

ACCOUNTANCY CLASS—XI

Examination Paper 2014

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) Information about financial performance of a business concern is disclosed in
 - (a) Balance Sheet
 - (b) Cash Book
 - (c) Profit and Loss Account
 - (d) None of these
- (ii) Who of the following is not an external user of accounting information?
 - (a) Investors and Lenders
 - (b) Suppliers of goods and Customers
 - (c) Government and Public
 - (d) Management
- (iii) Which of the following is not a business transaction?
 - (a) Goods are purchased on credit.
 - (b) Land is purchased for cash.
 - (c) Cash withdrawn from business by the owner for his personal use.
 - (d) Interview conducted for appointment of employee.
- (iv) The assumption that a business enterprise will continue its operation for an indefinite period of time is known as
 - (a) Entity Concept.
 - (b) Going Concern Concept.
 - (c) Matching Concept.
 - (d) Consistency Concept.
- (v) Double Entry System is based on the principle of
 - (a) Accounting Period Concept.
 - (b) Money Measurement Concept.
 - (c) Dual Aspect Concept.
 - (d) None of these.
- (vi) International Accounting Standards are issued by
 - (a) IASB.
 - (b) ICAI.
 - (c) IFRS.
 - (d) AAA.
- (vii) In accounting, non-financial transactions are not recorded because of
 - (a) Entity Concept.
 - (b) Cost Concept.
 - (c) Money Measurement Concept.
 - (d) Accrual Concept.

- (viii) Purchase of goods on credit from Bimal is recorded as
- (a) Debit Purchases A/c; Credit Cash A/c.
 - (b) Debit Bimal A/c; Credit Purchases A/c.
 - (c) Debit Purchases A/c; Credit Bimal A/c.
 - (d) Debit Stock A/c; Credit Purchases A/c.
- (ix) Trade discount allowed at the time of sale of goods is
- (a) recorded in Sales Book.
 - (b) recorded in Cash Book.
 - (c) recorded in Journal proper.
 - (d) not recorded in books of account.
- (x) If liabilities to the third parties are ₹ 60,000 and total assets of an organisation are ₹ 2,50,000, then owner's capital will be
- (a) ₹ 3,10,000.
 - (b) ₹ 1,90,000.
 - (c) ₹ 2,50,000.
 - (d) ₹ 60,000.
- (xi) A Petty Cash Book always shows
- (a) debit balance.
 - (b) credit balance.
 - (c) debit or zero balance.
 - (d) credit or zero balance.
- (xii) Buildings Account is debited with an amount spent for repairs of building. This is an example of
- (a) Error of omission.
 - (b) Error of principle.
 - (c) Error of commission.
 - (d) None of these.
- (xiii) What is the nature of error, if the balance of Sales Account is overcast by ₹ 2,000?
- (a) Error of omission
 - (b) One-sided error
 - (c) Error of mis-posting
 - (d) Two-sided error
- (xiv) A machine is purchased on 01.01.2013 for ₹ 80,000. Expenses incurred on its installation is ₹ 20,000. The residual value at the end of its expected useful life of 4 years is estimated at ₹ 10,000. The amount of depreciation, under Straight Line Method, for the year ended on 31.12.2013 will be
- (a) ₹ 22,500.
 - (b) ₹ 20,000.
 - (c) ₹ 17,500.
 - (d) ₹ 13,125.
- (xv) A bill of ₹ 2,00,000 drawn on 07.01.2013, due for payment on 10.04.2013 is discounted with bank on 10.02.2013 at 12% p.a. The amount of discounting charge is
- (a) ₹ 4,800.
 - (b) ₹ 4,000.
 - (c) ₹ 48,000.
 - (d) ₹ 8,000.
- (xvi) The due date of a bill of exchange drawn on 23rd November, 2013, payable after 2 months will be
- (a) 23rd January, 2014.
 - (b) 25th January, 2014.
 - (c) 26th January, 2014.
 - (d) 27th January, 2014.

