

CBSE Class 11 Accountancy
Sample Paper 02 (2020-21)

Maximum Marks: 80

Time Allowed: 3 hours

General Instructions:

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

Section A

1. Goods/Assets or Cash used for personal use by a businessman is called _____.
 - a. Investment
 - b. Drawings
 - c. Profit
 - d. Capital
2. Which stakeholder would be most interested in profitability and share performance:
 - a. Management
 - b. Government and other regulators
 - c. Social responsibility groups
 - d. Owner and shareholders
3. Opening stock Rs.2,00,000; purchases Rs. 3,50,000; closing stock Rs.1,20,000; Wages Rs.2,500; freight Rs.4,500; carriage outward Rs. 5,500; trade expenses Rs. 2,500. The percentage of gross profit on sales is 20%. Calculate gross profit
 - a. Rs.546350
 - b. Rs 109250
 - c. Rs.546520
 - d. Rs.348900
4. Goods taken by the proprietor for personal use are:
 - a. drawings
 - b. purchase

- c. none of these
 - d. sale
5. The nature of capital is _____.
a. an income
b. a liability
c. an expense
d. an asset
6. Which character of a computer system is shown in the statement 'ability to perform various tasks, simple as well as complex'
a. Versatility
b. Accuracy
c. Reliability
d. Speed
7. Dinesh who owed us Rs 8,000 became insolvent and paid us 60% in full settlement. Posting will be made to Dinesh A/c:
a. Rs 4,800 on Cr. side
b. Rs 4,800 on Dr. side
c. Rs 8,000 on Dr. side
d. Rs 8,000 on Cr. side
8. LCD stands for
a. Limited crystal display
b. Liquid Crystal Display
c. Line crystal disc
d. Liquid crystal disc
9. Fill in the blanks:
Accounting is the language of _____.
10. By what amount the following transaction should be recorded in the Sales Book sold to Babu Furniture House. 200 Tables@Rs.150 each, 100 Chairs@Rs.100 each
a. Rs.20000
b. Rs.30000
c. Rs.40000
d. Rs.10000
11. Full form of SQL is _____

- a. Structured Query Language
 - b. Structured Question Language
 - c. Structured Query Library
 - d. System Query Language
12. Which of the following items are regarded as Good
- A. Machinery purchased by X for the production of goods
 - B. Machinery manufactured by ABC for sale
 - C. Furniture purchased by Rohit Pal a grocery owner
 - D. Furniture purchased by Raman a dealer in furniture
- Options are
- a. A, B and C
 - b. B and D
 - c. A and C
 - d. B and C
13. Revenue from Operations refers to:
- A. Revenue earned from activities that are not Operating Activities
 - B. Revenue earned from non-financial activities
 - C. Revenue earned from Operating Activities
- Options are
- a. Only B is correct
 - b. Only A is correct
 - c. Only C is correct
 - d. All of these
14. Profit should be considered only when realized, according to concept of:
- a. Realisation
 - b. Materiality
 - c. Conservatism
 - d. Matching

OR

_____ implies that accounting practices once selected and adopted should be applied consistently year after year.

- a. Accrual
- b. Consistency
- c. Cost

d. Going concern

15. Which of the following are goods?

- A. Machines manufactured for sale
- B. Furniture purchased for sale
- C. Books and stationery purchased by a bookseller
- a. Only B
- b. All of these
- c. Only C
- d. Only A

OR

Expenditure on purchase of machinery is a

- a. Deferred revenue expenditure
- b. Revenue expenditure
- c. None of these
- d. Capital expenditure

16. Fill in the blanks:

Estimated sale value of an asset after its working life is called _____.

17. An increase in provision for bad debt will

- a. Decrease liabilities
- b. Increase Assets
- c. Increase net income
- d. Increase liabilities

18. Which of the following transactions is not of financial character?

- a. Purchase of asset for cash
- b. Withdrawing of money by the proprietor from the business
- c. Purchase of asset on credit
- d. Strike by employees

19. Utility software are

- a. SQL
- b. None of these
- c. Disk defragments
- d. Data compression

20. Real account (which include cash and all other assets) will usually show:

- a. Debit Balance
- b. Both debit and credit balance
- c. None of these
- d. Credit Balance

Section B

21. Ascertain Gross Profit from the following :

	Rs.
Opening Stock	2,00,000
Closing Stock	1,80,000
Purchases	8,50,000
Carriage on Purchases	23,000
Carriage on Sales	30,000
Office Rent	58,000
Sales	14,07,000

OR

Calculate Closing Stock from the following details:

	Rs.		Rs.
Opening Stock	20,000	Purchases	70,000
Cash Sales	60,000	Credit sales	40,000

Rate of Gross Profit on cost $33\frac{1}{3}\%$.

