

CBSE Class 11 Accountancy
Sample Paper 01 (2020-21)

Maximum Marks: 80

Time Allowed: 3 hours

General Instructions:

- i. All questions are compulsory.
- ii. Marks are given alongwith each question.
- iii. There is no overall choice, however internal choice is given in some questions.

Section A

1. In the following which is not the branch of Accounting?
 - a. Financial Accounting
 - b. Management Accounting
 - c. Cost Accounting
 - d. Statistics
2. Ram started a business for buying and selling of stationery with Rs.5,00,000 as an initial investment. Of which he paid Rs.1,00,000 for furniture, Rs.2,00,000 for buying stationery item A part of the machinery, which cost Rs.40,000, was sold for Rs.45,000. What is the gain he earned?
 - a. Rs.1,00,000
 - b. Rs.5,000
 - c. Rs.8,000
 - d. Rs.45,000
3. The amount which is incurred to aquire or improve the fixed assets is known as _____.
 - a. Revenue Expenditure
 - b. Revenue receipt
 - c. Capital expenditure
 - d. Capital receipt
4. Which of the following will be treated as drawings:
 - A. Withdrawing money for payment of salary to employees

- B. Withdrawing money for payment to creditors
 - C. Withdrawing money from the business for private expenses
 - D. Withdrawing money for the purchase of an asset
 - a. Only C is correct
 - b. Only B is correct
 - c. Only A is correct
 - d. Only D is correct
5. Which of the following is not a fixed asset?
- a. Computers
 - b. Furniture
 - c. Building
 - d. Cash in hand
6. Example of hardware is
- a. Keyboard
 - b. MS Dos
 - c. Excel
 - d. software
7. If the Owner's Equity is 20,000 and Creditors Equity is 40,000. What will be the assets of the firm?
- a. None of these
 - b. 60000
 - c. 40000
 - d. 20000
8. In spite of so many qualities computer suffer from the following limitations except
- a. Lack of decision making
 - b. High I.Q
 - c. Lack of common sense
 - d. Lack of feeling
9. Fill in the blanks:
_____ is not a sub-field of accounting.
10. Journal Proper records transactions of:
- a. capital nature
 - b. different nature

- c. similar nature
- d. revenue nature

11. Match the following. Options are

a. input Device	i. Control and memory unit
b. Output Device	ii. Printer, Monitor
c. CPU	iii. Keyboard, Mouse

- a. a - (iii), b - (i), c - (ii)
- b. a - (iii), b - (ii), c - (i)
- c. a - (ii), b - (iii), c - (i)
- d. a - (i), b - (ii), c - (iii)

12. Book Keeping and Accounting:

- A. means the same and are used interchangeably.
- B. does not mean the same and are not used interchangeably.
- a. Statement A is correct
- b. None of these
- c. Both statement A and B is correct
- d. Statement B is correct

13. Which of the following is an intangible asset?

- a. Machinery
- b. Bill receivable
- c. Patents
- d. Furniture

14. Accrual Basis of Accounting recognizes:

- A. Outstanding and Prepaid Expenses
- B. Accrued Incomes and Incomes Received in Advance
- a. Only B is correct
- b. Both A and B
- c. Only A is correct
- d. None of these

OR

According to the Convention of Consistency:

- A. accounting policies and practices once adopted should be consistently followed.
 - B. accounting policies and practices adopted may be changed as per the management's decision.
 - C. accounting policies and practices once adopted cannot be changed under any circumstances.
 - a. None of these
 - b. Only C is correct
 - c. Only B is correct
 - d. Only A is correct
15. Which is the evidence of business transaction:
- a. Journal
 - b. Ledger
 - c. Balance sheet
 - d. Voucher

OR

Amount paid or payable against the purchase of goods is:

- a. cash expenditure
 - b. revenue expenditure
 - c. capital expenditure
 - d. none of these
16. Fill in the blanks:
- The _____ method equalises the burden on each year's Profit & Loss Account for depreciation and repairs put together.
17. Example of an assets is
- a. A loan given to the company
 - b. Factory owned by the company
 - c. The capital of the company
 - d. Amount owned by the company to one of its suppliers for the purchase of goods
18. Which is the last step of accounting as a process of information:
- a. Recording the transaction

- b. Preparation of financial transaction
 - c. Analysis of information
 - d. Communication of information
19. The device used for producing information as a hard copy i.e. in a printed form _____.
- a. Monitors
 - b. Processor
 - c. Printers
 - d. Keyboard
20. Sale of goods to Ram for cash is debited to:
- a. Ram A/c
 - b. Sales A/c
 - c. None of these
 - d. Cash A/c

Section B

21. What are financial statements and what information is provided by them?

OR

Calculate gross profit when total purchases during the year are Rs. 8,00,000; returns outward Rs. 20,000; direct expenses Rs. 60,000 and $\frac{2}{3}$ rd of the goods are sold for Rs. 6,10,000.

