NIOS PYQ's SOLUTIONS

PREVIOUS YEARS' QUESTIONS & ANSWERS

APRIL-2024

Your Path to Success

SECTION - A

Q1 - The convention is based on the principle "Anticipate no profit, but provide for all possible losses".

(A) Materiality | **(B) Conservatism**

(C) Business entity | **(D) None of these**

Answer - (B) Conservatism

OR

Going concern concept states that a business firm will continue to carry on its activities for a/an :

(A) limited life | **(B) a very long life**

(C) indefinite life | **(D) long life**

Answer - (C) indefinite life

Q2 - Which of the following includes in external liabilities?

(A) Capital | **(B) Interest on capital**

(C) Reserves | **(D) Sundry Creditors**

Answer – (D) Sundry Creditors

Q3 - Accounting does not record non-financial transactions because of:

(A) Entity concept | **(B) Accrual concept**

(C) Money measurement concept | **(D) None of the above**

Answer – (C) Money measurement concept

OR

Revenue is considered as being earned when :

(A) Commission Received | **(B) Sale of goods**

(C) Interest received | **(D) Cash received from Debtors**

Answer – (B) Sale of goods

Q4. Which of the following is not included in internal liabilities?

(A) Capital **(B) Reserves**

(C) Profit of business **(D) Bills payable**

Answer - (D) Bills payable

OR

Out of the following, which can be recorded in the books of accounts?

(A) Purchase of Machinery for ₹1,00,000

(B) Delay in supply of raw Materials of ₹50,000

(C) Conflict between two managers causes a loss of ₹1,00,000.

(D) All of the above

Answer - (A) Purchase of Machinery for ₹1,00,000

Q5 - Following the straight line method of depreciation on particular asset year after year is because of which convention?

(A) Conservatism **(B) Materiality**

(C) Consistency **(D) None of these**

Answer - (C) Consistency

Q6 - Dual aspect concept expressed in terms of fundamental accounting equation:

(A) Assets + Capital = Liabilities **(B) Assets – Capital = Liabilities**

(C) Assets + Liabilities = Capital **(D) All of the above**

Answer - (B) Assets – Capital = Liabilities

Q7 - Which of the following is a wasting asset ?

(A) Goodwill **(B) Machinery**

(C) Mines **(D) Furniture**

Answer - (C) Mines

OR

Which of the following is not an intangible asset ?

(A) Goodwill **(B) Trademarks**

(C) Patents **(D) Cash**

Answer - (D) Cash

Q8 - Valuation of closing stock is considered at lower cost or market value because of:

(A) Convention of Disclosure **(B) Convention of Conservatism**

(C) Convention of Consistency **(D) Convention of Materiality**

Answer - (B) Convention of Conservatism

Q9 - On the basis of Traditional Classification, accounts are classified into:

(A) 2 categories **(B) 3 categories**

(C) 4 categories **(D) 5 categories**

Answer - (B) 3 categories

OR

Harish purchased furniture for 45,000. Furniture account is:

(A) Debited **(B) Credited**

(C) Both Debited and Credited **(D) Neither Debited nor Credited**

Answer - (A) Debited

Q10 - Which accounts will be affected in case of Rent paid of ₹5,000 ?

(A) Cash Account **(B) Rent Account**

(C) Both Rent Account and Cash Account **(D) None of these**

Answer – (C) Both Rent Account and Cash Account

Q11 - Non cash voucher refers to :

(A) Debit voucher **(B) Credit voucher**

(C) Transfer voucher **(D) None of these**

Answer - (C) Transfer voucher

OR

Credit vouchers are prepared for recording

(A) Cash receipts **(B) Cash payments**

(C) Both Cash Receipts and Cash Payments **(D) None of these**

Answer - (A) Cash receipts

Q12 - The process of recording transactions in the journal is called:

(A) Balancing **(B) Posting**

(C) Journalising **(D) None of these**

Answer - (C) Journalising

OR

General Journal is also known as:

(A) Purchase book **(B) Sales book**

(C) Return outward book **(D) Journal proper**

Answer - (D) Journal proper

Q13 - "Goods returned by customer". Which two accounts are affected ?

(A) Cash Account and Return inward account

(B) Customer account and Return inward account

(C) Customer account and Return outward account

(D) None of these

Answer - (B) Customer account and Return inward account

Q14 - Narration of Journal entry is recorded in the column of:

(A) Date **(B) Particulars**

(C) Dr. Amount **(D) Cr. Amount**

Answer - (B) Particulars

Q15 - The cash book records

(A) All cash receipts **(B) All cash payments**

(C) All cash receipts and cash payments **(D) None of these**

Answer - (C) All cash receipts and cash payments

Q16 - Which two accounts are involved in "Contra entry" ?

(A) Cash account and Capital Account **(B) Cash account and Bank Account**

(C) Bank Account and Capital Account **(D) None of these**

Answer – (B) Cash account and Bank Account

OR

A separate cash book maintained to record small transactions is called:

(A) Simple Cash book **(B) Bank Cash book**

(C) Petty Cash book **(D) None of these**

Answer – (C) Petty Cash book

Q17 - The page number of the ledger book is posted in:

(A) Date Column **(B) Voucher No. Column**

(C) Ledger Folio **(D) Amount Column**

Answer – (C) Ledger Folio

Q18 - Central Processing Unit (CPU) does not include:

(A) Control unit **(B) Memory unit**

(C) Arithmetic Logic Unit **(D) Output unit**

Answer – (D) Output unit

Q19 - The commonly used output devices include:

(A) Monitor **(B) Plotter**

(C) Printer **(D) All of the above**

Answer – (D) All of the above

OR

What is the full form of TPS?

(A) Transaction Processing System

(B) Transit Process System

(C) Transaction Processing Storage

(D) None of these

Answer – (A) Transaction Processing System

Q20 - Which of the following is characteristics of computer ?

(A) Diligence

(B) Storage

(C) Both (A) and (B)

(D) None of the above

Answer – (C) Both (A) and (B)

OR

Commonly used accounting software is:

(A) Tally

(B) Window

(C) Easy books

(D) Credit Manager

Answer – (A) Tally

SECTION - B

Q21 - Complete the following statements.

(i) Unsold goods are valued at cost price or market price, whichever is __________.

(ii) Convention of consistency states that the same accounting methods should be adopted every year for preparing __________ statements.

(iii) Sundry Creditors included in creditors for __________.

Answer – (i) less

(ii) financial

(iii) goods

Q22 - Match the following.

(i) Debtor	**(a) To whom money is owing**
(ii) Creditor	**(b) Cash or goods withdrawn for personal use**
(iii) Drawings	**(c) Who owes money**

Answer – (i) Debtor – **(c) Who owes money**

(ii) Creditor – **(a) To whom money is owing**

(iii) Drawings – **(b) Cash or goods withdrawn for personal use**

Q23 - Fill in the blanks.

(i) The computerised accounting system is capable of offering _________ and _________ reporting.

(ii) _________ and _________ are the basic requirements of the computerised accounting system.

Answer – (i) quick, quality

(ii) Accounting framework, operating procedure

Q24 - Give one word answer for the following statements.