22. What are the areas in which creditors are interested in the financial statements?

OR

Accounting provides qualitative information about the financial transactions which are useful in making economic decisions. Accounting collects, records, classifies, and

summarises the financial information which is communicated to its users. In the same context explain any three external users of accounting.

Section C

23. What is the difference between RAM and ROM?
24. P draws on Q three bills of exchange for Rs. 15,000, Rs. 12,000 and Rs. 9,000 respectively for goods sold to him on 1st February, 2013. These bills were for a month, 2 months and 3 months, respectively. The first bill was endorsed to his creditor R. The second bill was discounted with his bank on 4th February 2013 @12% per annum discount and the third bill was sent to his bank for collection on 30th April. On the due dates, all the bills were duly met by Q. The bank sent the collection advice for the third bill after deducting Rs. 75 as collection charges. Pass the journal entries in the books of P and Q.
25. What is a balance sheet? What are its characteristics?
26. Prepare two column cash book from the following transactions for the month of April, 2013

2013		Amt (Rs.)
Apr 1	Cash balance	25,000
Apr 2	Paid to Y in full settlement of Rs. 5,000	4,750
Apr 4	Received from Z, allowing him discount of Rs. 400	9,600
Apr 7	Cash purchases	10,000
Apr 11	Cash sales	15,000
Apr 15	Received from X, allowed him discount Rs. 500	19,500
Apr 21	Paid to W against his dues of Rs. 7,500	7,00
Apr 25	Paid into bank	20,000
Apr 30	Withdrew for personal use	5,000
Apr 30	Paid salary and wages	15,000

27. Pass the journal entries for the following:
- Proprietor withdrew for his personal use cash Rs 10,000 and goods worth Rs 5,000.
 - Goods for Rs 25,000 were given away as charity. (sale price Rs 30,000).

- iii. Goods worth Rs 12,500 were distributed as free samples.
- iv. Goods worth Rs 25,000 and cash Rs 10,000 were stolen by an employee.
- v. Goods worth Rs 50,000 were destroyed by fire. Insurance company admitted and paid claim for 60% amount.

Section D

28. Jatin keeps books under single entry system. His assets and liabilities were as under

Items	31st March, 2012(Rs)	31st March, 2013(Rs)
Cash	2,000	1800
Sundry debtors	78,000	90,000
Stock	68,000	64,000
Plant and machinery	1,20,000	1,60,000
Sundry creditors	30,000	29,800
Bills payable	—	10,000

During 2012-13, he introduced Rs 20,000 as new capital. He withdrew Rs 6,000 every month for his household expenses. Ascertain his profit for the year ended 31st March, 2013.

29. Prepare a trial balance from the following balances of Shri Karan Johar as on 31st March, 2013

Name of Accounts	Amount (Rs.)	Name of Accounts	Amount (Rs.)
Opening Stock	4,000	Furniture	1,200
Purchases	17,000	Machinery	12,400
Purchases Returns	1,000	Debtors	7,200
Sales	32,000	Creditors	2,550
Sales Returns	1,240	Bills Receivable	920
Rent	240	Bills Payable	500
Salaries	1,140	Cash in Hand	1,044

Advertisement	176	Bank Overdraft	2,000
Commission Received	288	Interest on Overdraft	360
Discount (Cr)	142	Capital	10,000
		Drawings	1,560

30.

Extract of Trial Balance

as on 31st March, 2013

Name of Accounts	Debit Balance(Rs)	Credit Balance(Rs)
Bad Debts	10,800	
Provision for doubtful Debts(1st April,2012)		22,500
Sundry Debtors	6,00,000	

Additional Information

- Write-off further bad debts Rs 6,000.
- Provision for doubtful debts to be maintained at 5% on sundry debtors.
- Create a provision for discount on sundry debtors at 3%.

Show effect on profit and loss account and balance sheet.

