
	INDIAN SCHOOL DARSAIT		
	ANSWER KEY OF SECOND TERM EXAMINATION- Dec. 2017		
	ACCOUNTANCY (055)		
Resource Person: SAJU JOSEPH PGT- COMMERCE			
Class: XI		Max.Marks:90	
Date: 10-12-2017		Time: 3Hours	
<u>General Instructions:</u>			
(i) All Questions are compulsory.			

1. “Accounting is the art of recording, classifying and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of financial character, and interpreting the result thereof.”

OR

“Accounting is the process of identifying, measuring and communicating economic information to permit informed judgments and decisions by users of information”

OR

“Accounting is the science of recording and classifying business transactions and events, primarily of financial character, and the art of making significant summaries, analysis and interpretations of those transactions and events and communicating the results to persons who must make decisions or form judgments”

(any one definition= 1 mark)

2. Depreciation = $\frac{1,50,000-5,000}{10} = \underline{\underline{₹14,500}}$ (1 mark)

3.

Basis	Reserve	Provision
Nature	Appropriation of profit	Charge against profit
Purpose	To strengthen financial position, to meet unforeseen liabilities	To meet known liability if the amount is not determined
Effect on profit	Not affected as it is debited to P & L Appron a/c	Profit is reduced as it is debited to P & L A/c
Investment	May be invested outside the business	Not invested
Distribution	Unutilized part can be distributed as dividend	Cannot be distributed as dividend as it reduces net

		profit
Compulsion	It is created as a matter of prudence	It is a legal necessity
Presentation	Shown on Liability side of B/S	Shown as a liability or as a deduction from asset

(Any one difference = 1 mark)

4. It is revenue expenditure in nature, but is written off in more than one accounting period.

Or It is revenue expenditure in nature, the benefits of which is available for more than one accounting period. Such expenditure is usually large. Ex: heavy advertisement, Loss of building due to earthquake, etc. It is fictitious asset.

(Any one point= 1 mark)

5. (a) Treating capital expenditure as revenue expenditure and vice versa,

Ex. 1: purchased furniture for using in business is debited to purchase account

2: Wages for construction of a car shed is debited to wages account instead of debiting in building account.

(any one relevant example= 1 mark)

(b) Compensating error

6. (a) Jan 1 + 3 months = April 1

+ 3 days of grace = April 4. (1 mark)

(b) 60 days after 'sight'

i.e.: August 10 + 60 days

in August = 31-10= 21 days

in Sept. = = 30 days

up to Oct. 9 = 9 days

Total = 60 days

3 days of grace = Oct 9 + 3 = Oct 12. (1 mark)

7.

Purchases Book

Date	Particulars	Inv. No.	L F	Details	Amount ₹
2017 Apr. 2	M/s Birla Mills: 200 pieces of cloth @ ₹ 1,00 each 100 pieces of shirting @ ₹ 150 each Less Trade discount 10%			20,000 <u>15,000</u> 35,000 <u>3,500</u>	31,500
Apr. 8	M/s Arvind Mills: 100 pieces of muslin @ ₹ 80 each 100 pieces of coating @ ₹ 300 each Less Trade discount 15%			8,000 <u>30,000</u> 38,000 <u>5,700</u>	32,300
Apr. 17	M/s Gupta & Sons: 200 pieces of silk sarees @ ₹ 200 each 300 pieces of kotta saree @ ₹ 150 each Less Trade discount 20%			40,000 <u>45,000</u> 85,000 <u>17,000</u>	<u>68,000</u>
	Purchase A/c				<u>1,31,800</u>

8. (a) Whitewashing expense: revenue expenditure as it **does not state** that it is for improving the value of assets or to bring the asset into useful condition or it is connected with the building purchased. Hence it is for maintenance of building. (any other relevant point= 1 mark)

(b) Brokerage paid in connection with land purchased: capital expenditure as it is incurred in connection with the purchase of fixed asset. (1 mark)

(c) Paper purchased for using as stationery: revenue expenditure as it is an office and administration expense. (1 mark)

(d) Advertising campaign to launch a new product: deferred revenue expenditure as it is for new product, as it is campaign amount is large, and the benefits of such advt. campaign is available for more than one accounting year. (or any other relevant point = 1 mark)

9. 1. Record financial transactions and events

2. Determine profit or loss

3. Determine financial position

4. Assisting management

5. Communicating the accounting information to users

6. Protecting business assets

(any 4 points with brief explanation = 4 marks)

10. (a) Prudence principle: “Do not anticipate profit, but provide for all possible losses”;

Accounting statements- T&P&L account and Balance sheet should not be overstated or understated; It should present a real picture. eg. Provision for B/D; Closing stock is valued at lower of cost price and net realizable value. (1 mark)

(b) Matching concept: Match revenues of the period with expenses of the same period to determine correct profit, it is not relevant when the payment is received or made. (1 mark)

(C) Consistency Assumption: Accounting practices once selected and adopted should be applied consistently year after year. (1 mark)

(d) Going concern; Business has no intention to be closed in the foreseeable future time; it is intended to be continued. (1 mark)

11.

