

CBSE Class 11
Accountancy
Sample Paper 08 (2019-20)

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.
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Section A

1. Name the qualitative characteristic of accounting information which requires the use of common unit and common format of reporting.
2. Neeraj sold goods costing Rs.500000 for Rs.700000 in cash and goods costing Rs.250000 for Rs.310000 on credit. What is the amount due from debtors
 - a. Rs.700000
 - b. Rs.500000
 - c. Rs.200000
 - d. Rs.310000
3. Which stakeholder would be most interested in the earning capacity of a business firm?
 - a. Government and other regulators
 - b. Customers
 - c. Investors
 - d. Suppliers
4. Match the following:

(a) Sold goods returned.	(i) Goods.
(b) Fall in value of Assets.	(ii) Sales return.

(c) Bank overdraft.	(iii) Depreciation.
(d) physical item of trade.	(iv) Short -term liability.

5. A firm earns a revenue of Rs. 21,000 and the expenses to earn this revenue are Rs. 15,000. Calculate its income.
6. Match the following:

Column A	Column B
(a) Kind of software	(i) Payroll processing
(b) Application software	(ii) Utility software
(c) Report generated by AIS	(iii) Tally
(d) TPS	(iv) External reprot

7. Ledger book is popularly known as _____ books of accounts?
8. Match the following. Options are as follows:

a. AIS	i. the electronic data processing of information stored in the database
b. MIS	ii. an information system that provides the needed information to the managers to manage the organization
c. DBMS	iii. an information system based on the accounting database of an organization

- a. a - (iii), b - (ii), c - (i)
- b. a - (iii), b - (i), c - (ii)
- c. a - (ii), b - (iii), c - (i)
- d. a - (i), b - (ii), c - (iii)
9. Goods destroyed by fire should be credited to:
- a. Purchases account

- b. Sales account
- c. Loss of goods by fire account
- d. Insurance account

10. Is it correct that total of the purchase invoices recorded in the purchase book is posted to debit side of the purchases account in the ledger and credited to the accounts of suppliers?

11. Explain utility programmes; as one of the types of software.

12. _____ users are the groups outside the business entity who uses the information to make decisions about the business entity

- a. Internal
- b. Both
- c. None of these
- d. External

13. Fill in the blanks:

The natural of capital is a _____.

14. Fill in the blanks:

IFRS are based on _____.

OR

Fill in the blanks:

X Ltd. follows the Written Down Value Method of depreciating machinery year after year due to _____.

15. Fill in the blanks:

Expenditure of revenue nature that gives benefit for more than one accounting period

is categorised as _____ Expenditure.

16. Is it correct that individual accounts of customers is debited by the respective amount and the total of the sales book is posted to the credit side of the sales account in the general ledger?
17. If payment is made to a creditor, indicate how accounting equation will be affected?

OR

If total assets of the business are Rs 4,50,000 and outside liabilities are Rs 2,00,000, calculate owner's equity.

18. Use of common unit of measurement and common format of reporting promotes;
- a. Reliability
 - b. Relevance
 - c. Understandability
 - d. Comparability
19. Match the following:

(a) Debtors report	(i) For review
(b) Routine report	(ii) report on supplier
(c) Financial statement	(iii) Age of debtors
(d) Creditors report	(iv) relating to bank and cash balance

20. Match the followings options are as follows:
- a. Assets
 - b. Liabilities
 - c. Revenue
 - d. Expenses
 - e. Capital
 - i. Equity Shares

- ii. Purchase, Salary paid
 - iii. Sale, commission received
 - iv. Trade Payables, short term loans
 - v. Cash, Debtor, furniture
- a. a(v), b(iv), c(iii), d(i), e(ii)
 - b. a(v), b(iv), c(ii), d(iii), e(i)
 - c. a(iv), b(v), c(iii), d(ii), e(i)
 - d. a(v), b(iv), c(iii), d(ii), e(i)

OR

The company pays its creditors by cheque. What is the effect on assets and liabilities

- a. Increase Bank and Increase Capital
- b. Reduce Bank and Reduce Liability
- c. Increase Bank and Reduce Capital
- d. Reduce Bank and Increase Capital

Section B

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

	Amt (Rs.)
Cost of goods sold	45,00,000
Sales	72,00,000
Closing Stock	2,40,000

OR

Cash sales Rs. 29,000, credit sales Rs. 31,000, cost of goods sold Rs. 52,000, expenses on

purchases Rs.3,000, expenses on sales Rs.6,700. Find out gross profit and net profit.

