

SAMPLE  
QUESTION  
PAPER  
(QUESTION-ANSWER)  
ACCOUNTANCY

A Highly Simulated Practice Question Paper for CBSE Class XI Examination 4

Time : 3 hrs

M.M.: 80

General instructions

- 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. Which accounting concept is applied when closing stock is valued at lower of cost (purchase cost) or market price of goods?

*Ans.* Prudence concept (conservatism principle) is applied when closing stock is valued at lower of cost or market price of goods.

2. Find the total assets of the firm, if the capital is ` 1,60,000 and liabilities are ` 40,000.

*Ans.* Total Assets = Liabilities + Capital => 40,000 + 1,60,000 => ` 2,00,000

3. "A trial balance is only a prima facie evidence of the arithmetical accuracy of records." Do you agree with this statement?

*Ans.* Yes, trial balance essentially proves the arithmetical accuracy of the books of accounts. If total of both the sides of a trial balance are same, then it is proved that the books are atleast arithmetically correct.

4. Is the interest account debited in the books of drawee at the time of renewal of bill?

*Ans.* Yes, the interest account is debited in the books of a drawee because it represents an expense for the drawee,

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. Identify the qualitative characteristic of accounting information which is reflected when the information is free from errors.

- (a) Relevance (b) Reliability  
(c) Comparability (d) None of these

*Ans.* (b) Reliability

6. According to which principle, revenue is deemed to be realised at the time when sale is made?

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- (a) Matching principle (b) Principle of full disclosure  
 (c) Principle of revenue recognition (d) None of these

Ans. (c) Principle of revenue recognition

7. Which of the following is an example of representative personal account?

- (a) Gopal and Sons (b) Outstanding salary  
 (c) Prepaid rent (d) Both (b) and (c)

Ans. (d) Both (b) and (c)

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. Rent paid ` 56,000 through cheque. Out of which ` 16,000 treated as advance for the next year.

Ans. JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Rent A/c Dr		40,000	
	Prepaid Rent A/c Dr		16,000	
	To Bank A/c			56,000
	(Being rent paid for current year ` 40,000 and for next year as advance ` 16,000)			

9. To record dishonour of bill of exchange in the books of the drawer, when the same has been discounted by the bank.

Ans. Debtor (Drawee) Dr

To Bank A/c

(Being bills receivable discounted with bank, now dishonoured)

Fill in the blanks (Q. no. 10 to 11)

Here, each sentence is incomplete due to one missing word. You are required to fill that missing word correctly.

10. The amount of depreciation goes on every subsequent year under written down value method.

Ans. decreasing

11. General reserve is shown on the side of the balance sheet.

Ans. liabilities

12. Is cash book a journal or a ledger? Give reason in support of your answer.

Ans. Cash book is both a journal and a ledger.

It is a journal because transactions are recorded for the first time in cash book and it is a ledger, because when cash book is maintained, no separate such account is prepared.

13. Match the following.

Column I	Column II
A. Freight Inward	(i) Output GST

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B. Commission Received	(ii) Current Liability
C. Outstanding Expenses	(iii) Input GST

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

#### SHORT ANSWER TYPE I QUESTION (3 Marks)

14. Briefly explain any three qualitative characteristics of accounting information.

Or

Define expenditure. Explain any two types of expenditure.

Ans. Qualitative characteristics of accounting information are as follows (any three)

- (i) Reliability Accounting information must be factual and verifiable. It means the users must be able to depend on the information and information should be free from any material error.
- (ii) Relevance Accounting information are useful to the user. Information is relevant only when it meet the needs of the user in decision-making.
- (iii) Understandability Understandability means that accounting information must be presented in such a way that it can be easily understood by the users.
- (iv) Comparability Comparability means that users should be able to compare the accounting information of an enterprise with that of other enterprises.

Or

Expenditure is the amount spent or liability incurred for acquiring assets, goods and services.

Types of expenditures are (any two)

- (i) Capital Expenditure It is the expenditure incurred to acquire assets or for improving the quality of existing assets which will increase the earning capacity of the business. These expenditures give benefit to the business for more than one accounting year, e.g. purchase of machinery.
- (ii) Revenue Expenditure It is the amount spent to purchase goods and services that are consumed during the accounting period. Revenue expenditure does not increase the earning capacity; it rather maintains the existing earning capacity.
- (iii) Deferred Revenue Expenditure It is revenue expenditure in nature but provides benefits for more than one accounting period, e.g. heavy advertising expenditure to promote a new product will give benefit for more than one accounting period and hence, is a deferred revenue expenditure.

#### SHORT ANSWER TYPE II QUESTIONS (4 Marks)

15. Journalise the following transactions

- (i) An old machine with the book value of ` 4,40,000 is exchanged for a new machine of ` 10,00,000. The old machine is valued at ` 1,50,000 for exchange purposes by Machine Tools Ltd.
- (ii) A cheque from a customer amounted to ` 8,750 deposited in the bank was returned dishonoured.
- (iii) Paid landlord ` 45,000 for rent. One-third of the premises is occupied by the proprietor for his own residence.
- (iv) Goods costing ` 19,150 given as charity (Sales price ` 20,000).

Ans. JOURNAL

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Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Machine A/c (New) Dr Profit and Loss A/c Dr To Machine A/c (Old) To Machine Tools Ltd (Being the exchange of old machine worth ` 4,40,000 valued at ` 1,50,000 for a new machine of ` 10,00,000)		10,00,000 2,90,000	4,40,000 8,50,000
Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(ii)	Customer (Cheque Dishonoured) Dr To Bank A/c (Being the cheque deposited into bank dishonoured)		18,750	18,750
(iii)	Rent A/c (2/3rd of ` 45,000) Dr Drawings A/c Dr To Cash A/c (Being the rent paid to landlord, 1/3rd of rent debited account, as 1/3rd of the premises is occupied by the proprietor for personal residence)		30,000 15,000	45,000
(iv)	Charity A/c Dr To Purchases A/c (Being the goods costing ` 9,150 given as charity)		19,150	19,150

16. Show how the accounting equation is satisfied in the following cases

(i) Mahesh started business with cash ` 80,000 and goods ` 40,000.

(ii) Sold half of the goods at a profit of 25% to Ramesh.

(iii) Sold remaining goods at a loss of 10% for cash.

(iv) Paid salary ` 3,000.

*Ans.* Accounting Equation

Transaction	Assets				Liabilities + Capital	
	Cash	+ Stock	+ Debtors	+ Furniture	Creditors	+ Capital
	( $\text{₹}$ )	( $\text{₹}$ )	( $\text{₹}$ )	( $\text{₹}$ )	( $\text{₹}$ )	( $\text{₹}$ )
(i) Business started with cash and goods	80,000	+ 40,000	+ 0	+ 0	0	+ 1,20,000

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(ii) Sold half goods at 25% profit	0	+ (20,000)	25,000	+ 0	0	+ 5,000
New Equation	80,000	+ 20,000	+ 25,000	+ 0	0	+ 125,000
(iii) Sold remaining goods at a loss of 10%	18,000	+ (20,000)	0	+ 0	0	+ (2,000)
New Equation	98,000	+ 0	+ 25,000	+ 0	0	+ 1,23,000
(iv) Paid salary	(3,000)	+ 0	0	+ 0	0	+ (3,000)
New Equation	95,000	+ 0	+ 25,000	+ 0	0	+ 1,20,000

17. From the following particulars provided by Ramesh Chandra Bhalla, prepare a cash book with suitable column.

2019		Amt (₹)
Aug 1	Cash in hand	1,70,000
	Bank balance with PNB	5,00,000
	Overdraft with SBI	3,50,000
Aug 3	Cash sales	1,40,000
Aug 5	Paid salary to staff by cheque on PNB	2,00,000
Aug 8	Cheque received from Raj deposited with SBI	1,80,000
Aug 10	Cash deposited into PNB	1,00,000
Aug 12	Amount transferred from PNB to SBI by cheque	60,000
Aug 15	Cash withdrew from PNB	1,60,000

Ans. Dr Cr

Cash Book											
Date	Particulars	JF	Cash (₹)	Bank		Date	Particulars	JF	Cash (₹)	Bank	
				PNB (₹)	SBI (₹)					PNB (₹)	SBI (₹)
2019						2019					
Aug 1	To Balance b/d		1,70,000	5,00,000	—	Aug 1	By Balance b/d		—	—	3,50,000
Aug 3	To Sales A/c		1,40,000	—	—	Aug 5	By Salaries		—	2,00,000	—

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			0			A/c			00	
Aug 8	To Raj		—	—	1,80,00	Aug 10	By PNB	©	1,00,00	—
Aug 10	To Cash A/c	©	—	1,00,00	—	Aug 12	By SBI	©	—	60,000
Aug 12	To PNB	©	—	—	60,000	Aug 15	By Cash A/c	©	—	1,60,00
Aug 15	To PNB	©	1,60,00	—	—	Aug 15	By Balance c/d		3,70,00	1,80,00
Aug 15	To Balance c/d		—	—	1,10,00					
			4,70,00	6,00,00	3,50,00				4,70,00	6,00,00
Aug 16	To Balance b/d		3,70,00	1,80,00	—	Aug 16	By Balance b/d		—	—
										1,10,00

18. On 31st December, 2019, the cash book of Subhash Bros showed an overdraft of ` 19,890. From the following particulars, prepare a bank reconciliation statement and ascertain the balance as per pass book.

