

SAMPLE  
QUESTION  
PAPER

(QUESTION-ANSWER),  
ACCOUNTANCY

A Highly Simulated Practice Question Paper for CBSE Class XI Examination 3

Time : 3 hrs

M.M.: 80

- This question paper contains two parts A and B.
- All question in both the parts are compulsory.
- All parts of questions should be attempted at one place.
- Marks for questions are indicated against each question.
- Answers should be brief and to the point.

Part A

OBJECTIVE TYPE QUESTIONS (1 Mark)

Answer the following (Q. no. 1 to 4)

1. If total assets of a business are ` 2,60,000 and net worth is ` 1,60,000. Calculate the creditors of an enterprise.

*Ans.* We know that, Net Worth = Assets - Liabilities  
 $1,60,000 = 2,60,000 - \text{Liabilities}$   
Liabilities (Creditors) =  $2,60,000 - 1,60,000 = ` 1,00,000$

2. Should a transaction be first recorded in a journal or ledger? Why?

*Ans.* A transaction should be recorded in journal first because the journal entry is the basic record of business transaction. On the other hand, a ledger is the collection of the accounts, debited or credited in the journal.

3. Which balance of the bank column in the cash book signifies bank overdraft?

*Ans.* Credit balance in the bank column of the cash book signifies bank overdraft.

4. Name any two users of accounting information.

*Ans.* Two users of accounting information are owners and investors.

Multiple choice questions (Q. no. 5 to 7)

*There are four options for each question, out of these, only one is correct. You have to identify the correct option.*

5. Double entry principle means

- (a) writing twice the same entry
- (b) writing all the entries twice in the book
- (c) having a debit for every credit and credit for every debit
- (d) All of the above

*Ans.* (c) having a debit for every credit and credit for every debit

6. AS 1 deals with

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- (a) disclosure of accounting policies (b) valuation of inventories  
 (c) accounting for fixed assets (d) depreciation accounting

Ans. (a) disclosure of accounting policies

7. Nominal accounts are generally accounts related to

- (a) liabilities (b) capital  
 (c) assets (d) losses and incomes

Ans. (d) losses and incomes

Journalise the following (Q. no. 8 to 9)

Here, we have given some accounting transactions. You have to give the correct journal entry(ies) for all.

8. To record interest on capital.

Ans. Interest on Capital A/c	Dr
To Capital A/c	
(Being interest on capital provided)	

9. A credit purchase of ` 460 from Sudhakar was recorded as ` 640. Pass a journal entry to rectify this mistake.

Ans. Particulars	LF	Amt (Dr)	Amt (Cr)
Sudhakar Dr		180	
To Purchases A/c			180
(Being credit purchase of ` 460 recorded as ` 640, now rectified)			

State true or false (Q. no. 10 to 11)

Here, we have given some statements. You are required to mention whether these statements are true or false.

10. Rule of personal account is applicable/applied on liabilities.

Ans. True. Personal account relates to a person i.e. individual, firm etc. like capital account and drawings account which forms part of the liabilities.

11. All transactions other than cash are recorded only in journal proper as special purpose books.

Ans. False. All transactions other than cash are recorded in other subsidiary books (except cash book) as special purpose books.

12. Define rectifying entry.

Ans. Rectifying entry means an entry passed to correct the error committed in passing a journal entry.

13. Goods worth ` 2,500 were distributed as free samples will be credited to account.

Ans. purchases

SHORT ANSWER TYPE I QUESTION (3 Marks)

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14. What is meant by GST? Briefly explain its objectives.

*Or* Briefly discuss the different roles of accounting.

*Ans.* GST is known as Goods and Services Tax. It is a tax which is levied on supply of goods or services or both except taxes on supply of the alcoholic liquor for human consumption.

Objectives of GST are

- (i) To eliminate classification dispute between goods and services.
- (ii) To minimise tax rate slabs and prevent unhealthy competition among states.
- (iii) To ensure free movement of goods across the country without any additional tax.
- (iv) To harmonise tax base, laws and administration procedures across the country.

*Or*

The following are different roles of accounting

- (i) As a Language It is perceived as the language of business which is used to communicate information about enterprises.
- (ii) As a Historical Record It is viewed as chronological record of financial transactions of an organisation at actual amounts involved.
- (iii) As Current Economic Reality It is viewed as the means of determining the true income of an entity, namely the change of wealth over time.
- (iv) As an Information System It is viewed as a process that links an information source (the accountant) to a set of receivers (external users) by means of a channel of communication.

