 10,000

In the Profit and Loss Account on the debit side by writing:

To Loss by Fire A/c—₹ 10,000

(x) Small-size businesses normally follow single entry system of accounting.

(xi) Voucher is an evidence of a business transaction. Examples of voucher are Cash Memo, Invoice or Bill, Receipt, Debit/Credit Notes, etc.

OR

Current Asset is that asset which is held by an entity with a purpose to convert the same into cash within one year from the date of Balance Sheet.

(xii) Software does not have a physical existence whereas Hardware has a physical existence.

GROUP-C

3. (i) RECTIFYING JOURNAL ENTRIES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(a)	Purchases Return A/c ...Dr. To Suspense A/c (Being the error caused by overcasting of Purchases Return Book, now corrected)		5,000	5,000
(b)	Furniture A/c ...Dr. To Purchases A/c (Being the furniture purchased for office use wrongly debited to Purchases Account, now rectified)		10,000	10,000
(c)	Debtor's A/c ...Dr. To Bad Debts Recovered A/c (Being the amount earlier written off recovered wrongly credited to Debtor, now rectified)		800	800
(d)	Roy ...Dr. To Ghosh (Being the Sale to Mr. Roy was wrongly debited to Mr. Ghosh, now rectified)		2,000	2,000

(ii) Difference between Revenue Reserve and Capital Reserve:

Basis	Revenue Reserve	Capital Reserve
1. Source	It is created out of business profits.	It is created out of capital profits.
2. Usage	It can be used for distribution of dividends without any precondition.	It can be used for distribution of dividends only if the company satisfies certain conditions prescribed by the Companies Act.
3. Purpose	It is created for strengthening the financial position and meeting the unforeseen contingencies or some specific purpose.	It is created for meeting capital losses or to be used for purposes specified by the Companies Act.

OR

MACHINERY ACCOUNT					
Dr.			Cr.		
Date	Particulars	₹	Date	Particulars	₹
2015			2015		
Apr. 1	To Balance b/d	76,000	Oct. 1	By Cash/Bank A/c	3,000
Oct. 1	To Cash/Bank A/c	13,920		By Depreciation A/c (WN 1) (on Machine sold)	146
Oct. 1	To Gain (Profit) on Sale of Machinery A/c	230	2016		
			Mar. 31	By Depreciation A/c (WN 2)	8,004
				By Balance c/d	79,000
		90,150			90,150

Working Notes:

1. <i>Gain (Profit)/Loss on Sale of Machine:</i>		₹
Purchase Cost (1st April, 2012)		4,000
Depreciation for year ended 31st March, 2013	400	
Add: Depreciation for year ended 31st March, 2014	360	
Depreciation for year ended 31st March, 2015	324	1,084
Book Value of Machinery Sold as on 31st March, 2015		2,916
Less: Depreciation for Six Months (Up to Date of Sale)		146
Book Value of Machinery Sold on 1st October, 2015		2,770
Sale Consideration		3,000
Gain (Profit) on Sale of Machine (₹ 3,000 – ₹ 2,770)		230
2. <i>Depreciation for the Year:</i>		
On Old Machinery (Book Value as on 1st April, 2015)		76,000
Less: Book value of Machinery Sold (As on 1st April, 2015) (as per WN 1)		2,916
Remaining Machinery		73,084
Depreciation @ 10% p.a. for 1 year		7,308
Add: Depreciation on New Machinery for 6 Months (10% p.a. of ₹ 13,920)		696
Total Depreciation		8,004

(iii)

**In the Books of Bimal
JOURNAL**

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2015 Jan. 5	Kamal ...Dr. To Sales A/c (Being the goods sold to Kamal)		30,000	30,000
	Bills Receivable A/c ...Dr. To Kamal (Being the acceptance for 3 months of Kamal received)		30,000	30,000
Jan. 7	Gopal ...Dr. To Bills Receivable A/c To Discount Received A/c (Being the acceptance of Kamal endorsed to Gopal in settlement of his claim of ₹ 31,500)		31,500	30,000 1,500
April 8	Kamal ...Dr. Discount Received A/c ...Dr. To Gopal (Being the acceptance of Kamal dishonoured and thus, Discount Received reversed and granted credit to Gopal)		30,000 1,500	31,500

OR

- (a) **Noting Charges:** Noting Charges is the fee paid to the Notary Public for noting and establishing the fact of dishonour of the bill.
- (b) **Days of Grace:** Days of Grace are three extra days added to the period of bill. It is a custom to add the days of grace.

(iv) Computerised Accounting suffers from the following limitations:

- (a) **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.
- (b) **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.
- (c) **Untrained Computer Operators:** Untrained computer operators can lead to loss of data.
- (d) **Limitations of Software:** The software is developed on the basis of the experiences of the team of developers. As such, it may not be able to deal with a specific problem that may arise.

GROUP-D

4. (i)

Rahul Traders SALES DAY BOOK

Date	Particular	L.F.	Invoice No.	Sale Amount ₹	Sales Tax ₹	Packing Charges ₹	Total ₹
2015							
Jan. 8	White Tea Centre						
	200 kg. Green Tea						
	@ ₹ 100 per kg.	20,000					
	Less: Trade Discount @ 10%	2,000					
		18,000					
	Add: Sales Tax @ 5%	900					
		18,900		18,000	900	...	18,900
Jan. 15	Black Tea Company						
	150 kg. Special Qualified						
	@ ₹ 160 per kg.	24,000					
	Less: Trade Discount @ 5%	1,200					
		22,800					
	Add: Sales Tax @ 6%	1,368					
		24,168					
	Add: Packing	50					
		24,218		22,800	1,368	50	24,218
Jan. 24	Red Tea Ltd.						
	100 kg. Herbal Tea	4,000					
	Less: Trade Discount @ 5%	200					
		3,800		3,800	3,800
				44,600	2,268	50	46,918

OR

REDRAFTED TRIAL BALANCE as on 31st March, 2016

Heads of Accounts	Dr. (₹)	Cr. (₹)
Furniture		20,000
Capital		2,00,000
Debtors	2,00,000	
Stock (01.04.2015)	1,04,000	
Creditors		80,000
Trade Expenses	50,000	
Sales		8,58,000
Wages	30,000	
Machinery	50,000	
Purchase	6,25,000	
Wife's Loan to Business		50,000
Discount Allowed	4,000	
Drawings by Proprietor	45,000	
Motor Van	60,000	
	11,88,000	11,88,000

Stock as on 31st March, 2016 was ₹ 98,000.

- (ii) Income and Expenditure Account is prepared by a Not-for-Profit Organisation following the accrual system of accounting to ascertain the Surplus (Excess of Income over Expenditure) or Deficit (Excess of Expenditure over Income).

Features of Income and Expenditure Account are:

- Nature:** It is a Revenue Account and also Expense Account.
- Basis of Recording:** It records incomes, expenses and losses of revenue nature on accrual basis of accounting.
- Period:** It records only those incomes, expenses and losses which relate to the accounting period, whether paid or not.
- Closing Balances:** Its balance at the end represents either surplus or deficit. It is transferred to capital fund in the Balance Sheet.
- Adjustments:** This account is prepared on accrual basis of accounting and thus all adjustments relating to prepaid or outstanding expenses and incomes, Provision for Depreciation or Doubtful Debts are made.

OR

Calcutta Recreation Club

INCOME AND EXPENDITURE ACCOUNT

Dr.			Cr.
Particulars	₹	Particulars	₹
To Salaries	45,000	By Subscriptions	1,00,000
To Repairs	15,000	Add: Outstanding	20,000
To Miscellaneous Expenses	25,000	Received in Advance (2014)	10,000
To Insurance Premium	5,000	By Donations (60%)	36,000
To Depreciation on Sports Equipment	15,000	By Admission Fees	20,000
To Surplus	91,000	By Interest on Bank Deposit	7,000
(Excess of Income Over Expenditure)		By Sale of Old Newspapers	3,000
	1,96,000		1,96,000

CREDITORS ACCOUNT			
Dr.			Cr.
Particulars	₹	Particulars	₹
To Cash A/c	45,760	By Balance b/d	9,850
To Discount Received A/c	1,740	By Purchases A/c (Credit Purchases)	60,550
To Bills Payable A/c	12,500	(Balancing Figure)	
To Purchases Return A/c	2,100		
To Balance c/d	8,300		
	70,400		70,400

OR

Difference between Double Entry System and Single Entry System of Accounting:

Double Entry system maintains a complete record of each transaction recording both the aspects. Under Single Entry System, on the other hand, all the transactions are not recorded as in Double Entry System. In some transactions both the aspects are recorded while in some one aspect is recorded or not recorded at all.

5. TRADING AND PROFIT AND LOSS ACCOUNT			
Dr.		Cr.	
for the year ended 31st March, 2016			
Particulars	₹	Particulars	₹
To Opening Stock	1,33,625	By Sales	12,62,000
To Purchases 8,12,525		By Loss by Fire	7,500
Add: Purchase Not Recorded 6,000	8,18,525	By Closing Stock	65,000
To Wages	1,15,685		
To Power and Fuel	6,750		
To Gross Profit transferred to Profit and Loss A/c	2,59,915		
	13,34,500		13,34,500
To Salaries	27,875	By Gross Profit b/d	2,59,915
To Postage	21,130	By Excess Provision written back (WN 2)	13,575
To Trade Expenses	29,155		
To Loss by Fire	2,500		
To Bad Debts (₹ 2,625 + ₹ 2,500)	5,125		
To Depreciation (Furniture)	3,625		
To Net Profit transferred to Capital A/c	1,84,080		
	2,73,490		2,73,490

BALANCE SHEET
as at 31st March, 2016

Liabilities	₹	Assets	₹
Capital	50,000	Furniture	36,250
Add: Net Profit	1,84,080	Less: Depreciation	3,625
	2,34,080	Debtors	2,48,500
Less: Drawings	22,260	Less: Provision for Doubtful Debts	12,425
	2,11,820	Insurance Company	5,000
Sundry Creditors (₹ 1,52,630 + ₹ 6,000)	1,58,630	Closing Stock	65,000
Bills Payable	19,750	Loan to Rajkumar	15,000
Trade Expenses Payable	3,500	Cash in Hand and at Bank	50,000
Outstanding Wages	10,000		
	4,03,700		4,03,700

Working Notes:

	₹
1. Debtors	2,51,000
Less: Bad Debts	2,500
	2,48,500
Less: Provision for Doubtful Debts @ 5%	12,425
	2,36,075
2. Existing Provision for Doubtful Debts	26,000
Less: Bad Debts	2,625
Further Bad Debts	2,500
Provision for Doubtful Debts (Required)	12,425
Credited to Profit and Loss A/c	8,450

ACCOUNTANCY CLASS—XI

Examination Paper 2017

Time Allowed: 3 Hours 15 Minutes

Full Marks: 80

General Instructions:

1. Special credit will be given for answer which are brief and to the point.
 2. Marks will be deducted for spelling mistakes, untidiness and bad handwriting.
 3. Figures in the margin indicate full marks for the questions.
-

GROUP-A

1. Answer the following questions:

(1 × 24 = 24)

Select the Correct Answer:

