

CBSE Class 11 Accountancy
Sample Paper 05 (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. Ashish purchased goods costing Rs.5,00,000 in cash and goods costing Rs.2,50,000 on credit. What is the amount due to creditors?
 - a. Rs.3,00,000
 - b. Rs.2,50,000
 - c. Rs.5,00,000
 - d. Rs.4,00,000
2. Which of the following is a limitation of accounting?
 - a. Replacing Memory
 - b. Evidence in court
 - c. Facilitates loan
 - d. Window Dressing
3. Carriage Outward is shown in:
 - a. Trading Account
 - b. Profit and Loss Account
 - c. None of these
 - d. Balance Sheet
4. Debit balance of a personal account means the person is a _____ of the firm whereas credit balance of a personal account indicated that the person is a _____ of the firm.
 - a. Owner, Creditor
 - b. Debtor, Owner

- c. Creditor, Creditor
 - d. Debtor, Creditor
5. Trade Discount allowed:
- a. none of these
 - b. is not shown separately in the books of account
 - c. is shown separately in the books of account
 - d. shown either separately or deducted from purchase cost
6. Accounting information systems are designed to:
- a. Minimize cost.
 - b. Eliminate the need for paper documents
 - c. Maximize use of information technology.
 - d. Report information to decision makers.
7. Which of the following is also known as Principle Book of Accounts:
- a. Ledger
 - b. Journal
 - c. Imprest system
 - d. Cash Book
8. Which of the following is the advantage of readymade software
- a. Well trained users use the software
 - b. Used by specific user
 - c. Take care of accounting records
 - d. Software's are available off the shelf
9. Fill in the blanks:
Accounting is helpful in raising _____. (loans/assets)
10. The balance of the sales column in the sales day book is Rs 30,000. Rs 5,000 were recovered from debtors. Then the balance of the sales column will be transferred by which amount?
- a. Rs 20,000
 - b. Rs 30,000
 - c. Rs 25,000
 - d. Rs 35,000
11. People interacting with the computer and executing the program or software are known as

- a. Human system
 - b. Personnel
 - c. Human ware
 - d. Human beings
12. Accounting is which stage of Accountancy?
- a. Professional Stage
 - b. None of these
 - c. Primary Stage
 - d. Secondary Stage
13. Trade Discount is:
- a. allowed at the time of sale of goods
 - b. All of these
 - c. allowed at the time of receiving the payment
 - d. allowed both at the time of receiving payment and sale of goods
14. Which accounting principle requires that the life of business be broken into smaller parts:
- a. Going concern concept
 - b. Accounting entity
 - c. Prudence
 - d. Accounting period

OR

What is the financial accounting period for calculation of Tax?

- a. 1st July to 30 June
 - b. 1st Jan to 31st December
 - c. None of these
 - d. 1st April to 31st March
15. Current Liabilities include
- a. Creditors
 - b. All of these
 - c. Bills Payable
 - d. Outstanding Expenses

OR

Which of the following is not a fixed asset?

- i. Balance with bank
 - ii. Plant and Machinery
 - iii. Building
 - iv. Goodwill
- a. B only
 - b. C only
 - c. A only
 - d. D only

16. Fill in the blanks:

Amortisation refers to writing of _____.

17. Kamal started business and invests Rs. 50000 on 1st April 2010. On 31st March 2011, his assets are Rs.65000 and liabilities Rs.6000. Kamal withdrew from his business Rs. 3000 for personal use. Find out the profit

- a. Rs.12000
- b. Rs.8000
- c. Rs.10000
- d. Rs.9000

18. The main purpose of the balance sheet is to show _____.

- a. Financial Position
- b. Assets and Capital
- c. Old Accounting Records
- d. Creditors

19. A computer as an electronic machine capable of making calculations, _____ and _____ and bringing out meaningful information by acting on a set of instructions.

- a. Storing and analyzing data
- b. Sorting and analyzing data
- c. Storing and estimating data
- d. Sorting and estimating data

20. Salaries Account is:

- a. none of these

- b. an asset account
- c. an expense account
- d. an liability account

Section B

21. Calculate closing stock from the following details

Opening stock Rs. 20,000; cash sales Rs. 60,000; credit sales Rs. 40,000; purchases Rs. 70,000.

Rate of gross profit on cost $33\frac{1}{3}\%$.

OR

Explain the concept of cost of goods sold.

