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**SAMPLE PAPER- 2 (Solved)**  
**ACCOUNTANCY**  
**Class – XI**

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Time allowed: 3 hours

Maximum Marks: 90

**General Instructions:**

1. This question paper contains Two parts A & B.
  2. Both the parts are compulsory for all.
  3. All parts of questions should be attempted at one place.
  4. Marks are given at the end of each question.
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**Part – A (Financial Accounting – I)**

1. What do you mean by Boo-Keeping? (1)
  2. What is meant by Debit Vouchers? (1)
  3. Differentiate between expense and expenditure. (1)
  4. Define the term 'Business Transaction'. (1)
  5. Write any three advantages of Accounting. (3)
  6. Give Journal entries for the following:
    - (i) Interest due but not received Rs.2,000
    - (ii) Rent due to landlord Rs.1,000.
    - (iii) Out of the rent paid this year, Rs.3,000 relates to next year. (3)
  7. Explain Accounting Standards (AS) briefly. (3)
  8. Explain Going Concern Assumption and Matching Concept. (3)
  9. Explain Capital Reserve and uses of capital reserves. (4)
  10. Prepare Trial Balance from the following information:  
Loan given to Ramesh Rs.40,000; Trade Receivables Rs.50,000; Livestock Rs.30,000; Drawings Rs.10,000. Preliminary Expenses Rs.20,000; Investment Rs.50,000; Interest on investment
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Rs.5,000. Capital Rs.1,25,000; Advance from Mohan Rs.35,000; Bank overdraft Rs.15,000; Provision for doubtful debts Rs. 8,000; General Reserve Rs.12,000. (4)

11. On 1<sup>st</sup> January, 2014, A drew a bill on B for Rs.10,000 payable after 3 months. B accepted the bill and returned it to A. After 10 days, A endorsed the bill to his creditor, C. On the due date, the bill was dishonoured and C paid Rs.200 as noting charges. Record the transactions in the books of A, B and C. (4)

12. Prepare Cash Book with Bank Column of Vinod from the following transactions:

Jan. 1 Cash in hand Rs.100 and Bank Balance Rs.2,000  
Jan. 5 Purchased goods by Cheque Rs.1,200.  
Jan. 6 Drew Cheque for office use Rs.50.  
Jan. 7 Purchased Stationery for Cash Rs.10  
Jan. 8 Received cheque from Mr.X Rs.125.  
Jan. 10 Carriage paid in cash Rs.33.  
Jan. 12 Z paid us cheque Rs.175  
Jan. 12 Paid Mr. A by cheque Rs.195  
Jan. 27 Received cheque for sales Rs.200. (4)

13. Vinod has the following transactions. Show accounting equation for the same:

- (i) Commenced business with cash Rs.3,00,000.
- (ii) Purchased goods for cash Rs.80,000.
- (iii) Purchased machinery on credit Rs.1,25,000.
- (iv) Purchased old car for personal use for Rs.1,00,000. (4)

14. Prepare a Bank Reconciliation Statement on 31 March 2004 for the following when debit balance of pass book is Rs.10,000:

- (1) Cheque amounting to Rs.8,000 drawn on 25<sup>th</sup> of March of which cheques of Rs.5,000 cashed in April 2004.
- (2) Cheques paid into Bank for collection to Rs.5,000 but cheques of Rs.2,200 could only be collected in March 2004..
- (3) Bank charges Rs.25 and dividend of Rs.350 on investment collected by bank could not be shown in cash book.
- (4) A cheque of Rs.600 debited in cash book omitted to be banked. (6)

15. A firm purchased on 1<sup>st</sup> Jan., 1999, a second-hand machinery for Rs.36,000 and spent Rs.4,000 on its installation.

On 1<sup>st</sup> July in same year, another machinery costing Rs.20,000 was purchased. On 1<sup>st</sup> July, 2001, machinery bought on 1<sup>st</sup> Jan. 1999 was sold off for Rs.12,000 and a fresh machine purchased for Rs.64,000 on the same date. Depreciation is provided annually on 31<sup>st</sup> Dec. @ 10% p.a. on the written down value method. Show Machinery A/c (1999 to 2001). (8)

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**Part – B (Financial Accounting – II)**