- (i) Accounting is a/an
 - (a) Art.
 - (b) Science.
 - (c) Both Art and Science.
 - (d) None of these.
- (ii) Which of the following statement is wrong?
 - (a) Transaction is an event.
 - (b) Cash discount is an expense.
 - (c) Salary is a revenue expenditure.
 - (d) Balance of fixed asset is debit.
- (iii) Information about financial position of a business concern is disclosed in
 - (a) Balance Sheet.
 - (b) Profit and Loss A/c.
 - (c) Trial Balance.
 - (d) None of these.
- (iv) The Modern Accountancy originated in the year of
 - (a) 1947.
 - (b) 1956.
 - (c) 1494.
 - (d) 1756.
- (v) Drawings Account is a
 - (a) Real A/c.
 - (b) Personal A/c.
 - (c) Nominal A/c.
 - (d) None of these.
- (vi) Amount of Bills Payable is
 - (a) an Expense.
 - (b) an Income.
 - (c) a Liability.
 - (d) an Asset.
- (vii) Full form of GAAP is
 - (a) Generally Adopted Accounting Principles.
 - (b) Generally Accepted Accounting Principles.
 - (c) Generally Accepted Auditing Principles.
 - (d) None of these.
- (viii) Which Accounting Standard of India indicates the valuation of inventories?
 - (a) AS-1
 - (b) AS-6
 - (c) AS-2
 - (d) AS-4

- (ix) Which section of the Negotiable Instrument Act defines the bill of exchange?
- (a) Section 4 (b) Section 5
(c) Section 6 (d) Section 7
- (x) Capital is shown on the liability side of the Balance Sheet because of
- (a) Separate Entity Concept. (b) Dual Concept.
(c) Going Concern Concept. (d) Matching Concept.
- (xi) Asset purchased on credit will be recorded in
- (a) Cash Book. (b) Purchase Book.
(c) General Journal. (d) None of these.
- (xii) Credit balance of a personal account means
- (a) Creditors. (b) Debtors.
(c) Drawings. (d) None of these.
- (xiii) The account is to be debited for the purchase of furniture use in the office
- (a) Purchase A/c. (b) Furniture A/c.
(c) Goods A/c. (d) Office A/c.
- (xiv) Discount recorded in the debit side of a Cash Book represents
- (a) cash discount received. (b) cash discount allowed.
(c) trade discount allowed. (d) trade discount received.
- (xv) Which of the following is the objective or utility of accounting?
- (a) Centralisation of transactions
(b) Preparation of information
(c) Ascertainment of financial results
(d) All of these
- (xvi) If Purchase Account was overcast by ₹ 5,000, then at the time of rectification, the account will be debited is
- (a) Purchase A/c.
(b) Suspense A/c.
(c) Both Purchase and Suspense A/c.
(d) None of these.
- (xvii) Repairing expenses for the machine is debited to Machinery Account, it is an example of
- (a) Error of principle. (b) Error of commission.
(c) Error of omission. (d) Compensating error.
- (xviii) The original cost of a fixed asset is ₹ 40,000. If the depreciation under reducing balance method is 10% p.a., its W.D.V. after two years will be
- (a) ₹ 28,000. (b) ₹ 29,160.
(c) ₹ 25,000. (d) ₹ 32,400.

- (xix) On 1st April, 2016, the depreciated value of a machine was ₹ 15,000. On 1st October, 2016, that machine was sold at a loss of ₹ 250. The rate of charging depreciation under diminishing balance method is 10% p.a., then what will be the sale price of the machine?
- (a) ₹ 14,250 (b) ₹ 14,000
(c) ₹ 13,250 (d) ₹ 14,500
- (xx) If Opening Capital is ₹ 6,000, Closing Capital ₹ 4,000 and Net Profit ₹ 3,000, then the amount of drawings will be
- (a) ₹ 7,000. (b) ₹ 1,000.
(c) ₹ 5,000. (d) ₹ 2,000.
- (xxi) Subscription received during the year ₹ 25,000 of which ₹ 1,000 in relation to the next year. Current year arrear subscription of ₹ 2,000. What is the amount of subscription to be credited to Income and Expenditure Account?
- (a) ₹ 22,000 (b) ₹ 24,000
(c) ₹ 26,000 (d) ₹ 28,000
- (xxii) Credit purchase is ascertained from
- (a) Debtors A/c. (b) Creditors A/c.
(c) Cash Book. (d) Trial Balance.
- (xxiii) LAN means
- (a) Local Access Notation. (b) Limited Area Network.
(c) Local Area Network. (d) None of these.
- (xxiv) Keyboard of a computer is
- (a) a Central Processing Unit. (b) an Input Unit.
(c) an Output Unit. (d) a memory.

GROUP-B

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

(1 × 12 = 12)

- (i) What do you mean by Trial Balance?
(ii) What do you mean by Double Entry System?

OR

What is Journal?

- (iii) What is Matching Concept?
(iv) Give one example of Deferred Revenue Expenditure.

OR

Define Revenue.

- (v) Write one difference between Sales Account and Sales Day Book.

OR

What is Invoice?

(vi) What do you mean by Not-Profit Making Organisation?

OR

What is Capital Fund?

(vii) What is Balance Sheet?

OR

What is Tangible Asset?

(viii) Give two examples of Non-Profit Seeking Organisation.

(ix) What do you mean by Single Entry System?

(x) Is Balance Sheet an Account?

(xi) From the following information, compute Total Sales:

Credit Sales are 75% of Total Sales and credit Sales are ₹ 8,00,000.

OR

From the following information, compute Closing Capital:

Opening Capital ₹ 12,500, Drawings ₹ 5,000, Loss ₹ 2,500.

(xii) What is Computer Software?

GROUP-C

3. Answer the following questions (Alternatives are to be noted): (4 × 4 = 16)

(i) The following errors are detected in the books of Saha & Co. after preparation of their Trial Balance. Rectify these errors:

(a) Purchase Day Book is undercast by ₹ 1,000.

(b) Wages paid for construction of office debited to Wages Account ₹ 20,000.

(c) A credit sale of goods ₹ 1,200 to Ramesh has been wrongly passed through the Purchases Day Book.

(d) Goods purchased for ₹ 5,000 were posted as ₹ 500 to the Purchases Account.

(e) An amount of ₹ 2,000 due from Mahesh Chand which had been written off as a bad debt in previous year was unexpectedly recovered and posted to the personal account of Mahesh Chand.

(f) A credit purchase of ₹ 1,040 from Ramesh was passed in the books as ₹ 1,400.

(ii) On 1st April, 2014, Chandra & Sons purchased a machinery for ₹ 75,000. On 1st October, 2014, another machine was purchased on credit of ₹ 1,00,000. On 1st October, 2016, 1/3rd of the first machine was sold for ₹ 19,000 and bought a new machine of ₹ 50,000 on the same day. Chandra & Sons charged depreciation @ 10% p.a. under diminishing balance method and maintained the books of account as per the financial year. Prepare Machinery Account in the Books of Chandra & Sons for the financial years 2014–15, 2015–16 and 2016–17.

OR

What is Secret Reserve? Write the differences between provision for depreciation and provision for bad debt.

(1 + 3)

- (iii) On 1st June, 2015, Tarak sold goods to Shyam for ₹ 35,000. On 4th June, 2015, Shyam paid ₹ 15,000 in cash and accepted a bill for the remaining amount for 3 months. On 1st July, 2015, Tarak endorsed the bill to Amal in full settlement of claim of ₹ 20,500. On the due date, the bill was duly honoured.

Pass necessary Journal entries in the books of Tarak.

OR

What is endorsement of bill? Write the differences between bill of exchange and promissory note. (1 + 3)

- (iv) Write the characteristics of computerised accounting.

GROUP-D

4. Answer the following questions (Alternatives are to be noted): (6 × 3 = 18)

- (i) From the following information, prepare a suitable Cash Book and calculate the balance as on 31st December, 2016:

2016	₹
December 01, Cash in hand	14,000
December 01, Bank Overdraft	13,200
December 04, Wages paid	1,400
December 05, Cash Sales	17,000
December 07, Purchased goods from Rahul for ₹ 12,250, paid by cheque in full settlement	12,000
December 09, Purchased furniture for cash	10,000
December 10, Cash paid to Rohit (Discount Received ₹ 100)	5,000
December 16, Bank charged Interest on Overdraft	500
December 18, Deposited into Bank	7,000
December 20, Paid Telephone bill by Cheque	600
December 25, Sold goods for ₹ 23,500 to Vikas and received cheque in full settlement	23,000
December 27, Paid Rent	800
December 29, Drew cash for personal use	1,000
December 30, Paid Salary	2,000

OR

From the following information, prepare a Bank Reconciliation Statement of M/s. ABC Ltd. as on 31st December, 2016:

- (a) Bank Balance as per Pass Book (Credit) ₹ 15,000.
(b) A cheque of ₹ 2,000 deposited into Bank on 26th December but not credited in Pass Book.

- (c) Bank charge of ₹ 100 was not recorded in the Cash Book.
 (d) Cheque issued for ₹ 5,000 but not presented to Bank till 31st December, 2016.
 (e) Bank wrongly credited ₹ 3,000 but no reversal entry has been passed.
 (f) The debit balance of Cash Book of ₹ 500 has wrongly been shown as Credit Balance.

- (ii) What is Receipts and Payments Account? Distinguish between Receipts and Payments Account and Cash Book. (2 + 4)

OR

From the following information, prepare an Income and Expenditure Account of Siliguri Club for the year ended 31st December, 2016:

Receipts	₹	Payments	₹
To Balance b/f:		By Salaries	49,500
Cash in Hand	4,500	By Paper, Ink, etc.	1,950
Cash at Bank	1,26,000	By Repairing Expenses	7,020
To Subscriptions	1,52,400	By Billiard Table	58,050
To Donations	72,000	By Purchase of Investment	61,980
To Interest on Investment	1,800	By Miscellaneous Expenditure	6,600
To Entrance Fees	18,000	By Purchase of Furniture	1,23,000
To Interest Received from Bank	6,300	By Insurance Premium	2,700
To Sale of Old Newspapers	900	By Balance c/f:	
		Cash in Hand	4,200
		Cash at Bank	66,900
	3,81,900		3,81,900

Other Information:

- (a) Subscription in arrear for 2016 ₹ 13,500 and Subscription in Advance for 2017 ₹ 3,900.
 (b) Prepaid Insurance Premium ₹ 300.
 (c) Outstanding Miscellaneous Expenditure ₹ 900.
 (d) 50% of Donations is to be capitalised.
 (e) Entrance Fees are to be treated as Revenue Income.
 (iii) From the following data, ascertain the amount of Credit Sales:

	₹
Opening Balance of Debtors	12,500
Closing Balance of Debtors	20,000
Collection from Debtors	75,000
Bills Receivable received from Debtors	10,000
Bad Debt	2,000
Provision for Doubtful Debts	3,000
Discount allowed	1,000
Return Inward	1,500
Sundry charges charged to Debtors	500
Bad Debt previously written off now recovered	2,000
Bills Receivable dishonoured	2,500

OR
Distinguish between Balance Sheet and Statement of Affairs.