(i) Debited by bank ` 315 on account of interest on overdraft and ` 75 on account of charges for collecting bills.

(ii) Cheques drawn but not encashed before 31st December, 2019 for ` 6,500.

(iii) The bank has collected interest and has credited ` 925 in pass book.

(iv) A bill receivable for 1825 previously discounted with the bank had been dishonoured and debited in the pass book.

(v) Cheques paid into bank but not collected and credited before 31st December, 2019 amounted ` 7,250.

(vi) Debit side of cash book (bank column) overcasted by ` 1,000.

Or Differentiate between source documents and vouchers.

Ans. Bank Reconciliation Statement

as on 31st December, 2019

Particulars	Plus (₹)	Minus (₹)
Overdraft/Credit/Unfavourable Balance as per Cash Book	—	19,890
(+) Cheque issued but not presented for payment	6,500	—
Interest collected by bank not credited in cash book	925	—
(-) Interest and collection charges debited by bank (315 + 75)	—	390
Bill discounted with bank dishonoured	—	825

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Cheque sent to the bank for collection but not collected and credited by the bank	—	7,250
Debit side of cash book (bank column) overcast	—	1,000
Overdraft/Debit/Unfavourable Balance as per Pass Book	21,930	29,355
	29,355	

Or

Differences between source documents and vouchers are

Basis	Source Documents	Vouchers
Meaning	These are written documents which contain details of the transactions and are prepared at the time, a transaction is entered into.	These are documents evidencing a business transaction. A voucher details the accounts that are debited and credited. It is prepared on the basis of source documents.
Purpose	It is used for preparing accounting vouchers.	It is used for analysing the transactions.
Preparation	It is prepared at the time when an event or a transaction occurs.	It can be prepared either when an event or a transaction occurs or later on.
Examples	Cash memo, invoice or bill, pay-in-slip, cheque, debit note and credit note.	Cash vouchers, i.e. debit vouchers or credit vouchers, transfer vouchers etc.

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

19. (i) An accountant of a firm, maintaining its books under accrual basis, does not want to account salaries amounting to ` 30,000 for the month of March 2015, on the grounds, that it was not paid. The firm closes its books on 31st March every year. Is the accountant correct in doing so?

(ii) Gayatri, a chartered accountant earned ` 12,00,000 during the financial year 2019-2020. Out of which, she received ` 10,50,000. She incurred an expense of ` 5,10,000 out of which ` 1,20,000 are outstanding. She also received her fees relating to previous year ` 1,35,000 and also paid ` 60,000 expenses of last year. Find out Gayatri's income for 2019-2020 following the cash basis and accrual basis of accounting.

(iii) Write any two transactions of a business whose both effects are applied on capital only.

Ans. (i) No, because as per the accrual concept, expenses should be accounted for at the time when it is incurred and not when it is paid.

(ii) Cash basis of accounting =  $10,50,000 + 1,35,000 - 3,90,000 - 60,000 = ` 7,35,000$  Accrual basis of accounting =  $12,00,000 - 5,10,000 = ` 6,90,000$

(iii) Transactions whose effects are applied on capital only are

- (a) Interest on capital
- (b) Interest on drawings

20. You are presented with a trial balance showing a difference which has been carried to suspense

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account and the following errors are revealed.

- (i) ₹ 17,000 paid in cash for a typewriter was charged to office expenses account.
- (ii) A cash sale of ₹ 50,000 to Pluto, correctly entered in the cash book, was posted to the credit of Pluto's account in the sales ledger.
- (iii) Goods amounting to ₹ 8,000, returned by Sky, were entered in the sales book and posted therefrom to the credit of Sky's account.
- (iv) Bills receivable from Star for ₹ 30,000 posted to the credit of bills payable account and credited to Star's account.
- (v) Goods amounting to ₹ 1,00,000 sold to Sun were correctly entered in sales book but posted to Sun's account for ₹ 1,80,000.
- (vi) Sales returns book was overcast by ₹ 1,000.

Journalise the necessary corrections.

*Or*

Dharmesh purchased goods for ₹ 21,000 from Sudesh on 1st February, 2019 and accepted a bill of exchange drawn by Sudesh for the same amount. The bill was payable after a month. On 25th February, 2019, Sudesh sent the bill to his bank for collection. The bill was duly presented by the bank. Dharmesh dishonoured the bill and the bank paid ₹ 100 as noting charges.

Record the necessary journal entries for the above transactions in the books of Dharmesh and Sudesh.

*Ans.* JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Office Equipment A/c (Typewriter) <span style="float: right;">Dr</span> To Office Expenses A/c (Being the expenditure that should have been capitalised wrongly shown as revenue expenditure, now rectified)		17,000	17,000
(ii)	Pluto <span style="float: right;">Dr</span> To Sales A/c (Being the cash sales wrongly posted to customer's account, now rectified)		50,000	50,000
(iii)	Sales A/c <span style="float: right;">Dr</span> Returns Inward A/c <span style="float: right;">Dr</span> To Suspense A/c (Being the returns inward wrongly credited to sales, now rectified)		8,000 8,000	16,000
(iv)	Bills Payable A/c Bills Receivable A/c <span style="float: right;">Dr</span> To Suspense A/c <span style="float: right;">Dr</span> (Being the bills receivable wrongly recorded as bills payable, now rectified)		30,000 30,000	60,000



M	Suspense A/c To Sun (Being the wrong amount posted to his account, now rectified)	Dr	80,000	80,000
(vi)	Suspense A/c To Returns Inward A/c (Being the overcasting of sales returns book rectified)	Dr	1,000	1,000

Or

In the Books of Sudesh JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2019 Feb 1	Dharmesh To Sales A/c (Being goods sold to Dharmesh)	Dr	21,000	21,000
Feb 1	Bills Receivable A/c To Dharmesh (Being acceptance received from Dharmesh)	Dr	21,000	21,000
Feb 25	Bill Sent for Collection A/c To Bills Receivable A/c (Being bill sent to the bank for collection)	Dr	21,000	21,000
Mar 4	Dharmesh To Bill Sent for Collection A/c To Bank A/c (Being bill dishonoured on due date and noting charges paid)	Dr	21,100	21,000 100

In the Books of Dharmesh JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2019 Feb 1	Purchases A/c To Sudesh (Being goods purchased from Sudesh on credit)	Dr	21,000	21,000
Feb 1	Sudesh To Bills Payable A/c (Being acceptance given)	Dr	21,000	21,000
Mar 4	Bills Payable A/c Noting Charges A/c	Dr	21,000	21,100

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To Sudesh (Being bill dishonoured and noting charges due)	Dr	100	
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LONG ANSWER TYPE II QUESTION (8 Marks)

21. On 1st April, 2017, X Ltd purchased a machinery for ₹ 12,00,000. On 1st October, 2019 a part of the machinery purchased on 1st April, 2017 for ₹ 80,000 was sold for ₹ 45,000 and a new machinery at the cost of ₹ 1,58,000 was purchased and installed on the same date. The company has adopted the method of providing 10% p.a. depreciation on the diminishing balance of the machinery.

Show the necessary ledger accounts assuming that provision for depreciation account and machinery disposal account is maintained. The accounting year ends on 31st March.

Or

M/s Lokesh Fabrics purchased a textile machine on 1st April, 2014 for ₹ 1,00,000. On 1st July, 2015 another machine costing ₹ 2,50,000 was purchased. The machine purchased on 1st April, 2014 was sold for ₹ 25,000 on 1st October, 2018. The company charges depreciation @ 15% p.a. on straight line method. Prepare machinery account and machinery disposal account for the year ended 31st March, 2019.

