

Sample Questions Paper-C

AglaSem Schools

Ans. 1. Capital receipts are the receipts which do not arise out of a regular activity of the business but out of some casual or non-recurring transactions. [1]

Ans. 2. Cash in Hand & Cash at Bank are two examples of liquid assets. [1]

Ans. 3. Personal travel of the managing director with no relation to business shown in Cash book as a payment called 'Travel Expense' is not right and ethical. [VB] [1]

Ans. 4. **Accounting Equation :** Assets = Liabilities + Capital. [3]

No.	Transactions	Assets (₹)	=	Liabilities (₹)	+	Capital (₹)
(i)	Kunal started business with cash ₹ 2,50,000	2,50,000	=	0	+	2,50,000
(ii)	Purchased furniture for cash	(+) 35,000 (-) 35,000	=	0	+	0
	New Equation	2,50,000	=	0	+	2,50,000
(iii)	Commission paid	(-) 2,000	=	0	+	(-) 2,000
	New Equation	2,48,000	=	0	+	2,48,000
(iv)	Purchases goods on credit	(+) 40,000	=	40,000	+	0
	New Equation	2,88,000	=	40,000	+	2,48,000
(v)	Sells goods costing ₹ 20,000 for ₹ 26,000 in cash	(-) 20,000 (+) 26,000	=	0	+	(+) 6,000
	New Equation	2,94,000	=	40,000	+	2,54,000

Ans. 5. This principle implies that the accounting report should be full and accurate. If there is any material fact which can affect the profitability of the concern in future, we must disclosed it to the users whether it is legally required or not. There are standard forms for Balance Sheet, Notes to Balance Sheet and Statement of Profit and Loss. It is a legal requirement for joint stock companies to present information in the standardised form.

Disclosure of accounting information mean that the management should reveal its business situation correctly to the users including the facts, matters and policies which are even not legally required but are material. [HOTS] [3]

Ans. 6. Distinguish between Trial Balance and Balance-Sheet : [3]

Trial Balance	Balance Sheet
1. Trial Balance is prepared to check the arithmetical accuracy of the accounting process.	1. Balance sheet is prepared to show the financial soundness of the organisation.
2. In Trial Balance, Balances of all the accounts are written.	2. In Balance Sheet, Balances of Assets and Liabilities are recorded.
3. Trial Balance is prepared from ledger accounts.	3. Balance sheet is prepared from trial balance.
4. All the revenue and capital nature accounts are shown in trial balance.	4. In balance sheet, only capital nature accounts are shown.

Ans. 7.

Rectification Entries

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Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
(i)	Purchase A/c Dr. Sales A/c Dr. To Ravi (Being goods purchased from Ravi, passed through wrong book, now rectified)		500 500	1,000
(ii)	Bills Receivable A/c Dr. To Debtor's A/c (Being wrong amount recorded in Bills Receivable book, now rectified)		180	180
(iii)	Repairs A/c Dr. To Plant and Machinery A/c (Being wrong recording of repairs now rectified)		1,000	1,000
(iv)	Purchases A/c Dr. To furniture A/c (Being wrong recording of purchase as furniture, now rectified)		2,000	2,000

Ans. 8. Book-keeping: Book-keeping is considered with recording of business transactions in a systematic manner. It includes recording transactions in Journal, preparing subsidiary books, posting them into ledger and balancing of accounts. These are initial steps in accounting and the work is done by clerks. [4]

Objective of Book keeping—Book keeping is concerned with the proper maintenance of the books of accounts. Its objective is to record the transactions systematically in the proper books of accounts. It is not concerned with disclosing or interpreting the results of the business.

Ans. 9.

