

was saying that accounting is an art whereas Shyam was saying that accounting is a science. Their teacher came in and said something to them which made them stop the argument.

- i. Which limitation of accounting is being talked about by them?
 - a. Influenced by personal judgment
 - b. Omission of qualitative information.
 - c. Incomplete information
 - d. Based on historical costs
- ii. Which advantage of accounting is being talked about by Shyam in the last part of the first para?
 - a. Provides information regarding profit and loss
 - b. Provides complete and systematic record
 - c. Enables comparative study
 - d. Evidence in legal matters
- iii. What might their teacher have said to solve their argument?
 - a. Ram, please understand, Shetty is correct in this situation.
 - b. Shyam, please understand, Ram is correct in this situation.
 - c. Both are correct
 - d. None is incorrect
- iv. Shyam talked about which type of users of accounting?
 - a. Internal users
 - b. External users
 - c. Both (a) and (b)
 - d. Neither (a) nor (b)

CHAPTER-2: BASIC ACCOUNTING TERMS

Answer the following questions:

- Q1.** Cash, goods or assets invested by the proprietor in the business for earning profit is called-
a. profit b. capital c. fixed assets d. Drawings
- Q2.** The person, firm or institution who does not pay the price in cash for the goods purchased or the services received is called-
a. creditor b. proprietor c. debtor d. investors
- Q3.** Which of the following is a liability?
a. furniture b. rent payable c. interest received d. stock
- Q4.** The Trading and Profit and Loss Account is prepared under which attribute of accounting:
a. summarising b. recording
c. classifying d. analysis and interpretation
- Q5. Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternatives given below:**
Assertion (A) : Personal transactions of the owners of the business are not recorded in the books.
Reason (R) : According to the business entity concept, each business enterprise is considered as an accounting unit separate from owners
- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
 - b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
 - c. Assertion (A) is true but Reason (R) is false.
 - d. Assertion (A) is false but Reason (R) is true.
- Q6.** Explain the sales/ purchase include both cash and credit sales/ purchase.
- Q7.** Define the following terms with example:
i. Revenue ii. Drawings iii. Profit
- Q8.** Distinguish between opening stock and closing stock.
- Q9.** Explain the Liabilities. What are the Non-Current and Current Liabilities

CASE BASED QUESTIONS:

- Q10.** Read the following case study and answer the following questions:

Gopal started business for buying and selling of readymade garments with Rs. 8,00,000 as an

initial investment. Out of this he paid Rs. 4,00,000 for the purchase of garments and Rs. 50,000 for furniture and Rs. 50,000 for computers and the remaining amount was deposited into the bank. He sold some of the ladies and kids garments for Rs. 3,00,000 for cash and some garments for Rs.1,50,000 on credit to Rajesh.

Subsequently, he bought men's garments of Rs. 2,00,000 from Satish. In the first week of the next month, a fire broke out in his office and stock of garments worth Rs. 1,00,000 was destroyed. Later on, some garments which cost Rs. 1,20,000 were sold for Rs. 1,30,000. Expenses paid during the same period were Rs. 15,000. Gopal withdrew Rs. 20,000 from business for his domestic use.

- i. What is the amount of capital with which Gopal started the business?
a. Rs. 3,00,000 b. Rs. 8,00,000 c. Rs. 2,00,000 d. Rs.1,30,000
- ii. What fixed assets did he buy?
a. furniture Rs. 50,000 and computer Rs. 50,000
b. computer Rs. 50,000 and garments Rs. 2,00,000
c. furniture Rs. 50,000 and garments Rs. 2,00,000
d. furniture Rs.2,00,000 and computer Rs.2,00,000
- iii. Who is the creditor and state the amount payable to him?
a. Rajesh Rs. 2,00,000 b. Satish Rs. 1,50,000
c. Satish Rs. 2,00,000 d. Rajesh Rs.1,50,000
- iv. What is the amount of drawings of Gopal?
a. Rs. 20,000 b. Rs. 15,000
c. Rs. 50,000 d. Rs.30,000

CHAPTER-3: THEORY BASE OF ACCOUNTING

Answer the following questions:

- Q1.** During the lifetime of an entity accounting produce financial statements in accordance with which basic accounting concept:
a. conservation b. matching
c. accounting period d. money measurement
- Q2.** A concept that a business enterprise will not be sold or liquidated in the near future is known as:
a. going concern b. business entity
c. monetary unit d. matching
- Q3.** Meaning of credibility of going concern is :
a. closing of business b. opening of business
c. continuing of business d. Either a or b
- Q4.** According to the Business Entity Concept:
a. transactions between the business and its owners are not recorded.
b. transactions between the business and its owners are recorded considering them to be one single entity.
c. transactions between the business and its owners are recorded from the business point of view.
d. transactions are recorded from Owner point of view.
- Q5. Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternatives given below:**
Assertion(A): The revenue recognition principle ensures that revenue is recognized in the accounting period in which it is earned.
Reason(R): This principle aligns with the accrual basis of accounting, where revenue should be recognized when it is realized or realizable and earned, regardless of when cash is received.
a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion(A).

c. Assertion (A) is true but Reason (R) is false.

d. Assertion (A) is false but Reason (R) is true.

Q6. Under which accounting concept, a business enterprise will not be sold or liquidated in the near future? Explain it.

Q7. How does the Matching Principle apply to depreciation?

Q8. 'Closing Stock is valued at lower of cost or market price'. Which concept of accounting is applied here. Explain this concept.

Q9. Under which accounting principle, quality of man power is not recorded in the book of account. Explain it.

Q10. CASE BASED QUESTION:

Read the following case study and answer the following questions:

Olly and Robin are two friends graduated from a top college of the country. After the college, they decided to start a subscription service of fruits in the nearby cities. For obtaining high quality fruits, they made 5 years contracts with farmers in and around Karnataka. They also decided to purchase machinery for cleansing and quality check of the fruits. Two years down the line, they had built a strong brand and reputation. To leverage the same, the company decided to venture into other states as well as with the similar service line. They first expanded to Tamil Nadu and got great demand. While accounting, company usually booked a normal loss to account for spoiled fruits that they might get. Moreover, they charged depreciation on the machinery to ensure that expenses are distributed over the years. With all these good practices, after four more years of operations, the company attained a unicorn status.

i. Which AS will be applicable to evaluate the reputation and brand value of firm?

a. AS-20

b. AS-30

c. AS-26

d. AS-2

ii. Which concept is highlighted in the fact that company made long-term contracts with the farmers?

a. Going concern concept

b. Accrual concept

c. Consistency concept

d. Both a and b

iii. According to this concept, every transaction entered into by an enterprise has two aspects

a. Cost concept

b. Dual concept

c. Matching concept

d. Consistency concept

iv. Ind-AS are

b. rule based accounting standards

c. principle based accounting standards

d. partially rule based and partially principle based accounting standards

e. neither rule based nor partially Principle based accounting standards

CHAPTER-4: BASES OF ACCOUNTING

Answer the following Questions:

Q1. Under the Accrual Basis of Accounting, expenses are recorded

a. on payment

b. on being incurred

c. either a or b

d. neither a nor b

Q2. Under the Cash Basis of Accounting, expenses are recorded

a. on payment

b. on being incurred

c. either a or b

d. neither a nor b

Q3. Accrual Basis of Accounting recognises

a. outstanding and prepaid expenses

b. accrued incomes and incomes received in advance

c. both a and b

d. neither a nor b

Q4. Accrual Basis of Accounting

a. does not give a true and fair view of profit and financial position.

