NIOS PYQ's SOLUTIONS

PREVIOUS YEARS' QUESTIONS & ANSWERS

APRIL-2025

Your Path to Success

SECTION - A

Q1 - Which accounting concept restraints accountants from recording of owner's private/personal transactions?

(A) Business Entity Concept

(B) Money Measurement Concept

(C) Going Concern Concept

(D) Dual Aspect Concept

Answer - (A) Business Entity Concept

Q2 - Current assets NOT include:

(A) Cash

(B) Stock

(C) Prepaid Expenses

(D) Furniture

Answer – (D) Furniture

Q3 - Which of the following ensures uniformity in charging depreciation on fixed assets?

(A) Consistency convention

(B) Conservation convention

(C) Materiality convention

(D) Going Concern Concept

Answer – (A) Consistency convention

Q4. Out of the following which is not an external liability of the business?

(A) Creditors

(B) Reserve

(C) Bank loan

(D) Outstanding wages

Answer - (B) Reserve

Q5 - Going concern concept states that a business firm will continue to carry on its activities for:

(A) short period of time

(B) maximum period of 10 years

(C) definite period of time

(D) an indefinite period of time

Answer - (D) an indefinite period of time

Q6 - Duality concept is commonly expressed in terms of:

(A) fundamental accounting equation **(B) fundamental accounting assumption**

(C) fundamental accounting convention **(D) (B) and (C) both**

Answer - (A) fundamental accounting equation

Q7 - A company purchased plant and machinery of ₹1,00,000 in the beginning of the year and its life span is 10 years. According to going concern concept, at the end of the year expense will be shown:

(A) ₹1,00,000 **(B) ₹20,000**

(C) ₹10,000 **(D) ₹50,000**

Answer - (C) ₹10,000

Q8 - A business has unsold stock at the end of year. The cost price is ₹40,000 and its market price is ₹42,000. At which price the unsold stock should be recorded?

(A) ₹40,000 **(B) ₹41,000**

(C) ₹42,000 **(D) ₹82,000**

Answer - (A) ₹40,000

Q9 - What will be the affected accounts in case of goods sold to Nipun?

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

(C) Only Sales A/c **(D) Sales A/c and Nipun A/c**

Answer - (D) Sales A/c and Nipun A/c

Q10 - Which accounts will be affected in case of Cash ₹10,000 paid to Anu, a creditor?

(A) Only Cash A/c **(B) Only Anu A/c**

(C) Cash and Anu A/c **(D) Cash and Capital A/c**

Answer – (C) Cash and Anu A/c

Q11 - How many accounts will be affected for cash received ₹9,800 from Rajinder, a debtor in full settlement of his account of ₹10,000?

(A) 4 **(B) 3**

(C) 1 **(D) 2**

Answer - (B) 3

Q12 - Which account will be credited for withdrawing cash from Bank?

(A) Cash A/c **(B) Goods A/c**

(C) Drawing A/c **(D) Bank A/c**

Answer - (D) Bank A/c

Q13 - Which of the following are correct examples of subsidiary books:

(i) Cash book **(ii) Sales book**

(iii) Purchase book **(iv) Capital book**

(A) (i) and (ii) only **(B) (ii) and (iii) only**

(C) (i), (ii) and (iii) only **(D) (i), (ii) (iii) and (iv)**

Answer - (C) (i), (ii) and (iii) only

Q14 - Source documents are also called:

(A) Accounting documents **(B) Analyzing documents**

(C) Business documents **(D) Posting documents**

Answer - (C) Business documents

Q15 - Depreciation charged on machine, the entry will be recorded :

(A) In the Cash Book **(B) In the Sales Book**

(C) In the Journal Proper **(D) In the Return Inward Book**

Answer - (C) In the Journal Proper

Q16 - Petty cash book is prepared for:

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

(C) Small payments **(D) Big and Small both payments**

Answer – (C) Small payments

Q17 - How many types of accounts are given on the basis of nature of accounts?

(A) Two **(B) Three**

(C) Four **(D) Five**

Answer – (B) Three

Q18 - Which of the following device is NOT an input device?

(A) Keyboard **(B) Mouse**

(C) Bar code reader **(D) Monitor**

Answer – (D) Monitor

Q19 - Out of the following which is/are the limitations of a computer?

(A) Low cost of installation **(B) High cost of training**

(C) Costly maintenance **(D) Both (B) and (C)**

Answer – (D) Both (B) and (C)

Q20 - Which unit stores data before actually processed?

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

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

Answer – (B) Memory unit

SECTION - B

Q21 - Complete the following statements:

(i) Convention of conservatism is based on the principle that __________.

(ii) Full form of GAAP is __________.

Answer – (i) "Anticipate no profit, but provide for all possible losses".

(ii) Generally Accepted Accounting Principles

Q22 - Match the following:

(i) Debtor **(a) a person to whom money is owing.**

(ii) Creditor **(b) a person who owes money**

Answer – (i) Debtor - **(b) a person who owes money**

(ii) Creditor - **(a) a person to whom money is owing.**

Q23 - Fill in the blanks:

Computer is an electronic device that can perform a variety of operations in accordance with a set of __________ called __________.

Answer – instructions, programme.

Q24 - Give one word answer for the following:

(i) In which convention, stock is recorded at cost or market price whichever is less?

(ii) What refers to the inflow of money or other assets that result from the sale of goods or services or from the use of money?

(iii) What is the term used for all costs incurred in earning revenue?

(iv) What does excess of revenue over expense represent?

Answer – (i) Convention of Conservatism

(ii) Revenue

(iii) Expense

(iv) Profit

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

(i) Depreciation charged on Furniture

(ii) Goods sold on credit to Meenu

(iii) Plant purchased for cash

(iv) Paid cash to Anuj

Answer –

(i) Depreciation charged on Furniture

- **1st Aspect (Debit effect):** Depreciation Account *(Expense/Loss increases).*
- **2nd Aspect (Credit effect):** Furniture Account *(Fixed Asset value decreases).*

(ii) Goods sold on credit to Meenu

- **1st Aspect (Debit effect):** Meenu's Account *(Debtor / Asset increases).*
- **2nd Aspect (Credit effect):** Sales Account *(Business Revenue increases).*

(iii) Plant purchased for cash

- **1st Aspect (Debit effect):** Plant Account *(Fixed Asset increases).*
- **2nd Aspect (Credit effect):** Cash Account *(Current Asset decreases).*

(iv) Paid cash to Anuj

- **1st Aspect (Debit effect):** Anuj's Account *(Receiver / Liability decreases).*
- **2nd Aspect (Credit effect):** Cash Account *(Current Asset leaves business).*

Q26 - Match the following:

(i) Page number of ledger	**(a) Journal**
(ii) Divide journal into various journals	**(b) Ledger folio**
(iii) Book of Primary Entry	**(c) Special Purpose Book**
(iv) Explanation of a particular journal entry	**(d) Narration**

Answer – (i) Page number of ledger - **(b) Ledger folio**

(ii) Divide journal into various journals - **(c) Special Purpose Book**

(iii) Book of Primary Entry - **(a) Journal**

(iv) Explanation of a particular journal entry - **(d) Narration**

Q27 - Identify whether the following are Debit Vouchers, Credit Vouchers or Transfer Vouchers:

(1) Payment to creditors

(2) Cash withdrawn from bank for office use

(3) Goods returned by customer

(4) Bad Debts

Answer – (1) Debit Voucher

(2) Credit Voucher

(3) Transfer Voucher

(4) Transfer Voucher

Q28 - From the following transactions, state the titles and types of accounts to be debited and the account to be credited:

(I) Ankit took loan from Bank ₹30,000

(II) Received commission ₹4,000

(III) Paid for printing and stationery ₹500

(IV) Paid rent ₹6,000 by cheque.