22. Is accounting an art or a science?

OR

Name the accounting concept or convention associated with the following

- i. Assets are recorded at cost, irrespective of the market price.
- ii. Life of a business should be divided into smaller periods.
- iii. Accounting transactions should be free from bias of accountants and others.

Section C

23. What do you understand by an accounting information system? Discuss the relationship of accounting information system and marketing information system.
24. Differentiate between bill of exchange and a promissory note.
25. From the following information, prepare a profit and loss account for the year ending 31st March, 2014.

	Amt (Rs.)
Gross profit	60,000
Rent	5,000
Salary	15,000
Commission paid	7,000
Interest paid on loan	5,000
Advertising	4,000
Discount received	3,000
Printings and stationary	2,000
Legal charges	5,000
Bad debts	1,000
Depreciation	2,000

Interest received	4,000
Loss by fire	3,000

26. Record the following transactions in a three column cash book and balance the book on 31st January, 2013

Date	Particulars	Amt (Rs.)	Date	Particulars	Amt (Rs.)
2013			2013		
Jan 1	Cash balance	1,000	Jan 16	Bought goods	6,000
Jan 1	Bank balance	14,500	Jan 19	Paid Shyam by cheque	3,700
Jan 1	Cash received from sale of shares	60,500		Discount received from him	300
Jan 2	Paid into bank	50,000	Jan 20	Drew from bank	3,000
Jan 3	Purchased goods from M/sAgarwal for Rs. 13,000 and paid by cheque Rs. 12,000		Jan 22	Cash drawn from bank for personal use	2,000
Jan 4	Paid Wages	2,500	Jan 24	Cash sales	1,700
Jan 5	Received from Mohan a cheque for Rs. 9,800 against dues of Rs. 10,000 in full settlement of his account		Jan 27	Received from Sharma	18,000
Jan 8	Mohan's cheque deposited into bank			Discount Allowed	500

Jan 14	Paid rent by cheque	1,500	Jan 28	Deposited cash into bank	15,000
			Jan 28	Gave cheque for cash purchases	2,000
			Jan 30		

27. Pass the journal entries for the following:

- i. Proprietor withdrew for his personal use cash Rs 10,000 and goods worth Rs 5,000.
- ii. 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. The following were the balances extracted from the books of Kanta as on March 31, 2013.

Debit Balance	Amount (Rs.)	Credit Balance	Amount (Rs.)
Cash in hand	540	Sales	98,780
Cash at bank	2,630	Return Outwards	500
Purchases	40,675	Capital	62,000
Return inwards	680	Sundry Creditors	6,300
Wages	8,480	Rent	9,000
Fuel and Power	4,730		
Carriage on sales	3,200		
Carriage on purchases	2,040		
Opening stock	5,760		
Building	32,000		
Freehold land	10,000		
Machinery	20,000		
Salaries	15,000		
Patents	7,500		
General expenses	3,000		
Insurance	600		
Drawings	5,245		
Sundry Debtors	14,500		
	1,76,580 =====		1,76,580 =====

Taking into account the following adjustments, prepare Trading and Profit and loss account and Balance Sheet as on March 31, 2013:

- a. Stock in hand on March 31, 2013, was Rs. 6,800.
- b. Machinery is to be depreciated at the rate of 10% and patents @ 20%.
- c. Salaries for the month of March, 2013 amounting to Rs. 1,500 were outstanding.,
- d. Insurance includes a premium of Rs. 170 on a policy expiring on September 30, 2013.
- e. Rent receivable Rs. 1,000.

OR

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.

30. From the following information supplied by Sanjay, prepare his bank reconciliation statement as on 31 st December, 2013.

