

# Answers

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## Exercise 1

1. Select appropriate option for each question :

(1) b      (2) c      (3) c      (4) c      (5) d

7. Total of suspense A/c ₹ 6940

Revised profit ₹ 77,710

8. Total of suspense A/c ₹ 80,000

Total revised trial balance ₹ 17,52,000

## Exercise 2

1. Select appropriate option for each question :

(1) (b)      (2) (d)      (3) (b)      (4) (a)      (5) (d)

(6) (a)      (7) (c)      (8) (a)      (9) (d)      (10) (a)

3. (1) Depreciation A/c Dr. ₹ 7000, To Machine A/c ₹ 7000

(2) Depreciation A/c Dr. ₹ 2700, To Machine A/c ₹ 2700

(3) Bank A/c Dr. ₹ 41,310, Depreciation A/c Dr. ₹ 3400, To Machine A/c ₹ 34,000, To Profit and Loss A/c ₹ 10,710

(4) Cost price of machine ₹ 1,20,000

(5) Cost price of machine ₹ 36,000

5. (1) Annual depreciation ₹ 6250, Rate of depreciation 9.674 %, Closing balance of machine respectively ₹ 58,350, ₹ 52,100 and ₹ 45,850.

(2) Cost price of machine ₹ 1,20,000, Annual depreciation ₹ 12,000, Profit on sale of machine ₹ 7200, Selling price of machine ₹ 31,200.

(3) Cost price of machine ₹ 3,00,000, Annual depreciation ₹ 24,000, Depreciated cost of machine on 31-3-15 (book value) ₹ 2,28,000, Loss on sale of machine ₹ 45,600, Selling price of machine ₹ 1,82,400.

(4) Depreciation respectively ₹ 16,000, ₹ 23,200, ₹ 22,400, Loss on sale of machine ₹ 48,000, Effect in annual accounts, Depreciation in Profit and Loss account ₹ 16,000. Machine balance in Balance Sheet ₹ 1,44,000.

(5) Depreciation respectively ₹ 4000, ₹ 4150 (₹ 4000 + ₹ 150), ₹ 4450 (₹ 4000 + ₹ 450), Selling price of machine on 31-12-14 ₹ 10,260, Loss on sale of machine ₹ 1140, Depreciation of machine ₹ 450, Balance of machine account on 31-3-15, ₹ 48,000.

(6) Depreciation respectively ₹ 9000, ₹ 9000, ₹ 12,600 (₹ 9000 + ₹ 3600), Book value of machine sold (depreciated cost) ₹ 18,900, Profit on sale of machine ₹ 3780, Selling price machine sold ₹ 22,680, Balance of machine account on 31-3-15, ₹ 1,12,500 (₹ 44,100 + ₹ 68,400)

- (7) Depreciation respectively ₹ 7000, ₹ 6300 ₹ 5670, Balance of machine account ₹ 63,000, ₹ 56,700, ₹ 51,030.
- (8) Depreciation ₹ 3000, Loss on sale of machine ₹ 14,250, Selling price of machine ₹ 42,750, Book value (depreciated cost) on 1-10-2014, ₹ 57,000.
- (9) Depreciation respectively ₹ 2400, ₹ 3240 (₹ 2160 + ₹ 1080), ₹ 3996 (₹ 1944 + ₹ 2052), Machine account balance respectively ₹ 21,600, ₹ 39960 (₹ 19,440 + ₹ 20520) ₹ 18,468 (second machine), Book value (depreciated cost) of first machine on 31-3-2015 ₹ 17,496, Loss on sale of machine ₹ 3499, Selling price of machine ₹ 13,997.
- (10) Journal entry at the end of both the years : (i) Depreciation A/c Dr. ₹ 6000, To Depreciation provision A/c ₹ 6000 (ii) Profit and Loss A/c Dr. ₹ 6000, To Depreciation A/c ₹ 6000. ₹ 6000 will be recorded at the credit side of depreciation provision A/c (Accumulated depreciation), depreciation A/c, as well as credit balance will be ₹ 6000 and ₹ 12,000 respectively.
- (11) Journal entry : On 31-3-2014 (i) Depreciation A/c Dr. ₹ 8000, To Depreciation provision A/c ₹ 8000 (ii) Profit and Loss A/c Dr. ₹ 8000, To Depreciation A/c ₹ 8000. On 31-3-2015 (i) Depreciation A/c Dr. ₹ 7200, To Depreciation provision A/c ₹ 7200. (ii) Profit and Loss A/c Dr. ₹ 7200, To Depreciation A/c ₹ 7200. Debit side of profit and loss A/c - depreciation will be ₹ 8000 and ₹ 7200. In balance sheet, every year after deduction of accumulated depreciation from cost price ₹ 72,000 and ₹ 64,800 will be shown respectively.