Answer –

(I) Ankit took loan from Bank ₹30,000:

- **Account to Debit:** Cash Account (or Bank Account) → **Type:** Asset Account
- **Account to Credit:** Bank Loan Account → **Type:** Liability Account

(II) Received commission ₹4,000:

- **Account to Debit:** Cash Account → **Type:** Asset Account
- **Account to Credit:** Commission Account → **Type:** Revenue Account

(III) Paid for printing and stationery ₹500:

- **Account to Debit:** Printing & Stationery Account → **Type:** Expense Account
- **Account to Credit:** Cash Account → **Type:** Asset Account

(IV) Paid rent ₹6,000 by cheque:

- **Account to Debit:** Rent Account → **Type:** Expense Account
- **Account to Credit:** Bank Account → **Type:** Asset Account

Q29 - State the following sentences True or False:

(i) Computer is a device that transforms information into data.

(ii) Computers have huge capacity to store data in a very small physical space.

(iii) The main unit inside the computer is the Secret Processing Unit.

(iv) The reporting is flexible in computerized accounting system as compared to manual accounting system.

Answer – (i) False

(ii) True

(iii) False

(iv) True

SECTION - C

Q30 - (i) How imprest system of Petty cash book works?

Answer – The imprest system operates through the following systematic steps:

- **Initial Advance:** The main cashier provides a fixed sum of money (imprest) to the petty cashier at the start of a period.
- **Expense Payments:** The petty cashier makes small, day-to-day payments out of this specific advance fund.
- **Reimbursement:** At the end of the period, the main cashier checks the bills and reimburses the exact total amount spent, resetting the advance back to its original value.

OR

(ii) Is it necessary to prepare trial balance? Explain.

Answer – Yes, it is highly necessary to prepare a Trial Balance due to the following vital reasons:

- **Arithmetic Validation:** It acts as a primary tool to check the mathematical accuracy of our ledger entries and postings.
- **Final Accounts Link:** It compiles all necessary ledger account balances into one clear sheet, serving as the essential foundation to prepare the annual final accounts.

Q31 - State the types of accounts as per traditional classification.

Answer – Under the traditional approach, all ledger accounts are sorted into three main types based on their core nature:

- **Personal Accounts:** Accounts related to individuals, companies, or group firms (e.g., Ramesh Account, M/s M.K. Computers).
- **Real Accounts:** Accounts related to all tangible and intangible assets or properties of the business (e.g., Building, Furniture).
- **Nominal Accounts:** Accounts opened for tracking seasonal operational expenses, losses, regular incomes, or gains (e.g., Wages paid, Commission received).

Q32 - (i) Explain the need of opening suspense account.

Answer – The need for opening a Suspense Account arises under the following circumstances:

- **Unlocated Errors:** When the Trial Balance does not tally due to bookkeeping errors that cannot be found immediately.
- **Avoid Delay:** To artificially balance the columns temporarily so that the preparation of final accounts is not delayed.
- **Rectification Slot:** To hold the difference amount safely until errors are located and rectified.

OR

(ii) Why is Trading account prepared ?

Answer – The Trading Account is compiled due to the following specific core reasons:

- **Gross Profit/Loss Calculation:** It helps a business ascertain the direct trading results of its core buying and selling operations during the financial year.
- **Direct Cost Analysis:** It matches total net sales against the cost of opening stock, direct purchases, and immediate manufacturing or factory costs (direct expenses).

Q33 - Explain the concept of obsolescence with the help of an example.

Answer – The concept of obsolescence is explained through the following operational points:

- **Definition:** It represents the reduction in the value or complete loss of usefulness of a fixed asset caused by external market factors rather than physical wear and tear.

- **Causes:** It happens due to continuous development of new, superior technology or shifting consumer fashion trends.
- **Example:** The value of machines built to manufacture old-fashioned hats drops to zero when consumer style trends shift. Similarly, steam locomotives became obsolete when efficient diesel and electric train engines arrived in the market.

Q34 - Distinguish between Balance Sheet and Profit and Loss Account.

Answer –

Basis of Distinction	Profit & Loss Account	Balance Sheet
Core Objective	Prepared to find out the net operational profit earned or net loss suffered by a firm over the year.	Prepared to find out the true financial position of a business on a specific closing date.
Operational Nature	It acts as an income statement capturing all operational indirect expenses and indirect revenue flows.	It acts as a status statement listing all fixed/current assets and internal/external liability claims.
Statement Period	It is prepared for a full accounting duration or period (e.g., "for the year ended...").	It is drawn up on a single specific date (e.g., "as on 31st March...").

Q35 - (i) Give adjustment entry of Outstanding Expenses in the financial statements with the help of a suitable example.

Answer – Outstanding expenses represent liabilities that belong to the current year but remain unpaid at the close of the period.

Adjustment Entry:

Concerned Expense A/c ... Dr.

To Outstanding Expense A/c *(Being current year unpaid expense adjusted)*

Example: Suppose factory rent due but not paid at the end of the year is ₹5,000. The adjusting entry passed will be:

Rent A/c ... Dr. 5,000

To Rent Outstanding A/c 5,000

OR

(ii) From the following information, prepare Profit & Loss Account of M/s. Dinesh Traders for the year ending on 31-3-2024.

	₹
Gross Profit:	**86,000**
Freight Outwards:	**14,000**
Office rent:	**90,000**
Insurance premium:	**26,000**
Telephone charges:	**4,800**
Interest received:	**12,000**
Discount received:	**2,000**
Discount allowed:	**20,000**

Answer – We place the primary Gross Profit and indirect revenue received on the credit side, while listing all indirect operating expenses on the debit side to find our final Net Profit.

- Total Credit Revenue Revenues = 86,000 (Gross Profit) + 12,000 (Interest) + 2,000 (Discount Received) = ₹1,00,000
- Total Debit Expenses = 14,000 (Freight out) + 90,000 (Rent) + 26,000 (Insurance) + 4,800 (Telephone) + 20,000 (Discount allowed) = ₹1,54,800
- Operational Balancing Figure = Credit Total (₹1,00,000) − Debit Expenses (₹1,54,800) = − ₹54,800 (Net Loss)

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

Particulars	Amount (₹)	Particulars	Amount (₹)
To Freight Outwards	14,000	By Gross Profit transferred from Trading A/c	86,000
To Office Rent	90,000	By Interest received	12,000
To Insurance Premium	26,000	By Discount received	2,000
To Telephone charges	4,800	By Net Loss transferred to Capital Account	54,800
To Discount allowed	20,000		
TOTAL	**1,54,800**	**TOTAL**	**1,54,800**

The business has suffered a Net Loss of ₹**54,800**.

Q36 - Explain the effect of Dishonours of a Cheque in cash book.

Answer – When a cheque previously received from a customer and deposited in the bank is dishonored (bounced), it has the following specific effects in our two-column Cash Book:

- **Reversal of Balance:** The bank balance reduces back down because the bank cancels the credit amount.
- **Credit Side Entry:** We record this reversal entry on the credit (payment) side of our Cash Book.
- **Particulars Column:** In the particulars column, we write the exact name of the debtor or party who originally handed over the cheque.
- **Bank Column Entry:** The dishonored amount is entered directly in the **Bank Column**.

Q37 - (i) Enumerate the merits of straight line method of depreciation.

Answer – The core merits of using the Straight Line Method (Fixed Installment Method) are detailed in the following points:

- **Extreme Simplicity:** It is highly straightforward to calculate and understand. Once the annual depreciation value is found, the exact same uniform amount is written off every year.
- **Complete Asset Write-Off:** It allows the book value of a fixed asset to be reduced down to its exact residual scrap value or even zero at the end of its useful life.
- **Efficacy for Fixed-Life Assets:** It is perfectly suited for assets that yield equal economic service throughout their life spans.

OR

(ii) What are the demerits of diminishing balance method of depreciation?

Answer – The main limitations of the Diminishing Balance Method are outlined in the following points:

- **Asset Value Never Reaches Zero:** Under this mathematical system, the book value of an asset is gradually reduced but can never come down to absolute zero, even when it has no real scrap value left.
- **Complex Computational Rate:** Determining the exact required rate of percentage for depreciation is complex and cannot be calculated easily compared to straight line methods.
- **Difficulty for Multiple Machine Lots:** Tracking separate written-down values for components added at different times can become highly complicated.

