

ACCOUNTING SYSTEM

[Time: 3.00 Hrs.]

[ Marks: 80 ]

**N.B. (1) Q.1 is Compulsory**

**(2) Attempt any THREE questions from the Q. No.2 to Q. No.5**

**1. (A) Multiple Choice Questions.**

**(10)**

1. Economic events that effect the financial position of a business are called \_\_\_\_\_.  
a) Separate Entity    b) Business Transactions    c) Money Measures    d) Financial Actions
2. The immediate recognition of loss is supported by the underlying principle of \_\_\_\_\_.  
a) Matching    b) Consistency    c) Judgement    d) Conservatism
3. The determination of the expenses for an accounting period is based largely on the application in \_\_\_\_\_ principle.  
a) Cost    b) Consistency    c) Matching    d) Time period
4. Which of the following changes would constitute valid accounting transactions:  
a) Increase in a liability, increase in an asset  
b) Increase in an asset, decrease in proprietorship  
c) Increase in a liability, decrease in an asset  
d) Decrease in an asset, Increase in proprietorship
5. The first step in the accounting cycle is to  
a) Record transactions in journals  
b) Analyse transactions from source documents  
c) Post journal entries to general ledger accounts  
d) Adjust the general ledger accounts
6. The equality of debits and credits can be tested periodically by preparing a \_\_\_\_\_.  
a) Trial Balance    b) T account    c) General Ledger    d) Ledger
7. Trader's net sales amount to Rs.18,000 and his gross profit is 60% of sales and his net profit is 40% of sales, his expenses are \_\_\_\_\_.  
a) Rs. 10,800    b) Rs. 7,200    c) Rs. 3,600    d) Rs. 1,800
8. Accumulated depreciation is an example of \_\_\_\_\_.  
a) An expenses    b) An unrecorded revenue    c) A liability    d) A contra account.
9. Closing stock appears in the trial balance Rs. 80,000. It will be shown \_\_\_\_\_.  
a) On the credit side of Trading Account    b) On the credit side of P& L account  
c) On the assets side of Balance sheet    d) On the liability side
10. Depreciation of fixed assets is \_\_\_\_\_.

- a) Revenue Expenditure                      b) Capital Expenditure  
c) Deferred revenue expenditure          d) capital receipts

**1. (B) State whether the following statement is true or false.****(10)**

1. The primary functions of accounting is to provide financial information about the activities and current position of an organisation.
2. Generally accepted accounting principles are the basic rules governing the preparation of external financial statements.
3. Because business entities are profit motivated, their financial statements are oriented mainly to the measurement of profit.
4. Partnership and sole proprietorship do not issues share.
5. Journal entries include specific accounts and definite monetary amounts of increase or decrease to the accounts.
6. Ledger means the complete collections of accounts from which the entity's financial statements are prepared.
7. Cash Balance in hand shows whether the business has earned profit or loss.
8. Profit on sale of a machinery will appear on the credit side of the machinery account.
9. There is no need to disclose accounting policy.
10. Interest is recognised on receipt basis.

2. The following is the schedule of balances on 31/3/2023 extracted from the books of Shri Gavaskar.

**Trial Balance as on 31/3/2023****(20)**

Particulars	Dr. Amounts	Cr. Amounts
Cash in hand	1,400	
Cash at Bank	2,600	
Sundry Debtors	86,000	
Stock on 1/4/2022	62,000	
Furniture and Fixtures	21,400	
Office Equipment's	16,000	
Buildings	60,000	
Motor Car	20,000	
Sundry Creditors		43,000
Loan		30,000
Reserve for Bad Debts		3,000
Purchases	1,40,000	
Purchase Returns		2,600
Sales		2,30,000
Sales returns	4,200	
Salaries	11,000	
Rent for Godwon	5,500	
Interest on Loan	2,700	
Rates and Taxes	2,100	
Discount allowed to Debtors	2,400	

Discount received from Creditors		1,600
Freight on Purchases	1,200	
Carriage outwards	2,000	
Drawings	12,000	
Printing and Stationery	1,800	
Electric charges	2,200	
Insurance Premium	5,500	
General office expenses	3,000	
Bad debts	2,000	
Bank charges	1,600	
Motor car expenses	3,600	
Capital Account		1,62,000
TOTAL	4,72,200	4,72,200

**Prepare Trading, Profit & Loss account for the year ended 31/3/2023 and balance sheet as on that date after making the provision for the following:**

a) Depreciate:

1. Building by 5%
2. Furniture and Fixture by 10%
3. Office Equipment's by 15 %
4. Motor Car by 20%

b) Value of closing stock of the year Rs. 44,000

c) Reserve for bad debts is to be maintained at 5 % of sundry debtors.

d) Insurance premium includes Rs.4,000 paid towards proprietor's life insurance policy and the balance of the insurance charges cover the period from 1/4/2022 to 30/6/2023.

**3.** On 1<sup>st</sup> January 2000, Asha Ltd purchased Machinery for Rs. 12,00,000 and on 30<sup>th</sup> June 2001, one more machinery of worth Rs.2,00,000. On 31<sup>st</sup> March, 2002, one of the original machinery which had cost Rs.50,000 was found to have become obsolete and was sold as scrap for Rs. 7,000. It was replaced on that date by a new machinery costing Rs. 80,000. Depreciation is to be provided @15% p.a. on WDV method. Accounts are closed on 31<sup>st</sup> December every Year. Show Machinery A/C for 4 years. (20)

**4. (A)** Record the following transaction in Journal. (10)

- |         |   |
|---------|---|
| 1/10/23 | Goods worth Rs. 5,000 taken away for personal use.  |
| 2/10/23 | Goods worth Rs.7,500 were stolen from the stores.   |
| 3/10/23 | Goods worth Rs.20,000 were destroyed by fire . The insurance company accepted the claim for Rs. 16,000.         |
| 4/10/23 | Purchase goods from Neha on credit Rs.20,000. She paid for carriage Rs.1,000 on our behalf.                     |
| 5/10/23 | Sold goods costing Rs. 10,000 after adding 25% profit to Chandarana and paid Rs.500 for carriage on her behalf. |

4. (B) State with reason weather the following are Capital ( Expenditure / Receipts). Revenue (Expenditure / Capital). (10)

- a) A petrol driven engine of a passenger bus was replaced by a diesel engine.
- b) Amount brought by the proprietor as capital.
- c) Cost of transportation Rs.500 in connection with a newly acquired machine.
- d) Cost to improving seating capacity of Cinema Hall.
- e) Rs.1000 spent on replacement of defective parts of an old plant.

5. Write Short Notes (Any 4) (20)

- a) System of Book keeping
- b) Accounting Concepts
- c) Revenue Recognition
- d) Generally Accepted Accounting Principles
- e) Users of Accounting Information

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