16. What is meant by Provision for Doubtful Debts? (1)
17. Give one advantage of Single Entry System. (1)
18. How are the following items shown in the accounts of a Non-profit organisation?  
Tournament Fund Rs.2,00,000  
Tournament Expenses Rs.60,000  
Receipts from Tournament Rs.80,000. (3)
19. Vinod maintains his books of accounts on Single Entry System. He provides following information from his books. Find out additional capital introduced by him during the year:  
Opening capital Rs.2,60,000  
Closing capital Rs.4,00,000  
Drawings made during the period Rs.1,00,000  
Profit made during the year Rs.2,00,000 (3)
20. Vinod maintains his books of Accounts on Single entry system. His books provide the following information.
- | Particulars      | April 1, 1995 | March 31, 1996 |
|------------------|---------------|----------------|
| Furniture        | 200           | 200            |
| Stock            | 2,800         | 3,800          |
| Debtors          | 2,100         | 3,400          |
| Cash             | 150           | 200            |
| Creditors        | 1,750         | 1,900          |
| Bill Receivables | --            | 300            |
| Loan given       | --            | 500            |
| Investments      | --            | 1,000          |
- His drawings were Rs.500. Prepare the Statement showing profit for the year. (6)
21. Following is the extract from a Trial Balance:
- | Particulars                  | Amount (Dr.) | Amount (Cr.) |
|------------------------------|--------------|--------------|
| Debtors                      | 40,300       | --           |
| Provision for Doubtful Debts | --           | 2,000        |
| Bad Debts                    | 700          |              |
- Adjustments:
- (i) Write off Rs.300 as further bad debts.
  - (ii) Create a provision for doubtful debts at 5% on Sundry Debtors.
  - (iii) Create discount on debtors @ 2%.
- Show the treatment of above items in final accounts. (6)
22. Compare computerized accounting with the manual accounting system. (6)
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23. Following is the extract of Receipts & Payments Account of a Club for the year ending Dec. 31, 2006:

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

Additional information:

- (i) Salaries outstanding on 31<sup>st</sup> December, 2005 Rs.25,000.
- (ii) Salaries outstanding on 31<sup>st</sup> December, 2006 Rs.45,000.
- (iii) Salaries paid in advance on 31<sup>st</sup> December, 2005 Rs.10,000

Show the treatment of above items.

(6)

24. From the following Trial Balance of M/s.Vinod and Sons as on 31st December. 2002, prepare Trading and Profit & Loss Account and Balance Sheet.

Particulars	Amount	Particulars	Amount
Trade expenses	800	Stock (opening)	15,000
Freight & duty	2,000	Plant & Machinery (on 1 Jan)	20,000
Carriage outwards	500	Additions to Plant & Machinery (on 1 July)	5,000
Sundry debtors	20,600	Drawings	6,000
Furniture & fixtures	5,000	Capital	80,000
Returns inwards	2,000	Reserve for doubtful debts	800
Printing & stationery	400	Rent for premises sublet	1,600
Rent, rates & taxes	4,600	Insurance charges	700
Sundry creditors	10,000	Salaries and wages	21,300
Sales	1,20,000	Cash in hand	6,200
Returns outwards	1,000	Cash at bank	20,500
Postage & telegrams	800		
Purchases	82,000		

**Adjustments:**

- (i) Stock in hand on 31-12-2002 Rs.14,000.
- (ii) Write off Rs.600 as bad debts.
- (iii) Reserve for doubtful debts is to be maintained at 5% on sundry debtors.
- (iv) Provide for depreciation furniture & fixtures at 5% p.a. and on plant & machinery 20% p.a.
- (v) Insurance prepaid was Rs.100.
- (vi) A fire occurred on 5<sup>th</sup> December 2002 in the godown and stock of the value of Rs.5,000 was Destroyed. It was insured and insurance company admitted full claim.

(8)

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## Solution

1. Book-keeping is concerned with the recording of financial transactions in an orderly and significant manner.
2. Debit vouchers are prepared to record transactions involving cash payments of any type, e.g., expenses, and payments to creditors etc.
3. Expense is the amount spent by a business in the process of earning revenue. Expenditure is the amount spent for acquiring an asset, goods or services etc.
4. Business transaction is concerned with financial transaction or money or money's worth of goods or services.
5. Advantages of accounting :
  - (1) Provides Complete and Scientific Record : Accounting is meant to maintain the Complete record of financial transactions during the accounting period of an entity. As such the limitation of human memory is no handicap because of accounting system.
  - (2) Information Regarding Performance and Position : Accounting cycle after recording moves on to prepare final accounts which reveal how much profit has been earned or loss suffered during the period? Under this system balance sheet is also prepared which tells the financial position of a business on that date.
  - (3) Enables Comparison of Costs : Expenses, sales and profit etc., of the business related to current year are compared with previous years and also with other units of the same trade/industry.
6. Journal Entries
  - (i) Accrued Interest A/c Dr. 2,000 and Interest A/c Cr.2,000.
  - (ii) Rent A/c Dr.1,000 and Rent outstanding A/c Cr.1,000.
  - (iii) Prepaid Rent A/c Dr.3,000 and Rent A/c Cr.3,000.
7. Accounting Standards are the rules in written form which ensure the uniformity of Accounting Standards and provide guidance for the preparation, presentation and reporting of accounting information.