OR

From the following balances, prepare trading, profit and loss account and a balance sheet as on 31st March, 20

Particulars	Amt(Rs)	Particulars	Amt(Rs)
Capital	1,64,000	Sundry creditors	18,000
Life insurance premium	56,000	Sales	2,48,000
Plant and machinery	10,000	Returns outward	2 000
Stock in the beginning	30,000	Special rebates (debit)	1,600
Purchases	1,74,400	Special rebates (credit)	2,400

Return inwards	12,000	Rent for premises sublet	2,000
Sundry debtors	42,000	Lighting	800
Furniture	18,200	Motor car expenses	12,600
Motorcar	80,000	Bank balance	30,400
Freight and duty	4,000	Loan from Suresh at 12% per annum	20,000
Carriage in	1,600	Interest on loan from Suresh (debit)	1,800
Carriage out	600		
Trade expenses	30,800		

Additional Information

- i. Stock on 31st March, 2013 was valued at 50,000 (realisable value Rs. 64,000).
- ii. The stock of Rs 12,000 was burnt by fire on 25th March. It was fully insured and the insurance company admitted the claim in full.
- iii. Goods worth Rs 3,600 were distributed as a free sample. Goods worth Rs 3,000 were used for personal purposes by the proprietor and goods worth Rs 1,000 were given away as charity.
- iv. Depreciate motor car by 15%.
- v. Included in trade expenses is insurance premium of 4,800 paid for the year ending 30th June 2013.

Section E

31. You are presented with a trial balance showing a difference, which has been carried to suspense account and the following errors are revealed
 - i. Rs 350 paid in cash for a typewriter was charged to office expenses account.
 - ii. Goods amounting to Rs 660 sold to Arun, were correctly entered in the sales book but posted to Arun's Account as Rs 760. The total sales for the month were overcast by Rs 1,000.
 - iii. Goods worth Rs 130 returned by Monu, were entered in the sales book and posted therefrom to the credit of Monu's personal account.
 - iv. Goods sold for Rs 1,240 and debited on 20th December to Naina, were returned by him on 23rd and taken into stock on 31st December, no entries being made in the

books for return.

v. Sales return book was overcast by Rs 100.

Journalise the necessary corrections and raise suspense account, assuming that there are no other errors.

OR

Rama sold goods of Rs.12,000, charged IGST @ 18% to Reshma on 1st January 2018. On the same date, Rama draws a bill on Reshma for Rs.12,000 for a period of 3 months and received the balance amount by cheque. On receipt of the bill on 1st January 2018 duly accepted by Reshma, Rama discounts it with a bank at 6% p.a. On the date of maturity, the bill was dishonoured, the bank having to pay Rs.500 as noting charges. Reshma paid the due amount less Rs.500 in full settlement.

Show Journal entries arising from the above in the books of both Rama and Reshma.

32. Following balance appear in the books of M/s Amrit as on 1st April 2017:

1st April 2017 Machinery Account	Rs.60,000
Provision for depreciation A/c	Rs.36,000

On 1st April 2017, they decided to dispose off machinery for Rs.8,400, which was purchased on 1st April 2013 for Rs.16,000.

You are required to prepare Machinery Account, Provision for Depreciation Account and Machinery Disposal A/c for the year ended 31st March 2018. Depreciation was charged at 10% on original cost method.

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Solution

Section A

1. (b) Drawings

Explanation: The money, goods or asset withdrawn from the business by the owner for personal use is called drawings.

2. (d) Owner and shareholders

Explanation: They are interested to know whether the share prices are increasing or not. Because they want to grow in the business.

3. (b) Rs 109250

Explanation: Cost of goods sold = Opening stock + Purchases - Closing stock + Wages + Freight

$$= 200000 + 350000 - 120000 + 2500 + 4500$$

$$= 437000$$

Let sales be 'x'

$$\text{Profit} = \frac{20}{100} \times x = \frac{x}{5}$$

$$\text{Sales} - \text{Profit} = \text{Cost}$$

$$x - \frac{x}{5} = 437000$$

on solving this, we will get $x = 546250$

$$\text{So, profit} = \frac{546250}{5} = 109250$$

4. (a) drawings

Explanation: Goods taken by the proprietor for his personal use are called drawings.

5. (b) a liability

Explanation: The nature of capital is a liability. It is an internal liability.

6. (a) Versatility

Explanation: Versatility is the character of a computer system is shown in the statement 'ability to perform various tasks, simple as well as complex'. Computers are versatile machines and are capable of performing any task as long as it can be broken down into a series of logical steps.

7. (d) Rs 8,000 on Cr. side

Explanation:

Cash A/c Dr. ... 4,800

Bad debts A/c Dr. ... 3,200

To Dinesh A/c ... 8,000

8. (b) Liquid Crystal Display

Explanation: LCD (liquid crystal display) is the technology used for displays in notebook and other smaller computers. Like light-emitting diode (LED) and gas-plasma technologies, LCDs allow displays to be much thinner than cathode ray tube (CRT) technology.