22. Briefly appreciate the exact nature of accounting.

OR

What is the importance of financial statements for various parties?

Section C

23. Write any three limitations of Readymade software.
24. On 1st March 2018, R accepted a bill of exchange of Rs.20,000 from S payable 3 months after date, in full settlement of his dues. On the same day, S endorsed the bill of exchange to T together with a cheque for Rs.5,000 in settlement of his debt to the latter. On 2nd March 2018, T discounted the bills of exchange @ 6% per annum with his bankers. On maturity the bill of exchange was dishonoured. Journalise the transaction in the books of

R & T.

25. Prepare a trading account of M/s Anjali from the following information related to 31st March, 2014.

Opening stock	60,000
Purchases	3,00,000
Sales	7,50,000
Purchases return	18,000
Sales return	30,000
Carriage on purchases	12,000
Carriage on sales	15,000
Factory rent	18,000
Office rent	18,000
Dock and clearing charges	48,000
Freight and octroi	6,500
Coal, gas and water	10,000

26. Prepare a Cash Book with Cash and Bank Columns:

2014		Rs
Jan. 1	Cash in Hand	5,000
	Bank Overdraft	1,000
Jan. 2	Paid Wages	1,500
Jan. 3	Deposited into bank	2,000
Jan. 4	Cash Sales	7,500
Jan. 5	Sold goods for cheque which was deposited in bank on the same day	5,000
Jan. 6	Purchased goods from Hariom on credit	4,000
Jan. 7	Drew from bank for personal use	1,000
Jan. 8	Paid to Hariom in full settlement	3,500

27. Describe how accounts are used to record information about the effects of transactions?

Section D

28. Following information is supplied to you by a shopkeeper:

	1st April 2017	31st March 2018
Cash	Rs.6,000	Rs.7,000
Sundry Debtors	68,000	64,000
Stock	59,000	87,000
Furniture	15,000	13,500
Sundry Creditors	20,000	18,000
Bills Payable	15,000	11,000

During the year he withdrew Rs.2,500 per month for domestic purpose. He also borrowed from a friend at 9% a sum of Rs.20,000 on 1st October 2017. He has not yet paid the interest. A provision of 5% on debtors for doubtful debts is to be made. Ascertain the profit or loss made by him during the period.

29. From the following list of balances extracted from the books of Shri Sahiram. Prepare a trial balance as at 31st March, 2013

Name of Accounts	Amt (Rs.)	Name of Accounts	Amt (Rs.)
Stock on 1st April, 2012	22,000	Investments	30,000
Purchases	2,57,500	Interest on Investment	2,700
Sales	3,61,800	Cash and Bank Balance	1,240
Carriage Inwards	300	Premises	60,000
Carriage Outwards	120	Fixtures	14,000
Return Inwards	8,500	Miscellaneous Expenses	520
Return Outwards	2,000	Miscellaneous Income	140
Debtors	32,000	Loan form Axis Bank	25,000
Creditors	17,400	Interest on above Loan	3,000

Bad Debts	600	Capital	70,000
Stationery	420	Proprietor's Withdrawals	6,000
Insurance	340	Computers	9,000
Wages and Salaries	18,500	Goodwill	15,000
		Stock on 31st March, 2013 (not adjusted)	31,000

30. **The following balances were extracted from the books of Siddarth
31st December 2013.**

Name of Account	Amt(Rs)	Name of Account	Amt(Rs)
Stock at the beginning	82,000	Purchases	4,40,000
Rent	19,200	Sales	5,60,000
Salary	40,000	Returns (debit)	12,000
Bad debts	800	Returns (credit)	4,000
Provision for doubtful debts	6,000	Carriage inward	7,000
Travelling expenses	2,800	Carriage outward	1,000
Insurance premium	3,600	Capital	3,50,000
Proprietor's withdrawals	8,000	Loan (credit)	40,000
Telephone charges	14,600	Sales tax collected	6,000
Printing and advertising	10,000	Debtors	80,000
Commission (Credit)	12,000	Creditors	48,000
Rent from sublet	9,600	Investment	10,000
Land and building	2,80,000	Interest on investments	1,200
Furniture	20,000		
Cash	5,800		

Prepare trading and profit and loss account for the year and a balance sheet as on 31st December 2013 after taking into account the following.

