

# **ACCOUNTANCY SPECIAL GUIDE HSC FIRST YEAR**

## **KRISHNAGIRI DISTRICT 2024-2025.**

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**CHOOSE THE CORRECT ANSWER****CHAPTER: 1**

- The root of financial accounting system is.....
  - Social accounting
  - Stewardship accounting**
  - Management accounting
  - Responsibility accounting
- Which one of the following is not a main objective of accounting?
  - Systematic recording of transactions
  - Ascertainment of the profitability of the business
  - Ascertainment of the financial position of the business
  - Solving tax disputes with tax authorities
- Which one of the following is not a branch of accounting?
  - Financial accounting
  - Management accounting
  - Human resources accounting
  - None of the above.**
- Financial position of a business is ascertained on the basis of.....
  - Journal
  - Trial balance
  - Balance Sheet**
  - Ledger
- Who is considered to be the internal user of the financial information?
  - Creditor
  - Employee**
  - Customer
  - Government

**CHAPTER: 2**

- The business is liable to the proprietor of the business in respect of capital introduced by the person according to.....
  - Money measurement concept
  - Cost concept
  - Business entity concept**
  - Dual aspect concept
- The profounder of double entry system of book-keeping is.....
  - J. R. Batlibai
  - Luca Pacioli**
  - Old Kesal
  - Menhar
- The concept which assumes that a business will last indefinitely is.....
  - Business Entity
  - Going concern**
  - Periodicity
  - Conservatism
- GAAPs are.....
  - Generally Accepted Accounting Policies
  - Generally Accepted Accounting Principles**
  - Generally Accepted Accounting Provisions
  - None of these
- The rule of stock valuation 'cost price or realisable value' whichever is lower is based on the accounting principle of.....
  - Materiality
  - Money measurement
  - Conservatism**
  - Accrual
- In India, Accounting Standards are issued by.....
  - Reserve Bank of India
  - The Cost and Management Accountants of India
  - Supreme Court of India
  - The Institute of Chartered Accountants of India**
- Which of the following does not follow dual aspect concept?
  - Increase in one asset and decrease in other asset
  - Increase in both asset and liability
  - Decrease in one asset and decrease in other asset
  - Increase in one asset and increase in capital

**CHAPTER: 3**

- Accounting equation signifies.....
  - Capital of a business is equal to assets
  - Liabilities of a business are equal to assets and liabilities
  - Capital of a business is equal to liabilities
  - Assets of a business are equal to the total of capital**
- 'Cash withdrawn by the proprietor from the business for his personal use' causes.....
  - Decrease in assets and decrease in owner's capital**
  - Increase one asset and decrease another asset
  - Increase in one asset and increase in liabilities
  - Increase in asset and decrease in capital
- A firm has assets of Rs. 1,00,000 and the external liabilities of Rs. 60,000. Its capital would be.....
  - Rs. 1,60,000
  - Rs. 60,000
  - Rs. 1,00,000
  - Rs. 40,000**
- The incorrect accounting equation is.....
  - Assets = Liabilities + Capital
  - Assets = Capital + Liabilities
  - Liabilities = Assets + Capital**
  - Capital = Assets - Liabilities
- Accounting equation is formed based on the accounting principle of.....
  - Dual aspect**
  - Consistency
  - Going concern
  - Accrual

6. Real account deals with.....  
 (a) Individual persons (b) Expenses and losses (c) Assets (d) Incomes and gains
7. Which one of the following is representative personal account?  
 (a) Building A/c (b) Outstanding salary A/c (c) Mahesh A/c (d) Balan & Co
8. Prepaid rent is a.....  
 (a) Nominal A/c (b) Personal A/c (c) Real A/c (d) Representative personal A/c
9. Withdrawal of cash from business by the proprietor should be credited to.....  
 (a) Drawings A/c (b) Cash A/c (c) Capital A/c (d) Purchases A/c
10. In double entry system of book keeping, every business transaction affects.....  
 (a) Minimum of two accounts (b) Same account on two different dates  
 (c) Two sides of the same account (d) Minimum three accounts

**CHAPTER: 4**

1. Main objective of preparing ledger account is to.....  
 (a) Ascertain the financial position (b) Ascertain the profit or loss  
 (c) Ascertain the profit or loss and the financial position  
 (d) Know the balance of each ledger account
2. The process of transferring the debit and credit items from journal to ledger accounts is called.....  
 (a) Casting (b) Posting (c) Journalising (d) Balancing
3. J.F means.....  
 (a) Ledger page number (b) Journal page number (c) Voucher number (d) Order number
4. The process of finding the net amount from the totals of debit and credit columns in a ledger is known as  
 (a) Casting (b) Posting (c) Journalising (d) Balancing
5. If the total of the debit side of an account exceeds the total of its credit side, it means.....  
 (a) Credit balance (b) Debit balance (c) Nil balance (d) Debit and credit balance
6. The amount brought into the business by the proprietor should be credited to.....  
 (a) Cash account (b) Drawings account (c) Capital account (d) Suspense account

**CHAPTER: 5**

1. Trial balance is a.....  
 (a) Statement (b) Account (c) Ledger (d) Journal
2. After the preparation of ledger, the next step is the preparation of.....  
 (a) Trading account (b) Trial balance (c) Journal (d) Profit and loss account
3. The trial balance contains the balances of.....  
 (a) Only personal accounts (b) Only real accounts  
 (c) Only nominal accounts (d) All accounts
4. Which of the following is/are the objective(s) of preparing trial balance?  
 (a) Serving as the summary of all the ledger accounts (b) Helping in the preparation of final a/c  
 (c) Examining arithmetical accuracy of accounts (d) a, b and c
5. While preparing the trial balance, the accountant finds that the total of the credit column is short by Rs. 200. This difference will be.....  
 (a) Debited to suspense account (b) Credited to suspense account  
 (c) Adjusted to any of the debit balance (d) Adjusted to any of the credit balance
6. A list which contains balances of accounts to know whether the debit and credit balances are matched is.....  
 (a) Journal (b) Day book (c) Trial balance (d) Balance sheet
7. Which of the following method(s) can be used for preparing trial balance?  
 (a) Balance method (b) Total method (c) Total and Balance method (d) a, b and c
8. The account which has a debit balance and is shown in the debit column of the trial balance is.....  
 (a) Sundry creditors account (b) Bills payable account (c) Drawings account (d) Capital account
9. The difference of totals of both debit and credit side of trial balance is transferred to.....  
 (a) Trading account (b) Difference account (c) Suspense account (d) Miscellaneous account
10. Trial balance is prepared.....  
 (a) At the end of the year (b) On a particular date (c) For a year (d) None of the above

**CHAPTER: 6**

1. Purchases book is used to record.....
  - (a) all purchases of goods
  - (b) all credit purchases of assets
  - (c) all credit purchases of goods**
  - (d) all purchases of assets
2. A periodic total of the purchases book is posted to the.....
  - (a) Debit side of the purchases account**
  - (b) debit side of the sales account
  - (c) credit side of the purchases account
  - (d) credit side of the sales account
3. Sales book is used to record.....
  - (a) all sales of goods
  - (b) all credit sales of assets
  - (c) all credit sales of goods**
  - (d) all sales of assets and goods
4. The total of the sales book is posted periodically to the credit of.....
  - (a) Sales account**
  - (b) Cash account
  - (c) Purchases account
  - (d) Journal proper
5. Purchase returns book is used to record .....
  - (a) Returns of goods to the supplier for which cash is not received immediately**
  - (b) returns of assets to the supplier for which cash is not received immediately
  - (c) returns of assets to the supplier for which cash is received immediately
  - (d) None of the above
6. Sales return book is used to record.....
  - (a) Returns of goods by the customer for which cash is paid immediately
  - (b) Returns of goods by the customer for which cash is not paid immediately**
  - (c) Returns of assets by the customer for which cash is not paid immediately
  - (d) Returns of assets by the customer for which cash is paid immediately
7. Purchases of fixed assets on credit basis is recorded in.....
  - (a) Purchases book
  - (b) Sales book
  - (c) Purchases returns book
  - (d) Journal proper**
8. The source document or voucher used for recording entries in sales book is.....
  - (a) Debit note
  - (b) Credit note
  - (c) Invoice**
  - (d) Cash receipt
9. Which of the following statements is not true?
  - (a) Cash discount is recorded in the books of accounts
  - (b) Assets purchased on credit are recorded in journal proper
  - (c) Trade discount is recorded in the books of accounts**
  - (d) 3 grace days are added while determining the due date of the bill
10. Closing entries are recorded in.....
  - (a) Cash book
  - (b) Ledger
  - (c) Journal proper**
  - (d) Purchases book

**CHAPTER: 7**

1. Cash book is a.....
  - (a) Subsidiary book
  - (b) Principal book
  - (c) Journal proper
  - (d) Both subsidiary book and principal book**
2. The cash book records.....
  - (a) All cash receipts
  - (b) All cash payments
  - (c) Both (a) and (b)**
  - (d) All credit transactions
3. When a firm maintains a simple cash book, it need not maintain.....
  - (a) Sales account in the ledger
  - (b) Purchases account in the ledger
  - (c) Capital account in the ledger
  - (d) Cash account in the ledger**
4. A cash book with discount, cash and bank column is called.....
  - (a) Simple cash book
  - (b) Double column cash book
  - (c) Three column cash book**
  - (d) Petty cash book
5. In Triple column cash book, the balance of bank overdraft brought forward will appear in.....
  - (a) Cash column debit side
  - (b) Cash column credit side
  - (c) Bank column debit side
  - (d) Bank column credit side**
6. Which of the following is recorded as contra entry?
  - (a) Withdrew cash from bank for personal use
  - (b) Withdrew cash from bank for office use**
  - (c) Direct payment by the customer in the bank account of the business
  - (d) When bank charges interest
7. If the debit and credit aspects of a transaction are recorded in the cash book, it is.....
  - (a) Contra entry**
  - (b) Compound entry
  - (c) Single entry
  - (d) Simple entry
8. The balance in the petty cash book is.....
  - (a) An expense
  - (b) A profit
  - (c) An asset**
  - (d) A liability

9. Petty cash may be used to pay.....
- (a) The expenses relating to postage and conveyance (b) Salary to the Manager  
(c) Purchase of furniture and fixtures (d) Purchase of raw materials
10. Small payments are recorded in a book called.....
- (a) Cash book (b) Purchase book (c) Bills payable book (d) Petty cash book

**CHAPTER: 8**

1. A bank reconciliation statement is prepared by.....
- (a) Bank (b) Business (c) Debtor to the business (d) Creditor to the business
2. A bank reconciliation statement is prepared with the help of.....
- (a) Bank statement (b) Cash book  
(c) Bank statement and bank column of the cash book (d) Petty cash book
3. Debit balance in the bank column of the cash book means.....
- (a) Credit balance as per bank statement (b) Debit balance as per bank statement  
(c) Overdraft as per cash book (d) None of the above
4. A bank statement is a copy of.....
- (a) Cash column of the cash book (b) Bank column of the cash book  
(c) A customer's account in the bank's book (d) Cheques issued by the business
5. A bank reconciliation statement is prepared to know the causes for the difference between...
- (a) The balance as per the cash column of the cash book and bank column of the cash book  
(b) The balance as per the cash column of the cash book and bank statement  
(c) The balance as per the bank column of the cash book and the bank statement  
(d) The balance as per petty cash book and the cash book
6. When money is withdrawn from bank, the bank.....
- (a) Credits customer's account (b) Debits customer's account  
(c) Debits and credits customer's account (d) None of these
7. Which of the following is not the salient feature of bank reconciliation statement?
- a) Any undue delay in the clearance of cheques will be shown up by the reconciliation  
b) Reconciliation statement will discourage the accountant of the bank from embezzlement  
c) It helps in finding the actual position of the bank balance  
d) Reconciliation statement is prepared only at the end of the accounting period
8. Balance as per cash book is Rs. 2, 000. Bank charge of Rs. 50 debited by the bank is not yet shown in the cash book. What is the bank statement balance now?
- (a) Rs. 1,950 credit balance (b) Rs. 1,950 debit balance  
(c) Rs. 2,050 debit balance (d) Rs. 2,050 credit balance
9. Balance as per bank statement is Rs. 1, 000. Cheque deposited, but not yet credited by the bank is Rs. 2, 000. What is the balance as per bank column of the cash book?
- (a) Rs. 3,000 overdraft (b) Rs. 3,000 favorable (c) Rs. 1,000 overdraft (d) Rs. 1,000 favourable
10. Which one of the following is not a timing difference?
- (a) Cheque deposited but not yet credited (b) Cheque issued but not yet presented for payment  
(c) Amount directly paid into the bank (d) Wrong debit in the cash book