	Amt(Rs)
(i) Bank overdraft as per pass book	16,500
(ii) Cheques issued but not presented for payment	8,750
(iii) Cheques deposited with the bank but not collected	10,500
(iv) Cheques recorded in the cash book but not sent to the bank for collection	2,000
(v) Payment received from customers directly by the bank	3,500
(vi) Bank charges debited in the pass book	200
(vii) Premium on life policy of Sanjay paid by the bank on standing advice	1,980
(viii) A bill for Rs 3,000 (discounted with the bank in November) dishonoured on 31st December, 2013 and noting charges paid by the bank	100

OR

Prepare a bank reconciliation statement from the following particulars on 30th June, 2013, Bank statement showed a favourable balance of Rs 9,214.

- i. On 29th June, 2013 the bank credited the sum of Rs 1,650 in error.
- ii. Certain cheques, valued at Rs 4,500 issued before 29th June, 2013 were not cleared.
- iii. A hire purchase payment of Rs 950, made by a standing order was not entered in

the cash book.

- iv. A cheque of Rs 600 received, deposited and credited by bank, was accounted as a receipt in the cash column of the cash book.
- v. Other cheques for Rs 8,500 were deposited in June but cheques for Rs 6,000 only were cleared by the bankers.

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

On 30th September, 2013 my cash book (bank column of account number 1) showed a bank overdraft of Rs 98,700. On going through the bank pass book for reconciling the balance, I found the following

- i. Out of cheques drawn on 26th September, those for Rs 7,400 were cashed by the bankers on 2nd October.
- ii. A crossed cheque for Rs 1,500 given to Abdul was returned by him and a bearer cheque was issued to him in lieu on 1st October.
- iii. Cash and cheques amounting to Rs 6,800 were deposited in the bank on 29th September, but cheques worth Rs 2,600 were cleared by the bank on 1st October

and one cheque for Rs 500 was returned by them as dishonoured on the latter date.

- iv. According to my standing instructions, the bankers have on 30th September, paid Rs 640 as interest to my creditors, paid quarterly premium on my policy amounting to Rs 320 and have paid a second call of Rs 1,200 on shares held by me and lodged with the bankers for safe custody. They have also received Rs 300 as dividend on my shares and recovered an insurance claim of Rs 1,600 as their charges and commission on the above being Rs 30. On receipt of information of the above transaction, I have passed necessary entries in my cash book on 1st October.
- v. My bankers seem to have given me a wrong credit for Rs 1,000 paid in by me in account number 2 and a wrong debit in respect of a cheque for Rs 600 drawn against my account number 2.

Prepare a bank reconciliation statement as on 30th September, 2013.

32. Modem Ltd purchased machinery on 1st August 2015 for Rs.60,000. On 1 October 2016, it purchased another machine for Rs/20,000 plus CGST and SGST @ 6% each. On 30th June 2017, it sold the first machine purchased in 2016 for Rs.38,500 charging IGST @ 12%. Depreciation is provided @ 20% p.a. on the original cost each year. Accounts are closed on 31st March every year. Prepare the Machinery A/c for three years.

OR

On 1st May 2017, Merchant & Co. sold to AB & Co. valued at Rs.500 and drew upon them a bill at 3 months for the amount. AB & Co. accepted the draft on presentation. When the bill was about to mature AB & Co. expressed their inability to meet it and offered to pay Merchant & Co. Rs.200 in cash and to accept a fresh bill for the balance plus interest at 6% per annum for 3 months. Merchant & Co. agreed to the proposal and bill was renewed. On maturity, the bill was duly met. Make the entries in the books of both the parties to record the above transactions.

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Solution
Section A

1. It is the comparability characteristic.

2. (d) Rs.310000

Explanation: the amount due on debtors is the amount of goods sold on credit ie the sale value 310000

3. (c) Investors

Explanation: investors invest money in the business so they are interested in the return of the business

4. (a) - (ii), (b) - (iii), (c) - (iv), (d) - (i)

5. Income will be calculated in the following manner:

Income = Revenue - Expense = ₹21,000 - ₹15,000 = ₹ 6,000.

6. (a) - (ii), (b) - (iii), (c) - (iv), (d) - (i)

7. Ledger book is popularly known as **principal** books of accounts.

8. (a) a - (iii), b - (ii), c - (i)

Explanation: An accounting information system (AIS) is a structure that a business uses to collect, store, manage, process, retrieve and report its financial data so that it can be used by accountants, consultants, business analysts, managers, chief financial officers (CFOs), auditors and regulatory and tax agencies.