- i. The stock was valued at Rs 1,50,000 on 31st December 2013. You are informed that a fire occurred on 28th December 2013 in the godown and stock of the value of Rs 20,000 was destroyed. Insurance company admitted a claim of 75%.
- ii. One-third of the commission received is in respect of work to be done next year.
- iii. Create a provision of 5% for doubtful debts.
- iv. 50% of printing and advertising is to be carried forward as a charge in the following year.
- v. Rs 1,800 is due for interest on a loan.
- vi. Provide for managers commission at 10% on net profit before charging such commission.

OR

From the following trial balance, prepare the trading and profit and loss account for the year ended 31st March 2013 and the balance sheet as at that date

Name of Account	Debit Amount (Rs.)	Name of Account	Credit Amount (Rs.)
Debit Balances		Rent, Rates, and Taxes	800
Sundry Debtors	1,500	Salaries	2,000
Stock on 1 st April 2012	5,000	Drawings	2,000
Land and building	10,000	Purchases	10,000
Cash in hand	1,600	Office expenses	2,500
Cash at bank	400	Plant and machinery	5,700
Wages	3,000	Credit Balances	
Bills Receivable	2,000	Capital	25,000
Interest	200	Interest	600

Bad debts	500	Sundry creditors	7,000
Repairs	300	Sales	17,000
Furniture and fixtures	1,500	Bills payable	400
Depreciation	1,000		

On 31st March 2013, the stock was valued at Rs. 10,000.

Section E

31. The book-Keeper of a firm found that his trial balance was out (excess credit) by Rs.742. He placed the amount in a Suspense Account and subsequently found the following errors :
- i. A discount of Rs.178 was allowed to Ramesh but in his account only Rs.100 is recorded.
 - ii. The total of the Purchases Book was Rs.1,000 short.
 - iii. A sale of Rs.375 to Kohil was entered in the Sales Book as Rs.735.
 - iv. From the Purchases Book, Bose's Account was debited with Rs.175.
 - v. Cash Rs.250 received from Maitra against debt previously written off was credited to his account.
 - vi. Purchase of office furniture worth Rs.750 on credit from Delhi Furniture was entered in the Purchases Book.
 - vii. While carrying forward the total of the Sales Book from one page to another the amount of Rs.11,358, was written as Rs.11,538.
 - viii. The proprietor took goods of the value of Rs.150 for his domestic consumption, No record of it has been made in the books.
 - ix. Repairs bill for the proprietor's personal car, Rs.410, has been paid by the firm and debited to the Repairs Account.
 - x. A sale to Kasim of Rs.700 has been entered in the Purchases Book.
- Rectify the errors by means of suitable Journal Entries and show the Suspense Account.

OR

A bill for Rs.1,000 is drawn by A on B and accepted by the latter payable at the New Bank of India. Show what entries should be passed in the books of A under each of the

following circumstances

- i. If A retained the bill till the due date and then realised it on maturity.
- ii. If A discounted it with his banker for Rs.950.
- iii. If A endorsed it to his creditor C in full settlement of his debt.
- iv. If A sent it to his banker for collection.

Also give the necessary entries in each of the cases if the bill is dishonoured.

32. Following balance appear in the book of X Ltd as on 1st April 2017:

Machinery Account	Rs.5,00,000
Provision for depreciation	Rs.2,25,000

The machinery is depredated @ 10% p.a. on the Fixed Instalment method. The accounting year being April - March. On 1st October 2017, machinery which was purchased on 1st July 2014 for Rs.1,00,000 was sold for Rs.42,000 plus CGST and SGST @ 6% each and on the same date a new machine was purchased for Rs.2,00,000 paying IGST @ 12%. Prepare Machinery account and provision for depreciation account for the year ended 31st March 2018.

