

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)

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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?

- (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- (a) cash is withdrawn from bank (b) cash is deposited in bank  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

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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.

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.

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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 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

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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.

(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.

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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 To Cash A/c (Being amount deposited in SBI)		80,000	80,000
Mar 9	Furniture A/c Dr Tools A/c Dr To Cash A/c		1,60,000 32,000	1,92,000

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	(Being furniture and tools purchased)			
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	Amt (₹)
Cost of Goods Sold	96,000
(+) 10% of ` 96,000	9,600
	<hr/>
	1,05,600
(-) Trade Discount 5%	(5,280)
	<hr/>
	1,00,320

LONG ANSWER TYPE I QUESTIONS (6 Marks)

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

Or

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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

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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.
- (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		1,30,870
	1,65,940	1,65,940

LONG ANSWER TYPE II QUESTION (8 Marks)

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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

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	
		0			0	

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
					0

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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) [6,00,000 - 5,76,000 (WN 1)]	24,000		Depreciation A/c (WN 2)	4,24,000
			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

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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* =  $15,000 \times 70\% \times \frac{3}{12} = ` 375$

In the Books of Ipshita JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2019				
Mar 2	Purchases A/c Dr To Lipakshi (Being goods purchased)		19,000	19,000

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

### 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.

e.g. Wages, freight, lighting etc.

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

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

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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

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	Plant and Machinery	1,60,000
3,15,800		3,15,800

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

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,

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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)

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 ₹ 18,800; 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

Cash Book			
Particulars	Amt (₹)	Particulars	Amt (₹)
To Balance b/d	24,000	By Drawings	24,000

Cr

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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 Debtors Account Cr

Particulars	Amt (₹)	Particulars	Amt (₹)
To Balance b/d	62,000	By Cash (Received from Debtors)	4,48,400
To Sales (Credit)		By Balance c/d	73,600
	4,60,00		
(Balancing figure)	0		
	5,22,00		5,22,000
	0		

Dr Creditors Account Cr

Particulars	Amt (₹)	Particulars	Amt (₹)
To Cash (Paid to Creditors)	3,20,00	By Balance b/d	49,600
	0	By Purchases (Credit)	3,24,800
		(Balancing figure)	
To Balance c/d	54,400		
	3,74,40		3,74,400

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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	28,000				
To Gross Profit (Transferred to profit and loss account)	92,000				
	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				

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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
	1,73,200		Building	40,000	
(-) Drawings	(24,000)	1,49,200	(+) Additional	20,000	
				60,000	
			(-) Depreciation	(6,000)	54,000
		2,07,600			2,07,600

**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.

Name of Accounts	Amt (₹)	Name of Accounts	Amt (₹)
Stock	50,000	Sales	1,80,000
Wages	3,000	Purchase return	2,000

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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%.

(v) Closing stock ` 32,000.

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(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.

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(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 @ 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)	1,77,000
(-) Purchases Return	(2,000)	1,73,000	By Closing Stock		32,000
To Wages		3,000	By Gross Loss (Transferred to profit and loss account)		17,000
		2,26,000			2,26,000
To Gross Loss b/d		17,000	By Discount Received		500
To Salary	8,000		By Commission Received	4,000	
(+) Outstanding Salary	1,000	9,000	(-) Advance	(1,000)	3,000
To Discount Allowed		1,000	By Rent Received	6,000	
To Insurance	3,200		(+) Accrued Rent	2,000	8,000
(-) Prepaid Insurance	(800)	2,400	By Net Loss (Transferred to capital account)		43,189
To Rent, Rates and Taxes		4,300			
To Trade Expenses		1,500			
To Bad Debts	2,000				
(+) Further Bad Debts	1,000				
(+) New Provision	4,050				

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(+) Discount	1,539		
, (-) Old Provision	(2,500)	6,089	
To Postage		300	
To Telegram Expenses		200	
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

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(-) 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
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		

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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 (-)	30,000		Cash in Hand Sundry		2,500
Loan from Kailash	(10,000)	20,000	Debtors	40,000	
			(-) Provision for Doubtful Debts	(2,000)	
Outstanding Rent		1,000		38,000	
Outstanding Stationery		200	(-) Provision for Discount	(760)	37,240
Mortgage and Interest		15,600			
Loan from Kailash (+)	10,000		Closing Stock Machinery		87,500
Outstanding Interest	700	10,700	Advertisement Expenses		6,000
	67,800		(2/3)		
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 — = ₹ 700