**According to Kohler**, "*Accounting Standard is a mode of conduct, imposed by Custom, law or professional body for the benefit of public accountants and Accountants generally.*"
8. Going Concern Assumption: This assumption assumes that every business has a long and indefinite life. Since financial statements are prepared on the basis of this assumption, all fixed assets are shown in the books at their cost ignoring their market value. In fact market value of a fixed asset has no relevance under this assumption, since these assets are acquired for continuous use in the business and not to sell them at a profit. It is a gain even though they may be unsaleable.

Matching Concept: This principle states that it is necessary to charge all the expenses incurred to earn revenue during the accounting period against that revenue, in order to

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ascertain the net income or trading results of the business. The matching principle which is so closely related to accrual principle and accounting period principle helps a businessman in realising his objective i.e. in ascertaining the trading results or profit or loss from the business.

9. Capital reserve is created out of capital profits. The examples of capital profits are premium on issue of shares, profit on sale of fixed assets, redemption of debentures at discount, profits prior to the incorporation, profit on revaluation of fixed assets, profit on forfeited shares etc. Capital Reserve cannot be used for the distribution of profits and dividend.

#### Uses of Capital Reserve

- (i) Writing off preliminary expenses
- (ii) Writing off discount on issue of share etc.
- (iii) Premium on redemption of debentures
- (iv) Writing off capital losses
- (v) Issue of bonus shares

#### 10. Trial Balance

Particulars	Debit	Credit
Loan given to Ramesh	40,000	
Trade Receivables	50,000	
Livestock	30,000	
Drawings	10,000	
Preliminary Expenses	20,000	
Investment	50,000	
Interest on investment		5,000
Capital		1,25,000
Advance from Mohan		35,000
Bank overdraft		15,000
Provision for doubtful debts		8,000
General Reserve		12,000
<b>Total</b>	<b>2,00,000</b>	<b>2,00,000</b>

#### 11. A's Journal

2011				
Jan. 1	Bills Receivable A/c	Dr.	10,000	
	To B			10,000
	(Being acceptance received)			
Jan. 11	C	Dr.	10,000	
	To Bills Receivable A/c			10,000
	(Being bill endorsed to C)			
April 4	B	Dr.	10,200	
	To C			10,200
	(Being bill dishonoured and noting charges paid by C)			

### B's Journal

2011				
Jan. 1	A	Dr.	10,000	
		To Bills Payable		10,000
		(Being acceptance given)		
April. 4	Bills Payable A/c	Dr.	10,000	
	Noting Charges A/c	Dr.	200	
	To A			10,000
	(Being bill dishonoured and noting charges paid)			

### C's Journal

2011				
Jan. 11	Bills Receivable	Dr.	10,000	
	To A			10,000
	(Being bill received from A)			
April. 4	A	Dr.	10,200	
	To Bills Receivable			10,000
	To Cash A/c			200
	(Being bill dishonoured and noting charges paid)			

### 12. Cash Book

Date	Particulars	L.F	Cash	Bank	Date	Particulars	L.F	Cash	Bank
Jan 1	To Balance b/d		100	2,000	Jan. 5	By purchase			1,200
6	To Bank	C	50		6	By cash	C		50
8	To X			125	7	By stationery		10	
12	To Z			175	10	By freight		33	
27	To Sales			200	20	By A			195
					31	By Bal. c/d		107	1,055
			150	2,500				150	2,500
Feb 1	To Balance b/d		107	1,055					

### 13. Accounting Equation

Particulars	Assets			=	Liabilities	
	Cash	+ Stock	+ Machinery	=	Creditors	+ Capital
(i) Commenced Business	3,00,000	+ 0	+ 0	=	0	+ 3,00,000
(ii) Purchased goods	(80,000)	+ 80,000	+ 0	=	0	+ 0
<b>New Equation</b>	<b>2,20,000</b>	<b>+ 80,000</b>	<b>+ 0</b>	<b>=</b>	<b>0</b>	<b>+ 3,00,000</b>
(iii) Purchased Machine	0	+ 0	+ 1,25,000	=	1,25,000	+ 0
<b>New Equation</b>	<b>2,20,000</b>	<b>+ 80,000</b>	<b>+ 1,25,000</b>	<b>=</b>	<b>1,25,000</b>	<b>+ 3,00,000</b>
(iv) Purchased car	(1,00,000)	+ 0	+ 0	=	0	+ (1,00,000)
<b>Final Equation</b>	<b>1,20,000</b>	<b>+ 80,000</b>	<b>+ 1,25,000</b>	<b>=</b>	<b>1,25,000</b>	<b>+ 2,00,000</b>