- b. single-entry system of accounting
- c. double-entry system of accounting
- d. Either a or b

Q3. Which of the following accounts will be affected by a transaction where the company receives from a debtor?

- a. owner’s equity and cash
- b. owner’s equity and debtors
- c. debtors and cash
- d. cash and bank balance

Q4. Liabilities and Assets amount to Rs. 50,000 and Rs.7,800 respectively. The difference amount shall represent-

- a. creditor
- b. debentures
- c. profit
- d. capital.

Q5. Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternatives given below:

Assertion (A): The difference between total assets and external liabilities is net worth.

Reason(R): Assets always equals to liabilities and capital .

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
- c. Assertion (A) is true but Reason (R) is false.
- d. Assertion (A) is false but Reason (R) is true.

Q6. Give an example for each of the following type of transactions.

- i. Increase in one asset, decrease in another asset.
- ii. Decrease in asset, decrease in liability.
- iii. Decrease in liabilities, increase in owner’s capital.
- iv. Increase in one liability, decrease in another liability.
- v. Increase in liabilities, decrease in owner’s capital.

Q7. Explain in short the meaning of an Accounting Equation.

Q8. Develop an Accounting Equation from the following transactions:

		Rs.
i.	Mohan commenced business with cash	50,000
ii.	Purchased goods for cash	30,000
iii.	Purchased goods on credit	20,000
iv.	Sold goods (costing Rs. 10,000) for	12,000
v.	Bought furniture on credit	2,000
vi.	Paid cash to a creditor	15,000
vii.	Salary paid	1,000

Q9. What will be the effect of the following on the Accounting Equation?

- i. Started business with cash Rs. 45,000
- ii. Opened a Bank Account with a deposit of Rs. 4,500
- iii. Bought goods from M/s. Sun & Co. for Rs. 11,200

CASE BASED QUESTION:

Q10. Read the following case study and answer the following questions:

X started a business on 1st April, 2020 with a capital of Rs. 50,000 and a loan of Rs. 25,000 taken from Y. During 2020-2021, he had introduced additional capital of Rs. 25,000 and had withdrawn Rs. 15,000 for personal use. To grow his business, he purchased furniture for cash Rs. 2,50,000 and computer Rs. 50,000. On 31st March, 2021 his assets were Rs. 1,50,000. Now he want to know the

condition of his business.

- i. Calculate the amount of closing capital of X's business
 - a. Rs. 1,50,00
 - b. Rs. 1,25,00
 - c. Rs. 25,000
 - d. Rs. 50,000
- ii. Find out the profit earned during the year
 - a. Rs. 15,000
 - b. Rs.25,000
 - c. Rs. 65,000
 - d. Rs.35,000
- iii. Purchase of furniture by cash means
 - a. Decrease in asset and decrease in liability
 - b. Increase in asset and decrease in asset
 - c. Increase in asset and decrease in liability
 - d. Decrease in asset and increase in capital

CHAPTER-6: ACCOUNTING PROCEDURES

Answer the following questions:

- Q1.** Debit means:
a. an increase in asset
b. an increase in liability
c. an increase in the proprietor's equity.
d. a decrease in asset
- Q2.** Credit means
a. an increase in asset
b. an increase in liability
c. a decrease in liability
d. a decrease in proprietor's equity
- Q3.** Sale of goods to Ram for cash is debited to:
a. Ram.
b. Cash A/c
c. Sales A/c
d. Purchases A/c
- Q4.** Drawings Account is a:
a. Personal Account
b. Real Account
c. Nominal Account
d. Liabilities A/c

Q5. Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternatives given below:

Assertion (A): Capital account means amount due to the owner of the business.

Reason (R): The amount invested in the business by the owner is capital account.

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
 - b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
 - c. Assertion (A) is true but Reason (R) is false.
 - d. Assertion (A) is false but Reason (R) is true.
- Q6.** What are two sides of an account called? Explain in brief.
- Q7.** Give the rules of debit and credit and explain them with imaginary examples.
- Q8.** On which side will the decrease in the following accounts be recorded? Also, state the nature of the account:
- | | |
|------------------------------|---------------------------------------|
| i. Cash | ii. Bank Overdraft |
| iii. Outstanding salary paid | iv. Outstanding Rent |
| v. Prepaid Insurance | vi. Mohan, Proprietor of the business |
- Q9.** Classify the following into Assets, Liabilities, Capital, Expenses and Revenue:
- | | |
|------------------|-----------------------|
| i. Land | ii. Investments |
| iii. Building | iv. Interest Received |
| v. Salary | vi. Bank Overdraft |
| vii. Debtors | viii. Creditors |
| ix. Bad Debts | x. Capital |
| xi. Depreciation | xii. Motor Vehicles |

xiii. Freight
xv. Goodwill

xiv. Wages
xvi. Repairs

Q10. CASE BASED QUESTION:

Mr. Ram has the following transactions :

1. Cash sales	Rs. 50,000
2. Sold goods to X on credit	Rs.80,000
3. Cash received from X	Rs.56,000
4. Purchased goods from Y on credit	Rs.44,000
5. Paid to Y	Rs. 30,000
6. Cash purchases from Y	Rs.16,000

i. Cash Sales will be recorded in which account:

- a. Cash A/c b. Sales A/c c. Both a and b d. Neither a nor b

ii. Sold goods to X will be recorded in which side of X Account.

- a. Debit b. Credit c. Both a and b d. Neither and nor b

iii. Balance of T shape cash account will be:

- a. Rs. 50,000 b. Rs. 60,000 c. Rs. 70,000 d. Rs 80,000

iv. Balance of T shape account of Y will be :

- a. Rs. 15,000 b.Rs. 16,000 c. Rs. 14,000 d. Rs. 12,000

CHAPTER-7: ORIGIN OF TRANSACTIONS

Answer the following questions:

Q1. Invoice is a source voucher for seller of goods:

- a. for cash sales. b. for credit sales.
c. for credit purchases. d. for cash purchases.

Q2. Invoice is a source voucher for purchaser of goods:

- a. for cash purchases. b. for cash sales.
c. for credit sales. d. for credit purchases.

Q3. Accounting voucher is prepared from:

- a. source voucher. b. Journal entry.
c. Both a. and b.. d. Ledger A/c

Q4. If seller receives back the goods sold, he will prepare:

- a. Credit Note. b. Debit Note
c. Both a. and b.. d. Neither a nor b.