Ans. Dr

Machinery Account (At original cost) Cr

Date	Particulars	JF	Amt (₹)	Date	Particulars	JF	Amt (₹)
2017 Apr 1	To Bank A/c			2018 Mar 31	By Balance c/d		
	A            11,20,000				A            11,20,000		
	B            80,000		12,00,000		B            80,000		12,00,000
			12,00,000				12,00,000
2018 Apr 1	To Balance b/d			2018 Mar 31	By Balance c/d		
	A            11,20,000				A            11,20,000		
	B            80,000		12,00,000		B            80,000		12,00,000
			12,00,000				12,00,000
2019 Apr 1	To Balance b/d			2019 Oct 1	By Machinery Disposal A/c		80,000
	A            11,20,000						
	B            80,000		12,00,000	2020 Mar 31	By Balance c/d		
			1,58,000		A            11,20,000		

				C	1,58,000	12,78,000
			13,58,000			13,58,000

Dr Provision for Depreciation Account Cr

Date	Particulars	JF	Amt (₹)	Date	Particulars	JF	Amt (₹)
2018				2018			
Mar 31	To Balance c/d			Mar 31	By Depreciation A/c		
	A		1,12,000		A		1,12,000
	B		8,000		B		8,000
			1,20,000				1,20,000
2019				2018			
Mar 31	To Balance c/d			Apr 1	By Balance b/d		
	A		2,12,800		A		1,12,000
	B		15,200		B		8,000
			2,28,000	2019			
				Mar 31	By Depreciation A/c		
					A		1,00,800
					B		7,200
			2,28,000				1,08,000
2019				2019			
Oct 1	To Machinery Disposal A/c (B) (15,200+3,240)		18,440	Apr 1	By Balance b/d		
					A		2,12,800
					B		15,200
							2,28,000

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2020				Oct 1	By Depreciation A/c (B)		3,240
					(WN)		
2020				2020			
Mar 31	To Balance c/d			Mar 31	By Depreciation A/c		
	A	3,03,520			A	90,720	
	C	7,900	3,11,420		C	7,900	98,620
			3,29,860				3,29,860

Dr				Machinery Disposal Account				Cr
Date	Particulars	JF	Amt (₹)	Date	Particulars	JF	Amt (₹)	
2019				2019				
Oct 1	To Machinery A/c		80,000	Oct 1	By Provision for Depreciation A/c		18,440	
					By Bank A/c		45,000	
					By Profit and Loss A/c			
					(Loss on sale) (WN)		16,560	
			80,000				80,000	

*Working Note*

Calculation of Profit/Loss on Sale of Machinery Amt (₹)

Original cost as on 1 st April, 2017	80,000
(-) Depreciation @ 10% p.a. for 2017-18	(8,000)
Book value as on 1 st April, 2018	72,000
(-) Depreciation @ 10% p.a. for 2018-19	(A200)
Book value as on 1 st April, 2019	64,800
(-) Depreciation (5) 10% p.a. upto date of sale (₹ 64,800 x 10/100 x 6/12)	(3,240)
Book value as on 1 st October, 2019	61,560
(-) Sale proceeds	(45,000)
Loss on sale of machinery	(16,560)

Or

Dr Machinery Account Cr

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Date	Particulars	JF	Amt (₹)	Date	Particulars	JF	Amt (₹)
2014				2015			
Apr 1	To Bank A/c (M1)		1,00,000	Mar 31	By Depreciation A/c (M1)		15,000
				Mar 31	By Balance c/d (M1)		85,000
			1,00,000				1,00,000
2015				2016			
Apr 1	To Balance b/d (M1)		85,000	Mar 31	By Depreciation A/c M1 15,000		
Jul 1	To Bank A/c (M2)		2,50,000		M2 28,125		43,125
				Mar 31	By Balance c/d M1 70,000 M2 2,21,875		2,91,875
			3,35,000				3,35,000
2016				2017			
Apr 1	To Balance b/d M1 70,000 M2 2,21,875		2,91,875	Mar 31	By Depreciation A/c M1 15,000 M2 37,500		52,500
				Mar 31	By Balance c/d M1 55,000 M2 1,84,375		2,39,375
			2,91,875				2,91,875
2017				2018			
Apr 1	To Balance b/d M1 55,000			Mar 31	By Depreciation A/c M1 15,000		

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	M2 1,84,375		2,39,375		M2 37,500		52,500
				Mar 31	By Balance c/d		
					M1 40,000 M2 1,46,875		1,86,875
			2,39,375				2,39,375
2018				2018			
Apr 1	To Balance b/d			Oct 1	By Depreciation A/c (M1)		7,500
	M1 40,000			Oct 1	By Machinery Disposal A/c (M1)		32,500
	M2 1,46,875		1,86,875	2019			
				Mar 31	By Depreciation A/c (M2)		37,500
				Mar 31	By Balance c/d (M2)		1,09,375
			1,86,875				1,86,875

Dr				Machinery Disposal Account				Cr			
Date	Particulars	JF	Amt (₹)	Date	Particulars	JF	Amt (₹)				
2018				2018							
Oct 1	To Machinery A/c (M1)		32,500	Oct 1	By Bank A/c (M1)		25,000				
				Oct 1	By Profit and Loss A/c (M1)		7,500				
			32,500				32,500				

### 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. The process of storing and processing the accounting data is called

- (a) operating environment
  - (b) operating software
  - (c) output data
  - (d) activation process
- Ans. (a) operating environment

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23. Raw facts that form a logical meaning is known as

- (a) Logical unit
- (b) Data
- (c) Performance
- (d) System *Ans.* (b) Data

State true or false (Q. no. 24 to 25)

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

24. Hardware and software are essential for computers, whereas humanware is not. *Ans.* False. Hardware, software and humanware all are essential for a computer.

25. Deferred revenue expenditures are always recorded in trading account and profit and loss account.

*Ans.* False. Deferred revenue expenditures are recorded in assets side of the balance sheet as a fictitious assets.

26. Give two examples of current assets.

*Ans.* Cash-in-hand, debtors

27. Why accounting softwares are more useful in current time?

*Ans.* Accounting software are widely used in current time because they take very less time and give 100% accuracy for any input.

28. Rent is due but not received for the month of March 2019 of ` 1,20,000. It is subject to levy of IGST@12%. Pass journal entry.

*Ans.* JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2019				
Mar 31	Accrued Rent A/c <span style="float: right;">Dr</span>		1,34,400	
	To Rent Received A/c			1,20,000
	To Output IGST A/c (120,000 x 12/100)			14,400
	(Being rent is due but not received)			

SHORT ANSWER TYPE I QUESTION (3 Marks)

29. Calculate closing stock from the following details

Opening stock ` 80,000; cash sales ` 2,40,000; credit sales ` 1,60,000; purchases ` 2,80,000.

Rate of gross profit on cost 33 1/2 %.

Or

Manveer started his business on 1st January, 2018 with a capital of ` 4,50,000. On 31st December, 2018 his position was as under

Items	Amt (₹)
-------	---------

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Cash	99,000
Bills receivable	75,000
Plant	48,000
Land and building	1,80,000
Furniture	50,000

He owed ` 45,000 from his friend Susheel on that date. He withdrew ` 8,000 per month for his household purposes. Ascertain his profit or loss for this year ended 31st December, 2018.

*Ans.* Total Sales = Cash Sales + Credit Sales = 2,40,000 + 1,60,000 = ` 4,00,000

Let Cost = ` 100, Gross Profit = 33 1/3% on cost, Sales = 100 + 33 1/3 = 133 1/3

Gross Profit on Sales = 33 1/3 / 133 1/3 = 1/3 - 1/4

Gross Profit = 4,00,000 x 1/4 = ` 1,00,000

Cost of Goods Sold = Sales - Gross Profit

= 4,00,000 - 1,00,000 = ` 3,00,000

Cost of Goods Sold = Opening Stock + Purchases + Direct Expenses - Closing Stock  
 3,00,000 = 80,000 + 2,80,000 + 0 - Closing Stock  
 Closing Stock = 80,000 + 2,80,000 - 3,00,000 = ` 60,000

*Or*

Statement of Affairs

as on 31st December, 2018

Liabilities	Amt (₹)	Assets	Amt (₹)
Loan from Susheel	45,000	Cash	99,000
Capital (Balancing figure)	4,07,000	Bills Receivable	75,000
		Plant	48,000
		Land and Building	1,80,000
		Furniture	50,000
	4,52,000		4,52,000

Statement of Profit and Loss

for the year ending 31st December, 2018

Particulars	Amt (₹)
Capital at the End of the Year, i.e. 31st December, 2018 (+) Drawings During the Year (8,000 x 12)	4,07,000
Adjusted Capital at the End	96,000
	5,03,000

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(-) Capital at the Beginning of the Year, i.e. 1st July, 2018	Profit made During the Year	(4,50,000)
		53,000

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

30. What is a management information system?

Or

Briefly discuss the four elements/components of a computer system.

*Ans.* It is the most commonly used form of information system. Management Information System (MIS) is a system that provides the necessary information required for managing an organisation effectively and in taking various decisions.

MIS is viewed and used by management at many levels such as operational, tactical and strategic. MIS is supportive of the institution's long-term strategic goals and objectives.

Management information system is basically concerned with processing data into information which is then communicated to various departments in an organisation for appropriate decision-making.

Data-\* Information -> Communication —\* Decision

The purpose of management information system is to provide the right information, to the right person, at the right place, at the right time, in the right form, at the right cost.

Or

The four elements/components of a computer system are

(i) Hardware Computer hardware consists of physical components such as keyboard, mouse, monitor and processor. These components can be physically touched. These are electronic and electromechanical components. These are the basic components of a computer that collectively form a system.

(ii) Software It is the set of instructions that makes the computer work. Software is held on the computer's hard disk, CD-ROM, DVD or on a diskette (floppy disk) and is loaded from the disk into the computer's RAM (Random Access Memory), as and when required. It is the hypothetical or imaginary part of computer which is used with hardware to make computer perform operations.

(iii) Humanware/People People interacting with the computer and executing the program or software are known as humanware. They constitute the most important part of the computer system and they are system analyst, programmers and operators.

(iv) Procedures A specified series of actions or operations which have to be executed in the same manner, in order to always achieve the desire result in some circumstances. There are three types of procedures which constitute part of computer system and they are hardware oriented procedure, software oriented procedure and internal procedure.

