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**Department of School Education**  
**(Pre-University)**

**REVISED QUESTION BANK**  
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**Subject :**  
**Accountancy (30)**

**I PUC**

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# INTRODUCTION TO ACCOUNTING

## PART - A

### One Mark Questions:

#### I. Multiple Choice Questions:

- 1] Which of the following is not a business transaction?
  - a] Bought furniture for ₹ 10,000 for business
  - b] Paid ₹ 5,000 as salaries of employees
  - c] Paid ₹ 20,000 towards son's fees from Personal Bank account
  - d] Paid ₹ 2,000 towards son's fees from the business
  
- 2] Deepti wants to buy a building for her business. Which of the following is the relevant data for her decision?
  - a] Similar business acquired the required building in 2020 for ₹ 10,00,000
  - b] Building cost details of 2015
  - c] Building cost details of 2005
  - d] Similar building cost in August 2023 ₹ 25,00,000
  
- 3] Which is the last step of accounting as a process of information?
  - a] Recording of data in books of accounts
  - b] Preparation of summaries in the form of financial statements
  - c] Communication of information
  - d] Analysis and interpretation of information
  
- 4] Which qualitative characteristics of accounting information is reflected when accounting information is clearly presented?
  - a] Understandability
  - b] Relevance
  - c] Comparability
  - d] Reliability
  
- 5] Use of common unit of measurement and common format of reporting promotes
  - a] Comparability
  - b] Understandability
  - c] Relevance
  - d] Reliability

- 
- 6] Management accounting
    - a] Is a clerical work
    - b] Is accounting for future
    - c] Is a recording technique of management related transactions?
    - d] Is an analysis of the past business activities?
  - 7] Which of the following shows the financial position of the business?
    - a] Profit and Loss account
    - b] Total Debtors account
    - c] Balance sheet
    - d] Funds flow statement
  - 8] Functions of accounting include
    - a] Keeping systematic record
    - b] Protecting properties of the business
    - c] Ascertain the profit and loss
    - d] All of these
  - 9] Accounting records transactions in terms of
    - a] Selling units
    - b] Monetary units
    - c] Production units
    - d] Marketing Units
  - 10] It is the Language of business
    - a] Accounting
    - b] Financial statements
    - c] Accounting assumptions
    - d] Book-keeping

**II. Fill in the blanks:**

- 1] \_\_\_\_\_ is the first book on double entry book keeping.
- 2] The term 'Debit' comes from the Italian word\_\_\_\_\_
- 3] The term 'Credit' comes from the Italian word\_\_\_\_\_
- 4] Koutilya, a minister in Chandragupta's Kingdom wrote a book on economics named\_\_\_\_\_
- 5] Determining the transaction to be recorded is \_\_\_\_\_
- 6] Business Organization involves \_\_\_\_\_ events.
- 7] Recording is made in a \_\_\_\_\_ order

- 
- 8] Accounting is the language of \_\_\_\_\_
  - 9] \_\_\_\_\_ are the internal users of an organization.
  - 10] Sub-disciplines within the accounting discipline are: financial accounting, Cost accounting and \_\_\_\_\_.

**III. Match the following**

- | <b>A</b>                | <b>B</b>                                     |
|-------------------------|--|
| a] Economic Events      | i) Individual existence                      |
| b] Expenses             | ii) products                                 |
| c] Discount             | iii) Costs incurred by a business            |
| d] Goods                | iv) Payment of monthly rent to the landlord. |
| e] Documentary evidence | v) deduction in the price of the goods       |
|                         | vi) Voucher                                  |

**IV. Very Short Answer Questions:**

- 1] Expand AICPA
  - 2] Expand AAA
  - 3] What is revenue?
  - 4] What is transaction?
  - 5] Write the meaning of capital.
  - 6] State the meaning of gain.
  - 7] What is loss?
  - 8] Who are Debtors?
  - 9] Who are Creditors?
  - 10] What is trade discount?
- 
- 1] It provides information for judging management's ability to utilise resources effectively in meeting goals. (State true or false)
  - 2] Profit represents excess of revenue over expenses. (State true or false)
  - 3] Entity is reality that has a definite individual existence. (State true or false)
  - 4] Current assets are assets on a long-term basis. (State true or false)
  - 5] Voucher is not a documentary evidence of a transaction. (State true or false)