2020		Rs.
Jan. 1	Bought Computer Mouse (4 Nos.) vide Cash Memo No. 338	6,000
Jan. 8	Wages paid for the month of December, 2019	10,000
Jan. 12	Purchased two Desktop Computers from M/s Computer tech for cash vide Cash Memo No. 170	32,500
Jan. 25	Paid cash to Hari & Sons vide receipt No. 102 for repairs	1,000
Jan. 28	Paid postage	200
Jan. 30	Cash withdrawn from bank	10,000

Q5. Assertion (A) : Auditors can easily vouch the vouchers and use them as documentary evidence in future.

Reason (R) : A serial number is put on each voucher and the relative source documents are attached with the voucher.

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
- c. Assertion (A) is true but Reason (R) is false.
- d. Assertion (A) is false but Reason (R) is true.

Q6. What is a Source Document? Explain any two Source Document.

Q7. Accounting Vouchers are prepared for recording transaction in the book of accounts. Define.

Q8. What is a Voucher? Prepare an imaginary specimen of Voucher.

Q9. Following transactions took place in M/s Good luck Computers.

Prepare the Accounting Vouchers:

Q10. CASE BASED QUESTION:

KLR Ltd. is publicly listed company trading in EV batteries. The company is known to have an advanced version of EV battery which can be used in almost all types of EV cars. As a result of onset of EV trend in India, company is getting lot of pre-orders.

Recently, one of the largest cab aggregators of India collaborated with the company to get batteries. Against this order, company received an advance of Rs. 10,00,000. When the EV batteries were delivered, company received the rest of the payment of Rs.5,00,000.

The company sent a source document for these goods sold. Consequently, the company deposited the money received in the bank account.

To produce and fulfil the further orders, the company decided to purchase a new 3D moulder. It was worth Rs.1,00,000 and company issued a document in writing drawn upon a specified banker and payable on demand.

The company also employed an experienced manager to streamline the operations. As a result, company continued to prosper and its stock prices also shot up.

- i. Which document is highlighted in the line, “The company sent a source document for these goods sold”?
 - a. Debit note
 - b. Credit note
 - c. Cash memo
 - d. Bill
- ii. Which document must be used to deposit money in the bank?
 - a. Cheque
 - b. Pay-in-slip
 - c. Bill
 - d. Receipt
- iii. Which document is highlighted in the line, “It was worth Rs.1,00,000 and company issued a document in writing drawn upon a specified banker and payable on demand”?
 - a. Cheque
 - b. Pay-in-slip
 - c. Credit note
 - d. Debit note
- iv. Which of following would be unchanged as a result of transaction of purchasing 3D moulder of Rs. 1,00,000?
 - a. Capital
 - b. Assets
 - c. Liabilities
 - d. Either a or b

CHAPTER-8: JOURNAL

Answer the following questions:

Q1. Journal is called

- a. a book of primary entry
- b. a book of secondary entry
- c. a book of final entry
- d. both secondary entry and final entry

Q2. Recording of transaction in a Journal is called

- a. posting.
- b. journalising.

Q6. Following balances appeared in the books of Ashok, Delhi on 1st April, 2020:

Assets: Cash Rs. 50,000; Stock Rs. 30,000; Debtors – Ram Rs. 50,000; Machinery Rs. 60,000.

Liabilities: Creditor – Rajesh Rs. 30,000.

The following transactions took place in April, 2021:

2021		Rs.
April 4	Sold goods for cash	7,000
April 6	Goods returned by Ram	1,000
April 10	Purchased goods from Rajesh of list price Rs. 10,000 for	9,000
April 15	Bought goods of list price of Rs. 15,000 from Rakesh less 10% trade discount and 5% cash discount and paid 40% of amount immediately	
April 20	Paid to Rajesh in full settlement of his account	38,600
April 25	Paid for the life insurance premium of the proprietor	500
April 30	Received commission	2,000

Pass Journal entries for the above transaction, post them into the Ledger.

Q7. Write a short note on 'balancing an account'.

Q8. What is a Ledger and what do you understand by posting?

Q9. On 1st April, 2021, the following were Ledger balances of M/s. Ram & Co., Delhi: Cash in Hand Rs.300; Cash at Bank Rs.7,000; Bills Payable Rs. 1,000; Zahir (Dr.) Rs. 800; Stock Rs. 4,000; Gobind (Cr.) Rs. 2,000; Sharma (Dr.) Rs.1,500; Rahul (Cr.) Rs.900; Capital Rs.9,700. Transactions during the month of April, 2020 were:

2021		Rs.
April 3	Sold goods to Sharma, Kanpur	1,000
April 5	Bought goods from Rahul, Delhi	1,200
April 8	Sold goods to Zahir, Kolkata	500
April 15	Paid Gobind by cheque on account	1,500
April 18	Received from Sharma a cheque of	2,000
	Allowed him discount	50
April 20	Sold goods to Sharma, Kanpur	800
April 20	Paid rent by cheque	200
April 25	Sold goods to Zahir, Kolkata	1,000
April 30	Paid salaries in cash	300

Post the above transaction to the ledger.

CASE BASED QUESTION:

Q10. On 1st April, 2022, Gopal started business with a capital of Rs. 50,000. He made the

following transactions during the month of April:

2022		Rs.
April 3	Purchased goods from Rita	20,000
April 4	Cash paid to Rita	10,000
April 6	Goods sold to Rohit, Chandigarh	25,000
April 8	Received cash from Rohit	20,000
April 12	Goods purchased from Rita	12,000
April 18	Cash paid to Rita	20,000
April 25	Goods sold to Rohit, Chandigarh	10,000
April 30	Received cash from Rohit	6,000

- i. The balance of his capital account on 30 April 2022 will be:
 - a. Rs. 50,000
 - b. Rs.55,000
 - c. Rs.60,000
 - d.Rs. 65,000
- ii. Balance of Rita's account on 30 April 2022, will be:
 - a. Rs. 4,000
 - b. Rs.7,000
 - c. Rs. 2,000
 - d. Rs. 30,000
- iii. Balance of cash account on 30 April 2023, will be:
 - a. Rs. 46,000
 - b. 47,000
 - c. Rs. 49,000
 - d. Rs. 49,000
- iv. What is the balance carried down of purchases account as on 30th April?
 - a. 30,000
 - b. Rs. 40,000
 - c. Rs. 32,000
 - d. Rs. 40,000

CHAPTER-10: CASH BOOK

Answer the following questions:

- Q1.** What is the primary purpose of a cashbook?
 - a. it records receipts and payments of cash
 - b. it records payments of cash
 - c. it records receipts of cash
 - d. it helps to compute the profit and loss of a business
- Q2.** A cashbook serves the following purpose:
 - a. it works as a ledger account
 - b. it works as a book of original entry as well as a ledger account
 - c. it works as a book of original entry
 - d. none of the above
- Q3.** Which of the following cash book is similar to a cash account?
 - a. Double column cash book
 - b. Petty cashbook
 - c. Single column cash book
 - d. Triple column cash book
- Q4.** The credit side of a cashbook is _____.
 - a. the loss side
 - b. the receipt side
 - c. the profit side
 - d. the payment side
- Q5. Assertion (A) :**Petty cash book records repetitive large expenses.
Reason (R) :Petty cash book is maintained so that the cash book does not become bulky due to repetitive transactions.
 - a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
 - b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
 - c. Assertion (A) is true but Reason (R) is false.
 - d. Assertion (A) is false but Reason (R) is true.
- Q6.** What is meant by simple cash book?