Accounting Equation

S. N.	Transactions	Assets =				Capital+ Liabilities	
		Cash	Bank	Stock	Debtors	Capital	Creditors
1	Commenced business	5,00,000				5,00,000	
2	Deposit to bank	(4,50,000)	+4,50,000				
	NE	50,000	4,50,000			5,00,000	
3	Cr Purchase of stock			80,000			80,000
	NE	50,000	4,50,000	80,000		5,00,000	80,000
4	Cash sales	33,000		(30,000)		3,000	
	NE	83,000	4,50,000	50,000		5,03,000	80,000
5	Cr sales			(25,000)	28,000	3,000	
	NE	83,000	4,50,000	25,000	28,000	5,06,000	80,000

(5x 1 = 5 marks)

12.

Journal

Date	Particulars	L F	Dr ₹	Cr ₹
2017 Mar. 31	Closing stock A/c Dr To Trading A/c (Being balances of cl stock transferred to Trading A/c)		70,000	70,000
„ 31	Salary A/c Dr To Salary Outstanding (Being salary due, but not paid)		35,000	35,000
„ 31	Accrued interest A/c Dr To interest receivable (Being interest due, but not received)		20,000	20,000
31	Drawings A/c Dr To cash (being income tax paid for proprietor)		5,000	5,000

„ 31	Prepaid rent A/c To rent (being rent paid in advance)	Dr		8,000		8,000
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(5 x 1 = 5 marks)

13.

Cash Book (Double Column)

Date	Particulars	Cash	Bank	Date	Particulars	Cash	Bank
2017 Oct. 1	To capital	1,00,000 $\frac{1}{2}$		2017 Oct. 3	By bank (C)	90,000 $\frac{1}{2}$	
„ 3	„ cash (c)		90,000 $\frac{1}{2}$	„ 7	„ purchase		17,000 $\frac{1}{2}$
„ 11	„ sales	14,500 $\frac{1}{2}$		„ 12	„ Stationery	1,450 $\frac{1}{2}$	
„ 17	„ bank (c)	15,000 $\frac{1}{2}$		„ 17	„ cash (c)		15,000 $\frac{1}{2}$
„ 21	„ Rajan	8,000 $\frac{1}{2}$		„ 24	„ Sunil		24,000 $\frac{1}{2}$
				„ 28	„ rent	4,000 $\frac{1}{2}$	
				„ 30	„ salary		15,000 $\frac{1}{2}$
„ 31	„ Cash (c)		40,050 $\frac{1}{2}$	„ 31	„ bank (c)	40,050 $\frac{1}{2}$	
		<u>1,37,500</u>	<u>1,30,050</u>	„ 31	„ bal c/d	<u>2,000</u>	<u>59,050 $\frac{1}{2}$</u>
		<u>1,37,500</u>	<u>1,30,050</u>			<u>1,37,500</u>	<u>1,30,050</u>
Nov. 1	To bal. b/d	2,000	59,050				

(mark is given near the amount. 14 x $\frac{1}{2}$ = 7)

14.

Machinery A/c

Date	Particulars	L F	Amount ₹	Date	Particulars	L F	Amount ₹
2012 Apr 1	To Bank		10,00,000	2013 Mar 31	By Bal c/d		18,00,000
Oct.1	To bank		<u>8,00,000</u>				
			<u>18,00,000</u>				<u>18,00,000</u>
2013 Apr 1	„ bal. b/d		<u>18,00,000</u>	2014 Mar 31	By Bal c/d		<u>18,00,000</u>
2014 Apr.1	„ bal. b/d		18,00,000	2015 Mar 31	By Disposal		10,00,000
			<u>18,00,000</u>	„ 31	By Bal c/d		<u>8,00,000</u>
			<u>18,00,000</u>				<u>18,00,000</u>
2015 Apr 1	„ bal b/d		8,00,000				

(4 x $\frac{1}{2}$ = 2)