(i) Under which concept, the business and its owners are two separate entities.

(ii) Give an example of tangible asset.

(iii) Excess of business expenses incurred over the business revenue.

(iv) The concept assumes that, business enterprise should not be closed down in the near future.

(v) Inflow of money from sale of goods.

(vi) Convention which helps in minimising errors in calculation.

Answer – (i) Business Entity Concept

(ii) Building

(iii) Loss

(iv) Going Concern Concept

(v) Revenue

(vi) Convention of Materiality

Q25 - Write the two aspects (effects) of the following transactions.

(i) Goods purchased for cash

(ii) Purchased furniture for cash

(iii) Rent paid

(iv) Sold goods to Haresh on Credit

(v) Withdrew cash for personal use

(vi) Interest received

Answer – (i) Goods purchased for cash

- **1st Aspect (Debit):** Receiving of goods (Purchases)
- **2nd Aspect (Credit):** Giving of cash

(ii) Purchased furniture for cash

- **1st Aspect (Debit):** Furniture (Asset increases)
- **2nd Aspect (Credit):** Cash (Asset decreases)

(iii) Rent paid

- **1st Aspect (Debit):** Rent (Expense increases)
- **2nd Aspect (Credit):** Cash (Asset decreases)

(iv) Sold goods to Haresh on Credit

- **1st Aspect (Debit):** Haresh (Debtor/Asset increases)
- **2nd Aspect (Credit):** Sales (Revenue increases)

(v) Withdrew cash for personal use

- **1st Aspect (Debit):** Drawings (Owner's Capital decreases)
- **2nd Aspect (Credit):** Cash (Asset decreases)

(vi) Interest received

- **1st Aspect (Debit):** Cash (Asset increases)
- **2nd Aspect (Credit):** Interest (Revenue increases)

Q26 - Match the following.

(a) Assets	**(i) Increase is credited and decrease is debited**
(b) Cash voucher	**(ii) Record of small expenses**
(c) Liabilities	**(iii) Book of Original entry**
(d) Petty cash book	**(iv) Cash receipts and payments**
(e) Combined entry	**(v) Increase is debited and decrease is credited**
(f) Journal	**(vi) Contains more than one debit or Credit or both**

Answer – (a) Assets - **(v) Increase is debited and decrease is credited**

(b) Cash voucher - **(iv) Cash receipts and payments**

(c) Liabilities - **(i) Increase is credited and decrease is debited**

(d) Petty cash book - **(ii) Record of small expenses**

(e) Combined entry - **(vi) Contains more than one debit or Credit or both**

(f) Journal - **(iii) Book of Original entry**

Q27 - Identify whether the following are personal accounts, Real accounts or nominal accounts.

(i) Commission Received

(ii) M/s M.K. Agencies

(iii) Wages paid

(iv) Aditya Account

(v) Building A/c

(vi) Drawings Account

Answer – (i) Nominal Account

(ii) Personal Account

(iii) Nominal Account

(iv) Personal Account

(v) Real Account

(vi) Personal Account

Q28 - Match the following.

(a) Capital	**(i) Raw-materials to be used**
(b) Interest on Capital	**(ii) Owner's Claim**
(c) Bills payable	**(iii) Creditors for loans**
(d) Bank loans	**(iv) Amount invested by owners**
(e) Wasting assets	**(v) Oil wells**
(f) Stock	**(vi) Liability**

Answer – (a) Capital - **(iv) Amount invested by owners**

(b) Interest on Capital - **(ii) Owner's Claim**

(c) Bills payable - **(vi) Liability**

(d) Bank loans - **(iii) Creditors for loans**

(e) Wasting assets - **(v) Oil wells**

(f) Stock - **(i) Raw-materials to be used**

Q29 - State the following sentences True or False.

(i) Computer is a device that accepts and stores data.

(ii) Magnetic disk is an output unit.

(iii) Accounting documents cannot be prepared through computer.

(iv) The full form of OLTP is Online Transaction Processing.

(v) Computer is an electronic device that can perform only limited operations.

(vi) The computerised accounting is one of the data based oriented applications.

Answer – (i) True

(ii) False

(iii) False

(iv) True

(v) False

(vi) True

SECTION - C

Q30 - What is meant by a "Bank Column cash Book"? Draw the format of it.

Answer – When a business handles many transactions using bank cheques, it adds a dedicated **Bank Column** to both sides of its regular Cash Book. This creates a Bank Column Cash Book. It records incoming bank deposits on the left side and outgoing cheque payments on the right side.

Format:

Dr. **Cr.**

Receipts Side					Payments Side				
Date	**Particulars**	**L.F.**	**Cash (₹)**	**Bank (₹)**	**Date**	**Particulars**	**L.F.**	**Cash (₹)**	**Bank (₹)**

OR

Write the accounting technique of :

(a) Cash paid into the bank

(b) Dishonour of a cheque

Answer – (a) Cash paid into Bank: This is recorded as a **Contra Entry** using the letter **(C)** in the L.F. column. We debit the Bank column ("To Cash") and credit the Cash column ("By Bank").

(b) Dishonour of a Cheque: We reverse the original entry by writing the customer's name on the credit side and entering the amount in the Bank column.

Q31 - State the advantages of double entry system.

Answer – The double entry system provides a complete and scientific record of both sides of a transaction. Its advantages are:

- **Profit Determination:** It allows us to prepare a Trading and Profit & Loss Account to find accurate net profits.
- **Math Check:** It helps create a Trial Balance to easily check mathematical accuracy.

Q32 - Explain the effects of complete ommission on the trial balance.

Answer – A complete omission happens when a transaction is completely left out and not recorded in the books of accounts at all.

- **Effect on Debit:** No entry is passed on the debit side.
- **Effect on Credit:** No entry is passed on the credit side.
- **Result:** Because both sides are missing an equal amount, the mathematical balance is not disturbed, and the Trial Balance totals will still agree.

OR

Write any two limitations of a trial balance.

Answer – The two main limitations of a trial balance are described in the following points:

- **No Proof of Complete Accuracy:** A tallied Trial Balance is not absolute proof that the books are error-free, as hidden mistakes like complete omissions or structural errors still exist.
- **No Financial Results:** It only gives a condensed summary of balances and cannot show whether the business made a profit or loss.

Q33 - What are the factors affecting the depreciation ?

Answer – The amount of annual depreciation of an asset is affected by the following points:

- **Cost of the Asset:** The purchase price plus loading, carriage, and installation expenses incurred before it is put to use.
- **Useful Life:** The expected number of years for which the asset will remain in use.
- **Scrap Value:** The residual value at which the asset could be sold at the end of its useful life.

Q34 - Write a short note on "Income statement".

Answer – An Income Statement is prepared at the end of an accounting year to find out the operational earnings of a business. It is divided into two distinct parts:

- **Trading Account:** Prepared to find out the Gross Profit or Gross Loss.
- **Profit and Loss Account:** Prepared to find out the final Net Profit or Net Loss.

Q35 - Explain the treatment of outstanding expenses in the financial statements with a suitable example.

