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:

Heads 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	14,000	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	
Furniture and Fixtures	5,000	(Additions on 1st October, 2016)	5,000
Returns Inward	2,000	Drawings	6,000
Printing and Stationery	400	Capital	80,000
Rent, Rates and Taxes	4,600	Provision for Doubtful Debts	800
Sundry Creditors	10,000	Rent for Premises sublet	1,600
Sales	1,20,000	Insurance Charges	700
Returns Outward	1,000	Salaries and Wages	21,300
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.

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, Assets = Capital + 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.

$$\text{Liquid Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}} = \frac{₹\ 3{,}20{,}000}{₹\ 1{,}80{,}000} = 1.78 : 1.$$

Quick Assets = Current Assets – Inventory (Stock)
= ₹ 4,20,000 – ₹ 1,00,000 = ₹ 3,20,000.

Working Capital = Current Assets – Current Liabilities

Current Liabilities = Current Assets – Working Capital
= ₹ 4,20,000 – ₹ 2,40,000 = ₹ 1,80,000.

(*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 ...Dr. To Sales Return A/c (Being the error in Sales Return Book totalling, now rectified)		10,000	 10,000

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

(*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

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

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			1,60,000	
	500 LED tube lights @ ₹ 280 each			1,40,000	
				3,00,000	
	Less: Trade Discount @ 10%			30,000	
				2,70,000	
	Add: Packing and Forwarding Charges			500	2,70,500
Aug. 14	**D.K. Electronics**				
	50 halogen lights @ ₹ 1,000 each			50,000	
	Less: Trade Discount @ 15%			7,500	
				42,500	
	Add: IGST* @ 18%			7,650	50,150
Aug. 29	**N.K. Bros.**				
	300 tube lights @ ₹ 220 each			66,000	
	Less: Trade Discount @ 10%			6,600	
				59,400	
	Add: IGST* @ 18%			10,692	
	Transport Charges			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 on 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		By Subscription (500 × ₹ 25)	12,500
Add: Outstanding	1,000	15,000	By Sale of Old Newspaper	1,500
To General Expenses		3,000	By Misc. Receipts	1,000
To Electric Charges		2,000	By Rent received from Club Hall	40,000
To Newspapers		3,500		
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. Particulars		₹	Particulars		₹ *Cr.*
To Opening Stock		15,000	By Sales	1,20,000	
To Purchase	82,000		*Less:* Returns Inward	2,000	1,18,000
Less: Returns Outward	1,000	81,000	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	600			
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	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	78,050		20,000	
			Less: Provision for Doubtful Debts	1,000	19,000
			Furniture and Fixtures	5,000	
			Less: Depreciation	250	4,750
			Plant and Machinery	20,000	
			Add: Addition	5,000	
				25,000	
			Less: Depreciation	4,500	20,500
			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.