

Model Test Paper 9

Answers

Question 1

(i) There are two systems of recording financial transactions:

- (a) Double Entry System and
- (b) Single Entry System.

Double Entry System means a system of accounting which recognises and records both aspects—Debit and Credit of a financial transaction.

Single Entry System of recording transactions in the books of account may be defined as a system which is an incomplete Double Entry System. In this system, all transactions are not recorded on the double entry basis.

(ii) Opening Capital = ₹ 30,000

$$\begin{aligned} \text{Closing Capital} &= \text{Assets} - \text{Liabilities} \\ &= ₹ 50,000 - ₹ 10,000 = ₹ 40,000 \end{aligned}$$

$$\begin{aligned} \text{Profit} &= \text{Closing Capital} - \text{Opening Capital} \\ &= ₹ 40,000 - ₹ 30,000 = ₹ 10,000. \end{aligned}$$

- (iii) (a) Sales — Revenue Account.
- (b) Cash — Asset Account.
- (c) Bank overdraft — Liability Account.
- (d) Interest received — Revenue Account.

(iv) **Difference between Capital Receipt and Revenue Receipt**

<i>Capital Receipt</i>	<i>Revenue Receipt</i>
(a) It is the amount realised by sale of fixed assets or by issue of shares or debentures or by secured or unsecured loans taken.	It is the amount realised by sale of goods and/or rendering services.
(b) It is an item of Balance Sheet.	It is an item of Trading and Profit and Loss Account.

(v) Prepaid expenses are the expenses paid the benefit of which will be availed in the next accounting year.

Prepaid expenses are carried to the next accounting year and shown in the Balance Sheet as current asset. In the next accounting year, it is transferred to related expense account.

When prepaid expenses are shown in the Trial Balance, it means that the adjusting entry has already been passed. In such a case, only prepaid expenses are shown in the Balance Sheet as a current asset.

(vi) Compound Journal entry is a Journal entry in which one or more accounts are affected, *i.e.*, one or more accounts are debited and/or one or more accounts are credited or *vice versa*, *e.g.*, Amit started business introducing capital in cash ₹ 25,000 and cheque of ₹ 2,00,000.

Cash A/c	...Dr.	₹ 25,000	
Bank A/c	...Dr.	₹ 2,00,000	
To Capital A/c			₹ 2,25,000
(Being the capital introduced)			

M.12**An Aid to Accountancy—ISC XI**

- (vii) Business Entity Concept holds that business is separate from its owner, and therefore, business transactions are recorded in the books of account from the business point of view and not from the owner's point of view. Owners being separate and distinct from the business, amount due to them is shown as liability (capital) of the business.
- (viii) Financial statements must show a true and fair view of the financial performance and also financial position of the business. If depreciation is not charged, both profits and fixed assets would be shown at inflated amounts. This will mislead the users of financial statements.
- (ix) Bank column in the Cash Book represents Bank Account. Bank Account will have a credit balance if it is overdrawn otherwise it will have a debit balance.
- (x) Accounting Equation is based on the Dual Aspect Concept, *i.e.*, every business transaction has a two sided effect. Total assets of the business are financed by the creditors/lenders and the owners. Therefore, at any point of time, the total assets of the business are equal to total liabilities. Amounts owing to the outsiders are known as liabilities but liability to the owners, in accounting, is referred to as capital. The relationship that exists among assets, liabilities and capital can be presented in the form of accounting equation which is as follows:

$$\text{Assets (A)} = \text{Liabilities (L)} + \text{Capital (C)}$$

Any transaction can change the above accounting equation but cannot break it. Thus, accounting equation ($A = L + C$) always holds good under all circumstances.

Question 2

A. PURCHASES RETURN BOOK										
Date	Particulars	Debit Note No.	L.F.	Details ₹	Cost ₹	Input CGST Cr. (₹)	Input SGST Cr. (₹)	Input IGST Cr. (₹)	Freight & Packing Charges (₹)	Total ₹
2019										
March 10	Vijay Sales 2 Radio sets @ ₹ 7,000 each Less: Trade Discount 20%			14,000 2,800 11,200						
	Add: CGST @ 6% SGST @ 6%			672 672 12,544	11,200	672	672			12,544
March 22	Sargam Electronics 6 Mobile phones @ ₹ 1,000 each Add: IGST @ 12%			6,000 720 6,720	6,000			720		6,720
March 31					17,200	672	672	720		19,264

B.