- (xvii) In case of a sole proprietorship business, income tax paid is treated as
(a) owner's capital. (b) expenses of business.
(c) drawings by the owner. (d) liabilities of business.
- (xviii) Outstanding salaries is shown as
(a) an asset in the Balance Sheet. (b) a liability in the Balance Sheet.
(c) adjustment in Profit and Loss A/c. (d) both (b) and (c).
- (xix) Subscription received in advance for next year is
(a) an income. (b) an expenses.
(c) an asset. (d) a liability.
- (xx) The number of members of a club is 50 and each of them is required to pay ₹ 200 p.a. as membership subscription; subscriptions of 10 members are due. The amount of membership subscription credited to Income and Expenditure Account prepared under accrual basis, is
(a) ₹ 10,000. (b) ₹ 8,000.
(c) ₹ 2,000. (d) ₹ 12,000.
- (xxi) On 01.04.2013, outstanding rent for an organisation was ₹ 10,000. On 31.03.2014, Prepaid rent of the said organisation was ₹ 5,000. During 2013–14, cash paid for rent ₹ 30,000. Rent expenses for the period 2013–14, would be shown in the Income and Expenditure Account, prepared under accrual basis, of the not-for-profit organisation will be
(a) ₹ 45,000. (b) ₹ 15,000.
(c) ₹ 35,000. (d) ₹ 30,000.
- (xxii) Capital at the end ₹ 72,000, Capital introduced during the year ₹ 18,000, Drawings ₹ 24,000, Capital at the beginning ₹ 53,000. Profit for the year will be
(a) ₹ 28,000. (b) ₹ 25,000.
(c) ₹ 18,000. (d) ₹ 36,000.
- (xxiii) When closing capital is less than opening capital, it denotes
(a) profit. (b) loss.
(c) loss if there is no drawings. (d) None of these.
- (xxiv) What is the full form of MIS?
(a) Management Information System (b) Manual Instruction System
(c) Management Internal System (d) None of these

GROUP-B

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

(1 × 12 = 12)

- (i) State two main qualitative characteristics of accounting information.
(ii) Define an Asset.

OR

Define an Expense.

(iii) Under which principle of accounting, profit is determined by comparing the sales with the corresponding cost of goods sold of an accounting period?

(iv) Who issues Accounting Standards in India?

OR

What is the full form of IFRS?

(v) What do you mean by 'Narration' in a Journal?

OR

Why a Bank Reconciliation Statement is prepared?

(vi) What is Trial Balance?

(vii) What is Specific Reserve?

OR

Is reserve a charge against profit?

(viii) What do you mean by a 'Not-for-Profit' organisation?

OR

What do you mean by an 'Income and Expenditure Account'?

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

Credit sales are 75% of cash sales and total credit sales are ₹ 7,50,000.

(x) From the following information compute, Closing Capital of Paul and Co.:

	₹
Opening Capital	25,000
Drawings	10,000
Loss	5,000

(xi) What is Tailor-made Accounting Software?

OR

Who first conceived the idea of computer?

(xii) State one limitation 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 Basu & Co. after preparation of its Trial Balance. Rectify these errors:

(a) Sales Day Book was undercast by ₹ 1,600.

(b) ₹ 550 paid for repairs to a machine was entered in the Machinery Account.

(c) Purchases Day Book total of ₹ 3,790 was carried forward as ₹ 3,970 on the next day.

(d) Payment of ₹ 200 to Akash was recorded in his Account as ₹ 2,000.

(ii) The Machinery Account of a business showed a balance of ₹ 60,000 on 01.01. 2013. Depreciation is written off at 10% p.a. under the Diminishing Balance Method. On 01.06.2013, the old machine was sold for ₹ 40,000 and on the same date another machine was purchased for ₹ 2,40,000.

Prepare Machinery Account for the year ended 31.12.2013.

