
SAMPLE PAPER- 5 (Solved)
ACCOUNTANCY
Class – XI

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 Contingent Liability? (1)
 2. What is meant by Pay-In-Slip? (1)
 3. What is meant by Generally Accepted Accounting Principles (GAAP)? (1)
 4. What are the Liquid Assets? (1)
 5. Write any three limitations of accounting. (3)
 6. Give Journal entries for the following:
 - (i) Received only 60 paise in rupee from official receiver of Mr. Vinod who owed Rs.10,000.
 - (ii) Paid Rs.7,300 to Vinod in full settlement of his account of Rs.7,500.
 - (iii) Received cash from Vinod for a bad debt written off last year Rs.500. (3)
 7. If the capital of a business is Rs.5,00,000 and liabilities are Rs.1,00,000, Loss Rs.60,000, Calculate the total assets of the business. (3)
 8. Explain Historical cost principle and Consistency Assumption of accounting. (3)
 9. Distinguish between Reserve and Provision. (4)
 10. Prepare Trial Balance from the following information:
Prepaid Expense Rs.5,000, Profit & Loss A/c (Profit) Rs.8,000, Outstanding Rent Rs.2,000, Bad Debts Recovered Rs.4,000, Interest on Investment Rs.1,000, Due to Mohan Rs.5,000, Bank overdraft Rs.2,000,
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Discount Allowed Rs.800, Due from Vinod Rs.1,200, Investment Rs.15,000, Patents Rs.4,000, Machinery Rs.6,000, Capital Rs.10,000. (4)

11. A sold goods to B for Rs.4,000 and drew a bill for the amount due. B after giving his acceptance returned the bill to A. A discounted it from his bank for Rs.3,900. On due date, bill returned dishonoured and bank paid Rs.50 as noting charges. After one week B paid the full amount of the bill including the noting charges. Give journal entries in the books of A only. (4)

12. Prepare Double column Cash Book of Vinod from the following transactions:

2010	Amt.(Rs.)	
June. 1 Cash in hand Rs. 800, Bank overdraft	5,700	
June. 7 Received a cheque from Bharti	3,250	
June. 9 Deposited the above cheque into bank.		
June. 15 Cheque Received from Panna Lal	1,200	
June. 20 Bharti's Cheque returned dishonoured		
June. 28 Panna Lal's cheque was endorsed to Kamal		
June. 30 Income Tax paid by cheque.....	150	(4)

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

- Started business with cash Rs.30,000; Stock Rs.12,000; Machinery Rs.20,000; Furniture Rs.10,000.
- 1/3rd of the above goods sold at a profit of 10% on cost and half of the payment is received in cash.
- Cash withdrawn for personal use Rs.2,000.
- Interest on drawings charged @ 5%. (4)

14. Prepare a Bank Reconciliation Statement on 31 December 2009 for the following when credit balance as per bank column of cash book is Rs.1,800:

- Cheques issued, but not presented for payment Rs.360.
- Cheque deposited but not collected by the bank Rs.770
- Interest on overdraft charged by the bank Rs.30.
- A customer directly deposited in bank Rs.500. (6)

15. Vinod Ltd., purchased a Plant on 1st April, 2005 for Rs.15,000. It purchased another plant on 1st October, 2005 costing Rs.20,000 and on 1st July, 2006 costing Rs.30,000. On 1st January, 2007 the Plant purchased on 1st April, 2005 became useless and was sold for Rs.2,000. Show Plant Account charging 10% p.a. depreciation by fixed instalment method for four years. The plant purchased on 1st October, 2005 was sold for Rs.8,000 on 1st January, 2008. Accounts of the company are closed on 31st December each year. (8)
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Part – B (Financial Accounting – II)

16. How will you deal with the Outstanding Salary appearing in the Trial Balance of a sole proprietor? (1)

17. How computerized accounting system is better than manual accounting? (1)

18. Calculate the missing figure:

Capital at the end	36,000	
Drawings	8,000	
Loss during the year	2,000	
Capital in the beginning	40,000	
Capital introduced during the year	?	(3)