9. Business

10. (c) Rs.40000

Explanation: Sales book records only credit sale transaction of goods.

So Total amount in sale Book will be:-

Sold to Babu furniture House:-

200 tables @150= 30000

100Chairs @100 = 10000

Total Amount= 40000

So, Sale book amount will be Rs. 40000

11. (a) Structured Query Language

Explanation: Structured Query Language is a 4th generation Computer Programming language which greatly facilitates the writing of a program or application by the programmer in one tenth of time taken in older & third generation language like COBOL.

12. (b) B and D

Explanation: Machinery manufactured for sale so it is goods for the business. Similarly, furniture sold by furniture business so it will be regarded as goods.

13. (c) Only C is correct

Explanation: Revenue from Operations refers to Revenue earned from Operating Activities i.e sale of goods or rendering of services.

14. (a) Realisation

Explanation: Realisation / Revenue Recognition Concept :- Revenue is earned only when the goods are transferred i.e. when sales have effected and thus profit has been accrued, This is according to realisation concept. Any order of sale of a good is not a sale and any profit on such order is not recorded in the books of accounts.

OR

(b) Consistency

Explanation: Consistency Assumptions:- There are in practice several different methods of calculation or recording of some events in the accounts. The consistency assumption requires that once a particular method of calculation or recording has been decided, the business enterprise will follow the same method for subsequent years for events of the same character, to ensure uniformity in accounting processes and policies.

15. (b) All of these

Explanation: Machines manufactured for sale, Furniture purchased for sale, Books and stationery purchased by a bookseller are goods.

OR

(d) Capital expenditure

Explanation: It is capital expenditure as it increases the assets it is capitalized in the value of assets.

16. Scrap value

17. (d) Increase liabilities

Explanation: Provision for bad debt can deduct from debtors or can shown as a liability in the balance sheet. this will increase the liability balance or we can say reduces the assets balance.

18. (d) Strike by employees

Explanation: Strike by an employee is not a financial character because here we record only those transactions and events which are of a financial character and the effect of which can be measured in terms of money.

19. (b) None of these

Explanation: Disk defragments, Data compression and SQL are not utility software.

20. (a) Debit Balance

Explanation: Real accounts are the assets of the firm and will always have a debit balance except for sales account and purchase returns accounts which will show a credit balance. Real Account includes only Assets account only.

Section B

21.

TRADING ACCOUNT

Dr.			Cr.
Particulars	Rs.	Particulars	Rs.
To Opening Stock	2,00,000	By Sales	14,07,000
To Purchases	8,50,000	By Closing Stock	1,80,000
To Carriage on Purchase	23,000		
To Gross Profit (Bal. Fig.)	5,14,000		
Total	15,87,000	Total	15,87,000

Office and administration expenses and selling and distribution expenses are shown on the debit side of the Profit or Loss account.

OR

Total Sales = Cash Sales + Credit Sales

= Rs.[60,000 + 40,000] = Rs.1,00,000

Let cost of sales = x

Gross Profit = $33\frac{1}{3}\%$ of $x = x \times \frac{1}{3} = \frac{x}{3}$

So, Sales = Cost + Gross Profit

$$x + \left(\frac{x}{3}\right) = 1,00,000$$

$$4\left(\frac{x}{3}\right) = 1,00,000$$

$$x = 1,00,000 \times (3/4)$$

cost of goods sold = Rs.75,000

Now Cost of goods sold = Opening Stock + Purchase - Closing Stock

So, [20,000 + 70,000 - Closing Stock] = Rs.75,000

Closing Stock = (20,000 + 70,000) - 75,000

= Rs. 15,000

Goods remaining unsold at the end of the year is called closing stock.

22. A creditor could be a bank, supplier or person that has provided money, goods, or services to a company and expects to be paid at a later date.

They are interested to know the ability of the enterprise to pay their dues. Sometimes, they also are also interested in the long-term continuation of the enterprises, if their

existence becomes dependent on the survival of that business. Suppose, small ancillary units supply their products to a big enterprise, if the big enterprise collapses, the future of the small units which depend upon big enterprises may also become dark.