GROUP-E

5. Answer the following question:

(10 × 1 = 10)

Following is the Trial Balance of Sourav, a Sole Trader as on 31st March, 2016:

Debit Balance	₹	Credit Balance	₹
Cash at Bank	10,250	Sales	2,40,000
Discount allowed	700	Capital	1,92,200
Wages	23,000	Provision for Doubtful Debts	1,250
Salaries	24,000	Return Outward	1,500
Return Inward	1,800	Bills Payable	12,500
Bad Debt	950	Sundry Creditors	30,000
Carriage Outward	1,050		
Carriage Inward	1,200		
Bills Receivable	22,500		
Purchases	1,40,000		
Plant and Machinery	75,000		
Sundry Debtors	40,000		
Furniture	25,000		
Opening Stock	32,000		
Building	80,000		
	4,77,450		4,77,450

Adjustments:

- (i) Closing Stock ₹ 70,000.
- (ii) On 31st March, 2016 Outstanding Wages and Salaries were ₹ 6,000 and ₹ 5,000 respectively.
- (iii) New Bad Debt ₹ 1,000 and provision for doubtful debts is to be maintained @ 10% on Sundry Debtors.
- (iv) Depreciation is to be provided on Building @ 10%, on Plant and Machinery @ 5% and on Furniture @ 20%.

You are required to prepare Trading Account, Profit and Loss Account and a Balance Sheet as on 31st March, 2016.

Answers

GROUP-A

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

GROUP-B

2. (i) Trial Balance is a statement prepared with the Dr. and Cr. balances of accounts to check the arithmetical accuracy of accounting books.
(ii) Double Entry System is a system of accounting which records both the aspects, i.e., Dr. and Cr. of a transaction in the accounting books.

OR

Journal is a book of primary entry in which transactions and events are recorded in a chronological order in form of Journal entries.

- (iii) According to Matching Concept, the expenses for an accounting period are matched against related revenue to have a true and fair view of the profitability and financial position of the business.
(iv) Advertising Expenditure.

OR

Revenue is the amount received or receivable from the sale of goods and/or services. It is of recurring nature.

- (v) Sales Book contains only credit sales of goods while Sales Account contains credit as well as cash sales of goods.

OR

Invoice is a source document which is prepared when the seller sells the goods on credit.

- (vi) Non-profit organisation is an organisation set-up to render service to the members or to the society without earning profit.

OR

Capital Fund is the excess of assets over liabilities of a Not-for-Profit Organisation.

- (vii) Balance sheet is a statement of assets and liabilities of a firm which shows financial position on a particular date.

OR

Tangible asset is that asset which has a physical existence and which can be seen, touched or felt. For example, furniture.

- (viii) Schools, Charitable Hospitals.

- (ix) Single Entry System of accounting is a system in which accounting records are not maintained according to Double Entry System of book-keeping.

- (x) No, it is a statement.

$$(xi) \quad \text{Total Sales} = \frac{\text{Credit Sales} \times 100}{75} = \frac{₹ 8,00,000 \times 100}{75} = ₹ 10,66,667.$$

OR

$$\begin{aligned} \text{Closing Capital} &= \text{Opening Capital} - \text{Drawings} - \text{Loss} \\ &= ₹ 12,500 - ₹ 5,000 - ₹ 2,500 = ₹ 5,000. \end{aligned}$$

(xii) It is a general term for the various kind of programs used to operate computer and related devices.

GROUP-C

3. (i) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(a)	Purchase A/c ...Dr. To Suspense A/c (Being the Purchase Day Book wrongly undercasted, now rectified)		1,000	1,000
(b)	Building A/c ...Dr. To Wages A/c (Being the wages wrongly debited to Wages Account, now rectified)		20,000	20,000
(c)	Ramesh ...Dr. To Sales A/c To Purchases A/c (Being the credit sale wrongly recorded through Purchase Book, now rectified)		2,400	1,200 1,200
(d)	Purchases A/c ...Dr. To Suspense A/c (Being the Purchase Account debited with less amount, now rectified)		4,500	4,500
(e)	Mahesh Chand ...Dr. To Bad-debts Recovered A/c (Being the amount wrongly credited to Mahesh Chand, now rectified)		2,000	2,000
(f)	Ramesh ...Dr. To Purchase A/c (Being the excess amount recorded, now rectified)		360	360

(ii) In the Books of Chandra & Sons					
Dr.			Cr.		
MACHINERY ACCOUNT					
Date	Particulars	₹	Date	Particulars	₹
2014			2015		
April 1	To Bank A/c (M I)	75,000	March 31	By Depreciation A/c:	
Oct. 1	To Supplier's A/c (M II)	1,00,000		M I	7,500
				M II	5,000
					12,500
			March 31	By Balance c/d:	
				M I	67,500
				M II	95,000
					1,62,500
		1,75,000			1,75,000

2015					2016				
April 1	To	Balance b/d:			March 31	By	Depreciation A/c:		
		M I	67,500				M I	6,750	
		M II	95,000	1,62,500			M II	9,500	16,250
					March 31	By	Balance c/d:		
							M I	60,750	
							M II	85,500	1,46,250
				1,62,500					1,62,500
2016					2016				
April 1	To	Balance b/d:			Oct. 1	By	Bank A/c		19,000
		M I	60,750		Oct. 1	By	Depreciation A/c		1,013
		M II	85,500	1,46,250	Oct. 1	By	Loss on Sale A/c		237
Oct. 1	To	Bank A/c:					(Profit and Loss A/c)		
		M III		50,000	2017				
					March 31	By	Depreciation A/c:		
							M I	4,050	
							M II	8,550	
							M III	2,500	15,100
					March 31	By	Balance c/d:		
							M I	36,450	
							M II	76,950	
							M III	47,500	1,60,900
				1,96,250					1,96,250

OR

Secret Reserve: It is a reserve the existence and/or the amount of which is not disclosed in the Balance Sheet. Such reserves are created by showing the assets at a lower amount and liabilities at a higher amount.

Difference between Provision for Depreciation and Provision for Bad Debts

Provision for Depreciation	Provision for Bad Debts
1. It is created on fixed assets.	1. It is created on debtors.
2. It is the estimated amount of fixed asset which has been consumed during the year.	2. It is the estimated amount which is not likely to be recovered from debtors.
3. It is deducted from fixed asset to calculate net fixed asset.	3. It is deducted from debtors to calculate net debtors.

(iii)

In the Books of Tarak

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2015				
June 1	Shyam ...Dr. To Sales A/c (Being the goods sold on credit)		35,000	35,000
June 4	Cash A/c ...Dr. Bills Receivable A/c ...Dr. To Shyam (Being the part payment and acceptance received)		15,000 20,000	35,000
July 1	Amal ...Dr. To Bills Receivable A/c To Discount Received A/c (Being the bill endorsed and discount received)		20,500	20,000 500

OR

Endorsement of Bill: When the holder of a bill transfers the bill to a third party, the bill is said to have been endorsed or negotiated.

Difference between Bill of Exchange and Promissory Note

Basis	Bill of Exchange	Promissory Note
1. Drawer	Creditor is the Drawer.	Debtor is the Drawer.
2. Order/Promise	It is an order to pay.	It is a promise to pay.
3. Acceptance	It needs acceptance by the Drawee.	It does not need acceptance by the Drawee.
4. Parties	It has three parties namely—Drawer, Drawee and Payee.	It has two parties namely—Promisor and Payee.
5. Liability	Liability of the drawer arises only if the acceptor does not pay.	Promisor has the primary liability to pay.
6. Copies	In case of foreign bills, three copies are made but otherwise only one copy is prepared.	Only one copy is prepared whether it is foreign or local.
7. Stamp	Bill payable on demand need not to be stamped but otherwise stamps would be necessary.	It has to be stamped in any case.

- (iv) (a) *Simple and Integrated:* It helps all businesses by automating and integrating all the business activities. Such activities may be sales, finance, purchase, inventory, and manufacturing etc. It also facilitates the arrangement of accurate and up-to-date business information in a readily usable form.
- (b) *Accuracy and Speed:* Computerised accounting has customized templates for users which allows fast and accurate data entry. Thus, after recording the transactions it generates the information and reports automatically.
- (c) *Scalability:* It has the flexibility to record the transactions with the changing volume of business.
- (d) *Instant Reporting:* It can generate a quality report in real time because of high speed and accuracy.
- (e) *Security:* Secured data and information can be kept confidential as compared to the traditional accounting system.
- (f) *Quick Decision Making:* This system Generates real-time, comprehensive MIS reports and ensures access to complete and critical information, instantly.
- (g) *Reliability:* It generates the report with consistency and accuracy. Minimization of errors makes the system more reliable.

GROUP-D

4. (i)

Dr.					CASH BOOK					Cr.
Date	Particulars	L.F.	Cash (₹)	Bank (₹)	Date	Particulars	L.F.	Cash (₹)	Bank (₹)	
2016					2016					
Dec. 1	To Balance <i>b/d</i>	C	14,000	...	Dec. 1	By Balance <i>b/d</i>	C	...	13,200	
Dec. 5	To Sales A/c		17,000	...	Dec. 4	By Wages A/c		1,400	...	
Dec. 18	To Cash A/c		...	7,000	Dec. 7	By Purchases A/c		...	12,000	
Dec. 25	To Sales A/c		...	23,000	Dec. 9	By Furniture A/c		10,000	...	
					Dec. 10	By Rohit		5,000	...	
					Dec. 16	By Bank Charges A/c		...	500	
					Dec. 18	By Bank A/c		7,000	...	
					Dec. 20	By Telephone Charges A/c		...	600	
					Dec. 27	By Rent A/c		800	...	
					Dec. 29	By Drawings A/c		1,000	...	
				Dec. 30	By Salary A/c	2,000	...			
				Dec. 31	By Balance <i>c/d</i>	3,800	3,700			
			31,000	30,000			31,000	30,000		
2017										
Jan. 1	To Balance <i>b/d</i>		3,800	3,700						

OR

BANK RECONCILIATION STATEMENT

as on 31st December, 2016

Particulars	Amount Details (₹)	Amount ₹
Bank Balance as per Pass Book (Cr.)		15,000
Add: (i) Cheque deposited but not yet credited	2,000	
(ii) Bank charges not recorded in Cash Book	100	2,100
		17,100
Less: (i) Cheque issued but not yet paid	5,000	
(ii) Wrong credit by bank	3,000	
(iii) Debit balance wrongly shown as credit balance	500	8,500
Balance as per Cash book (Dr.)		8,600

(ii) Receipts and Payments Account

Meaning

Receipts and Payments Account is a summary of Cash and Bank transactions during an accounting period prepared under appropriate heads of accounts. It begins with cash and bank balances in the beginning and ends with cash and bank balances at the end of the accounting period. Receipts are shown on the debit side and payments are shown on the credit side of the account. It being Receipts and Payments Account, receipts and payments of every nature are shown in this account, *i.e.*, whether it is capital or revenue in nature or whether it relates to the current year, previous year or next year. Receipts and Payments Account gives *a fair idea about the cash position of an organisation*. A specimen of Receipts and Payments Account is given below to clarify how Receipts and Payments Account is prepared.

Difference between Receipts and Payments Account and Cash Book

<i>Basis</i>	<i>Receipts and Payments Account</i>	<i>Cash Book</i>
1. Basis	It is prepared on the basis of Cash Book.	It is prepared on the basis of each receipt and payment.
2. Period	Receipts and Payments Account is prepared at the end of accounting year. It is a summary of the Cash Book.	Cash Book is written on daily basis.
3. Date	Transactions under this are not written datewise.	Transactions are recorded datewise in the Cash Book.
4. Institutions	It is prepared by the Not-for-Profit Organisation.	It is prepared by all organisations be it Not-for-Profit Organisation or a commercial establishment.
5. Side	Under it, there are receipts and payments sides instead of debit and credit sides.	Cash Book is divided into debit and credit sides.
6. Ledger Folio	There is no column of Ledger Folio.	Cash Book has a separate column for Ledger Folio.