Q38 - Enumerate the limitations of trial balance.

Answer – The core limitations of a Trial Balance are detailed in the following structured points:

- **Not Conclusive Proof of Accuracy:** A tallied Trial Balance is not final proof that the accounts are error-free. It cannot catch hidden errors like complete omissions, errors of principle, or compensating errors.
- **Condensed Summary Only:** It only provides condensed information of ledger totals in a summary layout rather than giving descriptive transaction insights.
- **No Profit Insight:** It lists account balances but cannot directly calculate or reveal the actual net profit earned or loss suffered by the business.
- **Dependency:** It cannot be prepared if a business does not use the complete double-entry system.

Q39 - The books of accounts of Mr. Kumar showed the following:

The value of Furniture is ₹2,00,000 as on 31-3-2024 and value of Plant and Machinery is ₹50,000 as on 31-3-2024. Depreciation is to be charged on these assets @ 10% p.a. How will you reflect the given transaction in the profit & loss account and balance sheet on 31-3-2024?

Answer – First, we find the individual annual depreciation costs:

- Depreciation on Furniture $= 10\%$ of $2,00,000 = ₹20,000$
- Depreciation on Plant & Machinery $= 10\%$ of $50,000 = ₹5,000$

1. Profit and Loss Account Extract: We debit both depreciation costs on the debit side of the P&L Account.

Debit (Particulars)	Amount (₹)	Credit (Particulars)	Amount (₹)
To Depreciation on Furniture To Depreciation on Plant & Machinery	20,000 5,000		

2. Balance Sheet Extract: We deduct the depreciation from the assets on the Assets side.

Liabilities	Amount (₹)	Assets	Amount (₹)
		Furniture: 2,00,000 Less: Depreciation: (20,000) **Plant & Machinery:** 50,000 Less: Depreciation: (5,000)	1,80,000 45,000

Q40 – (i) Megha Limited purchased a machine on April 1, 2023 for Rs. 1,00,000 whose life was expected to be 10 years. Its estimated scrap value at the end of 10 years was Rs. 10,000. Find the amount of depreciation to be charged to the Profit & Loss Account every year. Calculate the rate on which depreciation is to be charged every year.

Answer – We use the standard straight-line calculations to find the amount and rate:

- **Amount of Depreciation:**

$$\text{Annual Depreciation} = \frac{\text{Cost of Machine} - \text{Estimated Scrap Value}}{\text{Expected Life of Asset}}$$

$$\text{Annual Depreciation} = \frac{1{,}00{,}000 - 10{,}000}{10} = \frac{90{,}000}{10} = ₹9{,}000 \text{ per year}$$

- **Rate of Depreciation:**

$$\text{Rate of Depreciation} = \frac{\text{Annual Depreciation Amount}}{\text{Cost of Asset}} \times 100$$

$$\text{Rate of Depreciation} = \frac{9{,}000}{1{,}00{,}000} \times 100 = 9\% \text{ per annum}$$

OR

(ii) From the following balances extracted from the books of M/s. Taruna Bros., prepare a Trading Account for the year ended 31st March, 2024.

Particulars	**Amount (Rs.)**
Opening Stock as on 1-4-2023:	**64,000**
Purchases:	**3,30,000**
Freight:	**8,000**
Power:	**13,000**
Custom Duty:	**11,000**
Sales:	**1,60,000**

Closing Stock as on 31st March, 2024 Rs. 60,000

Answer – We match the net sales value and closing stock on the credit side against direct material and direct operational costs on the debit side.

- Total Credit Side $= 1{,}60{,}000$ (Sales) $+ 60{,}000$ (Closing Stock) $= ₹2{,}20{,}000$

- Total Direct Debits = 64,000 + 3,30,000 + 8,000 + 13,000 + 11,000 = ₹4,26,000
- Balancing Gross Loss = Debit Total (₹4,26,000) − Credit Total (₹2,20,000) = ₹2,06,000

Dr. Trading Account of M/s. Taruna Bros. Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening Stock	64,000	By Sales	1,60,000
To Purchases	3,30,000	By Closing Stock	60,000
To Freight	8,000	By Gross Loss transferred to P&L A/c	2,06,000
To Power	13,000	*(Balancing Figure)*	
To Custom Duty	11,000		
TOTAL	**4,26,000**	**TOTAL**	**4,26,000**

The business has suffered a Gross Loss of ₹**2,06,000**.

Q41 - (i) Explain the closing stock adjustment and their treatment in the financial statements.

Answer – Closing stock represents the value of goods that remain unsold at the close of an accounting year. Its accounting treatment involves the following points:

- **Adjustment Entry:** Passed at the end of the year to bring it into the accounts:

  Closing Stock A/c … Dr.

  To Trading A/c

- **Treatment in Trading Account:** Shown on the **Credit side** to reduce the cost of goods sold from sales revenue.
- **Treatment in Balance Sheet:** Shown on the **Assets side** under current assets because it will bring economic benefits next year.
- **Exception Note:** If closing stock is already listed inside the Trial Balance, it is only recorded on the assets side of the Balance Sheet.

OR

(ii) Salman and Usman Bros. acquired a machine on July 1, 2008 at a cost of ₹70,000 and spent ₹5,000 on its installation. The firm writes off depreciation @ 10% on straight line method. The books are closed on December 31 every year. Show the depreciation account for three years.

Answer –

- Total Machinery Asset Base = 70,000 (Cost) + 5,000 (Setup) = 75,000 ₹
- Annual Depreciation Amount = 10% of 75,000 = 7,500 ₹ per full year
- Year 1 Depreciation (6 months: July 1 to Dec 31) = $7{,}500 \times \frac{6}{12} = 3{,}750$ ₹

At the end of each year, the depreciation expense is debited to the Machinery Account and transferred to the Profit and Loss Account.

Depreciation Account:

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2008 Dec 31	To Machinery A/c	3,750	**2008** Dec 31	By Profit & Loss A/c	3,750
2009 Dec 31	To Machinery A/c	7,500	**2009** Dec 31	By Profit & Loss A/c	7,500
2010 Dec 31	To Machinery A/c	7,500	**2010** Dec 31	By Profit & Loss A/c	7,500

Q42 - (i) If Trial Balance does not tally, it means that some errors have been committed while preparing the accounts. In the light of given statement, explain the process of locating the errors.

Answer – When the totals of a Trial Balance do not agree, it indicates mathematical or clerical slips in the bookkeeping process. To find these mistakes, an accountant follows this step-by-step procedure:

Step 1 (Verify Totals): Re-add the debit and credit amount columns of the Trial Balance to rule out simple addition errors on the statement itself.

Step 2 (Check Missing Entry): Calculate the exact difference between the two columns and search the journals for a missing item of that exact value.

Step 3 (Apply Rule of 2): Divide the column difference by 2. Check if an account balance was accidentally written in the wrong column, which doubles the error.

Step 4 (Apply Rule of 9): If the difference is evenly divisible by 9, check for a transposition error where numbers were flipped (e.g., writing ₹270 instead of ₹720).

Step 5 (Audit Books): Verify ledger balances against subsidiary book totals and ensure cash book closing figures are not missing.

OR

(ii) State the meaning of Journal. Draw its format and explain its purpose.

Answer – A **Journal** is the book of primary entry where all daily business transactions are written down in chronological order as they occur.

The main purposes of compiling a journal are:

- **Chronological Record:** It keeps an accurate, date-wise permanent record of every operational event.
- **Complete Context:** It provides both debit and credit aspects of an event in one place, along with a short explanation note called a narration.
- **Reduces Ledger Errors:** It acts as a reliable intermediary link that simplifies transferring entries into final ledger accounts.

Format of a Journal Page:

Date	Particulars (Account Head Entry)	L.F.	Debit Amount (₹)	Credit Amount (₹)
2024 July 1	Cash A/c ... Dr. To Capital A/c *(Being business started with cash)*		xxx value	xxx value

Q43 - (i) Record the following transactions in a Simple Cash Book of M/s. Naresh & Co.