OR

Three external users of accounting are:

- i. **Creditors:** A creditor could be a bank, supplier or person that has provided money, goods, or services to a company and expects to be paid at a later date. In other words, the company owes money to its creditors and the amounts should be reported on the company's balance sheet as either a current liabilities or a non-current (or long-term) liability.
- ii. **Potential Investors:** It is only after getting detailed information about the profitability of the concern that investors take decisions regarding investment to be made in that particular business. Accounting information is of great use to them in this connection.
- iii. **Government:** Accounting information is required by the government for fixing GST, assessing the profitability of the concern, computing national income and determining the growth rate of the industry.

Section C

23. Read-Only Memory (ROM) is a storage area that is used to store instructions. The contents of read-only memory are permanent. That means, switching off the power supply will not erase the data stored in ROM. The data stored in ROM is either unchangeable or requires special operations to change the contents. A normal user cannot write anything in read-only memory.

Random Access Memory (RAM) also called the main memory of the computer, is a storage area that acts as a rough working area for the programs. It is a read-write memory. That means a user can read the contents stored in it as well as he writes the contents on to the memory. RAM temporary storage area that means, the contents cannot be permanently stored in random access memory. The contents of random access memory are lost when the computer is switched off. That is why it is also called "volatile memory".

24.

P's JOURNAL

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Date	Particulars		L/F	Debit Amount (Rs)	Credit Amount (Rs)
2015					
Feb 1	Q's A/c To Sales A/c (Being goods sold on credit)	Dr		36,000	36,000
Feb 1	Bills Receivable (No. 1) A/c Bills Receivable (No. 2) A/c Bills Receivable (No. 3) A/c To Q's A/c (Being the acceptances received)	Dr Dr Dr		15,000 12,000 9,000	36,000
Feb 1	R's A/c To Bills Receivable (No. 1) A/c (Being the bill endorsed in favour of creditor, R)	Dr		15,000	15,000
Feb 4	Bank A/c Discounting Charges A/c To Bills Receivable (No. 2) A/c (Being the bill discounted with the bank)	Dr Dr		11,760 240	12,000
Apr 30	Bills Sent for Collection A/c To Bill Receivable (No. 3) A/c (Being the bill sent to the bank for collection)	Dr		9,000	9,000
May 4	Bank A/c Bank Charges A/c To Bills Sent for Collection A/c (Being the bill collected by the bank and collection charges deducted)	Dr Dr		8,925 75	9,000
	Total			1,17,000 =====	1,17,000 =====

Working Note Calculation of Discount = $12,000 \times \frac{12}{100} \times \frac{2}{12} = 240$

Q's JOURNAL

Date	Particulars		L/F	Debit Amount (Rs)	Credit Amount (Rs)
2015					
Feb 1	Purchases A/c To P's A/c (Being the goods purchased on credit)	Dr		36,000	36,000
Feb 1	P's A/c To Bills Payable (No. 1) A/c To Bills Payable (No. 2) A/c To Bills Payable (No. 3) A/c (Being the acceptances given)	Dr		36,000	15,000 12,000 9,000
Mar 4	Bills Payable (No. 1) A/c To Cash A/c (Being the bill met on maturity)	Dr		15,000	15,000
Apr 4	Bills Payable (No 2) A/c To Cash A/c (Being the bill met on maturity)	Dr		12,000	12,000
May 4	Bills Payable (No. 3) A/c To Cash A/c (Being the bill met on maturity)	Dr		9,000	9,000
	Total			1,08,000 =====	1,08,000 =====

25. The balance sheet is a statement prepared for showing the financial position of the business summarising its assets and liabilities at a given date. It is prepared at the end of the accounting period after the trading and profit and loss account have been prepared. The assets reflect debit balances and are shown on the right hand side of the balance sheet. On the other hand, Liabilities (including capital) reflect credit balances and are

shown on the left hand side of the balance sheet.

It is called a balance sheet because it is a statement of balances of ledger accounts which are still open after the preparation of the trading and profit and loss account.

Features/Characteristics of balance sheet are as follows:

- i. Balance sheet is prepared at a particular point of time and not for a particular period.
- ii. Balance sheet is only a statement and not an account.
- iii. It is prepared after the preparation of trading and profit and loss account.
- iv. Balance sheet shows the financial position of the business as per the 'going concern concept'.
- v. Balance sheet is a summary of balances of those ledger accounts which have not been closed by transferring to the trading and profit and loss account.
- vi. It shows the nature and value of assets.
- vii. It shows the nature and amount of liabilities.
- viii. The total of assets side must be equal to the liabilities side. If the totals are not equal, there will be an error somewhere.
- ix. Balance sheet is a part of the financial statements. That is why the Trading and Profit and Loss Account and Balance Sheet are together known as 'Final Accounts'.