Q7. Enter the following transactions in a Single Column Cash Book:

2016		(Rs.)
May 1	Commenced business with Cash	25,000
3	Bought goods for Cash	10,000
3	Paid Carriage	200
4	Sold goods for Cash	6,000
10	Received from Ram	1,000
12	Paid to Shiv Kumar	2,600
15	Cash Sales	8,400
18	Purchased furniture for cash for office	5,000
20	Paid for Advertisement	500
20	Purchased goods from Mahesh on credit	6,000
24	Paid to Mahesh	4,000
25	Paid Wages	400
27	Received for Commission	1,500
28	Withdrew for personal use	2,200
31	Paid salary	700

Q8. Mr. Yadav, the petty cashier of M/s Triputi Traders received Rs.10,000 on April 1, 2020 from the Head Cashier. Following were the petty expenses :-

2020		(Rs.)
April 2	Taxi fare	750
3	Refreshments	450
5	Registered postal charges	200
5	Wages	700
8	Auto fare	200
9	Courier charges	150
12	Postal Stamps	600
14	Eraser/Sharpener/Pencils	400
17	Speed Post charges	200
20	Cartage	600
20	Computer Stationery	500
22	Wages	300
24	Bus fare	600
25	Office Sanitation	800
26	Refreshments	750
28	Loading Charges	300
30	Photostatting Charges	200
30	Wages	800

You are required to prepare a Petty Cash Book.

Q9. Write up Cash Book of BhanuPartap with Cash and Bank Columns from the following transactions:-

2022		(Rs.)
March 1	Cash-in-hand	2,710
	Cash at Bank	27,500
3	Received from Subhash	3,500
4	Sold goods for cash	10,000
7	Paid Rent by Cheque	800

8	Paid Sohan by cheque	3,000
10	Bought goods for cash	15,000
12	Paid cash for stationery	200
	Drew from Bank for office use	8,000
15	Received cheque from Surendra and sent it to Bank	6,600
16	Paid for advertisement	750
18	Issued cheque in favour of Nath Brothers	4,300
19	Cash Sales	13,000
	Paid into Bank	16,000
20	Received cheque from Vinod and sent it to Bank	2,400
22	Bought Scooter and paid for the same by cheque	18,000
25	Bank returned Surendra's cheque dishonoured	
28	Paid salary by cheque	7,200

Q10. CASE BASED QUESTION:

Read the following case study and give the following answer:

Mr. Abhishek operates two bank accounts which are maintained in the Columnar Cash Book itself. The following transactions relating to the 31st March, 2022 .

1. Opening Balance:

Cash	Rs.27,000
National Bank	Rs. 15,000 (overdraft)
Overseas Bank	Rs. 35,000

2. Received cheque for Rs.12,000 for goods sold; the cheque deposited in the National Bank.

3. Purchased goods for Rs.23,000 and a cheque issued on the Overseas Bank.

4. Paid Rs. 500 for office expenses and Rs.200 for stationery.

5. Out of cash sales of Rs.25,000 a sum of Rs.15,000 was deposited in the National Bank.

6. Withdrew Rs.5,000 from Overseas Bank.

7. A bill receivable for Rs. 10,000 was discounted with the Overseas Bank. The bank charged Rs.100 as discounted charges and credited the balance.

8. An amount of Rs.15,000 was withdrawn from the Overseas Bank and used the amount for payment of salaries.

9. Interest on bank draft Rs.500 was debited by the National Bank.

10. Bank charges of Rs.300 and Rs.200 were debited by the National Bank and the Overseas Bank respectively.

11. Sold goods to Anup for Rs. 15,000.

12. Received cheque from Anup for Rs. 15,000 and deposited in the National Bank.

i. Cash Balance at the end will be:

a.Rs.41,300	b.Rs. 42,600	c. Rs.50,000	d.Rs.51,309
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ii. National Bank Balance will be:

a. Rs. 20,400	b.Rs.26,200	c. Rs. 36,400	d. Rs.12,000
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iii. Overseas Bank Balance will be:

a. Rs.1,700	b.Rs.1,500	c. Rs. 2,500	d.Rs.4,000
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CHAPTER-11: OTHER SUBSIDIARY BOOKS

Answer the following questions:

Q1.The Sales Book

- a. is a part of the Journal.
- b. is a part of the Ledger.
- c. is a part of the Balance Sheet.
- d. is a part of the Trial Balance.

Q2. In the Purchases Book the record is in respect of

- a. cash purchases of goods dealt in.
- b. credit purchases of goods dealt in.
- c. all purchases of goods dealt in.
- d. purchase of anything

Q3. Which of the following transactions is entered into the Journal Proper?

- a. cash payment to an employee for expenses.
- b. cash purchase of goods for resale.
- c. correction of an error.
- d. credit purchase of goods for resale.

Q4. X received a cheque of Rs. 10,000 from Y in settlement of dues of Rs. 10,500. The cheque was dishonoured. The reversal of discount allowed by X will be recorded in

- a. Cash Book.
- b. Journal Proper.
- c. Ledger directly.
- d. Purchases Book.

Q5. Assertion (A) : All credit purchases of goods are recorded in the purchases journal.

Reason (R) : Cash purchases of goods are recorded in cash book.

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
- b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
- c. Assertion (A) is true but Reason (R) is false.
- d. Assertion (A) is false but Reason (R) is true.

Q6. Give two examples of entries which are recorded in 'Journal Proper'.

Q7. Record the following transactions in the Purchases Book of Subhash General Stores, Delhi:

2018	
May 1	Bought from M/s. Chunni Lal Mam Raj, Delhi: 100 bags of ITC Wheat Atta @ Rs.530 per bag 50 bags of Rice Basmati @ Rs.500 per bag Less: Trade Discount @ 10%
May 3	Bought from M/s. Kanodia Oil Mills, Delhi: 40 tins Oil @ Rs.1,500 per tin 20 tins Banaspati Oil @ Rs.900 per tin Less: Trade Discount @ 5%
May 4	Purchased from M/s. Gupta Bros., Hapur: 25 bags gram @ Rs.480 per bag 40 bags oats @ Rs.25 per bag Less: Trade Discount @ 5%

Q8. Record following transactions in the Purchases Return Book of Kamla Stores for June 2020:

2020	
June 6	Returned goods to Ramesh Brothers, Delhi purchased for Rs. 5,000
June 8	Returned goods to Sohan Brothers, Meerut purchased for Rs. 10,000
June 17	Returned goods to Mahesh Brothers of Rs. 2,000

Q9. From the following transaction prepare sales book of M/s Golden furniture House, Amritsar for January 2020.