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

31. Mr Sundar Prakash has not kept a complete set of books. Prepare trading and profit and loss account and balance sheet from the following information as on 31 March, 2018

Particulars	31st March, 2017 (₹)	31st March, 2018 (₹)
Sundry debtors	31,000	36,800
Sundry creditors	24,800	27,200

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Building	20,000	27,000
Wages outstanding	—	2,000
Rent prepaid	—	1,000

The inventory on 31st March, 2018 was of value ₹ 35,000 but the trader has no information about stock on 31st March, 2017. He sold goods at cost plus 25%. Information of Cash in hand on 1st April, 2017 ₹ 12,000; cash received from debtors ₹ 2,24,200; drawings during the year ₹ 12,000; cash paid to creditors ₹ 1,60,000; rent ₹ 17,000; salaries ₹ 8,400; maintenance charges ₹ 5,600; advertisement ₹ 2,800; postages ₹ 4,400; wages ₹ 12,000 and building purchased ₹ 10,000.

Ans. Trading and Profit and Loss Account

Dr		for the year ending 31st March, 2018		Cr
Particulars	Amt (₹)	Particulars	Amt (₹)	
To Opening Stock (WN 5)	42,600	By Sales	2,30,000	
To Purchases	1,62,400	By Closing Stock	35,000	
To Wages	12,000			
(+) Outstanding	2,000			
To Gross Profit (Transferred to profit and loss account)	46,000			
	2,65,000			2,65,000
To Rent	17,000	By Gross Profit b/d	46,000	
(-) Prepaid	1,000			
To Salaries	8,400			
To Maintenance Expenses	5,600			
To Advertisement	2,800			
To Postages	4,400			
To Depreciation on Building	3,000			
To Net Profit (Transferred to capital account)	5,800			
	46,000			46,000

Balance Sheet  
as at 31st March, 2018

Liabilities		Amt (₹)	Assets Amt (₹)	
Creditors		27,200	Cash	4,000
Outstanding Wages		2,000	Debtors	36,800
Capital (Opening)	80,800		Inventory	35,000
(+) Net Profit	5,800		Prepaid Rent	1,000
	<u>86,600</u>		Building	20,000
(-) Drawings	(12,000)	74,600	(+) Purchase (New)	10,000
				<u>30,000</u>
			(-) Depreciation	
			(Balancing figure)	(3,000) <u>27,000</u>
		<u>1,03,800</u>		<u>1,03,800</u>

Working Notes

1 Dr		Cash Book		Cr
Particulars	Amt (₹)	Particulars	Amt (₹)	
To Balance b/d	12,000	By Drawings	12,000	
To Debtors	2,24,200	By Creditors	1,60,000	
		By Rent	17,000	
		By Salaries	8,400	
		By Maintenance Expenses	5,600	
		By Advertisement	2,800	
		By Postage	4,400	
		By Wages	12,000	
		By Building	10,000	
		By Balance c/d	4,000	
	<u>2,36,200</u>		<u>2,36,200</u>	

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## 2. Dr Sundry Debtors Account Cr

Particulars	Amt (₹)	Particulars	Amt (₹)
To Balance b/d	31,000	By Cash (Received from debtors)	2,24,200
To Credit Sales (Balancing figure)	2,30,000	By Balance c/d	36,800
	2,61,000		2,61,000

## 3. Dr Sundry Creditors Account Cr

Particulars	Amt (₹)	Particulars	Amt (₹)
To Cash (Paid to creditors)	1,60,000	By Balance b/d	24,800
To Balance c/d	27,200	By Credit Purchases (Balancing figure)	1,62,400
	1,87,200		1,87,200

## 4 Balance Sheet

as at 31st March, 2017

Liabilities	Amt (₹)	Assets	Amt (₹)
Creditors	24,800	Building	20,000
Capital (Opening) (Balancing figure)	80,800	Inventory (Opening)	42,600
		Debtors	31,000
		Cash	12,000
	1,05,600		1,05,600

## 5. Calculation of Opening Inventory

OR

Gross Profit =  $2,30,000 \times \frac{25}{125} = ₹ 46,000$

Cost of Goods =  $2,30,000 - 46,000 = ₹ 1,84,000$

Cost of Goods = Opening Stock + Purchases + Direct Expenses - Closing Stock

$1,84,000 = \text{Opening Stock} + 1,62,400 + (12,000 + 2,000) - 35,000$

$1,84,000 = \text{Opening Stock} + 1,41,400$  Opening Stock =  $1,84,000 - 1,41,400 = ₹ 42,600$

LONG ANSWER TYPE II QUESTION (8 Marks)

32. Tarak Mehta starts business on 1st April, 2018 with a capital of ₹ 3,00,000. The following trial balance was drawn up from his books at the end of the year.

Particulars	Amt (₹)	Particulars	Amt (₹)
Drawings	45,000	Capital	4,00,000

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Plant and fixtures	80,000	Sales	16,00,000
Purchases	11,60,000	Sundry creditors	1,20,000
Carriage inward	20,000	Bills payable	90,000
Returns inward	40,000		
Wages	80,000		
Salaries	1,00,000		
Printing and stationery	8,000		
Advertisement	12,000		
Trade charges	6,000		
Rent and taxes	14,000		
Sundry debtors	2,50,000		
Bills receivable	50,000		
Investments	1,50,000		
Discount	5,000		
Cash at bank	1,60,000		
Cash in hand	30,000		
	22,10,000		22,10,000

The value of stock as at 31st March, 2019 was ` 2,60,000. You are required to prepare trading and profit and loss account for the year ended 31st March, 2019 and a balance sheet as on that date after taking the following facts into account.

- (i) Interest on capital is to be provided at 6% p.a.
- (ii) An additional capital of ` 1,00,000 was introduced by Tarak Mehta on 1st October, 2018.
- (iii) Plant and fixtures are to be depreciated by 10% per annum.
- (iv) Salaries outstanding on 31st March, 2019 amounted to ` 5,000.
- (v) Accrued interest on investments amounted of ` 7,500.
- (vi) ` 5,000 are bad debts and a provision for doubtful debts is to be created at 5 percent of the balance of debtors.
- (vii) Interest charged on drawings at 10%.

*Or*

From the following balances extracted from the book of M/s Raj Chakravarthy on 31st March, 2019. You are requested to prepare the trading and profit and loss account and a balance sheet as on this date.

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Name of Accounts	Amt (Dr)	Amt (Cr)
Opening stock	20,000	—
Purchase and sales	80,000	1,60,000
Returns	400	1,200
Wages	12,000	—
Dock and clearing charges	8,000	—
Lighting	1,000	—
Miscellaneous income	—	12,000
Rent	—	4,000
Capital	—	80,000
Drawings	4,000	—
Debtors and creditors	12,000	14,000
Cash	6,000	—
Investment	12,000	—
Patent	8,000	—
Land and machinery	86,000	—
Donations and charity	1,200	—
Sales tax collected	—	2,000
Furniture	22,600	—
	<b>2,73,200</b>	<b>2,73,200</b>

**Additional Information**

- (i) Closing stock was ` 4,000.
- (ii) Interest on drawings @ 7% and interest on capital @ 5%.
- (iii) Land and machinery is depreciated at 5%.
- (iv) Interest on investment @ 6%.
- (v) Unexpired rent ` 200.
- (vi) Charge 5% depreciation on furniture.

**Ans.** Trading and Profit and Loss Account

Dr for the year ending 31st March, 2019

Cr

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Particulars	Amt (₹)	Particulars	Amt (₹)
To Purchases	11,60,000	By Sales	16,00,000
To Wages	80,000	(-) Returns	(40,000)
To Carriage Inward	20,000	By Closing Stock	2,60,000
To Gross Profit c/d	5,60,000		
	18,20,000		18,20,000
To Salaries	1,00,000	By Gross Profit b/d	5,60,000
(+) Outstanding	5,000	By Accrued Interest on Investment	7,500
To Printing and Stationery	8,000	By Interest on Drawings	4,500
To Advertisements	12,000		
To Trade Charges	6,000		
To Rent and Taxes	14,000		
To Discount	5,000		
To Bad Debts	5,000		
(+) Provision for			
Bad Debts	12,250		
To Interest on Capital (WN)	21,000		
To Depreciation on Plant and Machinery	8,000		
To Net Profit Transferred to Capital A/c	3,75,750		
	5,72,000		5,72,000

*Working Note*

Interest on Capital =  $[(3,00,000 \times 6/100 \times 12/12) + (1,00,000 \times 6/100 \times 6/12)] = ₹ 21,000$

Balance Sheet

as at 31 st March, 2019

Liabilities	Amt (₹)	Assets	Amt (₹)
-------------	---------	--------	---------

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Sundry Creditors	1,20,000	Cash in Hand	30,000
Bills Payable	90,000	Cash at Bank	1,60,000
Outstanding Salaries	5,000	Bills Receivable	50,000
Capital		Sundry Debtors	2,50,000
Opening Balance	4,00,000	(-) Further Bad Debts	(5,000)
(+) Interest	21,000	(-) Provision	(12,250)
(+) Net Profit	3,75,750	Investments	1,50,000
(-) Drawings	(45,000)	(+) Accrued Interest	7,500
(-) Interest on Drawings	(4,500)	Closing Stock	2,60,000
	7,47,250	Plant and Fixtures	80,000
		(-) Depreciation	(8,000)
	9,62,250		72,000
			9,62,250