Rectification Entries

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
(i)	Mahima Dr. To Purchases Returns A/c To Sales Returns A/c (Being wrong recording of returns now rectified)		10,000	5,000 5,000
(ii)	Sales Returns A/c Dr. Purchases Returns A/c Dr. To Kajol (Being wrong recording of returns from Kajal, now rectified)		2,000 2,000	4,000
(iii)	Purchases A/c Dr. Purchases Returns A/c Dr. To Ravina (Being wrong recording of purchase from Ravina as purchase returns, now rectified)		3,000 3,000	6,000

(iv)	Karishma To Purchases A/c To Purchases Returns A/c (Being wrong recording of returns to Karishma in purchaser book with wrong amount, now rectified)	Dr.		2,266	1,106 1,160
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Ans. 10. Following are the qualitative characteristics of accounting information : [6]

1. Reliability : The basic purpose of accounting is to provide information to the management, owners or whoever genuinely interested in it. The information is meaningful only if it is reliable. The reliable information enables accurate decision making. It should be verifiable. It should lead to same or similar conclusion, when analyzed by different accounting professionals.

2. Relevance : There is lot of information about a business having no practical use. Accounting should be concise and precise. Meaningless information makes the analysis difficult. A report stuffed with immaterial information simply wastes time. A decision is made on the basis of facts. Therefore it is essential to ensure that a person searching for it does not have to search the facts hidden deep in the garbage of irrelevant information.

3. Understandability : Information is useful only when it is understandable. This does not mean that every layman should be able to understand information presented in an accounting report. Understandability means the information is presented in universally accepted accounting format which every accountant is able to understand and explain. International accounting standards enable to ensure accounting information is processed and presented in a uniform manner, which paves way to accurate analysis and interpretation.

4. Comparability : Accounting information should enable comparison between the results of different years of the same company. It should also enable comparison between different business houses in the same industry.

Ans. 11. **Bank Reconciliation Statement**
As on 30 June, 2011

Particulars	+ Items	- Items
(i) Credit Balance as per pass book	5,010	—
(ii) Cheques drawn but not presented	—	3,000
(iii) Cheques deposited but not collected	2,900	—
(iv) Bills Payable paid by Bank	1,700	—
(v) Receipt column of cash book undercast	—	100
(vi) Agent remitted to bank directly	—	3,500
Balance as per cash book	—	3,010
	9,610	9,610

Ans. 12. **Journal Entries**
In the books of A [HOTS] [6]

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2012 Apr. 15	Bills Receivable No. 1 A/c Bills Receivable No. 2 A/c Bills Receivable No. 3 A/c To B A/c (Being three acceptances received from B first for ₹ 700 at one month, 2nd for ₹ 800 at two months, and the 3rd for ₹ 900 at three months)	Dr. Dr. Dr.	700 800 900	2,400

Apr. 20	C A/c To Bills Receivable No. 1 A/c To Discount A/c (Being the 1st bill endorsed to C in full settlement of ₹ 710)	Dr.	710	700 10
Apr. 22	Cash A/c Discount A/c To Bills Receivable No. 2 A/c (Being the 2nd bill discounted)	Dr. Dr.	792 8	800
June, 18	B A/c To Bank A/c (Being 2nd acceptance dishonoured and ₹ 10 paid as noting charges)	Dr.	810	810
June, 18	B A/c To Interest A/c (Being interest due on B)	Dr.	15	15
June, 18	Bills Receivable No. 4 A/c To B (Being acceptance of 4th bill by B including noting charges and interest received)	Dr.	825	825
July, 18	Cash A/c To Bills Receivable No. 3 A/c (Being the 3rd bill met on maturity)	Dr.	900	900
Sept. 21	Cash A/c To Bills Receivable No. 4 A/c (Being payment of 4th bill received)	Dr.	825	825

Ans. 13.

