CBSE

Class XI Accountancy

Questions

Time: 3 hours **Max. Marks: 90**

General Instructions:

1. **All** questions are **compulsory.**
2. Show your working notes clearly.

1. Which accounts are not considered while preparing the trial balance? [1]

2. Name the process of transferring entries from the journal to their respective accounts in the ledger. [1]

3. Why are rules of debit and credit same for liability and capital? [1]

4. Which document is evidencing for the credit granted to the named person for the reason stated therein? [1]

5. Is trial balance a statement or an account? [1]

6. To which side of the ledger accounts are the transactions in the receipt side of the cash book posted? [3]

7. What is debit note? [3]

8. Which method of depreciation assumes an asset should be depreciated more in the earlier years and less in the later years of use? [3]

9. Explain Historical Cost Principle and Consistency Assumption of Accounting. [4]

10. Give journal entries for the following: [4]

i. Received only 60 paise in rupee from official receiver of Mr.Vinod who owed ₹10,000.
ii. Paid ₹7,300 to Vinod in full settlement of his account of ₹7,500.
iii. Received cash from Vinod for a bad debt written off last year ₹500.

11. Prepare Trial Balance from the following information: Prepaid Expense ₹5,000, Profit & Loss A/c (Profit) ₹8,000, Outstanding Rent ₹2,000, Bad Debts Recovered ₹4,000, Interest on Investment ₹1,000, Due to Mohan ₹5,000, Bank overdraft ₹2,000, Discount Allowed ₹800, Due from Vinod ₹1,200, Investment ₹15,000, Patents ₹4,000, Machinery ₹6,000, Capital ₹10,000. [4]

12. A sold goods to B for ₹4,000 and drew a bill for the amount due at 3 months for the amount. B after giving his acceptance returned the bill to A. A discounted it from his bank for ₹3,900. On due date, bill returned dishonoured and bank paid ₹50 as noting charges. Give journal entries in the books of A only. [4]

13. Record the following transactions in Simple Cash Books of Harsh Traders for the month January 2015. [6]

1: Cash in hand ₹20,000.
3: Received cash on account from Raj ₹5,000.
6: Purchased machinery ₹8000.
9: Insurance premium paid ₹2,500.
12: Sold goods for cash ₹10,000.

13: Received commission ₹2,000.
15: Purchased postal stamps ₹500.
18: Purchased goods for cash from Omkar Brothers ₹1,600.
23: Cash paid to Paras ₹3,000 on account.
26: Paid rent ₹4,500.
28: Sold old furniture ₹3,000.
29: Deposited into bank ₹1,800.
31: Paid salary to office staff ₹6,000.

14. Prepare a Bank Reconciliation Statement on 31st December 2015 for the following when credit balance as per bank column of cash book is ₹1,800: [6]

i. Cheques issued, but not presented for payment ₹360.
ii. Cheque deposited but not collected by the bank. ₹70
iii. Interest on overdraft charged by the bank ₹30.
iv. A customer directly deposited in bank ₹500.

15. Vinod Ltd., purchased a Plant on 1st April, 2005 for ₹15,000. It purchased another plant on 1st October, 2005 costing ₹20,000 and on 1st July, 2006 costing ₹30,000. On 1st January, 2007 the Plant purchased on 1st April, 2005 became useless and was sold for ₹2,000. Show Plant Account charging 10% p.a. depreciation by fixed instalment method for four years. The plant purchased on 1st October, 2005 was sold for ₹8,000 on 1st January, 2008. Accounts of the company are closed on 31st December each year. [8]

16. Adjustments for outstanding expenses, prepaid expenses or depreciation are not made in receipts and payments accounts. Why? [1]

17. Name the accounting software appropriate for small business organizations, having one user and single office location. [1]

18. Differentiate between Manual accounting and Computerised accounting system. [3]

19. From the following information, find out profit: Capital at the end of the year ₹5,00,000 Capital in the beginning of the year ₹7,50,000 Drawings made during the period ₹3,75,000 Additional capital introduced ₹50,000 [3]

20. Accounting software is an integral part of the computerized accounting system. An important factor to be considered before acquiring accounting software is the accounting expertise of people responsible in organisation for accounting work. In the light of this statement, briefly discuss various types of accounting software. [4]

21. Calculate closing stock from the following: [6]

	₹
Sales	40,000
Purchases	24,600
Returns Inwards	1,000
Returns outwards	2,000
Carriage Inwards	800
Gross profit	16,000

Is it correct that debit balance in the profit and loss account is profit?