Or

**Trading and Profit and Loss Account**  
for the year ending 31st March, 2019

Dr		Cr	
Particulars	Amt (₹)	Particulars	Amt (₹)
To Opening Stock	20,000	By Sales	1,60,000
To Purchases	80,000	(-) Sales Return	(400)
(-) Purchase Return	(1,200)	By Closing Stock	4,000
To Wages	12,000		
To Dock and Clearing Charges	8,000		
To Gross Profit c/d	44,800		
	1,63,600		1,63,600
To Donation and Charity	1,200	By Gross Profit b/d	44,800
To Interest on Capital	4,000	By Interest on Drawings	280
To Depreciation on Furniture	1,130	By Interest on Investment	720
To Depreciation on Land and Machinery	4,300	By Miscellaneous Income	12,000

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To Lighting	1,000	By Rent Received	4,000	
To Net Profit (Balancing Figure)	49,970	(-) Unexpired Rent	(200)	3,800
	61,600			61,600

Balance Sheet  
as at 31st March, 2019

Liabilities		Amt (₹)	Assets		Amt (₹)
Capital	80,000		Furniture	22,600	
(+) Interest on Capital	4,000		(-) Depreciation @ 5%	(1,130)	21,470
	84,000		Land and Machinery	86,000	
(+) Net Profit	49,970		(-) Depreciation @ 5%	(4,300)	81,700
	1,33,970		Investment	12,000	
(-) Drawings	(4,000)		(+) Interest @ 6%	720	12,720
(-) Interest on Drawings	(280)	1,29,690	Debtors		12,000
Unexpired Rent		200	Cash		6,000
Sales Tax Collected		2,000	Patents		8,000
Creditors		14,000	Closing Stock		4,000
		1,45,890			1,45,890

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SAMPLE  
QUESTION  
PAPER  
(QUESTION-ANSWER)  
ACCOUNTANCY

A Highly Simulated Practice Question Paper for CBSE Class XI Examination 5

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 at the end of the year are ` 20,00,000, capital is ` 8,00,000 and drawings are ` 60,000. Calculate creditors.

*Ans.* Assets = Liabilities + Capital  
 $20,00,000 = \text{Creditors} + 8,00,000$   
 $\text{Creditors} = 20,00,000 - 8,00,000 = ` 12,00,000$

*Note Drawings are already deducted from opening capital. So, drawings are not required to be deducted from closing capital.*

2. Due to a labour strike in a factory, the production had to stop for a week. The accountant estimated the loss of production and likely loss of profit and recorded it in the books of accounts. Is the accountant correct?

*Ans.* No, as per the money measurement concept, only those transactions and events, which can be recorded in money terms and on the basis of evidences, are recorded in the books of accounts.

3. Give any two methods of creating secret reserves.

*Ans.* Secret reserves can be created by writing down the value of goodwill to a nominal value or providing excess depreciation to fixed assets.

4. Compensating error is not disclosed by the trial balance. Why?

*Ans.* A compensating error is not disclosed by the trial balance as one error is nullified by another error.

Multiple choice questions (Q. no. 5 to 8)

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

5. Which stakeholder would be interested in knowing the long-term solvency position of the firm?

- (a) Investors (b) Government  
(c) Society (d) Creditors

*Ans.* (a) Investors

6. Which accounting standard deals with preparation and presentation of cash flow statement?

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- (a) AS 1 (b) AS 2  
(c) AS 3 (d) AS 7

Ans. (c) AS 3

7. Debit voucher is prepared in case of

- (a) expenses incurred (b) purchases of goods  
(c) payment to creditors (d) All of these

Ans. (d) All of these

8. Contra entry is passed when

- (a) cash is withdrawn from bank (b) cash is deposited in bank  
(c) cheque previously received is deposited in bank (d) All of these

9. Bank reconciliation statement is prepared by the

Ans. Company or firm (customer of bank)

10. Pass journal entry to rectify undercasting of purchase book through suspense account.

Ans. Purchases A/c Dr

To Suspense A/c

(Being purchase book undercast, now rectified)

11. Drawee can discount the bill from his bank or endorse the bill to his creditor. Is it true or false?

Ans. False. Drawer can discount the bill from his bank or endorse the bill to his creditor.

12. Match the following.

Column I	Column II
A. Cash received	(i) Debit voucher
B. Cash paid	(ii) Unfavourable balance
C. Overdraft balance	(IN) Credit voucher

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

13. Differentiate between straight line method and written down value method.

Ans.

Straight Line Method

Written Down Value Method

It is also called fixed installment method and original cost method.

It is also called diminishing value method.

Depreciation amount remains same in every year for a same period of time.

Depreciation amount is reduced every year for a same period of time.

SHORT ANSWER TYPE I QUESTION (3 Marks)

14. Briefly discuss the characteristics/attributes of accounting other than identification, measurement, recording and communication.

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Or Briefly explain the prudence principle and dual aspect principle.

*Ans.* Characteristics/Attributes of accounting are

(i) **Classifying** It can be defined as the process of grouping transactions or entries of one nature at one place, e.g. the transactions recorded in the journal or the subsidiary books are classified or posted to the main book of accounts known as the ledger.

This book contains individual account heads under which all financial transactions of a similar nature are collected.

(ii) **Summarising** It involves presenting the classified data in a manner which is understandable and useful to various users of accounting statements.

This process leads to the preparation of the following statements

(a) Trial balance (b) Trading and profit and loss account or statement of profit and loss

(c) Balance sheet

Trading account, profit and loss account or statement of profit and loss and balance sheet are collectively known as final accounts or financial statements.

(iii) **Analysis and Interpretation** Analysing and interpreting the financial data helps users to make a meaningful judgement of the profitability and financial position of the business. It also helps in planning for the future in a better manner.

*Or*

(i) **Prudence Principle** According to the prudence principle, all anticipated losses should be recorded in the books of accounts, but all anticipated or assumed gains will be ignored. As per prudence principle, provision should be made for all known liabilities and losses even though the amount can not be ascertained with accuracy.

(ii) **Dual Aspect Principle** Dual aspect is the foundation or basic principle of accounting. According to this principle, every transaction entered by a business has two aspects, i.e. debit and credit. There may be more than one debit or there may be more than one credit. However, the total of all debits and total of all credits will always be equal.

In other words, we can say that for every debit, there is always an equal credit.

Thus, we can say,

Assets = Liabilities + Capital *Or*

Assets = Claim of Outsiders + Owner's Equity or Capital *Or*

Total Assets = Total Equities

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

15. Define bills of exchange and briefly explain parties to a bills of exchange.

*Ans.* According to Indian Negotiable Instrument Act, 1881, "A bills of exchange is an instrument in writing, an unconditional order signed by the maker directing to pay a certain sum of money only to or to the order of a certain person or to the bearer of the instrument".

Parties to bills of exchange are

(i) **Drawer** He is a person who sold goods on credit to someone. He writes or draws the bill.

(ii) **Drawee** He is the debtor who purchases the goods on credit and accepts bill. He is liable to pay the amount mentioned in the bill.

(iii) **Payee** The person to whom the payment is to be made is called payee. The drawee himself or any

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other person may be the payee of the bill.

16. 'Trial balance is a link between the ledger and final accounts'. Explain. Also give any two advantages of trial balance.

*Ans.* Trial balance is a connecting link between the accounting records and the preparation of financial statements. The availability of a tallied trial balance is the first step in the preparation of financial statements as one need not refer to the ledger.

All revenues and liabilities accounts which appear in the trial balance are transferred to the trading and profit and loss account and all liabilities, capital and assets accounts are transferred to the balance sheet.

Two advantages of trial balance are as follows

(i) It helps to check the arithmetical accuracy.

(ii) It provides with a summarised view of the balance of accounts.

17. From the following transactions, prepare the purchases returns book of Karim & Co., a saree dealer and post them to the ledger.

2019

Jan 4 Returned to Mohan Mills, Kerala, 10 polyester sarees @ ` 1,600 each (-) Trade discount @ 10% (Debit note no. 101)

Jan 8 Srimala Mills, Kota accepted the returns of goods (which were purchased for cash) from us, 8 Kota sarees @ ` 640 each (Debit note no. 102).

Jan 12 Returned to Sonica Mills, Bombay, 12 silk sarees @ ` 1040 each (-) Trade discount @ 10% (Debit note no. 103).

Jan 30 Returned one typewriter (being defective) @ ` 7,200 to Vishaka & Co.

*Ans.* In the Books of Karim & Co.

Purchases Returns Book

Date	Particulars	Debit Note No.	LF	Details Amt (₹)	Total Amt (₹)
2019 Jan 4	Mohan Mills, Kerala 10 Polyester Sarees @ ` 1,600 each (-) Trade Discount @ 10%	101		16,000 (1,600)	14,400
Jan 12	Sonica Mills, Bombay 12 Silk Sarees @ ` 1040 each (-) Trade Discount @ 10%	103		12,480 (1,248)	11,232
Jan 31	To Purchases Returns Account Cr				26,632

*Note* Return of Kota sarees will be recorded in the cash book and return of typewriter will be recorded in the journal (or journal proper), since in the purchases returns book, only the return of merchandise purchased on credit are recorded.