OR

INCOME AND EXPENDITURE ACCOUNT for the year ended 31st December, 2016

<i>Dr.</i>			<i>Cr.</i>
Expenditure	₹	Income	₹
To Salaries	49,500	By Subscription	1,52,400
To Paper, Ink, etc.	1,950	Add: Outstanding Subscription	13,500
To Repairing Expenses	7,020		1,65,900
To Miscellaneous Expenditure	6,600	Less: Advance Subscription	3,900
Add: Outstanding	900	By Donations	72,000
To Insurance Premium	2,700	Less: Capitalised	36,000
Less: Advance	300	By Interest on Investment	1,800
To Surplus	1,56,630	By Entrance Fees	18,000
(Transferred to Capital Fund)		By Sale of Old Newspapers	900
		By Interest from Bank	6,300
	2,25,000		2,25,000

(iii)

<i>Dr.</i>			<i>Cr.</i>
Particulars	₹	Particulars	₹
To Balance b/d	12,500	By Cash/Bank A/c	75,000
To Sundry Charges	500	By Bills Receivable A/c	10,000
To Bill Receivable Dishonoured	2,500	By Bad-Debt A/c	2,000
To Credit Sales A/c (Balancing Figure)	77,000	By Provision for Doubtful Debts	3,000
		By Discount Allowed	1,000
		By Returns Inward	1,500
	92,500		92,500

OR

Difference between Balance Sheet and Statement of Affairs

<i>Basis</i>	<i>Balance Sheet</i>	<i>Statement of Affairs</i>
1. Objective	The main objective of preparing Balance Sheet is to know about the financial position of the business.	The main objective of preparing Statement of Affairs is to know about capitals at a point of time.
2. Accounting Method	Balance Sheet is prepared when accounts are maintained under Double Entry System.	Statement of Affairs is prepared when accounts are maintained under Single Entry System of Accounting.
3. Accounts and Information	This is prepared exclusively on the basis of ledger accounts.	In view of incomplete accounts, its preparation is based on limited accounts, calculations, estimates and other information.
4. Reliability	Being based on actual figures, Balance Sheet is regarded as a reliable statement.	Since it is based partly on the accounts and partly on other information and one's memory, hence, it is not regarded as reliable.
5. Trial Balance	Trial Balance is prepared before Balance Sheet and the latter bases on the former.	In the case of Statement of Affairs, Trial Balance is not prepared.
6. Arithmetical Accuracy	The tallying of Balance Sheet implies arithmetical accuracy of accounting.	But, Statement of Affairs does not prove in any sense the arithmetical accuracy of the accounting.
7. Missing of Facts	Since both the aspects of all transactions are duly recorded, there remains hardly any fact missing from the accounts.	There is always a possibility for missing of facts because the accounts are incomplete. The reason is that neither all transactions nor both aspects of every transaction are recorded in the books of account.

GROUP-E

5. TRADING ACCOUNT AND PROFIT AND LOSS ACCOUNT				
<i>Dr.</i> <i>Cr.</i>				
<i>for the year ended 31st March, 2016</i>				
Particulars	₹	Particulars	₹	
To Opening Stock	32,000	By Sales	2,40,000	
To Purchases	1,40,000	Less: Returns Inward	1,800	2,38,200
Less: Returns Outward	1,500	By Closing Stock		70,000
To Wages	23,000			
Add: Outstanding	6,000			
To Carriage Inward	1,200			
To Gross Profit c/d	1,07,500			
	3,08,200			3,08,200
To Salaries	24,000	By Gross Profit b/d		1,07,500
Add: Outstanding	5,000			
To Carriage Outward	1,050			
To Depreciation on:				
Building	8,000			
Plant and Machinery	3,750			
Furniture	5,000			
To Bad Debts	950			
Add: Further Bad Debt	1,000			
	1,950			
Add: New Provision	3,900			
	5,850			
Less: Old Provision	1,250			
To Discount Allowed	700			
To Net Profit	55,400			
	1,07,500			1,07,500

BALANCE SHEET
as on 31st March, 2016

Liabilities	₹	Assets	₹
Bills Payable	12,500	Cash at Bank	10,250
Sundry Creditors	30,000	Bills Receivable	22,500
Outstanding Wages	6,000	Sundry Debtors	40,000
Outstanding Salaries	5,000	Less: Further Bad Debts	1,000
Capital:			39,000
Opening	1,92,200	Less: Provision for Doubtful Debts	3,900
Add: Net Profit	55,400	Closing Stock	70,000
	2,47,600	Furniture	25,000
		Less: Depreciation	5,000
		Plant and Machinery	75,000
		Less: Depreciation	3,750
		Building	80,000
		Less: Depreciation	8,000
			72,000
	3,01,100		3,01,100

ACCOUNTANCY CLASS—XI

Examination Paper 2018

Time Allowed: 3 Hours 15 Minutes

Full Marks: 80

General Instructions:

1. Special credit will be given for answer which are brief and to the point.
 2. Marks will be deducted for spelling mistakes, untidiness and bad handwriting.
 3. Figures in the margin indicate full marks for the questions.
-

GROUP-A

1. Answer the following questions:

(1 × 24 = 24)

Select the Correct Answer:

- (i) Capital Account is a
 - (a) Real A/c.
 - (b) Personal A/c.
 - (c) Nominal A/c.
 - (d) None of these.
- (ii) Under Matching Concept matching is done between
 - (a) Receipts and Payments.
 - (b) Expenses and Income.
 - (c) Assets and Liabilities.
 - (d) Capital and Drawings.
- (iii) Which of the following is correct?
 - (a) Assets = Capital + Liability
 - (b) Assets = Liability – Capital
 - (c) Assets = Capital – Liability
 - (d) Assets = Capital + Reserve and Surplus
- (iv) Outstanding wages is under
 - (a) Nominal A/c.
 - (b) Real A/c.
 - (c) Personal A/c.
 - (d) None of these.
- (v) Purchase of Furniture is recorded as Purchase A/c. This is the example of
 - (a) Error of Omission.
 - (b) Error of Commission.
 - (c) Error of Principle.
 - (d) Compensating error.
- (vi) Relationship between owner and his business depends upon which concept?
 - (a) Accrual Concept.
 - (b) Going Concern Concept.
 - (c) Matching Concept.
 - (d) Entity Concept.
- (vii) Which of the following is not a qualitative characteristic of accounting information?
 - (a) Reliability
 - (b) Understandability
 - (c) Relevance
 - (d) Presentation
- (viii) On which basis of accounting is the doctrine of conservatism of accounting observed?
 - (a) Accrual basis
 - (b) Mixed basis
 - (c) Cash basis
 - (d) None of these

- (ix) The father of Double Entry System of accounting is
 (a) Kautilya. (b) Galileo.
 (c) Luca Pacioli. (d) Aristotle.
- (x) According to which principle of business even the proprietor of the business is treated as a creditor of the business?
 (a) Cost Concept (b) Accounting Period Concept
 (c) Going Concern Concept (d) Business Entity Concept
- (xi) Indian Accounting Standards are issued by
 (a) Institute of Cost Accountants of India.
 (b) Institute of Chartered Accountants of India.
 (c) Institute of Company Secretary of India.
 (d) Indian Statistical Institute.
- (xii) Those who sell goods on credit are called
 (a) Creditors. (b) Debtors.
 (c) Investors. (d) Suppliers.
- (xiii) The capital of a business firm is ₹ 1,00,000, Reserve and Surplus ₹ 40,000 and external liability ₹ 25,000. Total Assets of the business are
 (a) ₹ 1,15,000. (b) ₹ 35,000.
 (c) ₹ 1,65,000. (d) ₹ 1,40,000.
- (xiv) A machine costs ₹ 50,000, installation charges ₹ 10,000, scrap value ₹ 5,000 and life time 10 years. The amount of depreciation of the machine under Straight Line method is
 (a) ₹ 4,500. (b) ₹ 6,500.
 (c) ₹ 5,500. (d) ₹ 6,000.
- (xv) On 1st January, 2017, Mr. X draws a bill on Mr. Y for 5 months. The maturity date will be
 (a) 1st June, 2017. (b) 4th June, 2017.
 (c) 3rd June, 2017. (d) 4th May, 2017.
- (xvi) In case of dishonour of a bill, Noting charge is borne by
 (a) Banker. (b) Creditors.
 (c) Drawee. (d) Drawer.
- (xvii) When closing capital is less than opening capital, it denotes
 (a) Profit. (b) Loss.
 (c) Deficit. (d) Surplus.
- (xviii) Surplus or Deficit of a non-profit seeking organisation is transferred to which account?
 (a) Special Fund (b) Capital Fund
 (c) Capital A/c (d) Drawing A/c
- (xix) Opening capital ₹ 1,50,000, Closing capital ₹ 2,75,000, Drawing ₹ 25,000, Further Capital introduced ₹ 45,000. What is Gross Profit?
 (a) ₹ 55,000 (b) ₹ 1,95,000
 (c) ₹ 1,05,000 (d) ₹ 1,75,000

- (xx) Single entry system is a system of
- (a) Single entry. (b) Double entry.
- (c) Mixed entry. (d) Mixture of single, double and non-entry.
- (xxi) What is the full form of DBMS?
- (a) Data Base Multiplication System
- (b) Data Base Modulation System
- (c) Data Base Management System
- (d) None of these
- (xxii) ROM is
- (a) Human Memory. (b) Temporary Memory.
- (c) Permanent Memory. (d) None of these.
- (xxiii) For a year opening and closing balances of creditors are ₹ 1,50,000 and ₹ 2,70,000 respectively, paid to creditors ₹ 1,30,000. The credit purchase in that year is
- (a) ₹ 10,000. (b) ₹ 1,20,000.
- (c) ₹ 2,50,000. (d) None of these.
- (xxiv) From Debtors Account we can ascertain
- (a) Cash sales. (b) Credit sales.
- (c) Credit purchase. (d) Cash purchase.

GROUP-B

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

(1 × 12 = 12)

- (i) Define asset.
- (ii) What do you mean by Accounting Cycle?
- OR
- What are the fundamental assumptions of accounting?
- (iii) What do you mean by Contingent Liability?
- (iv) What is the fundamental accounting equation?
- OR
- State one difference between Profit and Gain.
- (v) What do you mean by compensating error?
- OR
- What is Suspense A/c?
- (vi) Give an example of error of principle.
- OR
- What is Error of Omission?
- (vii) State one difference between Reserve and Provision.
- OR
- Is depreciation a fund? State with one reason.

- (viii) Why is Rectification of Error necessary?
- (ix) State any one example (with formula) of Liquidity Ratio.
- (x) How would you treat donation at the time of preparation of final accounts of a non-profit seeking organisation?
- (xi) State any one difference between Single Entry System and Double Entry System.

OR

What is Fixed Asset?

- (xii) Write one difference between Software and Hardware.

GROUP-C

3. Answer the following questions (Alternatives are to be noted): (4 × 4 = 16)

- (i) The following errors are detected in the books of Dey & Co. after preparation of their Trial Balance. Rectify these errors:
 - (a) Sales Return Book is overcast by ₹ 10,000 while calculating the total.
 - (b) Purchased machinery of ₹ 10,000 was wrongly included in Purchase Account.
 - (c) Goods sold on credit of ₹ 5,000 to Mr. Saha but wrongly debited to Mr. Roy's Account.
 - (d) Amount paid to Mr. Sen of ₹ 2,000 in cash is wrongly credited to Mr. Das's Account.
- (ii) Show the differences between Capital Reserve and Revenue Reserve.