- January 4 Sold to Reliance Corporation, Delhi
 50 chairs @ Rs.200 each 50 tables
 @ Rs. 400 each
 Less 10% Trade discount plus IGST @ 12%
- January 14 Sold to S.A. Jain College, Varanasi
 1 Office chair, Godrej @ Rs. 2100
 1 Office Table Teak wood @ Rs. 2400
 Less 20% Trade discount plus IGST @ 12%
- January 20 Sold to P.K. Jain School Chandigarh for cash
 100 chairs @ Rs. 150 per each January 24
 Supplied to D.S.D Girls College, Amritsar
 5 classroom tables @ Rs. 200
 each 5 chair @ Rs. 125 each
 10 Stools @ Rs.50 each
 Less:10% Trade discount CGST and SGST @6% each

Q10. INCA Ltd. a manufacturing company has now expanded its operations. Its sales are increasing rapidly and the demand for its products is also rising. It is expanding geographically to different states. Initially when the operations were small, its accountant Mr.Dheeraj maintained only a journal. But as the business expands and the number of transactions becomes large, it become cumbersome to journalise each transaction. So now a need is felt to prepare special journals or subsidiary books. So accordingly, Mr. Dheeraj instructs his subordinates to prepare various subsidiary books.

- i. What will be the advantage of preparing these subsidiary books?
 - a. Quick,efficient and accurate recording of business transactions
 - b. Time consuming
 - c. They prove economical and make division of labour possible in accounting work
 - d. Both (a) and (c)
- ii. Which of the following about the purchase book is correct?
 - a. It records purchases of all types
 - b. It records all credit purchases of the goods, the enterprise deals in
 - c. It records all cash purchases of the goods, the enterprise deals in
 - d. Both b and c
- iii. Sales book does not record cash sales of merchandise.
 - a. True
 - b. False
 - c. Partially false
 - d. Partially true
- iv. If INCA Ltd. purchased furniture of Rs.40,000 on credit, Mr. Dheeraj will record this transaction in
 - a. Purchase Book
 - b. Cash Book
 - c. Journal Proper
 - d. Purchases Book

CHAPTER-12: Accounting for Goods and Services Tax

Multiple choice Questions

- Q1.** On intra-state (i.e., within the state) purchase of goods, which of the following GST is levied?
a. SGST b. CGST c. CGST and SGST d. SGST and IGST
- Q2.** On inter-state (i.e., outside the state) purchase of goods, which of the following GST is levied

- a. IGST b. IGST and CGST c. CGST d. SGST

Q3. On intra-state purchase of goods, which of the following accounts are debited?

- a. Input IGST Account
 b. Input CGST Account and Input SGST Account
 c. Input IGST Account and Input CGST Account
 d. Input IGST Account and Input SGST Account

Q4. On inter-state sale of goods, which of the following account is credited?

- a. Output IGST A/c
 b. Output CGST A/c
 c. Input IGST Alc
 d. Output SGST A/c

Q5. Assertion (A): GST can be charged by registered taxpayer only.

Reason (R): GST is a supply-based tax as seller will charge GST whether the purchaser is registered taxpayer or not.

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
 b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
 c. Assertion (A) is true but Reason (R) is false.
 d. Assertion (A) is false but Reason (R) is true.

Q6. What is IGST? Give in example

Q7. What is CGST? Give an example.

Q8. Pass entries in the books of Ashok Bros. assuming that all transactions have been entered within the State of Bihar and assuming CGST @6% and SGST @6%.

2018

- Jan. 2 Purchased goods for Rs.2,00,000 on credit.
 5 Sold goods for Rs.3,00,000 on credit.
 10 Purchased Computer Printer for office for Rs.50,000 and payment made by cheque.
 20 Legal consultation fee of Rs.10,000 paid in Cash.
 22 Rent of Rs.20,000 paid by Cheque.

Q9. Pass entries in the books of Mukul Roy & Sons, assuming all transactions have been entered within the state of West Bengal, charging CGST and SGST @ 6% each:

- April 1 Purchased goods for Rs.1,50,000 from S. Banerjee.
 6 Sold goods for 2,50,000 to Aditya Sangma.
 8 Returned goods to S. Banerjee for Rs.10,000.
 15 Aditya Sangma returned goods for Rs.8,000.
 18 Printing & stationery expenses of Rs.5,000 paid in cash.
 24 Goods withdrawn by Proprietor for personal use Rs.20,000.
 27 Goods destroyed by fire Rs.15,000.

Q10. Shobhit has a trading business in Delhi. All his transactions occur within the limits of Delhi. Shobhit bought goods of Rs.1,00,000 on credit. He sold them for Rs.1,35,000 in the same state on credit. He paid for railway transport Rs.8,000. He bought computer printer for Rs. 10,000. He paid postal charges Rs.2,000.

Assuming CGST @ 5% and SGST @ 5%, you are required to answer the following questions.

- i. By what amount will creditors account be credited for purchase of Rs.1,00,00
 a. Rs. 1,00,00 b. Rs. 1,05,000 c. Rs.1,10,000 d. Rs. 1,20,000.
- ii. What will be the total amount paid on account of transport charges?
 a. Rs.8,000 b. Rs.8,400 c. Rs.8,800 d. Rs. 9,000
- iii. What journal entry would have been passed by Shobhit in case he had resorted to inter-state purchase of goods on which GST is levied?

- a. Purchases A/c Dr
Input CGST A/c Dr
Input SGST A/c Dr
To Cash A/c
- b. Purchases A/c Dr
Input IGST A/c Dr
To Cash A/c
- c. Purchases A/c Dr
Input SGST A/c Dr
To Cash A/c
- d. Purchases A/c Dr
Input CGST A/c Dr
To Cash A/c

CHAPTER-13: BANK RECONCILIATION STATEMENT

Answer the following questions:

- Q1.** A bank reconciliation statement is prepared by
- a. banker
 - b. accountant of the business
 - c. auditors
 - d. registrar
- Q2.** Bank reconciliation is not a:
- a. reconcile records
 - b. memorandum statement
 - c. ledger account
 - d. procedure to provide cash book adjustments
- Q3.** The balance on the debit side of the bank column of cash book indicates
- a. the total amount has drawn from the bank
 - b. cash at bank
 - c. the total amount overdraft in the bank
 - d. negative bank balance
- Q4.** The main purpose of preparing a bank reconciliation statement is:
- a. to know the bank balance
 - b. to know the balance of bank statement
 - c. to correct the cash book
 - d. to identify causes of difference between cash book and bank statement
- Q5. Assertion (A):** A bank reconciliation statement is a statement prepared to reconcile the bank balance as per cash book with the balance as per pass book or bank statement.
- Reason (R) :** The amount of balance shown in the pass book or the bank statement must tally with the balance as shown in the cash book.
- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
 - b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
 - c. Assertion (A) is true but Reason (R) is false.
 - d. Assertion (A) is false but Reason (R) is true.
- Q6.** Tiwari and Sons find that the bank balance shown by their Cash Book on December 31, 2016 is Rs. 40,500 (Credit) but the Pass Book shows a difference due to the following reasons:
- i. A cheque for Rs. 5,000 drawn in favour of Manohar has not yet been presented for payment.
 - ii. A post-dated cheque for Rs. 900 has been debited in the bank column of the Cash Book but it could not have been presented in any case.
 - iii. Cheques totalling Rs. 10,200 deposited with the bank have not yet been collected and an another cheque for Rs. 4,000 deposited in the account has been dishonoured.

iv. A Bill Payable for Rs. 10,000 was retired by the Bank under a rebate of Rs. 150 but the full amount of the bill was credited in the bank column of the cash book.