18. Rectify the following errors

(i) Depreciation provided on machinery ` 13,250 was not posted.

(ii) Bad debts written-off ` 1,750 were not posted.

(iii) Discount allowed to a debtor ` 63 on receiving cash from him was not posted.

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(iv) Bills receivable for ₹ 7,500 received from a debtor was not posted.

Or

Journalise the following transactions in the books of Rajeev. 2019

Mar 4 Opened bank account with SBI ₹ 80,000.

Mar 9 Purchased furniture worth ₹ 1,60,000 and tools worth ₹ 32,000.

Mar 10 Cash sent to bank ₹ 4,00,000.

Mar 12 Bought shares in Arihant Ltd for ₹ 40,000 and brokerage paid @ 2%. The payment is made by cheque.

Mar 15 Paid to Vansh out of business funds for repair of Rajeev's house ₹ 64,000.

Mar 19 Supplied goods costing ₹ 96,000 to Rohan, issued invoice at 10% above cost less 5% trade discount.

Ans.

Rectification Entries in Journal

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Depreciation A/c Dr To Machinery A/c (Being depreciation charged on machinery was not recorded, now rectified)		13,250	13,250
(ii)	Bad Debts A/c Dr To Debtor's A/c (Being bad debts written-off on debtors were not recorded, now rectified)		1,750	1,750
(iii)	Discount Allowed A/c Dr To Debtor's A/c (Being discount allowed to debtor was not recorded, now rectified)		63	63
(iv)	Bills Receivable A/c Dr To Debtor's A/c (Being bills receivable received from debtor not recorded, now rectified)		7,500	7,500

Or

In the Books of Rajeev JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2019				
Mar 4	Bank A/c	Dr	80,000	

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	To Cash A/c (Being amount deposited in SBI)			80,000
Mar 9	Furniture A/c	Dr	1,60,000	
	Tools A/c	Dr	32,000	
	To Cash A/c (Being furniture and tools purchased)			1,92,000
Mar 10	Bank A/c	Dr	4,00,000	
	To Cash A/c (Being amount deposited into bank)			4,00,000
Mar 12	Investment A/c	Dr	40,800	
	To Bank A/c (Being investment in shares of Arihant Ltd for ` 40,000 and brokerage paid @ 2%)			40,800
Mar 15	Drawings A/c	Dr	64,000	
	To Cash A/c (Being amount paid for repairs of proprietor's residential house)			64,000
Mar 19	Rohan A/c	Dr	1,00,320	
	To Sales A/c (Being goods sold to Rohan at 10% above cost and allowed 5% discount)			1,00,320
	Total		8,77,120	8,77,120

*Working Note*

Cost of Goods Sold

(+) 10% of ` 96,000

(-) Trade Discount 5%

Amt (`)

96,000

9,600

---

1,05,600

(5,280)

---

1,00,320

LONG ANSWER TYPE I QUESTIONS (6 Marks)

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19. Why is it important to adopt a consistent basis for the preparation of financial statements? Explain.

Or

Distinguish between book-keeping and accounting.

*Ans.* For making the accounting information meaningful to its internal and external users, it is important that such information is reliable as well as comparable. The comparability of information is required both to make inter-firm comparisons, i.e. to see how a firm has performed as compared to the other firms, as well as to make inter-period comparison, i.e. how it has performed as compared to the previous years.

This becomes possible only if the information provided by the financial statements is based on consistent accounting policies, principles and practices. Such consistency is required throughout the process of identifying the events and transactions to be accounted for, measuring them, communicating them in the books of accounts, summarising the results thereof and reporting them to the interested parties.

However, consistency does not prohibit change in accounting policies. Necessary required changes are fully disclosed by presenting them in the financial statements and indicating their probable effects on the financial results of business.

Hence, it is important to adopt a consistent basis for the preparation of financial statements.

Or

Differences between book-keeping and accounting are

Basis	Book-keeping	Accounting
Scope	Book-keeping includes identification of transactions, measuring of identified transaction in terms of money, recording of transaction and classification of transaction into ledgers.	Accounting in addition to book-keeping includes summarising the classified transactions, analysing and interpreting the summarised results and communicating the results to the interested parties.
Stage	Book-keeping is the primary stage.	Accounting is the secondary stage.
Relation	It provides basis for accounting.	Accounting begins where book-keeping ends.
Required skills	Book-keeping does not require analytical skills.	The accountant is required to possess analytical skills.
Objective	The objective of book-keeping is to record business transactions in a systematic manner.	The objective of accounting is to analyse and interpret the results disclosed by final accounts.
Branches	Book-keeping has no branch.	Accounting has several branches.

20. On comparing the cash book with pass book of Naman, it is found that on 31st March, 2019, bank balance of ` 1,40,960 (debit) showed by the cash book differs from the bank balance of pass book with regard to the following

(i) Bank charges ` 100 on 31st March, 2019, are not entered in the cash book.

(ii) On 21st March, 2019, a debtor paid ` 12,000 into the company's bank account in settlement of his account, but no entry was made in the cash book of the company in respect of this.

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(iii) Cheques totalling ` 12,980 were issued by the company and duly recorded in the cash book before 31st March, 2019 but had not been presented at the bank for payment until after that date.

(iv) A bill for ` 6,900 discounted with the bank is entered in the cash book without recording the discount charge of ` 800.

(v) ` 13,520 is entered in the cash book as paid into bank on 31st March, 2019 but not credited by the bank until the following day.

(vi) No entry has been made in the cash book to record the dishonour on 15th March, 2019 of a cheque for ` 650 received from Bhanu.

(vii) Bank column of debit side of cash book overcasted by ` 20,000.

Prepare bank reconciliation statement as on 31st March, 2019.

*Ans.* Bank Reconciliation Statement

as on 31st March, 2019

Particulars	Plus (₹)	Minus (₹)
Debit/Favourable Balance as per Cash Book	1,40,960	—
(+) Cash deposit by debtor directly in bank account	12,000	—
Cheque issued but not presented for payment	12,980	—
(-) Bank charges not entered in cash book	—	100
Discount charges recorded in bank	—	800
Cash deposited in bank but not credited	—	13,520
Cheque of Bhanu dishonoured	—	650
Cash book overcasted (Bank column)	—	20,000
Credit/Favourable Balance as per Pass Book	1,65,940	1,30,870
		1,65,940

LONG ANSWER TYPE II QUESTION (8 Marks)

21. You are given the following balances as on 1st April, 2018.

Amt (₹)

Machinery account 50,00,000

Provision for depreciation account 11,60,000

Depreciation is charged on machinery at 20% p.a. by the diminishing balance method. A piece of machinery purchased on 1st April, 2016 for ` 10,00,000 was sold on 1st October, 2018 for ` 6,00,000.

Prepare the machinery account and provision for depreciation account for the year ended 31st March, 2019.

Also prepare machinery disposal account.

Or

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Lipakshi sold goods worth ₹ 19,000 to Ipshita on 2nd March, 2019. ₹ 4,000 were paid by Ipshita immediately and for the balance, she accepted a bill of exchange drawn upon her by Lipakshi payable after 3 months. Lipakshi discounted the bill immediately with her bank @ 10% p.a. On the due date, Ipshita dishonoured the bill and the bank paid ₹ 30 as noting charges.

Record the necessary journal entries in the books of Lipakshi and Ipshita.

Ans.

Dr			Machinery Account			Cr
Date	Particulars	Amt (₹)	Date	Particulars	Amt (₹)	
2018			2018			
Apr 1	To Balance b/d	50,00,000	Oct 1	By Machinery Disposal A/c	10,00,000	
			2019			
			Mar 31	By Balance c/d	40,00,000	
		50,00,000			50,00,000	

Dr Provision for Depreciation Account Cr

Date	Particulars	Amt (₹)	Date	Particulars	Amt (₹)
2018			2018		
Oct 1	To Machinery Disposal A/c (WN 2)	4,24,000	Apr 1	By Balance b/d	11,60,000
2019			Oct 1	By Depreciation A/c (WN 1)	64,000
Mar 31	To Balance c/d	14,40,000	2019		
			Mar 31	By Depreciation A/c	6,40,000
		18,64,000			18,64,000

Dr Machinery Disposal Account Cr

Date	Particulars	Amt (₹)	Date	Particulars	Amt (₹)
2018			2018		
Oct 1	To Machinery A/c	10,00,000	Oct 1	By Provision for	
Oct 1	To Profit and Loss A/c (Profit on sale)	24,000		Depreciation A/c (WN 2)	4,24,000
	[6,00,000 - 5,76,000 (WN 1)]		Oct 1	By Bank A/c	6,00,000
		10,24,000			10,24,000

*Working Notes*

Amt (₹)

1. Cost of Sold Machinery (on 1st April, 2016) 10,00,000

(-) Depreciation (2016-17) (2,00,000)

Diminishing Value on 31 st March, 2017 8,00,000

(-) Depreciation (2017-18) (1,60,000)

Diminishing Value on 31st March, 2018 6,40,000

(-) Depreciation till 1 st October, 2018 (64,000)

