
SAMPLE PAPER- 4 (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. Is Accounting a Science or an Art? (1)
 2. What is meant by a Cash Memo? (1)
 3. Why are the rules of Debit and Credit same for Liability and Capital? (1)
 4. What do you mean by Posting? (1)
 5. Write any three objectives of Book-keeping. (3)
 6. Rectify the following errors by passing entries:
 - (i) Rs.2,000 received from Ramesh wrongly entered as from Suresh.
 - (ii) The Purchase Book was under cast by Rs.300.
 - (iii) Total of Sales return was under cast by Rs.500 (3)
 7. Distinguish between Cash Discount and Trade Discount? (3)
 8. Explain Revenue Recognition and Verifiable objective concept of accounting. (3)
 9. Explain the purpose of creating provisions. (4)
 10. Prepare Trial Balance from the following information:
Bank overdraft Rs.28,000, Cash in hand Rs.4,000, Purchase return Rs.8,000, Sundry expenses Rs.24,000, Sales return Rs.16,000, Salaries Rs.16,000, Purchases Rs.56,000, Sales Rs.88,000,
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Creditors Rs.24,000, Debtors Rs.16,000, Stock (opening) Rs.20,000, Machinery Rs.40,000, Capital Rs.44,000. (4)

11. Basu accepted a bill drawn by Nandu amounted to Rs.4,000 and payable after four months. Nandu discounted it with banker @ 18% per annum. On the due date, bill was dishonoured. Bank paid Rs.40 as noting charges. After one month Basu paid the amount due to Nandu. Pass Journal entries in the books of Nandu only. (4)

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

Aug. 1 Business started with cash Rs.10,000
Aug. 2 Purchased goods for cash Rs.6,000
Aug. 5 Purchased furniture for office use Rs.1,000.
Aug. 7 Goods sold for cash Rs.4,000.
Aug. 9 Goods purchased from Ram on credit Rs.4,000.
Aug. 10 Commission received Rs.500.
Aug. 15 Paid to Ram Rs.2,000.
Aug. 18 Goods sold to Hari on credit Rs.5,000.
Aug. 24 Received from Hari Rs.4,000.
Aug. 28 Stationery purchased Rs.300.
Aug. 31 Rent paid Rs.700 and withdrew for personal use Rs.2,800. (4)

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

(i) Commenced business with Cash Rs.50,000; Stock Rs.30,000 and Machinery Rs.20,000.
(ii) Goods purchased on credit Rs.10,000
(iii) Rent Received Rs.5,000.
(iv) Sold goods costing Rs.9,000 for Cash Rs.12,000. (4)

14. Prepare a Bank Reconciliation Statement on 31 December 2009 for the following when overdraft as per pass book is Rs.20,000:

(1) Cheques issued, but not presented for payment Rs.25,000.
(2) Interest on bank overdraft charged by the bank, but not entered in cash book Rs.1,000.
(3) Cheque deposited but not collected Rs.22,000.
(4) Insurance premium Rs.500 paid by bank under standing order but not recorded in cash book. (6)

15. Vinod Ltd., purchased a Machine on 1st January, 2007 for Rs.19,400 and spent Rs.600 on its installation. On 1st July, in the same year additional machinery costing Rs.10,000 was acquired. On 1st July, 2009 the machinery purchased on January 1, 2007 having become useless was auctioned for Rs.8,000 and on the same date new machine was purchased at a cost of Rs.15,000. Depreciation is provided annually on 31st December @ 10% per annum on Original Cost of assets. Prepare Machinery Account from 2007 to 2010. (8)
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Part – B (Financial Accounting – II)

16. The amount paid to obtain license to carry out business is a Capital Expenditure or Revenue Expenditure? (1)
17. What is meant by hardware component of a computer? (1)
18. Opening capital Rs.1,40,000, profit for the year Rs.40,000, drawings Rs.14,000. During the year proprietor sold ornaments of his wife for Rs.40,000 and invested the same in the business. Calculate closing capital. (3)
19. From the following information, calculate the amount of subscriptions outstanding for the year 2008-2009:
A club has 250 members and each paying an annual subscription of Rs.1,000. The Receipts and Payments account for the year showed a sum of Rs.2,65,000 received as subscriptions. The following additional information is provided:
Subscription outstanding on 31st March, 2008 Rs.40,000
Subscription received in advance on 31st March, 2009 Rs.30,000
Subscriptions received in advance on 31st March, 2008 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	3,000	1,000
Bank Balance	9,000	7,000
Furniture	4,000	4,000
Stock	2,000	6,000
Creditors	8,000	6,000
Debtors	6,000	8,000