Management information system (MIS) refers to the processing of information through computers and other intelligent devices to manage and support managerial decisions within an organization.

A database management system (DBMS) is system software for creating and managing databases. The DBMS provides users and programmers with a systematic way to create, retrieve, update and manage data.

9. (a) Purchases account

Explanation: the journal entry for goods loss by fire is

loss by fire a/c dr

to purchases a/c

10. Yes, Purchases account debited following the rule 'increase in expenses is debited and decrease credited'. The suppliers account is credited following the rule 'increase in liabilities is credited and decrease debited'.

11. These are a set of computer programmes, which are used to perform certain supporting operations in a computer. It is also known as system utility. Most utility softwares are highly specialised and designed to perform only a single task.

12. (d) External

Explanation: the various external users are banks, financial institution, government, creditors etc.

13. Liability

14. Fair value

OR

Consistency

15. Deferred Revenue

16. **Yes**, following the rule 'increase in revenue is credited and decrease debited' sales account is credited. Debtors is debited following the rule applicable to asset accounts i.e., 'increase in assets is debited and decrease credited'.

17. Cash decreases and on liability side creditor's balance also decreases. Based on the double-entry system, the accounting equation ensures that the balance sheet remains "balanced," and each entry made on the debit side should have a corresponding entry (or coverage) on the credit side.

OR

Assets = Owner's Equity + Outside Liabilities

Owner's Equity = Assets - Outside Liabilities

Owner's Equity = 4,50,000 - 2,00,000

Owner's Equity = Rs. 2,50,000

18. (d) Comparability

Explanation: it becomes easier to compare accounts of one business with the other.

19. (a) - (iii), (b) - (iv), (c) - (i), (d) - (ii)

20. (d) a(v), b(iv), c(iii), d(ii), e(i)

Explanation: Assets are business owned property in its name which is cash, debtor furniture.

Liability are debt for the business which are trade payables, short term loans.

Income are amount earned by business which are sale or commission received.

Expenses are the amount paid for purchase or any expense which are purchase and salary.

Capital is amount invested in business which is Equity or owner fund.

OR

(b) Reduce Bank and Reduce Liability

Explanation: Creditors are liability for the entity. When company pays them then it will reduce the bank and creditors also.

Section B

21.

Trading Account

Dr			Cr
Particulars	Amt (Rs.)	Particulars	Amt (Rs.)
To COGS	45,00,000	By sales	72,00,000
To Gross Profit T/f. to P&L A/c	27,00,000		
	<u>72,00,000</u>		<u>72,00,000</u>

OR

Total sales = cash sales + credit sales

= 29000 + 31000 = 60000

Gross Profit = Total Sales - Cost of Goods Sold

= Rs.60000 - Rs. 52,000

Gross profit for the year = Rs. 8,000

Net Profit = Gross Profit - Indirect Expenses

= Rs. 8,000 - Rs. 6,700

Net profit for the year = Rs. 1,300

22.

Accounting is both an art as well as a science. It can be seen in the following points:

- **Accounting as an Art** : As an art it is the technique of achieving some pre-determined objectives. Accounting is an art of recording, classifying and summarising financial transactions of the business. It helps us in ascertaining the net profit and financial position of the business enterprise.
- **Accounting as Science**: Science is an organised body of knowledge based on certain basic principles. Therefore, accounting is also a science as it is an organised body of knowledge based on certain accounting principles.

OR

Accounting concepts are a number of conceptual issues that one must understand in order to develop a firm foundation of how accounting works.

- i. Historical cost concept
- ii. Accounting period concept
- iii. Verifiable objective concept

Section C

23. An accounting information system (AIS) is the collection, storage and processing of financial and accounting data used by internal users to report information to investors, creditors and tax authorities. An accounting information system is generally a computer-based method for tracking accounting activity in conjunction

with information technology resources. Relationship of accounting information system and marketing information system:

- Accounting Information System (AIS) is the key department within the organisation as it takes care of the finances.
- Marketing Information System (MKIS) is a management information system designed to support marketing decision making.

