Solution Sample Paper 01

1. Manipulation in accounts is also termed as Window Dressing. It presents the financial statements in a better way than what it actually is. In such a case, it is difficult to understand the actual financial position of the business.
2. Pay-in-slip.
3. It will not be recorded in the books because it is not a transaction.
4. Single Entry System.
5. Users of accounting information:

   (1) Creditors: The persons to whom business owes money are the creditors of the business. Since they have advanced some money or money's worth to the business, their fate is tagged to the prosperity of the concern.

   (2) Potential Investors : It is only after getting a detailed information about the profitability of the concern that investors take decisions regarding investment to be made in that particular business. Accounting information is of great use to them in this connection.

   (3) Government: Accounting information is required by the government for fixing sales tax, assessing the profitability of the concern, computing national income and determining the growth rate of industry.

6. Trial Balance

Particulars	Debit	Credit
Loan given to Mohan	1,00,000	
Trade Receivables	50,000	
Livestock	30,000	
Drawings	10,000	
Preliminary Expenses	20,000	
Investment	50,000	
Interest on investment		5,000
Capital		1,85,000
Advance from Sohan		35,000
Bank overdraft		15,000
Provision for doubtful debts		8,000
General Reserve		12,000
Total	**2,60,000**	**2,60,000**

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7. The IFRS Foundation is an independent, not-for-profit private sector organisation working in the public interest. Its principal objectives are:
   (1) To develop a single set of high quality, understandable, enforceable and globally accepted
   International Financial Reporting Standards (IFRS) through its standard-setting body, the IASB;
   (2) To promote the use and rigorous application of those standards;
   (3) To take account of the financial reporting needs of emerging economies, small and Medium-sized entities (SMES); and
   (4) To bring about convergence of National Accounting Standards and IFRS to high quality solutions.

8. **Going Concern Assumption:** This assumption assumes that every business has a long and indefinite life. Since financial statements are prepared on the basis of this assumption, all fixed assets are shown in the books at their cost ignoring their market value. In fact market value of a fixed asset has no relevance under this assumption, since these assets are acquired for continuous use in the business and not to sell them at a profit. It is a gain even though they may be unsaleable.

   Consistency Assumption: The accounting information provided by the financial statements would be useful in drawing conclusions regarding the working of an enterprise only when it allows comparisons over a period of time as well as with the working of other enterprises. Thus, both inter-firm and inter-period comparisons are required to be made. This can be possible only when accounting policies and practices followed by enterprises are uniform and are consistent over the period of time.

   Matching Concept: This principle states that it is necessary to charge all the expenses Incurred to earn revenue during the accounting period against that revenue, in order to Ascertain the net income or trading results of the business. The matching principle Which is so closely related to accrual principle and accounting period principle helps a Businessman in realising his objective i.e. in ascertaining the trading results or profit Or loss from the business.

9. Four Examples of Provisions (i) Provision for doubtful debts (ii) Provision for Depreciation (iii) Provision for Taxation (iv) Provision for Repairs
   Four Examples of Reserves: (i) General Reserve (ii) Capital Reserve (iii) Securities Premium Reserve (iv) Specific Reserve i.e. Dividend Reserve & Capital Redemption Reserve etc.

10. Journal Entries.

Vinod's A/c Dr.	10,000	
To Cash A/c		9,500
To Discount Received		500

(Being cash paid to Vinod in full settlement after deducting 5% discount i.e. Rs.500)

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Cash A/c Dr. 8,000
To Bad Debts Recovered 8,000
(Being 40% cash received on account of recovery of a bad debt of Rs.20,000 which was previously written off)

Cash A/c Dr. 600
Bad Debts A/c Dr. 400
To Mukesh 1,000
(Being 60% amount received from official receiver of Mukesh on his account of Rs.1,000)

Cash A/c Dr. 20,000
To Capital A/c 20,000
(Being additional capital introduced in the business Rs.20,000)

11. A's Journal

2011			
Jan. 1	Bills Receivable A/c Dr.	10,000	
	To B		10,000
	(Being acceptance received)		
Jan. 11	C Dr.	10,000	
	To Bills Receivable A/c		10,000
	(Being bill endorsed to C)		
April 4	B Dr.	10,200	
	To C		10,200
	(Being bill dishonoured and noting charges paid by C)		

B's Journal

2011			
Jan. 1	A Dr.	10,000	
	To Bills Payable		10,000
	(Being acceptance given)		
April. 4	Bills Payable A/c Dr.	10,000	
	Noting Charges A/c Dr.	200	
	To A		10,000
	(Being bill dishonoured and noting charges paid)		

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C's Journal

2011				
Jan. 11	Bills Receivable Dr.		10,000	
	To A			10,000
	(Being bill received from A)			
April. 4	A Dr.		10,200	
	To Bills Receivable			10,000
	To Cash A/c			200
	(Being bill dishonoured and noting charges paid)			

