

Sample Questions Paper-E

- Ans. 1.** Double entry system may be defined as a system of accounting in which both the aspects of a transaction are recorded. [1]
- Ans. 2.** (i) Preliminary expenses.
(ii) Brokerage on issue of shares and debentures. [1]
- Ans. 3.** Outstanding wages is a personal account. [1]
- Ans. 4.** The journal is subdivided into a number of books of original entry as follows : [3]
- (a) Journal Proper
(b) Cash book
(c) Other day books :
- (i) Purchases (journal) book (ii) Sales (journal) book
(ii) Purchase Returns (journal) book (iv) Sale Returns (journal) book
(v) Bills Receivable (journal) book (vi) Bills Payable (journal) book
- Ans. 5.** There are some exceptions of the basic accounting principles. These exceptions are called modifying accounting principles. These are :
- (i) Materiality, (ii) Consistency,
(iii) Prudence or conservatism, (iv) Timeliness,
(v) Substance over form, (vi) Industry practice. [VB] [3]
- Ans. 6.** What is suspense Account ? Give one example with entries of suspense Account. [3]

Ans. 7.

Journal Entries In the books of Aashirwad

Date	Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
2011 Jan. 1	Bills Receivable A/c Dr. To Aakarshak (Being acceptance received from Aakarshak)		10,000	10,000
	Aakriti Dr. To Bills Receivable A/c (Being bill endorsed to Aakriti)		10,000	10,000
Apr. 4	Aakarshak Dr. To Aakriti (Being bill of Aakarshak cancelled on his request for renewal)		10,000	10,000
	Aakriti Dr. To Cash A/c (Being payment of bill made of Aakriti)		10,000	10,000
	Aakarshak Dr. To Interest A/c (Being interest shown due for renewal)		450	450
	Bills Receivable A/c Dr. To Aakarshak (Being bill received from Aakarshak)		10,450	10,450
July 7	Cash A/c Dr. To Bills Receivable A/c (Being cash received against bill)		10,450	10,450

Ans. 8. The difference between Book-keeping and Accounting is summarised below:

BASIS	BOOK-KEEPING	ACCOUNTING
1. Nature	Book-keeping is considered with identifying financial transactions, measuring them in money terms recording and classifying them.	Accounting is concerned with summarising the recorded transactions, interpreting them and communicating the results.
2. Relations	Book-keeping is the basis of accounting.	Accounting beings where book-keeping ends.
3. Special	Book-keeping is mechanical in skills and nature and thus, does not require special skills.	Accounting requires special skills and ability to analyse and interpret.

Ans. 9. **Bank Reconciliation Statement**

As on 31 Dec. 2011

Particulars	+ Items	- Items
Balance as per pass book	3,357	—
(i) Cheques sent to bank but not collected	790	—
(ii) Cheques drawn but not presented	—	650
(iii) Payment of B/P made by bank	1,000	—
(iv) Bill dishonoured discounted	500	—
(v) Bank charged commission	13	—
(vi) Interest allowed by bank	—	10
Balance as per cash book		5,000
	5,660	5,660

Ans. 10. Accounting standards may be defined as codified generally accepted accounting principles. According to **Kohler**, “Accounting standard is a mode of conduct imposed on the accountants by custom, Law and a professional body”.

Following points highlight the nature of accounting standards:

- (1) Accounting standards are the norms of accounting policies and practices to be adopted by the accountants.
- (2) Accounting standards make accounting procedures universally acceptable by removing the diverse accounting practices and policies.
- (3) Accounting standards serve as guides for solving one or more accounting problems.
- (4) Accounting standards provide the basis upon which financial statements are prepared.
- (5) Accounting standards are codified principles to be followed by public accountants. [6]

Ans. 11. **Purchases Book**

Date	Particulars	L.F.	Details	Amount
2012				
Jan. 1	Mahendra : Goods		40,000	
	Less : Trade discount		4,000	36,000
Jan. 7	Shyam Singh		30,000	30,000
Jan. 31	Purchases A/c Dr.			66,000

Sales Book

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Date	Inv. No.	Particulars	L.F.	Details	Amount
Jan. 5		Moti		10,000	10,000
Jan. 8		Marish		12,000	12,000
Jan. 19		Moti		6,000	6,000
Jan. 27		Mahesh		8,000	8,000
Jan. 31		Sales A/c Cr.			36,000

Purchases Returns Book

Date	Inv. No.	Particulars	L.F.	Details	Amount
Jan. 6		Mahendra : Goods		5,000	
		Less : Trade discount		500	4,500
Jan. 31		Purchases Returns A/c Cr.			4,500

Ans. 12.