Answer – Outstanding expenses are costs that relate to the current year but remain unpaid at the end of it. They are described through these points of treatment:

- **Income Statement:** Added to the respective expense item on the debit side.
- **Balance Sheet:** Shown on the Liabilities side because it is an obligation.

OR

From the following information, prepare Balance sheet of M/s Nigam Traders as on 31.03.2023.

Item	Amount (₹)
Capital	1,00,000
Building	75,000
Creditors	15,000
Debtors	12,000
Cash in hand	8,000
Cash at Bank	7,000
Net Profit	20,000
Investments	33,000

Answer – We adjust the owner's capital by adding the Net Profit (1,00,000 + 20,000 = ₹1,20,000). Then, we arrange the financial elements into the standard statement format.

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	15,000	**Cash in hand**	8,000
Capital: 1,00,000		**Cash at Bank**	7,000
Add: Net Profit: 20,000	1,20,000	**Debtors**	12,000
		Investments	33,000
		Building	75,000
TOTAL	**1,35,000**	**TOTAL**	**1,35,000**

Both sides tally perfectly at ₹**1,35,000**.

Q36 - What are the steps followed for preparation of simple cash book.

Answer – To prepare a Simple Cash Book, we systematically follow these three steps:

- **Step 1 (Record Receipts):** On the left-hand debit side, write the opening cash balance as "To Balance b/d". Record any subsequent cash received from sales or debtors in the particulars column.
- **Step 2 (Record Payments):** On the right-hand credit side, record all real cash paid out for purchases, expenses, or assets in the particulars column.
- **Step 3 (Balance the Book):** Total the debit side, place the same total on the credit side, and fill the difference as "By Balance c/d".

Q37 - What is depreciation? Write the various objectives of providing depreciation.

Answer – Depreciation is the gradual and permanent decrease in the value of a fixed asset due to usage, wear and tear, or obsolescence. The main objectives of providing depreciation are:

- **True Financial Position:** It helps show the true value of fixed assets in the Balance Sheet so they are not overvalued.
- **True Profit Calculation:** It charges asset wear costs against current revenues to find the true profit.
- **Asset Replacement:** It helps retain funds in the business to replace the asset when its useful life ends.

OR

What is diminishing balance method? Explain its merits and demerits.

Answer – Under the **Diminishing Balance Method**, depreciation is calculated as a fixed percentage on the reducing book value of the asset shown at the beginning of each year.

- **Points of Merit:** It places an equal burden on the Profit & Loss Account. In initial years, depreciation is high and repairs are low. In later years, depreciation is low and repairs are high, keeping the total burden equal.
- **Points of Demerit:** The value of the asset can never be mathematically reduced to zero in the books, even when there is no scrap value left.

Q38 - A plant is purchased for ₹1,00,000 on 1st April 2021. It is estimated that the residual value of the plant at the end of the working life of 10 years will be ₹20,000. Calculate the depreciation to be provided per year on Straight Line Method. You are also to show the plant account for 2 years.

Answer – We find the uniform annual depreciation charge using the straight-line formula:

$$\text{Annual Depreciation} = \frac{\text{Cost of Asset} - \text{Scrap Value}}{\text{Expected Life}} = \frac{1{,}00{,}000 - 20{,}000}{10} = ₹\,8{,}000 \text{ per year}$$

Dr. **Plant Account** **Cr.**

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2021			**2022**		
Apr 1	To Bank A/c	1,00,000	Mar 31	By Depreciation A/c	8,000
			Mar 31	By Balance c/d	92,000
	TOTAL	**1,00,000**		**TOTAL**	**1,00,000**
2022			**2023**		
Apr 1	To Balance b/d	92,000	Mar 31	By Depreciation A/c	8,000
			Mar 31	By Balance c/d	84,000
	TOTAL	**92,000**		**TOTAL**	**92,000**

The closing balance at the end of Year 2 is **₹84,000**.

Q39 - Discuss the errors not disclosed by the trial balance.

Answer – Certain errors do not disrupt the matching of total debits and credits, meaning they are not disclosed by a tallied Trial Balance. These errors are:

- **Errors of Complete Omission:** When a transaction is completely left unrecorded in the books, so neither side is affected.
- **Errors of Principle:** When an accounting principle is violated, such as debiting an asset purchase to the purchases expense account.
- **Compensating Errors:** A group of errors where the effect of one mistake is counter-balanced or covered up by another mistake.

Q40 - Distinguish between 'Trading account' and 'Profit & Loss account.

Answer –

Basis of Distinction	Trading Account	Profit & Loss Account
1. Final Result	Shows the primary **Gross Profit** or **Gross Loss** for the year.	Shows the final **Net Profit** or **Net Loss** for the year.
2. Expenses Shown	Records all **Direct Expenses** (like factory wages, freight inward) on the debit side.	Records all **Indirect Expenses** (like office rent, salaries) on the debit side.
3. Balance Transfer	The balance is transferred directly into the Profit & Loss Account.	The balance is transferred to the owner's Capital account.

Q41 - What do you mean by financial statements? State the objectives of preparing financial statements.

Answer – Financial Statements are the end-of-year reports prepared to show the results of business activities and its financial standing on a particular date. They comprise the Income Statement and the Balance Sheet.

The key objectives of preparing financial statements are:

- **Ascertain Results:** To find out the gross profit/loss and net profit/loss earned during the period.
- **Ascertain Financial Position:** To view the status of assets and outside liabilities via the Balance Sheet.
- **Decision Making:** To help management make correct future financial planning budgets.

OR

From the following balances of M/s National Traders prepare a Profit and Loss Account for the year ended 31st March 2023.

Balances	**Amount (₹)**
Credit balance of Trading A/c	**1,25,000**
Printing & Stationery	**5,000**
Freight outward	**7,000**
Salaries	**21,000**
Interest received	**5,000**
Discount allowed	**7,000**
General expenses	**18,000**
Salary outstanding as on 31.03.2023	**5,000**

Answer – We record the Trading gross profit and indirect interest income on the credit side. All indirect operating expenses go to the debit side, adding the outstanding adjustment amount directly to Salaries (21,000 + 5,000 = ₹26,000).

Net Profit = Credit Total (₹1,30,000) − Debit Expenses (₹63,000) = ₹67,000

Dr. **Profit and Loss Account of M/s National Traders** **Cr.**

Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
To Printing & Stationery	5,000	By Gross Profit transferred from Trading A/c	1,25,000
To Freight outward	7,000	By Interest received	5,000
To Salaries: 21,000 Add: Outstanding: 5,000	26,000		
To Discount allowed	7,000		

To General expenses	18,000		
To Net Profit transferred to Capital A/c	67,000		
TOTAL	**1,30,000**	**TOTAL**	**1,30,000**

The net profit is ₹ **67,000**.

Q42 - What is meant by Journal? What are the purposes of preparing journal? Draw a format of it.

Answer – A **Journal** is a core book of accounts in which all day-to-day business transactions are recorded for the first time in chronological (date-wise) order. It is also known as the *'Book of Primary Entry'*.