**In the books of Nagaji Bros.
Machinery A/c**

Date	Particulars	Amount (₹)	S. No.	Particulars	Amount (₹)
2009 1 Jan.	To Bank A/c (15,000 × 6)	90,000	2009 31 Dec.	By balance c/d	90,000
		90,000			90,000
2010 1 Jan. 1 July	To Balance b/d To Bank A/c	90,000 28,000	2010 1 Jan. 31 Dec.	By Machinery Disposal A/c By Balance c/d	15,000 1,03,000
		1,18,000			1,18,000
2011 1 Jan.	To Balance b/d	1,03,000	2011 1 Jan. 31 Dec.	By Machinery Disposal A/c By Balance c/d	15,000 98,000
		1,03,000			1,03,000
2012 1 Jan.	To Balance b/d	98,000			

Provision for Dep. A/c

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Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2009 31 Dec.	To Balance c/d	9,000	2009 31 Dec.	By Depreciation A/c (1,500 × 6)	9,000
		9,000			9,000
2010 1 Jan.	To Machinery Disposal A/c	1,500	2010 1 Jan.	By Balance b/d	9,000
31 Dec.	To Balance c/d A/c	16,400	31 Dec.	By Depreciation A/c (1,500 × 5) + 1,400	8,900
		17,900			17,900
2011 1 Jan.	To Machinery Disposal	3,000	2011 1 Jan.	By Balance b/d	16,400
31 Dec.	To Balance c/d	22,200	31 Dec.	By Depreciation A/c (1500 × 4) + 2800	8,800
		25,200			25,200
			2012 1 Jan.	By Balance b/d	

Machinery Disposal A/c

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2010 1 Jan.	To Machinery A/c	15,000	2010 1 Jan.	By Provision for Dep. A/c	1,500
		15,000		By Bank A/c (Sale)	12,500
				By P & L A/c (Loss)	1,000
					15,000
2011 1 Jan.	To Machinery A/c	15,000	2011 1 Jan.	By Prov. for Dep. A/c	3,000
	To P & L A/c (Profit)	1,000		By Bank A/c (Sale)	13,000
		16,000			16,000

Or

In the Books of Chasidas Cash Book

Date	Particulars	L.F.	Cash (₹)	Bank (₹)	Date	Particulars	L.F.	Cash (₹)	Bank (₹)
2011 Jan. 1	To Capital A/c		50,000		2010				
Jan. 2	To Cash A/c (c)			20,000	Jan. 2	By Bank A/c (c)		20,000	
Jan. 6	To Sales A/c		2,000		Jan. 2	By Purchases		5,000	
Jan. 10	To Sales A/c			4,000	Jan. 4	By Wages		25	
Jan. 20	To C		950		Jan. 6	By Purchases		10,000	
Jan. 27	To Bank A/c (c)		500		Jan. 12	By Purchases		3,000	
					Jan. 15	By B		2,800	
					Jan. 18	By Purchases A/c		4,000	
					Jan. 25	By Donation		10	

				Jan. 27	By Cash A/c (c)			
				Jan. 31	By Bal. c/d		11,615	20,500
		53,450	24,000				53,450	24,000
Feb. 1	To Bal. b/d	11,615	20,500					

Part B - Financial Accounting II

[40 Marks]

Ans. 14. The value shown by Mr. Pandey is **concern towards society**. [VB][1]

Ans. 15. It is the amount paid to the person who is not the regular employee of the institution. Payment to an artist for giving performance at the club is an example of honorarium. This payment of honorarium is shown on the expenditure side of the Income and Expenditure Account. [1]

Ans. 16. Generally, records for cash transactions and personal accounts are properly maintained in incomplete records. [1]

Ans. 17. **Statement showing Subscription Income** [3]

Particulars	Amount	Amount
Amount received for subscription during 2012		2,50,000
Add : Subscription Outstanding on 31.3.2012	35,000	
Subscription Received in Advance as on 1.4.2011	25,000	60,000
		3,10,000
Less : Subscription Outstanding on 1.4.2011	50,000	
Subscription Received in Advance as on 31.3.2012	30,000	80,000
Subscription Income to be shown in Income and Expenditure A/c		2,70,000