**CHAPTER: 9**

1. Error of principle arises when.....
- (a) There is complete omission of a transaction (b) There is partial omission of a transaction  
(c) Distinction is not made between capital and revenue items  
(d) There are wrong postings and wrong castings
2. Errors not affecting the agreement of trial balance are.....
- (a) Errors of principle (b) Errors of overcasting  
(c) Errors of undercasting (d) Errors of partial omission
3. The difference in trial balance is taken to.....
- (a) The capital account (b) The trading account  
(c) The suspense account (d) The profit and loss account
4. A transaction not recorded at all is known as an error of.....
- (a) Principle (b) Complete omission (c) Partial omission (d) Duplication
5. Wages paid for installation of machinery wrongly debited to wages account is an error of...
- (a) Partial omission (b) Principle (c) Complete omission (d) Duplication

6. Which of the following errors will not affect the trial balance?  
 (a) Wrong balancing of an account  
**(b) Posting an amount in the wrong account but on the correct side**  
 (c) Wrong totalling of an account (d) Carried forward wrong amount in a ledger account
7. Goods returned by Senguttuvan were taken into stock, but no entry was passed in the books. While rectifying this error, which of the following accounts should be debited?  
 (a) Senguttuvan account (b) Sales returns account  
 (c) Returns outward account (d) Purchases returns account
8. A credit purchase of furniture from Athiyaman was debited to purchases account. Which of the following accounts should be debited while rectifying this error?  
 (a) Purchases account (b) Athiyaman account  
**(c) Furniture account** (d) None of these
9. The total of purchases book was overcast. Which of the following accounts should be debited in the rectifying journal entry?  
 (a) Purchases account (b) Suspense account (c) Creditor account (d) None of the above
10. Which of the following errors will be rectified using suspense account?  
**(a) Purchases returns book was undercast by Rs. 100**  
 (b) Goods returned by Narendran was not recorded in the books  
 (c) Goods returned by Akila Rs. 900 was recorded in the sales returns book as Rs. 90  
 (d) A credit sale of goods to Ravivarman was not entered in the sales book

**CHAPTER: 10**

1. Under straight line method, the amount of depreciation is.....  
 (a) Increasing every year (b) Decreasing every year  
**(c) Constant for all the years** (d) Fluctuating every year
2. If the total charge of depreciation and maintenance cost are considered, the method that provides a uniform charge is.....  
 (a) Straight line method (b) Diminishing balance method  
 (c) Annuity method (d) Insurance policy
3. Under the written down value method of depreciation, the amount of depreciation is...  
 (a) Uniform in all the years (b) Decreasing every year  
 (c) Increasing every year (d) None of the above
4. Depreciation provided on machinery is debited to.....  
 (a) Depreciation account (b) Machinery account  
 (c) Trading account **(d) Provision for depreciation account**
5. Cash received from sale of fixed asset is credited to.....  
 (a) Profit and loss account (b) Fixed asset account  
 (c) Depreciation account (d) Bank account
6. Depreciation is provided on.....  
**(a) Fixed assets** (b) Current assets (c) Outstanding charges (d) All assets
7. Depreciation is caused by.....  
 (a) Lapse of time (b) Usage (c) Obsolescence **(d) a, b and c**
8. Depreciation is the process of .....  
**(a) Allocation of cost of the asset to the period of its useful life**  
 (b) Valuation of assets  
 (c) Maintenance of an asset in a state of efficiency  
 (d) Adding value to the asset
9. For which of the following assets, the depletion method is adopted for writing off cost of the asset?  
 (a) Plant and machinery (b) Mines and quarries (c) Buildings (d) Trademark
10. A depreciable asset may suffer obsolescence due to.....  
 (a) Passage of time (b) Wear and tear (c) Technological changes (d) None of the above.
11. Which method shall be efficient, if repairs and maintenance cost of an asset increases as it grows older.  
 (a) Straight line method (b) Reducing balance method  
 (c) Sinking fund method (d) Annuity method

12. Depreciation is to be calculated from the date when.....  
 (a) Asset is put to use (b) Purchase order is made  
 (c) Asset is received at business premises (d) Invoice of assets is received
13. If the rate of depreciation is same, then the amount of depreciation under straight line method vis-à-vis written down value method will be .....  
 (a) Equal in all years  
 (b) Equal in the first year but higher in subsequent years  
 (c) Equal in the first year but lower in subsequent years  
 (d) Lower in the first year but equal in subsequent years.
14. Residual value of an asset means the amount that it can fetch on sale at the \_of its useful life.  
 (a) Beginning (b) End (c) Middle (d) None

**CHAPTER: 11**

1. Amount spent on increasing the seating capacity in a cinema hall is.....  
 (a) Capital expenditure (b) Revenue expenditure  
 (c) Deferred revenue expenditure (d) None of the above.
2. Expenditure incurred Rs. 20,000 for trial run of a newly installed machinery will be.....  
 (a) Preliminary expense (b) Revenue expenditure  
 (c) Capital expenditure (d) Deferred revenue expenditure
3. Interest on bank deposits is.....  
 (a) Capital receipt (b) Revenue receipt (c) Capital expenditures (d) Revenue expenditures
4. Amount received from IDBI as a medium term loan for augmenting working capital....  
 (a) Capital expenditures (b) Revenue expenditures (c) Revenue receipts (d) Capital receipt
5. Revenue expenditure is intended to benefit .....  
 (a) Past period (b) Future period (c) Current period (d) Any period
6. Pre-operative expenses are.....  
 (a) Revenue expenditure (b) Prepaid revenue expenditure  
 (c) Deferred revenue expenditure (d) Capital expenditure

**CHAPTER: 12**

1. Closing stock is an item of .....  
 (a) Fixed asset (b) Current asset (c) Fictitious asset (d) Intangible asset
2. Balance sheet is.....  
 (a) An account (b) A statement (c) Neither a statement nor an account (d) None of the above
3. Net profit of the business increases the.....  
 (a) Drawings (b) Receivables (c) Debts (d) Capital
4. Carriage inwards will be shown.....  
 (a) In the trading account (b) In the profit and loss account  
 (c) On the liabilities side (d) On the assets side
5. Bank overdraft should be shown.....  
 (a) In the trading account (b) Profit and loss account  
 (c) On the liabilities side (d) On the assets side
6. Balance sheet shows the .....of the business.  
 (a) Profitability (b) Financial position (c) Sales (d) Purchase
7. Drawings appearing in the trial balance is.....  
 (a) Added to the purchases (b) Subtracted from the purchases  
 (c) Added to the capital (d) Subtracted from the capital
8. Salaries appearing in the trial balance is shown on the.....  
 (a) Debit side of trading account (b) Debit side of profit and loss account  
 (c) Liabilities side of the balance sheet (d) Assets side of the balance sheet
9. Current assets does not include.....  
 (a) Cash (b) Stock (c) Furniture (d) Prepaid expenses
10. Goodwill is classified as.....  
 (a) A current asset (b) A liquid asset (c) A tangible asset (d) An intangible asset

**CHAPTER: 13**

1. A prepayment of insurance premium will appear in.....
  - (a) The trading account on the debit side
  - (b) **The profit and loss account on the credit side**
  - (c) The balance sheet on the assets side
  - (d) The balance sheet on the liabilities side
2. Net profit is.....
  - (a) Debited to capital account
  - (b) **Credited to capital account**
  - (c) Debited to drawings account
  - (d) Credited to drawings account
3. Closing stock is valued at.....
  - (a) Cost price
  - (b) Market price
  - (c) Cost price or market price whichever is higher
  - (d) **Cost price or net realisable value whichever is lower**
4. Accrued interest on investment will be shown.....
  - (a) On the credit side of profit and loss account
  - (b) On the assets side of balance sheet
  - (c) **Both (a) and (b)**
  - (d) None of these
5. If there is no existing provision for doubtful debts, provision created for doubtful debts is.....
  - (a) Debited to bad debts account
  - (b) Debited to sundry debtors account
  - (c) Credited to bad debts account
  - (d) **Debited to profit and loss account**

**CHAPTER: 14**

1. In accounting, computer is commonly used in the following areas.....
  - (a) Recording of business transactions
  - (b) Payroll accounting
  - (c) Stores accounting
  - (d) **All the above**
2. Customised accounting software is suitable for.....
  - (a) Small, conventional business
  - (b) **Large, medium business**
  - (c) Large, typical business
  - (d) None of the above
3. Which one is not a component of computer system?
  - (a) Input unit
  - (b) Output unit
  - (c) **Data**
  - (d) Central Processing Unit
4. An example of output device is.....
  - (a) Mouse
  - (b) **Printer**
  - (c) Scanner
  - (d) Keyboard
5. One of the limitations of computerised accounting system is.....
  - (a) **System failure**
  - (b) Accuracy
  - (c) Versatility
  - (d) Storage
6. Expand CAS.....
  - (a) Common Application Software
  - (b) **Computerised Accounting System**
  - (c) Centralised Accounting System
  - (d) Certified Accounting System
7. Which one of the following is not a method of codification of accounts?
  - (a) **Access codes**
  - (b) Sequential codes
  - (c) Block codes
  - (d) Mnemonic codes
8. TALLY is an example of.....
  - (a) Tailor-made accounting software
  - (b) **Ready-made accounting software**
  - (c) In-built accounting software
  - (d) Customised accounting software
9. People who write codes and programmes are called as.....
  - (a) System analysts
  - (b) System designers
  - (c) System operators
  - (d) **System programmers**
10. Accounting software is an example of.....
  - (a) System software
  - (b) **Application software**
  - (c) Utility software
  - (d) Operating software

**II VERY SHORT ANSWER QUESTIONS:****1. Define accounting.**

“The process of identifying, measuring, and communicating economic information to permit informed judgments and decisions by users of the information”. - American Accounting Association

**2. List any two functions of accounting.**

- (i) Measurement
- (ii) Forecasting

**3. What are the steps involved in the process of accounting?**

- Identifying the transactions and Journalizing
- Posting and balancing
- Preparation of Trial balance
- Preparation of Trading and Profit or Loss A/c
- Preparation of Balance sheet



**4. Who are the parties interested in accounting information?**

- Owners
- Managements
- Employees
- Customers

**5. Name any two bases of recording accounting information.**

- Cash basis
- Accrual basis
- Mixed basis

**6. Define book-keeping.**

“Book-keeping is an art of recording business dealings in a set of books”. - J.R.Batliboi.

**7. What is meant by accounting concepts?**

- Accounting concepts are the basic assumptions upon which accounting have been laid.
- Accounting concepts are the results of broad consensus.

**8. Briefly explain about realization concept.**

- It is an any change in value of an asset is to be recorded only when the business realizes it.
- When assets are recorded at historical value, any change in value is to be accounted only when it realizes.

**9. What is “Full Disclosure Principle” of accounting?**

- It states that information that would make a difference to financial statement users in decision making should be disclosed in financial statement.

**10. Write a brief note on ‘Consistency’ assumption.**

- It states companies should use the same accounting treatment for similar events and transaction overtime

**11. What is a computer?**

- A computer is an electronic machine or device.
- It performs based on instructions provided by a software or hardware program.

**12. What is CAS?**

- Computerized accounting system refers to the system of maintaining accounts using computers.
- It involves the processing of accounting transactions through the use of hardware and software in order to keep and produce accounting records and reports.

**13. What is hardware?**

- The physical components of a computer constitute its hardware.
- Hardware consists of input devices and output devices that make a complete computer system.

**14. What is meant by software?**

- A set of programs that form an interface between the hardware and the user of a computer system are referred to as software.

**15. What is accounting software?**

- Accounting software is a type of computer used by accounting professionals to manage accounts and perform accounting operations.

**16. Name any two accounting packages.**

- Readymade software
- Customized software
- Tailor made software

**17. What is grouping of accounts?**

- After classification of accounts into various groups namely, major, minor and sub-heads and allotting codes to each account these are programmed into the computer system.

**18. What are mnemonic codes?**

- It consists of alphabets or abbreviations as symbols to codify a piece of information.