Provision for depreciation: Machinery

Date	Particulars	L F	Amount ₹	Date	Particulars	L F	Amount ₹
2013 Mar 31	To Bal c/d		1,40,000	2013 Mar 31	By Dep'n M1: 1,00,000		
			<u>.....</u>		„ „ M2 : <u>40,000</u>		<u>1,40,000</u>
			<u>1,40,000</u>				<u>1,40,000</u>
				2013 Apr 1	By Bal b/d		1,40,000
2014 Mar.31	„ bal. c/d		3,06,000	2014 Mar 31	By Dep'n M1: 90,000		
			<u>.....</u>		„ „ M2 : <u>76,000</u>		<u>1,66,000</u>
			<u>3,06,000</u>				<u>3,06,000</u>
				2014 Apr 1	By Bal b/d		3,06,000
2015 Mar.31	„ Disposal A/c (1,00,000+90,000+81,000)		2,71,000	2015 Mar 31	By Dep'n M1: 81,000		
„ „	„ Bal c/d		<u>1,84,400</u>		„ „ M2 : <u>68,400</u>		<u>1,49,400</u>
			<u>4,55,400</u>				<u>4,55,400</u>

(3 x 1 =3)

Machinery disposal a/c

Date	Particulars	L F	Amount ₹	Date	Particulars	L F	Amount ₹
2015 Mar 31	To machinery a/c		10,00,000 $\frac{1}{2}$	2015 Mar 31	By prov. For Dep'n		2,71,000 $\frac{1}{2}$
				„ „	„ bank		7,20,000 1
			<u>.....</u>	„ „	„ P & L a/c (loss)		<u>9,000</u> 1
			<u>10,00,000</u>				<u>10,00,000</u>

($\frac{1}{2}$ x 2 =1; 2 x 1 = 2; total 3 marks

15.

Journal

Date	Particulars	L F	Dr ₹	Cr ₹
1	Building A/c To Repairs (Being error of principle now rectified)	Dr	10,000	10,000
2	Gupta a/c To Desai	Dr	12,000	12,000

	(Being error of commission now rectified)			
3	Suspense a/c To Ganga (Being error of posting now rectified)	Dr	270	270
4	Bajaj a/c To Purchase (Being error of commission now rectified)	Dr	3,600	3,600
5	Suspense a/c To Jian's a/c (Being error of commission now rectified)	Dr	774	774
6	Machinery A/c To Purchase a/c (Being error of principle now rectified)	Dr	25,000	25,000
7	Sales a/c Sales Returns A/c To Suspense a/c (Being error of commission, and posting now rectified)	Dr Dr	2,000 2,000	4,000
8	Fixtures & fittings A/c To wages a/c (Being error of principle now rectified)	Dr	3,700	3,700

(8 x 1 =8 marks)

16.

In the books of X

Journal

Date	Particulars	L F	Dr ₹	Cr ₹
2017 Jun 15	Y A/c To sales (Being credit sales)	Dr	20,000	20,000
„	BR a/c To Y (Being BR drawn)	Dr	20,000	20,000
„	Bank a/c Discounting charge To BR (Being BR discounted)	Dr Dr	19,750 250	20,000
Sept 18	Y a/c To Bank (Being BR dishonoured)	Dr	20,100	20,100

Oct. 1	cash a/c To Y's a/c (Being payment received)	Dr		20,100	20,100
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(4 x 1 = 4 marks)

In the books of Y

Journal

Date	Particulars	L F	Dr ₹	Cr ₹
2017 Jun 15	Purchase A/c To X (Being credit purchases)	Dr	20,000	20,000
„	X a/c To BP (Being BR accepted)	Dr	20,000	20,000
Sept 18	BP a/c Noting Charges To X a/c (Being BR dishonoured)	Dr Dr	20,000 100	20,100
Oct. 1	X a/c To cash (Being payment made)	Dr	20,100	20,100

(4 x 1 = 4 marks)

OR

In the books of A

Journal

Date	Particulars	L F	Dr ₹	Cr ₹
2017 Jan 15	B's A/c To sales (Being credit sales)	Dr	1,00,000	1,00,000
„	Cash A/c BR 1 a/c BR 2 A/c To B's a/c (Being cash rcvd and BR drawn)	Dr Dr Dr	25,000 40,000 35,000	1,00,000
„	C's a/c To BR (Being Bill endorsed)	Dr	35,000	35,000
Apr 18	B's a/c To BR (Being Bill dishonoured)	Dr	40,000	40,000
„	B's a/c To interest	Dr	667	667

	(Being interest charged)			
„	BR a/c To B' s a/c (Being new bill drawn)	Dr	40,667	40,667
Jun 21	Cash a/c To BR (Being the new bill met with payment)	Dr	40,667	40,667

(7 x ½ = 3 ½ marks + ½ mark for layout)