Ans. 18. **Statement of Profit & Loss** [3]

Particulars	Amount
Closing Capital (31-03-2012)	1,00,000
Add : Drawings made during the year (2011-12)	40,000
	1,40,000
Less: Additional capital introduced (2011-12)	20,000
	1,20,000
Less: Opening Capital (01-04-2011)	50,000
Profit made for the year 2011-12.	70,000

Ans. 19. The format of a balance sheet, based on liquidity order is given below : [3]

Balance Sheet (on the basis of Liquidity Order)

As on

Liabilities	(₹)	Assets	(₹)
Current Liabilities :		Current Assets:	
Creditors	xxx	Cash in hand	xxx
Bills Payable	xxx	Cash at bank	xxx
Bank overdraft	xxx	Debtors	xxx
Outstanding expenses	xxx	Bills Receivable	xxx
Income received in advance	xxx	Stock-in-trade	xxx
Long Term Liabilities:		Prepaid expenses :	xxx
Loan	xxx	Investments : (give details)	xxx

Mortgage	xxx	Current Assets:	
Capital	xxx	Furniture and Fixtures	xxx
Add: Net Profit	xx	Plant and Machinery	xxx
Less: Drawings	(xx)	Building	xxx
		Land	xx
		Goodwill	xxx
	xxx		xxx

Ans. 20. Data : These are facts and may consist of numbers, text, etc. These are gathered and entered into a computer system. The computer system in turn stores, retrieves, classifies, organises and synthesises the data to produce information according to a pre-determined set of instructions. The data is, therefore, processed and organised to create information that is relevant and can be used for decision-making. [4]

Ans. 21. Friends Club, Delhi [4]

RECEIPTS AND PAYMENTS ACCOUNT

Dr.	For the year ended March 31, 2013		Cr.
Receipts	Amount	Payments	Amount
To Balance on April 1,2012	3,600	By Electric charges	3,440
To Subscriptions	37,600	By Taxes	500
To donations	8,000	By Salaries and wages	21,500
To Entrance Fees	4,300	By Honorarium to Secretary	2,500
To Rent	5,250	By Printing and Stationery	350
To Interest on Investments	2,950	By Petty cash payments	100
		By Insurance Premium	310
		By Balance on March 31, 2013	
		cash in hand	33,000
	61,700		61,700

Ans. 22. Following are the main advantages of readymade packages :

- Cost Effective :** Readymade systems are very cost effective in automating the accounting function. The cost to implement readymade systems is much lesser than the cost of creating a new system from the scratch.
- Time Saving :** It takes a lot of time to create and implement customized accounting software. Purchasing a readymade software saves a lot of time.
- No Overruns :** When a company purchases and installs a readymade software, there is no risk of cost overrun and schedule overrun. Customized software generally lead to cost and schedule overruns.
- Better Features :** Readymade packages are created for a vast number of users. It incorporates many features for capturing maximum number of users. This way, these software have better features than software that are developed in-house or by software vendors. [6]

Ans. 23. Income and Expenditure A/c
For the year ended 31 Dec., 2012

Expenditure	Amount (₹)	Incomes	Amount (₹)
To Salaries	1,200	By Subscription	1,000
Add : Out standing salaries	100	Add : O/s (2012)	250
	1,300	By Rent of hall	740

Less : Salaries paid for 2011	100	1,200	By Profit on Entertainment	400
To General Expenses		300	By Sale of News Paper	100
To Electric Charges		200		
To News Paper		400		
To Postage		50		
To less on sale of furniture		40		
To Surplus (Excess of Income expenditure)		300		
		2,490		2,490

Balance Sheet
As on 31.12.2012

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital fund	11,550	Cash in hand	500
Add : Surplus	300	Subscription O/s	250
Subscription recd in Advance	200	Add : O/s for 2011	50
Salaries Outstanding	100	Land & building	10,000
		Furniture	600
		Less : Sold	100
			500
		Add : Purchased	250
		Books	500
		Add : Purchased	100
	12,150		600
			12,150

Working Notes :

Liabilities	Amount (₹)	Assets	Amount (₹)
Salaries Outstanding	100	Cash Balance	250
Capital fund	11,550	Outstanding subscription	300
(Balancing figure)		Furniture	600
		Books	500
		Land and Building	10,000
	11,650		11,650

Ans. 24.