Royal Club

INCOME AND EXPENDITURE ACCOUNT

for the year ended 31st March, 2019

Dr.	₹	Income	Cr.
Expenditure			₹
To Rent	16,800	By Subscriptions	1,60,000
Add: Outstanding Rent (at the end)	8,400	Add: Outstanding Subscription (at the end)	4,500
Less: Outstanding Rent (in the beginning)	8,400	Less: Outstanding Subscription (in the beginning)	(3,500)
	16,800		1,61,000
To Wages	24,500	By Donations	16,500
To Electricity Charges	7,200	By Profit on Entertainment Show	5,600
To Honorarium	43,500	By Accrued Interest on Fixed Deposit (₹80,000 × 3/100 × 6/12)	1,200
To Office Expenses	45,000		
To Depreciation on Books	11,300		
To Depreciation on Furniture	5,000		
To Surplus, i.e., Excess of Income over Expenditure	31,000		
	1,84,300		1,84,300

BALANCE SHEET

as at 31st March, 2019

Liabilities	₹	Assets	₹
Outstanding Rent	8,400	Books	2,00,000
Capital Fund	3,12,000	Add: Purchase	21,300
Add: Surplus	31,000	Less: Depreciation	11,300
Life Membership Fees	25,000	Furniture	85,000
Entrance Fees	25,500	Less: Depreciation	5,000
	3,93,500	Cash at Bank	24,200
		Cash in Hand	2,000
		Outstanding Subscription	4,500
		3% Fixed Deposit	80,000
		Accrued Interest on Fixed Deposit	1,200
	4,01,900		4,01,900

Working Note:

BALANCE SHEET

as at 31st March, 2018

Liabilities	₹	Assets	₹
Outstanding Rent	8,400	Books	2,00,000
Capital Fund (Balancing Figure)	3,12,000	Furniture	85,000
		Outstanding Subscription	3,500
		Cash in Hand/Cash at Bank	31,900
	3,20,400		3,20,400

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An Aid to Accountancy—ISC XI

Question 3

JOURNAL OF M/S HARI RAM

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2019 April 1	Cash A/c ...Dr. Bank A/c ...Dr. Stock A/c ...Dr. Furniture A/c ...Dr. Input SGST A/c ...Dr. Input IGST A/c ...Dr. Puniya ...Dr. Seeta ...Dr. To Ashu To Pranjal To Capital A/c (Balancing Figure) (Being an opening entry passed)		20,000 35,000 15,000 4,500 5,000 2,000 20,000 10,000	13,500 21,500 76,500
April 4	Purchases A/c ...Dr. Input CGST A/c ...Dr. Input SGST A/c ...Dr. To Pranjal (Being the goods purchased from Pranjal, CGST and SGST payable @ 9% each)		5,000 450 450	5,900
April 7	Ashu ...Dr. To Bank A/c To Discount Received A/c (Being the amount paid by cheque to Ashu in full settlement)		13,500	13,000 500
April 10	Puniya ...Dr. To Sales A/c To Output IGST A/c (Being the goods sold to Puniya, charged IGST @ 18%)		12,980	11,000 1,980
April 12	Purchases A/c ...Dr. Input IGST A/c ...Dr. To Ashu (Being the goods purchased from Ashu, IGST payable @ 18%)		15,000 2,700	17,700
April 15	Seeta ...Dr. To Sales A/c To Output IGST A/c (Being the goods sold to Seeta, charged IGST @ 18%)		7,080	6,000 1,080
April 18	Bank A/c ...Dr. Discount Allowed A/c ...Dr. To Puniya (Being the cheque received from Puniya)		24,500 1,500	26,000
April 25	Stationery A/c ...Dr. Input CGST A/c ...Dr. Input SGST A/c ...Dr. To Cash A/c (Being the stationery purchased for cash, paid CGST and SGST @ 9% each)		1,200 108 108	1,416
April 27	Telephone Expenses A/c ...Dr. Input CGST A/c ...Dr. Input SGST A/c ...Dr. To Bank A/c (Being the telephone bill paid)		3,500 315 315	4,130