OR

Distinguish between Provisions and Reserves.

- (iii) On 01.06.2013, Bimal sold goods to Kamal for ₹ 25,000. On 04.06.2013, Kamal paid ₹ 5,000 in cash and accepted a bill for the remaining amount at 3 months. On 07.07.2013, Bimal endorsed the bill to Parimal in full settlement of a due of ₹ 20,750. On the due date, the bill was duly honoured. Pass necessary Journal entries in the books of Bimal.

OR

Mention two advantages of a bill of exchange. What is endorsement of a bill? (2 + 2)

- (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 31.12.2013:

Date	Particulars	₹
2013		
December 1	Cash in Hand	40,000
	Cash at Bank	90,000
December 5	Cash Sales	12,000
December 12	Received a cheque from Roy & Co. and deposited into bank	30,000
December 13	Paid salary to employees by cheque	48,000
December 18	Withdrawal from bank for personal use	5,000
December 20	Cheque received from Roy & Co. returned dishonoured by the bank	...
December 30	Office cash deposited into bank	32,000

OR

From the following information, prepare a Bank Reconciliation Statement of M/s. ABC Ltd. as on 31st December, 2013:

- (a) Bank balance as per Cash Book ₹ 18,600.
 (b) Total of credit side of Cash Book was overcast by ₹ 1,000.
 (c) Cheques drawn for ₹ 5,000, but only cheques of ₹ 3,400 were encashed within 31st December, 2013.
 (d) Bank charges of 35 were recorded twice in the Cash Book.
 (e) Cheques for ₹ 3,800 deposited into bank, but have not been credited within 31st December, 2013.

- (ii) From the following information, prepare an Income and Expenditure Account of Jamunanagar Club for the year ended 31st December, 2013:

Receipts	₹	Payments	₹
To Balance b/f		By Salaries	14,000
Cash	13,000	By Rent	2,000
Bank	20,000	By Repairs	3,200
To Subscriptions	60,000	By General Expenses	34,000
To Donations	20,000	By 8% Investment (1st January, 2013)	46,000
To Life Membership Fees	16,000	By Furniture	10,400
To Interest on Investments	2,800	By Balance c/f	
To Miscellaneous Receipts	7,200	Cash	12,000
		Bank	17,400
	1,39,000		1,39,000

Other information:

- (a) 60% of Donation and 100% of the Life membership fees are to be capitalised.
 (b) Subscriptions for 2013 are in arrear ₹ 10,000.

OR

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

- (iii) From the following information, calculate credit purchases:

	₹
Opening Balance of Creditors	21,000
Closing Balance of Creditors	32,000
Cash paid to Creditors	6,000
Cheques Issued to Creditors	48,000
Discount Received	1,200
Purchases Return	3,000
A bill endorsed to a Creditor was returned dishonoured	2,500

OR

Distinguish between Balance Sheet and Statement of Affairs.

GROUP-E

5. Answer the following question:

(10 × 1 = 10)

The Trial Balance of Sen & Co. as on 31st March, 2013 is given below:

Ledger Accounts	Dr. (₹)	Ledger Accounts	Cr. (₹)
Furniture	31,800	Capital	3,30,000
Cash	2,310	Sales	8,67,000
Purchases	7,35,300	Returns Outward	24,000
Drawings	30,000	Creditors	75,000
Stock (01.04.2012)	1,41,000	Income from Investment	2,550
Building	2,00,000	Loan at 20% p.a. (01.10.2012)	60,000
Insurance	2,160	Discount Received	7,140
Debtors	1,02,900		
Freight and Carriage	20,220		
Investments	25,000		
Salaries and Wages	75,000		
	13,65,690		13,65,690

Other information:

- (a) Closing Stock as on 31st March, 2013 was valued at ₹ 2,58,000.
 (b) Out of the debtors ₹ 2,900 was bad and Provision for Bad Debts is to be made at 5% on Debtors.
 (c) Provide interest on loan.
 (d) Depreciation is to be charged @ 20% p.a. on Furniture under Diminishing Balance method.
 From the above Trial Balance and other information, prepare Trading and Profit and Loss Account of Sen & Co. for the year ended 31.03.2013 and also prepare a Balance sheet as on that date. (3 + 4 + 3)

Answers

GROUP-A

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

GROUP-B

2. (i) *Two qualitative Characteristics are:* Reliability and Relevance.
 (ii) *Asset:* An asset is a property or legal rights owned by a business to which money value can be attached.