Rectification Journal Entries

Date	Particulars	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
(a)	Purchases A/c Dr. To Suspense A/c (Being total of purchase book rectified)		1,000	1,000
(b)	Sales A/c Dr. To Suspense A/c (Being total of sales book rectified)		10,000	10,000
(c)	Furniture A/c Dr. To Suspense A/c (Being wrong posting in furniture A/c rectified)		7,290	7,290
(d)	Bills Receivable A/c Dr. To Ganesh (Being bill from Ganesh not entered, rectified)		10,000	10,000
(e)	Machinery A/c Dr. To Purchases A/c (Being machinery purchased wrongly recorded, now rectified)		10,000	10,000

Suspenses A/c

Date	Particulars	L.F.	Amount (₹)	Date	Particulars	L.F.	Amount (₹)
	To Difference in trial balance		18,290		By Purchases A/c		1,000
					By Sales A/c		10,000
					By furniture A/c		7,290
			18,290				18,290

Ans. 13.

Machinery A/c

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Date	Particulars	L.F.	Amount (₹)	Date	Particulars	L.F.	Amount (₹)
2009				2009			
1 Apr.	To Bank A/c I		30,000	31 Dec.	By Depreciation A/c		
1 Oct.	To Bank A/c II		20,000		I 2,250		
					II <u>500</u>		2,750
					By Balance c/d		
					I 27,750		
					II <u>19,500</u>		47,250
			50,000				50,000
2010				2010			
1 Jan.	To Balance b/d			31 Dec.	By Depreciation A/c		
	I 27,750		47,250		I 2,775		
	II <u>19,500</u>				II 1,950		
1 July	To Bank A/c III		10,000		III <u>500</u>		5,225
					By Balance c/d		
					I 24,975		
					II 17,550		
					III <u>9,500</u>		52,025
			57,250				57,250
2011				2011			
1 Jan.	To Balance b/d			1 Jan.	By Bank A/c		3,000
	I 24,975				By P & L A/c (loss)		5,325
	II 17,550			31 Dec.	By Depreciation A/c		
	III <u>9,500</u>		52,025		I 1,665		
					II 1,755		
					III <u>950</u>		4,370
					By Balances c/d		
					I 14,985		
					II 15,795		
					III <u>8,550</u>		39,330
			52,025				52,025
2012							
1 Jan.	To Balance b/d						
	I 14,985						
	II 15,795						
	III 8,550		39,220				

Or

Machinery A/c

Date	Particulars	L.F.	Cash (₹)	Bank (₹)	Date	Particulars	L.F.	Cash (₹)	Bank (₹)
2013					2013				
Feb. 1	To Balance b/d		7,500	8,000	Feb. 5	By Purchases		—	2,000
Feb. 3	To Bills Receivable		—	5,880	Feb. 15	By Trades Expenses		120	—

Feb. 16	To Bank A/c	(c)	1,000	—	Feb. 16	By Cash A/c	(c)	—	1,000
Feb. 17	To Sales A/c		12,500	—	Feb. 25	By Insurance A/c		100	—
Feb. 27	To Cash A/c	(c)	—	12,500	Feb. 27	By Bank A/c	(c)	12,500	—
Feb. 28	To John & Co.		—	6,000	Feb. 28	By Investment A/c		—	9,500
					Feb. 28	By Balance c/d		8,280	29,880
			21,000	32,380				21,000	32,380
2013									
Mar. 1	To Balance b/d		8,280	29,880					

Part B - Financial Accounting II

[40 Marks]

Ans. 14. The value is justification to work is being followed by Mr. Raj. [VB] [1]

Ans. 15. 'Sale of used Sports Materials' will be subtracted from Sports Material at cost price and the profit or loss of such sale will be shown in Income & Expenditure Account. [1]

Ans. 16. Statement of Affairs is a statement of assets and liabilities prepared to ascertain the amount of change in the capital. Such a statement shows assets on one side and the liabilities on the other just as in case of a balance sheet. The difference between the totals of the two sides (balancing figure) is the capital. [1]

Ans. 17. **Statement Showing Subscription**

Particulars	Amount	Amount
Subscription Recd. during the year		17,880
Add : Subscription outstanding on 31.12.2012	5,700	
Subscription received in Adv. on 1.1.2012	—	5,700
		23,580
Less : Subscription outstanding on 1.1.2012	400	
Subscription in advance on 31.12.2012	680	1,080
Subscription to be credited to income		22,500

Ans. 18. **Balance Sheet**
As on Jan 1, 2012

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundrg Creditors	1,750	Furniture	200
Capital (Balancing figure)	3,500	Stock	2,800
		Sundrg Debtors	2,100
		Cash	150
	5,250		5,250

Balance Sheet
As on Dec. 31, 2012

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundrg Creditors	1,900	Furniture	200
Loan	500	Less : Depreciation	20
		Stock	3,050
Capital (balancing figure)	5,390	Sundrg Debtors	3,400
		Less : Prov.	340
		Cash	200

		Bills Receivable	AglaSem Schools
		Investment	1,000
	7,790		7,790

Statement of Profit

Particulars	Amount (₹)
Cap. on 31.12.2012	5,390
Add : Drawings	500
	5,890
Less : Opening Capital	3,500
Profits earned during the year	2,390

Ans. 19.