SHORT ANSWER TYPE II QUESTIONS (4 Marks)

15. Pass the necessary journal entries to rectify the following errors.

- (i) On 31st March, 2018, goods of the value of ` 21,000 were returned by Montoo and were taken into stock on the same date but entry was not passed in the books.
- (ii) Goods costing ` 50,000 were purchased for various members of the staff and the cost was included in purchases. A similar amount was deducted from the salaries of the staff members concerned and the net payments to them debited to salaries account.
- (iii) A bill of exchange (received from Chintu) for ` 22,000 had been returned by the bank, with whom it had been discounted, as dishonoured and had been credited to bank account and debited to bills receivable account.
- (iv) Goods sold to Mitu for ` 5,850 have been wrongly entered in the sales book as ` 8,550.

*Ans.* JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Returns Inward A/c To Montoo (Being the entry of goods returned by Montoo and taken into stock omitted from records)	Dr	21,000	21,000

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(ii)	Salaries A/c To Purchases A/c (Being the goods purchased for staff members wrongly recorded as purchases, now rectified)	Dr	50,000	50,000
(iii)	Chintu To Bills Receivable A/c (Being the dishonour of discounted bill recorded in the books as bills receivable by mistake, now rectified)	Dr	22,000	22,000
(iv)	Sales A/c To Suspense A/c (Being the excess recording of sales in sales day book rectified)	Dr	2,700	2,700

16. Prepare a bank reconciliation statement from the following particulars on 30th June, 2019. Bank statement showed a favourable balance of ` 30,657.

- (i) On 29th June, 2019, the bank credited the sum of ` 4,700 in error.
- (ii) Certain cheques, valued at ` 14,500 issued before 29th June, 2019 were not cleared.
- (iii) A hire purchase payment of ` 5,250, made by a standing order was not entered in the cash book.
- (iv) A cheque of ` 6,750 received, deposited and credited by bank, was accounted as a receipt in the cash column of the cash book.
- (v) Other cheques for ` 32,000 were deposited in June but cheques for ` 25,000 only were cleared by the bankers.

*Ans.* Bank Reconciliation Statement  
as at 30th June, 2019

Particulars	Plus (₹)	Minus (₹)
Credit/Favourable Balance as per Pass Book	30,657	—
(+) A hire purchase payment of ` 1,900, made by a standing order was not entered in the cash book	5,250	—
Cheques deposited but not cleared (32,000 - 25,000)	7,000	—
(-) Bank credited the sum of ` 4,700 in error	—	4,700

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Cheques issued but not cleared	—	14,500
Cheque deposited into the bank was accounted as receipt in the cash column of the cash book	—	6,750
Debit/Favourable Balance as per Cash Book		16,957
	42,907	42,907

17. Prepare return outward journal (book) from the following transactions of M/s Nageen Prakesh for December 2018.

Date	Particulars	Amt (₹)
Dec 8	M/s Radha Traders returned goods to us	1,700
Dec 14	M/s Mukesh & Brothers returned goods to us	2,800
Dec 19	Goods returned to M/s Rama Traders	7,500
Dec 28	Goods returned to M/s Suman Enterprises	4,000

Ans. Purchase Return (JOURNAL) Book

Date	Particulars	Invoice No.	LF	Amt (₹)
2018 Dec				7,500
19 Dec 28	M/s Rama Traders M/s Suman Enterprises			4,000
	To Purchase Return A/c			11,500
				Cr

Note Goods returned from M/s Radha Traders and M/s Mukesh & Brothers will not be recorded here because these transactions are considered as sales return.

18. Journalise the following transactions in the books of Harpreet Brothers.

(i) Goods worth ₹ 2,000 were used by the proprietor, plus CGST 6% and SGST 6%.

(ii) Charge depreciation @ 10% p.a. for 2 months on machine costing ₹ 30,000.

(iii) Provide interest on capital of ₹ 1,50,000 at 6% per annum for 9 months.

(iv) Rahul became insolvent, who owed us ₹ 2,000. A final dividend of 60 paise in a rupee is received from his estate.

Or

The following trial balance has been prepared by an inexperienced accountant. You are required to prepare the trial balance in a correct form.

Trial Balance

as on...