19. Show the following information in the Balance Sheet of the Cosmos Club as at 31st March, 2007:

Particulars	Debit	Credit
Tournament Fund	---	3,00,000
Tournament Fund Investment	3,00,000	----
Income from Tournament fund investment	---	36,000
Tournament Expenses	24,000	----

Additional Information:

Interest accrued on Tournament fund investment Rs.12,000. (3)

20. Vinod maintains his account on Single Entry System. Calculate his profit on 31st March, 2013 from the following information:

Particulars	1 April 2012	31 March 2013
Cash in hand	6,000	2,000
Bank Balance	18,000	14,000
Furniture	8,000	8,000
Stock	4,000	12,000
Creditors	16,000	12,000
Debtors	12,000	16,000

During the year his drawings were Rs.4,000 and additional capital invested Rs.8,000. (6)

21. How will you treat the following while preparing final accounts:

Debtors	80,000	
Bad Debts	2,000	
Provision for doubtful debts	5,000	
Adjustments:		
Bad Debts Rs.500 and Provision on debtors @ 5%.		(6)

22. Differentiate between Manual accounting and Computerized accounting system. (6)

23. How will you treat the following items:

Receipt and Payment
31-12-2006:

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

Additional Information:

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

(6)

24. From the following Trial Balance of M/s.Vinod and Sons as on 31st March 2012, prepare Trading and Profit & Loss Account and Balance Sheet.

Particulars	Amount	Particulars	Amount
Office expenses	300	Stock (opening)	9,000
Selling expenses	11,100	Plant & Machinery (1.4.2011)	20,000
General expenses	1,000	Plant & Machinery (addition 1.10.2011)	5,000
Sundry debtors	20,600	Drawings	6,000
Furniture and Fixtures	5,000	Capital	75,000
Return inwards	13,000	Reserve for doubtful debts	800
Printing and stationery	400	Rent for Premises Sublet	1,600
Rent, Rates and taxes	4,600	Insurance charges	700
Sundry creditors	15,000	Administrative expenses	11,000
Sales	1,31,000	Cash in hand	8,500
Return outwards	1,000	Cash at Bank	18,200
Purchases	90,000		

Adjustments:

- (i) Stock in hand at the end.14,000.
- (ii) Write off Rs.600 as bad debts.
- (iii) Create 5% provision for bad and doubtful debts.
- (iv) Depreciate furniture and fixtures at 5% p.a. and Plant & Machinery at 20% p.a.
- (v) Insurance prepaid was Rs.100.
- (vi) A fire occurred in the godown and stock of the value of Rs.5,000 was destroyed. It was insured and the insurance company admitted full claim.

(8)

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Solution

1. Contingent liabilities are not actual liabilities when they are recorded. But in future these liabilities may become actual liabilities. Future events will decide whether they will be paid or not, that is why they are known as contingent liabilities.
 2. Pay-In-Slip is a form available in the bank that is filled when the money is deposited by a customer into his bank account.
 3. GAAP are the rules for recording and presenting the business transactions. These rules are called by different names such as principles, concepts, assumption and modifying principles etc.
 4. Liquid assets can be converted into cash in a very short period. Examples of liquid assets are; Cash in hand, cash at bank, B/R and marketable securities etc.
 5. Limitations of Accounting:
 - (i) **No Consideration of Price Level Changes:** The most serious limitation of accounting is adoption of historic cost concept for recording various assets irrespective of subsequent change in their prices.
 - (ii) **Conservative Approach:** Due to application of concept of 'conservation' all losses are provided for but no provision is made in the books for prospective profits. Hence conservative approach is another limitation of accounting.
 - (i) **'Post-Mortem' Analysis of Past Records:** Accounting provides information at the end of the accounting period in the form of annual accounts. Such information at the best is only of historical nature and cannot be used to take corrective action.
 6. (i) Cash Dr.6,000; Bad debts Dr.4,000 and Vinod Cr.10,000
(ii) Vinod Dr.7,500 and Cash Cr.7,300; Discount Cr.200.
(iii) Cash Dr.500 and Bad debts Recovered Cr.500.
 7. Total Assets = $5,00,000 + 1,00,000 - 60,000 = 5,40,000$
 8. Historical Cost Principle: According to this principle all fixed assets are recorded in the books at cost i.e. the price paid to acquire them. Any subsequent increase or decrease in their value will not be shown in the records except the depreciation of these assets. Therefore in subsequent years, fixed assets are shown at cost, less depreciation provided on them upto date. Continuous charging of depreciation on the asset will ultimately eliminate the asset from the books.
Consistency Assumption: This assumption requires that accounting practices, methods and techniques used by a business unit should be consistent. It does not mean that business cannot change the method of accounting. If some improved and better method of accounting is made available it can be adopted by the business. But it should not be done again and again.
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9. Differences between Reserve and Provision:

Reserve	Provision
1. Reserve is an appropriation of profit.	1. A provision is a charge on profit.
2. Main purpose of creating a reserve is to strengthen the financial position and to meet the unforeseen losses or liabilities.	2. Main purpose of provision is to meet the known liability.

10. Trial Balance

Particulars	Debit	Credit
Prepaid Expense	5,000	
Profit & Loss A/c (Profit)		8,000
Outstanding Rent		2,000
Bad Debts Recovered		4,000
Interest on Investment		1,000
Due to Mohan		5,000
Bank overdraft		2,000
Discount Allowed	800	
Due from Vinod	1,200	
Investment	15,000	
Patents	4,000	
Machinery	6,000	
Capital		10,000
Total	32,000	32,000

11. A's Journal

B's A/c	Dr.	4,000	
To Sales A/c			4,000
(Being goods sold)			
Bills Receivable A/c	Dr.	4,000	
To B			4,000
(Being acceptance received)			
Bank A/c	Dr.	3,900	
Discount A/c	Dr.	100	
To Bills Receivable A/c			4,000
(Being bill discounted)			
B's A/c	Dr.	4,050	
To Bank			4,050
(Being bill dishonoured and noting charges paid by bank)			
After 1 month	Cash A/c	Dr.	4,050
	To B		4,050
(Being amount of bill received)			

12. Cash Book

Date	Particulars	L.F	Cash	Bank	Date	Particulars	L.F	Amount	Bank
June 1	To Balance b/d		800		June 1	By Balance b/d			5,700
9	To Cheques in hand			3,250	20	By Bharti			3,250
30	To Balance c/d			5,850	30	By Drawings			150
					30	By Balance c/d		800	
			800	9,100				800	9,100
1 Jul	To Balance b/d		800		1 Jul	By Balance b/d			5,850

13. Accounting Equation

Particulars	Assets					=	Liabilities		
	Cash	+	Stock	+	Machinery	+	Furniture	+	Debtors = Creditors + Capital
(i) Commenced Business	30,000	+	12,000	+	20,000	+	10,000	+	0 = 0 + 72,000
(ii) Goods sold	2,200	+	(4,000)	+	0	+	0	+	2,200 = 0 + 400
New Equation	32,200	+	8,000	+	20,000	+	10,000	+	2,200 = 0 + 72,400
(iii) Drawings	(2,000)	+	0	+	0	+	0	+	0 = 0 + (2,000)
New Equation	30,200	+	8,000	+	20,000	+	10,000	+	2,200 = 0 + 70,400
(iv) Interest on Drawings	0	+	0	+	0	+	0	+	0 = 0 + 100 (100)
New Equation	30,200	+	8,000	+	20,000	+	10,000	+	2,200 = 0 + 70,400

14. Bank Reconciliation Statement

<i>Particulars</i>	<i>Detail Amount Rs.</i>	<i>Detail Amount Rs.</i>
Balance as per Cash Book		1,800
Add: Cheque deposited but not cleared	770	
Interest on overdraft charged by bank	<u>30</u>	<u>800</u>
		2,600
Less: Cheque issued but not presented	360	
Directly deposited by a customer in bank account	<u>500</u>	<u>860</u>
Balance as per pass book		1,740

15. Machinery Account

Date	Particulars	Amount	Date	Particulars	Amount
2005			2005		
April 1	To Bank	15,000	Dec.31	By Depreciation A/c	1,625
Oct 1	To Bank	20,000		By Balance c/d	33,375
		35,000			35,000

2006 Jan.1 July 1	To Balance b/d To Bank A/c	33,375 30,000 63,375	2006 Dec 31	By Depreciation A/c By Balance c/d	5,000 58,375 63,375
2007 Jan. 1	To Balance b/d	58,375	2007 Jan 1	By Bank By P/L A/c	2,000 10,375
			Dec 31	By Depreciation A/c By Balance c/d	5,000 41,000
		58,375			58,375
2008 Jan 1	To Balance b/d	41,000	2008 Jan 1	By Bank By P/L A/c	8,000 7,500
			Dec 31	By Depreciation A/c By Balance c/d	3,000 22,500
		41,000			41,000
2009 Jan 1	To Balance b/d	22,500			

16. Outstanding salary given in the trial balance will be shown as a current liability on the liabilities side of the balance sheet.