### Exercise 3

**1. Select appropriate option for each question :**

- (1) (b)      (2) (a)      (3) (c)      (4) (d)      (5) (c)

### Exercise 4

**1. Select appropriate option for each question :**

- (1) (b)      (2) (a)      (3) (c)      (4) (c)  
 (5) (d)      (6) (d)      (7) (a)      (8) (c)

### Exercise 5

**1. Select appropriate option for each question :**

- (1) (b)      (2) (c)      (3) (a)      (4) (d)      (5) (d)  
 (6) (d)      (7) (d)      (8) (d)      (9) (c)      (10) (c)      (11) (a)
6. Gross profit ₹ 3,65,500, Net profit ₹ 1,68,000, Balance sheet ₹ 7,70,000
7. Gross profit ₹ 5,76,750, Net profit ₹ 1,68,750, Balance sheet ₹ 12,36,750
8. Net profit ₹ 1,37,850, Balance sheet ₹ 3,97,810
9. Gross profit ₹ 5,87,300, Net profit ₹ 3,20,284, Balance sheet ₹ 9,56,600
10. Gross profit ₹ 2,88,800, Net profit ₹ 1,77,975, Balance sheet ₹ 5,19,495
11. Gross profit ₹ 71,900, Net profit ₹ 4710, Balance sheet ₹ 1,36,650
12. Revised gross profit ₹ 5,61,750, Net loss ₹ 2,11,500, Balance sheet ₹ 8,98,500
13. Total of trial balance ₹ 10,21,000 gross profit ₹ 4,84,000, Net profit ₹ 2,39,900, Balance sheet ₹ 6,46,750
14. Total of trial balance ₹ 5,41,000 gross profit ₹ 1,94,400, Net profit ₹ 96,550, Balance sheet ₹ 3,80,950

**Exercise 6****14. Select appropriate option for each question :**

- (1) Going concern                      (2) Consistency                      (3) Accrual

- 15.** (1) Going concern concept                      (2) Going concern concept  
 (3) Periodicity concept or going concern concept  
 (4) Consistency concept                      (5) Consistency concept  
 (6) Accrual concept                      (7) Accounting entity  
 (8) Money measurement concept                      (9) Periodicity  
 (10) Materiality concept                      (11) Full disclosure concept  
 (12) Full disclosure concept                      (13) Prudence or conservatism  
 (14) Prudence or conservatism                      (15) Cost concept  
 (16) Dual effect concept                      (17) Money measurement concept  
 (18) Accrual concept                      (19) Business entity concept  
 (20) Business entity concept                      (21) Dual effect concept

- 16.** (1) As per business entity concept, drawings A/c will be debited.  
 (2) Given statement is incorrect. Correct statement is "Fixed assets are shown in the balance sheet at depreciated cost". This is as per going concern concept.  
 (3) On the basis of prudence or conservatism concept, bank credit, interest on doubtful advances account to the "Interest suspense account".  
 (4) Yes, on 31-03-2017, accounting effect will be given of interest accrued upto 31-3-2017. Interest accrued upto 31-3-2017 will be ₹ 10,000 ( $1,00,000 \times \frac{12}{100} \times \frac{10}{12}$ ). This will be for the period of 10 months from 01-06-2016 to 31-03-2017. This is based on accrual concept.  
 (5) Yes, it will be recorded. ₹ 40,000 is fair expense or loss. This will be recorded on the basis of prudence or conservatism, because probable loss should be taken into consideration. This must be shown contingent liability ₹ 1,00,000 till the final judgement of court. This is on the basis of full disclosure.

**Exercise 7**

- 4.** (1) In 1973      (2) In 1977      (3) For preparation of accounting standards

**Exercise 8**

- 1.** (1) (a)                      (2) (b)                      (3) (c)                      (4) (d)                      (5) (c)  
 (6) (b)                      (7) (a)                      (8) (b)                      (9) (a)                      (10) (d)  
 (11) (b)                      (12) (d)                      (13) (a)                      (14) (b)                      (15) (b)  
 (16) (d)                      (17) (d)                      (18) (a)                      (19) (c)                      (20) (b)

**Exercise 9**

**1. Select appropriate option for each question :**

- (1) (d)                      (2) (d)                      (3) (a)                      (4) (c)                      (5) (c)  
 (6) (a)                      (7) (d)                      (8) (c)                      (9) (c)                      (10) (a)

**8. (1) Naturewise classification of Income and Expense :**

Revenue Income	Capital Income	Revenue Expense	Capital Expense
(1) Membership fees	(2) Prize fund	(8) Subscription of periodicals	(6) X-ray machine
(12) Sale of drama tickets	(3) Life membership fees	(9) Annual Day expense	(7) Investment of prize fund
(14) Government aid (Subsidy)	(4) Legacy	(11) Ground maintenance expense	(10) Purchase of sports equipments
(15) Locker's rent	(5) Donation	(13) Drama expense	(16) Purchase of National Savings Certificates.
(19) Contribution for annual dinner	(31) Charity	(18) Annual dinner expense	(17) Machinery installation wages and expense.
(20) Income of entertainment prog.	(33) President felicitation fund	(21) Annual programme expense	(23) Purchase of billiard table.
(22) Sale of sports equipments.		(24) Repairing expense	(26) Expense to bring old assets in operational condition
(25) Entrance fees		(27) Loss on sale of asset	(32) Purchase of HDFC bonds.
(28) Investment int.		(30) Asset depreciation	
(29) Income of canteen		(34) President felicitation exp.	