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Name of Accounts	LF	Debit Balance (₹)	Credit Balance (₹)
Cash in hand		20,000	—
Fixed assets		—	25,000
Capital		—	77,200
Purchases		45,000	—
Sales		20,500	—
Discount allowed		—	500
Return inward		—	1,000
Return outward		1,400	—
Wages and salary		10,000	—
Debtors		2,680	—
Creditors		—	9,400
Drawings		—	2,000
Discount received		—	700
Bills receivable		2,340	—
Bills payable		—	4,320
Rent		3,000	—
Interest paid		—	2,000
<b>Total</b>		<b>1,04,920</b>	<b>1,22,120</b>

**Ans. JOURNAL**

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Drawings A/c	Dr	2,240	
	To Purchases A/c			2,000
	To Input CGST A/c (6%)			120
	To Input SGST A/c (6%)			120
	(Being goods worth ₹ 2,000 used by the proprietor)			

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(ii)	Depreciation on Machinery A/c Dr To Machinery A/c (Being depreciation @ 10% charged on machinery for 2 months costing ` 30,000)		500		500
(iii)	Interest on Capital A/c Dr To Capital A/c (Being interest on capital ` 1,50,000 @ 6% is provide for 9 months)		6,750		6,750
(iv)	Cash A/c Bad Debts A/c Dr To Rahul (Debtor) Dr (Being 60 paise in a rupee received from Rahul who owed ` 2,000)		1,200 800		2,000
	Total		11,490		11,490

Or

Trial Balance as on...

Name of Accounts	LF	Debit Balance (₹)	Credit Balance (₹)
Cash in Hand		20,000	
Fixed Assets		25,000	—
Capital		—	77,200
Purchases		45,000	—
Sales		—	20,500
Discount Allowed		500	—
Return Inward		1,000	—
Return Outward		—	1,400
Wages and Salary		10,000	—
Name of Accounts	LF	Debit Balance (₹)	Credit Balance (₹)
Debtors		2,680	—

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Creditors	—	9,400
Drawings	2,000	—
Discount Received	—	700
Bills Receivable	2,340	—
Bills Payable	—	4,320
Rent	3,000	—
Interest Paid	2,000	—
Total	1,13,520	1,13,520

#### LONG ANSWER TYPE I QUESTIONS (6 Marks)

19. Define book-keeping, accounting and accountancy. Also diagrammatically explain the relationship between the three.

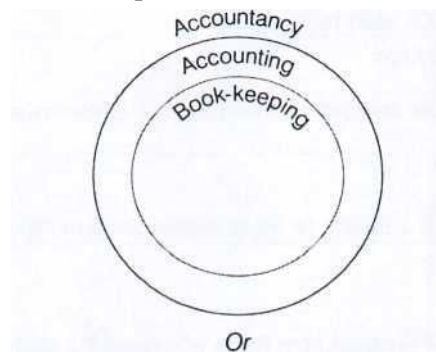
*Or*

Business is treated as an entity which is separate and distinct from its owner. Explain this statement with the principle applied.

*Ans.* Book-keeping It is a part of accounting. It is concerned with record keeping or maintenance of books of accounts.

Accounting It is a wider concept than book-keeping. It starts where book-keeping ends. Accounting is an art of recording, classifying and summarising the financial data and interpreting the results thereof. Accountancy It is the systematic knowledge of accounting. It explains why to do and how to do of various aspects of accounting. It tells us why and how to prepare the books of accounts and how to summarise the accounting information and communicate it to the interested parties.

Book-keeping is a part of accounting and accounting is a part of accountancy. Diagrammatically the relationship can be viewed as below



According to business entity/accounting entity/separate entity principle, business is treated as a separate entity distinct from its owners. Recording of accounting information is done, considering this principle.

A separate account by the name of capital is maintained for the money invested by the owner in the business. Business owes money to the owner to the extent of his capital just like it owes money to lenders

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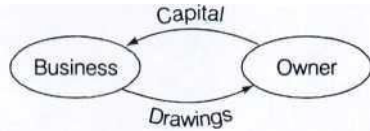
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and creditors who are outside parties to the business.

It is for this reason, that interest on capital is treated as a business expense. Interest on capital will reduce the profit (being an expense) and will increase the owner's money (capital) in the business.

Also, because of this principle, owner's personal property, investments, expenditures are not recorded in the books of the business.



Importance of business entity concept are

- (i) The business entity concept is essential to separately measure the performance of a particular business in terms of profitability and cash flows, etc.
- (ii) It helps in assessing the financial position of each and every business separately on a particular date.
- (iii) If a company ignores this concept, it would not be able to compare its financial performance with that of others in the industry.

20. Nonu draws on Monu three bills of exchange for ` 30,000, ` 24,000 and ` 18,000 respectively for goods sold to him on 1st February, 2019. These bills were for a month, 2 months and 3 months respectively. The first bill was endorsed to his creditor Sonu. The second bill was discounted with his bank on 4th February, 2019 @ 12% p.a. discount and the third bill was sent to his bank for collection on 30th April. On the due dates, all the bills were duly met by Monu. The bank sent the collection advice for the third bill after deducting ` 150 as collection charges. Pass the journal entries in the books of Nonu and Monu.