OR

X Ltd. purchased a machine on 1st July, 2016 for ₹ 1,50,000. On 1st September, 2016 purchased another machine for ₹ 50,000. On 30th June, 2017, first machine was sold for ₹ 1,20,000 due to its bad performance. The company charges depreciation @ 10% p.a. under Diminishing Balance Method.

Prepare Machinery Account for the years ended 31st December, 2016 and 31st December, 2017.

- (iii) On 5th January, 2017, Ganesh sold goods to Kartik for ₹ 60,000. Kartik paid ₹ 10,000 in cash and balance through bill of exchange. On the same date Kartik accepted the said bill for three months. On 7th January, 2017, Ganesh discounted the bill @ 10% p.a. On the due date the bill was dishonoured and noting charge of ₹ 50 was settled. Ganesh drew a new bill with interest of ₹ 200 for two months. Show the necessary Journal entries in the books of Ganesh.

OR

Define Bill of Exchange. State two features of Bill of Exchange. (2 + 2)

- (iv) State four advantages of Computerised Accounting System.

GROUP-D

4. Answer the following questions (Alternatives are to be noted): (6 × 3 = 18)

- (i) From the following particulars prepare a Purchase Day Book of Krishanu Raha who is a retailer of electrical goods:

2017

August 5 Purchased from S.K. Electronics 200 fans @ ₹ 800 each, 500 LED tube lights @ ₹ 280 each. Trade discount 10%, Packing and forwarding charges paid ₹ 500.

August 14 Purchased from D.K. Electronics 50 halogen lights @ ₹ 1,000 each. 15% Trade discount, GST 18%.

August 29 Purchased from N.K. Bros. 300 tube lights @ ₹ 220 each. 10% Trade discount, Transport charge ₹ 200 and GST 18%.

OR

Redraft the following Trial Balance:

A Bookkeeper extracted the following Trial Balance as on 31st March, 2017:

Hheads of Accounts	Dr. Balances ₹	Cr. Balances ₹
Salaries	...	13,000
Purchase Return	3,000	...
Outstanding Interest	10,000	...
Furniture	20,000	...
Capital	...	2,00,000
Debtors	2,00,000	...
Stock (1st April, 2016)	1,04,000	...
Creditors	...	80,000
Trade Expenses	50,000	...
Sales	...	8,58,000
Wages	30,000	...
Stock (31st March, 2017)	98,000	...
Machinery	...	50,000
Purchase	6,25,000	...
Bank Loan	50,000	...
Discount Allowed	...	4,000
Drawings	...	45,000
Motor Van	60,000	...
Total	12,50,000	12,50,000

- (ii) Distinguish between a “Receipts and Payments Account” and an “Income and Expenditure Account”.

OR

From the following Receipts and Payments Account and additional information of a club, prepare an Income and Expenditure Account for the year ended on 31st December, 2017:

RECEIPTS AND PAYMENTS ACCOUNT for the year ended on 31st December, 2017			
Dr.			Cr.
Receipts	₹	Payments	₹
To Balance b/d:		By Salaries	14,000
Cash and Bank	4,000	By General Expenses	3,000
To Subscriptions:		By Electric Charges	2,000
2016	3,000	By Newspapers	3,500
2017	10,000	By Repairs of Carom Board	6,000
2018	1,000	By Maintenance Expenses of Club Hall	11,000
To Sale of Old Newspaper	1,500	By Balance c/d:	
To Misc. Receipts	1,000	Cash and Bank	21,000
To Rent received from Club Hall	40,000		
	60,500		60,500

Additional Information:

- (a) The club has 500 members and each paying an annual subscription of ₹ 25. Subscriptions outstanding on 31st December, 2016 were ₹ 3,000.
- (b) Outstanding salary on 31st December, 2017 is ₹ 1,000.
- (c) On 1st January, 2017 the club had Building ₹ 1,00,000, Furniture ₹ 20,000.
- (d) Provide depreciation on Building and Furniture @ 10% p.a.
- (iii) From the following information, ascertain the total purchase:

	₹
Opening Balance of Creditors	98,000
Cash paid to Suppliers	4,57,600
Discount Received	17,400
Bills Payable accepted	1,25,000
Return Outward	21,000
Cash Purchase	3,50,000
Closing Balance of Creditors	80,000

OR

What do you mean by Single Entry System? State the limitations of this system.
(2 + 4)

GROUP-E

5. Answer the following question: (10 × 1 = 10)

From the following Ledger balances of Mr. Akash Singh, prepare Trading and Profit and Loss A/c for the year ended on 31st March, 2017 and Balance Sheet as on that date after making the necessary adjustments:

Particulars	₹	Particulars	₹
Trade Expenses	800	Purchase	82,000
Freight Duty	2,000	Stock (1st April, 2016)	15,000
Carriage Outward	500	Plant and Machinery (1st April, 2016)	20,000
Sundry Debtors	20,600	Plant and Machinery (Additions on 1st October, 2016)	5,000
Furniture and Fixtures	5,000	Drawings	6,000
Returns Inward	2,000	Capital	80,000
Printing and Stationery	400	Provision for Doubtful Debts	800
Rent, Rates and Taxes	4,600	Rent for Premises sublet	1,600
Sundry Creditors	10,000	Insurance Charges	700
Sales	1,20,000	Salaries and Wages	21,300
Returns Outward	1,000		
Postage and Telegram	800		
Cash in Hand	6,200		
Cash at Bank	20,500		

Adjustments / Other Information:

- (i) Closing stock on 31st March, 2017 was ₹ 14,000.
- (ii) Write off ₹ 600 as bad debts.
- (iii) Provision for Doubtful Debts is to be maintained @ 5% on Sundry Debtors.
- (iv) Provision for Depreciation on Furniture and Fixtures @ 5% p.a. and on Plant and Machinery @ 20% p.a.
- (v) Insurance prepaid was ₹ 100.
- (vi) A fire occurred in the godown and stock of the value of ₹ 5,000 was destroyed. Insurance Company admitted the claim of ₹ 3,000 only.



Scan QR Code for Complete Solution of Paper

Answers

GROUP-A

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

GROUP-B

2. (i) Assets are valuable resources owned by a business which are acquired at a measurable money cost.
- (ii) Accounting Cycle starts with recording transactions and ends with preparation of financial statement and communicating them to the users. Based on the attributes, the steps of accounting process are as follows:
- (a) Identifying financial transactions and events;
 - (b) Recording;
 - (c) Classifying;
 - (d) Summarising;
 - (e) Analysing and Interpreting; and
 - (f) Communicating.

OR

The fundamental Assumptions of Accounting are:

- (a) Going Concern Assumption;
 - (b) Consistency Assumption; and
 - (c) Accrual Assumption.
- (iii) Contingent Liability is a liability happening of which is dependent on an outcome in future not under the control of the enterprise.
- (iv) The fundamental accounting equation is assets are always equal to capital *plus* liabilities (*i.e.*, Owner's Equity + Outsiders' Equity).

Thus, $\text{Assets} = \text{Capital} + \text{Liabilities}$.

OR

Profit means income earned by the business from its Operating Activities. But gain is incidental such as gain on sale of fixed assets or investments or writing off liabilities not payable.

- (v) Compensating Errors are those errors in which effect of one error is nullified by the effect of another error.

OR

Suspense Account is the account to which the amount being the difference in trial balance is temporarily placed.

- (vi) An example of error of principle is treating purchase of an asset and/or other amounts spent such as freight, etc. on its acquisition as revenue expenditure instead of capital expenditure.

OR

An error of omission is an error when a transaction is completely or partially omitted from being recorded in the books of account.

- (vii) Reserve is an appropriation of profit whereas provision is a charge against profit.

OR

Depreciation is not a fund but a distribution of cost of fixed asset over its useful life in a reasonable and systematic manner. Since the amount of depreciation is not invested in outside securities, it is not a fund.

- (viii) Rectification of Errors is necessary for preparing correct accounting records and ascertaining correct net profit or loss for the accounting period.

- (ix) Inventory (Stock) ₹ 1,00,000; Working Capital ₹ 2,40,000; Current Assets ₹ 4,20,000. Bank overdraft ₹ 20,000; Calculate Liquidity Ratio.

$$\text{Liquid Ratio} = \frac{\text{₹ } 2,50,000}{20} \times 100 = \frac{\text{₹ } 3,20,000}{\text{₹ } 1,80,000} = 1.78 : 1.$$

$$\begin{aligned} \text{Quick Assets} &= \text{Current Assets} - \text{Inventory (Stock)} \\ &= \text{₹ } 4,20,000 - \text{₹ } 1,00,000 = \text{₹ } 3,20,000. \end{aligned}$$

$$\text{Working Capital} = \text{Current Assets} - \text{Current Liabilities}$$

$$\begin{aligned} \text{Current Liabilities} &= \text{Current Assets} - \text{Working Capital} \\ &= \text{₹ } 4,20,000 - \text{₹ } 2,40,000 = \text{₹ } 1,80,000. \end{aligned}$$

- (x) The amount of general donation is accounted as an income and credited to Income and Expenditure Account.
- (xi) Under Double Entry System both aspects of a transaction are recorded. Under Single Entry System both aspects of transaction are not recorded. In fact, for some transactions both aspects, for some others one aspect and yet for others no aspect at all are recorded.

OR

Fixed assets are those non-current assets of an enterprise which are held not to resale but with the purpose to increase its earning capacity.

- (xii) Computer Hardware are the components of computer that have physical existence such as Keyboard, CPU, Monitor, etc.

Computer Software is a general term for the various kinds of programs used to operate computer and related devices. Software is a set of instructions on the basis of which a computer operates.

GROUP-C

3. (i) JOURNAL OF DEY & CO.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(a)	Suspense A/c To Sales Return A/c (Being the error in Sales Return Book totalling, now rectified)	...Dr.	10,000	10,000

(b)	Machinery A/c To Purchases A/c (Being the machinery purchased was wrongly included in Purchases A/c, now corrected)	...Dr.	10,000	10,000
(c)	Mr. Saha To Mr. Roy (Being the goods sold on credit to Mr. Saha but wrongly debited to Mr. Roy's Account, now rectified)	...Dr.	5,000	5,000
(d)	Mr. Sen ...Dr. Mr. Das ...Dr. To Suspense A/c (Being the amount paid to Mr. Sen is wrongly credited to Mr. Das, now corrected)		2,000 2,000	4,000

(ii)

Basis	Capital Reserve	Revenue Reserve
1. Source	Capital Reserve it is created out of capital profits.	It is created out of revenue profits.
2. Usage	It can be used for distribution of dividends only if the company satisfies certain conditions prescribed by the Companies Act.	It can be used for distribution of dividends without any precondition.
3. Purpose	It is created for meeting capital losses or to be used for purposes specified by the Companies Act.	It is created for strengthening the financial position and meeting the unforeseen contingencies or some specific purpose.

