
SAMPLE PAPER- 3 (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 is the main function of accounting? (1)
 2. Define Source Documents. (1)
 3. What is an opening entry? (1)
 4. A firm earns a revenue of Rs.50,000 and the expenses to earn this revenue are Rs.30,000. Calculate its income. (1)
 5. Write any three Limitations of Accounting. (3)
 6. Give Journal entries for the following:
 - (i) Bought goods at the list price of Rs.50,000 from Vinod less 20% trade discount and 2% cash discount and paid 40% by cheque.
 - (ii) Sold goods to Mohan at list price Rs.1,00,000 less 20% trade discount and 2% cash discount and paid 50% by cheque.
 - (iii) Paid income tax through cheque Rs.2,000. (3)
 7. Which financial statements are prepared under IFRS? (3)
 8. Explain Full Disclosure and Business Entity principle of accounting. (3)
 9. Explain the concept of provisions. (4)
 10. Prepare Trial Balance from the following information:
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Capital Rs.50,000; Bank Loan Rs.20,000; Trade payables Rs.18,000; Rent outstanding Rs.4,000. Capital reserve Rs.5,000; Commission received Rs.3,000; Bad debts Rs.5,000. Plant & Machinery Rs.60,000; Goodwill Rs.16,000; Carriage inwards Rs.2,500; Carriage outwards Rs.1,500; Trade Receivables Rs. 10,000; Profit and Loss (Dr.) Rs.5,000. (4)

11. Vinod owed Rs.10,000 to Mohan. Mohan wrote a bill of exchange for Rs.10,000 on Vinod for three months, which was duly accepted by Vinod. Mohan discounted the bill with Bank at a discount of Rs.100. On maturity, Bill was dishonoured. Bank paid Rs.20 as noting charges. Pass journal entries in the books of Mohan. (4)

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

Jan. 1 Cash in hand Rs.2,300 and Bank overdraft Rs.12,000

Jan. 7 Cheque received from Ram Rs.4,000.

Jan. 9 Deposited the above cheque into Bank.

Jan. 12 Goods sold for Rs.15,000 and deposited into the bank on the same day.

Jan. 18 Money withdrawn from bank for office use Rs.2,000.

Jan. 23 Money withdrawn from bank for personal use Rs.1,000.

Jan. 31 Bank charges Rs.200. (4)

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

(i) Commenced business with cash Rs.80,000.

(ii) Paid rent in advance Rs.1,000.

(iii) Purchased goods for cash Rs.30,000 and credit Rs.20,000.

(iv) Sold goods costing Rs.20,000 for Rs.30,000.

(v) Paid Salary Rs.800 and Salary outstanding Rs.200. (4)

14. Prepare a Bank Reconciliation Statement on 31 March 2004 for the following when debit balance of pass book is Rs.2,500:

(1) Cheques issued, but not presented for payment Rs.2,000.

(2) Cheques issued, but omitted to be record in Cash Book Rs.1,000.

(3) Cheque deposited but not collected Rs.500.

(4) A discounted bill of exchange dishonoured Rs.1,000.

(5) Interest on overdraft Rs.100. (6)

15. "Vinod" Engineering Works purchased a machine on 1st April 2001 for Rs.1,80,000 and spent Rs.20,000 on its installation.

On 1st January 2002, it purchased another machine for Rs.2,40,000. On 1st July 2003, the machine purchased on 1st April, 2001 was sold for Rs.1,45,000. On 1st October, 2003 another machine was purchased for Rs.4,00,000.

Prepare Machinery Account from 2001 to 2003 after charging depreciation @ 10% p.a. by diminishing balance method. Accounts are closed on 31st December every year. (8)

Part – B (Financial Accounting – II)