# THEORY BASE OF ACCOUNTING

## PART - A

### One Mark Questions:

#### I. Multiple Choice Questions:

- 1] According to which concept the owner of the business is considered creditor of the business:
  - a] Money measurement concept
  - b] Dual Aspect concept
  - c] Separate entity concept
  - d] Going concern concept
- 2] A concept that a business enterprise will not be sold or liquidated in near future is known as,
  - a] Going concern
  - b] Economic entity
  - c] Monetary unit
  - d] Non-monetary unit
- 3] According to the Going concern concept the time period of Business is,
  - a] For certain life time
  - b] For un- certain life time
  - c] Going to wind-up shortly
  - d] Going to windup permanently
- 4] Accounts are regularly made after a fixed period usually a year, this concept is based on,
  - a] Accounting Period
  - b] Dual Aspect
  - c] Cost
  - d] Business entity
- 5] Accounting equation is based on,
  - a] Cost concept
  - b] Separate entity concept
  - c] Dual aspect concept
  - d] Accrual concept

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- 6] The basis of accounting in which revenue and expenses are recognized in period in which they are earned or incurred and not when money is received or paid,
- a] Cash basis
  - b] Accrual basis
  - c] Mixed basis
  - d] All of the above
- 7] By the misuse of which convention 'Secret Reserve' is created.
- a] Conservatism
  - b] Materiality
  - c] Consistency
  - d] Full Disclosure
- 8] Provision for bad & doubtful debts is created in anticipation of actual bad debts on the basis of,
- a] Business entity concept
  - b] Conservatism concept
  - c] Accrual concept
  - d] Full disclosure concept
- 9] Insignificant events are not recorded in the books of accounts due to,
- a] Accrual concept
  - b] Conservatism concept
  - c] Money measurement concept
  - d] Materiality concept
- 10] According to which concept all expenses are matched with the revenue of that period:
- a] Realization concept
  - b] Money measurement concept
  - c] Matching concept
  - d] Business entity concept

**II. Fill in the blanks:**

- 1] In order to maintain uniformity and consistency in Accounting records, certain \_\_\_\_\_ have been developed which are generally accepted by the Accounting profession.
- 2] The accounting records are made in the books of accounts from the point of view of the \_\_\_\_\_ and not that of the owner.

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- 3] The Concept of going concern assumes that a business firm would continue to carry out its \_\_\_\_\_ indefinitely.
  - 4] \_\_\_\_\_ concept refers to the span of time at the end of which the financial statements of enterprise are prepared.
  - 5] The cost concept requires that all assets are recorded in the books of accounts at their \_\_\_\_\_ price.
  - 6] Adoption of historical cost brings in \_\_\_\_\_ in recording as the cost of acquisition is easily verifiable from the purchase documents.
  - 7] Assets = Liabilities + \_\_\_\_\_
  - 8] Matching Concept states that expenses incurred in an accounting period should be matched with \_\_\_\_\_ during that period.
  - 9] \_\_\_\_\_ Concept requires that all material and relevant facts of an enterprise must be fully and completely disclosed in the financial statements.
  - 10] \_\_\_\_\_ system is not a complete system of maintaining records of financial transactions.
  - 11] The regulatory body for Standardization of accounting policies in the country is \_\_\_\_\_
  - 12] GST is a destination based tax on \_\_\_\_\_ of goods and services.

**III. Match the following**

- | <b>A</b>                   | <b>B</b>                      |
|----------------------------|-------------------------------|
| a] Accounting period       | i) Matching concept           |
| b] GST                     | ii) Basic assumptions         |
| c] Focus on material facts | iii) Destination based tax    |
| d] ICAI                    | iv) Materiality Concept       |
| e] Accounting Concepts     | v) Regulatory body            |
|                            | vi) Basic Accounting Concepts |

**IV. Very Short Answer Questions:**

- 1] State any one Basic Accounting Concept.
- 2] State the basic accounting equation.
- 3] State any one system of Accounting.
- 4] What is materiality concept?
- 5] Give the meaning of dual aspect concept.
- 6] Expand GAAP.
- 7] Expand ICAI.
- 8] Expand GST.
- 9] Expand CGST.
- 10] Expand SGST.