**19. What is trial balance?**

- “A trial balance is a statement, prepared with the debit and credit balances of the ledger accounts to test the arithmetical accuracy of the books”. – J.R. Batliboi

**20. What are the methods of preparation of trial balance?**

1. Balance method
2. Total method
3. Total and Balance method

**21. What are source documents?**

- Cash receipt
- Invoice
- Debit note
- Credit note
- Pay – in – slip
- Cheque.

**22. What is accounting equation?**

- It is the foundation for the double entry book keeping system.
- For each transaction the total debits equal the total credits.
- Assets = Capital + Liabilities

**23. Give the golden rules of double entry accounting system.**

|              |   |  |
|--------------|---|--|
| Personal A/c | = | Debit the Receiver<br>Credit the Giver                       |
| Real A/c     | = | Debit what comes in<br>Credit what goes out                  |
| Nominal A/c  | = | Debit All expenses and Losses<br>Credit All income and gains |

**24. What is a ledger?**

- It is a summary statement of all the transactions relating to a person, asset, liability, expense or income.
- Ledger is known as principal book of accounts.

**25. Mention four types of subsidiary books.**

- |                           |                        |
|---------------------------|------------------------|
| 1. Purchases book         | 3. Sales book          |
| 2. Purchases returns book | 4. Sales returns books |

**26. What is purchases book?**

1. Purchases book is a subsidiary book
2. only credit purchases of goods are recorded.

**27. What is purchases returns book?**

- Purchases returns book is a subsidiary book in which transactions relating to return of previously purchased goods to the suppliers, for which cash is not immediately received are recorded

**28. What is sales book?**

- It is a subsidiary book maintained to record credit sale of goods.
- Goods mean the items in which the business is dealing with Debtors

**29. What is sales returns book?**

- Sales returns book is a subsidiary book, in which, details of return of goods sold for which cash is not immediately paid are recorded.

**30. What is cash discount?**

- It is allowed to the parties making prompt payment within the stipulated period of time.
- It is discount allowed for the creditor and discount received for the debtor who makes payment.

**31. What is trade discount?**

- It is a deduction given by the supplier to the buyer on the list price of the goods.
- It is given as when goods are purchased in large quantities.

**32. What is a petty cash book?**

- All petty payments of the business may be recorded in separate book which is called petty cash book.
- The person who maintains the petty cash book is called the petty cash cashier.

**33. What is meant by bank overdraft?**

- When the business is not having sufficient money in its bank account, it can borrow money from the bank. As a result of this, amount is overdrawn from bank.

**34. What is bank reconciliation statement?**

- When the balances do not agree with each other, the need for preparing a statement to explain the causes arises.
- This statement is called bank reconciliation statement (BRS).

**35. What is meant by error of principle?**

- It means the mistake committed in the application of fundamental accounting
- Principles in recording a transaction in the books of accounts.

**36. What is meant by error of partial omission?**

- When the accountant has failed to record a part of the transaction is known as error of partial omission.

**37. What is meant by error of complete omission?**

- It means the failure to record a transaction in the journal or subsidiary book (or) failure to post both the aspects in ledger.

**38. What are compensating errors?**

- The errors that make up for each other or neutralize each other are known as compensating errors.

**39. What is meant by depreciation?**

- “Depreciation is the gradual and permanent decrease in the value of an asset from any cause”. - R.N. Carter

**40. List out the various methods of depreciation.**

1. Straight line method
2. Written down value method

**41. What is meant by revenue expenditure?**

- The expenditure incurred for day to day running of the business or for maintaining the earning capacity of the business is known as revenue expenditure.

**42. What is capital expenditure?**

- It is an expenditure incurred during an accounting period, the benefits of which will be available for more than one accounting period.

**43. What is capital profit?**

- It is a capital gain which arises from the sale of capital asset.
- When the asset is sold at a price which exceeds the purchase price the profits is capital profit.

**44. Write a short note on revenue receipt.**

- Receipts which are obtained in the normal course of business are called revenue receipts.
- It is recurring in nature. The amount received is generally small.

**45. What are wasting assets?**

- These are the assets which get exhausted gradually in the process of excavation
- Ex: Mines and Quarries.

**46. What are fixed assets?**

- “Fixed assets are assets of a relatively permanent nature used in the operations of business and not intended for sale.” - Finney and Miller,

**47. What is meant by purchases returns?**

- Goods purchased which are returned to suppliers are termed as purchases returns or returns outward.

**48. Name any two direct expenses and indirect expenses.**

**Direct Expenses**

1. Wages
2. Carriage inward

**Indirect Expenses**

1. Salary
2. Carriage outward

**49. What are the objectives of preparing trading account?**

- Its gross profit is found to be less than the projected profit its reasons are analyzed and proper control is exercised in future.

**50. What is meant by posting?**

- The process of recording in the ledger is called posting.

**51. Give the format of Trail Balance**

| S.No | Particulars | LF | Debit Rs | Credit Rs |
|------|-------------|----|----------|-----------|
|      |             |    |          |           |

**III SHORT ANSWER QUESTIONS**

**1. Explain the meaning of accounting.**

Accounting is the systematic process of identifying, measuring, recording, classifying, summarizing, interpreting and communicating financial information.

**2. Discuss briefly the branches of accounting.**

**i) Financial Accounting**

- It provides financial information to the users for taking decisions.

**ii) Management Accounting**

- It is concerned with the presentation of accounting information in such a way as to assist management in decision making and in the day-to-day operations of an enterprise.

**iii) Human Resources Accounting**

- It is concerned with identification, quantification and reporting of investments made in human resources of an enterprise.

3. **What is matching concept? Why should a business concern follow this concept?**
  - The matching principle states that expenses should be recognized and recorded.
  - When those expenses can be matched with the revenues those expenses helped to generate.
  - The matches the revenues and expenses in a period.
4. **“Only monetary transactions are recorded in accounting”. Explain the statement.**
  - The monetary unit assumptions that all business transaction and relationship can be expressed in terms of money monetary units.
  - Money is the common denominator in all economic activity.
5. **Explain why does money deposited into bank appear on the debit side of the cash book, but on the credit side of the bank statement?**
  - Cash book maintained by trader cash will go out from the trader point of view so money deposited into the bank appear on the debit side of the cash book.
  - Bank statement prepared by bank deposited money by trader it is liability from bankers view, so money deposited into the bank it will appear in the credit side of the bank statement.
6. **Write a note on suspense account.**
  - When the trial balance does not tally, the amount of difference is placed to the debit or credit to a temporary account known as ‘suspense account’.
  - It is an temporarily recorded.
7. **Briefly explain about contra entry with examples.**
  - As both the debit and credit aspects of a transaction are recorded in the cash book, such entries are called contra entries.
  - To denote that there are contra entries, the alphabet ‘C’ is written in L.F. column on both sides.

**Example**

  - When cash is paid into bank, it is recorded in the bank column on the debit side and in the cash column on the credit side of the cash book.
8. **What are the various types of accounting software?**
  - (i) **Readymade software**
    - These packages are used by small and conventional business enterprises.
    - Cost of installation and maintenance is very low.
    - Examples: Tally, Busy, Marg, Profit books.
  - (ii) **Customized software**
    - Many a time, it is not possible that ready-to-use packages suit the requirements of the business enterprise.
    - It can be modified according to the need of the enterprise.
  - (iii) **Tailor-made software**
    - Large enterprises have their own way of functioning.
    - The cost of these packages is very high.
9. **Mention any three limitations of computerized accounting system.**
  - Data may be lost or corrupted due to power interruptions.
  - Data are prone to hacking
  - Un-programmed and un-specified reports cannot be generated.
10. **State the various types of coding methods.**
  - a. **Sequential codes:**
    - In sequential code, numbers or letters are assigned in consecutive order.
    - These codes are applied primarily to source documents such as cheques, invoices, etc.
  - b. **Block codes:**
    - In a block code, a range of numbers is partitioned into a desired number of sub-ranges and each sub-range is allotted to a specific group.
    - In most of the cases of block codes, numbers within a sub-range follow sequential coding scheme.
  - c. **Mnemonic codes:**
    - A mnemonic code consists of alphabets or abbreviations as symbols to codify a piece of information.

**LONG ANSWER QUESTIONS****1. Discuss in detail, the importance of Accounting?****(i) Systematic records**

All the transactions of an enterprise which are recorded in a systematic way in the books of accounts.

**(ii) Preparation of financial statements**

Results of business operations and the financial position of the concern can be ascertained from accounting periodically

**(iii) Information to interested groups**

Accounting supplies appropriate information to different interested groups like owners, management, creditors, employees, financial institutions, tax authorities and the government.

**(iv) Legal evidence**

Accounting records are generally accepted as evidence in courts of law and other legal authorities in the settlement of disputes.

**(v) Computation of tax**

Accounting records are the basic source for computation of income tax and other taxes.

**2. Why are the following parties interested in accounting information?****(a) Investors****(b) Government****(a) Investors**

➤ Persons who are interested in investing their funds in an organisation should know about the financial condition of a business unit while making their investment decisions.

**(b) Government**

➤ The scarce resources of the country are used by business enterprises.

➤ Information about performance of business units in different industries helps the government in policy formulation for development.

**3. Discuss the role of an accountant in the modern business world.****(i) Record keeper**

- The accountant maintains a systematic record of financial transactions.
- He also prepares the financial statements and other financial reports.

**(ii) Provider of information to the management:**

- The accountant assists the management by providing financial information required for decision making and for exercising control.

**(iii) Protector of business assets**

- The accountant maintains records of assets owned by the business which enables the management to protect and exercise control over these assets.

**(iv) Tax manager**

- The accountant ensures that tax returns are prepared and filed correctly on time and payment of tax is made on time.

**(v) Public relation officer**

- The accountant provides accounting information to various interested users for analysis as per their requirements.

**4. Distinguish between journal and ledger.**

| S.No. | Basis               | Journal  | Ledger   |
|-------|---------------------|--|--|
| 1     | <b>Stage</b>        | It is a first stage  | It is a second stage                                 |
| 2     | <b>Recoding</b>     | Date wise recorded   | Account wise recorded                                |
| 3     | <b>Process</b>      | The process of recording in journal is called journalizing | The process of recording in ledger is called posting |
| 4     | <b>Basis</b>        | It is based on source documents                            | It is based on journal                               |
| 5     | <b>Net position</b> | It cannot be ascertained                                   | It can be ascertained                                |

## 5. Bring out the differences between Cash Discount and Trade Discount.

| Basis                                | Cash Discount   | Trade Discount  |
|--------------------------------------|---|---|
| <b>Purpose</b>                       | It is allowed to encourage the buyers of goods to make payment at an early date | It is allowed to encourage buyers to buy goods in large quantities. |
| <b>Time of Allowance</b>             | It is allowed by the seller to the buyer at the time of making payment          | It is allowed by the seller to the buyer when goods are sold.       |
| <b>Amount of Discount</b>            | It is related to time.  | It is related to quantity of purchase Sale                          |
| <b>Recording in book of accounts</b> | It is recorded in the books of accounts   | It is not recorded in the books of Accounts                         |
| <b>Deduction from Invoice Value</b>  | It is not deducted from the invoice value of goods                              | It is deducted from the list price of the goods                     |

## 6. What are the objectives of providing depreciation?

## a. To find out the true profit or loss

- The expenses incurred during a period must be matched with revenue earned during that period.
- This is to be done to find out the true profit or loss of the business for every accounting period.

## b. To present the true and fair view of financial position

- When the depreciation is charged on fixed assets, the book value of fixed assets is reduced to that extent and the remaining value is shown in the balance sheet.
- The balance sheet must represent a true and fair view of financial status.

## c. To facilitate replacement of fixed assets

- When the depreciation is debited to profit and loss account, an equal amount is either retained in the business or invested outside the business.

## d. To avail tax benefits

- As per the Indian Income Tax Act, while computing tax on business income, depreciation is deductible from income.
- Hence, depreciation is computed and charged to profit and loss account to reduce tax liability.

## e. To comply with legal requirements

- Depreciation is provided on fixed assets to comply with the provisions of law apart from Income Tax Act

## 7. What are the causes for depreciation?

## a. Wear and tear:

- The normal use of a tangible asset results in physical deterioration which is called wear and tear.
- When there is wear and tear, the value of the asset decreased.