OR

MACHINERY ACCOUNT					
Dr.			Cr.		
Date	Particulars	₹	Date	Particulars	₹
2016			2016		
July 1	To Bank A/c	1,50,000	Dec. 31	By Depreciation A/c	9,167
Sept. 1	To Bank A/c	50,000	Dec. 31	By Balance c/d	1,90,833
		2,00,000			2,00,000
2017			2017		
Jan. 1	To Balance b/d	1,90,833	June 30	By Bank A/c	1,20,000
			June 30	By Depreciation A/c	7,125
			June 30	By Loss on Sale of Machinery A/c (Profit and Loss A/c)	15,375
			Dec. 31	By Depreciation A/c	4,833
			Dec. 31	By Balance c/d	43,500
		1,90,833			1,90,833
2018					
Jan. 1	To Balance b/d	43,500			

Working Note:

Calculation of Loss on Sale of Machinery:

Cost of Machinery (on 1st July, 2016)	₹
	1,50,000
Less: Depreciation (on 31st December, 2016)	7,500
Book value of Machinery (1st January, 2017)	1,42,500
Less: Depreciation (till 30th June, 2017)	7,125
Book value of Machinery on date of sale	1,35,375
Less: Sale Proceeds	1,20,000
Loss on Sale of Machinery	15,375

(iii)

JOURNAL OF GANESH

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2017				
Jan. 5	Kartik ...Dr. To Sales A/c (Being the goods sold to Kartik)		60,000	60,000
Jan. 5	Cash A/c ...Dr. To Kartik (Being the cash received from Kartik)		10,000	10,000
Jan. 5	Bills Receivable A/c ...Dr. To Kartik (Being the bill accepted by Kartik)		50,000	50,000
Jan. 7	Bank A/c ...Dr. Discounting Charges A/c ...Dr. To Bills Receivable A/c (Being the bill discounted from bank)		48,750 1,250	50,000
April 8	Kartik ...Dr. To Bank A/c (Being the discounted bill dishonoured and noting charges paid)		50,050	50,050
April 8	Kartik ...Dr. To Interest A/c (Being the interest receivable from Kartik on account of renewal of his acceptance)		200	200
April 8	Bills Receivable A/c ...Dr. To Kartik (Being the acceptance received for new bill along with interest)		50,250	50,250

OR

A bill of exchange is an instrument in writing, containing an unconditional order, signed by the maker directing a certain person to pay specific sum of money only to, or to the order of, a specified person or to the bearer of the instrument.

The two features of Bill of Exchange are:

- (a) Bill of Exchange is a written order.
 - (b) It is drawn and signed by the maker, *i.e.*, drawer of the bill.
- (iv) A Computerised Accounting System has many advantages as discussed below:
- (a) *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.
 - (b) *Scalability*: A computerised accounting system is scalable to handle the growing transactions.
 - (c) *Security*: The accounting data under the computerised environment is safer than the accounting data under the manual system. The data can be kept secure by using a password, *i.e.*, allowing only authorised users to access the data.
 - (d) *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.

GROUP-D

4. (i)

In the Books of Krishanu Raha PURCHASE DAY BOOK

Date	Particulars	Invoice No.	L.F.	Details ₹	₹
2017					
Aug. 5	S.K. Electronics 200 fans @ ₹ 800 each 500 LED tube lights @ ₹ 280 each Less: Trade Discount @ 10%			1,60,000 1,40,000 3,00,000 30,000 2,70,000	
Aug. 14	Add: Packing and Forwarding Charges D.K. Electronics 50 halogen lights @ ₹ 1,000 each Less: Trade Discount @ 15%			500 50,000 7,500 42,500 7,650	2,70,500
Aug. 29	Add: IGST* @ 18% N.K. Bros. 300 tube lights @ ₹ 220 each Less: Trade Discount @ 10%				50,150
	Add: IGST* @ 18% Transport Charges			66,000 6,600 59,400 10,692 200	70,292
Aug. 31	Purchase A/c ...Dr.				3,90,942

*As rate of GST is 18%, 9% will be levied as CGST and 9% as SGST or 18% as IGST. In the absence of information, it is taken as IGST.

OR

TRIAL BALANCE as on 31st March, 2017

Heads of Accounts	L.F.	Dr. Balance ₹	Cr. Balance ₹
Salaries		13,000	...
Purchase Return		...	3,000
Outstanding Interest		...	10,000
Furniture		20,000	...
Capital		...	2,00,000
Debtors		2,00,000	...
Stock (1st April, 2016)		1,04,000	...
Creditors		...	80,000
Trade Expenses		50,000	...
Sales		...	8,58,000
Wages		30,000	...
Machinery		50,000	...
Purchase		6,25,000	...
Bank Loan		...	50,000
Discount Allowed		4,000	...
Drawings		45,000	...
Motor Van		60,000	...
Total		12,01,000	12,01,000

Note: Closing Stock will not be taken in the Trial Balance because it represents a part of the goods purchased but not yet sold. As the total purchases have been included in the Trial Balance, there is no need of including closing stock again. If closing stock is adjusted against purchases then only closing stock is shown in the Trial Balance.

(ii)

Basis	Receipts and Payments Account	Income and Expenditure Account
1. Purpose	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 the net result of the activities undertaken during the year resulting in surplus or deficit.
2. Nature	It is a classified summary of cash transactions showing receipts and payments under different heads for the period	It is like a profit and Loss Account (Nominal Account).
3. Form	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 income.
4. Depreciation	It does not record non-cash items, e.g., depreciation.	It records non-cash items, e.g., depreciation.
5. Basis	It is prepared on Cash Basis of Accounting.	It is prepared on Accrual Basis of Accounting.

OR

Dr. INCOME AND EXPENDITURE ACCOUNT for the year ended 31st December, 2017 Cr.			
Expenditure	₹	Income	₹
To Salaries 14,000 Add: Outstanding 1,000	15,000	By Subscription (500 × ₹ 25)	12,500
To General Expenses	3,000	By Sale of Old Newspaper	1,500
To Electric Charges	2,000	By Misc. Receipts	1,000
To Newspapers	3,500	By Rent received from Club Hall	40,000
To Maintenance Expenses of Club Hall	11,000		
To Repairs of Carom Board	6,000		
To Depreciation on: Building 10,000 Furniture 2,000	12,000		
To Surplus (Excess of Income Over Expenditure)	2,500		
	55,000		55,000

(iii) Total Purchase = Cash Purchase + Credit Purchase

Cash Purchase = ₹ 3,50,000

Credit Purchase = Closing Balance of Creditors + Bills Payable Accepted + Cash paid to Suppliers + Discount Received + Return Outward – Opening Balance of Creditors
= ₹ 80,000 + ₹ 1,25,000 + ₹ 4,57,600 + ₹ 17,400 + ₹ 21,000 – ₹ 98,000
= ₹ 6,03,000

Total Purchase = ₹ 3,50,000 + ₹ 6,03,000 = ₹ 9,53,000.

Note: Alternatively, to calculate credit purchase, we can prepare Creditors Account.

OR

A system of Book Keeping in which as a rule only records of cash and of personal accounts are maintained, it is always incomplete double entry varying with the circumstances.

The limitations of Single Entry System are:

- (i) *Arithmetical accuracy cannot be Proved:* Trial Balance cannot be prepared hence, arithmetical accuracy of books cannot be proved.
- (ii) *No record of Assets:* Since Assets accounts are not maintained, it is difficult to keep full control, in order to avoid misappropriation 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 true financial position of the business on any particular day by preparing a Balance Sheet.

GROUP-E

5. TRADING AND PROFIT AND LOSS ACCOUNT for the year ended 31st March, 2017			
Dr.			Cr.
Particulars	₹	Particulars	₹
To Opening Stock	15,000	By Sales	1,20,000
To Purchase	82,000	Less: Returns Inward	2,000
Less: Returns Outward	1,000	By Closing Stock	14,000
To Freight Duty	2,000	By Loss of Stock by Fire	5,000
To Gross Profit transferred to Profit and Loss A/c	39,000		
	1,37,000		1,37,000
To Carriage Outward	500	By Gross Profit b/d	39,000
To Loss of Stock by Fire	2,000	By Rent for Premises Sublet	1,600
To Trade Expenses	800		
To Printing and Stationery	400		
To Rent, Rates and Taxes	4,600		
To Postage and Telegram	800		
To Insurance Charges	700		
Less: Prepaid	100		
To Salaries and Wages	21,300		
To Bad Debt	600		
Add: Provision for Doubtful Debts (New)	1,000		
Less: Old Provision for Doubtful Debts	800		
To Depreciation on Furniture and Fixtures	250		
To Depreciation on Plant and Machinery	4,500		
To Net Profit transferred to Capital A/c	4,050		
	40,600		40,600

BALANCE SHEET as on 31st March, 2017

Liabilities	₹	Assets	₹
Sundry Creditors	10,000	Cash in Hand	6,200
Capital	80,000	Cash at Bank	20,500
Less: Drawings	6,000	Sundry Debtors	20,600
	74,000	Less: Bad Debt	600
Add: Net Profit	4,050		20,000
		Less: Provision for Doubtful Debts	1,000
		Furniture and Fixtures	5,000
		Less: Depreciation	250
		Plant and Machinery	20,000
		Add: Addition	5,000
			25,000
		Less: Depreciation	4,500
		Insurance Company (Claim)	3,000
		Prepaid Insurance	100
		Closing Stock	14,000
	88,050		88,050

Working Note:

Depreciation on Plant and Machinery:

Plant and Machinery (old) = ₹ 20,000 × 20/100 = ₹ 4,000

Additional Plant and Machinery = ₹ 5,000 × 20/100 × 6/12 = ₹ 500

Total Depreciation = ₹ 4,000 + ₹ 500 = ₹ 4,500.

ACCOUNTANCY CLASS—XI

Examination Paper 2019

Time Allowed: 3 Hours 15 Minutes

Full Marks: 80

General Instructions:

1. Special credit will be given for answer which are brief and to the point.
 2. Marks will be deducted for spelling mistakes, untidiness and bad handwriting.
 3. Figures in the margin indicate full marks for the questions.
-

GROUP-A

1. Answer the following questions:

(1 × 24 = 24)

Select the Correct Answer:

- (i) Internal users of accounting information are
 - (a) Government.
 - (b) Creditors.
 - (c) Investors.
 - (d) Manager.
- (ii) Investment is
 - (a) an expense.
 - (b) an income.
 - (c) a liability.
 - (d) an asset.
- (iii) A trading concern received an order worth ₹ 500 for supplying goods from a customer.
 - (a) This is an event.
 - (b) This is a transaction.
 - (c) This is an event as well as transaction both.
 - (d) None of these.
- (iv) Income is recorded under cash basis of accounting, when
 - (a) such income is not accrued, but still received in advance.
 - (b) such income is accrued, but not yet received.
 - (c) such income is neither accrued nor received.
 - (d) none of these.
- (v) Which of the following is a capital expenditure?
 - (a) Wages
 - (b) Wages paid for constructing a building
 - (c) Repairing charges of a building
 - (d) Salary
- (vi) Goods are purchased at a list price of ₹ 10,000 at 10% trade discount. How much amount will be shown in Purchase Account?
 - (a) ₹ 10,000
 - (b) ₹ 11,000
 - (c) ₹ 9,000
 - (d) ₹ 1,000
- (vii) Which of the following Accounting Standards deals with 'valuation of inventory'?
 - (a) AS-3
 - (b) AS-2
 - (c) AS-6
 - (d) AS-10

- (viii) Capital of an enterprise is ₹ 6,00,000 and liabilities are ₹ 4,00,000. What will be the value of assets of the enterprise?
- (a) ₹ 9,00,000 (b) ₹ 2,00,000
(c) ₹ 1,00,000 (d) ₹ 10,00,000
- (ix) Aditi started business with a capital of ₹ 5,60,000. The impact of this transaction will be
- (a) decrease of asset, decrease of capital.
(b) increase of asset, increase of capital.
(c) increase of liabilities, decrease of capital.
(d) decrease of liabilities, increase of capital.
- (x) The amount of difference in two sides of Trial Balance is transferred to
- (a) Sales Account. (b) Assets Account.
(c) Suspense Account. (d) Purchase Account.
- (xi) Which of the following errors does not affect Trial Balance?
- (a) Error of Principle (b) Casting error
(c) Error while ascertaining the balance (d) None of these
- (xii) Mr. X purchased a machinery on 1st January, 2018 for ₹ 1,20,000. Installation cost of the machinery amounted to ₹ 10,000 and effective life of the machinery is 5 years. If rate of depreciation is 10% p.a. under diminishing balance method, the amount of depreciation for the 4th year will be
- (a) ₹ 25,000. (b) ₹ 13,000.
(c) ₹ 10,530. (d) ₹ 9,477.
- (xiii) Promissory Note is prepared by
- (a) Seller. (b) Buyer.
(c) Shareholder. (d) Bank.
- (xiv) is called 'king of books of accounts'.
- (a) Journal (b) Ledger
(c) Cash Book (d) Trial Balance
- (xv) Balance of Petty Cash Book will always be
- (a) Debit. (b) Credit.
(c) Zero. (d) Debit or zero.
- (xvi) Balance Sheet is actually
- (a) a statement. (b) an account.
(c) a journal. (d) a trial balance.
- (xvii) Receipts and Payments Account is the summary of
- (a) Cash Book. (b) Trial Balance.
(c) Profit and Loss Account. (d) Income and Expenditure Account.
- (xviii) Subscription received in Advance during the current year is
- (a) Asset. (b) Liability.
(c) Income. (d) Expense.