22. Who are the users of accounting information? Why do they need accounting information?

OR

There are various number of functions performed by accounting. Describe any three such functions.

Section C

23. Explain the Tailor-made software.

24. On 1st January, 2014, A sold goods to B for ₹ 5,000 and on the same day drew upon him a bill at three months for the amount. B accepted the bill and returned it to A. On 4th January, 2014, A discounted the bill with his bank at ₹ 4,900. On the due date, the bill was dishonoured and bank paid ₹ 100 as noting charges. Record these transactions in the Journals of A and B

25. From the following information, prepare the trading account for the year ended 31st March, 2013

	Amt (Rs.)		Amt (Rs.)
Opening Stock	3,00,000	Wages	6,000
Purchases	8,40,000	Freight	10,800
Closing stock	2,40,000	Carriage inwards	3,000

The percentage of gross profit on sales is 20%.

26. Enter the following transactions in a single column cash book

2013		Amt (Rs.)
Mar 1	Commenced business with cash	10,000
Mar 2	Bought goods for cash	2,500
Mar 5	Sold goods for cash	2,000
Mar 10	Goods purchased from Vinay on credit	5,000
Mar 13	Paid to Vinay	3,500
Mar 15	Cash sales	4,000
Mar 18	Purchased furniture for office	3,000
Mar 20	Paid wages	790
Mar 24	Paid rent	200
Mar 26	Received commission	300
Mar 28	Withdrew for personal expenses	500
Mar 31	Paid salary	450

27. Distinguish between cash discount and trade discount.

Section D

28. Shruti maintains her books of accounts from Incomplete Records. Her books provide the following information.

Particulars	1st April 2015 (Rs.)	31st March 2016 (Rs.)
Cash	1,200	1,600
Bills Receivable	-	2,400
Debtors	16,800	27,200
Stock	22,400	24,400
Investments	-	8,000
Furniture	7,500	8,000

Creditors	14,900	11,600
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She withdraws Rs.500 per month for personal expenses. She sold her Investments Rs.16,000 at 5% premium and introduced the account into a business.

You are required to prepare a Statement of Profit or Loss for the year ending 31st March 2016.

29. Following balances were extracted from the books of Shri A Jadeja on 31st March, 2013. You are required to prepare a trial balance. The amount required to balance should be entered as capital.

Name of Accounts	Amt (Rs.)	Name of Accounts	Amt (Rs.)
Purchases	2,12,500	Drawings	9,625
Stock (1st April,2012)	30,000	Return Inwards	4,375
Sales	1,31,250	Premises	6,60,000
Sundry Debtors	29,750	Sundry Creditors	20,125
Discount Received	4,375	Discount Allowed	3,500
Carriage Outwards	875	Carriage Inwards	1,750
Cash in Hand	4,375	Cash at Bank	21,875
Machinery	1,55,625	General Expenses	2,625
Provision for Depreciation on Machinery	30,250	Bad Debts Written off	3,065
		Provision for Doubtful Debts	2,975

30. From the following balances, as on 31st March, 2018 prepare the Trading Account, Profit and Loss Account and the Balance Sheet:

	Rs.
Capital Account	1,00,000
Returns outward	5,000

Plant and Machinery	40,000
Rent	4,000
Sundry Debtors	24,000
Sales	1,64,000
Sundry Creditors	12,000
Manufacturing Expenses	8,000
Purchases	1,05,000
Life Insurance Premium	12,000
Trade Expenses	7,000
Bad Debts	2,000
Wages	50,000
Carriage	1,500
Bank	10,000
Bills Payable	7,000
Repairs	500
Returns Inward	4,000
Stock 1-4-2017	20,000

The closing stock (31st March 2018) was valued at Rs.14,500.

OR

From the following balances, prepare the final accounts of M/s Mangal & Sons for the year ended 31st March 2018 :

	Rs.
Opening Stock	12,500
B/R	2,000

Sales	70,000
Purchases	37,500
Creditors	20,000
Salaries	3,850
Insurance	200
Debtors	32,500
Carriage	1,450
Commission	750
Interest	900
Printing	250
B/P	3,150
Returns in	1,300
Returns out	500
Bank	5,250
Rent and Taxes	1,300
Furniture	1,000
Capital	7,100

Closing Stock on 31-3-2018 Rs.15,000

Section E

31. Pass the rectification entries for the following transactions :

- i. Repairs to plant amounting to Rs.2,000 had been charged to Plant and Machinery Account.
- ii. Wages paid to the firm's workmen for making certain additions to machinery amounting to Rs.1,340 were debited to Wages Account.
- iii. A cheque for Rs.7,500 received from S. Desai was credited to the account of R. Gupta.
- iv. Goods to the value of Rs.7,000 returned by X were included in closing stock, but no entry was made in the books.