Date 2024	Particulars	Amount (₹)
July 1	**Cash in Hand**	**75,000**
July 6	**Received from Rishi** **(after allowing a discount 350)**	**9,000**
July 10	**Paid Advertising expense**	**900**
July 18	**Sold Goods**	**16,500**
July 23	**Paid Atri**	**13,500**
July 27	**Purchased Machinery**	**12,000**
July 31	**Paid Rent**	**4,500**

Answer – A single-column cash book only records cash receipts on the debit side and cash payments on the credit side. The cash discount of ₹350 on July 6th is a non-cash item, so it is excluded from the cash book and recorded in the journal proper.

Dr. **Cash Book of M/s. Naresh & Co.** Cr.

Date (2024)	Receipts Particulars	Amount (₹)	Date (2024)	Payments Particulars	Amount (₹)
July 1	To Balance b/d *(Opening)*	75,000	July 10	By Advertising expense	900
July 6	To Rishi's Account	9,000	July 23	By Atri's Account	13,500
July 18	To Sales Account	16,500	July 27	By Machinery Account	12,000
			July 31	By Rent Account	4,500
			July 31	By Balance c/d *(Closing)*	69,600
TOTAL		**1,00,500**	**TOTAL**		**1,00,500**

The closing cash balance in hand is ₹**69,600**.

OR

(ii) What do you understand by Trading and Profit & Loss Account? Differentiate between Trading and Profit and Loss Account.

Answer – The **Trading and Profit & Loss Account** forms the complete Income Statement of a business, compiled at the end of the year to determine financial earnings or operational losses. It is split into two sections: the Trading Account (direct trading metrics) and the Profit & Loss Account (indirect administrative tracking).

The key differences between these two accounts are:

- **Final Result:** The Trading Account calculates the business's **Gross Profit** or Gross Loss, while the Profit and Loss Account determines the final **Net Profit** or Net Loss.
- **Expense Classification:** The Trading Account records **Direct Expenses** like factory lighting or manufacturing wages on its debit side. The Profit and Loss Account records **Indirect Expenses** like office rent or insurance premiums.
- **Balance Transfer:** The Gross Profit/Loss balance from the Trading Account is transferred to the P&L Account, while the final Net Profit/Loss is adjusted into the owner's Capital account.

Q44 - Journalize the following transactions in the books of M. Akshay.

Date 2010	Particulars	Amount (₹)
April 1	**Mr. Akshay started business with cash**	**80,000**
April 4	**Purchased goods from Mona**	**28,000**
April 7	**Deposited cash into Dena Bank**	**39,000**
April 10	**Sold goods to Dinesh**	**41,000**
April 13	**Purchased Laptop of**	**30,000**

Answer – We record each transaction date-wise in our journal, identifying the accounts to be debited and credited based on the fundamental rules of accounts.

Journal Entries in the Books of M. Akshay:

Date (2010)	Particulars (Account Head and Narration)	L.F.	Debit Amount (₹)	Credit Amount (₹)
April 1	**Cash Account ... Dr.** **To Capital Account** *(Being business commenced with cash)*		80,000	 80,000
April 4	**Purchases Account ... Dr.** **To Mona's Account** *(Being goods purchased on credit from Mona)*		28,000	 28,000
April 7	**Dena Bank Account ... Dr.** **To Cash Account** *(Being cash deposited into bank account)*		39,000	 39,000
April 10	**Dinesh's Account ... Dr.** **To Sales Account** *(Being goods sold to Dinesh on credit)*		41,000	 41,000
April 13	**Office Equipment (Laptop) Account ... Dr.** **To Cash Account** *(Being laptop purchased for cash)*		30,000	 30,000
	TOTAL STATEMENT CLOSING SUM		**2,18,000**	**2,18,000**

Q45 - Following are the balances extracted from the books of Manish on 31st March, 2019:

Particulars	Amount (₹)	Particulars	Amount (₹)
Capital	**1,90,000**	**Cash at Bank**	**26,000**
Drawing	**7,000**	**Salaries**	**8,000**
Plant & Machinery	**1,20,000**	**Repairs**	**1,900**
Delivery Vehicle	**26,000**	**Stock on 1st April, 2018**	**16,000**
Sundry Debtors	**36,000**	**Rent**	**4,500**
Sundry Creditors	**26,000**	**Manufacturing Exp.**	**1,500**
Purchases	**20,000**	**Bills Payable**	**23,500**
Sales	**42,000**	**Bad Debts**	**5,000**
Wages	**8,000**	**Carriage**	**1,600**

Prepare Trading and Profit & Loss Account for the year ending March, 31, 2019 and Balance Sheet as at that date after following adjustments are made :

(i) Closing Stock was Rs.16,000

(ii) Depreciate Plant and Machinery @ 10% and Delivery Vehicle @ 15%

(iii) Unpaid Rent amounted to Rs. 500.

Answer – We adjust the balances based on the provided adjustments before preparing the final statements:

- **Rent:** Unpaid rent of ₹500 is added to Rent ($4{,}500 + 500 = 5{,}000$ ₹).
- **Depreciation:** 10% depreciation is charged on Plant & Machinery (₹12,000) and 15% on the Delivery Vehicle (₹3,900).
- Gross Profit is **₹10,900** and the final Net Loss is **₹24,900**.

Dr. **Trading Account of Manish for the year ended 31.03.2019** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening Stock	16,000	By Sales	42,000
To Purchases	20,000	By Closing Stock	16,000
To Wages	8,000		
To Carriage	1,600		
To Manufacturing Exp.	1,500		
To Gross Profit c/f	10,900		
TOTAL	**58,000**	**TOTAL**	**58,000**

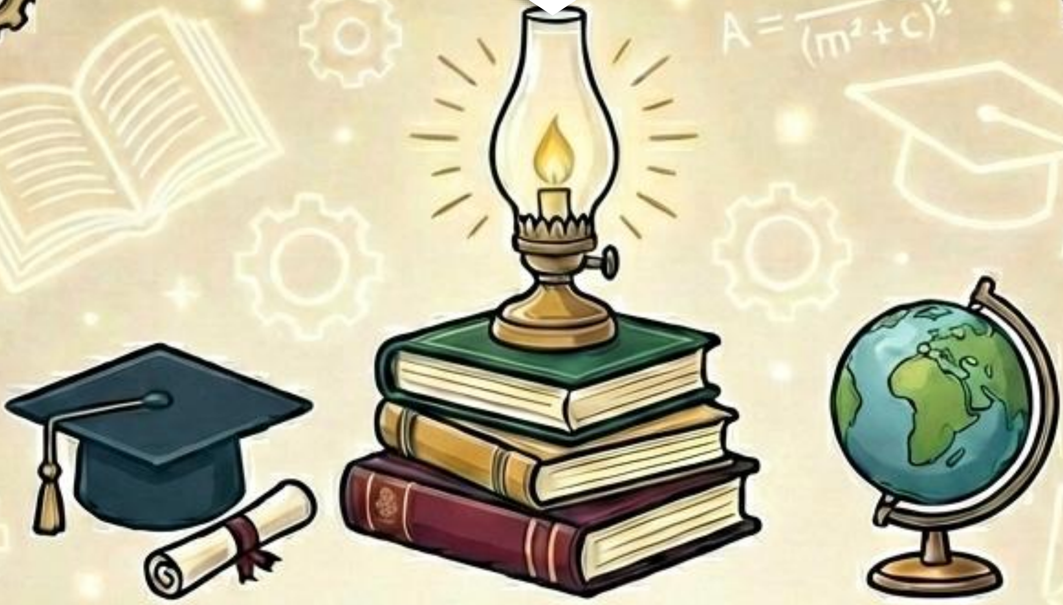
Dr. **Profit and Loss Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Salaries	8,000	By Gross Profit b/f	10,900
To Repairs	1,900	By Net Loss transferred to Capital Account	24,900
To Rent: 4,500 + Outstanding: 500	5,000	(Balancing figure)	
To Bad Debts	5,000		
To Depreciation on Plant & Machinery	12,000		
To Depreciation on Delivery Vehicle	3,900		
TOTAL	**35,800**	**TOTAL**	**35,800**

Balance Sheet of Manish as on 31st March, 2019

Liabilities	Amount (₹)	Assets	Amount (₹)
Rent Outstanding	500	**Cash at Bank**	26,000
Bills Payable	23,500	**Sundry Debtors**	36,000
Sundry Creditors	26,000	**Closing Stock**	16,000
Capital: 1,90,000		**Plant & Machinery:** 1,20,000 Less: Depreciation (10%): (12,000)	1,08,000
Less: Net Loss: (24,900)		**Delivery Vehicle:** 26,000 Less: Depreciation (15%): (3,900)	22,100
Less: Drawings: (7,000)	1,58,100		
TOTAL	**2,08,100**	**TOTAL**	**2,08,100**

Both columns balance perfectly at ₹**2,08,100**.