- (xix) The basis, depending on which Receipts and Payments Account is prepared, is
 (a) Cash basis. (b) Accrual basis.
 (c) Mixed basis. (d) None of these.
- (xx) Opening Capital ₹ 22,000, profit during the year ₹ 12,000, Drawings ₹ 14,000, Capital introduced during the year ₹ 16,000. What will be the closing capital?
 (a) ₹ 22,000 (b) ₹ 26,000
 (c) ₹ 30,000 (d) ₹ 36,000
- (xxi) When closing capital is less than opening capital, then it is
 (a) profit. (b) loss.
 (c) no profit, no loss. (d) None of these.
- (xxii) Which of the following types of accounts is maintained under Single Entry System?
 (a) Real Account (b) Nominal Account
 (c) Impersonal Account (d) Personal Account
- (xxiii) Which of the following is not an accounting software?
 (a) Wings (b) Basic
 (c) Sage (d) Accord
- (xxiv) 'LAN' means
 (a) Local Access Network. (b) Local Area Network.
 (c) Limited Area Network. (d) None of these.

GROUP-B

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

(1 × 12 = 12)

- (i) Define Accounting.

OR

What do you mean by Human Resource Accounting?

- (ii) What is the full form of 'GAAP'?

OR

What is the full form of 'ASB'?

- (iii) What do you mean by Accounting Standards?

- (iv) Write the rules for ascertaining debit and credit in case of Nominal Account.

- (v) What do you mean by Journalised Ledger?

OR

Give an example of Mixed or Compound Journal entry.

- (vi) What is compensating error?

OR

What do you mean by Adjustment Entry?

(vii) What do you mean by Diminishing or Reducing Balance Method of Depreciation?

OR

Write the formula of Straight Line Method of depreciation.

(viii) What do you mean by 'days of grace' in case of bill of exchange?

(ix) What is intangible asset?

OR

Write two examples of fictitious asset.

(x) What is Statement of Affairs?

(xi) Write any one difference between Receipts and Payments Account and Income and Expenditure Account.

(xii) What is Hardware?

GROUP-C

3. Answer the following questions (Alternatives are to be noted): (4 × 4 = 16)

(i) The following errors are detected in the books of Ganguly & Co. after preparation of Trial Balance. Rectify these errors:

(a) Purchase Day Book was overcast by ₹ 10,000.

(b) Repairs to building ₹ 9,700 wrongly debited to Building Account.

(c) Balance of Purchase Return Book of ₹ 7,930 was carried forward as ₹ 9,370 on the next page.

(d) A credit sale of goods ₹ 40,000 to Dulal has been wrongly passed through the Purchase Day Book.

(ii) Discuss the internal causes of depreciation.

OR

Manu Ltd. purchased on 1st January, 2016 a piece of machine at a cost of ₹ 10,000. On 1st July, 2016 it purchased another piece of machine at a cost of ₹ 20,000. The type of these machines being different, the rates of depreciation were decided at 10% p.a. and 15% p.a. respectively, although the diminishing balance method is to be applied in all cases.

Show the Machinery Account for the years 2016 and 2017.

(iii) On 1st January, 2018, Kiran accepted an after sight bill worth ₹ 5,000 for 4 months and gave it to Arun. Due to availability of fund, Kiran made the payment of the bill on 4th February, 2018 and got a rebate @ 6% p.a.

Show Journal entries in the books of Kiran and Arun.

OR

Write short notes on the following: (2 + 2)

(a) Noting charge.

(b) Accommodation bill.

(iv) Write the distinction between Manual Accounting System and Computerised Accounting System.

GROUP-D

4. Answer the following questions (Alternatives are to be noted): (6 × 3 = 18)

- (i) From the following information prepare a Bank Reconciliation Statement for Kohli & Co. as on 31st December, 2018:
- (a) Bank Balance as per Cash Book ₹ 39,500.
 - (b) Cheques drawn for ₹ 10,000 but cheques of ₹ 8,600 only were encashed within 31st December, 2018.
 - (c) Bank interest ₹ 795 recorded twice in the Cash Book.
 - (d) Cheque deposited into bank ₹ 3,200 but not credited into bank within 31st December, 2018.
 - (e) Dividend of ₹ 450 credited into bank but not entered in the Cash Book.

OR

Prepare a suitable Cash Book for Alpha Enterprise from the following information:
2019

- January 1 Cash in hand ₹ 5,300; Cash at Bank ₹ 5,200.
- January 7 D. Das paid ₹ 1,600 for sale of goods.
- January 10 S. Ahmed paid ₹ 1,900 by cheque for goods supplied to him in December, 2018.
- January 11 Paid salary ₹ 4,000.
- January 18 Deposited S. Ahmed's cheque into bank.
- January 23 Goods purchased for ₹ 250 in cash and ₹ 1,200 by cheque.
- January 24 S. Ahmed's cheque was returned dishonoured.
- January 31 Withdrew cash from bank for office use ₹ 600.
Received house rent ₹ 3,200.

- (ii) Write four differences between Receipts and Payments Account and Cash Book.

OR

From the following Receipts and Payment Account and additional information, prepare an Income and Expenditure Account of a Club for the year ended 31st December, 2018:

RECEIPTS AND PAYMENTS ACCOUNT			
Receipts	₹	Payments	₹
Cash in Hand (Opening)	27,000	Paper, ink, etc.,	9,650
Cash at Bank (Opening)	67,000	Repairing Expenses	36,000
Interest on Investment	9,500	Purchase of Furniture	1,50,000
Entrance Fees	75,000	Purchase of Table-Tennis Board	65,000
Interest from Bank	8,800	Miscellaneous Expenses	16,500
Sale of Old Newspapers	1,600	Insurance Premium	6,800
Subscriptions	1,10,000	Cash in Hand (Closing)	6,950
Donations	90,000	Cash at Bank (Closing)	98,000
	3,88,900		3,88,900

Additional Information:

- (a) Subscription in arrear for 2018 ₹ 65,000 and subscription received in advance for 2019 ₹ 16,000.
- (b) Prepaid insurance premium ₹ 1,300.
- (c) Outstanding Miscellaneous Expenses ₹ 3,500.
- (d) 60% donation is to be capitalised.
- (iii) From the following information, ascertain the amount of credit sales: ₹
- | | | | |
|-----------------------------|---|-----------------|--------|
| Sundry Debtors | : | Opening Balance | 45,000 |
| | | Closing Balance | 35,000 |
| Bills Receivable | : | Opening Balance | 9,000 |
| | | Closing Balance | 6,000 |
| Cash collected from Debtors | | | 90,000 |
| Cash received from Bills | | | 16,000 |
| Bad Debt written off | | | 2,000 |
| Discount Allowed | | | 3,000 |
| Returns from Debtors | | | 2,000 |
| Bills dishonoured | | | 2,000 |

OR

State the differences between Double Entry and Single Entry System.

GROUP-E

5. Answer the following question:

(10 × 1 = 10)

From the following Ledger balances as on 31st December, 2018 for Mr. K.S. Dhoni, prepare Trading Account, Profit and Loss Account and Balance Sheet:

Particulars	Dr. (₹)	Particulars	Dr. (₹)
Cash in Hand	4,750	Sales	71,340
Cash at Bank	12,350	Sundry Creditors	12,000
Opening Stock	6,200	Bills Payable	600
Purchase	26,320	Capital	25,740
Bad Debt	750		
Sundry Debtors	25,000		
Carriage Inward	750		
Wages	1,760		
Packing	2,600		
Salaries	6,200		
Trade Expenses	700		
Rent	1,800		
Furniture	6,500		
Equipment	5,000		
Goodwill	9,000		
	1,09,680		1,09,680

Additional Information:

- (a) Market price of closing stock ₹ 7,500 and cost price of closing stock ₹ 8,000.
- (b) Depreciate Furniture and Equipment at 10% p.a.
- (c) Outstanding salary ₹ 1,400.
- (d) Interest accrued but not received ₹ 400.
- (e) A wage bill for ₹ 600 wrongly posted under Salary Account.
- (f) Provide Reserve for Bad Debt @ 5%.

Answers

GROUP-A

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

GROUP-B

2. (i) "Accounting is the art of recording, classifying and summarising in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial character, and interpreting the results thereof."

—American Institute of Certified Public Accountants

OR

It is that branch of accounting which measures the cost and value of employees to their employing organisation.

- (ii) Generally Accepted Accounting Principles.

OR

Accounting Standards Board.

- (iii) Accounting standards are the guidelines that are followed for preparation and presentation of financial statements.

- (iv) Debit all the expenses and losses;
Credit all the incomes and gains.

- (v) Journalised Ledger is a book which serves the purpose of 'Journal' and a 'Ledger'.
Cash Book is known as Journalised Ledger.

OR

Cash A/c	...Dr.	₹ 11,200
To Sales A/c		₹ 10,000
To Output CGST A/c		₹ 600
To Output SGST A/c		₹ 600

- (vi) Compensating error is that error the effect of which is nullified by another error.

OR

Adjustment entry means an entry passed to adjust the items which need to be brought into the books of account at the time of preparing final accounts.

- (vii) Diminishing Balance method of depreciation is a method of charging whereby depreciation is charged at a fixed rate on the reducing balance (*i.e.*, cost less depreciation) every year.

OR

$$\frac{\text{Cost of Asset} - \text{Estimated Scrap Value}}{\text{Number of years of expected useful life}}$$

- (viii) Days of grace are three extra days added to the period of bill.
- (ix) The asset which can not be seen or touched is known as 'Intangible Asset'. For example, Goodwill.

OR

- (i) Deferred Revenue Expenditure.
- (ii) Preliminary expenses.
- (x) A statement of affairs is a statement of all assets and liabilities. The difference between the amounts of two sides is taken as capital.
- (xi) Receipts and Payments Account is prepared on Cash Basis while Income and Expenditure Account is prepared on Accrual Basis.
- (xii) Hardwares are the components of computer that have physical existence, such as Keyboard, CPU, Monitor, etc.