16. What do you mean by Marshalling of assets? (1)
17. What is meant by customized software? (1)
18. Vinod who keeps his books on single entry, tells you that his capital on 31 Dec.1996 was Rs.18,700 and his capital on 1-1-1996 was Rs.19,200. He further informs you that during the year he withdrew for his household purposes Rs.8,420. He once sold his investments of Rs.2,000 at 2% premium and brought that money into the business. You are required to prepare a statement of profit & loss. (3)
19. Show the following information in the Balance Sheet of the Vinod Sports Club as on 31st March, 2007:
- | Particulars | Debit | Credit |
|--|----------|----------|
| Tournament Fund | --- | 1,50,000 |
| Tournament Fund Investment | 1,50,000 | ---- |
| Income from Tournament fund investment | --- | 18,000 |
| Tournament Expenses | 12,000 | ---- |
- Additional Information:
Interest accrued on Tournament fund investment Rs.6,000. (3)
20. Mr. Vinod keeps his books by single entry system method. His position on 31st December, 1996 was as follows:
Cash in hand Rs.500, Cash at bank Rs.6,000, Stock Rs.5,000, Debtors Rs.3,300, Furniture Rs.1,200, Creditors Rs.4,000. During the year he introduced Rs.4,000 as further capital in the business, and withdrew Rs.9,000 out of which he purchased a Machine for Rs.6,000 for the business.
On 31st December 1997 his position was as follows:
Cash in hand Rs.500, Cash at bank Rs.5,000, Stock Rs.6,000, Debtors Rs.4,600, Furniture Rs.1,500 and Creditors Rs.6,000.
Prepare necessary statements showing the profit or loss made by Mr.Vinod during the year and a Balance Sheet as at 31st December, 1997 after making the following adjustments:
Depreciate furniture and machine at 10% (on closing balance) write off bad debts Rs.200 and provide 5% for doubtful debts. (6)
21. V.K Manufacturing Ltd. has provided the following information:
Office expenses Rs.60,000, Expenses on sales Rs.20,000, Sales Rs.1,86,000, closing stock Rs.12,600, Import duty Rs.900, Factory expenses Rs.1,500, Advertisement expenses Rs.10,000, Trade expenses Rs.30,000, Loss by fire (furniture) Rs.20,000, Adjusted purchases Rs.1,65,000.
Prepare the Trading Account for the year ended 31st March, 2012: (6)
22. Explain the main functions of a computer system. (6)
23. From the following particulars, prepare Income and Expenditure Account: (6)
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Particulars	Amount
Fees collected, including Rs.80,000 on account of previous year	5,20,000
Fees for the year outstanding	30,000
Salary paid, including Rs.5,000 on account of previous year	68,000
Salary outstanding at the end of the year	3,000
Entertainment expenses	8,000
Tournament expenses	25,000
Meeting expenses	18,000
Travelling expenses	7,000
Purchase of Books & Periodicals, including Rs.31,000 for purchase of books	40,000
Rent	15,000
Postage, Telegrams and Telephones	6,000
Printing and Stationery	18,000
Donations Received	25,000

24. From the following Trial Balance of M/s.Vinod and Sons as on 31st December. 2009, prepare Trading and Profit & Loss Account and Balance Sheet.

Particulars	Amount	Particulars	Amount
Opening Stock	11,300	Capital	20,000
Purchases	40,000	Loan	5,000
Sales Return	300	Creditors	8,000
Gas and Water	480	Sales	55,000
Cash in hand	1,000	Purchase return	580
Cash at bank	5,700	Commission	500
Salaries and wages	800	Bill Payable	1,500
Rent, Rate & Taxes	700		
Wages	1,250		
Insurance	1,000		
Carriage	750		
Discount	300		
Debtors	10,000		
Machinery	7,000		
Building	10,000		

Adjustments:

- (i) Stock in hand on 31-12-2009 Rs.12,300.
- (ii) Outstanding wages Rs.200 and Salaries Rs.100.
- (iii) Accrued Commission Rs.300.
- (iv) Create 5% provision for bad and doubtful debts.
- (v) Charge 10% depreciation on Machinery.

(8)

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Solution

1. The primary function of accounting is to maintain systematic accounting records of financial transactions and events.
 2. A source document is a written document containing details of the transactions. It is an evidence of a transaction or an event.
 3. Opening entry is a compound entry that carries all the balances of assets and liabilities of previous year to the current year.
 4. $\text{Income} = \text{Revenue} - \text{Expenses}$ i.e. $50,000 - 30,000 = 20,000$.
 5. Limitations of Accounting
 - (1) No Record of Important Non-monetary Information: Accounting takes into consideration only monetary transactions. A transaction, however important, will not be recorded in the books if it cannot be expressed in the monetary terms.
 - (2) Window Dressing: Sometimes, information given by the accounting is not true and faithful or may be manipulated by the accountants. When accounts are manipulated and present the accounting information to show the better position of the business than the actual position, it is known as Window Dressing
 - (3) 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.
 6.
 - (i) (a) Purchases A/c Dr.40,000 and Vinod Cr.40,000
(b) Vinod Dr.16,000 and Bank Cr.15,680; Discount Cr.320.
 - (ii) (a) Mohan Dr.80,000 and Sales Cr.80,000.
(b) Bank Dr.39,200; Discount Dr.800 and Mohan Cr.40,000.
 - (iii) Drawings Dr.2,000 and Bank Cr.2,000.
 7. Following financial statements are prepared under IFRS:
 - (i) Statement of financial position
 - (ii) Statement of comprehensive income
 - (iii) Statement of change in equity
 - (iv) Statement of cash flows
 - (v) Notes and significant accounting policies.
 8. Full Disclosure: This principle implies that financial statements should disclose all material information which is required by the proprietor and other users to assess the final accounts of the business unit. This principle has been given legal recognition by the Companies Act, 1956 which had made ample provisions for the disclosure of material information in company accounts.
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Business Entity Principle: This principle assumes that, for accounting purposes, business and businessman are two separate entities. All the business transactions are recorded in the books of accounts from the point of view of business and not from the point of view of businessman. Businessman is treated as the creditor of the business to the extent of his capital. The capital introduced by the proprietor is treated as liability from the point of view of the business.