During the year his drawings were Rs.2,000 and additional capital invested Rs.4,000. (6)

21. Calculate value of Opening Stock from the following information:
Cash sales Rs.80,000; credit sales Rs.3,30,000; sales return Rs.10,000; Purchases Rs.2,48,000; Purchase return Rs.8,000; carriage inwards Rs.16,000; closing stock Rs.72,000; Rate of gross profit is 40% on sales. (6)
22. Explain the Tailor-made software. (6)

23. From the following particulars, prepare Income and Expenditure Account on 31-12-2006:

Receipts	Amount	Payments	Amount
To Balance b/d	1,90,000	By Salaries	3,30,000
To Subscription	6,60,000	By Sports Equipment	4,00,000
To Interest on investments @8% p.a. for full year	40,000	By Balance c/d	1,60,000
	8,90,000		8,90,000

Additional Information:

- (i) The club had received Rs.20,000 for subscriptions in 2005 for 2006.
(ii) Salaries had been paid only for 11 months.
(iii) Stock of sport equipment on 31st December, 2005 was Rs.3,00,000 and on 31st December, 2006 Rs.6,50,000. **(6)**

24. From the following Trial Balance of M/s.Vinod and Sons as on 31st March 2010, prepare Trading and Profit & Loss Account and Balance Sheet.

Particulars	Amount	Particulars	Amount
Cash at Bank	6,000	Capital	50,000
Cash in hand	900	Sales	1,77,000
Advertisement	2,000	Creditors	25,000
Rent, Rates and Taxes	10,000	Rent Received	525
Carriage on sales	1,200	Purchase Returns	750
Carriage on purchase	750		
Manufacturing wages	10,000		
Salaries	6,000		
Sundry debtors	45,000		
Bank charges	75		
Discount	350		
Opening stock	30,000		
Returns	1,000		
Purchases	60,000		
Plant and machinery	60,000		
Loan to Ram	20,000		

Adjustments:

- (i) Stock in hand at the end.35,000.
(ii) Charge 20% of the advertisement this year.
(iii) Charge interest on loan given to Ram @ 9% p.a.
(iv) Create 5% provision for bad and doubtful debts. **(8)**

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Solution

1. Accounting is an Art as well as a Science.
2. A seller prepares cash memo when goods are sold against cash. Cash memo contains details of goods sold, quantity and rate of each item.
3. According to the Business Entity Concept, business is a separate and distinct entity from its owner. That is why capital is treated as a liability and rules of debit and credit for liability and capital are same.
4. Posting is a process of transferring entries from Journal to the Ledger Account.
5. Objectives of Book-keeping:
 - (1) **Knowledge of Sale and Purchase of Goods:** With the help of account books, a record of total sales and purchases during a particular period can be maintained.
 - (2) **Knowledge of Income and Expenses:** The record of various incomes and expenses is kept in such a way that the net profit or loss during a particular period can be readily ascertained.
 - (3) **Record of Assets and Liabilities:** Another objective of book-keeping is to keep records of various assets and liabilities in such a way that the financial position of the business at the end of the accounting period may be determined.
6. (i) Suresh Dr.2,000 and Ramesh Cr.2,000
(ii) Purchase Dr.300 and Suspense Cr.300.
(iii) Sales Return Dr.500 and Suspense Cr.500.

7. Trade Discount Vs Cash Discount

Trade Discount	Cash Discount
1. It is allowed when a certain quantity is Purchased.	1. It is allowed when payment is made within certain period.
2. It is allowed to increase the sales.	2. It is allowed to get prompt payment from customer.
3. It is deducted from the invoice itself.	3. It is not deducted from the invoice.
4. It is not recorded in the books of accounts or ledger accounts.	4. Cash discount allowed and received both are recorded in their ledger accounts.