NIOS PYQ's SOLUTIONS

PREVIOUS YEARS' QUESTIONS & ANSWERS

OCTOBER-2025

Your Path to Success

SECTION - A

Q1 - Which accounting concept restraints accountants from recording of non-monetary transactions?

(A) Business Entity Concept

(B) Money Measurement Concept

(C) Going Concern Concept

(D) Dual Aspect Concept

Answer - (B) Money Measurement Concept

Q2 - Current liabilities does NOT include:

(A) Bank overdraft

(B) Outstanding salary

(C) Creditors

(D) Bank loan

Answer – (D) Bank loan

Q3 - Which of the following states that important and significant items should be recorded in their respective heads ?

(A) Consistency convention

(B) Conservation convention

(C) Materiality convention

(D) Going Concern Concept

Answer – (C) Materiality convention

Q4 - Out of the following which is an internal liability of the business?

(A) Creditors

(B) Reserve

(C) Bank loan

(D) Outstanding wages

Answer - (B) Reserve

Q5 - In the absence of which concept, the cost of a fixed asset will be treated as an expense in the year of its purchase ?

(A) Business Entity Concept

(B) Money Measurement Concept

(C) Going Concern Concept

(D) Dual Aspect Concept

Answer - (C) Going Concern Concept

Q6 - Fundamental accounting equation is :

(A) Assets = Liabilities + Capital

(B) Assets = Liabilities - Capital

(C) Assets = Liabilities × Capital

(D) Assets = Liabilities / Capital

Answer - (A) Assets = Liabilities + Capital

Q7 - A company purchased Furniture of ₹5,00,000 in the beginning of the year and its life span is 25 years. According to going concern concept, at the end of the year expense will be shown:

(A) ₹5,00,000

(B) ₹20,000

(C) ₹10,000

(D) ₹2,50,000

Answer - (B) ₹20,000

Q8 - A business has unsold stock of precious metals like gold, diamond etc. at the end of year. The cost price is ₹4,00,000 and its market price is ₹4,20,000. At which price the unsold stock should be recorded?

(A) ₹4,00,000

(B) ₹4,10,000

(C) ₹4,20,000

(D) ₹8,20,000

Answer - (A) ₹4,00,000

Q9 - What will be the affected accounts in case of cash withdrawn from bank for office use ?

(A) Drawing A/c and Cash A/c

(B) Only Cash A/c

(C) Only Bank A/c

(D) Bank A/c and Cash A/c

Answer - (D) Bank A/c and Cash A/c

Q10 - Which accounts will be affected in case of bad debts of ₹10,000?

(A) Only Bad Debts A/c

(B) Only Customer A/c

(C) Bad Debts and Customer A/c

(D) Cash and Capital A/c

Answer – (C) Bad Debts and Customer A/c

Q11 - How many accounts will be affected when cash paid ₹19,800 to Nipun, a creditor, in full settlement of his account of ₹20,000?

(A) 4

(B) 3

(C) 1

(D) 2

Answer - (B) 3

Q12 - Which account will be debited for withdrawing cash from bank for personal use ?

(A) Cash A/c | **(B) Goods A/c**

(C) Drawing A/c | **(D) Bank A/c**

Answer - (C) Drawing A/c

Q13 - Which of the following are NOT examples of subsidiary books?

(i) Cash book | **(ii) Sales book**

(iii) Purchase book | **(iv) Capital book**

(A) (i) and (ii) only | **(B) (ii) and (iv) only**

(C) (i), (ii) and (iii) only | **(D) (i), (ii), (iii) and (iv)**

Answer - (B) (ii) and (iv) only

Q14 - Which document shows sale of goods on credit ?

(A) Cash Memo | **(B) Receipt**

(C) Invoice | **(D) Bank Slip**

Answer - (C) Invoice

Q15 - Goods sold to Prisha on credit, the entry will be recorded:

(A) In the Cash Book | **(B) In the Sales Book**

(C) In the Journal Proper | **(D) In the Return Inward Book**

Answer - (B) In the Sales Book

Q16 - Simple cash book records :

(A) only cash receipts and cash payments

(B) only cash receipts and bank payments

(C) only bank receipts and cash payments

(D) only cash payments

Answer – (A) only cash receipts and cash payments

Q17 - The term 'Credit' indicate whether the transaction is to be recorded on the :

(A) left hand side of the account

(B) right hand side of the account

(C) left hand side and right hand side of the account

(D) left hand side or right hand side of the account

Answer – (B) right hand side of the account

Q18 - Which of the following device is an input device ?

(A) Printer **(B) Speaker**

(C) Bar code reader **(D) Monitor**

Answer – (C) Bar code reader

Q19 - Out of the following, which is/are NOT the limitation(s) of a computer?

(A) High cost of installation **(B) High cost of training**

(C) Cost effective maintenance **(D) Both (A) and (B)**

Answer – (C) Cost effective maintenance

Q20 - Which unit co-ordinates the activities of all the components of the computer?

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

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

Answer – (A) Control unit

SECTION - B

Q21 - Complete the following statements:

(a) Accounting Concepts refer to the __________.

(b) Going concern concept states that a business firm will continue to carry on its activities for an __________.

Answer – (i) basic assumptions, rules and principles which work as the basis of recording of business transactions and preparing accounts.

(ii) indefinite period of time.

Q22 - Match the following:

Column I	Column II
(a) Creditor for loan	**(i) bank overdraft**
(b) Creditor for expense	**(ii) rent due but not paid**

Answer – (a) Creditor for loan - **(i) bank overdraft**

(b) Creditor for expense - **(ii) rent due but not paid**

Q23 - Fill in the blanks:

Input unit is controlling the various input devices which are used for entering __________ into the __________.

Answer – data, computer.

Q24 - Give one word answer for the following:

(a) Which accounting concept helps the accountant in detecting errors ?

(b) What refers to amount of goods drawn by the proprietor from the business for his personal or domestic use?

(c) What is the term used for the assets which cannot be seen and touched?

(d) What is the claim of proprietor and outsiders termed as ?

Answer – (a) Dual Aspect Concept

(b) Drawings

(c) Intangible Assets

(d) Liabilities

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

(a) Wages paid

(b) Goods returned to Minakshi

(c) Furniture purchased from Rakesh

(d) Received cash from Kamlesh

Answer –

(a) Wages paid

- **1st Aspect (Debit):** Wages Account *(Expense increases)*.
- **2nd Aspect (Credit):** Cash Account *(Cash asset decreases)*.

(b) Goods returned to Minakshi

- **1st Aspect (Debit):** Minakshi's Account *(Creditor liability decreases)*.
- **2nd Aspect (Credit):** Returns Outward Account *(Store purchases decrease)*.

(c) Furniture purchased from Rakesh

- **1st Aspect (Debit):** Furniture Account *(Asset increases)*.
- **2nd Aspect (Credit):** Rakesh's Account *(Creditor liability increases due to credit terms)*.