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Solution

Section A

1. (d) Statistics

Explanation: Statistics is not a branch of accounting. It includes cost accounting, financial accounting and management accounting. There are only three branches of accounting.

2. (b) Rs.5,000

Explanation: Gain is the difference between the purchase price and a sale price of machinery i.e., $45,000 - 40,000 = 5,000$.

3. (c) Capital expenditure

Explanation: the expenditure done to increase the assets is known as capital expenditure.

4. (a) Only C is correct

Explanation: Withdrawing money from the business for private expenses will be treated as drawings. Hence it is Debited.

5. (d) Cash in hand

Explanation: Cash in hand is a current asset, not a fixed asset.

6. (a) Keyboard

Explanation: Computer hardware is the collection of physical parts of a computer system. This includes the computer case, monitor, keyboard, and mouse.

7. (b) 60000

Explanation: Total Assets= Owners equity + Creditors Equity

Total assets= $20000 + 40000$

Total assets= 60000

8. (b) High I.Q

Explanation: Computers are used to do risky and dangerous work and where sharp actually is needed. But it does not have any intelligence of its own.

Computer have some limitations as are:

Lack of feeling

Lack of decision making

Lack of common sense

9. Book keeping

10. (b) different nature

Explanation: Journal proper is a book of original entry (simple journal) in which miscellaneous transactions are recorded which do not fit in any other books are recorded.

11. (b) a - (iii), b - (ii), c - (i)

Explanation: In computing, an input device is (a piece of computer hardware equipment) used to provide data and control signals to an information processing system such as a computer or information appliance. Input device - keyboard, mouse.

An output device is any device used to send data from a computer to another device or user. Most computer data output that is meant for humans is in the form of audio or video. Output device - printer, monitor.

The Central Processing Unit (CPU) is considered the brains of a computer. This internal component is inserted directly into a socket on the motherboard. CPU - Control and memory unit.

12. (d) Statement B is correct

Explanation: Book Keeping and Accounting does not mean the same and are not used interchangeably. At the same time, both these processes are inherently different and have their own sets of advantages.

13. (c) Patents

Explanation: When the technology of business is registered it is called patents so we cannot see or touch it so it is intangible assets of the business.

14. (b) Both A and B

Explanation: Accrual Basis of Accounting recognizes by outstanding and prepaid expenses and accrued incomes and incomes received in advance. Although the company has received no cash, the revenue is recorded at the time the company performs the service.

OR

(d) Only A is correct

Explanation: According to the Convention of Consistency accounting policies and

practices once adopted should be consistently followed. Accounting conventions are guidelines used to help companies determine how to record certain business transactions that have not yet been fully addressed.

15. (d) Voucher

Explanation: These are the recorded evidence of different business transactions. Hence they are evidence in court.

OR

(b) revenue expenditure

Explanation: Amount paid or payable against the purchase of goods is revenue expenditure.

16. Diminishing balance

17. (b) Factory owned by the company

Explanation: Assets are the property of a business in its name. So factory owned by company is example of assets

18. (d) Communication of information

Explanation: The financial position or financial performance of the business is to be communicated to internal and external users.

19. (c) Printers

Explanation: In computing, a printer is a peripheral which makes a persistent human-readable representation of graphics or text on paper or similar physical media. Printer is a output device which is used for producing information as a hard copy.

20. (d) Cash A/c

Explanation: Sale of goods to Ram for cash is debited to Cash A/c, Cash is collected when the sale is made.

Section B

21. **Financial statements** are the final products of an accounting process, which begins with the identification of accounting information and recording it in the books of primary entry.

A complete set of financial statements include:

- i. **Balance sheet (or position statement)** which shows the financial position of an enterprise at a particular point of time.

- ii. **Trading and profit and loss account (or income statement)** which shows the financial performance of business operations during an accounting period.
- iii. **Schedules and notes** to accounts forming part of the balance sheet and profit and loss account.

While the Balance sheet provides the information of the position of the assets and liabilities of a business, the Income statement provides the information related to the incomes and expenses of the business and moreover the profits generated or losses incurred.

OR

Cost of Goods Sold = Total Purchases - Returns Outward + Direct Expenses = 8,40,000.