24. The difference between a bill of exchange and promissory note are as follows:

Basis	Bill of Exchange	Promissory Note
Drawer	Creditor is the Drawer.	Debtor is the Drawer.
Order or Promise and Parties	It contains an order to make payment. There can be three parties to it viz. the drawer, the drawer and the payee.	It contains a promise to make payment. There are only two parties to it viz. the drawer and the payee.
Acceptance	It requires acceptance by the drawee or someone else on his behalf.	It does not require any acceptance.
Payee	Drawer and payee can be the same party.	Drawer cannot be the payee of it.
Copies	In case of foreign bill, three copies are made, otherwise only one copy is prepared.	Only one copy is prepared whether, it is foreign or local.
Liability	The liability of the drawer arises only if the acceptor does not pay.	The promisor has the primary liability to pay.
Stamps	Stamps are not required to be fixed, on the bills payable on demand. However, on the other bills, stamps are required to be fixed.	Stamps have to be fixed in any case.
Noting	In case of Dishonour, it is better to get it noted for non-payment.	In the case of promissory note noting is necessary.

						Jan 28, 2013	By Purchase			2,0
						Jan 30, 2013	By Balance c/d		10,700	65,
			84,200 =====	89,300 =====	500 =====				84,200 =====	89, =====
Feb 01, 2013	To Balance b/d		10,700	65,100						

27.

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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 (Being goods distributed as free samples)	Dr		12,500	12,500
	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

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.

Books of Kanta
Trading and Profit and Loss Account
for the year ended March 31, 2013

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Particulars		Amount (Rs)	Particulars		Amount (Rs)
Opening Stock		5,760	Sales	98,780	
Purchases	40,675		Less Return Inwards	680	98,100
Less Return outwards	(500)	40,175	Closing Stock		6,800
Wages		8,480			
Fuel and Power		4,730			
Carriage on purchase		2,040			
Gross profit c/d		43,715			
		1,04,900 =====			1,04,900 =====
Salaries	15,000		Gross Profit b/d		43,715
Add Outstanding	1,500	16,500	Rent	9,000	
Carriage		3,200	Add Accrued Rent	1,000	10,000
General Expenses		3,000			
Insurance	600				
Less Prepaid	85	515			
Depreciation: Machinery	2,000				
Patent	1,500	3,500			
Net Profit		27,000			
		53,715 =====			53,715 =====

Balance Sheet
as on March 31, 2013

Liabilities		Amount Rs.	Assets		Amount Rs
Sundry creditors		6,300	Cash in Hand		540
Salary Outstanding		1,500	Cash at Bank		2,630
Capital	62,000		Sundry Debtors		14,500
Add Net Profit	27,000		Insurance Prepaid		85
	89,000		Stock		6,800
Less Drawings	5,245	83,755	Rent Accrued		1,000
			Freehold Land		10,000
			Building		32,000
			Machinery	20,000	
			Less Depreciation	2,000	18,000
			Patents	7,500	
			Less Depreciation	1,500	6,000
		91,555 =====			91,555 =====

OR

**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		5,000

			c/d		
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.

30.

Bank Reconciliation Statement

as on 31st December, 2013

Particulars	Amount (Rs)	Amount (Rs)
Overdraft/Debit/Unfavourable Balance as per Pass Book		16,500
Add: Cheques deposited with the bank but not yet collected	10,500	
Cheques recorded in the cash book but not sent to the bank for collection	2,000	
Bank charges debited in the pass book	200	
Premium on life policy paid by the bank	1,980	
Dishonoured bill (including noting charges)	3,100	17,780
Less: Cheques issued but not yet presented for payment	8,750	
Payments received from customers directly by the bank	3,500	12,250
Overdraft/Credit/Unfavourable Balance as per Cash Book		10,970

Bank Reconciliation Statement compares general ledger against the bank statement to check for any irregularities, such as overcharges, and provides helpful financial oversight from month to month.