The main purposes of preparing a journal are described in these points:

- **Chronological Record:** It provides a regular, date-wise sequence of every single business transaction so nothing is forgotten.
- **Complete Information:** It gives full details about a transaction at one place, along with a short explanatory note called a narration.
- **Facilitates Posting:** It clearly splits values into debits and credits, making it easy to post entries into ledger accounts without difficulty.

Format of a Journal Page:

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
2023 Jan 1	 Cash A/c ... Dr. To Capital A/c *(Being business started with cash)*		 10,000	 10,000

OR

Explain the modern classification of Accounts and their fundamental rules of debit & Credit.

Answer – Under the **Modern Concept**, all business ledger accounts are classified into **five specific categories**. The guidelines and rules for debiting and crediting these accounts are structured below:

1. Assets Accounts: Includes properties owned by the business. **Rule:** Debit on increase (+), Credit on decrease (-).

2. Expenses/Losses Accounts: Incurred operation costs. **Rule:** Debit on increase (+), Credit on decrease (-).

3. Liabilities Accounts: Amounts owed to external parties. **Rule:** Credit on increase (+), Debit on decrease (-).

4. Capital Accounts: The owner's personal equity contribution. **Rule:** Credit on increase (+), Debit on decrease (-).

5. Revenues/Gains Accounts: Internal business inflows. **Rule:** Credit on increase (+), Debit on decrease (-).

Q43 - What is trial balance? Discuss the objectives of preparing a trial balance.

Answer – A **Trial Balance** is defined as an accounting statement that lists out the total debit balances and credit balances of all ledger accounts on a particular closing date.

The primary objectives of preparing a Trial Balance are described in the following points:

- **To Check Arithmetical Accuracy:** It helps identify computational slips committed by the accountant, as any left-right mismatch reveals errors.
- **To Prepare Final Accounts:** It provides the primary verified ledger balance framework needed to compile the annual financial statements.
- **Comparative Study:** It allows management to compare the current balance of an account with its previous period balance to check business trends.
- **Budgeting Figures:** Previous years' trial balance data is very helpful for estimating future budgetary accounts.

OR

If the trial balance does not tally, it means there are some errors in books of accounts. State the procedure of locating errors.

Answer – When the Trial Balance columns fail to balance, the accountant proceeds to locate and rectify the errors using the following step-by-step procedure:

Step 1: Re-add both the debit and credit totals to verify your calculation on the sheet itself.

Step 2: Find the exact difference, and look through the subsidiary logs to see if a transaction of that exact amount was missed.

Step 3 (Divide by 2): Check if an entry was posted to the wrong column; dividing the total discrepancy by two can pinpoint an item mistakenly put on the larger side.

Step 4 (Divide by 9): Check for digit transposition slips (like typing ₹760 as ₹670); if the difference divides evenly by 9, it indicates a transposition error.

Step 5: Compare the ledger balances directly back to the original journals to find hidden mistakes.

Q44 - What do you mean by Position statement or Balance Sheet? What are the objectives of preparing balance sheet? Draw a proforma of Balance sheet.

Answer – A **Balance Sheet** (or Position Statement) is a vital financial statement prepared on the final date of an accounting year to reveal the economic position of a business.

The objectives of compiling a Balance Sheet are detailed in these points:

- **Financial Position:** To know the overall closing financial position of the enterprise.
- **Liability Tracking:** To separate and track internal claims (Capital) and outside liabilities (Loans) due for timely settlement.
- **Asset Tracking:** To analyze the current status of fixed and current asset investments.

Proforma:

Liabilities	Amount (₹)	Assets	Amount (₹)
Bank Overdraft	xxx	Cash in hand	xxx
Sundry Creditors	xxx	Cash at Bank	xxx
Outstanding Expenses	xxx	Sundry Debtors	xxx
Capital Balance:	xxx	Closing Stock	xxx
Add: Net Profit		Prepaid Expenses	xxx
Less: Drawings		Fixed Assets *(Less: Dep.)*	xxx
TOTAL	**MATCH SUM**	**TOTAL**	**MATCH SUM**

Q45 - From the following Trial Balance and adjustments prepare Trading and Profit & loss A/c for the year ended on 31.03.2023 and Balance sheet as on 31.03.2023.

Debit Balances	₹	Credit Balances	₹
Purchases	**17,000**	**Sales**	**17,500**
Opening stock	**1,250**	**Discount**	**1,275**
Cash	**1,500**	**Bills Payable**	**900**
Building	**10,600**	**Creditors**	**4,000**
Salaries	**1,650**	**Capital**	**13,000**
Bills Receivable	**800**	**Commission**	**800**
Debtors	**1,900**	**Dividend**	**525**
Carriage and freight	**500**		
Rent & Taxes	**600**		
Wages	**750**		

General Expenses **Insurance**	**1,000** **450**		
Total	**38,000**	**Total**	**38,000**

Adjustments:

(i) Value of stock as on 31.03.2023 was 4,500

(ii) Wages outstanding 250

(iii) Insurance prepaid 50

(iv) Provide depreciation on Building @ 10%

Answer – We adjust wages by adding the outstanding amount (750 + 250 = ₹1,000) and adjust insurance by subtracting the prepaid portion (450 – 50 = ₹400). Depreciation on the Building is charged at 10% (₹1,060). Gross profit is calculated at **₹2,250** and the final net profit is **₹140**.

Dr. **Trading Account for the year ended 31.03.2023** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening Stock	1,250	By Sales	17,500
To Purchases	17,000	By Closing Stock	4,500
To Carriage and freight	500		
To Wages: 750 Add: Outstanding : 250	1,000		
To Gross Profit c/d	2,250		
TOTAL	**22,000**	**TOTAL**	**22,000**

Dr. **Profit and Loss Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Salaries	1,650	By Gross Profit b/d	2,250
To Rent & Taxes	600	By Discount	1,275
To General Expenses	1,000	By Commission	800
To Insurance: 450 Less: Prepaid : 50	400	By Dividend	525
To Depreciation on Building	1,060		
To Net Profit transferred to Capital	140		
TOTAL	**4,850**	**TOTAL**	**4,850**

Balance Sheet as on 31.03.2023

Liabilities	Amount (₹)	Assets	Amount (₹)
Wages Outstanding	250	**Cash**	1,500
Bills Payable	900	**Prepaid Insurance**	50
Creditors	4,000	**Bills Receivable**	800
Capital: 13,000 Add: Net Profit: 140	13,140	**Debtors**	1,900
		Closing Stock	4,500
		Building: 10,600 Less: Depreciation : (1,060)	9,540
TOTAL	**18,290**	**TOTAL**	**18,290**

Both columns balance perfectly at ₹**18,290**.

NIOS PYQ's SOLUTIONS

PREVIOUS YEARS' QUESTIONS & ANSWERS

OCTOBER-2024

Your Path to Success

SECTION - A

Q1 - Which one is not a tangible asset?

(A) Stock

(B) Computer

(C) Plant & Machinery

(D) Computer software

Answer - (D) Computer software

Q2 - Stock is valued at:

(A) Cost price

(B) Market price

(C) Cost or market price whichever is less

(D) Cost or market price whichever is more

Answer – (C) Cost or market price whichever is less

Q3 - The nature of capital is:

(A) an asset

(B) a liability

(C) an income

(D) an expense

Answer – (B) a liability

Q4. According to the Business Entity Concept:

(A) Transactions between the business and its owners are not recorded.