In the books of Sharma
Trading and P & L A/c
for the year ended 31st Mar., 2012

Particulars	Amount (₹)	Particulars	Amount (₹)
To opening stock	19,800	By Sales	95,000
To Purchases	72,100	Less : Returns	1,300
Less : Returns	2,700	By Closing Stock	61,700
To Carriage Inward	3,200		
To Salaries and Wages (1/4)	5,125		

To Gross Profit transferred to P & L A/c	57,875		
	1,55,400		1,55,400
To Salaries and Wages 20,500		By Gross Profit	57,875
Less : Charged to Trading 5,125	15,375	By Discount	2,910
To Sales Van Expenses	1,400		
To Bad Debts	3,000		
To Office Expenses	6,210		
To Depreciation :			
Sales Van 3,000			
Furniture 500	3,500		
To Rent and Taxes (10,700 + 900)	11,600		
To Telephone Charges	1,050		
To Postage & Telegram	950		
To Printing & Stationery	2,750		
To Commission	8,400		
To Net Profit transferred to capital A/c	6,550		
	60,785		60,785

Balance Sheet

As at 31 Mar., 2012

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital 50,000		Sundry Debtors	18,200
Less : Drawings 7,500		Bills Receivable	12,000
42,500		Cash in Hand	300
Add : Net Profit 6,550	49,050	Sales Van 15,000	
Sundry Creditors	35,750	Less : Dep. - 3,000	12,000
Bills Payable	23,000	Furniture 5,000	
Outstanding Rent 900		Less : Dep. - 500	4,500
		Closing Stock	61,700
	1,08,700		1,08,700

Or

Trading and Profit and Loss Account

for the year ended 31st Mar., 2012

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening stock	22,000	By Sales	2,75,000
To Purchase	2,05,000	By Closing stock	40,000
To Gross Profit transferred to P & L A/c	88,000		
	3,15,000		3,15,000
To Postage and Telegram	360	By Gross Profit	88,000
To Charity	2,800	By Interest on bank deposit	540
To Repairs	2,500	By Prov. for Charity	14,000

To Audit fee	800	By Prov. for repairs	20,000
To Salaries	14,200		
To Carriage	4,500		
To Interest on FD	3,200		
To Rent :	—		
Add : Land Lord A/c	<u>4,800</u>		
To Indirect Expenses	1,440		
To Prov. for D/D	800		
To Net Profits transferred to Capital A/c	77,140		
	<u>1,12,540</u>		<u>1,12,540</u>

Balance Sheet

As on 31st December, 2011

Particulars	Amount (₹)	Particulars	Amount (₹)
Capital	1,00,000	Building	60,000
Less : Household Exp.	<u>— 5,440</u>	Accounts Receivable	20,000
	94,560	Bank Deposit	6,000
Add : Net Profit	<u>77,140</u>	Loose Tools	8,000
	1,71,700	Cash in hand	7,300
		Plant & Furniture	52,000
		Security deposit	28,000
Bank overdraft	12,800	Land lord A/c	4,800
Accounts Payable	32,000	Less : Rent paid	<u>4,800</u>
Fixed deposit	20,000		—
		Closing stock	40,000
		Personal Debts	16,000
		Less : Prov. fors D/D	<u>800</u>
	<u>2,36,500</u>		15,200
			<u>2,36,500</u>

Note : Fixed deposits has a credit balance. It means Mr. Radhe Mohan has accepted F.D. from others so it is a Liability for him.

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