OR

Bank Reconciliation Statement

as on 30th June, 2013

Particulars	Amount (Rs)	Amount (Rs)
Credit/Favourable/Balance as per Pass Book		9,214
Add: A hire purchase payment of Rs 950, made by a standing		

order was not entered in the cash book	950	
Cheques deposited but not cleared (8,500 - 6,000)	2,500	3,450
Less: Bank credited the sum of Rs 1,650 in error	1,650	
Cheques issued but not cleared	4,500	
Cheque deposited into the bank was accounted as receipt in the cash column of the cash book	600	6,750
Debit/Favourable/Balance as per Cash Book		5,914 =====

When banks send companies a bank statement that contains the company's beginning cash balance, transactions during the period, and ending cash balance, almost always, the bank's ending cash balance and the company's ending cash balance will never be the same.

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.			350	

	Office Equipments A/c Dr.			
	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	Amount(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

BANK RECONCILIATION STATEMENT

as on 30th September, 2013

Particulars	Debit (Rs.)	Credit (Rs.)
Overdraft as per Cash Book		98,700
Add: Cheques issued but not yet presented	7,400	
Crossed cheque issued to Abdul not presented for payment	1,500	
Amounts collected by the bank on our behalf but not entered in		

01.10.16	To Bank A/c		22,400	31.03.17	By Balance c/d		60,160
			74,400				74,400
01.04.17	To Balance b/d		60,160	30.06.17	By Bank A/c - Sale		34,375
				30.06.17	By Dep. A/c (I)		3,000
				30.06.17	By P & L A/c		2,625
				31.03.18	By Dep. A/c (II)		4,480
				31.03.18	By Balance c/d		15,680
			60,160				60,160
01.04.18	To Balance b/d		15,680				

Working Note:

	Machine I	Machine II	Total
Cost	60,000		60,000
Less : depreciation for 2015-16 @ 20% for 8 months	<u>8,000</u>		<u>8,000</u>
Balance	52,000	22,400	74,400
Less : depreciation for 2016-17 @ 20% of cost	<u>12,000</u>	<u>2,240</u>	<u>14,240</u>
Balance	40,000	20,160	60,160
Less : depreciation for 2017-18 @ 20% for 3 months	<u>3,000</u>	<u>4,480</u>	<u>7,480</u>
Balance	37,000	15,680	52,680
- Sale value	<u>34,375</u>		
Loss on sale	<u>2,625</u>		

In Fixed instalment method of providing depreciation amount of depreciation will always calculate on cost of the asset.

OR

**BOOKS OF MERCHANT & CO.
JOURNAL ENTRIES**

Date	Particulars		L.F.	Dr. (Rs.)	Cr. (Rs.)
1.5.17	AB & Co.	Dr.		500	
	To Sales A/c (Being goods sold.)				500
1.5.17	B/R A/c	Dr.		500	
	To AB & Co. (Being bill receivable drawn.)				500
4.8.17	AB & Co.	Dr.		500	
	To B/R A/c (Being bill receivable dishonoured)				500
4.8.17	Cash A/c	Dr.		200	
	To AB & Co. (Being cash received.)				200
4.8.17	B/R A/c	Dr.		304.50	
	To AB & Co.				300
	To Interest A/c (300 x 6% x 3/12) (Being new bill receivable drawn.)				4.50
7.11.17	Cash A/c	Dr.		304.50	
	To B/R A/c (Being amount of new bill receivable receive)				304.50

**BOOKS OF AB & CO.
JOURNAL ENTRIES**

Date	Particulars		L/F	(Rs.)	(Rs.)
1.5.17	Purchases A/c	Dr.		500	
	To Merchant & Co. (Being goods purchased.)				500
1.5.17	Merchant & Co.	Dr.		500	
	To B/P A/c (Being bill payable accepted)				500
4.8.17	B/P A/c	Dr.		500	
	To Merchant & Co. (Being bill payable dishonoured)				500
4.8.17	Merchant & Co.	Dr.		200	
	To Cash A/c (Being cash paid)				200
4.8.17	Merchant & Co.	Dr.		300.00	
	Interest A/c	Dr.		4.50	
	To B/P A/c (Being new bill payable accepted)				304.50
7.11.17	B/P A/c	Dr.		304.50	
	To Cash A/c (Being amount of new bill payable paid)				304.50