22. From the following calculate operating profit: [6]

	₹
Net profit	2,00,000
Rent received	20,000
Gain on sale of machine	30,000
Interest on loans	40,000
Donation	4,000

State whether the cost of obtaining license to carry out business is a capital or revenue expenditure.

23. How will you treat the following items: [8]

Receipt and Payment 31-12-2006

Receipts	₹	Payments	₹
		By Salaries:	
		2005	20,000
		2006	2,80,000
		2007	18,000

Additional Information:

i. Salaries outstanding on 31st December, 2005 ₹25,000.
ii. Salaries outstanding on 31st December, 2006 ₹45,000
iii. Salaries paid in advance on 31st December, 2005 ₹10,000.

24. From the following Trial Balance of M/s.Vinod and Sons as on 31st March 2012, prepare Trading and Profit & Loss Account and Balance Sheet. [8]

Particulars	₹	Particulars	₹
Office expenses	300	Stock (opening)	9,000
Selling expenses	11,100	Plant & Machinery (1.4.2011)	20,000
General expenses	1,000	Plant & Machinery (addition 1.10.2011)	5,000
Sundry debtors	20,600	Drawings	6,000
Furniture and Fixtures	5,000	Capital	75,000
Return inwards	13,000	Reserve for doubtful debts	800
Printing and stationery	400	Rent for Premises Sublet	1,600
Rent, Rates and taxes	4,600	Insurance charges	700
Sundry creditors	15,000	Administrative expenses	11,000
Sales	1,31,000	Cash in hand	8,500
Return outwards	1,000	Cash at Bank	18,200
Purchases	90,000		

Adjustments:

i. Stock in hand at the end₹14,000.
ii. Write off ₹600 as bad debts.
iii. Create 5% provision for bad and doubtful debts.
iv. Depreciate furniture and fixtures at 5% p.a. and Plant & Machinery at 20% p.a
v. Insurance prepaid was ₹100.
vi. A fire occurred in the godown and stock of the value of ₹5,000 was destroyed. It was insured and the insurance company admitted full claim.

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Class XI Accountancy

Solutions

Answer 1
While preparing the trial balance by balance method, accounts having no balance are not considered.

Answer 2
Posting is the process of transferring entries from the journal to their respective accounts in the ledger.

Answer: 3
Rules of debit and credit same for liability and capital because of business entity concept. According to the concept, business is a separate and distinct entity from its owner.

Answer 4
Credit note is a document evidencing for the credit granted to the named person for the reason stated therein.

Answer 5
Trial balance is a statement which is prepared with the debit and credit balances of the ledger accounts to check the arithmetic accuracy of the books. It can be prepared on any date. While preparing trial balance all accounts are considered. These ledger accounts except cash and bank balances are taken from the ledger.

Answer 6
Receipt side of the cash book are posted on the credit side of the ledger account. For example, if sheela pays ₹4000, the receipt entry is passed in the cash book and sheela's account is credited in the ledger.

Answer 7
A debit note is a document evidencing that the account of the named person is debited for the reason stated therein. It is issued by a firm to its suppliers/creditors for debiting his/her account. For example, goods returned to supplier.

Answer 8
Diminishing balance method or written down value method of depreciation assumes that an asset should be depreciated more in the earlier years and less in the later years of use. Hence, every year the depreciation amount will go on reducing.

Answer 9
According to historical cost principle, all assets are recorded in the books of accounts at the purchase price which includes the purchase price, cost of acquisition and installation. The purchase price will remain same for all further accounting even though there is change in the market value. For example, a machine is purchased for ₹ 250,000, its acquisition cost is ₹ 10,000, transportation cost is ₹ 5000 and the installation cost is ₹ 12,000. Hence, the cost of machine will be entered in the books of accounts as ₹ 277,000. If the market value of machine is increased to ₹ 300,000, this change in the cost will not be reflected in the books of accounts. It does not maintain the true value of machine.
According to consistency assumption of accounting, accounting policies and practices followed by an enterprise should be uniform and consistent over a period of time. For example, if an enterprise followed different methods in two years for depreciation of its assets, then the financial information will not be

comparable. Hence, the personal bias gets eliminate through the practice of consistency. However, consistency does allow changes in accounting policies but it should be disclosed.