GROUP-C

3. (i) JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(a)	Suspense A/c ...Dr. To Purchases A/c (Being the overcasting of purchase book rectified)		10,000	10,000
(b)	Repairs A/c ...Dr. To Building A/c (Being the repair charges wrongly debited to building account, now rectified)		9,700	9,700
(c)	Purchases Return A/c ...Dr. To Suspense A/c (Being the amount excess carried forward, now rectified)		1,440	1,440
(d)	Dulal ...Dr. To Sales A/c To Purchases A/c (Being the credit sale wrongly passed through purchase book, now rectified)		80,000	40,000 40,000

(ii) Internal Causes of Depreciation:

- (i) **Use of Asset:** Constant use of asset leads to its wear and tear and thus results in fall in value.
- (ii) **Efflux of Time:** Some assets have a definite life period like lease; on the expiry of the life period, the asset will cease to exist. Other assets, like plant and machinery may not have a definite life; in their case the life is estimated.
- (iii) **Obsolescence:** If a better machine becomes available which reduces the cost of production, old machines may have to be scrapped even though they are capable of being used. It is a reduction in the usefulness of the asset.

- (iv) **Accidents:** Accidental loss may be permanent but is not continuing and gradual.

OR

Dr.			MACHINERY ACCOUNT			Cr.		
Date	Particulars	₹	Date	Particulars	₹			
2016			2016					
Jan. 1	To Bank A/c (I)	10,000	Dec. 31	By Depreciation A/c:				
July 1	To Bank A/c (II)	20,000		I	1,000			
				II	1,500		2,500	
			Dec. 31	By Balance c/d:				
				I	9,000			
				II	18,500		27,500	
		30,000					30,000	
2017			2017					
Jan. 1	To Balance b/d:		Dec. 31	By Depreciation A/c:				
	I	9,000		I	900			
	II	18,500		II	2,775		3,675	
		27,500	Dec. 31	By Balance c/d:				
				I	8,100			
				II	15,725		23,825	
		27,500					27,500	

(iii) JOURNAL OF KIRAN

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2018				
Jan. 1	Arun ...Dr. To Bills Payable A/c (Being the acceptance given)		5,000	5,000
Feb. 4	Bills Payable A/c ...Dr. To Cash/Bank A/c To Rebate A/c (Being the payment made under rebate for 3 months)		5,000	4,925 75

JOURNAL OF ARUN

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2018				
Jan. 1	Bills Receivable A/c ...Dr. To Kiran (Being the acceptance received)		5,000	5,000
Feb. 4	Cash/Bank A/c ...Dr. Rebate A/c ...Dr. To Bills Receivable A/c (Being the payment received and rebate allowed)		4,925 75	5,000

Note: Rebate = ₹ 5,000 × 6/100 × 3/12 = ₹ 75.

OR

Noting Charge: Noting charge is the fee paid to the Notary Public for noting and protesting the Bill of Exchange when it is dishonoured.

Accommodation Bill: A Bill of Exchange drawn and accepted for mutual help, is called Accommodation Bill.

Differences between Manual Accounting System and Computerised System of Accounting are:

(iv) **Recording:** The process of recording transaction in the books of original entry, posting them in the ledger accounts, performing mathematical functions, *i.e.*, adding, subtraction and totalling, are carried out manually under the manual process. In the computerised process, transactions are recorded in the books of account and the remaining functions are performed without any further process or command being carried out manually.

Classification: In the manual process, the transactions are recorded in the books of original entry and are posted into the ledger accounts. It means that, after recording the transaction, another process of posting is performed. In computerised accounting, the posting process is carried out by internal sorting of data, *i.e.*, with the help of utility or application software, without any further process.

Summarising: In the manual system of accounting, the data under each Ledger is summarised and a balance of each account is ascertained to prepare a Trial Balance. As a result, preparing ledger accounts is essential to prepare a Trial Balance. In the computerised process, a transaction or event, once recorded, is stored in the database and can be processed to produce a Trial Balance directly.

Adjustment Entries: Adjustment Entries are passed to rectify an error or to follow the matching concept of accounting, *i.e.*, matching the cost with revenue. The process of passing adjustment entries can be equated with the recording process. These entries are identified and recorded in the books of account. The remaining process is the same as discussed above.

GROUP-D

4. (i)

BANK RECONCILIATION STATEMENT

as on 31st December, 2018

Particulars	Details ₹	Amount ₹
Balance as Per Cash Book (Dr.)		39,500
Add: Cheques drawn but not yet encashed	1,400	
Dividend credited by bank	450	1,850
		41,350
Less: Bank Interest recorded twice	795	
Cheque deposited but not yet credited	3,200	3,995
Balance as per Pass Book (Cr.)		37,355

OR

Alpha Enterprise

Dr. CASH BOOK					Cr.				
Date	Particulars	L.F.	Cash ₹	Bank ₹	Date	Particulars	L.F.	Cash ₹	Bank ₹
2019					2019				
Jan. 1	To Balance <i>b/d</i>		5,300	5,200	Jan. 11	By Salary A/c		4,000	...
Jan. 7	To Sales A/c		1,600	...	Jan. 23	By Purchases A/c		250	1,200
Jan. 18	To Cheques-in-Hand A/c		...	1,900	Jan. 24	By S. Ahmed		...	1,900
Jan. 31	To Bank A/c	C	600	...	Jan. 31	By Cash A/c	C	...	600
Jan. 31	To House Rent A/c		3,200	...	Jan. 31	By Balance <i>c/d</i>		6,450	3,400
			10,700	7,100				10,700	7,100
Feb. 1	To Balance <i>b/d</i>		6,450	3,400					

(ii) Differences between Receipts and Payments Account and Cash Book (Any four)

Basis	Receipts and Payments Account	Cash Book
1. Basis	It is prepared on the basis of Cash Book.	It is prepared on the basis of each receipt and payment.
2. Period	Receipts and Payments Account is prepared at the end of accounting year. It is a summary of the Cash Book.	Cash Book is written on daily basis.
3. Date	Transactions under this are not written datewise.	Transactions are recorded datewise in the Cash Book.
4. Institutions	It is prepared by the Not-for-Profit Organisation.	It is prepared by all organisations be it Not-for-Profit Organisation or a commercial establishment.
5. Side	Under it, there are receipts and payments sides instead of debit and credit sides.	Cash Book is divided into debit and credit sides.
6. Ledger Folio	There is no column of Ledger Folio.	Cash Book has a separate column for Ledger Folio.

OR

Dr. INCOME AND EXPENDITURE ACCOUNT for the year ended 31st December, 2018				Cr.	
Expenditure	₹	Income		₹	
To Paper, Ink, etc.	9,650	By Subscriptions	1,10,000		
To Repairing Expenses	36,000	Add: Outstanding Subscription	65,000		
To Miscellaneous Expenses	16,500		1,75,000		
Add: Outstanding	3,500	Less: Advance Subscription	16,000		1,59,000
To Insurance Premium	6,800	By Interest on Investment			9,500
Less: Prepaid	1,300	By Entrance Fees			75,000
To Surplus (Transferred to Capital Fund)	2,18,750	By Interest from Bank			8,800
		By Sale of Old Newspapers			1,600
		By Donation	90,000		
		Less: Capitalised	54,000		36,000
	2,89,900				2,89,900

(iii)

Dr.		SUNDRY DEBTORS ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Balance <i>b/d</i>	45,000	By Cash A/c	90,000		
To Bills Receivables Dishonoured	2,000	By Bad Debt A/c	2,000		
To Credit Sales A/c (Balancing Figure)	1,00,000	By Discount Allowed A/c	3,000		
		By Sales Return A/c	2,000		
		By Bill Receivable A/c	15,000		
		By Balance <i>c/d</i>	35,000		
	1,47,000		1,47,000		

Dr.		BILLS RECEIVABLE ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Balance <i>b/d</i>	9,000	By Cash A/c	16,000		
To Debtors A/c (Balancing Figure)	15,000	By Debtors A/c (Dishonoured)	2,000		
		By Balance <i>c/d</i>	6,000		
	24,000		24,000		

OR

Difference between Double Entry System and Single Entry System

Basis	Double Entry System	Single Entry System
1. Both Aspects	Under this system, both aspects of a transaction are recorded.	Under this system, both aspects of transaction are not recorded. In fact, for some transactions two aspects, for some others one aspect and yet for others no aspect at all are recorded.
2. Accounts Maintained	Under this system, personal, real and nominal, etc., all the accounts are maintained. Thus, it is a complete and scientific system of accounting.	Under this system, only personal accounts and Cash Book are maintained. Hence, it remains an incomplete record of accounts.
3. Trial Balance	Under this system, Trial Balance is prepared and thus, the arithmetical accuracy of the books of account is verified.	Under this system, Trial Balance cannot be prepared due to incomplete system of accounting. Therefore, arithmetical accuracy of the accounting cannot be verified.
4. Profit or Loss	Under this system, after a certain period, net profit or net loss can be ascertained by preparing the Profit and Loss Account.	Under this system, Profit and Loss Account is not prepared to ascertain the net profit or loss. Method for ascertaining the profit or loss is not adequate.
5. Financial Position	Under this system, correct financial position of the business can be ascertained by preparing the Balance Sheet.	Under this system, Balance Sheet is not prepared. Only Statement of Affairs is prepared. The reason is that the assets and liabilities do not stand at real amounts but at estimated amounts.
6. Adjustments	Under this system, adjustments are made at the time of preparing the Final Accounts.	There is no provision to make adjustments primarily because of incompleteness of accounts.
7. Use	This system is used by almost all the businesses.	This system is used by only tiny businesses and institutions.
8. Authenticity	This system is considered authentic by the Court.	The Court does not consider this system as authentic.

GROUP-E

5.

TRADING ACCOUNT AND PROFIT AND LOSS ACCOUNT

Dr.

for the year ended 31st December, 2018

Cr.

Particulars	₹	Particulars	₹
To Opening Stock	6,200	By Sales A/c	71,340
To Purchases	26,320	By Closing Stock	7,500
To Carriage Inward	750		
To Wages	1,760		
Add: Transferred from Salary A/c	600		
	2,360		
To Gross Profit c/d	43,210		
	78,840		78,840
To Salary	6,200	By Gross Profit b/d	43,210
Add: Outstanding Salary	1,400	By Accrued Interest	400
	7,600		
Less: Transferred to Wages A/c	600		
	7,000		
To Packing	2,600		
To Trade Expenses	700		
To Rent	1,800		
To Bad Debt	750		
Add: Provision	1,250		
	2,000		
To Depreciation on:			
Furniture	650		
Equipment	500		
	1,150		
To Net Profit	28,360		
	43,610		43,610

BALANCE SHEET

as at 31st December, 2018

Liabilities	₹	Assets	₹
Sundry Creditors	12,000	Cash in Hand	4,750
Bills Payable	600	Cash at Bank	12,350
Outstanding Salary	1,400	Sundry Debtors	25,000
Capital:		Less: Provision	1,250
Opening	25,740		23,750
Add: Net Profit	28,360	Closing Stock	7,500
	54,100	Accrued Interest	400
		Furniture	6,500
		Less: Depreciation	650
			5,850
		Equipment	5,000
		Less: Depreciation	500
			4,500
		Goodwill	9,000
	68,100		68,100