In the books of B

Journal

Date	Particulars	L F	Dr ₹	Cr ₹
2017 Jan 15	Purchase A/c To A (Being credit purchase)	Dr	1,00,000	1,00,000
„	A's a/c To Cash A/c To BP 1 a/c To BR 2 A/c (Being cash paid and Bill accepted)	Dr	1,00,000	25,000 40,000 35,000
Apr .18	BP 2 a/c To cash (Being Bill honoured)	Dr	35,000	35,000
Apr 18	BP 1 a/c To A's a/c (Being Bill dishonoured)	Dr	40,000	40,000
„	Interest a/c To A's a/c (Being interest payable)	Dr	667	667
„	A's a/c To BP a/c (Being new bill drawn)	Dr	40,667	40,667
Jun 21	BP a/c To cash (Being the new bill met with payment)	Dr	40,667	40,667

(7 x ½ = 3 ½ marks + ½ mark for layout)

17. **Amended Cash Book**

Date	Particulars	Bank	Date	Particulars	Bank
2017 Oct 31	To Cheque deposited, not entered	5,000	2017 Oct. 31	By bal. b/d	60,000
„ „	„ Dividend collected by bank	9,000	„ „	„ Adjustment for	1,000

				under casting	
„ „	„ Bill collected by bank	20,000	„ „	„ bank charges	300
„ „	„ int. credited by bank	2,000	„ „	„ cheque dishonoured	5,000
„ 31	„ bal c/d	<u>30,300</u>			<u>.....</u>
		<u>66,300</u>			<u>66,300</u>
			Nov.1	By bal. b/d	30,300

(8 x 1=8 marks)

**Bank Reconciliation Statement
As on Oct. 31, 2017**

S. N.	Particulars	Plus Items	Minus Items
1	Balance as per Amended CB		30,300
2	Cheque recorded for collection, but not sent to bank		12,000
	Balance as per Pass Book	<u>42,300</u>	<u>.....</u>
		<u>42,300</u>	<u>42,300</u>

(2x 1 =2 marks)

18

Trading and Profit & Loss Account for the year ended Mar 31, 2017

Particulars	₹	₹	Particulars	₹	₹
Op stock		15,000	Sales	2,40,000	
Purchases	85,000		Less returns	<u>4,500</u>	2,35,500
Less returns	<u>6,000</u>	79,000	Closing stock		22,500
Fuel		6,000			
Wages		12,000			
GP c/d		<u>1,46,000</u>			<u>.....</u>
		<u>2,58,000</u>			<u>2,58,000</u>
Salary	25,000		GP b/d		1,46,000
Add Outstanding	<u>5,000</u>	30,000	Disc. Rcvd.		1,000
Bad Debt	3,000		Commission	3,000	
+ FBD	1,500		Add Accrued	<u>1,500</u>	4,500
+ New prov'n	<u>2,925</u>				
	7,425				
- Old prov'n	<u>2,000</u>	5,425			
Prov'n for Disc. On Drs		1,112			
Office exp.		6200			
Advt		1,500			
Rent	11,000				
+ Outstanding	<u>1,000</u>	12,000			
Insurance	7,000				
- prepaid	<u>1,000</u>	6,000			
Discount allow		2,500			

Int. on loan outstanding		5,000			
Depreciation: Machinery	4,000				
„ „ Furniture	<u>3,500</u>	7,500			
Manager's Commission		6,751			
Net profit		<u>67,512</u>			<u>67,512</u>
		<u>1,51,500</u>			<u>1,51,500</u>

(Trading Account part= 4 marks; Profit & Loss A/c part = 8 marks)

Balance Sheet as at Mar 31, 2017

Liabilities	₹	₹	Assets	₹	₹
Capital: opening	1,00,000		Land & building		1,20,000
+ Net profit	<u>67,512</u>		Plant & machinery	80,000	
	1,67,512		Less Dep'n	<u>4,000</u>	76,000
- Drawings (2,500+2000)	<u>4,500</u>	1,63,012	Furniture	35,000	
5% loan		1,00,000	Less Dep'n	<u>3,500</u>	31,500
Outstanding interest on loan		5,000	Cl Stock		22,500
Creditors		40,000	Debtors	60,000	
Outstanding salary		5,000	- FBD	1,500	
Outstanding rent		1,000	- Prov'n for D/D	<u>2925</u>	
Bills payable		14,200		55,575	
Manager's commission payable		6,751	- Prov'n for Disc. On Drs	<u>1,112</u>	54,463
			Accrued commission		1,500
			Prepaid insurance		1,000
			Bank		25,000
			Cash	5,000	
			- income tax paid	<u>2,000</u>	<u>3,000</u>
		<u>3,34,963</u>			<u>3,34,963</u>

(Balance sheet = 4 marks)