In the books of Bhomick Brothers, Katihar

Trading A/c

for the year ended 31st Mar. 2012

Particulars	Amount (₹)	Particulars	Amount (₹)
To opening stock	2,00,000	By Sales	4,00,000
To purchases	6,00,000	Less : Sales Tax	6,000
Less : Returns	50,000		3,94,000
To Direction Expenses		Less : Return	44,000
S. Factory Overheads	50,000	By Closing Stock	2,50,000
Carriage	30,000	By Gross Loss transferred	
Royalty on Production	20,000	to Profit & Loss A/c	3,50,000
Foreman's Salary	1,00,000		
	9,50,000		9,50,000

$$\begin{aligned}
 \text{Cost of goods sold} &= \text{Net Sales} + \text{Gross Loss} \\
 &= 3,50,000 + 3,50,000 \\
 &= 7,00,000
 \end{aligned}$$

Ans. 20. Difference between Manual Accounting and Computerised Accounting :

[4]

Point of Difference	Manual Accounting	Computerised Accounting
1. Recording	Recording of financial transactions is through books of original entry.	Data content of these transactions is stored in well designed data base.
2. Classification	Transactions recorded in the books of original entry are further classified by posting them into ledger accounts. This results in transaction data duplicity.	No such data duplications is made. In order to produce ledger accounts the stored transaction data is processed to appear as classified so that same is presented in the form of report.
3. Summarizing	Transactions are summarized to produce trial balance by ascertaining the balances of various accounts.	The generation of ledger accounts is not necessary condition for trial balance.
4. Adjusting entries	Adjusting entries are made to adhere to the principle of matching.	There is nothing like making adjusting entries for errors and rectifications.
5. Financial statements	The preparation of financial statements assumes the availability of trial balance.	The preparation of financial statements is independent of producing the trial balance.

Ans. 21. Like any other organisations Not-for-Profit Organizations (NPOs) also maintain cash book to record cash transactions on day to day basis. But at the end of the year they prepare a summary of cash transactions based on the cash-book. This summary is prepared in the form of an account. It is called Receipts and payments account. All cash receipts and payments are recorded in this account whether these belongs to current year or next year or previous year. All receipts and payments are recorded in this account whether these are of revenue nature or capital nature.

Basic of Distinction	Income & Expenditure Account	Profit & Loss Account
1. Object	The main object of Income and Expenditure Account is to ascertain excess of income over expenditure or excess of expenditure over income.	The main object of Profit and Loss Account is to ascertain net profit or net loss.
2. Who prepares ?	This account is prepared by non-profit organizations.	This account is prepared by trading institutions.
3. Basic of Preparation	This account is prepared on the basis of Receipts and Payments Account and other information.	This account is prepared on the basis of trail balance.
4. Balance	The balance of this account represents surplus or deficit.	The balance of this account represents net profit or net loss.

Ans. 22. Database management system means a combination of hardware and software that can be used to monitor a database and to manage the updating and retrieval of database. Database Management System (DBMS) is the collection of interrelated data and a set of procedures to access the data. It has programs to set the storage structures, load the data, accept data requests from programs and users, format retrieved data so that it appears in a form that program or user expects, hide data that a particular user should not have access to, accept and perform updates, allow concurrent use of the data without having users interface with each other and perform backup and recovery procedures automatically.

1. Components of DBMS : These are comprised of several components. These would include software, hardware, data, procedures and database access language.

Hardware : Hardware of computer consists of physical components such as keyboard, mouse, monitor and processor. These are electronic and electromechanical components.

2. Software : A set(s) of programmes, which is used to work with such hardware is called its software. A coded set of instructions stored in the form of circuits is called firmware.

3. People : People interacting with the computers are also called live-ware of the computer system. They constitute the most important part of the computer system.

4. Procedures : The procedure means a series of operations in a certain order or manner to achieve desired results. There are three types of procedures which constitute part of computer system: hardware-oriented, software-oriented and internal procedure.

5. 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.

Ans. 23.