- (2) On credit side of income-expenditure account subscription received ₹ 85,000, on liabilities side of balance sheet; pre-received subscription ₹ 6000 and on asset side, subscription outstanding ₹ 15,000.  
 (3) On debit of income-expenditure account; salary ₹ 36,100, Stationery consumption ₹ 2920, Taxes and insurance ₹ 6500 on credit side (income side), subscription ₹ 75,000  
 (4) On Liability side of balance sheet; Match fund ₹ 76,050, permanent fund ₹ 1,05,000, Assets side investments of match fund ₹ 35,000, Investments of permanent fund ₹ 1,05,000  
 (5) Amount disclosed in Receipt-Payment A/c ₹ 43,200.  
 (6) During current year, purchase of sports equipments ₹ 6700 (7000 – 300), Total ₹ 6700 + ₹ 400 = ₹ 7100 Less sale ₹ 180 = ₹ 6920, Closing balance ₹ 1100, thus depreciation ₹ 5820 - will be disclosed on debit side of income-expenditure account.

**9.** Closing bank balance ₹ 4500, Total of Receipt-Payment account ₹ 1,24,500.

**10.** Excess of expenditure over income ₹ 600.

**11.** Closing balance of cash ₹ 1,47,000, Total of Receipt-Payment account ₹ 5,49,000, Excess of income over expenditure ₹ 2,22,000.

**12.** Excess of income over expenditure ₹ 6700, ₹ 2000 of entrance fees as a revenue income and ₹ 2000 as capital income will be added to capital fund.



13. Excess of expenditure over income ₹ 4500, Permanent fund ₹ 2,74,500, Total of balance sheet ₹ 2,77,800.
14. Excess of income over expenditure ₹ 15,000, Capital fund ₹ 3,68,500, Total of balance sheet ₹ 3,88,750 (Depreciation on sports equipments ₹ 25,000 (opening balance ₹ 1,25,000 + purchase ₹ 75,000 — closing balance ₹ 1,75,000))
15. Excess of income over expenditure ₹ 5100, Capital fund ₹ 43,100, Donation amount will be shown as revenue income. Since no information is given for entrance fees, it will be treated as revenue income and will be shown in income-expenditure A/c. Total of balance sheet ₹ 63,000, 2/3 of colour work expense will be shown in the balance sheet ₹ 6000. Only 1/3 will be shown on expense side of income-expenditure A/c ₹ 3000. Interest on loan outstanding ₹ 900.
16. Excess of income over expenditure ₹ 3850, Capital fund ₹ 1,49,225, Total of balance sheet ₹ 1,56,225, Loss on sale of furniture ₹ 625, Depreciation on furniture ₹ 2775 (Balance of furniture ₹ 2650 + sold furniture ₹ 125)
17. Excess of expenditure over income ₹ 4350, Consumption of medicine ₹ 40,500, Capital fund ₹ 1,95,450, Total of balance sheet ₹ 2,70,750, Subscription ₹ 75,150 on income side of income-expenditure A/c.
18. Excess of income over expenditure ₹ 5800, Capital fund ₹ 1,41,880, Total of balance sheet ₹ 1,66,880, Capital fund from balance sheet of previous year 31-3-2014 ₹ 1,34,480 (Capital fund ₹ 1,08,000 + Excess of income over expenditure ₹ 20,000 + Income-expenditure A/c ₹ 6480).

#### Exercise 10

1. **Select appropriate option for each question :**  
 (1) (b)    (2) (b)    (3) (d)    (4) (b)    (5) (b)
4. Opening capital ₹ 1,87,000, Net capital ₹ 2,03,500, Net profit ₹ 21,900
5. Opening capital ₹ 26,750, Closing capital ₹ 52,700, Net profit ₹ 25,700
6. Opening capital ₹ 78,000, Closing capital ₹ 76,100, Gross loss before adjustments ₹ 4300, Net loss ₹ 9260
7. Closing capital ₹ 90,200, Gross profit before adjustments ₹ 44,000, Net profit ₹ 37,850
8. Opening capital ₹ 2,71,600, Closing capital ₹ 2,84,600, Gross loss before adjustments ₹ 37,000, Net loss ₹ 89,415, Total of balance sheet ₹ 2,88,725.



#### Project-work :

- (1) Collection of original documents, preparing vouchers, recording transactions with the help of vouchers.
- (2) Preparation of bank reconciliation statement on the basis of given cashbook and passbook.
- (3) Prepare chart of voucher, bills of exchange, promisory note.
- (4) Collection of original documents, recording transactions with the help of vouchers, preparation of ledger accounts and trial balance.
- (5) Project work based on an accounting package of window, arrangement of package, formation of new company, arrangement of titles, recording of vouchers, observe results and making changes in data.