Prepare a Bank Reconciliation Statement and find out the balance as per Pass Book.

Q7. On comparing the Cash Book with Pass Book of Naman it is found that on March 31, 2017, bank balance of Rs. 40,960 showed by the Cash Book differs from the bank balance with regard to the following:

- a. Bank charges Rs. 100 on March, 31 2017, are not entered in the Cash Book.
- b. On March 21, 2017, a debtor paid Rs. 2,000 into the company's bank in settlement of his account, but no entry was made in the Cash Book of the company in respect of this.
- c. Cheques totalling Rs. 12,980 were issued by the company and duly recorded in the Cash Book before March 31, 2017, but had not been presented at the bank for payment until after that date.
- d. A bill for Rs. 6,900 discounted with the bank is entered in the Cash Book without recording the discount charge of Rs. 800.
- e. Rs. 3,520 is entered in the Cash Book as paid into bank on March 31st 2017, but not credited by the bank until the following day.
- f. No entry has been made in the Cash Book to record the dishonour on March 15, 2017 of a cheque for Rs. 650 received from Bhanu.

Prepare a reconciliation Statement as on March 31, 2017.

Q8. On 30th June, 2014, the bank column of Mohan Kapoor's Cash Book showed a debit balance of Rs.12,000. On checking the Cash Book with bank statement you find that:-

2. Cheques paid into Bank Rs. 8,000, but out of these only cheques of Rs. 6,500 were cleared and credited by the Bankers upto 30th June.
3. Cheques of Rs. 9,200 were issued but out of these only cheques of Rs. 7,000 were presented for payment upto 30th June.
4. The receipt column of the Cash Book has been undercast by Rs. 200.
5. The Pass Book shows a credit of Rs. 330 as interest on investments collected by bankers and debit of Rs. 60 for bank charges.
6. On 29th June a Customer deposited Rs. 3,000 direct in the bank account but it was entered only in the Pass Book.

Prepare a Bank Reconciliation Statement.

Q9. Rim Zim Ltd. maintains a current account with the State Bank of India. On 31st March, 2017, the bank column of its cash book showed a debit balance of Rs. 1,54,300. However, the bank statement showed a different balance as on that date. The following were the reasons for the difference :

	Rs.
i. Cheques deposited, but not yet credited by the bank	75,450
ii. Cheques issued, but not yet presented for payment	80,760
iii. Bank charges not yet recorded in the cash book	1,135
iv. Cheques received by the bank directly from trade debtors	1,35,200
v. Insurance premium paid by the bank as per standing instructions, but not yet recorded in the cash book	15,400
vi. Dividend collected by the bank, but not yet recorded in the cash book	1,000

Find out the balance as per the bank statement as on 31st March, 2017.

Q10. On 31st December, 2021, the cash book of Mittal Bros showed a credit balance of Rs.6,920. There is a stark difference in the balance as per pass book. A careful scrutiny points out that there was a debit by bank for Rs.200 on account of interest on overdraft and Rs.50 on account of charges

for collecting bills. Cheques drawn but not encashed before 31st December, 2021 were for Rs.4,000. The bank has collected interest and has credited Rs. 600 in pass book. A bill receivable for Rs.700 previously discounted with the bank had been dishonoured and debited in the pass book. Cheques paid into bank but not collected and credited before 31st December, 2021 amounted to Rs.6,000.

- i. Credit balance in cash book reflects
 - a. overdraft
 - b. favourable balance
 - c. nil balance
 - d. Option a and b both
- ii. Credit balance of bank account as per cash book essentially means
 - a. bank account becomes negative and the businesses in effect have borrowed from the bank.
 - b. there is high positive balance in bank account.
 - c. business has paid all its bank loans.
 - d. business has unpaid bank loans
- iii. While preparing the bank reconciliation statement, bills receivable for Rs.700 previously discounted with the bank now dishonoured, will
 - a. increase the credit balance of cash book.
 - b. decrease the credit balance of cash book.
 - c. will not affect the credit balance of cash book
 - d. will not affect the credit balance of Pass book
- iv. While preparing the bank reconciliation statement, cheques drawn but not encashed before 31st December, 2021 for Rs.4,000 will be
 - a. added to credit balance of cash book.
 - b. deducted from credit balance of cash book.
 - c. ignored.
 - d. added to credit balance of pass book.
- v. What will be the balance as per pass book on 31st December, 2021?
 - a. Rs.6,920
 - b. Rs. 9,270
 - c. Rs.4,570
 - d. 13,870

CHAPTER-14: TRIAL BALANCE

Answer the following questions:

- Q1.** What kind of accuracy is tested by Trial balance
 - a. theoretical
 - b. practical
 - c. arithmetical
 - d. Either a or b
- Q2.** If the trial balance does not tally after many efforts then following Account is opened –
 - a. purchase account
 - b. suspense account
 - c. sales account
 - d. Cash A/c
- Q3.** What is the trial balance used for?
 - a. it is a financial statement
 - b. it records balances of a balance sheet
 - c. it doesn't contribute to the accounting cycle
 - d. it records balances of accounts
- Q4.** When is trial balance prepared?
 - a. at the end of an accounting period
 - b. at the end of a year
 - c. frequently during the year
 - d. at the end of a month
- Q5. Assertion (A):** A matched Trial Balance is a conclusive proof that no error exist in recording the transactions.

Reason(R): An assets account shows a Debit balance.

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
- b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
- c. Assertion (A) is true but Reason (R) is false.
- d. Assertion (A) is false but Reason (R) is true.

Q6. What is the main objective of preparing a Trial Balance?

Q7. Trial balance is an account . Is it correct ? Give reason.

Q8. Prepare Trial Balance for the following Balances as on 31st March 2021

Balances	Rs.
Cost of Goods Sold	5,20,000
Opening Stock	50,000
Closing Stock	50,000
Salary and Wages	50,000
Sales	8,00,000
Plant & Machinery	2,00,000
Drawing	50,000
Investment	4,30,000
Creditors	1,00,000
Capital	4,00,000

Q9. The following balances were extracted from the ledger of Mr. Sachin as on 31st March 2021. You are required to prepare a trial balance as on that date.