Ans. In the Books of Nonu

**JOURNAL**

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2019				
Feb 1	Monu <span style="float: right;">Dr</span> To Sales A/c (Being goods sold on credit)		72,000	72,000
Feb 1	Bills Receivable (No. 1) A/c <span style="float: right;">Dr</span> Bills Receivable (No. 2) A/c <span style="float: right;">Dr</span> Bills Receivable (No. 3) A/c <span style="float: right;">Dr</span> To Monu (Being the acceptances received)		30,000 24,000 18,000	72,000
Feb 1	Sonu <span style="float: right;">Dr</span>		30,000	

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	To Bills Receivable (No. 1) A/c (Being the bill endorsed in favour of creditor Sonu)			30,000
Feb 4	Bank A/c	Dr	23,520	
	Discounting Charges A/c	Dr	480	
	To Bills Receivable (No. 2) A/c (Being the bill discounted with the bank)			24,000
Apr 30	Bills Sent for Collection A/c	Dr	18,000	
	To Bills Receivable (No. 3) A/c (Being the bill sent to the bank for collection)			18,000
May 4	Bank A/c	Dr	17,850	
	Bank Charges A/c	Dr	150	
	To Bills Sent for Collection A/c (Being the bill collected by the bank and collection charges deducted)			18,000

In the Books of Monu

### JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2019 Feb 1	Purchases A/c	Dr	72,000	
	To Nonu (Being the goods purchased on credit)			72,000
Feb 1	Nonu	Dr	72,000	
	To Bills Payable (No. 1) A/c			30,000
	To Bills Payable (No. 2) A/c			24,000
	To Bills Payable (No. 3) A/c (Being the acceptances given)			18,000
Mar 4	Bills Payable (No. 1) A/c	Dr	30,000	
	To Cash A/c (Being the bill met on maturity)			30,000

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Date	Particulars	LF	Amt (Dr)	Amt (Cr)
Apr 4	Bills Payable (No. 2) A/c Dr		24,000	
	To Cash A/c (Being the bill met on maturity)			24,000
May 4	Bills Payable (No. 3) A/c Dr		18,000	
	To Cash A/c (Being the bill met on maturity)			18,000

*Working Note*

Calculation of discount =  $24,000 \times \frac{12}{100} \times \frac{2}{12} = ₹ 48$

**LONG ANSWER TYPE II QUESTION (8 Marks)**

21. On 1st July, 2017 Ashok Ltd purchased a machine for ₹ 1,08,000 and spent ₹ 12,000 on its installation. At the time of purchase, it was estimated that the effective commercial life of the machine will be 12 years and after 12 years, its salvage value will be ₹ 12,000.

Prepare machinery account and depreciation account in the books of Ashok Ltd for first 3 years, if depreciation is written-off according to straight line method. The accounts are closed on 31st December, every year.

Or

In the books of Saurabh having balances on 1st April, 2018 as follows Plant and Machinery ₹ 10,00,000  
Provision for Depreciation ₹ 3,50,000

On 1st July, 2018, sold a part of machinery for ₹ 1,25,000 which was purchased on 1st October, 2016 for ₹ 1,60,000. On the same date, purchased a new machinery for ₹ 3,00,000. Prepare plant and machinery account and provision for depreciation account from 2018 to 2020, if depreciation is charged @ 10% p.a. by straight line method.

Ans. Computation of Annual Amount of Depreciation =  $(1,08,000 + 12,000 - 12,000)/12 = ₹ 9,000$

Dr		Machinery Account				Cr	
Date	Particulars	JF	Amt (₹)	Date	Particulars	JF	Amt (₹)
2017				2017			
Jul 1	To Bank A/c		1,20,000	Dec 31	By Depreciation A/c		4,500*
				Dec 31	By Balance c/d		1,15,500
			1,20,000				1,20,000

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2018			2018		
Jan 1	To Balance b/d	1,15,500	Dec 31	By Depreciation A/c	9,000
			Dec 31	By Balance c/d	1,06,500
		1,15,500			1,15,500
2019			2019		
Jan 1	To Balance b/d	1,06,500	Dec 31	By Depreciation A/c	9,000
			Dec 31	By Balance c/d	97,500
		1,06,500			1,06,500
2020					
Jan 1	To Balance b/d	97,500			

Dr				Depreciation Account				Cr			
Date	Particulars	JF	Amt (₹)	Date	Particulars	JF	Amt (₹)				
2017 Dec 31	To Machinery A/c		4,500	2017 Dec 31	By Profit and Loss A/c		4,500				
			4,500				4,500				
2018 Dec 31	To Machinery A/c		9,000	2018 Dec 31	By Profit and Loss A/c		9,000				
			9,000				9,000				
2019 Dec 31	To Machinery A/c		9,000	2019 Dec 31	By Profit and Loss A/c		9,000				
			9,000				9,000				

\*For the first year, machine has been used for half year that's why half year depreciation has been charged, i.e. ₹ 4,500.