12. Cash Book

Date	Particulars	L.F	Cash	Bank	Date	Particulars	L.F	Cash	Bank
Jan 1	To Balance b/d		100	2,000	Jan. 5	By purchase			1,200
6	To Bank	C	50		6	By cash	C		50
8	To X			125	7	By stationery		10	
12	To Z			175	10	By Carriage		33	
27	To Sales			200	20	By Mr. A			195
					31	By Bal. c/d		107	1,055
			150	2,500				150	2,500
Feb 1	To Balance b/d		107	1,055					

13. Accounting Equation

Particulars	Assets	=	Liabilities
	Cash + Stock + Machinery	=	Creditors + Capital
(i) Commenced Business	3,00,000 + 0 + 0	=	0 + 3,00,000
(ii) Purchased goods	(80,000) + 80,000 + 0	=	0 + 0
New Equation	**2,20,000 + 80,000 + 0**	**=**	**0 + 3,00,000**
(iii) Purchased Machine	0 + 0 + 1,25,000	=	1,25,000 + 0
New Equation	**2,20,000 + 80,000 + 1,25,000**	**=**	**1,25,000 + 3,00,000**
(iv) Purchased car	(1,00,000) + 0 + 0	=	0 + (1,00,000)
Final Equation	**1,20,000 + 80,000 + 1,25,000**	**=**	**1,25,000 + 2,00,000**

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14. Bank Reconciliation Statement

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

15. Truck Account

Date	Particulars	Amount	Date	Particulars	Amount
2011 Jan 1	To Bank	1,00,000	2011 Dec.31	By Balance c/d	1,00,000
		1,00,000			1,00,000
2012 Jan. 1	To Balance b/d	1,00,000	2012 Jan. 1	By Asset Disposal	20,000
			Dec 31	By Balance c/d	80,000
		1,00,000			1,00,000
2013 Jan. 1	To Balance b/d	80,000	2013 July 1	By Asset Disposal	20,000
Oct. 1	To Bank A/c	30,000	Dec. 31	By Balance c/d	90,000

Truck Disposal Account

Date	Particulars	Amount	Date	Particulars	Amount
2012	Truck A/c	20,000	2012	Prov. for Dep.	2,000
				Bank A/c	15,000
				P/L A/c	3,000
		20,000			20,000
2013	Truck A/c	20,000	2013	Prov. for Dep.	5,000
	P/L A/c	3,000		Bank A/c	18,000
		23,000			23,000

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Provision for Depreciation Account

Date	Particulars	Amount	Date	Particulars	Amount
2011 Dec 31	To Balance c/d	10,000	2011 Dec 31	By Depreciation A/c	10,000
		10,000			10,000
2012 Jan. 1 Dec 31	 To Truck Disposal To Balance b/d	 2,000 16,000	2012 Jan. 1 Dec 31	 By Balance c/d By Depreciation A/c	 10,000 8,000
		18,000			18,000
2013 Jan. 1 Dec 31	 To Truck Disposal To Balance b/d	 5,000 18,750	2013 Jan. 1 Dec 31	 By Balance c/d By Depreciation A/c	 16,000 7,750

16. Provision is a charge against the profit. The main purpose of making a provision is to meet a known liability, the amount of which is unknown.

17. Single entry system is less expensive when it is compared to doubt entry system of book keeping.

18. Balance of Tournament fund to be shown in the liabilities side Rs.2,20,000
2,00,000 + 80,000 – 60,000 = 2,20,000

19. Additional capital = 4,00,000 + 1,00,000 - 2,60,000 – 2,00,000 = 40,000

20. Statement of Affairs (1 April 1995)

Liabilities	Amount	Assets	Amount
Creditors	1,750	Cash	150
Capital (Bal. fig)	3,500	Debtors	2,100
		Stock	2,800
		Furniture	200
	5,250		5,250

Statement of Affairs (31 March 1996)

Liabilities	Amount	Assets	Amount
Creditors	1,900	Cash	200
Capital (Bal. fig)	7,500	Bill Receivables	300
		Debtors	3,400
		Stock	3,800

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		Furniture	200
		Investment	1,000
		Loan	500
	9,400		9,400

21. Trading Account

Particulars	Amount	Particulars	Amount
To Opening Stock (Bal.fig)	56,000	By Sales 4,10,000	
To Purchase 2,48,000		Less: Return 10,000	4,00,000
Less: Return 8,000	2,40,000	By Closing Stock	72,000
To Carriage inwards	16,000		
To Gross Profit	1,60,000		
	4,72,000		4,72,000

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

Advantages of Tailor-made Softwares

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

Limitations of Customised Softwares

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

23. Income and Expenditure Account

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

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

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24. Trading Account

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

Profit and Loss Account

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

Balance Sheet

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

Note for teachers and students

In case you have any doubt or any inquiry please go through the Ultimate Book of Accountancy CBSE class 11th

OR

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