26.

Cash Book

Dr.					Cr.				
Date	Particulars	V.No.	Cash	Dis-count	Date	Particulars	V.No.	Cash	Dis-count
April 01, 2013	To Balance b/d		25,000		April 02, 2013	By Y		4,750	250
April 04, 2013	To Z		9,600	400	April 07, 2013	By Purchases		10,000	
April 11, 2013	To Sales		15,000		April 21, 2013	By W		7,000	500
April					April				

15, 2013	To X		19,500	500	25, 2013	By Bank		20,000	
					April 30, 2013	By Drawing		5,000	
					April 30, 2013	By Salary & Wages		15,000	
					April 30, 2013	By Balance c/d		7,350	
			69,100 =====	900 =====				69,100 =====	750 =====
May 1, 2013	To Balance b/d		7,350						

27.

JOURNAL

Date	Particulars		L/F	Debit Amount (Rs)	Credit Amount (Rs)
	Drawings A/c				15,000
	To Cash A/c	Dr		15,000	
	To Purchases A/c (Being cash and goods taken away by proprietor for personal use)				5,000
	Charity A/c To Purchases A/c (Being goods given away as charity)	Dr		25,000	25,000
	Advertisement Expenses A/c To Purchases A/c	Dr		12,500	12,500

	(Being goods distributed as free samples)				
	Loss by Theft A/c				25,000
	To Purchases A/c	Dr		35,000	
	To Cash A/c (Being goods and cash stolen by an employee)				10,000
	Loss by Fire A/c To Purchases A/c (Being goods destroyed by fire)	Dr		50,000	50,000
	Insurance Company A/c To Loss by Fire A/c (Being insurance claim lodged with the insurance company)	Dr		50,000	50,000
	Bank A/c	Dr		30,000	
	Profit and Loss A/c				50,000
	To Insurance Company (Being insurance claim of Rs 50,000, accepted and received at Rs 30,000)	Dr		20,000	
	Total			2,37,500 =====	2,37,500 =====

Section D

28.

Statement of Affairs (as on 31st March, 2012)

Liabilities	Amt(Rs)	Assets	Amt(Rs)
Sundry Creditors	30,000	Cash	2,000
Capital(Balancing figures)	2,38,000	Sundry Debtors	78,000
		Stock	68,000
		Plant and Machinery	1,20,000

	2,68,000		2,68,000
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Statement of Affairs
(as on 31st March, 2013)

Liabilities	Amt(Rs)	Assets	Amt(Rs)
Sundry Creditors	29,800	Cash	1,800
Bills Payable	10,000	Sundry Debtors	90,000
Capital(Balancing figures)	2,76,000	Stock	64,000
		Plant and Machinery	1,60,000
	3,15,800		3,15,800

Statement of Profit or Loss
(for the year ended 31st March, 2013)

Particulars	Amt(Rs)
Capital at 31st March, 2013	2,76,000
(+) Drawings Made During 2102-13(6000 × 12)	72,000
	3,48,000
(-) Fresh Capital Introduced During the year	20,000
Adjusted capital on 31st March, 2013	3,28,000
(-) Capital at 31st March, 2012	2,38,000
Profit Made During 2012-13	90,000

Notes :

- Drawings are made per month so amount is multiplied by 12.
- Above is a Net Worth Method or Statement of Affairs Method of ascertaining Profit/ Loss.
- Statement of Affairs is prepared to ascertain the capital in same manner in which a Balance Sheet is prepared.

29.

Trial Balance
as on 31st March, 2013

Name of Accounts	Debit Amount (Rs.)	Credit Amount (Rs.)
Opening Stock	4,000	
Purchases	17,000	
Purchases Returns		1,000
Sales		32,000
Sales Returns	1,240	
Rent	240	
Salaries	1,140	
Advertisement	176	
Commission Received		288
Discount (Cr)		142
Furniture	1,200	
Machinery	12,400	
Debtors	7,200	
Creditors		2,550
Bills Receivable	920	
Bills Payable		500
Cash in Hand	1,044	
Bank overdraft		2,000
Interest on Overdraft	360	
Capital		10,000
Drawings	1,560	
	48.480	48.480

Total	20,800 =====	20,800 =====
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Trail Balance is a listing of the accounts in the general ledger along with each account's balance in the appropriate debit or credit column. The total of the amounts in the debit column should equal the total of the amounts in the credit column.

30.