Or

Dr				Plant and Machinery Account				Cr			
Date	Particulars	JF	Amt (₹)	Date	Particulars	JF	Amt (₹)				
2018	To Balance b/d		10,00,000	2018	By Bank A/c (Sold a part)		1,25,000				

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Apr 1				Jul 1		
				Jul 1	By Provision for Dep. A/c	28,000
Jul 1	To Bank A/c (New)		3,00,000	Jul 1 2019	By Profit and Loss A/c (Loss on Sale)	7,000
				Mar 31	By Balance c/d	11,40,000
			13,00,000			13,00,000
2019 Apr 1	To Balance b/d		11,40,000	2020 Mar 31	By Balance c/d	11,40,000
			11,40,000			11,40,000
2020 Apr 1	To Balance b/d		11,40,000			

Dr Cr  
**Provision for Depreciation Account**

Date	Particulars	JF	Amt (₹)	Date	Particulars	JF	Amt (₹)
2018				2018			
Jul 1	To Plant & Machinery A/c (Accumulated Dep.)		28,000	Apr 1	By Balance b/d		3,50,000
				Jul 1	By Dep. A/c (1,60,000 x 10/100x3/12)		4,000
2019				2019			
Mar 31	To Balance c/d		4,32,500	Mar 31	By Dep. A/c (8,40,000 x 10/100)		84,000
				Mar 31	By Dep. A/c (New) (3,00,000 x 10/100x9/12)		22,500
			4,60,500				4,60,500
2020				2020			
Mar 31	To Balance c/d		5,46,500	Apr 1	By Balance b/d		4,32,500

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		2020		
		Mar 31	By Dep. A/c	
			(84,000 + 30,000)	1,14,000
	5,46,500			5,46,500
		2021		
		Apr 1	By Balance b/d	5,46,500

*Working Note*

Amt (₹)

Cost of Sold Part of Machinery (on 1st October, 2016) =		1,60,000
(-) Dep. @ 10% on 31st March, 2017 (for 6 months) =		(8,000)
Value of Machinery as on 1st April, 2017		1,52,000
(-) Dep. on 31st March, 2018 =		(16,000)
Value of Machinery as on 1st April, 2018 =		1,36,000
(-) Dep. on 1st July, 2018 (for 3 months) =		(4,000)
Value of Machinery as on 1st July, 2018 =		1,32,000
(-) Sold for (on 1st July, 2018) =		(1,25,000)
Loss on Sale of Machinery =		7,000

Part B

OBJECTIVE TYPE QUESTIONS (1 Mark)

Multiple choice questions (Q. no. 22 to 23)

*There are four options for each question, out of these, only one is correct. You have to identify the correct option.*

22. Returns outward appear in trial balance. This can be deducted from

- (a) closing stock (b) returns inward  
(c) freight (d) purchases

Ans. (d) purchases

23. Goods and services tax collected by the seller is a/an for him.

- (a) asset (b) liability  
(c) income (d) loss

Ans. (b) liability

24. Name the components of accounting information system.

Ans. People, procedure, data, technology and control are the main components of accounting information system.

25. An expenditure which neither results in increase of assets or decrease in liabilities is a expenditure.

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Ans. revenue

26. Give journal entry to record accrued income.

Ans. Accrued Income A/c Dr

To Income A/c

(Being accrued income recorded)

27. Match the following.

Column I	Column II
A. Wages and salaries	(i) Financial position
B. Single entry system	(ii) Direct expenses
C. Balance sheet	(iii) Accounts from incomplete records

Ans. A-(ii), B-(iii), C-(i)

28. Define gross profit.

Ans. Gross profit is defined as the excess of selling price of the goods over the cost of goods sold.

SHORT ANSWER TYPE I QUESTION (3 Marks)

29. Briefly explain the types of accounting softwares.

Or

Briefly discuss any three limitations of a computer system.

Ans. The various types of accounting softwares are

(i) Ready-to-use Readymade softwares are softwares which are available off the shelf. These softwares are for the users at large and are not user specific. These softwares are suited for organisations running small/conventional businesses where the frequency or volume of accounting transactions is very low.

(ii) Customised The term 'customised software' means making changes in the readymade software to suit the specific requirement of the user, i.e. make it user specific. These softwares are available off the shelf and are changed to suit the requirements of the user.

The developer, to meet specific user requirement, can modify all the readymade softwares. The user has to bear the cost of such changes.