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- 11] In accounting all economic events are recorded in the books of accounts.  
(State True or False)
  - 12] Accounting principles are in written statements. (State True or False)
  - 13] Accounting standards are not creating uniformity in accounting system.  
(State True or False)
  - 14] Basis of Accounting are cash and credit. (State True or False)
  - 15] GST is proposed to be levied at all stages from manufacture up to final consumer. (State True or False)

**PART - B**

**V. Two marks questions:**

- 1] Write the meaning of theory base of accounting.
- 2] Give the meaning of GAAP.
- 3] What do you mean by Basic Accounting Concepts?
- 4] Mention any two Accounting concepts.
- 5] State the meaning of Business entity concept.
- 6] Write the meaning of matching concept.
- 7] What do you mean by basic accounting equation?
- 8] Give the meaning of Double entry system of accounting.
- 9] What is single entry system of accounting?
- 10] Give the meaning of cash basis of accounting.
- 11] What is Accrual basis of accounting?
- 12] What is GST?
- 13] What is CGST?
- 14] What is SGST?
- 16] What is IGST?

**Key answer for short questions :**

**MCQ**

1] c   2] a   3] b   4] a   5] c   6] b   7] d   8] b   9] d   10] c

**FILL IN THE BLANKS**

1] Principles	2] Business unit	3] Operations
4] Accounting period,	5] Cost	6] objectivity
7] Capital	8] Revenue	9] Full disclosure,
10] single entry	11] ICAI	12] Consumption.

**MATCH THE FOLLOWING**

a] vi   b] iii   c] iv   d] v   e] ii

**RECORDING OF TRANSACTIONS - I****PART - A****One Mark Questions:****I. Multiple Choice Questions:**

- 1] The L.F column of journal is used to
  - a] Record the date on which amount posted to a ledger account
  - b] Record the number of ledger account to which information is posted
  - c] Record the number of amounts posted to the ledger account
  - d] Record the page number of the ledger account
- 2] Out of the following equations which is correct?
  - a]  $C = A + L$
  - b]  $C = A - L$
  - c]  $A = L - C$
  - d]  $L = C - A$
- 3] Journal records the transactions of the firm in an
  - a] analytical manner
  - b] chronological manner
  - c] periodical manner
  - d] summarized manner
- 4] Ledger book is popularly known as
  - a] Secondary book of accounts
  - b] Principal book of accounts
  - c] Subsidiary books of accounts
  - d] None of the above
- 5] Ledger records transaction in
  - a] Chronological order
  - b] Analytical order
  - c] Both the above
  - d] Ascending order

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- 6] Goods worth ₹ 50000 were sold to Manoj @15% discount on credit. Manoj's account will be debited
- a] By ₹ 7500
  - b] By ₹ 42500
  - c] By ₹ 50000
  - d] By ₹ 57500
- 7] Debit signifies
- a] Decrease in assets account
  - b] Increase in liabilities
  - c] Increase in expenses account
  - d] Increase in capital
- 8] What is the nature of drawing goods?
- a] Income
  - b] Expense
  - c] Introduction of capital
  - d] Withdrawal of capital
- 9] Goods worth ₹ 21000 distributed as free sample. The account to be credited is
- a] Purchase account
  - b] Sales account
  - c] Free sample account
  - d] P and L account
- 10] Income tax worth ₹ 5000 of the proprietor paid by a firm, the account to be debited is
- a] Income tax account
  - b] Bank account
  - c] Drawing account
  - d] Expenses account
- 11] Rent paid to landlord is credited to
- a] Rent account
  - b] Landlord account
  - c] Cash account
  - d] Bank account
- 12] Voucher is prepared for
- a] Cash received and paid
  - b] Cash/ credit sales
  - c] Cash/ credit purchase
  - d] All kind of recording

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- 13] Voucher is prepared from
    - a] Documentary evidence
    - b] Journal
    - c] Ledger
    - d] Transaction
  - 14] The book in which all accounts are maintained is known as
    - a] Cash book
    - b] Journal
    - c] Purchase book
    - d] Ledger
  - 15] Journal entry to record salaries will include
    - a] Debit salaries, credit cash
    - b] Debit capital, credit cash
    - c] Debit cash, credit salary
    - d] Debit salary, credit creditor.