April 30	Salaries A/c To Cash A/c (Being the salaries paid)	...Dr.	6,000	6,000
April 30	Cash A/c To Sales A/c To Output CGST A/c To Output SGST A/c (Being the goods sold for cash, charged CGST and SGST @ 9% each)	...Dr.	11,800	10,000 900 900

Question 4

A. BANK RECONCILIATION STATEMENT *as on 31st March, 2019*

Particulars	Plus Items (₹)	Minus Items (₹)
Overdraft Balance as per Cash Book (Cr.)		56,000
(i) Cheque issued but not yet presented	39,460	
(ii) Cheques paid into bank but not credited till 31st March		48,910
(iii) (a) Bills receivable dishonoured previously discounted with the bank		5,200
(b) Bank charges debited in Pass Book		550
(iv) Interest on Overdraft charged by bank		1,200
(v) Interest on Investment collected and credited by bank	7,600	
Overdraft Balance as per Pass Book (Dr.) (₹ 1,11,860 – ₹ 47,060)	64,800	
	1,11,860	1,11,860

Note: Transaction (vi) will not affect Bank Reconciliation Statement since, the charges are not recorded in the books of account. Also reversal of bank charges are not recorded.

B.

Dr.		CASH BOOK (TRIPLE-COLUMN)										Cr.	
Date	Particulars	L.F.	Discount Allowed ₹	Cash ₹	Bank ₹	Date	Particulars	L.F.	Discount Received ₹	Cash ₹	Bank ₹		
2019						2019							
Jan. 1	To Balance <i>b/d</i>			1,75,000	...	Jan. 1	By Balance <i>b/d</i>			...	35,000		
Jan. 6	To Sales A/c			90,000	...	Jan. 4	By Wages A/c			7,000	...		
Jan. 6	To Output CGST A/c			5,400	...	Jan. 15	By Bank A/c	C		20,000	...		
Jan. 6	To Output SGST A/c			5,400	...	Jan. 20	By Purchases A/c		1,000	89,000	...		
Jan. 15	To Cash A/c	C		...	20,000	Jan. 20	By Input CGST A/c			5,400	...		
Jan. 22	To Cash A/c	C		...	7,000	Jan. 20	By Input SGST A/c			5,400	...		
Jan. 28	To Sales A/c			10,000	...	Jan. 22	By Bank A/c	C		7,000	...		
Jan. 28	To Output CGST A/c			600	...	Jan. 23	By Salaries A/c			2,500	...		
Jan. 28	To Output SGST A/c			600	...	Jan. 24	By Drawings A/c			...	5,200		
Jan. 28	To Cash A/c	C		...	5,000	Jan. 25	By Bank Charges A/c			...	200		
Jan. 31	To Balance <i>c/d</i>			...	8,424	Jan. 25	By Input CGST A/c			...	12		
						Jan. 25	By Input SGST A/c			...	12		
						Jan. 27	By Purchases A/c			5,000	...		
						Jan. 27	By Input CGST A/c			300	...		
						Jan. 27	By Input SGST A/c			300	...		
						Jan. 28	By Bank A/c	C		5,000	...		
						Jan. 31	By Balance <i>c/d</i>			1,40,100	...		
				2,87,000	40,424				1,000	2,87,000	40,424		
Feb. 1	To Balance <i>b/d</i>			1,40,100	...	Feb. 1	By Balance <i>b/d</i>			...	8,424		

Question 5

A. In the Books of Deepak
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Suspense A/c ...Dr. To Sales A/c (Being the correction made due on undercasting of Sales Book)		1,000	1,000
(ii)	Returns Inward A/c ...Dr. To Joy & Co. (Being the recording of goods returned by Joy & Co.)		1,500	1,500
(iii)	Suspense A/c ...Dr. To Singla & Co. (Being the correction made due to Singla & Co. wrongly debited)		5,000	5,000
(iv)	Suspense A/c ...Dr. To A (Being the cash received from A, now posted to his account)		7,500	7,500