OR

Expense: Expense is the cost incurred to earn revenue.

- (iii) Matching Principle.
 (iv) Accounting Standards in India are issued by the Institute of Chartered Accountants of India.

OR

Full form of IFRS is International Financial Reporting Standards.

- (v) Narration is a brief description of the transaction.

OR

Bank Reconciliation Statement is prepared to reconcile balance as per Cash Book with balance as per Pass Book to know the reasons for the difference between the two balances or to identify an error if any, in the Cash Book or Pass Book.

- (vi) Trial Balance is a Statement of accounts in the ledger showing their balances. Debit balances are written in column for debit balances and credit balances are written in the column for credit balances. The totals of two columns should match to ensure arithmetical accuracy of transactions recorded in the books of account.
 (vii) Specific Reserve is the reserve set aside out of profit for a specific purpose say, Capital Redemption Reserve.

OR

No. Reserve is an appropriation of profit.

- (viii) Not-for-Profit Organisation is an organisation set-up to render service to its members or to the society not with the aim of earning profit.

OR

Income and Expenditure Account is an account which is prepared by Not-for-Profit Organisations on the same basis as Profit and Loss Account is prepared by a business enterprise.

$$(ix) \text{ Total Cash Sales} = \frac{\text{₹}7,50,000}{75} \times 100 = \text{₹}10,00,000$$

$$\begin{aligned} \text{Total Sales} &= \text{Cash Sales} + \text{Credit Sales} \\ &= \text{₹}10,00,000 + \text{₹}7,50,000 = \text{₹}17,50,000. \end{aligned}$$

BP.8

Double Entry Book Keeping (WBCHSE)—XI

- (x) Closing Capital = Opening Capital – Loss – Drawings
 $= ₹ 25,000 - ₹ 5,000 - ₹ 10,000 = ₹ 10,000.$
- (xi) Tailor-made Accounting Software is a software which is designed and developed to meet the specific needs of the user.

OR

Charles Babbage a mechanical engineer from England first conceived the idea of computer.

- (xii) *Data Corruption*: The data can get corrupted through viruses that may come through the internet or the use of external input devices.

GROUP-C**3. (i) RECTIFYING JOURNAL ENTRIES**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(a)	Suspense A/c ...Dr. To Sales A/c (Being the error caused by undercasting of Sales Book, now rectified)		1,600	1,600
(b)	Machinery Repairs A/c ...Dr. To Machinery A/c (Being the repairs of machinery wrongly debited to Machinery Account, now rectified)		550	550
(c)	Suspense A/c ...Dr. To Purchases A/c (Being the error caused by carrying forward the wrong amount in Purchases Book, now rectified)		180	180
(d)	Suspense A/c ...Dr. To Akash (Being the cash paid ₹ 200 to Akash wrongly recorded as ₹ 2,000 in his account, now rectified)		1,800	1,800

(ii)

Dr.			MACHINERY ACCOUNT			Cr.	
Date	Particulars	₹	Date	Particulars	₹		
2013			2013				
Jan. 1	To Balance b/d	60,000	June 1	By Depreciation A/c (WN 1)	2,500		
June 1	To Bank A/c	2,40,000		By Bank A/c (Sale)	40,000		
				By Loss on Sale of Machine A/c (Profit and Loss A/c)	17,500		
			Dec. 31	By Depreciation A/c (WN 2)	14,000		
				By Balance c/d	2,26,000		
		3,00,000			3,00,000		