Balances	Rs.
Drawings	60,000
Salaries	95,000
Capital	4,40,000
Sales return	10,000
Sundry creditors	2,30,000
Purchases return	11,000
Bills payable	40,000
Commission paid	1,000

Sundry debtors	5,00,000
Trading expenses	25,000
Bills receivable	52,000
Discount earned	5,000
Plant & Machinery	45,000
Rent	20,000
Opening stock	3,70,000
Bank overdraft	60,000
Cash in hand	9,000
Purchases	7,08,000
Cash at bank	25,000
Sales	11,80,000
Investment	46,000
Closing Stock	80,000

Q10. The following balances extracted from the books of Mr. K.K. His accountant prepare his Trial Balance as on 31st March 2021.

Cash in hand	Rs.14,200
Cash at Bank	Rs. 6,800
Bills Receivable	Rs. 28,000
Bills payable	Rs.26,000
Sundry debtors	Rs.54,600
Sundry creditors	Rs. 62,400
Capital	Rs. 60,000
Drawings	Rs. 28,000
Sales	Rs. 2,05,000
Purchases	Rs.1,75,000
Carriage Inward	Rs. 2,700
Salaries	Rs.12,000
Advertisement	Rs. 2,400
Insurance	Rs. 1,600
Furniture	Rs. 7,500
Opening Stock	Rs.18,600
Office Rent	Rs.2,000

- i. Sundry Debtors will be shown in :
- Debit side
 - Credit side

- c. Either Debit or Credit side
- d. Neither Debit nor Credit side
- ii. Capital will be shown in:
 - a. Debit side
 - b. Credit side
 - c. Either Debit or Credit side
 - d. Neither Debit nor Credit side
- iii. Drawings will be shown in:
 - a. Debit side
 - b. Credit side
 - c. Either Debit or Credit side
 - d. Neither Debit nor Credit side
- iv. Carriage Inward will be shown in:
 - a. Debit side
 - b. Credit side
 - c. Either Debit or Credit side
 - d. Neither Debit nor Credit side

CHAPTER-14: DEPRECIATION

Answer the following questions:

- Q1.** Under which depreciation method does the amount of depreciation expenses remains the same throughout the useful life of a fixed asset
- a. Reducing balance method
 - b. Written Down Value method
 - c. Straight-line method
 - d. Either a or b
- Q2.** Every fixed asset loses its value due to use or other reasons. This decline in the value of assets is known as_____.
- a. provisions
 - b. depreciation
 - c. devaluation
 - d. amortisation
- Q3.** At the end of the year, the depreciation account is transferred to_____.
- a. trading account
 - b. profit and loss appropriation account
 - c. profit and loss account
 - d. balance sheet
- Q4.** Amount of depreciation charged under diminishing balance method remains
- a. increasing
 - b. decreasing
 - c. fixed
 - d. fluctuating
- Q5. Assertion (A) :**Depreciation is a charge against the revenue of the corresponding period and must be deducted before arriving at net profit.
- Reason (R) :** Depreciation is as much the cost as any other expense incurred in the normal course of business.
- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
 - b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
 - c. Assertion (A) is true but Reason (R) is false.
 - d. Assertion (A) is false but Reason (R) is true.
- Q6.** On 1st April, 2009, a Company bought Plant and Machinery costing Rs. 68,000. It is estimated that its working life is 10 years, at the end of which it will fetch Rs. 8,000. Additions are made on 1st April, 2010 to the value of Rs. 40,000 (Residual value Rs. 4,000). More additions are made on Oct. 1, 2011 to the value of Rs. 9,800 (Break up value Rs. 800). The working life of both the additional Plant and machinery is 20 years.
- Show the Plant and Machinery account for the first four years, if depreciation is written off according to Straight Line Method. The accounts are closed on 31st March every year.

- Q7.** What is the difference between Straight Line Method and Diminishing Balance Method of charging Depreciation?
- Q8.** On 1st January, 2006, A Ltd. Purchased a machine for Rs. 2,40,000 and spent Rs. 10,000 on its erection. On 1st July, 2006 an additional machinery costing Rs. 1,00,000 was purchased. On 1st July, 2008 the machine purchased on 1st January, 2006 was sold for Rs. 1,43,000 and on the same date, a new machine was purchased at a cost of Rs. 2,00,000.
Show the Machinery Account for the first three calendar years after charging depreciation at 5% by the Straight Line Method.
- Q9.** A plant is purchased for Rs. 60,000 on 1st April, 2009. It is estimated that the residual value of this plant at the end of its working life of 10 years will be Rs. 20,920. Depreciation is to be provided at 10% p.a. on diminishing balance method.
You are required to show the Plant Account for 4 years, assuming that the books are closed on 31st March every year.
- Q10.** WHERE Ltd. is a manufacturing firm and has a machinery worth Rs. 50,00,000. As on 1st April, 2018 the provision for depreciation stood at Rs. 50,00,000. WHERE Ltd. charges depreciation on machinery at 20% p.a. by the diminishing balance method. A piece of machinery purchased on 1st April, 2016 for Rs.10,00,000 was sold on 1st October, 2018 for Rs.6,00,000.
- Under written down value method, a fixed and equal amount in the form of depreciation is charged every year during the life time of the asset.
 - True
 - False
 - Partially False
 - Partially true
 - Which of the following is the probable reason for WHERE Ltd's adoption of written down value method for charging depreciation?
 - The machinery is such that its repair charges are low
 - The possibility of obsolescence of machinery is low
 - The machinery is such that it is affected by technological changes and require more repair expenses with passage of time
 - Either a or b
 - What is the total depreciation charged on the machinery sold?

a. Rs. 4,24,000	b. Rs. 3,60,000	c. Rs.4,40,000	d. Rs. 5,40,000
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 - What is the written down value of the machinery sold:

a. Rs.5,76,000	b.Rs.6,40,000
c. Rs.10,00,000.	d. Rs. 7,00,000

CHAPTER-17: PROVISION AND RESERVES

Objective Answer Type Questions:

- Q1.** Which of the following is the example of Capital Reserve?
 a. workmen's compensation fund
 b. premium received on issue of shares or debentures
 c. general reserve
 d. Capital Redemption Reserve
- Q2.** Which of the following is the example of Revenue Reserve?
 a. profit on redemption of debentures
 b. profit on revaluation of fixed
 c. investment fluctuation fund
 d. profit on Re-issue of forfeited shares
- Q3.** General Reserves are shown in:
 a. Revaluation Account
 b. Profit and Loss Account
 c. Balance Sheet
 d. Trading A/c
- Q4.** According to Companies Act, 1956 Secret Reserves can be created by:
 a. Only Private Company

- b. Banking and insurance companies
- c. Only Public Company
- d. Companies Registered under Companies Act

Q5. Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternatives given below:

Assertion (A): Provision cannot be used for distribution.

Reasons (R) : Provision is a charge against the profits.

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
- c. Assertion (A) is true but Reason (R) is false.
- d. Assertion (A) is false but Reason (R) is true.

Q6. What is the meant by Revenue Reserve?

Q7. Differentiate between Revenue Reserve and Capital Reserve on the basis of source.

Q8. What is the meant by Provision? Give two example of Provision.

Q9. What are the major types of Reserve ? Explain it.

Q10. Geet has recently started her own cloth trading business. Her business is doing quite well and she is deciding to expand it. She decides to maintain accounts of the firm in proper form as per various legal requirements. She is not really versed with the aspects of accountancy. She is confused what reserves to maintain and what provisions to create.