Jan Kalyan Club
Income & Expenditure A/c
for the year ended 31.12.2012

Expenditure	Amount (₹)	Incomes	Amount (₹)
To Salary	24,000	By Subscriptions	60,200
To Travelling Expenses	6,000	Add. op. R/Adv.	1,000

To Stationery	2,300		Closing O/S	<u>3,700</u>	
Add : Opening Stock	<u>1,200</u>			64,900	
	3,500		Less : Closing Adv.	(3,200)	
Less : Closing Stock	<u>800</u>	2,700	Opening O/S	<u>(2,000)</u>	59,700
To Repairs		700	By Donation		3,000
To Books opening	13,500		By Entrance fees		800
Add : Purchased	<u>6,000</u>		By Int. on Investment		5,000
	19,500				
Less : Closing	<u>16,500</u>	3,000			
To Loss on sale of furniture		2,000			
To Rent	16,000				
Add : O/S end	<u>2,000</u>				
	18,000				
Less : O/S beg.	<u>1,000</u>	17,000			
To Dep. on furniture		8,000			
To Surplus (Excess of Income over expenditure)		5,100			
		<u>68,500</u>			<u>68,500</u>

Ans. 24.

**M/s Randhir Transport Corporation
Trading and Profit & Loss Account**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening stock	40,000	By Sales	1,50,000
To Purchases	75,000	Less : Sales Return	<u>2,500</u>
To Power	3,500		1,47,500
To Wages	4,500	By Closing stock	35,500
To Gross profit transfered to profit & loss A/c	60,000		
	<u>1,83,000</u>		<u>1,83,000</u>
To Rent	2,000	By Gross profit transfered from trading account	60,000
To Telegram and postage	400	By Discount	1,500
To Salary	2,500	By Interest on Investment	2,600
To Insurance	3,200		
To Discount	1,000		
To Repair and renewals	2,000		
To Legal charges	700		
To Bad debts	2,000		
Less : Prov. for bad debts	<u>1,000</u>		
	1,000		
To Travelling Expenses	1,230		
To Interest on loan	5,500		
To Trade taxes	1,200		
To Trade expenses	4,500		
To Net profit transferred to capital A/c	37,620		
	<u>64,100</u>		<u>64,100</u>

Balance Sheet

AglaSem Schools

As on

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital	2,70,000	Plant & Machinery	1,20,000
Less : Drawing	<u>20,020</u>	Land & Building	2,55,000
	2,49,980	Debtors	75,000
Add : Net Profit	<u>37,620</u>	Investment	65,000
	2,87,600	Add : Int. on Investment	<u>2,600</u>
Creditors	50,000		67,600
Bills Payable	50,000	Closing stock	35,500
Loan	1,10,000		
Add : Interest	<u>5,500</u>		
	1,15,500		
General Reserve	50,000		
	<u>5,53,100</u>		<u>5,53,100</u>

Or

Trading and P & L A/c

for the year ending 31 Dec. 2012

Particular	Amount (₹)	Particulars	Amount (₹)
To Opening stock	42,000	By Sales	4,10,000
To Purchases	2,00,000		
Less : Returns	<u>8,000</u>		
	1,92,000		
To Wages	44,000		
To Carriage Inwards	5,800		
To Gross profit c/d	1,26,200		
	<u>4,10,000</u>		<u>4,10,000</u>
To Salaries	32,000	By Gross profit b/d	1,26,200
To Discount	2,000	By Commission	7,500
To Dep. on plant	6,000	By Interest on Investment	700
To Rent	27,500	Add : Accured interest	<u>700</u>
To Dep. on furniture	3,950		1,400
To Carriage outwards	3,200	By Special rebate	800
To Prov. of D/B	5,000		
To Office expenses	6,600		
To Insurance	1,500		
Less : prepaid	<u>500</u>		
	1,000		
To Net profit of to capital A/c	45,750		
	<u>1,35,900</u>		<u>1,35,900</u>

Balance Sheet

Particular	Amount (₹)	Particulars	Amount (₹)
Capital	1,50,000	Plant	60,000
Add : Net Profit	<u>45,750</u>	Less : Depreciation	<u>6,000</u>
	1,95,750	Furniture	20,000

		<i>Less : Dep.</i>	<u>3,950</u>	16,050
Creditors	20,000	Debtors	1,00,000	
Bank	24,000	<i>Less : Prov.</i>	<u>5,000</u>	
			95,000	
		<i>Less : Prov. for Disc.</i>	<u>1,900</u>	93,100
		Cash in hand		5,400
		Investment @ 14%	10,000	
		<i>Add : Accrued Int.</i>	<u>700</u>	10,700
		Prepaid Insurance		500
		Closing stock		60,000
	<u>2,39,750</u>			<u>2,39,750</u>

Note : (1) Dep. on furniture = $19,500 \times \frac{20}{100} = 3,900$

$$500 \times \frac{20}{100} \times \frac{6}{12} = 50$$

$$= 3,950$$

(2) Closing stock is shown in assets only as that is given in trial balance.