Answer 10

Journal
In the Books of ………

Particulars		L.F.	Dr. ₹	Cr. ₹
Cash A/c	Dr.		6,000	
Bad debts A/c	Dr.		4,000	
To Vinod A/c				10,000
(Being 60 paise in rupee received from Mr. Vinod out of a debt of ₹10,000)				
Vinod A/c	Dr.		7,500	
To Cash A/c				7,300
To Discount Received A/c				200
(Being the cash paid to Vinod after receiving discount of ₹200)				
Cash A/c	Dr.		500	
To Bad Debts Recovered A/c				500
(Being the amount earlier written off as bad debt now received)				

Answer 11

Heads of Accounts	L.F.	Dr. Balance ₹	Cr. Balance ₹
Prepaid Expense		5,000	
Profit and Loss A/c (Profit)			8,000
Outstanding Rent			2,000
Bad Debts Recovered			4,000
Interest on Investment			1,000
Due to Mohan			5,000
Bank overdraft			2,000
Discount Allowed		800	
Due from Vinod		1,200	
Investment		15,000	
Patents		4,000	
Machinery		6,000	
Capital			10,000
Total		**32,000**	**32,000**

Answer 12

A's Journal

Particulars		L.F.	Dr. ₹	Cr. ₹
B A/c	Dr.		4,000	
To Sales A/c				4,000
(Being the goods sold on credit)				
Bills Receivable A/c	Dr.		4,000	
To B A/c				4,000
(Being the acceptance received)				
Bank A/c	Dr.		3,900	
Discounting charges A/c	Dr.		100	

To Bills Receivable A/c (Being the bill discounted)			4,000
B's A/c Dr. To Bank A/c (Being the bill dishonoured and noting charges ₹50 paid by bank)		4,050	4,050

Answer 13

In the Books of Harsh Traders
Cash Book (Simple)

Dr. **Cr.**

Date	Particulars	V. No.	L.F.	Cash ₹	Date	Particulars	V. No.	L.F.	Cash ₹
2015					2015				
Jan 1	To Balance b/d			20,000	Jan 6	By Machinery A/c			8,000
Jan 3	To Raj A/c			5,000	Jan 9	By Insurance Premium A/c			2,500
Jan 12	To Sales A/c			10,000	Jan 15	By Postal stamps A/c			500
Jan 13	To Commission A/c			2,000	Jan 18	By Purchases A/c			1,600
Jan 28	To Furniture A/c			3,000	Jan 23	By Paras A/c			3,000
					Jan 26	By Rent A/c			4,500
					Jan 29	By Bank A/c			1,800
					Jan 31	By Salary A/c			6,000
					Jan 31	By Balance c/d			12,100
				40,000					**40,000**
Feb 1	To Balance b/d			12,100					

Answer 14

Bank Reconciliation Statement
as on 31st December, 2015

Particular	₹	₹
Overdraft as per Cash Book (Cr.)		1,800
Add: Cheque deposited but not cleared	770	
Interest on overdraft charged by bank	30	800
		2,600
Less: Cheque issued but not presented	360	
Directly deposited by a customer in bank	500	860
Overdraft as per Pass Book (Dr.)		**1,740**

Answer 15

Plant Account

Date	Particulars	₹	Date	Particulars	₹
2005			2005		
Apr. 1	To Bank A/c (Machine I)	15,000	Dec.31	By Depreciation A/c @10% Plant I (9mths)-1125 @10% Plant II (3mths)- 500	1,625
Oct .1	To Bank A/c (Machine II)	20,000	Dec.31	By Balance c/d Machine I (15000-1125) – 13,875 Machine II (20000-500) – 19,500	33,375