9. **Provisions :** Provision is an amount set aside out of profits to meet some specific or probable expenses or loss. A provision must be created whether there is a profit or loss. It is a charge against the profit and not appropriation of profit. It should not be treated as surplus and thus cannot be distributed among shareholders. This is a reserve which is created to provide for any known liability of which the amount cannot be predetermined. Thus the amount of provision is an estimate only and not exact amount. However, a provision in excess of the required amount is treated as reserve.

10. Trial Balance

Particulars	Debit	Credit
Capital		50,000
Bank Loan		20,000
Trade payables		18,000
Rent outstanding		4,000
Capital reserve		5,000
Commission received		3,000
Bad debts	5,000	
Plant & Machinery	60,000	
Goodwill	16,000	
Carriage inwards	2,500	
Carriage outwards	1,500	
Trade Receivables	10,000	
Profit and Loss (Dr.)	5,000.	
Total	1,00,000	1,00,000

11. Mohan's Journal

Bills Receivable A/c	Dr.	10,000	
To Vinod			10,000
(Being acceptance received)			
Bank A/c	Dr.	9,900	
Discount A/c	Dr.	100	
To Bills Receivable A/c			10,000
(Being bill discounted)			
Vinod	Dr.	10,020	
To Bank			10,020
(Being bill dishonoured and noting charges paid by bank)			

12. Cash Book

Date	Particulars	L.F	Cash	Bank	Date	Particulars	L.F	Cash	Bank
Jan 1	To Balance b/d		2,300		Jan. 1	By balance			12,000
9	To Cheque in hand			4,000	18	By Cash	C	2,000	
12	To Sales			15,000	23	By drawings			1,000
18	To Bank	C			31	By bank charge			200
					31	By balance		2,300	3,800
			2,300	19,000				2,300	19,000
Feb 1	To Balance b/d		2,300	3,800					

13. Accounting Equation

Particulars	Assets			=	Liabilities	
	Cash	+ Stock	+ Prepaid Rent	=	Creditors	+ Capital
(i) Commenced Business	80,000	+ 0	+ 0	=	0	+ 80,000
(ii) Paid Rent in advance	(1,000)	+ 0	+ 1,000	=	0	+ 0
New Equation	79,000	+ 0	+ 1,000	=	0	+ 80,000
(iii) Purchased goods	(30,000)	+ 50,000	+ 0	=	20,000	+ 0
New Equation	49,000	+ 50,000	+ 1,000	=	20,000	+ 80,000
(iv) Sold goods	30,000	+ (20,000)	+ 0	=	0	+ 10,000
New Equation	79,000	+ 30,000	+ 1,000	=	20,000	+ 90,000
(v) Salary paid & outstanding	(800)	+ 0	+ 0	=	200	+ (1,000)
Final Equation	78,200	+ 30,000	+ 1,000	=	20,200	+ 89,000

14. Bank Reconciliation Statement

<i>Particulars</i>	<i>Detail Amount Rs.</i>	<i>Detail Amount Rs.</i>
Balance as per passbook (overdraft)		2,500
Add: Cheque issued but not presented		<u>2,000</u>
		4,500
Less: Cheque issued but omitted to be recorded in cash book	1,000	
Cheque deposited but not cleared	500	
A discount bill of exchange dishonoured	1,000	
Interest on Overdraft	<u>100</u>	<u>2,600</u>
Balance as per cash book (overdraft)		1,900