Working Notes:

- Depreciation on old Machine for 5 Months = $₹ 60,000 \times \frac{10}{100} \times \frac{5}{12} = ₹ 2,500.$
- Depreciation on new Machine for 7 Months = $₹ 2,40,000 \times \frac{10}{100} \times \frac{7}{12} = ₹ 14,000.$

OR

Difference between Provisions and Reserves

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

(iii)

In the Books of Bimal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2013 June 1	Kamal To Sales A/c (Being the goods sold to Kamal)	...Dr.	25,000	25,000
June 4	Cash A/c Bills Receivable A/c To Kamal (Being the cash and Bills Receivable received from Kamal against dues)	...Dr. ...Dr.	5,000 20,000	25,000
July 7	Parimal To Bills Receivable A/c To Discount Received A/c (Being the bill received from Kamal endorsed to Parimal in full and final settlement)	...Dr.	20,750	20,000 750

OR

The advantages of a Bill of Exchange are **(Any two)**:

- (i) *Purchase and Sale of Goods on Credit*: Goods can be sold and purchased on credit without difficulty with the use of Bill of Exchange as it is an unconditional promise to pay.
- (ii) *Discounting Facility*: Bills of Exchange can be discounted with a bank so that the enterprise allowing the credit can receive the amount immediately without the debtor having to pay before time.
- (iii) *Easy to Recover the Amount*: If a Bill of Exchange is dishonoured, it is easier to recover the amount legally than in the case of an ordinary debt.

- (iv) *Endorsement*: A Bill of Exchange can be endorsed to other parties; thus it serves almost the same purpose as cash.
- (v) *Certainty as to Payment*: Date of payment being certain; the enterprise which has to pay and that which has to receive the amount can thus plan cash management.
- (vi) *No Reminder to Debtor*: The recovery of the debt is possible without having to remind the debtor.
- (vii) *Convenient Mean of Trade Remittance*: Bill of Exchange is a convenient mean of making and receiving payment as the amount is transacted through bank.
- (viii) *Valid Evidence of Debt*: Bill of Exchange is a written acknowledgement of debt duly signed and stamped. It is a legal document under the Negotiable Instruments Act, 1881.

Endorsement of Bill: It means transferring the bill receivable to another party (Creditor).

- (iv) The Characteristics of Computerised Accounting are:

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.
- (e) **Lower Cost:** The cost of maintaining books of account under the computerised process is lower than in the manual process.
- (f) **Less Paper Work:** Under the computerised process, there is less paper work as compared to the paper work in the manual process.
- (g) **Flexible Reporting:** Reporting under the computerised process is flexible in comparison to the manual process. The database can be processed further to obtain the desired report. For example, data relating to debtors can be analysed to ascertain the list of customers to whom sales above ₹ 1,00,000 has been made in an accounting year or of the regular customers of the enterprises and so on.
- (h) **Queries:** Replies to queries based on external factors can be obtained easily under a computerised process. For example, list of debtors who have not paid on time can be taken out by processing the database.

- (i) **Accurate:** Computer statements are far more accurate in comparison to manual statements.
- (j) **Updating:** Updating and treatment of wrong transactions are easily done.
- (k) **Financial Statements:** From the day book, the Voucher Posting software can manage the General Ledger, Trial Balance and Balance Sheet.