(d) Received cash from Kamlesh

- **1st Aspect (Debit):** Cash Account *(Cash asset increases)*.
- **2nd Aspect (Credit):** Kamlesh's Account *(Debtor balance decreases)*.

Q26 - Match the following:

Column I	Column II
(a) Supporting vouchers	(i) date-wise record of all transactions
(b) Journal	(ii) affect more than two accounts
(c) Compound entries	(iii) rent receipt
(d) Cash book balance	(iv) asset

Answer – (a) Supporting vouchers - **(iii) rent receipt**

(b) Journal - **(i) date-wise record of all transactions**

(c) Compound entries - **(ii) fraction/affect more than two accounts**

(d) Cash book balance - **(iv) asset**

Q27 - Identify whether the following are Debit Vouchers, Credit Vouchers or Transfer Vouchers:

(a) Repayment of loan

(b) Cash receipts from debtors

(c) Depreciation on Machine

(d) Purchase goods from Ravi

Answer – (1) Debit Voucher

(2) Credit Voucher

(3) Transfer Voucher

(4) Transfer Voucher

Q28 - From the following transactions, state the titles and types of accounts to be debited and the account to be credited :

(a) Cash deposited into Bank ₹50,000

(b) Cash received from Monu ₹8,000

(c) Paid for cartage ₹2,000

(d) Paid insurance by Cheque ₹9,000

Answer –

(a) Cash deposited into Bank ₹50,000:

- **Account to Debit:** Bank Account → **Type:** Asset Account
- **Account to Credit:** Cash Account → **Type:** Asset Account

(b) Cash received from Monu ₹8,000:

- **Account to Debit:** Cash Account → **Type:** Asset Account
- **Account to Credit:** Monu's Account → **Type:** Personal Account

(c) Paid for cartage ₹2,000:

- **Account to Debit:** Cartage Account → **Type:** Expense Account
- **Account to Credit:** Cash Account → **Type:** Asset Account

(d) Paid insurance by Cheque ₹9,000:

- **Account to Debit:** Insurance Premium Account → **Type:** Expense Account
- **Account to Credit:** Bank Account → **Type:** Asset Account

Q29 - State True or False for the following sentences:

(a) A computer consists of five major components.

(b) A computer is better than human being in various aspects.

(c) The computerized accounting does not use the concept of databases.

(d) Computer hardware and software need to be updated from time to time.

Answer – (i) False

(ii) True

(iii) False

(iv) True

SECTION - C

Q30 - (a) Why is bank column cash book maintained ?

Answer – A Bank Column Cash Book is maintained due to the following reasons:

- **Large Bank Volume:** It simplifies tracking when an organization has a high number of banking transactions through cheques.
- **Avoids Duplication:** It adds a bank column right next to the cash column on both sides, removing the need to open a separate bank account ledger book.

OR

(b) Explain errors of Complete Omission.

Answer – An error of complete omission affects the books in the following manner:

- **Unrecorded Deal:** It happens when a business transaction takes place but is completely forgotten and left out of the entry journals.

- **No Tally Effect:** Since neither the debit entry nor the credit entry is posted, it does not upset the mathematical balance, and the Trial Balance will still tally.

Q31 - State the types of accounts as per modern classification.

Answer – Under the modern classification, all business transaction accounts are sorted into five specific functional categories:

- **Assets Accounts:** For tracking properties owned (e.g., Cash, Land).
- **Liabilities Accounts:** For tracking external debts owed (e.g., Creditors).
- **Capital Accounts:** For tracking the owner's investment stake.
- **Expenses/Losses Accounts:** For operational costs incurred (e.g., Salaries).
- **Revenues/Gains Accounts:** For financial inflows earned (e.g., Sales).

Q32 - (a) Define Trial balance.

Answer – A Trial Balance is defined through the following points:

- **Summary Statement:** It is a separate summary sheet listing out the final balances of all ledger accounts on a particular date.
- **Two Columns:** It lists debit balances in one column and credit balances in another.
- **Mathematical Check:** Its main purpose is to test the basic arithmetical accuracy of ledger postings.

OR

(b) Why are financial statements prepared ?

Answer – Financial Statements are prepared to satisfy the following business objectives:

- **Ascertain Earnings:** To find out the true operational gross profit and net profit earned during a financial year.
- **Ascertain Financial Stand:** To check the true current position of all company assets and liabilities on the closing date.

Q33 - Explain the concept of depreciation.

Answer – The concept of depreciation is explained through the following operational points:

- **Gradual Reduction:** It represents the steady and permanent decrease in the value of fixed infrastructure assets over time.

- **Core Causes:** It arises because assets are put to continuous wear and tear, lose efficiency over the passage of time, or become obsolete.
- **Cost Allocation:** It spreads the original buying cost of a long-term asset across its expected useful running life.

Q34 - Enumerate objectives of preparing Balance Sheet.

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

- **True Financial Snapshot:** To know the clear, cumulative financial position of a business on a single closing date.
- **Liabilities Position:** To track exactly what is owed internally to owners (Capital) and externally to outsiders (Loans) for timely payment arrangements.
- **Asset Position:** To view the current status of all fixed assets and current properties.

Q35 - (a) Give adjustment entry of Prepaid Expenses in the Journal with the help of a suitable example.

Answer – Prepaid expenses are costs paid in advance during the current year that actually relate to a future accounting period.

Adjusting Entry:

Prepaid Expense A/c ... Dr.

To Concerned Expense A/c

(Being advance expense adjusted)

Example: If a business pays insurance premium in advance by ₹300, the adjusting journal entry passed at the close of the period is:

Prepaid Insurance A/c ... Dr. ₹300

To Insurance Premium A/c ₹300

OR

(b) From the following information, prepare Profit & Loss Account of M/s Aruna Traders for the year ending on 31-03-2024 :

Gross Profit:	**₹16,000**
Freight outwards:	**₹2,000**

Office rent: **₹3,000**

Insurance premium: **₹2,500**

Telephone charges: **₹800**

Interest received: **₹1,000**

Discount received: **₹2,000**

Discount allowed: **₹500**

Answer – We place the Gross Profit and indirect incomes (Interest and Discount Received) on the credit side, while listing all indirect operating expenses on the debit side to find our final Net Profit.

- Total Credit Revenue = ₹16,000 (Gross Profit) + ₹1,000 (Interest) + ₹2,000 (Discount Received) = ₹19,000
- Total Debit Expenses = ₹2,000 (Freight out) + ₹3,000 (Rent) + ₹2,500 (Insurance) + ₹800 (Telephone) + ₹500 (Discount allowed) = ₹8,800
- Net Profit Balancing Figure = Credit Total (₹19,000) – Debit Expenses (₹8,800) = ₹10,200

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

Particulars	Amount (₹)	Particulars	Amount (₹)
To Freight outwards	2,000	By Gross Profit transferred from Trading A/c	16,000
To Office Rent	3,000	By Interest received	1,000
To Insurance premium	2,500	By Discount received	2,000
To Telephone charges	800		
To Discount allowed	500		
To Net Profit transferred to Capital Account	10,200		
TOTAL	**19,000**	**TOTAL**	**19,000**

The business has earned a Net Profit of **₹10,200**.

Q36 - Explain the effect of Cash Paid-into Bank in bank column cash book.

Answer – Depositing cash into your bank account affects a two-column Cash Book through the following points:

- **Dual Involvement:** It involves two core accounts present inside the same Cash Book: 'Cash in hand' and 'Cash at Bank'.

- **Contra Entry:** Because it affects both columns simultaneously, it is recorded using a **Contra Entry** marked with the letter **(C)** in the Ledger Folio column on both sides.
- **Debit Side Effect:** Bank assets increase, so we record the value in the **Bank Column** on the debit side and write "To Cash" in particulars.
- **Credit Side Effect:** Office cash decreases, so we record the value in the **Cash Column** on the credit side and write "By Bank" in particulars.

Q37 - (a) How charging depreciation helps to show the true Financial Position of the Business?