Customised softwares are best suited for large and medium businesses and can be linked to the other information systems.

(iii) Tailored The term 'tailor made software' refers to designing and developing user specific software. These softwares, being user specific, are not available off the shelf but are developed on the basis of discussions between the user and developers. These softwares are suited for large business organisations with multi-users and geographically scattered locations.

The tailored software is designed to meet the specific requirements of the users and form an important part of the organisational MIS.

Or The following are the three limitations of a computer system

(i) Computers cannot think and perform on their own. They only work on the basis of the instructions given to them.

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(ii) Computers are not capable of taking decisions on their own.

(iii) Computers cannot express their own ideas.

**SHORT ANSWER TYPE II QUESTION (4 Marks)**

30. "Limitations emerge out of the environment, in which the computerised accounting system is made to operate." In the light of this statement, give any four such limitations.

Or Briefly discuss any four MIS reports.

*Ans.* The four limitations of computerised accounting system are

(i) **Cost of Training** In a computerised accounting system, the use of complicated accounting softwares generally require specialised staff personnel and also a huge training cost is incurred to understand the use of hardware and software on a continuous basis.

(ii) **Staff Opposition** A significant degree of resistance from the existing accounting staff is observed whenever the accounting system is computerised. Partly because of the fear that they shall be made redundant and largely because of the perception that they shall be less important to the organisation.

(iii) **Disruption** When an organisation switches over to the computerised accounting system, accounting processes suffer a significant loss of work and time due to changes in working environment.

(iv) **System Failure** A serious limitation of the computerised accounting system is loss of data/work because of the system crashing due to hardware failures and also software damage, and failure may occur due to attack by viruses.

Or The following are MIS reports

(i) **Summary Report** This report presents all the activities of a business in a brief and summarised form, e.g. profit and loss account.

(ii) **Customer Reports** These reports provide information related to the purchases made by a customer, the amount due from him etc.

(iii) **Demand Reports** These reports are of specialised nature and are prepared only on demand by the management, e.g. bad debts report.

(iv) **Responsibility Reports** These reports are important for the management of the company, e.g. cash flow statement.

**LONG ANSWER TYPE I QUESTION (6 Marks)**

31. Mr Sharma does not maintain books as per double entry system, his business shows the following information as on 1st April, 2018. Creditors ` 85,000, debtors ` 1,00,000, stock ` 1,25,000, furniture ` 10,000, building ` 2,50,000 and cash book is given below

Dr		Cash Book		Cr	
Particulars	Amt (₹)	Particulars	Amt (₹)		
Sales of Goods	4,00,000	Bank Overdraft (1st April, 2018)	50,000		
Sundry Debtors	75,000	Expenses	2,50,000		
		Creditors	1,00,000		

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	Drawings	15,000
	Cash in Hand	40,000
	Cash at Bank	20,000
4,75,000		4,75,000

#### Additional Information

(i) Closing stock ` 1,50,000, closing debtors ` 1,25,000 and closing creditors ` 60,000.

(ii) Building and furniture depreciated by 10% and 15% respectively.

(iii) Create a provision for bad and doubtful debts at 2 1/2 % *on* debtors.

Prepare trading and profit and loss account for the year ended 31st March, 2019 and the balance sheet as on that date.

*Ans.*

#### Statement of Affairs as on 1st April, 2018

Liabilities	Amt (₹)	Assets	Amt (₹)
Creditors	85,000	Building	2,50,000
Bank Overdraft	50,000	Stock	1,25,000
Opening Capital	3,50,000	Debtors	1,00,000
(Balancing figure)		Furniture	10,000
	4,85,000		4,85,000

#### Trading and Profit and Loss Account

Dr		Cr	
for the year ending 31 st March, 2019			
Particulars	Amt (₹)	Particulars	Amt (₹)
To Opening Stock	1,25,000	By Sales	5,00,000
To Purchases	75,000	By Closing Stock	1,50,000
To Gross Profit (Transferred to profit and loss account)	4,50,000		
	6,50,000		6,50,000
To Provision for Doubtful Debts	3,125	By Gross Profit b/d	4,50,000
To Depreciation on Building	25,000		

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To Depreciation on Furniture	1,500		
To Expenses	2,50,000		
To Net Profit (Transferred to capital account)	1,70,375		
	4,50,000		4,50,000