(B) Transactions between the business and its owners are recorded considering them to be one single entity.

(C) Transactions between the business and its owners are recorded from the business point of view.

(D) None of the above

Answer - (C) Transactions between the business and its owners are recorded from the business point of view.

Q5 - Expenses like rent, commission, insurance etc. are recognised on the basis of period to which they relate and not when they are paid, it is based on:

(A) Matching principle

(B) Materiality

(C) Going concern concept

(D) All of these

Answer - (A) Matching principle

Q6 - According to which of the following concepts, business is considered distinct from its owner?

(A) Business Entity **(B) Going concern**

(C) Matching **(D) Consistency**

Answer - (A) Business Entity

Q7 - Same method of depreciation is used year after year, based on:

(A) Going concern concept **(B) Consistency assumption**

(C) Cost concept **(D) Matching concept**

Answer - (B) Consistency assumption

Q8 - Additional amount, introduced by the owner in the business, is known as:

(A) Assets **(B) Profit**

(C) Drawings **(D) Capital**

Answer - (D) Capital

Q9 - As per Double Entry System, salary paid ₹1,500 will reduce the cash and __________ :

(A) Reduce capital **(B) Increase liability**

(C) Reduce expenses **(D) Increase capital**

Answer - (A) Reduce capital

Q10 - Invoice is a source document for the purchase of goods

(A) for cash **(B) on credit**

(C) on cash or credit **(D) None of these**

Answer – (B) on credit

Q11 - Salary paid to employees will be affected the:

(A) Cash A/c and Salary A/c **(B) Only Cash A/c**

(C) Only Sales A/c **(D) Outstanding Salary A/c**

Answer - (A) Cash A/c and Salary A/c

Q12 - Goods sold to Ram for ₹25,000, will affect the following accounts:

(A) Sales and Cash A/c **(B) Sales and Ram's A/c**

(C) Only Cash A/c **(D) Only Ram's A/c**

Answer - (B) Sales and Ram's A/c

Q13 - When goods are purchased for cash and discount received, then how many accounts will be affected?

(A) 3 **(B) 2**

(C) 1 **(D) 4**

Answer - (A) 3

Q14 - Goods destroyed by fire costing ₹8,000, market price ₹10,000 will be credited to

(A) Sales A/c ₹8,000 **(B) Purchases A/c ₹8,000**

(C) Sales A/c ₹10,000 **(D) Purchases A/c ₹10,000**

Answer - (B) Purchases A/c ₹8,000

Q15 - Paid ₹18,900 to Raju in full settlement on his account ₹19,000 will be recorded in:

(A) Cash book **(B) Journal proper**

(C) Purchases book **(D) Journal**

Answer - (A) Cash book

Q16 - Cash book is called a:

(A) Book of original entry **(B) Special book**

(C) Final Book **(D) None of these**

Answer – (A) Book of original entry

Q17 - How many columns are there in simple cash book in total?

(A) 8 **(B) 4**

(C) 5 **(D) 6**

Answer – (A) 8

Q18 - Which of the following is a limitation of a computer?

(A) Speed **(B) Accuracy**

(C) Memory **(D) Intelligence**

Answer – (D) Intelligence

Q19 - Which of the following is an operating software?

(A) MS-DOS **(B) Window XP**

(C) Tally **(D) None of these**

Answer – (B) Window XP

Q20 - Which of the following is the major components of a computer system?

(A) Hardware and Software

(B) Software and Humanware

(C) Hardware, Software and Humanware

(D) Input unit, Output unit and Central Processing unit

Answer – (D) Input unit, Output unit and Central Processing unit

SECTION - B

Q21 - Match the following:

Name of Account	Nature
(a) Capital Account	(i) Asset
(b) Building Account	(ii) Liability

Answer – (a) Capital Account - (ii) Liability (Internal Liability)

(b) Building Account - (i) Asset

Q22 - Fill in the blanks:

(i) CPU is said to be the __________ of a computer.

(ii) Accounting software is used to perform the __________ function.

Answer – (i) brain

(ii) accounting

Q23 - Complete the following statements:

(i) Business transaction is a exchange of _________.

(ii) Under cost concept asset is recorded at _________ value.

Answer – (i) goods and services

(ii) cost

Q24 - What are the two aspects of each of the following transactions?

(i) Started business with cash ₹50,000.

(ii) ₹10,000 paid to Jeetu a creditor against goods supplied by him.

(iii) Furniture purchased for ₹40,000.

(iv) Salary due ₹5,000.

Answer – (i) Started business with cash ₹50,000:

- **1st Aspect (Debit):** Cash Account (Asset increases).
- **2nd Aspect (Credit):** Capital Account (Owner's equity increases).

(ii) ₹10,000 paid to Jeetu a creditor against goods supplied by him:

- **1st Aspect (Debit):** Jeetu's Account (Liability to creditor decreases).
- **2nd Aspect (Credit):** Cash Account (Asset decreases).

(iii) Furniture purchased for ₹40,000:

- **1st Aspect (Debit):** Furniture Account (Asset increases).
- **2nd Aspect (Credit):** Cash Account (Asset decreases).

(iv) Salary due ₹5,000:

- **1st Aspect (Debit):** Salary Account (Expense increases).
- **2nd Aspect (Credit):** Outstanding Salary Account (Liability increases).

Q25 - Give one word answer for the following:

(i) Which convention state that the immaterial amount / items may not be recorded?

(ii) Cash and goods withdrawn by the proprietor from the business is called _________.

(iii) Goods unsold during an accounting year named as _________.

(iv) When revenue is more than expenses, the difference is called _________.

Answer – (i) Convention of Materiality

(ii) Drawings

(iii) Closing Stock

(iv) Profit

Q26 - Match the following:

Column A	Column B
(a) Current asset	(i) Bills payable
(b) Current liability	(ii) Prepaid expenses
(c) Cash withdrawn	(iii) Capital
(d) Cash introduced in the business	(iv) Drawings

Answer – (a) Current asset - **(ii) Prepaid expenses**

(b) Current liability - **(i) Bills payable**

(c) Cash withdrawn - **(iv) Drawings**

(d) Cash introduced in the business - **(iii) Capital**

Q27 - You have given the following transactions to identify whether these are debit voucher or credit voucher or transfer voucher?

(i) Goods return to suppliers

(ii) Selling goods on cash

(iii) Payment to creditors

(iv) Bad Debts

Answer – (i) Transfer Voucher

(ii) Credit Voucher

(iii) Debit Voucher

(iv) Transfer Voucher

Q28 - From the following transactions, which account will be debited and credited?

(i) Rent paid ₹6,000

(ii) Goods withdrawn by Jeetu, the proprietor for ₹12,000.

(iii) Interest on capital ₹20,000.

(iv) Cash deposited into bank ₹10,000.