- v. Goods costing Rs.5,000 were purchased for various members of the staff and the cost was included in 'Purchases'. A similar amount was deducted from the salaries of the staff members concerned and the net payments to them debited to Salaries Account.
- vi. Credit Purchase of old machinery from Sohan for Rs.1,70,000 was entered in the purchase Book as purchase from Mohan for Rs.7,10,000. Rs.30,000 paid as repairing charges on the reconditioning of a newly purchased second hand machinery were debited to General Expenses Account.
- vii. Debit and Credit totals of discount columns in the Cash Book which come to Rs.400 and Rs.370 respectively have not been posted to Discount Accounts.

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. On 1st October 2011, X Ltd. purchased machinery for Rs.2,50,000. A part of machinery which was purchased for Rs.20,000 on 1st October 2011 became obsolete and was disposed off on 1st January, 2014 (having a book value Rs.17,100 on 1st April 2013) for Rs.2,000. Depreciation is charged @ 10% annually on written down value. Prepare machinery disposal account and also show your workings. The books being closed on 31st March of every year.

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Solution

Section A

1. (b) Rs.2,50,000

Explanation: The amount due on creditors is the goods purchased on credit i.e., Rs. 2,50,000

2. (d) Window Dressing

Explanation: The manipulated values shown in books of accounts is known as window dressing. It means to manipulate the books of account.

3. (b) Profit and Loss Account

Explanation: Carriage Outward is an indirect expense hence it is shown in Profit and Loss Account.

4. (d) Debtor, Creditor

Explanation: Debit balance means the firm has to take the money from person and credit balance means the firm has to repay the money to the person. Therefore the debit balance of the personal account is debtor and credit balance is a creditor.

5. (b) is not shown separately in the books of account

Explanation: Trade Discount allowed is not shown separately in the books of account. It is deducted from Cost of Assets only.

6. (d) Report information to decision makers.

Explanation: Accounting information System are designed to Report information to decision makers. It helps in storage, processing, summarizing & reporting information about a organization.

7. (a) Ledger

Explanation: Ledger is the most important book in accounting system. it contains all the accounts to which the transactions recorded in the original entry are transferred.

8. (d) Software's are available off the shelf

Explanation: Readymade softwares are the softwares that are developed not for any specific user but for the users in general. Since, the readymade softwares are for general user, it is not necessary that all the modules of such softwares are of use for every user.

9. Loans

10. (b) Rs 30,000

Explanation: The sales book shows the number of total credit sales made by the business irrespective of what has been returned or what has been paid. So, Rs 30,000 will be transferred as the balance of the sales column.

11. (c) Human ware

Explanation: A basic computer system encompasses three major components; hardware, software, and human ware.

12. (d) Secondary Stage

Explanation: The first step in accountancy is bookkeeping and the second stage is accounting. Where book-keeping end and accounting start.

13. (a) allowed at the time of sale of goods

Explanation: That is allowed at the time of sale of goods is known as a trade discount. It is allowed on bulk purchase of goods.

14. (d) Accounting period

Explanation: As the business is intended to continue indefinitely for a long period, the true results of the business operations can be ascertained only when the business is completely wound up. But ascertainment of profit after a very long period will be of little use to the proprietors. The users of financial statements need to know the results of the business at frequent intervals. Thus, the entire life of the firm is divided into time-intervals for the measurement of the profits. that means Life of Business is broken into parts.

OR

(d) 1st April to 31st March

Explanation: In order to calculate tax on the income earned by the firm the Financial accounting period is taken from 1st April to 31st March . every year.

15. (b) All of these

Explanation: Bills Payable, Creditors, Outstanding Expenses all are current liabilities. Hence it will be recorded as Current Liability.

OR

(c) A only

Explanation: Balance with the bank is not a fixed asset. It is current asset.