B. Calculation of Total Sales:

Dr.		TOTAL DEBTORS ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Balance b/d	11,400	By Cash/Bank A/c	48,300		
To Sales A/c (Balancing Figure) (Credit Sales)	56,400	By Discount Allowed A/c	1,500		
		By Bad Debts A/c	300		
		By Sales Return A/c	800		
		By Bills Receivable A/c	6,100		
		By Balance c/d	10,800		
	67,800		67,800		

$$\begin{aligned} \text{Total Sales} &= \text{Cash Sales} + \text{Credit Sales} \\ &= ₹ 1,00,000 + ₹ 56,400 \\ &= ₹ 1,56,400. \end{aligned}$$

Calculation of Total Purchases:

Dr.		TOTAL CREDITORS ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Cash/Bank A/c	25,100	By Balance b/d	6,800		
To Discount Received A/c	300	By Purchases A/c (Balancing Figure)	27,700		
To Purchases Return A/c	600	(Credit Purchases)			
To Bills Payable A/c	3,100				
To Balance c/d	5,400				
	34,500		34,500		

$$\begin{aligned} \text{Total Purchases} &= \text{Cash Purchases} + \text{Credit Purchases} \\ &= ₹ 50,000 + ₹ 27,700 = ₹ 77,700. \end{aligned}$$

Question 6

Sumit

TRADING AND PROFIT AND LOSS ACCOUNT

Dr. for the year ended 31st March, 2019 Cr.

Particulars	₹	Particulars	₹
To Opening Stock	1,33,625	By Sales	12,62,000
To Purchases	8,12,525	By Loss of Stock by Fire	7,500
Add: Omitted Purchases (Note 2)	6,000	By Closing Stock (Note 1)	62,750
To Wages	1,15,685		
To Power and Fuel	6,750		
To Gross Profit c/d	2,57,665		
	<u>13,32,250</u>		<u>13,32,250</u>
To Loss of Stock by Fire	400	By Gross Profit b/d	2,57,665
To Salaries	27,875	By Provision for Doubtful Debts:	
To Postage	21,130	Existing Provision	26,000
To General Expenses	29,155	Less: Bad Debts	(2,625)
To Depreciation on Furniture	3,625	Further Bad Debts	(2,500)
To Net Profit transferred to Capital A/c	1,97,855	By Accrued Interest on Loan	1,500
	<u>2,80,040</u>		<u>2,80,040</u>

BALANCE SHEET as at 31st March, 2019

Liabilities	₹	Assets	₹
Current Liabilities		Current Assets	
Sundry Creditors	1,52,630	Insurance Claim	8,000
Add: Omitted Purchases	6,720	Cash in Hand and at Bank	50,000
Bills Payable	20,250	Closing Stock	62,750
Outstanding Wages	10,000	Sundry Debtors	2,51,000
Outstanding General Expenses	3,500	Less: Further Bad-Debts	2,500
Capital		Loan to Ram (10% p.a.)	15,000
Opening Balance	50,000	Add: Accrued Interest	1,500
Add: Net Profit for the Year	1,97,855	Input SGST	320
	2,47,855	Fixed Assets	
Less: Drawings	22,260	Furniture	36,250
	<u>2,25,595</u>	Less: Depreciation	3,625
	<u>4,18,695</u>		<u>32,625</u>
			<u>4,18,695</u>

Notes:

- Since Realisable value (Market value) is more than cost, stock is taken at cost.
- Following entry will be passed to record omitted purchases:

	₹	₹	
Purchases A/c	...Dr.	6,000	
Input IGST A/c	...Dr.	720	
To Supplier (Rohit & Co.)			6,720
- Since the remaining debtors are not doubtful of recovery, balance in Provision for Doubtful Debts is written back (credited) to Profit and Loss Account.
- Input CGST, Input SGST and Input IGST shall be first adjusted against Output CGST, Output SGST and Output IGST respectively. Therefore, balance in Input CGST (₹ 1,000) shall be adjusted against Output IGST and balance (₹ 680) in Output IGST shall be adjusted against Input SGST leaving a balance of ₹ 320 in Input SGST Account.