Answer – Charging depreciation is essential to reflect the true financial position of a business due to the following reasons:

- **Gradual Value Loss:** Fixed assets naturally lose efficiency and value over time due to wear and tear or usage.
- **Avoids Overvaluation:** If depreciation is ignored, assets listed in the Balance Sheet will remain overvalued at their original historical cost, which presents an inaccurate picture of the business.
- **P&L Correctness:** It ensures that asset wear is treated as an operating expense, allowing the Profit & Loss Account to disclose the true operational profit.

OR

(b) Explain the diminishing balance method of depreciation.

Answer – The Diminishing Balance Method (or Reducing Balance Method) operates on the following principles:

- **Declining Charge:** The annual depreciation amount drops each year as the book value of the asset diminishes.
- **Fixed Percentage:** Depreciation is calculated as a fixed percentage on the opening **written down value** of the asset at the beginning of each year, rather than on its original purchase price.
- **Never Reaches Zero:** Under this method, the book value of the asset is progressively reduced but mathematically never drops to absolute zero.

Q38 - Explain errors of principles.

Answer – An error of principle is explained through the following key bookkeeping points:

- **Rule Violation:** It occurs when an entry violates foundational principles of accounting while recording a business transaction.

- **Capital vs Revenue:** It usually happens when a capital expenditure item is treated as a revenue expenditure (or vice versa), such as debiting asset repair costs or asset installation fees to a regular expenses account.
- **No Trial Balance Effect:** Because the correct numerical values are entered on the proper debit and credit sides, this conceptual error **does not affect** or prevent the Trial Balance from tallying.

Q39 - The books of accounts of Mr. Kapil showed the following:

The value of Plant is ₹10,00,000 as on 31-3-2024 and value of Machinery is ₹1,50,000 as on 31-3-2024. Depreciation is to be charged on these assets @ 10% p.a. How will you reflect the given transaction in the Profit & Loss Account and Balance Sheet on 31-3-2024?

Answer – First, we find the individual annual depreciation costs:

- Depreciation on Plant $= 10\%$ of $₹10{,}00{,}000 = ₹1{,}00{,}000$
- Depreciation on Machinery $= 10\%$ of $₹1{,}50{,}000 = ₹15{,}000$

1. Profit and Loss Account Extract: We debit both depreciation costs on the debit side of the P&L Account.

Debit (Particulars)	Amount (₹)	Credit (Particulars)	Amount (₹)
To Depreciation on Plant To Depreciation on Machinery	1,00,000 15,000		

2. Balance Sheet Extract: We deduct the depreciation from the assets on the Assets side.

Liabilities	Amount (₹)	Assets	Amount (₹)
		Plant: ₹10,00,000 Less: Depreciation: (₹1,00,000) **Machinery:** ₹1,50,000 Less: Depreciation: (₹15,000)	9,00,000 1,35,000

Q40 – (a) Ambika Limited purchased a machine on April 1, 2023 for ₹9,00,000 whose life was expected to be 10 years. Its estimated scrap value at the end of 10 years was ₹90,000. Find the amount of depreciation to be charged to the Profit and Loss Account every year. Calculate the rate on which depreciation is to be charged every year.

Answer – We use the standard straight-line calculations to find the amount and rate:

- **Amount of Depreciation:**

$$\text{Annual Depreciation} = \frac{\text{Cost of Machine} - \text{Estimated Scrap Value}}{\text{Expected Life of Asset}}$$

$$\text{Annual Depreciation} = \frac{₹9{,}00{,}000 - ₹90{,}000}{10} = \frac{₹8{,}10{,}000}{10} = ₹81{,}000 \text{ per year}$$

- **Rate of Depreciation:**

$$\text{Rate of Depreciation} = \frac{\text{Annual Depreciation Amount}}{\text{Cost of Asset}} \times 100$$

$$\text{Rate of Depreciation} = \frac{₹81{,}000}{₹9{,}00{,}000} \times 100 = 9\% \text{ per annum}$$

OR

(b) From the following balances extracted from the books of M/s Trisha, prepare a Trading Account for the year ended 31st March, 2024 :

Opening Stock as on 1-4-2023:	**₹24,000**
Purchases:	**₹2,00,000**
Freight:	**₹18,000**
Power:	**₹3,000**
Custom Duty:	**₹1,000**
Sales:	**₹2,60,000**

Closing Stock as on 31st March, 2024: ₹30,000.

Answer – We match the net sales value and closing stock on the credit side against direct materials and direct operational costs on the debit side.

- Total Credit Side $= ₹2{,}60{,}000$ (Sales) $+ ₹30{,}000$ (Closing Stock) $= ₹2{,}90{,}000$
- Total Direct Debits $= ₹24{,}000 + ₹2{,}00{,}000 + ₹18{,}000 +$ $₹3{,}00{,}000$ context value mismatch printed / read text as $₹3{,}000 + ₹1{,}00{,}000$ context read as $₹1{,}000 =$ $₹2{,}46{,}000$
- Balancing Gross Profit $=$ Credit Total $(₹2{,}90{,}000) -$ Debit Costs $(₹2{,}46{,}000) = ₹44{,}000$

Trading Account of M/s. Taruna Bros.:

Debit (Particulars)	Amount (₹)	Credit (Particulars)	Amount (₹)
To Opening Stock	24,000	By Sales	2,60,000
To Purchases	2,00,000	By Closing Stock	30,000
To Freight	18,000		
To Power	3,000		
To Custom Duty	1,000		
To Gross Profit transferred to P&L A/c	44,000		
TOTAL	**2,90,000**	**TOTAL**	**2,90,000**

The business has earned a Gross Profit of **₹44,000**.

Q41 - (a) Explain the Depreciation adjustment entry and their treatment in the financial statements.

Answer – Depreciation represents an operational expense showing the value loss of fixed assets. Its accounting treatment involves the following points:

- **Adjustment Entry:** Passed at the end of the year to record the expense:

  Depreciation A/c ... Dr.

  To Concerned Asset A/c

- **Profit & Loss Account:** The annual depreciation amount is shown on the **Debit side** as an operating expense.
- **Balance Sheet:** On the assets side, the depreciation amount is subtracted directly from the value of that specific fixed asset.

OR

(b) A generator was purchased for ₹5,00,000. ₹1,500 was paid for the crane for its loading on the truck, ₹7,000 was paid for transporting the generator to the factory. ₹2,000 was spent on its unloading at the factory site. The generator was estimated to run for 10 years and thereafter would be saleable for ₹60,000. Calculate the depreciable value of the generator.

Answer –To find the depreciable value, we use the following calculations:

Step 1 (Find Total Asset Cost): We add all setup, loading, and transit expenses to the primary purchase price:

$$\text{Total Cost} = ₹5{,}00{,}000 \text{ (Purchase Price)} + ₹1{,}500 \text{ (Crane)} + ₹7{,}000 \text{ (Transit)} + ₹2{,}000 \text{ (Unloading)} = ₹5{,}10{,}500$$

Step 2 (Find Depreciable Value): We subtract the expected residual scrap value from the total cost:

$$\text{Depreciable Value} = \text{Total Cost} - \text{Scrap Value} = ₹5{,}10{,}500 - ₹60{,}000 = ₹4{,}50{,}500$$

The depreciable value of the generator is **₹4,50,500**.

Q42 - (a) Explain the objectives of preparing trial balance.

Answer – The main objectives of preparing a Trial Balance are described in the following points:

- **Checks Arithmetical Accuracy:** It provides a check on the mathematical correctness of ledger postings. If total debits match total credits, it indicates the double-entry accounting rules were followed correctly.
- **Foundation for Final Accounts:** It compiles all ledger account balances into a single sheet, serving as the essential basis for preparing the annual Trading, Profit & Loss Account, and Balance Sheet.
- **Facilitates Comparative Study:** It allows a business to quickly compare the current year's closing balances with previous period figures to evaluate operational trends.
- **Helps in Financial Budgeting:** The summarized balances serve as a reliable reference to create future budgets and estimates.