Answer – (i) Rent paid ₹6,000:

- **Account Debited:** Rent Account *(Expense increases)*
- **Account Credited:** Cash Account *(Asset decreases)*

(ii) Goods withdrawn by Jeetu, the proprietor for ₹12,000:

- **Account Debited:** Drawings Account *(Owner's claim drops)*
- **Account Credited:** Purchases Account *(Store values drop)*

(iii) Interest on capital ₹20,000:

- **Account Debited:** Interest on Capital Account *(Business expense)*
- **Account Credited:** Capital Account *(Liability to owner increases)*

(iv) Cash deposited into bank ₹10,000:

- **Account Debited:** Bank Account *(Bank asset increases)*
- **Account Credited:** Cash Account *(Cash asset decreases)*

Q29 - State whether the following statements are True or False:

(i) Computer is a machine which acts on a set of instructions.

(ii) Hardware and software are essential for computers, whereas humanware is not.

(iii) Data cannot be shared unless the computers are networked.

(iv) We can also maintain the record of stock in tally.

Answer – (i) True

(ii) False

(iii) True

(iv) True

SECTION - C

Q30 - (a) Why is Trial Balance not a conclusive proof of accuracy of Books of Accounts?

Answer – A tallied Trial Balance is not absolute proof of error-free bookkeeping because certain types of mistakes do not affect its agreement. For example, hidden errors like **complete omissions**, **errors of principle**, and **compensating errors** keep the debit and credit totals equal, leaving them completely undetected.

OR

(b) Give two differences between Cash Book and Cash Account.

Answer – The primary structural differences are:

- **Form:** The Cash Book is a separate book of original entry where transactions are written first. The Cash Account is an account inside the ledger.
- **Necessity:** When a Cash Book is maintained, there is no need to open a separate Cash Account in the ledger.

Q31 - (a) Briefly explain the rules of debiting and crediting the various categories of accounts as per traditional approach.

Answer – Under the traditional approach, accounts are managed using these three points:

- **Personal Accounts:** Debit the receiver, Credit the giver.
- **Real Accounts:** Debit what comes in, Credit what goes out.
- **Nominal Accounts:** Debit all expenses and losses, Credit all incomes and gains.

OR

(b) What is voucher? State the various types of vouchers.

Answer – A voucher is written documentary evidence that proves a business transaction took place. Its main operational types are:

- **Cash Vouchers:** Divided into **Debit Vouchers** (for cash payments) and **Credit Vouchers** (for cash receipts).
- **Non-Cash/Transfer Vouchers:** Used for credit and non-cash entries.

Q32 - Name the types of errors which do not affect the Trial Balance.

Answer – The specific mistakes that are not caught by a Trial Balance are:

- **Errors of Complete Omission:** Forgetting a whole transaction.
- **Errors of Principle:** Violating accounting fundamentals.
- **Compensating Errors:** One error balancing out another error.
- **Errors of Commission:** Writing identical wrong values on both sides.

Q33 - (a) Why is Trading Account prepared?

Answer – The Trading Account is compiled at the end of the year to find out the basic trading results of the business. It systematically records opening stock, net purchases, and direct factory expenses against net sales and closing stock to find the **Gross Profit** earned or **Gross Loss** suffered.

OR

(b) Give two objectives of providing depreciation.

Answer – The key reasons for writing off depreciation are:

- **True Financial Position:** It helps display the correct reduced value of properties in the Balance Sheet so they are not overstated.
- **Funds for Replacement:** It reduces the net profit figure to keep cash inside the company for buying new machinery when old assets break down.

Q34 - Give two differences between Original Cost method and Diminishing Balance method.

Answer –

Basis	Original Cost Method	Diminishing Balance Method
Calculation Base	Calculated on the asset's **original cost** every year.	Calculated on the **written down value** at the year's start.
Annual Amount	Remains exactly **the same** for all years.	**Goes on reducing** year after year.

Q35 - From the following items, prepare Balance Sheet of RST as on 31st March, 2024:

Item	Amount (₹)
Cash	4,000
Debtors	14,500
Furniture	10,000
Creditors	17,800
Closing Stock	10,000
Motor Car	20,000
Capital	60,000
Net Profit	5,700
Machinery	25,000

Answer – We add the Net Profit to the owner's Capital (60,000 + 5,700 = ₹65,700), then arrange all assets and outside claims neatly into their respective balancing columns.

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	17,800	**Cash**	4,000
Capital: 60,000		**Debtors**	14,500
Add: Net Profit: 5,700	65,700	**Closing Stock**	10,000
		Furniture	10,000
		Motor Car	20,000
		Machinery	25,000
TOTAL	**83,500**	**TOTAL**	**83,500**

Both layout columns tally perfectly at **₹83,500**.

Q36 - What is Contra Entry? Give an example of contra entries.

Answer – A **Contra Entry** occurs when a single business transaction affects both the Cash Account and the Bank Account at the same time. Because both columns are present in a two-column Cash Book, the transaction must be logged on both the debit and credit sides simultaneously. To point this out, the letter **(C)** is written in the Ledger Folio column.

Q37 - (a) Define depreciation. State two advantages of providing depreciation.

Answer – **Depreciation** is the continuous and gradual reduction in the book value of a fixed asset arising due to normal wear and tear from use, passage of time, or technological obsolescence.

The main advantages of providing depreciation are:

- **True Profit Tracking:** It treats asset wear as an operating expense, allowing the company to compute its true net profit without inflation.
- **Accurate Valuation:** It keeps the company from overstating its properties in the Balance Sheet, helping to show the true financial position.

OR

(b) How is the depreciation shown in the financial statements? Give an example.

Answer – In final accounts, depreciation is adjusted in two separate places:

- **Profit and Loss Account:** The annual depreciation amount is written as an operating cost on the debit side to find true profits.
- **Balance Sheet:** On the assets side, the same depreciation value is subtracted directly from the original cost of that specific fixed asset.
- **Example:** If machinery is worth ₹50,000 and has a 10% depreciation (₹5,000), ₹5,000 is debited to the P&L Account, and the asset is shown in the Balance Sheet as $50{,}000 - 5{,}000 = ₹45{,}000$.

Q38 - What is Trial Balance? State its main features.

Answer – A **Trial Balance** is a separate accounting statement prepared on a particular date to list the exact net debit and credit balances of all ledger accounts.

Its main features are:

- **It is a Statement:** It is a simple auxiliary verification sheet, not an account.
- **Specific Date:** It is compiled on a specific closing date (like March 31st).
- **Two Columns:** It contains separate debit and credit columns.
- **Equality:** The final totals of both columns must match, providing preliminary proof of mathematical accuracy.

Q39 - Surjeet & Co. purchased a machine on 1st April, 2020 for ₹66,000 and spent ₹4,000 towards freight and installation. The firm decided to charge depreciation at 10% by straight line method. Show the Machinery Account for 3 years assuming that books are closed on 31st March every year.