16. Intangible Assets

17. (a) Rs.12000

Explanation: At year End,

Closing Assets= Closing Capital + closing Liabilities

65000= closing capital+ 6000

Closing Capital= 59000

Now,

Profit = closing Capital + drawings - opening Capital - Additional Capital

Profit = 59000 + 3000 - 50000 - 0

Profit = 12000

18. (a) Financial Position

Explanation: The balance sheet shows the position of assets and liabilities of the business at a point of time.

19. (a) Storing and analyzing data

Explanation: A computer as an electronic machine capable of making calculations, storing and analyzing and bringing out meaningful information by acting on a set of instructions. A computer is a device that can be instructed to carry out arbitrary sequences of arithmetic or logical operations automatically.

20. (c) an expense account

Explanation: Under the accrual method of accounting, the account Salaries Expense reports the salaries that employees have earned during the period.

Section B

21. Let cost = Rs. 100, Gross profit = $33\frac{1}{3}$ % on cost, Sales = $(133 \times \frac{1}{3})$

$$\text{Gross Profit on Sales} = \frac{33\frac{1}{3}}{133\frac{1}{3}} = \frac{1}{4}$$

Sales = 60000 + 40000= Rs.100000

Gross Profit = Rs. 1,00,000 $\times \frac{1}{4}$ = Rs. 25,000

Cost of goods sold = Sales - Gross profit = 1,00,000 - 25,000 = Rs. 75,000

Cost of Goods Sold = Opening Stock + Purchases - Closing Stock

75,000 = 20,000 + 70,000 - Closing stock

Closing stock = 20,000 + 70,000 - 75,000 = Rs. 15,000.

OR

Cost of goods sold is the cost incurred in the manufacturing of the goods intended to be sold. Cost of goods sold is ascertained as follows

Cost of Goods Sold = Opening Stock + Net Purchases - Closing Stock + Direct Labour/Expenses.

Cost of goods sold = Net sales - Gross profit

22. Following are the groups of people interested in accounting information:

- i. **Owners:** Owners are those persons who invested capital in the business and share the risks. Owners need accounting information to know the profitability and financial strength of the business to make proper decisions for continuing the business.
- ii. **Management:** Management is answerable to the owners. The responsibility of the management is to operate the business efficiently. Management needs accounting information for decision-making.
- iii. **Employees:** Employees need accounting information to claim an increase in wages, bonuses, and other benefits.

OR

The main functions of accounting are as follows :

- i. **Maintaining Systematic Records :** The primary or the main function of accounting is to maintain the systematic and complete records of business transactions, post them to the ledger and to prepare the final accounts.
- ii. **Communicating the Financial Results to various users :** Accounting is used to communicate the financial information to its various interested users for rational decision-making.
- iii. **Meeting Government Regulation :** The accounting system should comply with legal requirements. The various governing laws such as Companies Act, Income Tax and Sales Tax Act requires the submission of statements or returns i.e. annual accounts, income tax return, sales tax returns, etc. So accounting performs this function by providing proper information to the government agencies.
- iv. **Protecting the Business Assets :** Accounting helps the management to exercise proper control over the assets of the business by maintaining proper records of

various assets such as Cash, bank balance, inventory etc.

- v. **Assistance to Management** : Accounting assists the management in the task of planning, controlling and coordination of business activities.
- vi. **Stewardship or Trusteeship** : The management is entrusted with the resources of the enterprise, in case of companies. The management is expected to act as the trustee of the company's funds and accounting helps to achieve the same.

Section C

23. **Tailor-made software**: Software that is developed after the discussion between the user and the developers. This software is used for special purposes. For example, software for security of data, etc.

Advantages of Tailor-made software :

- i. Suitable for large business houses.
- ii. The level of secrecy and authenticity is reliable.
- iii. Special training and knowledge are provided to users.
- iv. Transactions are recorded properly with accuracy

Limitations of Tailor-Made Softwares :

- i. Very Costly (high cost of installation and training).
- ii. Only large business houses can afford, small business houses cannot afford this software.

24.