Effects on Final Account
Profit and Loss Account
for the year ended 31st March, 2013

Dr				Cr
Particulars		Amt(Rs)	Particulars	Amt(Rs)
To Bad Debts	10,800			
(+) Further bad Debts	6,000			
	16,800			
(+) New Provision(5% on 5,94,000 i.e, 6,00,000 - 6,000)	29,700			
	46,500			
(-) Old Provision	22,500	24,000		
To Provision for Discount on Debtors(3% on Rs 5,64,300 on debtors i.e., 5,94,000 -29,700)		16,929		

Balance Sheet
as at 31st March, 2013

Liabilities	Amt(Rs)	Assets		Amt(Rs)
		Sundry Debtors	6,00,000	
		(-) Further Bad Debts	6,000	
			5,94,000	
		(-)New Provision for Doubtful Debts		

		(5% on Rs 5,94,000)	29,700	
			5,64,300	
		(-) Provision for Discount on Debtors(3% on 5,64,300)	16,929	5,47,371

WORKING NOTE:

1. Calculation of bad debts

Sundry debtors 600000

Add: bad debts = 6000

= 594000

New provision = 594000 @ 5% = 29700

2.Bad debts 10800 + 6000 = 16800

Add: new provision = 29700

Less old provision = 22500

Bad debts = 24000

OR

Trading and Profit & Loss Account for the year ending

Particulars		Amount	Particulars	Amount
To Opening Stock		30,000	By Sales 2,48,000	
To Purchase	1,74,400		Less Returns 12,000	2,36,000
Less Returns	2,000		By Closing Stock	50,000
Less Loss by fire	12,000			
Less Free Sample	3,600			
Less Drawings	3,000			
Less Charity	1,000	1,52,800		

To Freight & Duty		4,000		
To Carriage In		1,600		
TO Gross Profit c/d		97,600		
		2,86,000 =====		2,86,000 =====
To Carriage out		600	By Gross Profit b/d	97,600
To Trade expense	30,800		By Special Rebate	2,400
Less Prepaid	1,200	29,600	By Rent	2,000
To Special Rebate		1,600		
To Lighting		800		
To Motor Car Expense		12,600		
To Interest on Loan	1,800			
Add Outstanding	600	2,400		
To Depreciation on car		12,000		
To Net Profit Transferred to Capital		42,400		
		1,02,000 =====		1,02,000 =====

Balance Sheet

As on

Liabilities		Amount (Rs)	Assets	Amount (Rs)
Creditors		18,000	Debtors	42,000
Loan from Suresh	20,000		Plant & Machinery	10,000
Add Outstanding	600	20,600	Insurance Claim	12,000
Capital	1,64,000		Bank	30,400

Less LIC	56,000		Furniture	18,200
Add Net Profit	42,400		Motor Car 80,000	
Less Drawings	3,000	1,47,400	Less Depreciation 12,000	68,000
			Stock	50,000
			Trade Expense Prepaid	1,200
		2,31,800 =====		2,31,800 =====

Section E

31. When an error is committed in the books of accounts the same should be corrected to show true numbers in financial statements. If the error is immediately identified it may be fixed by striking out the wrong entry and replacing it with a correct one. However, if the error is identified at a later stage, the correction should be made by passing a suitable journal entry, such entries used to fix an accounting error are called rectification entries. Nowadays with software packages if a journal entry has been posted to the ledger it usually requires rectification entry, however, if it is still at a preliminary stage of validation it may still be corrected without the need of an additional entry. Errors are required to be rectified before finalization of books of account.

Journal Entries to Rectify the Errors

Date	Particulars	LF	Debit Amount(Rs.)	Credit Amount(Rs.)
1.	Office Equipments A/c Dr.		350	
	To Office Expenses A/c			350
	(Being cash paid for a typewriter, wrongly charged to Office expenses, now rectified)			
2.	Suspense A/c Dr.		100	
	To Arun A/c			100
	(Being Sale of Rs.660 to Arun wrongly entered in Arun's Account as Rs.770, now rectified)			

	Sales A/c Dr.	1,000	
	To Suspense A/c		1,000
	(Being Sales book overcast by Rs.1,000, now rectified)		
3.	Sales Return A/c Dr.	130	
	Sales A/c Dr.	130	
	To Suspense A/c		260
	(Being goods returned from Monu, wrongly entered in sales book and entered to the credit side of Monu, now rectified)		
4.	Sales Return A/c Dr.	1,240	
	To Naina A/c		1,240
	(Being Goods returned by Naina omitted, now entered in the books of accounts)		
5.	Suspense A/c Dr.	100	
	To Sales Return A/c		100
	(Being sales return book overcast by Rs.100, now rectified)		

A suspense account is a general ledger account in which amounts are temporarily recorded. The suspense account is used because the appropriate general ledger account could not be determined at the time that the transaction was recorded.