- A. goods sold (2/3) for Rs. 6,10,000.
- B. Cost of 2/3rd goods = $8,40,000 \times \frac{2}{3}$ = Rs. 5,60,000.
- C. Gross profit = Goods Sold - Cost of Goods Sold = 6,10,000 - 5,60,000 = Rs. 50,000.

22. The nature of Accounting can be ascertained from the points mentioned below:

- i. Accounting is a process that aims at **communicating economic information** to its users. It relies on a set of previously agreed concepts, conventions and rules.
- ii. **Accounting is a process** which involves gathering, compacting, interpreting and disseminating economic information in a systematic way.
- iii. Its basic goal is to **report on the resources and obligation** of the entity to the owners.
- iv. Accounting is **more of an art than a science**; its logical foundation is not deeply embedded in scientific or natural law. It is essentially and fundamentally utilitarian in nature.
- v. Accounting is **an important tool for Management** as it helps them in decision making for the organisation.

OR

Following are the parties interested in the analysis of financial statements due to the reasons given below:

- i. **Owners or Investors:**
 - a. Profitability
 - b. Financial position
 - c. Future prospects or growth potential
- ii. **Management:**
 - a. Short-term and long-term solvency
 - b. Profitability in relation to turnover and investment
 - c. Liquidity of the business firm
- iii. **Employees:**
 - a. Profitability
 - b. Cash position
- iv. **Suppliers and other Creditors:**
 - a. Financial position
 - b. Profitability
- v. **Lenders:**
 - a. Financial Position
 - b. Profitability
- vi. **Researchers:**
 - a. Profitability
 - b. Growth
 - c. Financial Position
 - d. Future prospects
- vii. **Government and their agencies:**
 - a. Profitability
 - b. Growth
 - c. Financial position
 - d. Estimating National Income

Section C

23. Limitations of Readymade software are as follows:
- i. It will give misleading results, the grouping of accounts is incorrect.
 - ii. Their software is window-based software, the output in physical form is a slow process.
 - iii. The level of secrecy is low, so it is proved to data fraud.

iv. It is not linked with the other information system.

24.

**BOOKS OF R
JOURNAL ENTRIES**

Date	Particulars		L/F	(Rs.)	(Rs.)
1.3.18	S	Dr.		20,000	
	To B/P A/c (Being bill accepted.)				20,000
4.6.18	B/P A/c	Dr.		20,000	
	To S (Being bill dishonoured.)				20,000

**BOOKS OF T
JOURNAL ENTRIES**

Date	Particulars		L/F	(Rs.)	(Rs.)
1.3.18	B/R A/c	Dr.		20,000	
	Bank A/c	Dr.		5,000	
	To S (Being bill receive from S.)				25,000
2.3.18	Bank A/c	Dr.		19,700	
	Discount charges A/c	Dr.		300	
	To B/R A/c (Being bill discounted.)				20,000
4.6.18	S	Dr.		20,000	
	To Bank A/c (Being bill dishorned on due date.)				20,000

25.

Trading Account
for the year ended 31st March, 2014

Dr			Cr		
Particulars		Dr. (₹)	Particulars		Cr . (₹)
To Opening Stock		60,000	By Sales	7,50,000	
To Purchases	3,00,000		(-) Sales Return	<u>(30,000)</u>	7,20,000
(-) Purchases Return	<u>(18,000)</u>	2,82,000			
To Carriage on Purchases		12,000			
To Factory Rent		18,000			
To Dock and Clearing Charges		48,000			
To Freight and Octroi		6,500			
To Coal, Gas and Water		10,000			
To Gross Profit transferred to Profit & Loss A/c		2,83,500			
		<u>7,20,000</u>			<u>7,20,000</u>

Note : The following items are not shown in the Trading Account, as they will be shown in Profit & Loss Account :

1. Office Rent
2. Carriage on Sales

26.

Cash book

Dr.					Cr.				
Date 2017	Particular	L.F.	Cash (Rs)	Bank (Rs)	Date 2017	Particular	L.F.	Cash (Rs)	Bank (Rs)
Jan 1	To Bal. b/d		5,000	_____	Jan 1	By Bal. b/d		_____	1,000
Jan 3	To Cash A/c	(C)	_____	2,000	Jan 2	By Wages A/c		1,500	_____
Jan 4	To Sales		7,500	_____	Jan 3		(C)	2,000	_____

	A/c					By Bank A/c.			
Jan 5	To Sales A/c		_____	5,000	Jan 7	By Drawings A/c		_____	1,000
					Jan 8	By Hariom A/c		3,500	_____
					Jan 31	By Bal. c/d		5,500	5,000
			12,500	7,000				12,500	7,000
Feb. 1	To Bal. b/d		5,500	5,000					

Note: There will be no entry for credit transaction on Jan. 6. In cash book only cash and bank transactions are recorded.