**Balance Sheet**  
as at 31st March, 2019

Liabilities		Amt (₹)	Assets		Amt (₹)
Creditors		60,000	Stock		1,50,000
Opening Capital	3,50,000		Debtors	1,25,000	
(+) Net Profit	1,70,375		(-) Provision	(3,125)	1,21,875
	<u>5,20,375</u>		Furniture	10,000	
Liabilities		Amt (₹)	Assets		Amt (₹)
(-) Drawings (15,000)		5,05,375	(-) Depreciation (1,500)		8,500
			Building 2,50,000		2,25,000
			(-) Depreciation (25,000)		40,000
			Cash in Hand		20,000
			Cash at Bank		
		<u>5,65,375</u>			<u>5,65,375</u>

*Working Notes*

1. Total Sales = Cash Sales + Credit Sales

$$= 4,00,000 + 1,00,000 = ₹ 5,00,000$$

2. Dr Sundry Debtors Account Cr

Particulars	Amt (₹)	Particulars	Amt (₹)
To Balance b/d	1,00,000	By Cash (Received for Debtors)	75,000
To Credit Sales (Balancing figure)	1,00,000	By Balance c/d	1,25,000
	<u>2,00,000</u>		<u>2,00,000</u>

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3. Dr Sundry Creditors Account Cr

Particulars	Amt ( )	Particulars	Amt ( )
To Cash (Paid to Creditors)	1,00,000	By Balance b/d	85,000
To Balance c/d	60,000	By Credit Purchase	75,000
		(Balancing figure)	
	1,60,000		1,60,000

LONG ANSWER TYPE II QUESTION

(8 Marks)

32. The following trial balance is extracted from the books of Ankit Jain on 31st March, 2019.

Trial Balance  
as on 31st March, 2019

Name of Accounts	LF	Debit Balance ( )	Credit Balance ( )
Furniture and fittings		6,400	—
Motor vehicles		62,500	—
Buildings		75,000	—
Capital		—	1,25,000
Bad debts		1,250	—
Provision for doubtful debts		—	2,000
Sundry debtors and creditors		38,000	25,000
Stock as on 1st April, 2018		34,600	—
Purchases and sales		54,750	1,54,500
Bank overdraft		—	28,500
Sales and purchases returns		2,000	1,250
Advertising		4,500	—
Interest on bank overdraft		1,180	—
Commission		—	3,750
Cash		6,500	—

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Taxes and insurance premium	7,820	—
General expenses	12,500	—
Salaries	33,000	—
	3,40,000	3,40,000

#### Adjustments

- (i) Stock in hand on 31st March, 2019 ` 32,500.
- (ii) Depreciate buildings @ 5% p.a., furniture @ 10% p.a., motor vehicles @ 20% p.a.
- (iii) ` 850 is due for interest on bank overdraft.
- (iv) Salaries ` 3,000 and taxes ` 2,000 are outstanding.
- (v) Insurance premium amounting ` 1,000 prepaid.
- (vi) 1/3rd of the commission received is in respect of work to be done next year.
- (vii) Write-off a further sum of ` 1,000 as bad debts from debtors and create provision for doubtful debts @ 5% on debtors.
- (viii) Goods worth ` 6,000 taken by Ankit Jain for personal use.

Prepare trading and profit and loss account and the balance sheet.

Or

Prepare trading, profit and loss account and balance sheet from the following particulars as on 31st March, 2019

Name of Accounts	Amt (Dr)	Amt (Cr)
Cash in hand	40,000	—
Cash at bank	3,60,000	—
Purchase and sales	44,00,000	70,00,000
Return inwards	1,20,000	—
Return outwards	—	• 1,50,000
Carriage on purchases	88,000	—
Carriage on sales	42,000	—
Fuel and power	3,10,000	—
Stock (1st April, 2018) Bad debts	7.20.000	—

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	1,24,000	
Bad debts provision	—	50,000
Debtors and creditors	16,40,000	6,00,000
Capital	—	43,40,000
Investments	4,00,000	—
Interest on investments	—	40,000
Loan from Nishant @ 18% p.a.	—	2,00,000
Repairs	30,400	—
General expenses	2,12,000	—
Land and buildings	36,00,000	—
Wages and salaries	3,60,000	—
Miscellaneous receipts	—	2,400
Bills payable	—	1,04,000
Stationery	40,000	
	1,24,86,400	1,24,86,400
	0	

#### Adjustments

- (i) Write-off ` 40,000 as bad debts and provision for doubtful debts is to be maintained at 5% on debtors.
- (ii) Loan from Nishant was taken on 1st August, 2018. No interest has been paid so far.
- (iii) Included in general expenses is insurance premium ` 24,000. Paid for one year ending 30th June, 2019.
- (iv) 1/3rd of wages and salaries is to be charged to trading account and the balance to profit and loss account.
- (v) Entire stationery was used by the proprietor for own purpose.
- (vi) Closing stock was valued at ` 10,00,000.