8. Revenue Recognition: According to this principle income is treated as being earned on the date on which it is realized, i.e., the date on which goods or services are transferred to the customers. Since this exchange of goods or services may be for cash or on credit, it is not important whether cash has actually been received or not.
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Verifiable Objective: This principle justifies the significance of verifiable documents supporting various transactions. According to it, each transaction should be supported by Objective evidence like voucher. Objective evidence, here, means evidence free from bias of the accountant.

9. Reserves may be created for any of the following purposes:
- (1) Meeting unforeseen contingency or liability.
 - (2) Redemption of liabilities such as redemption of debentures etc.
 - (3) Providing additional working capital and thus strengthening financial position of the business.
 - (4) Utilising internal funds for expansion of business.
 - (5) Equalising the rates of dividends.

10. Trial Balance

Particulars	Debit	Credit
Bank overdraft		28,000
Cash in hand	4,000	
Purchase return		8,000
Sundry expenses	24,000	
Sales return	16,000	
Salaries	16,000	
Purchases	56,000	
Sales		88,000
Creditors		24,000
Debtors	16,000	
Stock (opening)	20,000	
Machinery	40,000	
Capital		44,000.
Total	1,92,000	1,92,000

11. Basu's Journal

Bills Receivable A/c	Dr.	4,000	
To Basu			4,000
(Being acceptance received)			
Bank A/c	Dr.	3,760	
Discount A/c	Dr.	240	
To Bills Receivable A/c			4,000
(Being bill discounted)			
Basu	Dr.	4,040	
To Bank			4,040
(Being bill dishonoured and noting charges paid by bank)			
After 1 month	Cash A/c	Dr.	4,040
	To Basu		4,040
(Being amount of bill received)			

12. Cash Book

Date	Particulars	L.F	Amount	Date	Particulars	L.F	Amount
Aug. 1	To Capital A/c		10,000	Aug. 2	By purchase		6,000
7	To Sales A/c		4,000	5	By furniture		1,000
10	To Commission		500	15	By Ram		2,000
24	To Hari		4,000	28	By Stationery		300
				31	By Rent		700
				31	By drawings		2,800
				31	By balance		5,700
			18,500				18,500
Sep. 1	To Balance b/d		5,700				

13. Accounting Equation

Particulars	Assets			=	Liabilities	
	Cash	+ Stock	+ Machinery	=	Creditors	+ Capital
(i) Commenced Business	50,000	+ 30,000	+ 20,000	=	0	+ 1,00,000
(ii) Goods purchased	0	+ 10,000	+ 0	=	10,000	+ 0
New Equation	50,000	+40,000	+20,000	=	10,000	+ 1,00,000
(iii) Rent Received	5,000	+ 0	+ 0	=	0	+ 5,000
New Equation	55,000	+40,000	+20,000	=	10,000	+ 1,05,000
(iv) Sold goods	12,000	+ (9,000)	+ 0	=	0	+ 3,000
New Equation	67,000	+ 31,000	+ 20,000	=	10,000	+ 1,08,000

14. Bank Reconciliation Statement

<i>Particulars</i>	<i>Detail Amount Rs.</i>	<i>Detail Amount Rs.</i>
Balance as per passbook (overdraft)		20,000
Add: Cheque issued but not presented		<u>25,000</u>
		45,000
Less: Insurance premium paid by the bank	500	
Cheque deposited but not cleared	22,000	
Interest on Overdraft	<u>1,000</u>	<u>23,500</u>
Balance as per cash book (overdraft)		21,500

15. Machinery Account

Date	Particulars	Amount	Date	Particulars	Amount
2007 Jan. 1	To Bank	20,000	2007 Dec.31	By Depreciation A/c	2,500
July 1	To Bank	10,000		By Balance c/d	27,500
		30,000			30,000
2008 Jan.1	To Balance b/d	27,500	2008 Dec 31	By Depreciation A/c	3,000
		27,500	Dec 31	By Balance c/d	24,500
					27,500
2009 Jan. 1	To Balance b/d	24,500	2009 July 1	By Bank	8,000
July 1	To Bank A/c	15,000		By Depreciation A/c	1,000
				By P/L A/c	7,000
			Dec 31	By Depreciation A/c	1,750
				By Balance c/d	21,750
		39,500			39,500
2010 Jan 1	To Balance b/d	21,750	2010 Dec 31	By Depreciation A/c	2,500
		21,750		By Balance c/d	19,250
					21,750

16. The amount paid to obtain a licence is a capital expenditure.

17. Hardware is important component of a computer system which can be seen or touched for example; Monitor, CPU, Mouse and keyboard etc.