Answer – First, the installation cost is added to the asset's total cost:

$$\text{Total Machinery Cost} = 66{,}000 + 4{,}000 = ₹70{,}000$$

The annual depreciation under the straight-line method is calculated as:

$$\text{Annual Depreciation} = 10\% \text{ of } 70{,}000 = ₹7{,}000$$

Machinery Account

Year 1 (2020-21):

- Apr 1, 2020: To Bank Account = ₹70,000
- Mar 31, 2021: By Depreciation Account = ₹7,000; By Balance c/d = ₹63,000

Year 2 (2021-22):

- Apr 1, 2021: To Balance b/d = ₹63,000
- Mar 31, 2022: By Depreciation Account = ₹7,000; By Balance c/d = ₹56,000

Year 3 (2022-23):

- Apr 1, 2022: To Balance b/d = ₹56,000
- Mar 31, 2023: By Depreciation Account = ₹7,000; By Balance c/d = ₹49,000

Q40 - (a) Explain outstanding expenses. How are these shown in the financial statements?

Answer – Outstanding expenses are liabilities that belong to the current year but remain unpaid at the end of the accounting period.

In final reports, they are shown in two places:

- **Income Statement:** The unpaid amount is added to that specific expense on the debit side of the Trading or P&L Account to reflect true annual costs.
- **Balance Sheet:** It is listed on the Liabilities side because it is an outstanding debt the business still owes.

OR

(b) On 1st April, 2023, Prakash Bros. bought a machine for ₹90,000 and spent ₹6,000 on its installation and ₹4,000 on its carriage. Its life was estimated to be 20 years. Calculate amount of depreciation expense to be charged to the Profit and Loss Account every year.

Answer – To find the annual straight-line depreciation, we first add the carriage and installation costs to determine the total asset cost:

$$\text{Total Cost of Machine} = 90{,}000\ (\text{Buying Price}) + 6{,}000\ (\text{Setup}) + 4{,}000\ (\text{Freight}) = ₹1{,}00{,}000$$

Now, dividing this by the estimated useful life of 20 years gives:

$$\text{Annual Depreciation Expense} = \frac{₹1,00,000}{20 \text{ years}} = ₹5,000 \text{ per year}$$

Q41 - (a) RUS purchased a plant for ₹40,000 on 1st April, 2020. On 1st October, 2023 plant was become obsolete and sold at a loss of 20%. Depreciation charged @ 10% by straight line method and accounts are closed on 31st March every year. Find the loss on sale, which will be shown in the Profit and Loss Account.

Answer – The original cost is ₹40,000 with a 10% annual depreciation rate (₹4,000/year).

Depreciation up to sale date:

- 2020-21, 2021-22, 2022-23 (3 full years) $= 4,000 \times 3 = ₹12,000$
- 2023 (Apr 1 to Oct 1 $= 6$ months) $= 4,000 \times \frac{6}{12} = ₹2,000$
- Total accumulated depreciation $= 12,000 + 2,000 = ₹14,000$

Book Value on Oct 1, 2023: $40,000 - 14,000 = ₹26,000$

Loss on Sale Calculation: The plant was sold at a 20% loss on its remaining value.

$$\text{Loss Amount} = 20\% \text{ of } ₹26,000 = ₹5,200$$

This loss of ₹**5,200** will be debited to the Profit and Loss Account.

OR

(b) From the following information prepare Profit and Loss Account of M/s RRSS for the year ending 31st March, 2024:

Item	Amount (₹)
Salaries and wages	30,000
Commission paid	2,000
Insurance	4,500
Carriage outward	9,000
Discount allowed	18,000
Bad-debts	9,000

Gross Profit was 30% of sales, which amounted 4,00,000.

Answer – First, we find the Gross Profit value from total sales:

$$\text{Gross Profit} = 30\% \text{ of } ₹4{,}00{,}000 = ₹1{,}20{,}000$$

We record this on the credit side and list all indirect operating expenses on the debit side to find our Net Profit.

Debit (Particulars)	Amount (₹)	Credit (Particulars)	Amount (₹)
To Salaries and wages	30,000	By Gross Profit (30% of sales)	1,20,000
To Commission paid	2,000		
To Insurance	4,500		
To Carriage outward	9,000		
To Discount allowed	18,000		
To Bad-debts	9,000		
To Net Profit *(Balancing Fig)*	47,500		
TOTAL	**1,20,000**	**TOTAL**	**1,20,000**

The final net profit is ₹**47,500**.

Q42 - (a) The following Trial Balance is drawn from the books of Commerce Excellence. You are required to comment whether it is correct or not. If it is not correct, draw the correct one.

Trial Balance as on 31st March, 2024

Debit Balance	**(₹)**	**Credit Balance**	**(₹)**
Building	**60,000**	**Capital**	**73,600**
Machinery	**17,000**	**Interest received**	**2,600**
Purchase return	**2,600**	**Debtors**	**60,000**
Bad-debts	**2,800**	**Fixtures**	**5,600**
Cash at bank	**400**	**Sales**	**1,04,000**
Discount received	**3,000**		
Bank overdraft	**10,000**		
Creditors	**50,000**		
Purchases	**1,00,000**		
Total	**2,45,800**	**Total**	**2,45,800**

Answer – The provided Trial Balance is incorrect because several items were put in the wrong columns. Assets (like Machinery and Cash at Bank) and expenses/losses (like Bad Debts and Purchases) have natural debit balances and belong in the debit column. Liabilities (like Bank Overdraft and Creditors) and provisions/returns (like Purchase Return and Discount Received) belong in the credit column. Debtors should be in the debit column, and Fixtures should also be in the debit column.

Corrected Trial Balance as on 31st March, 2024

Name of the Account	Debit Balance (₹)	Credit Balance (₹)
Building *(Asset)*	60,000	
Machinery *(Asset)*	17,000	
Purchase Return *(Cr. Balance)*		2,600
Bad-debts *(Loss)*	2,800	
Cash at Bank *(Asset)*	400	
Discount Received *(Gain)*		3,000
Bank Overdraft *(Liability)*		10,000
Creditors *(Liability)*		50,000
Purchases *(Expense)*	1,00,000	
Capital *(Owner Equity)*		73,600
Interest Received *(Gain)*		2,600
Debtors *(Asset)*	60,000	
Fixtures *(Asset)*	5,600	
Sales *(Revenue)*		1,04,000
TOTAL	**2,45,800**	**2,45,800**

Both columns now tally perfectly at ₹**2,45,800**.

OR

(b) Why is ledger called Principal Book? Differentiate between book of original entry and ledger.

Answer – The ledger is called the **Principal Book** because it serves as the main permanent repository for all a business's financial data. While the journal merely records day-to-day entries in order of occurrence, the ledger organizes this information into separate accounts. This allows the business to see the final net effect of its transactions and provides the necessary data to prepare the Trial Balance and financial statements.

Differences Table:

Basis of Distinction	Book of Original Entry (Journal)	Ledger (Principal Book)
1. Recording Method	Transactions are recorded directly as they occur, in **chronological order**.	Transactions are classified and posted into **separate accounts**.

2. Role in Cycle	It forms the first stage of the accounting cycle; transactions are entered for the first time.	It forms the second stage; balances are summarized to produce the Trial Balance.
3. Financial Summary	It cannot show individual account balances directly.	It provides the net balance for each asset, liability, and expense.

Q43 - (a) What do you understand by financial statements? Briefly explain the final accounts.