Question 7

A.

S. No.	Transactions	Assets					= Liabilities + Capital		
		Cash ₹	Bank ₹	Stock ₹	Furniture ₹	Debtors ₹	= Creditors ₹	+ Ram's ₹	
1.	Started business with cash and cheque	2,50,000	+ 2,50,000	+ 0	+ 0	+ 0	= 0	+ 5,00,000	
2.	Purchased goods on Credit ₹ 4,00,000	0	+ 0	+ 4,00,000	+ 0	+ 0	= 4,00,000	+ 0	
	New Equation	2,50,000	+ 2,50,000	+ 4,00,000	+ 0	+ 0	= 4,00,000	+ 5,00,000	
3.	Purchased goods for cash	-1,00,000	+ 0	+ 1,00,000	+ 0	+ 0	= 0	+ 0	
	New Equation	1,50,000	+ 2,50,000	+ 5,00,000	+ 0	+ 0	= 4,00,000	+ 5,00,000	
4.	Purchased furniture for cash ₹ 50,000	-50,000	+ 0	+ 0	+ 50,000	+ 0	= 0	+ 0	
	New Equation	1,00,000	+ 2,50,000	+ 5,00,000	+ 50,000	+ 0	= 4,00,000	+ 5,00,000	
5.	Withdrew cash for private use from bank	0	- 70,000	+ 0	+ 0	+ 0	= 0	- 70,000	
	New Equation	1,00,000	+ 1,80,000	+ 5,00,000	+ 50,000	+ 0	= 4,00,000	+ 4,30,000	
6.	Paid rent	-20,000	+ 0	+ 0	+ 0	+ 0	= 0	- 20,000	
	New Equation	80,000	+ 1,80,000	+ 5,00,000	+ 50,000	+ 0	= 4,00,000	+ 4,10,000	
7.	Received interest from bank	0	+ 10,000	+ 0	+ 0	+ 0	= 0	+ 10,000	
	New Equation	80,000	+ 1,90,000	+ 5,00,000	+ 50,000	+ 0	= 4,00,000	+ 4,20,000	
8.	Sold goods on credit	0	+ 0	- 50,000	+ 0	+ 70,000	= 0	+ 20,000	
	New Equation	80,000	+ 1,90,000	+ 4,50,000	+ 50,000	+ 70,000	= 4,00,000	+ 4,40,000	
9.	Paid to creditors	-40,000	+ 0	+ 0	+ 0	+ 0	= -40,000	+ 0	
	New Equation	40,000	+ 1,90,000	+ 4,50,000	+ 50,000	+ 70,000	= 3,60,000	+ 4,40,000	
10.	Paid petty expenses	-20,000	+ 0	+ 0	+ 0	+ 0	= 0	- 20,000	
	New Equation	20,000	+ 1,90,000	+ 4,50,000	+ 50,000	+ 70,000	= 3,60,000	+ 4,20,000	

BALANCE SHEET OF RAM as at ...

Liabilities	₹	Assets	₹
Creditors	3,60,000	Cash	20,000
Capital	4,20,000	Bank	1,90,000
		Stock	4,50,000
		Furniture	50,000
		Debtors	70,000
	<u>7,80,000</u>		<u>7,80,000</u>

- B.** Financial Statements are prepared every year to determine the yearly financial performance and position. Lenders and other stakeholders like creditors make assessment whether the amount due to them is secured or not.

It is based on the Accounting period concept which prescribes that life of the business be broken into smaller periods (usually a year) for reporting purposes to the users thereof.