In the Books of B Journal Entries

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
2014 Jan. 1	Purchases A/c	Dr.		5,000	
	To A's A/c (Being goods purchased on credit) from A				5,000
	A's A/c	Dr.		5,000	

Jan. 1	To Bills Payable A/c (Being Bill accepted by B)				5,000
April 4	Bills Payable A/c	Dr.		5,000	
	Noting Charges A/c	Dr.		100	
	To A's A/c (Being the bill dishonoured and noting charges paid by Bank for rs.100)				5,100

In the Books of A
Journal Entries

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
2014 Jan. 01	B's A/c	Dr.		5,000	
	To Sales A/c (Being goods sold on credit to B)				5,000
Jan. 01	Bills Receivable A/c	Dr.		5,000	
	To B's A/c (Being Bill Receivable received)				5,000
Jan. 04	Bank A/c	Dr.		4,900	
	Discounting charges A/c	Dr.		100	
	To Bills Receivable A/c (Being the bill discounted by A)				5,000
April 04	B's A/c	Dr.		5,100	
	To Bank A/c (Being the bill dishonoured and Bank paid ₹100 as noting charges)				5,100

25. Working Notes :

1. Calculation of Cost of goods sold:

	₹
Opening Stock	3,00,000
Add :Purchases	8,40,000
Wages	6,000
Freight	10,800
Carriage Inwards	<u>3,000</u>
	11,59,800
Less :Closing Stock	<u>2,40,000</u>
Cost of Sales or Cost of Goods sold	9,19,800

2. Calculation of Sales :

Let us assume that sales = ₹100,

then,gross profit would be = ₹20 (20% of sales)

Therefore, cost of sales would be = Sales - Gross Profit = 100 - 20 = ₹80.

When cost of sales is ₹80, then sales would be = ₹100.

When cost of sales is ₹1, then sales would be =100/80.

When cost of sales is ₹9,19,800, then sales would be = $\frac{100}{80} \times 9,19,800 = ₹11,49,750$.

Trading Account
for the year ended 31st March, 2013

Dr.		Cr	
Particulars	Amt (₹)	Particulars	Amt (₹)
To Opening Stock	3,00,000	By Sales	11,49,750
To Purchases	8,40,000	By Closing Stock	2,40,000
To Wages	6,000		
To Freight	10,800		
To Carriage Inwards	3,000		

To Gross Profit c/d	2,29,950		
	<u>13,89,750</u>		<u>13,89,750</u>

26. **Cash Book**

Date	Particulars	L/F	Amount (Rs.)	Date	Particulars	L/F	Amount (Rs.)
2013				2013			
Mar 1	To Capital A/c		10,000	Mar 2	By Purchases A/c		2,500
Mar 5	To Sales A/c		2,000	Mar 13	By Vinay A/c		3,500
Mar 15	To Sales A/c		4,000	Mar 18	By Furniture A/c		3,000
Mar 26	To Commission A/c		300	Mar 20	By Wages A/c		190
				Mar 24	By Rent A/c		200
				Mar 28	By Drawings A/c		500
				Mar 31	By Salary A/c		450
				Mar 31	By Balance c/d		5,960
			16,300 =====				16,300 =====
Apr 1	To Balance b/d		5,960				

The cash book is used to record receipts and payments of cash. It works as a book of original entry as well as a ledger account. The entries related to receipt and payment of cash are first recorded in the cash book and then posted to the relevant ledger accounts. Moreover, a cash book is a substitute for cash account in the ledger.

27. A cash discount is a deduction allowed by the seller of goods or by the provider of services in order to motivate the customer to pay within a specified time. The seller or provider often refers to the cash discount as a sales discount. The buyer often refers to the same discount as a purchase discount. The cash discount is also known as an early payment discount. A trade discount is the amount by which a manufacturer reduces the

retail price of a product when it sells to a re seller, rather than to the end customer. The re seller then charges the full retail price to its customers in order to earn a profit on the difference between the amount by which the manufacturer sold the product to it and the price at which it then sells the product to the final customer. The re seller does not necessarily resell at the suggested retail price; selling at a discount is a common practice, if the reseller wishes to gain market share or clear out excess inventory.

Basis	Trade Discount	Cash Discount
Meaning	It is a reduction granted by a supplier from the list price of goods or services on business considerations (such as quantity bought, trade practices, etc.) other than for prompt payment.	A reduction granted by a supplier from the invoice price in consideration of immediate payment or payment within a stipulated period.
Nature	It is allowed on purchases made in large quantity.	It is allowed on payment being made promptly on or before an agreed date.
Nature of Transaction	It is allowed on both credit and cash transaction.	It is allowed only on payment.
Recording	It is not recorded separately in the books of accounts.	Cash discount is recorded separately in the books of accounts.
Deduction from Invoice	It is deducted from the invoice.	It is not deducted from the invoice.
Time when Allowed	It is allowed on purchase of goods.	It is allowed on immediate payment or payment within a specified period.