Answer – Financial Statements (or Final Accounts) are the structured reports prepared at the end of the financial year to show the net profit or loss of the business and its financial position on a particular date. They provide a summary of the company's performance for owners, managers, and outside partners.

Final Accounts consist of the following components:

1. Trading Account: This account matches direct sales revenue against opening stock, net purchases, and direct factory expenses to determine the **Gross Profit** or Gross Loss.

2. Profit and Loss Account: This account takes the gross profit figure and subtracts all indirect operating expenses (such as salaries, office rent, and bad debts) while adding indirect income to determine the final **Net Profit**.

3. Balance Sheet: This statement lists all current and fixed assets alongside internal capital and external liabilities to show the true financial position of the business on the closing date.

OR

(b) Prepare journal from the following transactions and post them into the ledger of Surjeet & Bros:

(1) Business started with cash ₹20,000.

(2) Goods purchased for cash ₹15,000 and credit from Raju ₹4,000.

(3) Goods sold to Mohan for ₹10,000.

(4) Cash received from Mohan.

(5) Salary paid ₹3,000.

Answer – We first record the transactions chronological in our journal before transferring the values to their respective ledger slots.

Journal Entries

1. **Cash A/c ... Dr. 20,000**

   To Capital A/c 20,000 *(Business started with cash)*

2. **Purchases A/c ... Dr. 19,000**

   To Cash A/c 15,000

   To Raju's A/c 4,000 *(Goods bought for cash and on credit)*

3. **Mohan's A/c ... Dr. 10,000**

   To Sales A/c 10,000 *(Goods sold to Mohan on credit)*

4. **Cash A/c ... Dr. 10,000**

   To Mohan's A/c 10,000 *(Cash collected from Mohan)*

5. **Salary A/c ... Dr. 3,000**

   To Cash A/c 3,000 *(Salary paid in cash)*

Ledger Postings (Selected Key Accounts)

Cash Account:

- Debit: To Capital A/c = ₹20,000; To Mohan's A/c = ₹10,000 (Total Debits = ₹30,000).
- Credit: By Purchases A/c = ₹15,000; By Salary A/c = ₹3,000. Balance c/d = **₹12,000**.

Purchases Account:

- Debit: To Cash A/c = ₹15,000; To Raju's A/c = ₹4,000 (Total Balance = **₹19,000**).

Mohan Account:

- Debit: To Sales A/c = ₹10,000
- Credit: By Cash A/c = ₹10,000 (Account balanced at **Zero**).

Q44 - Enter the following transactions in a single column Cash Book of M/s RR:

2024 October	**Transactions**
1	**Cash in hand ₹25,000.**
5	**Goods Cash purchases ₹5,000 and credit purchases ₹6,000.**
9	**Cash sales ₹ 8,000 and credit sales ₹10,000.**
20	**Furniture purchased for cash ₹3,000.**
25	**Received commission ₹4,000.**
31	**Salary paid to worker ₹3,000.**

Answer – A single-column cash book only records cash receipts on the debit side and cash payments on the credit side. Credit transactions (like credit purchases on October 5th and credit sales on October 9th) do not involve cash and are excluded from the Cash Book.

Dr. **Cash Book of M/s RR (Single Column)** **Cr.**

Date (2024)	Receipts Particulars	Amount (₹)	Date (2024)	Payments Particulars	Amount (₹)
Oct 1	To Balance b/d	25,000	Oct 5	By Purchases A/c	5,000
Oct 9	To Sales A/c	8,000	Oct 20	By Furniture Account	3,000
Oct 25	To Commission Received	4,000	Oct 31	By Salary Account	3,000
			Oct 31	By Balance c/d	26,000
TOTAL		**37,000**	**TOTAL**		**37,000**

The closing cash balance in hand is ₹**26,000**.

Q45 - From the following information prepare Trading Account, Profit and Loss Account and the Balance Sheet of SS Trading Company for the year ended 31st March, 2024:

Account Head	Amount (₹)
Carriage on sales	**2,800**
Sundry Debtors	**29,600**
Purchases	**1,44,000**
Opening stock	**21,200**
Salaries	**8,400**
Sales	**2,20,000**
Discount (Dr.)	**1,600**
Return inward	**2,000**
Machinery	**40,000**
Carriage inward	**3,200**
Rent and Taxes	**11,600**
Cash	**8,800**
Capital	**63,000**
Creditors	**24,400**
Furniture	**20,000**
Wages	**9,200**
Office expenses	**4,000**
Return outward	**1,000**

Commission (Cr.)	**1,600**
Insurance Premium	**3,600**

Adjustments:

(a) Closing stock was valued at ₹25,600.

(b) Office expenses ₹600 and wages ₹800 are outstanding.

(c) Prepaid insurance ₹400.

(d) Depreciation on machinery and furniture @ 10% p.a.

Answer – We adjust the trial balances based on the provided adjustments:

- Outstanding expenses are added to Office Expenses (4,000 + 600 = ₹4,600) and Wages (9,200 + 800 = ₹10,000).
- Prepaid insurance is subtracted from Insurance Premium (3,600 − 400 = ₹3,200).
- 10% depreciation is charged on Machinery (₹4,000) and Furniture (₹2,000).
- Gross Profit is **₹66,200** and final Net Profit is **₹29,600**.

Dr. **Trading Account for the year ended 31.03.2024** **Cr.**

Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
To Opening Stock	21,200	By Sales	2,20,000
To Purchases: 1,44,000 Less: Return Outward: (1,00/1,000)	1,43,000	Less: Return Inward	(2,000)
To Carriage Inward	3,200	Net Sales	2,18,000
To Wages: 9,200 + Outstanding: 800	10,000	By Closing Stock	25,600
To Gross Profit c/f	66,200		
TOTAL	**2,43,600**	**TOTAL**	**2,43,600**

Dr. **Profit and Loss Account** **Cr.**

Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
To Carriage on Sales	2,800	By Gross Profit b/f	66,200
To Salaries	8,400	By Commission	1,600
To Discount allowed (Dr.)	1,600		
To Rent and Taxes	11,600		
To Office Expenses: 4,000 + O/S: 600	4,600		

To Insurance Premium: 3,600 - Prepaid: 400	3,200		
To Depreciation on Machinery	4,000		
To Depreciation on Furniture	2,000		
To Net Profit transferred to Capital	29,600		
TOTAL	**67,800**	**TOTAL**	**67,800**

Dr. **Balance Sheet as on 31st March, 2024** **Cr.**

Liabilities	Amount (₹)	Assets	Amount (₹)
Office Expenses Outstanding	600	**Cash**	8,800
Wages Outstanding	800	**Prepaid Insurance**	400
Creditors	24,400	**Sundry Debtors**	29,600
Capital Base: 63,000 Add: Net Profit: 29,600	92,600	**Closing Stock** **Machinery:** 40,000 - Dep: (4,000) **Furniture:** 20,000 - Dep: (2,000)	25,600 36,000 18,000
TOTAL	**1,18,400**	**TOTAL**	**1,18,400**

Both columns of the statement balance at ₹**1,18,400**.

Thank you!

We hope you found this material helpful. We wish you the very best for your examination.

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