#### 14. Bank Reconciliation Statement

<i>Particulars</i>	(+) <i>Amount</i> <i>Rs.</i>	(-) <i>Amount</i> <i>Rs.</i>
1. Balance as per passbook (overdraft)		10,000
2. Cheque drawn not presented		5,000
3. Cheque deposited but not cleared	2,800	
4. Bank charges	25	
5. Dividend on investment		350
6. Cheque debited in cash book	600	
Balance as per cash book (overdraft)	11,925	
<b>Total</b>	<b>15,350</b>	<b>15,350</b>

#### 15. Machinery Account

Date	Particulars	Amount	Date	Particulars	Amount
1999			1999		
Jan 1	To Bank	40,000	Dec.31	By Depreciation A/c	5,000
July 1	To Bank	20,000	Dec.31	By Balance c/d	55,000
		60,000			60,000
2000			2000		
Jan.1	To Balance b/d	55,000	Dec 31	By Depreciation A/c	5,500
		55,000	Dec 31	By Balance c/d	49,500
					55,000
2001			2001		
Jan. 1	To Balance b/d	49,500	July 31	By Depreciation	1,620
July 1	To Bank A/c	64,000	Dec 31	By Bank	12,000
				By Depreciation A/c	4,910
				By P/L A/c	18,780
				By Balance c/d	76,190
		1,13,500			1,13,500
2002					
Jan. 1	To Balance b/d	76,190			

16. Provision for doubtful debts is always calculated as a percentage of debtors. This provision is made against debts of the amount that are doubtful of recovery.

17. Single entry system is less expensive when it is compared to double entry system of book keeping.

18. Balance of Tournament fund to be shown in the liabilities side Rs.2,20,000  
 $2,00,000 + 80,000 - 60,000 = 2,20,000$



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19. Additional capital = 4,00,000 + 1,00,000 - 2,60,000 – 2,00,000 = 40,000

20. Statement of Affairs (1 April 1995)

Liabilities	Amount	Assets	Amount
Creditors	1,750	Cash	150
Capital (Bal. fig)	3,500	Debtors	2,100
		Stock	2,800
		Furniture	200
	5,250		5,250

Statement of Affairs (31 March 1996)

Liabilities	Amount	Assets	Amount
Creditors	1,900	Cash	200
Capital (Bal. fig)	7,500	Bill Receivables	300
		Debtors	3,400
		Stock	3,800
		Furniture	200
		Investment	1,000
		Loan	500
	9,400		9,400

21. Profit and Loss Account

Particulars	Amount	Particulars	Amount
To Bad Debts	1,000		
To provision for discount	760		

(**Note:** Calculation of provision and discount is explained beautifully in the Ultimate Book of Accountancy. Students can learn step by step and crack any question easily)

Balance Sheet

Liabilities	Amount	Assets	Amount
		Debtors	40,300
		Less : bad debts	300
		Less : provision	2,000
		Less : discount	760
			37,240

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## 22. Manual Vs Computerized Accounting System

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

## 23. Balance Sheet (opening)

Liabilities	Amount	Assets	Amount
Salaries outstanding	25,000	Prepaid Salaries	10,000

## Income and Expenditure Account

Expenditure	Amount	Income	Amount
To Salaries 2,80,000			
Add: Advance Salary 10,000			
Add: Outstanding 40,000	3,30,000		

## Balance Sheet (Closing)

Liabilities	Amount	Assets	Amount
Salaries outstanding		Prepaid Salaries (2007)	18,000
2005 (25,00 – 20,000)	5,000		
2006 (45,000 – 5,000)	40,000		

## 24. Trading Account

Particulars	Amount	Particulars	Amount
To Opening Stock	15,000	By Sales 1,20,000	
To Purchases 82,000		Less : Return <u>2,000</u>	1,18,000
Less : Return 1,000		By Closing Stock	14,000
Less : Damaged <u>5,000</u>	76,000		
To Freight & duty 2,000			
To Gross Profit 39,000			
	1,32,000		1,32,000

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### Profit and Loss Account

Particulars	Amount	Particulars	Amount
To Trade Exp.	800	By Gross Profit	39,000
To Carriage outward	500	By Rent for Premises	1,600
To Printing & Stationery	400		
To Rent, Rates & Taxes	4,600		
To Postage & Telegrams	800		
To Insurance 700 + 100	600		
To Salaries	21,300		
To Bad debts	800		
To Depreciation on furniture	250		
To Depreciation on machinery	4,500		
To Net profit	6,050		
	40,600		40,600

### Balance Sheet

Liabilities	Amount	Assets	Amount
Capital 80,000		Plant & machinery less dep.	20,500
Less : Drawings 6,000		Furniture less dep.	4,750
Add : Profit <u>6,050</u>	80,050	Debtors less provision	19,000
		Stock	14,000
Sundry Creditors	10,000	Prepaid insurance	100
		Bank	20,500
		Cash	6,200
		Insurance claims	5,000
	90,050		90,050

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