Section D

28. **Incomplete records** refer to a situation in which an organization is not using double-entry bookkeeping. Instead, it is using a more informal **accounting** system, such as a

single-entry system, to maintain a reduced amount of information about its financial results. So, as per this, the question is to be solved as follows:-

Opening Statement of Affairs
as on April 1, 2015

Liabilities	Rs.	Assets	Rs.
Creditors	14,900	Cash	1,200
Opening Capital (Bal. Fig.)	33,000	Debtors	16,800
		Stock	22,400
		Investment	-
		Furniture	7,500
Total	47,9000	Total	47,900

Closing Statement of Affairs
as on March 31, 2016

Liabilities	Rs.	Assets	Rs.
Creditors	11,600	Cash	1,600
Closing Capital (Bal. Fig.)	60,000	Bills Receivable	2,400
		Debtors	27,200
		Stock	24,400
		Investments	8,000
		Furniture	8,000
Total	71,600	Total	71,600

Statement of Profit
as on March 31, 2016

Particulars	Details	Rs.

Closing Capital on March 31, 2016		60,000
Add : Drawings: [500 × 12]		6,000
		66,000
Less: Opening Capital as on April 1, 2015	33,000	
Additional Capital: [Rs.16,000+5%]	16,800	49,800
Net Profit for the year		16,200

29. The Trial Balance of Shri A Jadeja will be prepared as follows:

In the Books Of Shri A Jadeja
Trial Balance
as on 31st March, 2013

Name of Accounts	LF	Debit Balance (Rs.)	Credit Balance (Rs.)
Purchases		2,12,500	
Stock (1st April, 2012)		30,000	
Sales			1,31,250
Sundry Debtors		297,502	
Discount Received			4,375
Carriage Outwards		875	
Cash in Hand		4,375	
Machinery		1,55,625	
Provisions for Depreciation on Machinery			30,250
Drawings		9,625	
Return Inwards		4,375	
Premises		6,60,000	
Sundry Creditors			20,125

Discount Allowed		3,500	
Carriage Inward		1,750	
Cash at Bank		21,875	
General Expenses		2,625	
Bad Debts Written of		3,065	
Provisions for Doubtful Debts			2,975
Capital (Balancing Figure)			9,50,965
Total		11,39,940	11,39,940

Note : The amount of Capital is not given in the balances. Therefore, the balancing figure will be considered as Capital.

30. **TRADING AND PROFIT AND LOSS ACCOUNT**
for the year ended 31st March, 2018

Particulars		Rs.	Particulars		Rs.
To Opening Stock		20,000	By Sales	1,64,000	
To purchases	1,05,000		Less : Returns	<u>4,000</u>	1,60,000
Less : Returns	<u>5,000</u>	1,00,000	By Closing Stock		14,500
To Wages		50,000	By Gross Loss c/d		5,000
To Carriage		1,500			
To Manufacturing Expenses		8,000			
Total		1,79,500	Total		1,79,500
To Gross Loss b/d		5,000	By Net Loss c/d		18,500
To Repairs		500			
To Trade Expenses		7,000			
To Rent		4,000			

To Bad Debts		2,000			
Total		18,500	Total		18,500

BALANCE SHEET
AS AT 31ST MARCH, 2018

Liabilities		Rs.	Assets	Rs.
Capital	1,00,000		Plant & Machinery	40,000
Less : L.I.P.	12,000		Closing Stock	14,500
Less : Net Loss	<u>18,500</u>	69,500	sundry Debtors	24,000
Sundry Creditors		12,000	Bank	10,000
Bills Payable		7,000		
Total		88,500	Total	88,500

Profit & Loss account is prepared on the last day of the accounting year in order to determine the net result of the business. Only indirect expense and indirect revenue are shown in it.

Trading account is prepared by entities to know the profit of the business by the operating activities.

Balance sheet shows the financial position of the entity at a point of time.