## b. Efflux of time:

- Certain assets whether used or not become potentially less useful with the passage of time.

## c. Obsolescence:

- This happens due to new inventions and innovations. Though the original asset is in a usable condition, it is not preferred by the users and it loses its value.

## d. Lack of maintenance:

- When there is no proper maintenance, there is a possibility of more depreciation.

## e. Abnormal factors:

- Decline in the usefulness of fixed asset may be caused by abnormal factors like damage due to fire accidents, natural calamities, etc.
- These may even lead to the state of an asset being discarded.

**8. Mention any two Differences between Trail Balance and Balance Sheet**

| S.no | TRIAL BALANCE  | BALANCE SHEET   |
|------|--|---|
| 1    | It is the list of Ledger balances on a Particular date                           | It is a statement showing the position of assets and liabilities on a particular date |
| 2    | It is Prepared to check the arithmetical accuracy of the accounting entries made | It is Prepared to ascertain the financial position of a business                      |
| 3    | It is prepared before the preparation of final account                           | It is prepared after preparing trial balance and trading and profit and loss account  |
| 4    | Preparation of Trial Balance is not compulsory                                   | Preparation of balance sheet is compulsory in certain cases                           |
| 5    | The Trial balance contains columns for debit balances and credit balances.       | The items are grouped as Assets and Liabilities                                       |

**9. Distinguish between capital receipt and revenue receipt.**

| S.No | Difference           | Capital Receipt         | Revenue Receipt     |
|------|----------------------|-------------------------|---------------------|
| 1    | Nature               | Non Recurring in nature | Recurring in nature |
| 2    | Shown in             | In Balance sheet        | Income Statement    |
| 3    | Term                 | Long Term               | Short Term          |
| 4    | Received Exchange of | Source of Income        | Income              |

**10. Mention any three limitations of computerized accounting system.****a. Heavy cost of installation:**

Computer hardware needs replacement and software needs to be updated from time to time with the availability of newer versions.

**b. Fear of unemployment:**

On account of the introduction of computerized accounting system, the employees feel insecure that they may lose employment and show less interest in computer related work.

**c. Disruption of work:**

When computerized system is introduced, the existing process of accounting and other works are interrupted. This results in certain changes in the working environment.

**d. System failure:**

The danger of a system crashing due to some failure in hardware can lead to subsequent interruption of work. This is more when no back-up is made.

**e. Time consuming:**

When there is system failure, an alternative arrangement needs to be made to avoid loss of work. This consumes some time to bring the regular processes back.

**ACCOUNTANCY SUMS**  
**3. BOOKS OF PRIME ENTRY**

**1. Complete the accounting Equation**

- (A) Assets = Capital + Liabilities  
1, 50,000 = 80,000 + ?
- (B) Assets = Capital + Liabilities  
? = 2, 00,000 + 50,000
- (C) Assets = Capital + Liabilities  
2,00,000 = ? + 23,000
- (D) Assets = Capital + Liabilities  
2,50,000 = 150000 + ?

**Solution :**

- (A) Assets = Capital + Liabilities  
1,50,000 = 80,000 + 70,000
- (B) Assets = Capital + Liabilities  
2,50,000 = 20,000 + 50,000
- (C) Assets = Capital + Liabilities  
2,00,000 = 1,77,000 + 23,000
- (D) Assets = Capital + Liabilities  
20,50,000 = 15,00,000 + 5,50,000

**2. Complete the accounting equation:**

- Assets = Capital + Liabilities
- (A) 2, 00,000 = 1, 10,000 + ?
- (B) ? = 1,00,000 + 80,000
- (C) 2, 40,000 = ? + 60,000

**Solution:**

- Assets = Capital + Liabilities
- (A) 2,00,000 = 1,10,000 + 90,000
- (B) 1,80,000 = 1,00,000 + 80,000
- (C) 2,40,000 = 1,80,000 + 60,000

**3. Complete the Missing Information.**

|       | Particulars  | Debit (Rs) | Credit (Rs) |
|-------|--|------------|-------------|
| (i)   | Cash A/c Dr<br>-----<br>(Being cash withdrawn from bank)     | 1,00,000   | 1,00,000    |
| (ii)  | Ajay A/c Dr<br>-----<br>(Being Goods sold to Ajay on Credit) | 90,000     | 90,000      |
| (iii) | ----- Dr<br>To Cash A/c<br>(Being Salary paid)               | 5,000      | 5,000       |

**Solution:**

|       | Particulars   | Debit (Rs) | Credit (Rs) |
|-------|---|------------|-------------|
| (i)   | Cash A/c Dr<br>To Bank A/c<br>(Being cash withdrawn form bank)      | 1,00,000   | 1,00,000    |
| (ii)  | Ajay A/c Dr<br>To Sales A/c<br>(Being Goods sold to Ajay on Credit) | 90,000     | 90,000      |
| (iii) | Salaries A/c Dr<br>To Cash A/c<br>(Being Salary paid)               | 5,000      | 5,000       |



**4. Filling in the missing information**

| Date | Particulars   | L.F | Debit (Rs) | Credit (Rs) |
|------|---|-----|------------|-------------|
|      | (i)-----A/c Dr<br>To ----- A/c<br>(Furniture Purchased for Cash Rs.4,000) |     | -----      | -----       |
|      | (ii)----- A/c Dr<br>To ----- A/c<br>(Electricity charges paid Rs.500)     |     | -----      | -----       |
|      | ii)----- A/c Dr<br>To ----- A/c<br>(Goods Purchased for cash Rs.15,000)   |     | -----      | -----       |

**Solution:**

| Date | Particulars   | L.F | Debit(Rs) | Credit (Rs) |
|------|---|-----|-----------|-------------|
|      | (i)Furniture A/c Dr<br>To Cash A/c<br>(Furniture Purchased for Cash Rs.4,000) |     | 4,000     | 4,000       |
|      | (ii)Electricity A/c Dr<br>To Cash A/c<br>(Electricity charges paid Rs.500)    |     | 500       | 500         |
|      | ii)Purchase A/c Dr<br>To Cash A/c<br>(Goods Purchased for cash Rs.15,000)     |     | 15,000    | 15,000      |

**5. Classify the Following into Personal, Real and nominal accounts**

- 1) Capital    2) Building    3) Carriage inwards    4) Cash    5) Commission Received  
 6) Bank    7) Purchases    8) Chandru    9) Outstanding wages    10) Drawings  
 11) Furniture    12) Carriage Outwards    13) Bank Balance    14) Indian Bank

**Solution:**

| No | Items               | Classification   |
|----|---------------------|------------------|
| 1  | Capital             | Personal Account |
| 2  | Building            | Real Account     |
| 3  | Carriage inwards    | Nominal Account  |
| 4  | Cash                | Real Account     |
| 5  | Commission Received | Nominal Account  |
| 6  | Bank                | Personal Account |
| 7  | Purchases           | Nominal Account  |
| 8  | Chandru             | Personal Account |
| 9  | Outstanding wages   | Personal Account |
| 10 | Drawings            | Personal Account |
| 11 | Furniture           | Real Account     |
| 12 | Carriage Outwards   | Nominal Account  |
| 13 | Bank Balance        | Real Account     |
| 14 | Indian Bank         | Personal Account |

**6. Enter the following transaction in the Journal of Manohar who is dealing in textiles:**

| 2018 March                             | Rs     |
|--|--------|
| 1 Manohar started business with cash   | 60,000 |
| 2 Purchased furniture for cash         | 10,000 |
| 3 Bought goods for cash                | 25,000 |
| 6 Bought goods from kamalesh on Credit | 15,000 |

|                                   |        |
|-----------------------------------|--------|
| 8 Sold goods for cash             | 28,000 |
| 10 Sold goods to Hari on Credit   | 10,000 |
| 14 Paid Kamalesh                  | 12,000 |
| 18 Paid rent                      | 500    |
| 25 Received from Hari             | 8,000  |
| 28 Withdraw Cash for Personal use | 4,000  |

Solution:

**In the books of Manohar Journal Entry**

| Date               | Particulars   | L.F | Debit (Rs) | Credit (Rs) |
|--------------------|---|-----|------------|-------------|
| 2018<br>March<br>1 | Cash A/c Dr<br>To Manohar's Capital A/c<br>(Account Invested in Business) |     | 60,000     | 60,000      |
| 2                  | Furniture A/c Dr<br>To Cash A/c<br>(Furniture bought for cash)            |     | 10,000     | 10,000      |
| 3                  | Purchases A/c Dr<br>To Cash A/c<br>(Goods Purchased by cash)              |     | 25,000     | 25,000      |
| 6                  | Purchases A/c Dr<br>To Kamalesh A/c<br>(Credit Purchases)                 |     | 15,000     | 15,000      |
| 8                  | Cash A/c Dr<br>To Sales A/c<br>(Cash Sales)                               |     | 28,000     | 28,000      |
| 10                 | Hari A/c Dr<br>To Sales A/c<br>(Credit Sales)                             |     | 10,000     | 10,000      |
| 14                 | Kamalesh A/c Dr<br>To Cash A/c<br>(Cash paid)                             |     | 12,000     | 12,000      |
| 18                 | Rent A/c Dr<br>To Cash A/c<br>(Rent paid )                                |     | 500        | 500         |
| 25                 | Cash A/c Dr<br>To Hari's A/c<br>(Cash Received )                          |     | 8,000      | 8,000       |
| 28                 | Drawings A/c Dr<br>To Cash A/c<br>(Withdrawn for Personal use)            |     | 4,000      | 4,000       |

7. Pass Journal entries in the books of Sasi kumar who is dealing in automobiles.

|  |        |
|--|--------|
| 2017 Oct.  | Rs.    |
| 1 Commenced business with goods                  | 40,000 |
| 3 Cash introduced in the business                | 60,000 |
| 4 Purchased goods from Arul on Credit            | 70,000 |
| 6 Returned goods to Arul                         | 10,000 |
| 10 Paid cash to Arul on account                  | 60,000 |
| 15 Sold goods to Chandar on Credit               | 30,000 |
| 18 Chandar returned goods worth                  | 6,000  |
| 20 Received cash from Chandar in Full Settlement | 23,000 |
| 25 Paid Salaries through ECS                     | 2,000  |
| 30 Sasi Kumar took for Personal use goods worth  | 10,000 |

Solution:

**In the books of Sasi Kumar Journal Entry**

| Date             | Particulars  | L.F | Debit (Rs)      | Credit (Rs) |
|------------------|--|-----|-----------------|-------------|
| 2017<br>Oct<br>1 | Stock A/c Dr<br>To Sasi Kumar's Capital A/c<br>( Business started with goods)                  |     | 40,000          | 40,000      |
| 3                | Cash A/c Dr<br>To Sasi Kumar's Capital A/c<br>(Capital Introduced)                             |     | 60,000          | 60,000      |
| 4                | Purchases A/c Dr<br>To Arul's A/c<br>(Credit Purchased )                                       |     | 70,000          | 70,000      |
| 6                | Arul's A/c Dr<br>To Purchase return A/c<br>(Goods returned to Arul)                            |     | 10,000          | 10,000      |
| 10               | Arul's A/c Dr<br>To Cash A/c<br>(Cash Paid)  |     | 60,000          | 60,000      |
| 15               | Chandar's A/c Dr<br>To Sales A/c<br>(Credit Sales)   |     | 30,000          | 30,000      |
| 18               | Sales Return A/c Dr<br>To Chandar's A/c<br>(Goods Returned from Chandar)                       |     | 6,000           | 6,000       |
| 20               | Cash A/c Dr<br>Discount Allowed A/c Dr<br>To Cash A/c<br>(Received cash from chandar )         |     | 23,000<br>1,000 | 24,000      |
| 25               | Salaries A/c Dr<br>To Bank A/c<br>(Paid Salaries through ECS )                                 |     | 2,000           | 2,000       |
| 28               | Drawings A/c Dr<br>To Purchases A/c<br>(Being goods taken away by Proprietor for personal use) |     | 10,000          | 10,000      |

**LEDGER**

8. Journalise the following transactions and Post them to Ledger.

2016 Jan.

1 Started business with cash

5 Paid into Bank

7 Purchase goods from ram for cash

Rs.  
10,000  
5,000  
1,000

Solution:

**Journal Entries**

| Date          | Particulars   | L.F | Debit (Rs) | Credit (Rs) |
|---------------|---|-----|------------|-------------|
| 2016<br>Jan 1 | Cash A/c Dr<br>To Capital A/c<br>(Started business with cash) |     | 10,000     | 10,000      |
| 5             | Bank A/c Dr<br>To Cash A/c<br>(Amount Paid into Bank )        |     | 5,000      | 5,000       |
| 7             | Purchases A/c Dr<br>To Cash A/c<br>(Cash Purchases )          |     | 1,000      | 1,000       |

**Ledger Account**

| Dr                  |                |     |        | Cr         |                  |     |        |
|---------------------|----------------|-----|--------|------------|------------------|-----|--------|
| <b>Cash Account</b> |                |     |        |            |                  |     |        |
| Date                | Particulars    | J.F | Amount | Date       | Particulars      | J.F | Amount |
| 2016 Jan 1          | To Capital A/c |     | 10,000 | 2016 Jan 5 | By Bank A/c      |     | 5,000  |
|                     |                |     |        |            | By Purchases A/c |     | 1,000  |
|                     |                |     |        |            | By Balance C/d   |     | 4,000  |
|                     |                |     | 10,000 |            |                  |     | 10,000 |
| 2016 Feb 1          | To Balance b/d |     | 4,000  |            |                  |     |        |

| Dr                  |                |     |        | Cr          |                |     |        |
|---------------------|----------------|-----|--------|-------------|----------------|-----|--------|
| <b>Bank Account</b> |                |     |        |             |                |     |        |
| Date                | Particulars    | J.F | Amount | Date        | Particulars    | J.F | Amount |
| 2016 Jan 5          | To Cash A/c    |     | 5,000  | 2016 Jan 31 | By Balance C/d |     | 5,000  |
|                     |                |     |        |             |                |     |        |
|                     |                |     | 5,000  |             |                |     | 5,000  |
| 2016 Feb 1          | To Balance b/d |     | 5,000  |             |                |     |        |

| Dr                     |                   |     |        | Cr         |                |     |        |
|------------------------|-------------------|-----|--------|------------|----------------|-----|--------|
| <b>Capital Account</b> |                   |     |        |            |                |     |        |
| Date                   | Particulars       | J.F | Amount | Date       | Particulars    | J.F | Amount |
| 2016 Jan 31            | To By Balance C/d |     | 10,000 | 2016 Jan 1 | By Cash C/d    |     | 10,000 |
|                        |                   |     |        |            |                |     |        |
|                        |                   |     | 10,000 |            |                |     | 10,000 |
|                        |                   |     |        | 2016 Feb 1 | By Balance b/d |     | 10,000 |

| Dr                       |                |     |        | Cr          |                |     |        |
|--------------------------|----------------|-----|--------|-------------|----------------|-----|--------|
| <b>Purchases Account</b> |                |     |        |             |                |     |        |
| Date                     | Particulars    | J.F | Amount | Date        | Particulars    | J.F | Amount |
| 2016 Jan 7               | To Cash A/c    |     | 1,000  | 2016 Jan 31 | By Balance C/d |     | 1,000  |
|                          |                |     |        |             |                |     |        |
|                          |                |     | 1,000  |             |                |     | 1,000  |
| 2016 Feb 1               | To Balance b/d |     | 1,000  |             |                |     |        |

**9. Prepare Furniture A/c from the Following transactions**

2016 Jan.

|                                |          |
|--------------------------------|----------|
| 1 Furniture in Hand            | Rs 2,000 |
| 1 Purchased furniture for Cash | 4,000    |
| 30 Sold Furniture              | 400      |

| Dr                       |                |     |        | Cr          |                |     |        |
|--------------------------|----------------|-----|--------|-------------|----------------|-----|--------|
| <b>Furniture Account</b> |                |     |        |             |                |     |        |
| Date                     | Particulars    | J.F | Amount | Date        | Particulars    | J.F | Amount |
| 2016 Jan 1               | To Balance b/d |     | 2,000  | 2016 Jan 31 | By Cash A/c    |     | 400    |
| 1                        | To Cash A/c    |     | 4,000  |             | By Balance C/d |     | 5,600  |
|                          |                |     |        |             |                |     |        |
|                          |                |     | 6,000  |             |                |     | 6,000  |
| 2016 Feb 1               | To Balance b/d |     | 5,600  |             |                |     |        |

10. Give Journal entries for the following transaction and post them to cash a/c and sales a/c .

|          |  |        |
|----------|--|--------|
| 2017 Aug |  | Rs     |
| 10       | Sold goods and cheque received but not deposited | 30,000 |
| 14       | Sold goods on credit to Gopi                     | 12,000 |
| 20       | Received cash from Gopi                          | 12,000 |

Solution:

**Journal Entries**

| Date        | Particulars                                     | L.F | Debit (Rs) | Credit (Rs) |
|-------------|---|-----|------------|-------------|
| 2017 Aug 10 | Cash A/c Dr<br>To Sales A/c<br>(Cash Sales)     |     | 30,000     | 30,000      |
| 14          | Gopi's A/c Dr<br>To Sales A/c<br>(Credit Sales) |     | 12,000     | 12,000      |
| 14          | Cash A/c Dr<br>To Gopi's A/c<br>(Cash Received) |     | 12,000     | 12,000      |

**Ledger Account**

| Dr                  |                |     |        | Cr          |                |     |        |
|---------------------|----------------|-----|--------|-------------|----------------|-----|--------|
| <b>Cash Account</b> |                |     |        |             |                |     |        |
| Date                | Particulars    | J.F | Amount | Date        | Particulars    | J.F | Amount |
| 2017 Aug 10         | To Sales A/c   |     | 30,000 | 2017 Aug 31 | By Balance C/d |     | 42,000 |
| 2017 Aug 20         | To Gopi's A/c  |     | 12,000 |             |                |     |        |
|                     |                |     | 42,000 |             |                |     | 42,000 |
| 2017 Sep 1          | To Balance b/d |     | 42,000 |             |                |     |        |

| Dr                   |                |     |        | Cr          |                |     |        |
|----------------------|----------------|-----|--------|-------------|----------------|-----|--------|
| <b>Sales Account</b> |                |     |        |             |                |     |        |
| Date                 | Particulars    | J.F | Amount | Date        | Particulars    | J.F | Amount |
| 2017 Aug 31          | To Balance C/d |     | 42,000 | 2017 Aug 10 | By Cash A/c    |     | 30,000 |
|                      |                |     | 42,000 |             | By Gopi's A/c  |     | 12,000 |
|                      |                |     |        |             |                |     | 42,000 |
|                      |                |     |        | 2017 Sep 1  | By Balance b/d |     | 42,000 |

11. The following Balances appeared in the books of Vinoth on Jan1,2018.

Assets : Cash Rs.40,000, Stock Rs.50,000, Amount due from Ram Rs.20,000.

Machinery Rs.40,000 Liabilities, Amount due to Vijay Rs.10,000

Pass the Opening Journal entry and post to Vinoth's Capital Account.

Solution:

**In the Books of Mr.Vinoth**

**Opening Entry**

| Date       | Particulars                     | L.F | Debit (Rs) | Credit (Rs) |
|------------|---------------------------------|-----|------------|-------------|
| 2018 Jan 1 | Cash A/c Dr                     |     | 40,000     |             |
|            | Stock A/c Dr                    |     | 50,000     |             |
|            | Debtor A/c (Ram) Dr             |     | 20,000     |             |
|            | Machinery A/c Dr                |     | 40,000     |             |
|            | To Creditor A/c (Vijay)         |     |            | 10,000      |
|            | To Vinoth's Capital A/c         |     |            | 1,40,000    |
|            | (Being balance brought forward) |     |            |             |

**Ledger Account**

| Dr          |                | <b>Vinoth's Account</b> |          |            |                      | Cr      |          |
|-------------|----------------|-------------------------|----------|------------|----------------------|---------|----------|
| Date        | Particulars    | J.<br>F                 | Amount   | Date       | Particulars          | J.<br>F | Amount   |
| 2018 Jan 31 | To Balance C/d |                         | 1,40,000 | 2018 Jan 1 | By Sundry Assets A/c |         | 1,40,000 |
|             |                |                         | 1,40,000 |            |                      |         | 1,40,000 |
|             |                |                         |          | 2018 Feb 1 | By Balance b/d       |         | 1,40,000 |

**TRIAL BALANCE**

12. State whether the balance of the following accounts should be placed in the debit or the Credit column of the trial balance:

- (i) Carriage out wards (ii) Carriage inwards (iii) Sales (iv) Purchase (v) Bad debts (vi) Interest Paid (vii) Interest received (viii) Discount received (ix) Capital (x) Drawings (xi) Sales returns (xii) Purchase returns

Solution:

| Name of the Account      | Debit or Credit |
|--------------------------|-----------------|
| (i) Carriage out wards   | Debit           |
| (ii) Carriage inwards    | Debit           |
| (iii) Sales              | Credit          |
| (iv) Purchase            | Debit           |
| (v) Bad debts            | Debit           |
| (vi) Interest Paid       | Debit           |
| (vii) Interest received  | Credit          |
| (viii) Discount received | Credit          |
| (ix) Capital             | Credit          |
| (x) Drawings             | Debit           |
| (xi) Sales returns       | Debit           |
| (xii) Purchase returns   | Credit          |

13. Prepare a trial Balance with the following information:

| Name of the account | Amount   | Name of the account | Amount   |
|---------------------|----------|---------------------|----------|
| Purchase            | 1,00,000 | Sales               | 1,50,000 |
| Bank Loan           | 75,000   | Creditors           | 50,000   |
| Debtors             | 1,50,000 | Cash                | 90,000   |
| Stock               | 35,000   | Capital             | 1,00,000 |

Solution:

**Trial Balance**

| S.No | Name of account | L.F | Debit (Rs) | Credit (Rs) |
|------|-----------------|-----|------------|-------------|
| 1    | Purchases       |     | 1,00,000   |             |
| 2    | Bank Loan       |     |            | 75,000      |
| 3    | Debtors         |     | 1,50,000   |             |
| 4    | Stock           |     | 35,000     |             |
| 5    | Sales           |     |            | 1,50,000    |
| 6    | Creditors       |     |            | 50,000      |
| 7    | Cash            |     | 90,000     |             |
| 8    | Capital         |     |            | 1,00,000    |
|      | Total           |     | 3,75,000   | 3,75,000    |

14. Prepare the trial balance from the following balances of Babu as on 31<sup>st</sup> March,2016

|               | Rs     |                  | Rs.    |
|---------------|--------|------------------|--------|
| Cash In Hand  | 7,000  | Bills Receivable | 7,000  |
| Sundry detors | 5,400  | Sundry Creditors | 11,800 |
| Salaries      | 6,800  | Capital          | 25,000 |
| Bad debts     | 200    | Purchases        | 45,000 |
| Opening Stock | 15,400 | Sales            | 50,000 |

Solution:

In the books of Babu trial balance as on 30.03.2016

| S.NO | Name of account  | L.F | Debit (Rs) | Credit (Rs) |
|------|------------------|-----|------------|-------------|
| 1    | Cash in hand     |     | 7,000      |             |
| 2    | Sundry debtors   |     | 5,400      |             |
| 3    | Bills receivable |     | 7,000      |             |
| 4    | Sundry creditors |     |            | 11,800      |
| 5    | Salaries         |     | 6,800      |             |
| 6    | Bad debts        |     | 200        |             |
| 7    | Opening stock    |     | 15,400     |             |
| 8    | Capital          |     |            | 25,000      |
| 9    | Purchases        |     | 45,000     |             |
| 10   | Sales            |     |            | 50,000      |
|      | Total            |     | 86,800     | 86,800      |

15. Prepare the trial balance from the following information

| Name of the account | Rs       | Name of the account | Rs       |
|---------------------|----------|---------------------|----------|
| Bank Loan           | 2,00,000 | Purchase            | 1,80,000 |
| Bills payable       | 1,00,000 | Sale                | 3,00,000 |
| Stock               | 70,000   | Debtors             | 4,00,000 |
| Capital             | 2,50,000 | Bank                | 2,00,000 |

Solution:

Trial Balance

| S.No | Name of account | L.F | Debit Balance (Rs) | Credit Balance (Rs) |
|------|-----------------|-----|--------------------|---------------------|
| 1    | Bank Loan       |     |                    | 2,00,000            |
| 2    | Bills payable   |     |                    | 1,00,000            |
| 3    | Stock           |     | 70,000             |                     |
| 4    | Capital         |     |                    | 2,50,000            |
| 5    | Purchases       |     | 1,80,000           |                     |
| 6    | Sales           |     |                    | 3,00,000            |
| 7    | Debtors         |     | 4,00,000           |                     |
| 8    | Bank            |     | 2,00,000           |                     |
|      | Total           |     | 8,50,000           | 8,50,000            |

16. Prepare the trial balance from the following balances of Rajesh as on 31<sup>st</sup> March,2017.

|                    | Rs     |                | Rs     |
|--------------------|--------|----------------|--------|
| Bills receivable   | 13,000 | Drawings       | 7,000  |
| Bank Charges       | 750    | Sundry debtors | 17,100 |
| Conveyance Charges | 350    | Bills Payable  | 12,000 |
| Discount received  | 1,300  | Capital        | 25,900 |
| Cash in hand       | 1,000  |                |        |

**Solution:**

**In the book of Rajesh Trial Balance as on 31.03.2017**

| S.No | Name of account    | L.F | Debit Balance<br>(Rs) | Credit Balance<br>(Rs) |
|------|--------------------|-----|-----------------------|------------------------|
| 1    | Bills receivable   |     | 13,000                |                        |
| 2    | Bank Charges       |     | 750                   |                        |
| 3    | Conveyance charges |     | 350                   |                        |
| 4    | Discount received  |     |                       | 1,300                  |
| 5    | Cash in hand       |     | 1,000                 |                        |
| 6    | Drawings           |     | 7,000                 |                        |
| 7    | Sundry Debtors     |     | 17,100                |                        |
| 8    | Bills payable      |     |                       | 12,000                 |
| 9    | Capital            |     |                       | 25,900                 |
|      | Total              |     | 39,200                | 39,200                 |

17. Balan who has car driving school given you the following ledger balances. Prepare trial balance as on 31<sup>st</sup> December, 2016.

|                     | Rs     |               | Rs     |
|---------------------|--------|---------------|--------|
| Computer            | 26,000 | Freehold land | 30,000 |
| Salaries to Drivers | 4,000  | Bank loan     | 15,000 |
| Taxes and Insurance | 16,500 | Fees received | 18,150 |
| Fuel and Power      | 2,000  | Capital       | 53,850 |
| Rent and rates      | 1,500  | Advertisement | 7,000  |

**Solution:**

**In the books of Balan Driving School Trial Balance as on 31.12.2016**

| S.No | Name of Account     | L.F | Debit Balance<br>(Rs) | Credit Balance<br>(Rs) |
|------|---------------------|-----|-----------------------|------------------------|
| 1    | Computer            |     | 26,000                |                        |
| 2    | Salaries to drivers |     | 4,000                 |                        |
| 3    | Taxes and insurance |     | 16,500                |                        |
| 4    | Fuel and Power      |     | 2,000                 |                        |
| 5    | Rent and rates      |     | 1,500                 |                        |
| 6    | Freehold land       |     | 30,000                |                        |
| 7    | Bank loan           |     |                       | 15,000                 |
| 8    | Fees received       |     |                       | 18,150                 |
| 9    | Capital             |     |                       | 53,850                 |
| 10   | Advertisement       |     | 7,000                 |                        |
|      | Total               |     | 87,000                | 87,000                 |

**Unit -6**

**Subsidiary Books-I**

18. Enter the following transactions in the Purchases book of M/s.Subhashree Electric co., which deals in electric goods

2017 April 5 Purchased from Karthik Electric Co., on credit 10 Electric iron box @ Rs.2,500  
Each 5 electric stove @ Rs.2,000 each

April 19 Purchased on credit from Khaitan electric Co., 3 electric heater @ Rs.6,000 each

April 25 Purchased from Polar electric Co., on credit 10 Fans @ Rs.2,000 each

April 29 Purchased from M&Co. For cash 10 electric stoves @ Rs.3,000 each



**Solution:**

**In the book of M/s.Subhasree electric co., Purchases Book**

| Date         | Particulars  | Inward Invoice No. | L.F | Amount       |            |
|--------------|--|--------------------|-----|--------------|------------|
|              |  |                    |     | Details (Rs) | Total (Rs) |
| 2017 April 5 | Karthik Electric Co.,<br>10 Electric iron box @ Rs.2500 each |                    |     | 25,000       | 35,000     |
|              | 5 Electric stoves @ Rs.2000 each                             |                    |     | 10,000       |            |
| April 19     | Khaitan Electric Co.,<br>3 Electric heaters @ Rs.6000 each   |                    |     |              | 18,000     |
| April 25     | Polar Electric Co.,<br>10 Fans @ Rs.2000 each                |                    |     |              | 20,000     |
|              | Purchases A/c Dr   |                    |     |              | 73,000     |

Note: Purchase on April 29<sup>th</sup> 2017 will not be recorded in the purchases book, because it is cash purchases.

**19. Prepare Purchases book and Sales book in the books of Santhosh Textiles Ltd., from the following transactions given for April, 2017.**

**2017 April 1 Purchased goods from Prasad, Kancheepuram on Credit 100 meters Silk @ Rs.450 Per meter 100 meters Silk @ Rs.450 per meter, 75 meters Velvet @ Rs.180 per Meter.**

**April 10 Sold goods to Rathinam, Chennai on Credit 60 meters silk @ Rs.490 per meter 50 metres velvet @ Rs.210 per meter**

**April 18 Nathan & sons purchased from us on credit 100 meter silk @ Rs.510 per meter**

**April 20 Purchased goods from Hari Ram & sons, Madurai on credit 50 rolls kada cloth @ Rs.730 per roll 80 roll cotton cloth @ Rs.650 per roll**

**April 24 Purchased from Mohan,karur for cash shirting cloth @ Rs.7,000 Sarees @ Rs.25,000**

**Solution:**

**In the Book of Santhosh Textiles Ltd., purchases Book**

| Date         | Particulars  | Inward Invoice No. | L.F | Amount       |            |
|--------------|--|--------------------|-----|--------------|------------|
|              |  |                    |     | Details (Rs) | Total (Rs) |
| 2017 April 1 | Prasad,kancheepuram:<br>100 meter silk @ Rs.450            |                    |     | 45,000       | 58,500     |
|              | 75 meter velvet @ Rs.180                                   |                    |     | 13,500       |            |
| April 20     | Hari Ram & sons , Madurai:<br>50 rolls kada cloth @ Rs.730 |                    |     | 36,500       | 88,500     |
|              | 80 rolls cotton cloth @ Rs.650                             |                    |     | 52,000       |            |
|              | Purchases A/c Dr   |                    |     |              | 1,47,000   |

Note : The Transaction of cash Sales on April 24 Should not be recorded in this book.

**Sales Book**

| Date          | Particulars                                       | Outward Invoice No. | L.F | Amount       |              |
|---------------|---|---------------------|-----|--------------|--------------|
|               |   |                     |     | Details (Rs) | Details (Rs) |
| 2017 April 10 | Rathinam,Chennai<br>60 meters Silk @ Rs.490       |                     |     | 29,400       | 39,900       |
|               | 50 meters velvet @ Rs.210<br>Sales to Rathinam    |                     |     | 10,500       |              |
| April 18      | Nathan & Sons:<br>100 Meters Silk @ 510 per meter |                     |     |              | 51,000       |
|               | Sales A/c Cr                                      |                     |     |              | 90,900       |

Note: April ,18 th Given as “Purchased from us” is to treated as sales.

**UNIT -7 SUBSIDIARY BOOKS –II**

**SINGLE COLUMN CASH BOOK**

20. Enter the following transactions in a simple cash Book of Kunal

| 2018    |                              | Rs     |
|---------|------------------------------|--------|
| April 1 | Cash in hand                 | 11,200 |
| 5       | Received from Ramesh         | 3,000  |
| 7       | Paid Wages                   | 300    |
| 8       | Sold goods for Cash          | 8,000  |
| 10      | Paid Mohan                   | 700    |
| 27      | Purchased Furniture for Cash | 2,000  |
| 30      | Received Dividend            | 1,200  |
| 31      | Paid Salaries                | 2,500  |

Solution:

**In the Books of Kunal Cash Book (Single Column)**

| Date         | Receipts        | L.F | Rs     | Date         | Payments         | L.F | Rs     |
|--------------|-----------------|-----|--------|--------------|------------------|-----|--------|
| 2018 April 1 | To Balance b/d  |     | 11,200 | 2018 April 7 | By Wages A/c     |     | 300    |
| 5            | To Ramesh A/c   |     | 3,000  | 10           | By Mohan A/c     |     | 700    |
| 8            | To Sales A/c    |     | 8,000  | 27           | By Furniture A/c |     | 2,000  |
| 30           | To Dividend A/c |     | 1,200  | 30           | By Salaries A/c  |     | 2,500  |
|              |                 |     |        | 30           | By Balance c/d   |     | 17,900 |
|              |                 |     | 23,400 |              |                  |     | 23,400 |
| May 1        | To Balance b/d  |     | 17,900 |              |                  |     |        |

21. Enter the following transaction in a single column cash book of Seshadri for May,2017.

|       |  | Rs     |
|-------|--|--------|
| May 1 | Cash in hand                           | 40,000 |
| 5     | Cash received from Swathi              | 4,000  |
| 7     | Paid wages in cash                     | 2,000  |
| 10    | Purchased goods from Sasikala for cash | 6,000  |
| 15    | Sold goods for cash                    | 9,000  |
| 18    | Purchased Computer                     | 15,000 |
| 22    | Cash paid to Sabapathi                 | 5,000  |
| 28    | Paid Salary                            | 2,500  |
| 30    | Interest received                      | 800    |

Solution:

**In the Books of Seshadri Cash Book (Single Column)**

| Date       | Receipts                 | Amount | Date       | Payments         | Amount |
|------------|--------------------------|--------|------------|------------------|--------|
| 2017 May 1 | To Balance b/d           | 40,000 | 2017 May 7 | By Wages         | 2,000  |
| 5          | To Swathi A/c            | 4,000  | 10         | By Purchase A/c  | 6,000  |
| 15         | To Sales A/c             | 9,000  | 18         | By Computer A/c  | 15,000 |
| 30         | To Interest Received A/c | 500    | 22         | By Sabapathi A/c | 5,000  |
|            |                          |        | 28         | By Salary A/c    | 2,500  |
|            |                          |        | 31         | By Balance c/d   | 23,000 |
|            |                          | 53,500 |            |                  | 53,500 |
| June 1     | To Balance b/d           | 23,000 |            |                  |        |

22. Enter the following transaction in the three column cash book of Kalyana sundaram

|            |                 | Rs.    |
|------------|-----------------|--------|
| 2017 Jan 1 | Balance in hand | 42,500 |
|            | Balance at bank | 35,000 |

|    |  |        |
|----|--|--------|
| 3  | Received for Cash sales                                | 15,700 |
| 4  | Cash Paid into bank                                    | 11,500 |
| 6  | Cash Purchases   | 14,300 |
| 9  | Received dividend directly by the bank through ECS     | 2,000  |
| 10 | Pongal advance to staff paid through bank              | 17,000 |
| 12 | Received cash from Nagarajan                           | 11,850 |
|    | And allowed him discount                               | 150    |
| 17 | Paid Magesh in full settlement of his account Rs.20000 | 19,700 |
| 20 | Cash withdrawn for personal expenses                   | 20,000 |
| 30 | Withdrawn cash from ATM for office use                 | 1,500  |

Solution:

**In the books of Mr.Kalyana sundaram Cash Book (Three Columns)**

| Date        | Receipts                    | Amount  |        |        | Date        | Payments                 | Amount  |        |      |
|-------------|-----------------------------|---------|--------|--------|-------------|--------------------------|---------|--------|------|
|             |                             | Discoun | Cash   | Bank   |             |                          | Discoun | Cash   | Bank |
|             |                             | Rs      | Rs     | Rs     |             | Rs                       | Rs      | Rs     |      |
| 2017<br>Jan |                             |         |        |        | 2017<br>Jan |                          |         |        |      |
| 1           | To Balanced b/d             |         | 42,500 | 35,000 | 4           | By Bank                  |         | 11,500 |      |
| 3           | To Sales A/c                |         | 15,700 |        | 6           | By Purchase A/c          |         | 14,300 |      |
| 4           | To Cash A/c                 |         |        | 11,500 | 10          | By Pongal<br>Advance A/c |         |        |      |
| 9           | To Dividend<br>Received A/c |         |        | 2,000  | 17          | By Magesh A/c            | 300     | 19,700 |      |
| 12          | To Nagarajan A/c            | 150     | 11,850 |        | 20          | By Drawings A/c          |         | 20,000 |      |
| 30          | To Bank A/c                 |         | 1,500  |        | 30          | By Cash a/c              |         | 1,500  |      |
|             |                             |         |        |        | 31          | By Balance C/d           |         | 6,050  |      |
|             |                             | 150     | 71,550 | 48,500 |             |                          | 300     | 71,550 |      |
| Feb 1       | To Balance b/d              |         | 6,050  | 30,000 |             |                          |         |        |      |