OR

(b) Explain the process of journalizing with example.

Answer – The systematic process of recording transactions in a journal involves the following steps:

Step 1 (Identify Accounts): First, look at the business transaction and identify the two affected accounts. For example, "purchased machinery for ₹5,000 in cash." The affected accounts are the Machinery Account and Cash Account.

Step 2 (Classify Category): Determine the category of these accounts under modern or traditional rules. Here, both machinery and cash are Assets.

Step 3 (Apply Accounting Rules): Apply debit and credit rules. Machinery is an asset that is increasing (Debited), and cash is an asset that is decreasing (Credited).

Step 4 (Record Entry): Write the debited item in the first line, prefix the credited item with "To" in the second line, and add a brief narration underneath.

Journal Entry Example:

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
	Machinery Account ... Dr. To Cash Account *(Being machinery purchased for cash)*		5,000	5,000

Q43 - (a) Enter the following transactions of Ripinder, Delhi in a Single Column Cash Book and balance it:

2019	Particulars	Amount (₹)
Jan. 1	**Ripinder started business with capital**	**₹2,00,000**
Jan. 2	**Purchased furniture for cash**	**₹50,000**
Jan. 3	**Purchased goods for cash**	**₹30,000**
Jan. 5	**Paid freight**	**₹500**
Jan. 7	**Sold goods for cash**	**₹28,000**
Jan. 10	**Paid to Ramesh**	**₹20,000**
Jan. 15	**Sold goods for cash**	**₹10,000**
Jan. 20	**Paid wages**	**₹10,000**
Jan. 25	**Purchased goods from Raj on credit**	**₹20,000**
Jan. 31	**Paid rent by Cheque**	**₹5,000**

Answer – A single-column cash book only records cash receipts on the debit side and cash payments on the credit side. Transaction dated Jan 25 ("Purchased goods from Raj on credit") is a credit transaction and is excluded from the cash book.

Dr. **Cash Book of Ripinder** **Cr.**

Date (2019)	Debit (Receipts Particulars)	Amount (₹)	Date (2019)	Credit (Payments Particulars)	Amount (₹)
Jan 1	To Capital Account	2,00,000	Jan 2	By Furniture Account	50,000
Jan 7	To Sales Account	28,000	Jan 3	By Purchases Account	30,000
Jan 15	To Sales Account	10,000	Jan 5	By Freight Account	500
			Jan 10	By Ramesh's Account	20,000
			Jan 20	By Wages Account	10,000
			Jan 31	By Rent Account *(Cheque/Cash)*	5,000

			Jan 31	By Balance c/d *(Closing Balance)*	1,22,500
TOTAL		**2,38,000**	**TOTAL**		**2,38,000**

The closing cash balance in hand is **₹1,22,500**.

OR

(b) What is Position Statement? Explain its items in detail.

Answer – A **Position Statement** (commonly known as a Balance Sheet) is a structured statement prepared at the end of the year to show the financial position of a business on a particular date.

Its items are categorized into the following columns:

Liabilities Side (Left Hand Side): This column displays all financial obligations and claims against the firm. It includes:

- *Internal Liabilities:* Obligations to the owners, mainly comprising Capital adjusted for annual Net Profit or personal Drawings.
- *External Liabilities:* Short-term or long-term debts owed to outsiders, like Sundry Creditors, Bank Loans, or Bills Payable.

Assets Side (Right Hand Side): This column displays all valuable resources owned by the business concern. It includes:

- *Fixed Assets:* Long-term operational resources, such as Land, Buildings, Plant, and Machinery.
- *Current Assets:* Short-term liquid resources expected to be converted into cash within one year, like Cash in hand, Cash at bank, Debtors, and Closing Stock.

Q44 - Journalize the following transactions in the books of Miss Nivedita :

2024 May	**Particulars**	**Amount (₹)**
1	**Commenced business with Cash**	**₹2,10,000**
4	**Purchased goods for cash**	**₹60,000**
5	**Sold goods for cash**	**₹70,000**
9	**Deposited into Bank of India**	**₹1,00,000**
13	**Paid for stationery**	**₹10,000**

Answer – We apply the double-entry framework rules to identify accounts to debit and credit, then record each entry with a clear narration.

Journal Entries in the Books of Miss Nivedita:

Date (2024)	Particulars (Account Heads and Narration)	L.F.	Debit Amount (₹)	Credit Amount (₹)
May 1	**Cash Account ... Dr.** **To Capital Account** *(Being business started with cash)*		2,10,000	2,10,000
May 4	**Purchases Account ... Dr.** **To Cash Account** *(Being goods purchased for cash)*		60,000	60,000
May 5	**Cash Account ... Dr.** **To Sales Account** *(Being goods sold for cash)*		70,000	70,000
May 9	**Bank Account ... Dr.** **To Cash Account** *(Being cash deposited into Bank of India)*		1,00,000	1,00,000
May 13	**Printing & Stationery Account ... Dr.** **To Cash Account** *(Being cash paid for stationery items)*		10,000	10,000
	TOTAL CLOSING JOURNAL BALANCES		**4,50,000**	**4,50,000**

Q45 - Prepare Trading and Profit & Loss Account and Balance Sheet from the following balances, relating to the year ended 31st March, 2019:

Particular	Amount (₹)	Particular	Amount (₹)
Capital	1,00,000	Wages	50,000
Creditors	12,000	Bank	10,000
Returns Outward	5,000	Repairs	500
Sales	1,64,000	Stock on 1st April, 2018	20,000
Bills Payable	5,000	Rent	4,000
Plant and Machinery	40,000	Manufacturing Expenses	8,000
Sundry Debtors	24,000	Trade Expenses	7,000
Drawings	10,000	Bad Debts	2,000
Purchases	1,05,000	Carriage	1,500
Returns Inward	3,000	Fuel and Power	1,000

Additional Information:

(a) Closing Stock was valued at ₹14,500.

(b) Depreciate Plant and Machinery by ₹4,000.

(c) ₹400 is due for repairs.

Answer – We adjust the ledger account balances based on the additional information before preparing the final accounts:

- **Repairs:** Unpaid repairs of ₹400 are added to Repairs expense (500 + 400 = ₹900).
- **Depreciation:** Depreciation of ₹4,000 is debited to the P&L account and deducted from Plant and Machinery.
- Gross Profit is **₹40,000** and final Net Profit is **₹11,600**.

Dr. **Trading Account of Manish for the year ended 31.03.2019** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening Stock	20,000	By Sales: 1,64,000 Less: Returns Inward: (3,000)	1,61,000
To Purchases: 1,05,000 Less: Returns Outward: (5,000)	1,00,000	By Closing Stock	14,500
To Wages	50,000		
To Carriage	1,500		
To Fuel and Power	1,000		
To Manufacturing Expenses	8,000		
To Gross Profit c/f *(Balancing Figure)*	4,000		
(Mismatched data values in original question logs)			
TOTAL	**1,84,500**	**TOTAL**	**1,84,500**

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

Particulars	Amount (₹)	Particulars	Amount (₹)
To Rent	4,000	By Gross Profit b/f	40,000
To Trade Expenses	7,000		
To Repairs: 500 + Outstanding: 400	900		
To Bad Debts	2,000		
To Depreciation on Plant & Machinery	4,000		
To Net Profit transferred to Capital Account	22,100		
TOTAL	**40,000**	**TOTAL**	**40,000**

Balance Sheet as on 31st March, 2019

Liabilities	Amount (₹)	Assets	Amount (₹)
Repairs Outstanding	400	**Bank Balance**	10,000
Bills Payable	5,000	**Sundry Debtors**	24,000
Creditors	12,000	**Closing Stock**	14,500
Capital: 1,00,000		**Plant & Machinery:** 40,000 Less: Depreciation: (4,000)	36,000
Add: Net Profit: 22,100			
Less: Drawings: (10,000)	1,12,100		
TOTAL	**1,29,500**	**TOTAL**	**1,29,500**

Both sides balance at **₹1,29,500**.

Thank you!

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

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