OR

TRADING AND PROFIT AND LOSS ACCOUNT
(for the year ended 31st March, 2018)

Particulars		Rs.	Particulars		Rs.
To Opening Stock		12,500	By Sales	70,000	
To Purchases	37,500		Less : Sale Return	1,300	68,700
Less : Purchase Return	<u>500</u>	37,000	By Closing Stock		15,000
To Carriage		1,450			

To Gross Profit		32,750			
		<u>83,700</u>			<u>83,700</u>
To Insurance Premium		200	By Gross Profit		32,750
To Salaries		3,850			
To Interest Paid		900			
To Printing		250			
To Rent		1,300			
To Commission		750			
To Net Profit		25,500			
		<u>32,750</u>			<u>32,750</u>

BALANCE SHEET
(AS AT 31-03-2018)

Liabilities		Rs.	Assets	Rs.
Capital	7,100		Bank	5,250
Add : Net Profit	<u>25,500</u>	32,600	Bills Receivables	2,000
Bills Payables		3,150	Debtors	32,500
Creditors		20,000	Stock	15,000
			Furniture	1,000
		<u>55,750</u>		<u>55,750</u>

Section E

31.

RECTIFYING JOURNAL ENTRIES

Date	Particulars		L.F.	Dr.(Rs.)	Cr.(Rs.)
(i)	Repairs A/c	Dr.		2,000	
	To Plant & Machinery A/c				

	(Being repairs expense charged to plant and machinery A/c now rectified)				2,000
(ii)	Machinery A/c	Dr.		1,340	
	To Wages A/c (Being machine expense charged to wages A/c, rectified)				1,340
(iii)	R. Gupta A/c	Dr.		7,500	
	To S. Desai A/c (Being wrong Account posting rectified)				7,500
(iv)	Sales Returns A/c	Dr.		7,000	
	To X (Being amount of sales return not entered in the books)				7,000
(v)	Salaries A/c	Dr.		5,000	
	To Purchase A/c (Being amount of salary charged to purchase)				5,000
(vi)	Mohan's A/c	Dr.		7,10,000	
	Machinery A/c	Dr.		2,00,000	
	To Sohan's A/c				1,70,000
	To Purchase A/c				7,10,000
	To General Expenses A/c (Being wrong amount of sales and repair of new machine entered now rectified)				30,000
(vii) (a)	Discount allowed A/c	Dr.		400	
	To Suspense A/c (Being discount allowed debited to A/c)				400

(b)	Suspense A/c	Dr.		370	
	To Discount Received A/c (Being discount received credited to A/c)				370

Suspense account is used only for the purpose of reconciling a trial balance temporarily. It is used to rectify only those errors which effect the Trial Balance. When all errors are rectified the suspense account will automatically closed.

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 drawn.)				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

32.

Books of X Ltd.
MACHINERY ACCOUNT

Dr.	Cr.

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
1.10.2011	To Bank A/c		2,50,000	31.3.12	By Depreciation A/c		12,500
					By Balance c/d		2,37,500
			2,50,000				2,50,000
1.4.2012	To Balance b/d		2,37,500	31.3.13	By Depreciation A/c		23,750
					By Balance c/d		2,13,750
			2,37,500				2,37,500
1.4.2013	To Balance b/d		2,13,750	1.1.14	By Cash A/c		2,000
				1.1.14	By Depreciation		1,283
				1.1.14	By Profit & Loss A/c - Loss		13,817
				31.3.14	By Depreciation		19,665
				31.03.14	By Balance c/d		1,76,985
			2,13,750				2,13,750
1.4.2014	To Balance b/d		1,76,985				

Working Notes:

Particulars	1.10.2011		Total Depreciation
Cost	20,000	2,30,000	
Less: Depreciation for 2011-12 @ 10% for 6 months	(-) <u>1,000</u>	(-) <u>11,500</u>	12,50 (on 31.03.2012)
W.D.V.	19,000	2,18,500	
			23,750 (on

Less: Depreciation for 2012-13 @ 10%	<u>1,900</u>	<u>21,850</u>	31.03.2013)
W.D.V.	17,100	1,96,650	
Less: Depreciation for machine			
sold 1st January, 2014 @ 10% (Rounded off near of rupee) for 9 months	<u>1,283</u>		
W.D.V.	15,817		
Less: Depreciation for 2013-14 @ 10%		<u>19,665</u>	
W.D.V.		<u>1,76,985</u>	
Less: Sale value	(-) <u>2,000</u>		
Loss on Sale of Machinery	<u>13,817</u>		

Depreciation is calculated by Diminishing value method so it is calculated on balance value of an asset or written down value of asset not on the cost of the asset or the book value of the asset sold to the amount of depreciation decreases year after year in spite of rate of depreciation is fixed.