27. Every transaction is recorded in the original book of the entry (journal) in order of their occurrence; However, if we want to know that how much we receive from our debtors or how much to pay to the creditors, it is not possible to determine at a single movement. Hence, we prepare accounts to know the position of business activities in the meantime. There are some steps to record transactions in accounts; it can be easily understood with the help of an example. Sold goods to Mr A worth Rs 50,000 on 12th April and received payment Rs 40,000 on 25th April. The following journal entries will be recorded:

Date	Particular		L.F.	Amount Dr. (Rs)	Amount Cr. (Rs)
(i)	A's A/c	Dr.	22	50,000	
	To Sales		18		50,000
	(Being goods sold on credit to Mr A)				
(ii)	Cash A/c	Dr.	13	40,000	
	To A's A/c		22		40,000

	(Being Cash received from Mr A)				
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Step (i): Locate the account in ledger, i.e., Mr A's Account.

Step (ii): Enter the date of the transaction in the date column of the debit side of Mr A's Account.

Step (iii): In the 'Particulars' column of the debit side of Mr A's Account, the name of the corresponding account is to be written, i.e., 'Sales'.

Step (iv): Enter the page number of the ledger in the Journal Folio (J.F.) column of Mr A's Account.

Step (v): Enter the amount in the 'Amount' column.

Step (vi): "The same steps are to be followed to post entries in the credit side of Mr A's Account.

Step (vii): After entering all the transactions for a particular period, balance the account by totalling both sides and write the difference in the shorter side, as 'Balance c/d'.

Step (viii): The total of accounts is to be written on both sides.

When accounts are maintained then the company gets information about their financial position and financial performance. which is nothing but the effects of transactions. which is used by the company to make decisions about the cost control, price fixation, managerial decision etc.

Section D

28. **Incomplete records** refer to a situation in which an organization is not using double-entry bookkeeping. Instead, it is using a more informal **accounting** system, such as a single-entry system, to maintain a reduced amount of information about its financial results. So, as per this, the question is to be solved as follows:-

STATEMENT OF AFFAIRS

Liabilities	1.4.17	31.3.18	Assets	1.4.17	31.3.18
Creditors	20,000	18,000	Cash	6,000	7,000
B/P	15,000	11,000	Debtors	68,000	64,000
Capital (Balancing figure)	1,13,000	1,22,500	Furniture	15,000	13,500

Friend's loan	-	20,000	Stock	59,000	87,000
	1,48,000	1,71,500		1,48,000	1,71,500

STATEMENT OF PROFIT

Particulars		Amount (Rs.)
Closing Capital		1,22,500
Add : Drawings ($12 \times 2,500$)		<u>30,000</u>
Total		1,52,500
Less : Opening Capital	<u>1,13,000</u>	<u>1,13,000</u>
Gross Profit		39,500
Less : Interest on Borrowings = $20,000 \times 9\frac{1}{2}\%$	900	
Less : Provision for B/D = $64,000 \times 5\%$	<u>3,200</u>	4,100
Net Profit		35,400

29. The trial balance of Shri Sahiram will be prepared as under:

Trial Balance as on 31st March, 2013

Name of Accounts	LF	Dr. Balance (Rs.)	Cr. Balance (Rs.)
Opening Stock on 1st April, 2012		22,000	
Purchases		2,57,500	
Sales			3,61,800
Carriage Inwards		300	
Carriage Outwards		120	
Return Inwards		8,500	
Return Outwards			2,000

Debtors		32,000	
Creditors			17,400
Bad Debts		600	
Stationery		420	
Insurance		340	
Wages and Salaries		18,500	
Investments		30,000	
Interest on Investments			2,700
Cash and Bank Balance		1,240	
Premises		60,000	
Fixtures		14,000	
Miscellaneous Expenses		520	
Miscellaneous Income			140
Loan form Axis Bank			25,000
Interest on Loan		3,000	
Capital			70,000
Proprietor's Withdrawals (Drawings)		6,000	
Computers		9,000	
Goodwill		15,000	
Total		4,79,040	4,79,040

Value of Closing Stock on 31st March, 2013 is Rs.31,000

Note: The amount of Closing Stock has not been adjusted from the Purchases account. Hence, it has been shown outside the trial balance.