18. Closing capital = 1,40,000 + 40,000 + 40,000 – 14,000 = 2,06,000

19. Calculation of subscription

Subscription received during the year		2,65,000
Add: Subscription received in advance		<u>12,000</u>
		2,77,000
Less: Subscriptions received in advance 31-3-2009	30,000	
Subscriptions received for 2007-08	40,000	<u>70,000</u>
Subscription received for the year		2,07,000
Total Subscription due for the year 250 x 1,000 = 2,50,000		
Less: Subscription received for the year		<u>2,07,000</u>
Subscription outstanding for the year	43,000	

20. Statement of Affairs (opening)

Liabilities	Amount	Assets	Amount
Creditors	8,000	Cash in hand	3,000
Capital (Bal.fig)	16,000	Bank Balance	9,000
		Furniture	4,000
		Stock	2,000
		Debtors	6,000
	24,000		24,000

Statement of Affairs (closing)

Liabilities	Amount	Assets	Amount
Creditors	6,000	Cash in hand	1,000
Capital (Bal.fig)	20,000	Bank Balance	7,000
		Furniture	4,000
		Stock	6,000
		Debtors	8,000
	26,000		26,000

Calculation of profit:

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

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

21. Trading Account

Particulars	Amount	Particulars	Amount
To Opening Stock (Bal.fig)	56,000	By Sales	4,10,000
To Purchase	2,48,000	Less: Return	<u>10,000</u>
Less: Return	8,000	By Closing Stock	72,000
To Carriage inwards	16,000		
To Gross Profit	1,60,000		
	4,72,000		4,72,000

22. Tailor-made software:

Softwares which are developed after the discussion between the user and the developers. These softwares are used for special purpose. For example, softwares for security of data etc.

Advantages of Tailor-made Softwares

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

Limitations of Customised Softwares

- (i) Very costly (high cost of installation and training).
(ii) Only large business houses can afford, small business houses cannot afford these softwares.

23. Income and Expenditure Account

Expenditure	Amount	Income	Amount
To Salary 3,30,000		By Subscriptions 6,60,000	
Add : O/s for month <u>30,000</u>	3,60,000	Add: Advance <u>20,000</u>	6,80,000
To Depreciation on sport equipment			
Opening stock 3,00,000		By Interest on Investments	40,000
Add: Purchase <u>4,00,000</u>			
7,00,000			
Less: Closing stock <u>6,50,000</u>	50,000		
To Surplus i.e. excess of income over exp.	3,10,000		
	7,20,000		7,20,000

Note: Investment = 40,000 x 100/8 = 5, 00,000

24. Trading Account

Particulars	Amount	Particulars	Amount
To Opening Stock 30,000		By Sales 1,77,000	
To Purchases 60,000		Less : Return <u>1,000</u>	1,76,000
Less : Return 750	59,250	By Closing Stock	35,000
To Carriage inwards 750			
To Manufacturing wages 10,000			
To Gross Profit 1,11,000			
	2,11,000		2,11,000

Profit and Loss Account

Particulars	Amount	Particulars	Amount
To Advertisement written off 400		By Gross Profit 1,11,000	
To Rent, Rates & Taxes 10,000		By Rent 525	
To Carriage on sales 1,200		By Accrued interest on Ram's Loan 1,800	
To Salaries 6,000			
To Bank Charges 75			
To Discount 350			
To Provision for bad debts 2,250			
To Net Profit 93,050			
	1,13,325		1,13,325

Balance Sheet

Liabilities	Amount	Assets	Amount
Capital 50,000		Plant & Machinery 60,000	
Add : Profit <u>93,050</u>	1,43,050	Loan to Ram 20,000 + 1,800 21,800	
		Closing Stock 35,000	
Creditors 25,000		Debtors 45,000 – 2,250 42,750	
		Cash at Bank 6,000	
		Cash in hand 900	
		Advertisement 2,000 - 400 1,600	
	1,68,050		1,68,050