**PETTY CASH BOOK**

23. Prepare analytical petty cash book from the following particulars under imprest system

|             | Rs                                  |       |
|-------------|-------------------------------------|-------|
| 2017 July 1 | Received advance from cashier       | 2,000 |
| 7           | Paid for writing pads and registers | 100   |
| 8           | Purchased white papers              | 50    |
| 10          | Paid auto charges                   | 200   |
| 15          | Paid wages                          | 300   |
| 18          | Postal charges                      | 100   |
| 21          | Purchased Stationery                | 450   |
| 23          | Tea expenses                        | 60    |
| 25          | Paid for speed post                 | 150   |
| 27          | Refreshment expenses                | 250   |
| 31          | Paid for Carriage                   | 150   |

**Solution:**

**Analytical Petty cash book**

| Dr       |      | Analysis of Payments |                               |                |            |            |       |             |          |          |      | Cr                |
|----------|------|----------------------|-------------------------------|----------------|------------|------------|-------|-------------|----------|----------|------|-------------------|
| Receipts | OPEN | Date                 | Particulars                   | Total Payments | Printing & | Conveyance | Wages | Postage and | Carriage | Sundries | L.F. | Personal Accounts |
| Rs       |      |                      |                               | Rs             | Rs         | Rs         | Rs    | Rs          | Rs       | Rs       |      | Rs                |
| 2,000    |      | 2017                 | To cash                       |                |            |            |       |             |          |          |      |                   |
|          |      | July 1               | By Writing pads and Registers | 100            | 100        |            |       |             |          |          |      |                   |
|          |      | 7                    | By white papers               | 50             | 50         |            |       |             |          |          |      |                   |
|          |      | 8                    | By Auto Charges               | 200            |            | 200        |       |             |          |          |      |                   |
|          |      | 10                   | By Wages                      | 300            |            |            | 300   |             |          |          |      |                   |
|          |      | 15                   | By Postal charges             | 100            |            |            |       | 100         |          |          |      |                   |
|          |      | 18                   | By Stationery                 | 450            | 450        |            |       |             |          |          |      |                   |
|          |      | 21                   | By Tea expenses               | 60             |            |            |       |             |          | 60       |      |                   |
|          |      | 23                   | By Speed Post                 | 150            |            |            |       | 150         |          |          |      |                   |
|          |      | 25                   | By Refreshment Expenses       | 250            |            |            |       |             |          | 250      |      |                   |
|          |      | 27                   | By Carriage                   | 150            |            |            |       |             | 150      |          |      |                   |
|          |      | 31                   |                               | 1,810          | 600        | 200        | 300   | 250         | 150      | 310      |      |                   |
|          |      | 31                   | By Balance b/d                | 190            |            |            |       |             |          |          |      |                   |
| 2,000    |      |                      |                               | 2,000          |            |            |       |             |          |          |      |                   |
| 190      |      | Aug 1                | To Balance b/d                |                |            |            |       |             |          |          |      |                   |
| 1810     |      |                      | To Cash A/c                   |                |            |            |       |             |          |          |      |                   |

**Unit -10**

**DEPRECIATION ACCOUNTING**

**24. A firm purchased a plant for Rs.40, 000 erection charge amounted to Rs.2, 000. Effective life of the plant is 5 years .Calculate the amount of depreciation per year under straight line method.**

**Solution:**

$$\begin{aligned} \text{Total Asset} &= \text{Purchase Price} + \text{Erection Charges} \\ &= \text{Rs.40, 000} + \text{Rs.2,000} = \text{Rs.42,000} \\ &= \frac{\text{Original cost of the Asset} - \text{Estimated Scrap Value}}{\text{Estimated Life of the Asset in year}} \end{aligned}$$

$$\begin{aligned} \text{Amount of Depreciation} &= \frac{42000}{5} \\ &= 8,400 \end{aligned}$$

**25. A Company purchased a building for Rs.50, 000. The useful life of the building is 10 years and the residual value is Rs.5, 000. Find out the amount and rate of depreciation under straight line method.**

**Solution:**

$$\begin{aligned} \text{Amount of Depreciation} &= \frac{\text{Original cost of the Asset} - \text{Estimated Scrap Value}}{\text{Estimated Life of the Asset in year}} \\ &= \frac{50,000-5,000}{10} \\ &= \frac{45,000}{10} \\ &= 4,500 \end{aligned}$$

$$\begin{aligned} \text{Rate of Depreciation} &= \frac{\text{Amount of Depreciation}}{\text{Original Cost}} \\ &= \frac{4,500}{50,000} \times 100 \\ &= 9\% \end{aligned}$$

26. Find out the rate of depreciation under straight line method from the following details.  
**Original Cost of the asset = Rs.10, 000**  
**Estimated life of the asset = 10 years**  
**Estimated Scrap value at the end =Rs.2, 000**

$$\begin{aligned} \text{Amount of Depreciation} &= \frac{\text{Original cost of the Asset} - \text{Estimated Scrap Value}}{\text{Estimated Life of the Asset in year}} \\ &= \frac{10,000 - 2,000}{10} \\ &= \frac{8,000}{10} \\ &= 800 \text{ Per year} \end{aligned}$$

$$\begin{aligned} \text{Rate of Depreciation} &= \frac{\text{Amount of Depreciation}}{\text{Original Cost}} \\ &= \frac{800}{10,000} \times 100 \\ &= 8\% \end{aligned}$$

**Unit -11**

**CAPITAL AND REVENUE TRANSACTIONS**

|  |   |
|--|---|
| <b><u>Capital expenditure</u></b>          | <b>It is non – Recurring in nature</b>  |
| <b><u>Revenue expenditure</u></b>          | <b>It is recurring in nature (within one Accounting year)</b>                         |
| <b><u>Deferred revenue expenditure</u></b> | <b>It is non – Recurring in nature<br/>Its benefit is more than accounting period</b> |
| <b><u>Capital receipts –</u></b>           | <b>Non- recurring in nature</b>   |
| <b><u>Revenue receipts</u></b>             | <b>Recurring in nature - (within one Accounting year)</b>                             |

27. Given below on classify following items into Capital, revenue, Deferred revenue expenditure, Capital receipts and Revenue receipts.

| S.No | Transaction   | Classification               |
|------|---|------------------------------|
| 1    | Registration expenses incurred for the purchase of land                 | Capital expenditure          |
| 2    | Repairing charges paid for remodelling the old building purchased       | Capital expenditure          |
| 3    | Carriage paid on goods purchased  | Revenue expenditure          |
| 4    | Legal expenses paid for raising of loans                                | Capital expenditure          |
| 5    | Advertising Expenditure, the benefit of which will last for three years | Deferred revenue expenditure |
| 6    | Registration fees paid at time of registration of a building            | Capital expenditure          |
| 7    | Expenditure incurred on repairs and whitewashing of an old building     | Capital expenditure          |
| 8    | Sale proceeds of goods  | Revenue receipt              |
| 9    | Loan Borrowed from bank   | Capital receipt              |
| 10   | Sale of Investment  | Capital receipt              |
| 11   | Commission received   | Revenue receipt              |
| 12   | Wages paid in connection new machinery                                  | Capital expenditure          |
| 13   | Audit fees paid   | Revenue expenditure          |

|    |   |                              |
|----|---|------------------------------|
| 14 | Labour welfare  | Revenue expenditure          |
| 15 | Servicing the company vehicle   | Revenue expenditure          |
| 16 | Repair to furniture purchased in second hand                                  | Capital expenditure          |
| 17 | Rent paid for the factory   | Revenue expenditure          |
| 18 | Amount received from trade receivables during year                            | Revenue receipt              |
| 19 | Insurance claim received on damaged by fire                                   | Capital receipt              |
| 20 | Heavy Advertising cost for introducing a new product                          | Deferred revenue expenditure |
| 21 | Renewal of factory licence  | Revenue expenditure          |
| 23 | Spent on repairs before using a second hand car purchased                     | Capital expenditure          |
| 24 | Fire insurance for the building for business                                  | Revenue expenditure          |
| 25 | Renewal of magazine subscription fees   | Revenue expenditure          |
| 26 | Wages paid to workmen for setting up a new plant                              | Capital expenditure          |
| 27 | Salary paid to staff  | Revenue expenditure          |
| 28 | Replacement of old furniture  | Capital expenditure          |
| 29 | Amount Received as rent during the year for letting out a portion on sub rent | Revenue receipt              |
| 30 | Dividend received on Investment shares  | Revenue receipt              |
| 31 | Creditors allowed discount  | Revenue receipt              |
| 32 | Trademark registered Expenses   | Capital expenditure          |
| 33 | Paid for repairs on a machinery for Maintenance                               | Revenue expenditure          |

28. Classify the following receipts into capital and revenue.

- i) Sale proceeds of goods Rs.75,000
- ii) Loan borrowed from bank Rs.2,50,000
- iii) Sale of investment Rs.1,20,000
- iv) Commission received Rs.30,000
- v) Rs.1,400 wages paid in connection with the erection of new machinery.

Solution:

| S.No | Transaction  | Classification      |
|------|--|---------------------|
| I    | Sale proceeds of goods Rs.75,000                                     | Revenue receipt     |
| Ii   | Loan borrowed from bank Rs.2,50,000                                  | Capital receipt     |
| Iii  | Sale of investment Rs.1,20,000                                       | Capital receipt     |
| Iv   | Commission received Rs.30,000  | Revenue receipt     |
| V    | Rs.1,400 wages paid in connection with the erection of new machinery | Capital expenditure |

**Unit – 12**

**FINAL ACCOUNTS**

29. Prepare trading account in the books of Mr.Sanjay for the year ended 31 st December 2017.

| Particulars   | Rs     | Particulars       | Rs     |
|---------------|--------|-------------------|--------|
| Opening Stock | 570    | Purchases         | 15,800 |
| Sales         | 26,200 | Purchases returns | 90     |
| Sales returns | 60     | Closing stock     | 860    |

Solution:

Dr In the Books of Mr.Sanjay Trading account for the year ended 31.12.2017 Cr

| Particulars              | Rs     | Rs     | Particulars         | Rs     | Rs     |
|--------------------------|--------|--------|---------------------|--------|--------|
| To Opening Stock         |        | 570    | By Sales            | 26,200 |        |
| To Purchases             | 15,800 |        | Less: Sales returns | 60     | 26,140 |
| Less : Purchases returns | 90     | 15,710 | By Closing stock    |        | 860    |
| To Gross Profit C/d      |        | 10,720 |                     |        |        |
|                          |        | 27,000 |                     |        | 27,000 |

30. From the following balances taken from the books of Saravanan, Calculate gross profit for the year ended December 31, 2017

| Particulars     | Rs       | Particulars                   | Rs       |
|-----------------|----------|-------------------------------|----------|
| Opening stock   | 1,50,000 | Net sale during the year      | 4,00,000 |
| Direct expenses | 8,000    | Net purchases during the year | 1,50,000 |
| Closing stock   | 25,000   |                               |          |

Solution:

In the book of Mr. Saravanan Trading account for the year ended 31.12.2017

Dr.

Cr.

| Particulars         | Rs       | Particulars                  | Rs       |
|---------------------|----------|------------------------------|----------|
| To Opening stock    | 1,50,000 | By Net sales during the year | 4,00,000 |
| To Direct expenses  | 8,000    | By Closing stock             | 25,000   |
| To Net purchases    | 1,50,000 |                              |          |
| To Gross profit c/d | 1,17,000 |                              |          |
|                     | 4,25,000 |                              | 4,25,000 |

31. From the following detail for the year ended 31st March, 2018, prepare trading account.

| Particular      | Rs     | Particulars      | Rs    |
|-----------------|--------|------------------|-------|
| Opening stock   | 2,500  | Return inwards   | 7,000 |
| Purchases       | 27,000 | Coal and gas     | 3,300 |
| Sales           | 40,000 | Carriage inwards | 2,600 |
| Wages           | 2,500  | Closing stock    | 5,200 |
| Return outwards | 5,200  |                  |       |

Solution:

Trading account for the year ended 31.03.2018

Dr.