Question 8

JOURNAL OF HARI RAM

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2017				
April 1	Machine A/c (I) ...Dr. Input CGST A/c ...Dr. Input SGST A/c ...Dr. To Bank A/c (Being the plant purchased)		1,00,000 6,000 6,000	1,12,000
Oct. 1	Machine A/c (II) ...Dr. Input CGST A/c ...Dr. Input SGST A/c ...Dr. To Bank A/c (Being the additional plant purchased)		50,000 3,000 3,000	56,000
2018				
Mar. 31	Depreciation A/c ...Dr. To Provision for Depreciation A/c (Being the depreciation provided)		12,500	12,500
Mar. 31	Profit and Loss A/c ...Dr. To Depreciation A/c (Being the depreciation transferred)		12,500	12,500
Oct. 1	Bank A/c ...Dr. To Machine A/c (I) To Output CGST A/c To Output SGST A/c (Being the obsolete machine sold)		44,800	40,000 2,400 2,400
Oct. 1	Depreciation A/c ...Dr. To Provision for Depreciation A/c (Being the depreciation charged up to date of sale)		5,000	5,000
Oct. 1	Provision for Depreciation A/c ...Dr. To Machinery A/c (Being the accumulated depreciation of machine sold transferred)		15,000	15,000
Oct. 1	Loss on Sale of Machine A/c ...Dr. To Machine A/c (Being the loss on sale of machine)		45,000	45,000
2019				
Mar. 31	Depreciation A/c ...Dr. To Provision for Depreciation A/c (Being the depreciation charged on Machine II)		5,000	5,000
Mar. 31	Profit and Loss A/c ...Dr. To Depreciation A/c To Loss on Sale of Machine A/c (Being the depreciation charged during the year and loss transferred)		55,000	10,000 45,000

Question 9

A. JOURNAL OF AMRIT				
Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2019				
Jan. 1	Bharat ...Dr. To Sales A/c To Output CGST A/c To Output SGST A/c (Being the goods sold)		56,000	50,000 3,000 3,000
Jan. 1	Bank A/c ...Dr. To Bharat (Being the cheque received)		6,000	6,000
Jan. 1	Bills Receivable A/c ...Dr. To Bharat (Being the acceptance of bill received)		50,000	50,000
Jan. 1	Chaman ...Dr. To Bills Receivable A/c (Being the bill endorsed to Chaman)		50,000	50,000
April 4	Bharat ...Dr. To Chaman (Being the bill dishonoured and noting charges paid by Chaman)		51,000	51,000
April 4	Bank A/c ...Dr. To Bharat (Being the draft received)		51,000	51,000
April 4	Chaman Dr. To Bank A/c (Being the cheque issued to Chaman)		51,000	51,000
JOURNAL OF BHARAT				
Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2019				
Jan. 1	Purchases A/c ...Dr. Input CGST A/c ...Dr. Input SGST A/c ...Dr. To Amrit (Being the goods purchased)		50,000 3,000 3,000	56,000
Jan. 1	Amrit ...Dr. To Bank A/c (Being the cheque issued)		6,000	6,000
Jan. 1	Amrit ...Dr. To Bills Payable A/c (Being the acceptance of bill given)		50,000	50,000
April 4	Bills Payable A/c ...Dr. Noting Charges A/c ...Dr. To Amrit (Being the bill dishonoured and noting charges payable)		50,000 1,000	51,000
Amrit 4	Amrit ...Dr. To Bank A/c (Being the bank draft paid)		51,000	51,000

JOURNAL OF CHAMAN

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2019 Jan. 1	Bills Receivable A/c ...Dr. To Amrit (Being the endorsed bill received)		50,000	50,000
Feb. 1	Bank A/c ...Dr. Discounting Charges A/c ...Dr. To Bills Receivable A/c (Being the bill discounted)		49,167 833	50,000
April 4	Amrit ...Dr. To Bank A/c (Being the bill dishonoured and noting charges (₹ 1,000) debited by bank)		51,000	51,000
April 4	Bank A/c ...Dr. To Amrit (Being the cheque received from Amrit)		51,000	51,000

B. The four advantages of computerised accounting are:

- (i) **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.
- (ii) **Scalability.** A computerised accounting system is scalable to handle the growing transactions.
- (iii) **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.
- (iv) **Lower Cost.** The cost of maintaining books of account under the computerised process is lower than in the manual process.