30.

Trading And Profit & Loss A/c
For the year ended.....

Particulars		Amount (Rs)	Particulars		Amount (Rs)
To Opening Stock		82,000	By Sales	5,60,000	
To Purchase	4,40,000		Less Returns	12,000	5,48,000
Less Returns	4,000		By Closing Stock		1,50,000
Less Loss by fire	20,000	4,16,000			
To Carriage In		7,000			
To Gross Profit c/d		1,93,000			
		6,98,000 =====			6,98,000 =====
To Carriage Out		1,000	By Gross Profit b/d		1,93,000
To Insurance Premium		3,600	By Provision for Bad Debts		6,000
To Telephone charges		14,600	By Commission	12,000	
To Interest on Investment		1,200	Less Unaccrued	4,000	8,000
To Rent		19,200	By Rent		9,600
To Salary		40,000			
To Bad Debts		800			
To Printing	10,000				
Less Prepaid	5,000	5,000			
To Loss by fire		5,000			
To Provision for bad debts		4,000			
To O/s Interest on Loan		1,800			
To Manager's		12,040			

Commission					
To Net profit		1,08,360			
		2,16,600 =====			2,16,600 =====

Balance Sheet

As on

Liabilities		Amount (Rs)	Assets	Amount (Rs)
Capital	3,50,000		Debtors 80,000	
Less Drawings	8,000		Less Provision for Bad Debts 4,000	76,000
Add Net Profit	1,08,360	4,50,360	Investment	10,000
Loan	40,000		Land & Building	2,80,000
Add O/S Interest	1,800	41,800	Furniture	20,000
Creditors		48,000	Cash	5,800
Sales Tax Collected		6,000	Prepaid Printing	5,000
Manager's Commission		12,040	Insurance Claim	15,000
Unaccrued Commission		4,000	Stock	1,50,000
		5,61,800 =====		5,61,800 =====

The trading account is the top part of the trading profit and loss account and is used to determine the gross profit. The profit and loss account is the lower part of the trading profit and loss account and is used to determine the net profit of the business.

OR

Trading & Profit and Loss A/c

Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Opening Stock	5,000	By Sales	17,000
To Purchase	10,000	By Closing Stock	10,000
To Wages	3,000		
To Gross Profit c/d	9,000		
	27,000 =====		27,000 =====
To Interest	200	By Gross Profit b/d	9,000
To Office Expense	2,500	By Interest	600
To Salaries	2,000		
To Rent, rates and taxes	800		
To Depreciation	1,000		
To Repairs	300		
To Bad Debts	500		
To Net Profit	2,300		
	9,600 =====		9,600 =====

Balance Sheet

Liabilities		Amount (Rs)	Assets	Amount (Rs)
Capital	25,000		Debtors	1,500
Add Net Profit	2,300		Stock	10,000
Less Drawings	2,000	25,300	Plant & Machinery	5,700

			Furniture & Fixture	1,500
Creditors		7,000	Bills Receivables	2,000
Bills Payable		400	Land & Building	10,000
			Cash	1,600
			Bank	400
		32,700 =====		32,700 =====

In order to arrive at the balance sheet of a business, one needs to prepare the trading account and profit and loss account first. This account is prepared to arrive at the figure of revenue earned or loss incurred during a period.

Section E

31. RECTIFYING JOURNAL ENTRIES

Date	Particulars		L.F.	Dr. (Rs.)	Cr. (Rs.)
(i)	Suspense A/c	Dr.		78	
	To Ramesh (Being under casting of A/c rectified)				78
(ii)	Purchase A/c	Dr.		1,000	
	To Suspense A/c (Being under casting of purchase rectified)				1,000
(iii)	Sales Account (735-375)	Dr.		360	
	To Kohli (Being over-recording of sale rectified)				360
(iv)	Suspense A/c (175 × 2)	Dr.		350	
	To Bose's Account				350