15. Machinery Account

Date	Particulars	Amount	Date	Particulars	Amount
2001 April 1	To Bank	2,00,000	2001 Dec.31	By Depreciation A/c By Balance c/d	15,000 1,85,000
		2,00,000			2,00,000
2002 Jan.1	To Balance b/d	1,85,000	2002 Dec 31	By Depreciation A/c	42,500
Jan.1	To Bank A/c	2,40,000	Dec 31	By Balance c/d	3,82,500
		4,25,000			4,25,000
2003 Jan. 1	To Balance b/d	3,82,500	2003 July 1	By Bank	1,45,000
Oct.1	To Bank A/c	4,00,000		By Depreciation A/c	8,325
				By P/L A/c	13,175
			Dec 31	By Depreciation A/c	31,600
				By Balance c/d	5,84,400
		7,82,500			7,82,500

16. Marshalling means arranging assets in a particular order in the Balance Sheet i.e. liquidity or permanence.

17. Readymade softwares which can be modified by the user as per the specific requirement are known as customised softwares.

18. Net profit = 18,700 + Drawings 8,420 – Additional capital 2,040 – 19,200 = 5,880

19. Balance Sheet (31 March 2007)

Liabilities	Amount	Assets	Amount
Tournament Fund 1,50,000		Tournament fund invest.	1,50,000
Add: Income <u>18,000</u>		Accrued interest	6,000
1,68,000			
Add: Accrued Int. <u>6,000</u>			
1,74,000			
Less: Expense 12,000	1,62,000		

20. Opening balance of capital Rs.12,000; Closing capital Rs.17,600; Profit Rs.3,430; Drawings Rs.3,000.

21. Trading Account

Particulars	Amount	Particulars	Amount
To adjusted purchase	1,65,000	By Sales	1,86,000
To import duty	900		
To factor expense	1,500		
To gross profit	18,600		
	1,86,000		1,86,000

22. Main functions of computer system:

(1) Storage : It can store large amount of information within it and can make it available to use when required.

(2) Data processing : The Computer can do various operations on the data, technically it is known as 'data processing'. This involves:

(i) Performing calculations, such as addition, subtraction, multiplication, division etc.

(ii) Performing : Logic functions/Comparing data: The computer can perform logic functions and can compare two numbers or alphabets and arrange them in a desired sequence.

(iii) Editing of Text: In application of word processing, the business documents can be prepared easily and efficiently.

(iv) Graphic action: The computer can draw maps, pictures, designs, etc., for planning and designing.

(v) Production of data : Result can be stored on various devices like tapes, disks etc., can be printed on paper or can be displayed.

23. Income and Expenditure Account

Expenditure	Amount	Income	Amount
To Salary 68,000		By Fees Collected 5,20,000	
Less : O/s Previous year 5,000		Less: O/s Previous year 80,000	
Add: O/s Current year <u>3,000</u>	66,000	Add: O/s current year 30,000	4,70,000
To Entertainment expenses	8,000		
To Tournament expenses	25,000	By Donation Received	25,000
To Meeting expenses	18,000		
To Travelling expenses	7,000		
To Books & Periodicals 40,000			
Less: Books Purchased <u>31,000</u>	9,000		
To Rent	15,000		
To Postage, Telegrams and Telephones	6,000		
To Printing and Stationery	18,000		
To Surplus i.e. excess of income over exp.	3,23,000		
	4,95,000		4,95,000

24. Trading Account

Particulars	Amount	Particulars	Amount
To Opening Stock	11,300	By Sales 55,000	
To Purchases 40,000		Less : Return <u>300</u>	54,700
Less : Return 580	39,420	By Closing Stock	12,300
To Gas & Water	480		
To Wages 1,250 + 200	1,450		
To Carriage	750		
To Gross Profit	13,600		
	67,000		67,000

Profit and Loss Account

Particulars	Amount	Particulars	Amount
To Salaries & wages 800 + 100	900	By Gross Profit	13,600
To Rent & Rates	700	By Commission 500 + 300	800
To Insurance	1,000		
To Discount	300		
To Depreciation on Machinery	700		
To Provision for doubtful debts	500		
To Net profit	10,300		
	14,400		14,400

Balance Sheet

Liabilities	Amount	Assets	Amount
Capital 20,000		Building	10,000
Add : Profit <u>10,300</u>	30,300	Machinery less depreciation	6,300
		Debtors less provision	9,500
Loan	5,000	Closing stock	12,300
Creditors	8,000	Cash at bank	5,700
B/P	1,500	Cash in hand	1,000
Outstanding wages	200	Accrued Commission	300
Outstanding salaries	100		
	45,100		45,100