As soon as possible, the amount(s) in the suspense account should be moved to the proper account(s).

An accountant was instructed to record a significant number of journal entries written by the controller of a large company. Unfortunately, there was one amount that did not have an account designated. In order to complete the assignment by the deadline, the accountant recorded the "mystery" amount in the general ledger Suspense account.

When the controller is available, the accountant will get clarification and will move the

amount from the Suspense account to the appropriate account.

Particulars	Amoun(Rs.)	Particulars	Amount(Rs.)
To Arun A/c	100	By Sales A/c	1,000
To Balance c/d	1,260	By Sales Return A/c	130
		By Sales A/c	130
		By Sales Return A/c	100
Total	1,360	Total	1,360

OR

books of Rama
JOURNAL ENTRIES

Date	Particulars		L.F.	Dr. (Rs.)	Cr. (Rs.)
Jan.1	Reshma	Dr.		14,160	
	To Sales A/c				12,000
	To Output IGST A/c (18%) (Being goods sold to Reshma and GST collected)				2,160
Jan.1	Bank A/c	Dr.		2,160	
	Bill Receivable A/c	Dr.		12,000	
	To Reshma (Being Bill Receivable drown.)				14,160
Jan.1	Bank A/c	Dr.		11,820	
	Discount A/c (6% p.a.)	Dr.		180	
	To Bill Receivable A/c (Being Bill Receivable discounted.)				12,000

Apr. 4	Reshma	Dr.		12,500	
	To Bank A/c (Being Bill Receivable dishonoured)				12,500
Apr. 4	Cash A/c	Dr.		12,000	
	Discount Allowed A/c	Dr.		500.00	
	To Reshma (Being final payment receive)				12,500.00

books of Reshma
JOURNAL ENTRIES

Date	Particulars		L.F.	Dr. (Rs.)	Cr. (Rs.)
Jan. 1	Purchase A/c	Dr.		12,000	
	Input IGST A/c (18%)	Dr.		2,160	
	To Rama (Being goods purchase from Rama and GST paid.)				14,160
Jan. 1	Rama	Dr.		14,160	
	To Bank A/c				2,160
	To Bill Payable A/c (Being amount of purchase settled.)				12,000
Apr. 4	Bill Payable A/c	Dr.		12,000	
	Nothing Charges A/c	Dr.		500	
	To Rama (Being Bill Payable dishonoured.)				12,500
	Rama	Dr.		12,500	
	To Cash A/c				12,000

	To Discount Received A/c (Being final payment made to Rama)				500
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32.

MACHINERY ACCOUNT

Dr.				Cr.			
Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
01.04.17	To Balance b/d		60,000	01.04.17	By Mac. Disposal A/c		16,000
				31.03.18	By Balance c/d		44,000
			60,000				60,000

MACHINERY DISPOSAL ACCOUNT

Dr.				Cr.			
Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
01.04.17	To Machinery A/c		16,000	01.07.17	By Cash A/c - Sale		8,400
					By Prov. For Dep. A/c		6,400
					By Profit & Loss A/c - Loss		1,200
			16,000				16,000

PROVISION FOR DEPRECIATION ACCOUNT

Dr.				Cr.			
Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
01.04.17	To Mach. Disp. A/c		6,400	01.04.17	By Balance b/d		36,000
31.03.18	To Balance c/d		34,000	31.03.18	By Depreciation		4,400
			40,400				40,400

			01.04.18	By Balance b/d		34,000
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Working Note :

Cost	16,000
Less: Depreciation for 2013-14 @ 10%	<u>-1,600</u>
W.D.V.	14,400
Less: Depreciation for 2014-15 @ 10%	<u>-1,600</u>
W.D.V.	12,800
Less: Depreciation for 2015-16 @ 10%	<u>-1,600</u>
W.D.V.	11,200
Less : Depreciation for 2016-17 @ 10%	<u>-1,600</u>
W.D.V.	9,600
Less : Sale Value	<u>8,400</u>
Loss on sale	1,200

In fixed instalment method or straight line method of depreciation amount of depreciation remain the same year after year and always depreciation is calculated on the cost of the asset during the useful life of the asset. The value of asset tends to zero after the useful life of the asset i.e. asset completely written off in its life.