Cr.

| Particulars            | Rs     | Rs     | Particulars          | Rs     | Rs     |
|------------------------|--------|--------|----------------------|--------|--------|
| To Opening Stock       |        | 2,500  | By Sales             | 40,000 |        |
| To Purchases           | 27,000 |        | Less: Return inwards | 7,000  | 33,000 |
| Less: Returns outwards | 5,200  | 21,800 | By Closing stock     |        | 5,200  |
| To Coal and gas        |        | 3,300  |                      |        |        |
| To Wages               |        | 2,500  |                      |        |        |
| To Carriage inwards    |        | 2,600  |                      |        |        |
| To Gross profit c/d    |        | 5,500  |                      |        |        |
|                        |        | 38,200 |                      |        | 38,200 |

32. Compute cost of goods sold from the following information:

| Particulars     | Rs     | Particulars       | Rs     |
|-----------------|--------|-------------------|--------|
| Opening stock   | 10,000 | Indirect expenses | 5,000  |
| Purchases       | 80,000 | Closing stock     | 15,000 |
| Direct expenses | 7,000  |                   |        |

**Solution:**

$$\begin{aligned} \text{Cost of goods sold} &= \text{Opening stock} + \text{Purchases} + \text{Direct expenses} - \text{Closing stock} \\ &= 10,000 + 80,000 + 7,000 - 15,000 = \text{Rs. } 82,000 \end{aligned}$$

[NOTE: Indirect expenses do not form part of cost of goods sold]

33. From the following details, prepare profit and loss account.

| Particulars                   | Rs     | Particulars                  | Rs    |
|-------------------------------|--------|------------------------------|-------|
| Gross Profit                  | 50,000 | Interest received            | 2,000 |
| Office rent                   | 10,000 | Discount received            | 3,000 |
| Depreciation on office assets | 8,000  | Carriage outwards            | 2,500 |
| Discount allowed              | 4,000  | Insurance on office building | 3,500 |
| Advertisement                 | 1,000  | General expenses             | 1,000 |
| Audit fees                    |        | Freight inwards              |       |

Solution:

| Dr  |        | Profit and Loss A/c  |        | Cr |        |
|---|--------|----------------------|--------|----|--------|
| Particulars                                       | Rs     | Particulars          | Rs     |    | Rs     |
| To Office rent                                    | 10,000 | By Gross profit b/d  | 50,000 |    |        |
| To Depreciation on office assets                  | 8,000  | By Interest received | 2,000  |    |        |
| To Discount allowed                               | 12,000 | By Discount received | 3,000  |    |        |
| To Advertisement                                  | 4,000  |                      |        |    |        |
| To Audit Fees                                     | 1,000  |                      |        |    |        |
| To Carriage Outwards                              | 2,500  |                      |        |    |        |
| To General expenses                               | 3,000  |                      |        |    |        |
| To Insurance on office building                   | 3,500  |                      |        |    |        |
| To Net Profit<br>(Transferred to capital account) | 11,000 |                      |        |    |        |
|   | 55,000 |                      |        |    | 55,000 |

Note: Freight inwards will not appear in profit and loss account as it is a direct expense.

34. From the following particulars ,prepare balance sheet in the books of Bragathish as on 31 st December,2017:

| Particulars | Rs     | Particulars  | Rs     |
|-------------|--------|--------------|--------|
| Capital     | 80,000 | Cash in hand | 20,000 |
| Debtors     | 12,800 | Net Profit   | 4,800  |
| Drawings    | 8,800  | Plant        | 43,200 |

Solution:

**In the books of Bragathish**  
**Balance as on 31 st December 2017**

| Liabilities     | Rs     | Rs     | Assets       | Rs | Rs     |
|-----------------|--------|--------|--------------|----|--------|
| Capital         | 80,000 |        | Debtors      |    | 12,800 |
| Add: Net Profit | 4,800  |        | Cash In hand |    | 20,000 |
|                 | 84,800 |        | Plant        |    | 43,200 |
| Less: Drawings  | 8,800  | 76,000 |              |    |        |
|                 |        | 76,000 |              |    | 76,000 |



35. From the following balances obtained from the books of Mr.Ganesh ,Prepare trading and profit and loss account.

| Particulars            | Rs     | Particulars               | Rs    |
|------------------------|--------|---------------------------|-------|
| Stock on 01.01.2017    | 8,000  | Bad debts                 | 1,200 |
| Purchase for the year  | 22,000 | Trade expenses            | 1,200 |
| Sales for the year     | 42,000 | Discount allowed          | 600   |
| Expenses on purchases  | 2,500  | Commission allowed        | 1,100 |
| Financial charges paid | 3,500  | Selling expenses          | 600   |
| Expenses on sale       | 1,000  | Repairs on office vehicle | 600   |

Closing stock on December 31.12.2017 was 4,500.

Solution:

**In the books of Mr.Ganesh**

**Trading and profit and loss account for the year ended 31.12.2017**

| Dr                                   |        | Cr                  |        |
|--------------------------------------|--------|---------------------|--------|
| Particulars                          | Rs     | Particulars         | Rs     |
| To Opening stock                     | 8,000  | By sales            | 42,000 |
| To Purchase                          | 22,000 | By closing stock    | 4,500  |
| To Expenses on purchase              | 2,500  |                     |        |
| To Gross Profit C/d                  | 14,000 |                     |        |
| (Transferred to profit and loss a/c) | 46,500 |                     | 46,500 |
|                                      |        | By Gross profit b/d | 14,000 |
| To Financial charges                 | 3,500  |                     |        |
| To Expenses on sale                  | 1,000  |                     |        |
| To Bad debts                         | 1,200  |                     |        |
| To Trade expenses                    | 1,200  |                     |        |
| To Discount allowed                  | 600    |                     |        |
| To Commission allowed                | 1,100  |                     |        |
| To Selling expenses                  | 600    |                     |        |
| To Repairs on office vehicle         | 600    |                     |        |
| To Net Profit C/d                    | 4,200  |                     |        |
| (Transferred to capital a/c)         | 14,000 |                     | 14,000 |

36. Prepare trading and profit and loss account in the books of Ramasundari for year ended 31 st December,2017 and balance sheet as on that date from the following information:

| Particulars       | Rs     | Particulars  | Rs     |
|-------------------|--------|--------------|--------|
| Opening stock     | 2,500  | Sales        | 7,000  |
| Wages             | 2,700  | Purchase     | 3,300  |
| Closing stock     | 4,000  | Salary       | 2,600  |
| Discount received | 2,500  | Capital      | 52,000 |
| Machinery         | 52,000 | Cash at Bank | 6,400  |
| Creditors         | 8,000  |              |        |

Solution:

**In the Books of Ramasundari**  
**Trading and Profit and Loss account for the year ended 31.12.2017**

| Dr                          | Rs     | Cr                   | Rs     |
|-----------------------------|--------|----------------------|--------|
| Particulars                 |        | Particulars          |        |
| To Opening Stock            | 2,500  | By Sales             | 7,000  |
| To Wages                    | 2,700  | By Closing Stock     | 4,000  |
| To Purchase                 | 3,300  |                      |        |
| To Gross Profit c/d         | 2,500  |                      |        |
|                             | 11,000 |                      | 11,000 |
| To Salary                   | 2,600  | By Gross profit b/d  | 2,500  |
| To Net Profit C/d           | 2,400  | By Discount received | 2,500  |
| (Transferred to capital a/c | 5,000  |                      | 5,000  |

**Balance Sheet as on 31 st December 2017**

| Liabilities     | Rs     | Rs     | Assets        | Rs | Rs     |
|-----------------|--------|--------|---------------|----|--------|
| Capital         | 52,000 |        | Machinery     |    | 52,000 |
| Add: Net Profit | 2,400  | 54,400 | Cash at bank  |    | 6,400  |
| Creditors       |        | 8,000  | Closing stock |    | 4,000  |
|                 |        | 62,400 |               |    | 62,400 |

**Final Accounts Adjusting Entries**

37. Pass adjusting entries for the following
- a. The closing stock was valued at Rs.5,000
  - b. Outstanding salaries Rs.150
  - c. Insurance prepaid Rs.450
  - d. Rs.20,000 was received in advance for commission
  - e. Accrued interest on investment is Rs.1000

Solution

Adjusting Entries

| Date | Particulars   | L.F | Debit (Rs) | Credit (Rs) |
|------|---|-----|------------|-------------|
| A    | Closing stock A/c Dr<br>To Trading A/c<br>(Closing Stock recorded)  |     | 5,000      | 5,000       |
| B    | Salaries A/c Dr<br>To Outstanding A/c<br>(Salaries Outstanding)   |     | 150        | 150         |
| C    | Prepaid Insurance A/c Dr<br>To Insurance A/c<br>(Insurance prepaid)   |     | 450        | 450         |
| D    | Commission received a/c Dr<br>To Commission received in advance adjusted A/c<br>(Commission received in advance adjusted) |     | 20,000     | 20,000      |
| E    | Accrued interest on investment A/c Dr<br>To Interest on investment A/c<br>(Interest accrued but not received adjusted)    |     | 1,000      | 1,000       |

38. For the following adjustments, pass adjusting entries :

- a. Outstanding wages Rs.5,000
- b. Depreciate machinery by Rs.1,000
- c. Interest on capital @ 5% (Capital Rs.20,000)
- d. Interest on drawings Rs.50
- e. Write off bad debts Rs.500

Solution:

| <u>Adjusting Entries</u> |   |         |               |                |
|--------------------------|---|---------|---------------|----------------|
| Date                     | Particulars   | L.<br>F | Debit<br>(Rs) | Credit<br>(Rs) |
| A                        | Wages A/c Dr<br>To Outstanding wages A/c<br>(Wages outstanding adjusted)              |         | 5,000         | 5,000          |
| b                        | Depreciation A/c Dr<br>To Machinery A/c<br>(Depreciation on Machinery)                |         | 1,000         | 1,000          |
| c                        | Interest on Capital A/c Dr<br>To Capital A/c<br>(5% interest on capital of Rs.20,000) |         | 1,000         | 1,000          |
| d                        | Capital A/c Dr<br>To Interest on drawings A/c<br>(Interest on drawings)               |         | 50            | 50             |
| e                        | Bad debts A/c Dr<br>To Sundry debtors A/c<br>(Bad debts written off)                  |         | 500           | 500            |

39. The trial balance of trader on 31<sup>st</sup> December, 2016 shows sundry debtors as Rs.50, 000.

Adjustments:

- a. Write off Rs.1000 as bad debts
- b. Provide 5% for doubtful debts
- c. Provide 2% for discount on debtors

Show how these items will appear in the profit and loss a/c and balance sheet of the trader.

Solution:

| Dr      Profit and loss account for the year ended 31 <sup>st</sup> December 2016      Cr |  |       |       |             |    |    |
|---|--|-------|-------|-------------|----|----|
| Particulars   |  | Rs    | Rs    | Particulars | Rs | Rs |
| To Bad debts A/c  |  | 1,000 |       |             |    |    |
| To Provision for bad and doubtful debts A/c   |  | 2,450 |       |             |    |    |
| To Provision for discount on debtors A/c  |  | 931   |       |             |    |    |
|   |  |       | 4,381 |             |    |    |

Balance sheet as on 31<sup>st</sup> December 2016

| Liabilities | Rs | Rs | Assets   | Rs     | Rs     |
|-------------|----|----|--|--------|--------|
|             |    |    | Sundry Debtors   | 50,000 |        |
|             |    |    | Less: Bad debts written off  | 1,000  |        |
|             |    |    |  | 49,000 |        |
|             |    |    | Less: Provision for bad and<br>Doubtful debts @ 5%<br>(49,000 x 5/100) | 2,450  |        |
|             |    |    |  | 46,550 |        |
|             |    |    | Less: Provision for discount on debtors<br>(46,550 X 2/100)            | 931    |        |
|             |    |    |  |        | 45,619 |