Ans. Trading and Profit and Loss Account

Dr		for the year ending 31 st March, 2019		Cr
Particulars	Amt ( ` )	Particulars	Amt ( ` )	
To Opening Stock	34,600	By Sales	1,54,500	

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To Purchases	54,750		(-) Sales Returns	(2,000)	1,52,500
(-) Returns	(1,250)		By Closing Stock		32,500
(-) Drawings (Goods)	(6,000)	47,500			
To Gross Profit c/d		1,02,900			
		1,85,000			1,85,000
To Bad Debts	1,250		By Gross Profit b/d		1,02,900
(+) Further Bad Debts	1,000		By Commission	3,750	
(+) New Provision for Doubtful Debts			(-) Received in Advance	(1,250)	2,500
	1,850				
	4,100				
(-) Old Provision for Doubtful Debts	(2,000)	2,100			
To Advertising		4,500			
To Interest on Bank Overdraft	1,180				
(+) Outstanding	850	2,030			
To General Expenses		12,500			
To Salaries	33,000				
(+) Outstanding	3,000	36,000			
To Taxes and Insurance Premium	7,820				
(+) Outstanding Taxes	2,000				
	9,820				
(-) Prepaid Insurance Premium	(1,000)	8,820			
To Depreciation on Buildings @ 5%	3,750				

Furniture @ 10%	640			
Motor Vehicles @ 20%	12,500	16,890		
To Net Profit Transferred to Capital A/c		22,560		
		1,05,400		1,05,400

Balance Sheet  
as at 31 st March, 2019

Liabilities	Amt (₹)	Assets	Amt (₹)
Sundry Creditors	25,000	Furniture and Fittings	6,400
Bank Overdraft	28,500	(-) Depreciation	(640)
Outstanding Expenses		Motor Vehicles	62,500
Salaries	3,000	(-) Depreciation	(12,500)
Taxes	2,000	Buildings	75,000
Interest on Bank Overdraft	850	(-) Depreciation	(3,750)
Commission Received in Advance	1,250	Sundry Debtors	38,000
Capital	1,25,000	(-) Bad Debts	(1,000)
(+) Net Profit	22,560	(-) Provision for Doubtful Debts	(1,850)
	1,47,560	Cash	6,500
(-) Drawings (Goods)	(6,000)	Closing Stock	32,500
	1,41,560	Prepaid Insurance Premium	1,000
	2,02,160		2,02,160

Or

Trading and Profit and Loss Account

Dr for the year ending 31 st March, 2019 Cr

Particulars	Amt (₹)	Particulars	Amt (₹)
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To Stock 1st April, 2018		7,20,000	By Sales	70,00,000	
To Purchases	44,00,000		(-) Return Inward	(1,20,000)	68,80,000
(-) Return Outwards	(1,50,000)	42,50,000	By Closing Stock		10,00,000
To Carriage on Purchases		88,000			
To Fuel and Power		3,10,000			
To Wages and Salaries		1,20,000			
To Gross Profit c/d		23,92,000			
		78,80,000			78,80,000
To Carriage on Sales		42,000	By Gross Profit b/d		23,92,000
To Wages and Salaries		2,40,000	By Interest on Investments		40,000
To Repairs		30,400	By Miscellaneous Receipts		2,400
To General Expenses	2,12,000				
(-) Prepaid Insurance	(6,000)	2,06,000			
To Bad Debts	1,24,000				
(+) Further Bad Debts	40,000				
(+) New Provision for Doubtful Debts	80,000				
	2,44,000				
(-) Old Provision	(50,000)	1,94,000			
To Outstanding Interest (WN)		24,000			
To Net Profit Transferred to Capital A/c		16,98,000			
		24,34,400			24,34,400

Balance Sheet  
as at 31 st March, 2019

Liabilities	Amt (₹)	Assets	Amt (₹)
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Bills Payable		1,04,000	Cash in Eland		40,000
Creditors		6,00,000	Cash at Bank		3,60,000
Nishant's Loan	2,00,000		Debtors	16,40,000	
(+) Outstanding Interest	24,000	2,24,000	(-) Further Bad Debts	(40,000)	
Capital	43,40,000			16,00,000	
(+) Net Profit	16,98,000		(-) Provision for Doubtful		
	60,38,000		Debts	(80,000)	15,20,000
(-) Drawings (Stationery used)	(40,000)	59,98,000	Closing Stock		10,00,000
			Prepaid Insurance		6,000
			Investments		4,00,000
			Land and Buildings		36,00,000
		69,26,000			69,26,000

*Working Note*

Interest on loan will be calculated for 8 months =  $2,00,000 \times 18/100 \times 8/12 = ₹ 24,000$

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