GROUP-D

4. (i)

Dr.		CASH BOOK								Cr.	
Date	Particulars	L.F.	Cash	Bank	Date	Particulars	L.F.	Cash	Bank		
2013					2013						
Dec. 1	To Balance <i>b/d</i>		40,000	90,000	Dec. 13	By Salaries A/c			48,000		
Dec. 5	To Sales A/c		12,000		Dec. 18	By Drawings A/c			5,000		
Dec. 12	To Roy & Co.			30,000	Dec. 20	By Roy & Co.			30,000		
Dec. 30	To Cash A/c	C		32,000	Dec. 30	By Bank A/c	C	32,000			
					Dec. 31	By Balance <i>c/d</i>		20,000	69,000		
			52,000	1,52,000				52,000	1,52,000		
2014											
Jan. 1	To Balance <i>b/d</i>		20,000	69,000							

OR

BANK RECONCILIATION STATEMENT *as at 31st December, 2013*

Particulars	₹	₹
Balance as per Cash Book (Dr.)		18,600
<i>Add:</i> Cash Book (Credit side) Overcasted		1,000
		19,600
<i>Add:</i> Cheques issued but not presented for payment	1,600	
Bank Charges recorded twice	35	1,635
		21,235
<i>Less:</i> Cheques deposited but not collected		3,800
Balance as per Pass Book (Cr.)		17,435

$$(i\dot{i})$$

Jamunanagar Club

INCOME AND EXPENDITURE ACCOUNT

Dr.

for the year ended 31st December, 2013

Cr.

Particulars	₹	Particulars	₹
To Salaries A/c	14,000	By Subscriptions A/c	60,000
To Rent A/c	2,000	<i>Add:</i> Arrears	10,000
To Repairs A/c	3,200	By Donations A/c	20,000
To General Expenses A/c	34,000	<i>Less:</i> Capitalised	12,000
To Surplus	35,680	By Interest on Investments A/c	2,800
(Excess of Income Over Expenditure)		<i>Add:</i> Outstanding	880
		By Miscellaneous Income A/c	7,200
	88,880		88,880

OR

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

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 transaction of 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 written 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. Ledger Folio	There is no column of Ledger Folio.	Cash Book has a separate column for Ledger Folio.

(iii)

CREDITORS ACCOUNT			
<i>Dr.</i>			<i>Cr.</i>
Particulars	₹	Particulars	₹
To Cash A/c	6,000	By Balance <i>b/d</i>	21,000
To Bank A/c	48,000	By Debtors A/c (Bill Dishonoured)	2,500
To Discount Received A/c	1,200	By Credit Purchases	66,700
To Purchases Return A/c	3,000	(Balancing Figure)	
To Balance <i>c/d</i>	32,000		
	90,200		90,200

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 is based 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.	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.

M/s. Sen & Co.

TRADING AND PROFIT AND LOSS ACCOUNT

Dr.

for the year ended 31st March, 2013

Cr.

Particulars	₹	Particulars	₹
To Opening Stock	1,41,000	By Sales	8,67,000
To Purchases 7,35,300		By Closing Stock	2,58,000
Less: Returns Outward 24,000	7,11,300		
To Freight and Carriage	20,220		
To Gross Profit <i>c/d</i>	2,52,480		
	11,25,000		11,25,000
To Insurance	2,160		
To Salaries and Wages	75,000	By Gross Profit <i>b/d</i>	2,52,480
To Outstanding Interest on Loan	6,000	By Income from Investment	2,550
To Depreciation on Furniture	6,360	By Discount Received	7,140
To Bad Debts	2,900		
To Provision for Bad Debts	5,000		
To Net Profit transferred to Capital A/c	1,64,750		
	2,62,170		2,62,170

BALANCE SHEET

as at 31st March, 2013

Liabilities	₹	Assets	₹
Capital A/c:		Furniture 31,800	
Opening Balance 3,30,000		Less: Depreciation 6,360	25,440
Add: Net Profit 1,64,750		Building	2,00,000
4,94,750		Investments	25,000
Less: Drawings 30,000	4,64,750	Debtors 1,02,900	
Creditors 75,000		Less: Bad Debts 2,900	
Loan 60,000		1,00,000	
Add: Interest 6,000	66,000	Less: Provision for Bad Debts 5,000	95,000
		Cash 2,310	
		Closing Stock 2,58,000	
	6,05,750		6,05,750