5/76,000

2. Total Depreciation Charged on Sold Machinery

2016- 17 2,00,000

2017- 18 1,60,000

2018- 1 st October 64,000

4,24,000

*Or*

In the Books of Lipakshi JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2019 Mar 2	Ipshita Dr To Sales A/c (Being goods sold to Ipshita)		19,000	19,000
Mar 2	Cash A/c Dr Bills Receivable A/c Dr To Ipshita (Being ` 4,000 cash and acceptance for ` 15,000 received)		4,000 15,000	19,000
Mar 2	Bank A/c Dr Discounting Charges A/c Dr To Bills Receivable A/c (Being bill discounted by bank)		14,625 375	15,000
Jun 5	Ipshita Dr To Bank A/c (Being bill dishonoured on due date and noting charges paid)		15,030	15,030

Note Computation of discount =  $15,000 \times 70\% \times \frac{3}{12} = ` 375$

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In the Books of Ipshita JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2019				
Mar 2	Purchases A/c To Lipakshi (Being goods purchased)	Dr	19,000	19,000
Mar 2	Lipakshi To Cash A/c To Bills Payable A/c (Being ` 4,000 cash and acceptance for ` 15,000 given to Lipakshi)	Dr	19,000	4,000 15,000
Jun 5	Bills Payable A/c Noting Charges A/c To Lipakshi (Being bill dishonoured and noting charges due)	Dr Dr	15,000 30	15,030

Part B

OBJECTIVE TYPE QUESTIONS (1 Mark)

22. Which is the largest unit of storage?

Ans. Terabyte (TB)

23. Limitation of computer system is

- (a) versatility (b) accuracy  
(c) decision-making (d) storage

Ans. (c) decision-making

24. An example of output device is

Ans. printer

25. 'Large Volume of Transactions' is one of the disadvantages of computerised accounting. Is it true or false?

Ans. False. It is the advantage of computerised accounting. The computerised accounting system can store and process large volume of transactions with speed and accuracy.

26. Differentiate between direct expenses and indirect expenses.

Ans.

Direct Expenses

Indirect Expenses

These expenses are recorded in debit side of trading account.

These expenses are recorded in debit side of profit and loss account.

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e.g. Wages, freight, lighting etc.

e.g. Electricity, salary, postage and stamps etc.

Journalise the following (Q. no. 27 to 28)

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

27. To record closing stock.

Ans. Closing Stock A/c Dr

To Trading A/c

(Being adjusting entry passed to record closing stock)

28. To record accrued interest on investments.

Ans. Accrued Interest on Investments A/c Dr

To Trading A/c

(Being accrued interest recorded)

SHORT ANSWER TYPE I QUESTION (3 Marks)

29. Find credit purchases and net purchases from the following information

Particulars	Amt (₹)
Sundry creditors on 1st January, 2018	48,000
Sundry creditors on 31st December, 2018	53,000
Cash paid to creditors	1,30,000
Bills payable accepted	32,000
Purchases return	7,000
Bills payable dishonoured	5,000
Cash purchases	16,000

Or

Raja Ram keeps his books under single entry system. His assets and liabilities were as under

Particulars	31st March, 2017 Amt (₹)	31st March, 2018 Amt (₹)
Cash	2,000	1,800
Sundry debtors	78,000	90,000
Stock	68,000	64,000
Plant and machinery	1,20,000	1,60,000
Sundry creditors	30,000	29,800

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Bills payable	—	10,000
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Prepare statement of affairs for year ending 31st March, 2017 and 2018.

*Ans.* Dr Cr

Sundry Creditors Account			
Particulars	Amt (₹)	Particulars	Amt (₹)
To Cash Paid to Creditors	1,30,000	By Balance b/d	48,000
To Purchase Return	7,000	By Bills Payable Dishonoured	5,000
To Bills Payable Accepted	32,000	By Purchases (Credit)	1,69,000
To Balance c/d	53,000	(Balancing figure)	
	2,22,000		2,22,000

Net Purchases = Cash Purchases + Credit Purchases - Purchase Return = 16,000 + 1,69,000 - 7,000  
 Net Purchases = ₹ 1,78,000

*Or*

Statement of Affairs  
 as at 31st March, 2017

Liabilities	Amt (₹)	Assets	Amt (₹)
Sundry Creditors	30,000	Cash	2,000
Capital (Balancing figure)	2,38,000	Sundry Debtors	78,000
		Stock	68,000
		Plant and Machinery	1,20,000
	2,68,000		2,68,000

Statement of Affairs  
 as at 31 st March, 2018

Liabilities	Amt (₹)	Assets	Amt (₹)
Sundry Creditors	29,800	Cash	1,800
Bills Payable	10,000	Sundry Debtors	90,000
Capital (Balancing figure)	2,76,000	Stock	64,000
		Plant and Machinery	1,60,000
	3,15,800		3,15,800

SHORT ANSWER TYPE II QUESTION (4 Marks)

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30. Briefly discuss real time user interface, automated document production and quality reports as advantages of computerised accounting system.

Or

“A computer system possesses some characteristics, which in comparison to human beings, turn out to be its capabilities.” In the light of this statement, discuss the characteristics/capabilities of a computer system.

*Arts.* (i) **Real Time User Interface** In a computerised accounting system, information can be made available to various users at the same time on a real time basis as most of the automated accounting systems are interlinked through a network of computers.

(ii) **Automated Document Production** In a computerised accounting systems, various accounting reports such as cash book, trial balance and statements of accounts can be easily obtained as most of the computerised accounting systems have standardised, user defined format of accounting reports.

(iii) **Quality Reports** The inbuilt checks and untouchable features of data handling facilitates hygienic and true accounting reports that are highly objective and can be relied upon.

Or

The above said statement is correct. The characteristics/capabilities of a computer system are as follows (any four)

(i) **Speed** The amount of time, a computer takes to accomplish a task or an operation refers to its speed. In comparison to human beings, computers require far less time to perform a task. Generally, human beings take into account a second or minute as unit of time. But computers have such a fast operating capability that the relevant unit of time is fraction of a second.

Modern computers are capable of performing a 100 million calculations per second and that is why the industry has developed Million Instructions Per Second (MIPS) as the criterion to classify different computers according to speed.

(ii) **Accuracy** The degree of exactness with which computations are made and operations are performed is referred to as its accuracy. Most of the errors in Computer Based Information System (CBIS) occurs because of bad programming, erroneous data and deviation from procedures, which are caused by human beings. Errors attributable to hardware are normally detected and corrected by the computer system itself.

(iii) **Reliability** It refers to the ability with which the computers remain functional to serve the user. Computer systems are more reliable than human beings as they are well-adapted to perform repetitive operations and are immune to tiredness, boredom or fatigue. However, there can be failures of computer system due to various internal and external reasons.

(iv) **Versatility** The ability of computers to perform a variety of tasks is referred to as versatility. Task can be simple as well as complex. Computers are usually versatile unless designed for a specific application. A general purpose computer is capable of being used in any area of applications such as business, industry, scientific, statistical, technological, communications and so on and when installed in an organisation, can take over the jobs of several specialists because of its versatility.

(v) **Storage and Retrieval** It refers to the amount of data, which a computer system can store and access. The computer systems, besides having instant access to data, have huge capacity to store such data in a very small physical space, e.g. CD-ROM. A typical mainframe computer system is capable of storing and providing one billion of characters and thousands of graphic images.

LONG ANSWER TYPE I QUESTION (6 Marks)

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31. M/s Radha Shyam does not maintain his books as per double entry system. Provided the following information, prepare trading and profit and loss account and balance sheet as on 31st March, 2019.

Particulars	31st March, 2018 (₹)	31st March, 2019 (₹)
Debtors	62,000	73,600
Creditors	49,600	54,400
Building	40,000	54,000
Wages outstanding	—	4,000
Prepaid rent	—	2,000

Closing stock on 31st March, 2019 was valued ₹ 70,000. Closing stock on 31st March, 2018 was valued ₹ 85,200.

Information of Cash Book

Building purchased ₹ 20,000; wages ₹ 24,000; postage ₹ 8,800; advertisement ₹ 5,600; maintenance charges ₹ 11,200; salaries ₹ 16,800; rent ₹ 34,000; cash paid to creditors ₹ 3,20,000; drawings ₹ 24,000; cash received from debtors ₹ 4,48,400 and cash in hand on 31st March, 2018 ₹ 24,000.