17. Computerized accounting system is better than manual accounting system because Computers are able to perform all accounting tasks at high speed without committing errors.

18. Capital introduced = $36,000 + 8,000 - 40,000 + 2,000 = 6,000$

19. Balance Sheet (31 March 2007)

Liabilities	Amount	Assets	Amount
Tournament Fund 3,00,000		Tournament fund invest.	3,00,000
Add: Income <u>36,000</u>		Accrued interest	12,000
3,36,000			
Add: Accrued Int. <u>12,000</u>			
3,48,000			
Less: Expense 24,000	3,24,000		

20. Statement of Affairs (opening)

Liabilities	Amount	Assets	Amount
Creditors	16,000	Cash in hand	6,000
Capital (Bal.fig)	32,000	Bank Balance	18,000
		Furniture	8,000
		Stock	4,000
		Debtors	12,000
	48,000		48,000

Statement of Affairs (closing)

Liabilities	Amount	Assets	Amount
Creditors	12,000	Cash in hand	2,000
Capital (Bal.fig)	40,000	Bank Balance	14,000
		Furniture	8,000
		Stock	12,000
		Debtors	16,000
	52,000		52,000

Calculation of profit:

Capital at the end + Drawings – Additional capital – opening capital

$$20,000 + 2,000 - 4,000 - 16,000 = 2,000$$

21. Profit & Loss Account

Particulars	Amount	Particulars	Amount
To Bad Debts	2,000		
Add: Further bad debts	<u>500</u>		
	2,500		
Debtors	80,000		
Less : Bad debts	<u>500</u>		
	79,500 x 5/100 = <u>3,975</u>		
	6,475		
Less : old provision	<u>5,000</u>		
	1,475		

Balance Sheet

Liabilities	Amount	Assets	Amount
		Debtors	80,000
		Less : Bad debts	<u>500</u>
			79,500
		Less: new provision	<u>3,975</u>
			75,525

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. Income and Expenditure Account

Expenditure	Amount	Income	Amount
To Salaries	2,80,000		
Add: Paid in Advance			
In 2005 for 2006	10,000		
Add: Outstanding	40,000	3,30,000	

Balance Sheet (opening)

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

Balance Sheet (closing)

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

24. Trading Account

Particulars	Amount	Particulars	Amount
To Opening Stock	9,000	By Sales	1,31,000
To Purchases	90,000	Less : Return	<u>13,000</u>
Less : Return	1,000	By Closing Stock	14,000
Less: Loss by fire	<u>5,000</u>		
To Gross Profit	39,000		
	1,32,000		1,32,000

Profit and Loss Account

Particulars	Amount	Particulars	Amount
To Office expenses	300	By Gross Profit	39,000
To General expenses	1,000	By Rent Received	1,600
To Provision for bad debts	800		
To Printing & Stationery	400		
To Dep. on furniture & fixture	250		
To Dep. on Plant & Machinery	4,500		
To Rent, Rates & Taxes	4,600		
To Insurance	600		
To Administrative Exp.	11,000		
To Selling Expense	11,100		
To Net Profit	6,050		
	40,600		40,600

Balance Sheet

Liabilities	Amount	Assets	Amount
Capital	75,000	Plant & Machinery less dep.	20,500
Add : Profit	<u>6,050</u>	Furniture & fixtures less dep.	4,750
	81,050	Prepaid insurance	100
Less: Drawings	<u>6,000</u>	Insurance claim	5,000
Creditors	15,000	Stock	14,000
		Debtors less provision	19,000
		Cash at bank	18,200
		Cash in hand	8,500
	90,050		90,050