		35,000			**35,000**
2006			2006		
Jan.1	To Balance b/d		Dec. 31	By Depreciation A/c	
	Machine I– 13,875			@10% Plant I (12mths)-1500	
	Machine II- 19500			@10% Plant II (12mths)- 2000	
		33,375		@10% Plant III (6mths)- 1500	5,000
July 1	To Bank A/c	30,000	Dec. 31	By Balance c/d	
	(Machine III)			Machine I (13,875–1,500) – 12,375	
				Machine II (19,500–2,000) – 17,500	
				Machine III (30,000–1,500) – 28,500	58,375
		63,375			**63,375**
2007			2007		
Jan. 1	To Balance b/d		Jan. 1	By Bank A/c (Sale)	2,000
	Machine I– 12,375		Jan. 1	By P/L A/c (Loss on sale)	10,375
	Machine II- 17,500		Dec. 31	By Depreciation A/c	
	Machine III- 28,500	58,375		@10% Plant II (12mths)- 2000	
				@10% Plant III (12mths)- 3000	5,000
				By Balance c/d	
				Machine II (17,500–2,000) – 15,500	
				Machine III (28,500–3,000) – 25,500	41,000
		58,375			**58,375**
2008			2008		
Jan. 1	To Balance b/d		Jan. 1	By Bank A/c (Sale)	8,000
	Machine II- 15,500		Jan. 1	By P/L A/c (Loss on sale)	7,500
	Machine III- 25,500	41,000	Dec. 31	By Depreciation A/c	3,000
				By Balance c/d	
				Machine III (25,500–3,000) – 22,500	22,500
		41,000			**41,000**
2009					
Jan. 1	To Balance b/d				
	Machine III- 22,500	22,500			

Working Notes:

Purchased plant on 1st April 2005= 15,000
Depreciation on plant = 15,000*10/100= 1500
1st Apr to 31st Dec 2005 = 1500*9/12= 1,125
1st Jan to 31st Dec 2006 = 1,500
Total depreciation = 2,625
1st Jan 2007 sold the used plant for 2000
As on 1st April 2005, the plant cost 15000
15000-2625= 12,375
Loss on sale = Book value 12,375 – Sale proceeds 2000 = 10,375

Purchased plant on 1st Oct 2005 = 20,000
Depreciation on plant = 20,000*10/100= 2000
1st Oct to 31st Dec 2005 = 2000*3/12= 500
1st Jan to 31st Dec 2006 = 2,000
1st Jan to 31st Dec 2007 = 2,000
Total depreciation = 4,500
1st Jan 2008 sold the used the plant for 8,000
As on 1st Oct 2005, the plant cost 20,000
20,000-4500= 15,500

Loss on sale = Book value 15,500 – Sale proceeds 8000 = 7500

On 1st July, 2006 costing ₹30,000
Depreciation = 30,000*10/100= 3000
1st July to 31st Dec 2006 = 1500
1st Jan to 31st Dec 2007 = 3,000
1st Jan to 31st Dec 2008 = 3,000
Total depreciation = 7,500

Answer 16
Because receipts and payment Account records all cash receipts and cash payments. It is a consolidated cash book. It starts with opening balance of cash & bank and ends with closing balance of cash & bank, It does not take into consideration outstanding amounts of receipts and payments.

Answer 17
Ready to use/ Readymade software is appropriate for small business organizations, having one user and single office location.

Answer 18

Manual Vs Computerised Accounting System

Manual	Computerised
i. Accounting principles are used to identify the transactions.	Identification process is same as manual accounting.
ii. Transactions are recorded in the books of original entries and balancing of various accounts is done.	Transactions are stored in a database systematically which adjust the data automatically in a systematic manner and there is no need for separate ledger accounts
iii. Financial statements are prepared at the end of the accounting period by using the trial balance and additional information.	Financial statements are prepared systematically and opening balance for next accounting period is available in Database system.

Answer 19
Profit = Closing Capital + Drawing – Opening Capital - Capital Introduced
=5,00,000 + 3,75,000 - 7,50,000 – 50,000
= 75,000

Answer 20
The various types of accounting softwares are :

i. **Ready-to-use** Readymade softwares are softwares, which are available off the shelf. These softwares are for the users at large and not user specific. These softwares are suited for organisations running small/ conventional business where the frequency or volume of accounting transactions is very low.
ii. **Customised** The term 'customised software' means making changes in the readymade software to suit the specific requirement of the user i.e , make it user specific. These softwares are available off the shelf and are changed to suit the requirement of the user. The developer, to meet specific user requirement, can modify all the readymade softwares. The user has to bear to cost of such changes.
Customised software are best suited for large and medium businesses and can linked to the other information system.
iii. **Tailored** The term 'tailor made software' refers to designing and developing user specific software. These softwares, being user specific, are not available off the shelf but are developed on the basis of discussions between the user and developers.