Ans. Dr Cr

Cash Book			
Particulars	Amt (₹)	Particulars	Amt (₹)
To Balance b/d	24,000	By Drawings	24,000
To Debtors	4,48,400	By Creditors	3,20,000
		By Rent	34,000
		By Salaries	16,800
		By Maintenance Expenses	11,200
		By Advertisement	5,600
		By Postage	8,800
		By Wages	24,000
		By Building	20,000
		By Balance c/d	8,000
	4,72,400		4,72,400

Dr Cr

Debtors Account			
Particulars	Amt (₹)	Particulars	Amt (₹)
To Balance b/d	62,000	By Cash (Received from Debtors)	4,48,400

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To Sales (Credit)		By Balance c/d	73,600
(Balancing figure)	4,60,000		
	5,22,000		5,22,000

Dr		Creditors Account		Cr	
Particulars	Amt (₹)	Particulars	Amt (₹)		
To Cash (Paid to Creditors)	3,20,000	By Balance b/d	49,600		
		By Purchases (Credit)	3,24,800		
		(Balancing figure)			
To Balance c/d	54,400				
	3,74,400				3,74,400

Balance Sheet  
as at 31st March, 2018

Liabilities	Amt (₹)	Assets	Amt (₹)
Creditors	49,600	Building	40,000
Capital (Opening)	1,61,600	Stock	85,200
(Balancing figure)		Debtors	62,000
		Cash	24,000
	2,11,200		2,11,200

Trading and Profit and Loss Account

Dr		for the year ending 31st March, 2019		Cr	
Particulars	Amt (₹)	Particulars	Amt (₹)		
To Opening Stock	85,200	By Sales	4,60,000		
To Purchases	3,24,800	By Closing Stock	70,000		
To Wages	24,000				
(+) Outstanding	4,000				
To Gross Profit (Transferred to profit and	92,000				

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loss account)				
		5,30,000		5,30,000
To Rent	34,000		By Gross Profit b/d	92,000
(-) Prepaid	(2,000)	32,000		
To Salaries		16,800		
To Maintenance Expenses		11,200		
To Advertisement		5,600		
To Postage		8,800		
To Depreciation on Building		6,000		
To Net Profit (Transferred to capital account)		11,600		
		92,000		92,000

**Balance Sheet**

as at 31st March, 2019

Liabilities		Amt (₹)	Assets		Amt (₹)
Creditors		54,400	Cash		8,000
Outstanding Wages		4,000	Debtors		73,600
Capital (Opening)	1,61,600		Stock		70,000
(+) Profit	11,600		Prepaid Rent		2,000
	<u>1,73,200</u>		Building	40,000	
(-) Drawings	(24,000)	1,49,200	(+) Additional	20,000	
				<u>60,000</u>	
			(-) Depreciation	(6,000)	54,000
		<u>2,07,600</u>			<u>2,07,600</u>

LONG ANSWER TYPE II QUESTION (8 Marks)

32. Prepare a trading and profit and loss account for the year ending 31st December, 2018 from the balances extracted from M/s Rahul and Sons. Also prepare a balance sheet at the end of the year.

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Name of Accounts	Amt (₹)	Name of Accounts	Amt (₹)
Stock	50,000	Sales	1,80,000
Wages	3,000	Purchase return	2,000
Salary	8,000	Discount received	500
Purchases	1,75,000	Provision for bad debts	2,500
Sales return	3,000	Capital	3,00,000
Sundry debtors	82,000	Bills payable	22,000
Discount allowed	1,000	Commission received	4,000
Insurance	3,200	Rent	6,000
Rent, rates and taxes	4,300	Loan	34,800
Fixtures and fittings	20,000		
Trade expenses	1,500		
Bad debts	2,000		
Drawings	32,000		
Repair and renewals	1,600		
Travelling expenses	4,200		
Postage	300		
Telegram expenses	200		
Legal fees	500		
Bills receivable	50,000		
Building	1,10,000		
	5,51,800		5,51,800

#### Adjustments

(i) Commission received in advance ` 1,000.

(ii) Rent received ` 2,000.

(iii) Salary outstanding ` 1,000 and insurance prepaid ` 800.

(iv) Further bad debts ` 1,000 and provision for bad debts @ 5% on debtors and discount on debtors @ 2%.

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(v) Closing stock ` 32,000.

(vi) Depreciation on building @ 6% p.a.

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

Name of Accounts	Amt (₹)	Name of Accounts	Amt (₹)
Stock on 1st April, 2018	32,000	Sales (less returns)	2,20,000
Purchases (less returns)	76,000	Sundry creditors	30,000
Rajeev Khandelwal	3,000	Capital	67,800
Wages	15,400	Mortgage and interest to date	15,600
Carriage inwards	2,600	Rent outstanding	1,000
Carriage outwards	1,500		
Salaries	40,000		
Advertisements	9,000		
Trade expenses	4,800		
Rent	12,000		
Establishment	5,400		
Stable expenses	2,100		
Mortgage interest	600		
Sundry debtors	40,000		
Cash in hand	2,500		
Machinery	87,500		
	3,34,400		3,34,400

Adjustments

(i) Closing stock was ` 46,000.

(ii) Provision for doubtful debts be created on sundry debtors @ 5% and a provision for discount on sundry debtors at 2%.

(iii) Salary of ` 3,000 paid to Rajeev Khandelwal an employee of the firm, stands debited to his personal account and it is to be corrected.

(iv) A stationery bill for ` 200 remains unpaid and unrecorded.

(v) Write-off 1/3rd of advertisement expenses.

(vi) Sundry creditors include ` 10,000 loan taken from Mr Kailash on 1st September, 2018 bearing interest

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@ 12% p.a.

Ans. Trading and Profit and Loss Account

Dr		as at 31 st December, 2018		Cr
Particulars		Amt (₹)	Particulars	Amt (₹)
To Opening Stock		50,000	By Sales	1,80,000
To Purchases	1,75,000		(-) Sales Return	(3,000)
(-) Purchases Return	(2,000)	1,73,000	By Closing Stock	
To Wages		3,000	By Gross Loss (Transferred to profit and loss account)	
				32,000
		2,26,000		17,000
To Gross Loss b/d		17,000	By Discount Received	
To Salary	8,000		By Commission Received	4,000
(+) Outstanding Salary	1,000	9,000	(-) Advance	(1,000)
To Discount Allowed		1,000	By Rent Received	6,000
To Insurance	3,200		(+) Accrued Rent	2,000
(-) Prepaid Insurance	(800)	2,400	By Net Loss (Transferred to capital account)	
To Rent, Rates and Taxes		4,300		43,189
To Trade Expenses		1,500		
To Bad Debts	2,000			
(+) Further Bad Debts	1,000			
(+) New Provision	4,050			
(+) Discount	1,539			
(-) Old Provision	(2,500)	6,089		
To Postage		300		
To Telegram Expenses		200		

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To Repair and Renewals	1,600		
To Travelling Expenses	4,200		
To Legal Fees	500		
To Depreciation on Building	6,600		
	54,689		54,689

Balance Sheet  
as at 31 st December, 2018

Liabilities		Amt (₹)	Assets		Amt (₹)
Capital	3,00,000		Sundry Debtors (WN)		75,411
(-) Net Loss	(43,189)		Bills Receivable		50,000
	2,56,811		Fixture and Fitting		20,000
(-) Drawings	(32,000)	2,24,811	Prepaid Insurance		800
Bills Payable		22,000	Building	1,10,000	
Loan		34,800	(-) Depreciation @ 6%	(6,600)	1,03,400
Advance Commission		1,000	Rent (Accrued)		2,000
Outstanding Salary		1,000	Closing Stock		32,000
		2,83,611			2,83,611

Working Note

Amt (₹)

Sundry Debtors 82,000

(-) Further Bad Debts (1,000)

81,000

(-) Provision (5%) (4,050) 76,950

(-) Discount (2%) (1,539) 75,411

Or

Trading and Profit and Loss Account

Dr

for the year ending 31st March, 2019

Cr

Particulars	Amt (₹)	Particulars	Amt (₹)
To Stock on 1st April, 2018	32,000	By Sales (Less returns)	2,20,000
To Purchases (Less returns)	76,000	By Closing Stock	46,000

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To Wages	15,400		
To Carriage Inwards	2,600		
To Gross Profit (Transferred to profit and loss account)	1,40,000		
	2,66,000		2,66,000
To Carriage Outwards	1,500	By Gross Profit b/d	1,40,000
To Salaries 40,000			
(+) Salary to Rajeev			
Khandelwal 3,000	43,000		
To Advertisements (1/3 of 9,000)	3,000		
To Trade Expenses	4,800		
To Rent	12,000		
To Establishment	5,400		
To Stable Expenses	2,100		
To Mortgage Interest	600		
To Provision for Doubtful Debts	2,000		
To Provision for Discount on Debtors	760		
To Stationery	200		
To Outstanding Interest (WN) (On Kailash's loan)	700		
To Net Profit (Transferred to capital account)	63,940		
	1,40,000		1,40,000

Balance Sheet  
as at 31st March, 2019

Liabilities	Amt (₹)	Assets	Amt (₹)
Sundry Creditors (-) Loan 30,000	20,000	Cash in Hand Sundry Debtors 40,000	2,500

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from Kailash	(10,000)			
Outstanding Rent		1,000	(-) Provision for Doubtful Debts	(2,000)
Outstanding Stationery		200		38,000
Mortgage and Interest		15,600	(-) Provision for Discount	(760)
Loan from Kailash (+)	10,000			46,000
Outstanding Interest	700	10,700	Closing Stock Machinery	87,500
	67,800		Advertisement Expenses (2/3)	6,000
Capital (+) Net Profit	63,940	1,31,740		
		1,79,240		1,79,240

*Working Note*

Interest on Kailash's loan is outstanding for 7 months.

Outstanding Interest =  $10,000 \times \frac{7}{12} = ₹ 7,000$

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