	(Being wrong posting of Bose rectified)				
(v)	Maitra	Dr.		250	
	To Bad Debts Recovered A/c (Being wrong posting of Bad Debts Recovered rectified)				250
(vi)	Office Furniture A/c	Dr.		750	
	To Purchase A/c (Being furniture purchase wrongly posted to purchase book, rectified)				750
(vii)	Sales A/c (11,538-11,358)	Dr.		180	
	To Suspense A/c (Being wrong carried forward of total of sales book, now rectified)				180
(viii)	Drawings Account	Dr.		150	
	To Purchase A/c (Being goods withdrawn not recorded)				150
(ix)	Drawings A/c	Dr.		410	
	To Repairs A/c (Being repair to Personal car wrongly recorded to repairs, rectified)				410
(x)	Kasim	Dr.		1,400	
	To Sales Account				700
	To Purchases A/c (Being goods sold to kasim entered in purchase book, now rectified)				700

SUSPENSE ACCOUNT

Dr.							Cr.

Date	Particulars	L.F.	(Rs.)	Date	Particulars	L.F.	(Rs.)
	To Balance b/d		742		By Purchases A/c		1,000
	To Ramesh		78		By Sales A/c		180
	To Bose's A/c		350				
	To Balance c/d		10				
			1,180				1,180
					By Balance b/d		10

Suspense account is used only for the purpose of reconciling a trial balance temporarily. It is used to rectify only those errors which effect the Trial Balance. When all errors are rectified the suspense account will automatically closed.

OR

BOOKS OF A JOURNAL ENTRIES

Date	Particulars		L/F	(Rs.)	(Rs.)
(i)	B/R A/c	Dr.		1,000	
	To B (Being a Bills Receivable drawn)				1,000
(ii)	Cash A/c	Dr.		1,000	
	To B/R A/c (Being the Bills Receivable met on its maturity)				1,000
(iii)	Bank A/c	Dr.		950	
	Discounting charges A/c	Dr.		50	
	To B/R A/c (Being the Bills Receivable discounted from bank)				1,000

(iv)	C	Dr.		1,000	
	To B/R A/c (Being Bills Receivable endorsed to C)				1,000
(v)	Bill sent for collection A/c	Dr.		1,000	
	To B/R A/c (Being Bills Receivable sent to bank for collection)				1,000
(vi)	Bank A/c	Dr.		1,000	
	To Bill sent for collection (Being amount collected on due date)				1,000
	<u>Dishonour Entries</u>			1,000	
(i)	B	Dr.			1,000
	To B/R A/c (Being Bills Receivable dishonoured)			1,000	
(ii)	B	Dr.			1,000
	To C (Being Bills Receivable dishonoured)				
(i)	B	Dr.		1,000	
	To Bill sent for collection A/c (Being Bills Receivable dishonoured)				1,000

32.

MACHINERY ACCOUNT

Dr.				Cr.			
Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
01.04.17	To Balance b/d		5,00,000	01.10.17	By Provision for Dep A/c		32,500
01.10.17	To Bank A/c		2,00,000		By Bank A/c (Sale)		42,000

					By P & L A/c (Loss)		25,500
				31.03.18	By Balance c/d		6,00,000
			7,00,000				7,00,000
01.04.18	To Balance b/d		6,00,000				

PROVISION FOR DEPRECIATION ACCOUNT

Dr.				Cr.			
Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
01.10.17	To Mach. A/c (W.N.)		32,500	01.04.17	By Balance b/d		2,25,000
31.03.18	To Balance c/d		2,47,500	01.10.17	By Depreciation A/c		5,000
				31.03.18	By Depreciation A/c (40,000+10,000)		50,000
			2,80,000				2,80,000
				01.04.02	By Balance b/d		2,47,500

Working Note : Calculation of Depreciation of Machine sold:

1,00,000	01-07-14	Cost
7,500	31-03-15	Dep for 9 months
92,500	01-04-15	Written Down Value
10,000	31-03-16	Depreciation for full year
82,500	01-04-16	Written Down Value
10,000	31-03-17	Depreciation for the year
72,500	01-04-17	Written Down value

Total Depreciation = 7,500 + 10,000 + 10,000 = 27,500

Depreciation for 2017-18 = $1,00,000 \times \frac{10}{100} \times \frac{6}{12} = 5,000$

Total depreciation charged on the machine sold till the date of sale = 27,500 + 5000 = 32,500

Depreciation is charged by fixed instalment method so it is calculated on cost of the asset.