These softwares are suited for large business organization with mullti- users and geographically scattered locations.

The tailored software is designed to meet the specific requirements of the users and form an important part of the organizations.

Answer 21

Trading Account

Dr. **Cr.**

Particulars		**₹**	**Particulars**		**₹**
To Purchases	24,600		By Sales	40,000	
(–) Purchase Return	2,000	22,600	(–) Sales Return	1,000	39,000
To Carriage Inward		800	By Closing Stock		400
To Gross Profit		16,000			
		39,400			**39,400**

No, it is not correct; debit balance in profit and loss account implies loss as expenses are more than the revenue.

Answer 22

Operating profit = Net profit - Rent received- Gain on sale of machine + Interest on Loan- Donation (assumed it is already included in net profit)

= 2,00,000- 20,000 -30,000 + 40,000 – 4,000

= 1,86,000

It is a capital expenditure.

Answer 23

Income and Expenditure Account

for the year ended 31st December, 2006

Dr. **Cr.**

Expenditure		**₹**	**Income**	**₹**
To Salaries	2,80,000			
Add: Salaries received in Advance (LY 2005)	**10,000**			
Add: Outstanding (CY 2006)	40,000			
		3,30,000		

Balance Sheet

as on 31st December, 2005

Liabilities	**₹**	**Assets**	**₹**
Salary outstanding	25,000	Salaries Prepaid	10,000

Balance Sheet

as on 31st December, 2006

Liabilities		**₹**	**Assets**	**₹**
Salaries outstanding :			Salaries Prepaid	18,000
2005 (25,000 –20,000)	5,000			
2006 (45,000–5,000)	40,000	45,000		

Note:

Salaries outstanding as on 31st December, 2006 appearing on the Liabilities side of the Balance Sheet amounted at ₹ 45000. It includes salaries outstanding for the year 2005 `5,000 (i.e., ₹25,000- ₹20,000) and salaries outstanding for the year 2006, amounted to only ₹ 40,000.

Answer 24

Trading Account

for the year ended 31st March 2014

Dr. **Cr.**

Particulars		₹	Particulars		₹
To Opening stock		9,000	By Sales	1,31,000	
To Purchases	90,000		(-) Sales Return	13,000	1,18,000
(-) Purchases Return	1,000		By closing stock		14,000
(-) Loss by fire	5,000	84,000			
To Gross Profit c/d		39,000			
		1,32,000			**1,32,000**

Profit and Loss Account

for the year ended 31st March 2014

Dr. **Cr.**

Particulars		₹	Particulars	₹
To Office expenses		300	By Gross Profit b/d	39,000
To Selling Expenses		11,100	By Rent Received	1,600
To General expenses		1,000		
To Printing and Stationery		400		
To Rent, Rates and Taxes		4,600		
To Insurance	700			
Less: Prepaid	100	600		
To Administrative Exp.		11,000		
To Bad Debts	600			
Add: Provision for Bad and Doubtful Debts (new)	1,000			
	1,600			
Less: Reserve for doubtful debts (old)	800	800		
To Depreciation				
Plant and machinery				
Old (20% on 20,000)	4000			
Addition (5000×20%×6/12)	500			
Furniture and Fixtures	250	4,750		
To Net Profit c/d		6,050		
		40,600		**40,600**

Balance sheet

as on 31st March 2014

Liabilities		₹	Assets		₹
Current Liabilities			**Current Assets**		
Creditors		15,000	Cash in hand		8,500
			Cash at Bank		18,200
Capital			Debtors	20,600	
Opening Balance	75,000		Less: Bad debts written off	600	
Less: Drawing	6,000			20,000	
	69,000		Less: Provision for bad Debts	1,000	19,000
Add: Net Profit	6,050	75,050	Insurance Claim		5000
			Closing Stock		14,000
			Prepaid Insurance		100
			Fixed Assets		

		Plant and Machinery	20,000	
		Add: Addition on 1.10.2016	5,000	
		Less: Depreciation @20%	4500	20,500
		Furniture and Fixtures	5,000	
		Less: Depreciation @5%	250	4,750
	90,050			**90,050**