You are a Chartered Accountant. Geet approaches you for advice.

i. Why should Geet create provisions?

- a. To meet anticipated or known losses and liabilities
- b. To meet unknown losses and liabilities
- c. To hoard funds
- d. Either a or b

ii. In the balance sheet, the amount of provision should be shown by Geet as

- i. by way of deduction from the concerned asset on the assets side.
- ii. on the liabilities side of the balance sheet alongwith current liabilities.
 - a. Only (i)
 - b. Only (ii)
 - c. Either (i) or (ii)
 - d. Neither (i) nor (ii)

iii. Using which of the following statements will you justify to Geet the need to create reserves?

- a. Reserves help in strengthening the financial position of an enterprise
- b. Reserves help in meeting future contingencies
- c. Reserves are important to expand the business operations and to bring uniformity in distribution of dividends
- d. Either a or b

iv. Geet wants to create a reserve which the management can freely utilise for any purpose. Which reserve should she create?

- a. General Reserve
- b. Specific Reserve
- c. Secret Reserve
- d. Either b or c

CHAPTER-17: RECTIFICATION OF ERROR

Answer the following questions:

Q1. Errors Committed by omitting entries in the Journal book is called :

- a. error of commission
- b. error of principle
- c. error of omission
- d. both a and b

Q2. Which of the following is not an error of principle?

- a. purchase of furniture debited to purchase account

- b. repairs on the overhauling of second-hand machinery purchased debited to repairs account
- c. cash received from xyz posted to abc
- d. sale of old car credited to sales account

Q3. Sales of Rs.10,000 recorded as Rs. 1,000 is an example of:

- a. compensating error
- b. errors of principle
- c. errors of omission
- d. errors of commission

Q4. Rectification entries are passed in –

- a. Journal Proper
- b. Purchase Book
- c. Sales Book
- d. None of the options

Q5. Assertion (A): Treating a revenue expense as capital expenditure is an example of error of Principle.

Reason (R): Errors of principle, do not affect trial balance.

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
- c. Assertion (A) is true but Reason (R) is false.
- d. Assertion (A) is false but Reason (R) is true.

Q6. Give three examples of Errors of Principle.

Q7. What do you mean by Suspense Account?

Q8. Rectify the following errors :

- i. Credit sales to Mohan Rs. 7,000 were not recorded.
- ii. Credit purchases from Rohan Rs. 9,000 were not recorded.
- iii. Goods returned to Rakesh Rs. 4,000 were not recorded.
- iv. Goods returned from Mahesh Rs.1,000 were not recorded.

Q9. Rectify the following errors :

- i. Salary paid Rs. 5,000 was debited to employee's personal account.
- ii. Rent Paid Rs. 4,000 was posted to landlord's personal account.
- iii. Goods withdrawn by proprietor for personal use Rs. 1,000 were debited to sundry expenses account.
- iv. Cash received from Kohli Rs. 2,000 was posted to Kapur's account.
- v. Cash paid to Babu Rs. 1,500 was posted to Sabu's account.

Case Base Questions:

Q10. Read the following case study and give the answer.

In the business, rectify the error which are detected before preparation of the Trial Balance.

- I. sale to Pawan Rs. 20,000 posted to his account as Rs.2,000.
- II. sale to Pawan Rs.20,000 debited to his account as to Rs.2,000.
- III. purchases of Rs.8,755 from Naman posted to account as Rs.5,578.
- IV. cash sale to Amit of Rs.10,000 posted to Rs.1,000.

i. Pawan account is debited by

- a. Rs.18,000
- b. Rs.10,000
- a. Rs.5,000
- d. Rs. 12,000

ii. Amount will be written on credit side of Naman's A/c

- a. Rs.3,177
- b. Rs.8,755
- c. Rs.5,578
- c. Rs. 7,855

iii. Cash sales is recorded in the _____ book.

- a. sales A/c
- b. cashbook
- c. purchase book
- d. Purchases Return book

iv. Bank Reconciliation Statement is prepared by

- a. creditors
- b. debtors

- ii. Depreciate Plant and Machinery by Rs. 4,000.
- iii. Write off Bad Debts Rs. 5,000.
- iv. Rs. 400 is due for repairs.

Q9. Following are the balances extracted from the books of Narain on 31st March, 2019:

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Narain's Capital	3,00,000	Sales	15,00,000
Narain's Drawings	50,000	Sales Return	20,000
Furniture and Fittings	26,000	Discounts (Dr.)	16,000
Bank Overdraft	42,000	Discounts (Cr.)	20,000
Creditors	1,38,000	Insurance	20,000
Business Premises	2,00,000	General Expenses	40,000
Stock on 1st April, 2018	2,20,000	Salaries	90,000
Debtors	1,80,000	Commission (Dr.)	22,000
Rent from Tenants	10,000	Carriage on Purchases	18,000
Purchases	11,00,000	Bad Debts Written off	8,000

Additional Information:

- i. Closing Stock as on 31st March, 2019 was Rs. 2,00,600, whereas its Net Realisable Value (Market Value) was Rs. 2,05,000.
- ii. Depreciate: Business Premises by Rs. 3,000 and Furniture and Fittings by Rs. 2,500.
- iii. Make a provision of 5% on debtors for doubtful debts.
- iv. Carry forward Rs. 2,000 for unexpired insurance.
- v. Outstanding salary was Rs. 15,000.

Prepare Trading and Profit and Loss Account for the year and Balance Sheet as at that date.

Q10. Arun is a trader. While preparing his final accounts on 31st March, 2022, he made a provision for doubtful debts @ 4% of the sundry debtors amounting to Rs. 42,000. During the year ended 31 March 2023, doubtful debts amounted to Rs. 34,000. On 31st March 2023, sundry debtors were Rs. 56,500 and the provision for doubtful debts was maintained at the same rate.

- i. Provision required on 31 March 2022 will be:
 - a. Rs.1,680 b. Rs.2,460 c. Rs.2,860 d. Rs.3,460
- ii. On 31st March 2022, transfer from profit and loss account will be :
 - a. Rs.1,680 b. Rs.2,570 c. Rs.2,390 d. Rs.3,440
- iii. Provision required on 31 March 2023 will be:
 - a. Rs.1,860 b. Rs.2,260 c. Rs.2,860 d. Rs.3,260
- iv. On 31st March 2023, transfer from profit and loss account will be :
 - a. Rs.3,980 b. Rs.4,980 c. Rs.5,980 d. Rs.6,980

CHAPTER-20: Accounts from incomplete records-single entry system

Multiple Choice Questions :

Q1. In Single Entry System

- a. only one aspect of all transactions is recorded
- b. as regards some transactions, both aspects are recorded; as regards others either one aspect is recorded or it is not recorded at all
- c. both aspects of all transactions are recorded
- d. Neither a nor b

Q2. Single Entry System is usually adopted by:

- a. Small proprietary and partnership firms
- b. Joint stock companies