**II Fill in the blanks:**

- 1] Business transactions are exchanges of economic \_\_\_\_\_ between parties.
- 2] A document which provides evidence of the transactions is called the \_\_\_\_\_.
- 3] A transaction with one debit and one credit is a \_\_\_\_\_ transaction.
- 4] Voucher which records a transaction that entails multiple debits/credits and one credit/debit is called \_\_\_\_\_ voucher.
- 5] Accounting equation signifies that the assets of a business are always equal to the total of its liabilities and \_\_\_\_\_.
- 6] Every debit must have a corresponding \_\_\_\_\_.
- 7] The process of recording transactions in a journal is called \_\_\_\_\_.
- 8] The process of transferring journal entry to individual account is Called\_\_\_\_\_.
- 9] Journal is a book of \_\_\_\_\_.
- 10] A brief description of the transaction is called the \_\_\_\_\_.
- 11] When only two accounts are involved to record a transaction, it is called a \_\_\_\_\_.
- 12] The goods account is divided into \_\_\_\_\_ accounts.
- 13] When the number and accounts to be debited or credited is more than one the transaction is called \_\_\_\_\_ journal entry.
- 14] All permanent accounts appear in the \_\_\_\_\_.
- 15] All revenue and expenses are \_\_\_\_\_ accounts.

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### III Match the following

A	B
a] Liabilities	i. Transaction with the multiple debits/credits and one credit/debit transaction
b] Compound voucher	ii. Claim outsiders
c] Increase in asset	iii. GST
d] Central goods and service tax	iv Debit
e] Goods and Service Tax	v. Credit
	vi. CGST

### IV Very Short Answer Questions

- 1] Give an example of a voucher.
- 2] What is Ledger?
- 3] What is a debit voucher?
- 4] What is a credit voucher?
- 5] Write the meaning of the Balance sheet.
- 6] Who provides resources for the business?
- 7] What is capital?
- 8] State the meaning of the journal.
- 9] What is narration?
- 10] What do you mean by debit balance?
- 11] Business transactions have a single effect. (state true or false)
- 12] Vouchers must be preserved till the audit of the accounts. (state true or false)
- 13] The Balance Sheet is the statement of Assets, Liabilities and Capital. (state true or false)
- 14] All accounts are divided into four categories. (state true or false)
- 15] L.F. is filled-up at the time of posting. (state true or false)

### PART - B

#### V. Questions for Two marks:

- 1] What do you mean by source document or voucher?
- 2] What do you mean by compound voucher?
- 3] What do you mean by complex transaction?
- 4] What is double entry accounting?
- 5] Why is the evidence provided by the source document important to accounting?
- 6] Should a transaction be first recorded in a journal or ledger? Why?

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- 7] Give the specimen of an Account.
  - 8] Give the specimen of journal.
  - 9] Give the journal entry for goods distributed as free samples.
  - 10] Distinguish between source documents and vouchers.

### **PART - C**

#### **VI. Six Marks Questions:**

- 1] State the rules of debit and credit for Incomes, Expenses, Capital, Liabilities and Assets.
- 2] Prepare Accounting Equation on the basis of the following:
  - a] Harish started business with cash ₹ 2,00,000
  - b] Purchased goods from Naman for cash ₹ 1,40,000
  - c] Sold goods to Bhanu costing ₹ 10,000
- 3] Prepare Accounting Equation on the basis of the following:
  - a] Kunal started business with cash ₹ 2,50,000
  - b] He paid commission of ₹ 2,000
  - c] He sold goods (costing ₹ 20,000) for ₹ 22,000
- 4] Mohit has the following transactions, prepare Accounting Equation:
  - a] Business started with cash ₹ 1,00,000
  - b] Purchased office furniture for office use ₹ 10,000
  - c] Cash withdrawn for personal use ₹ 20,000
- 5] Rohit has the following transactions. Prepare Accounting Equation:
  - a] Commenced business with cash ₹ 2,00,000
  - b] Purchased machinery on credit ₹ 25,000 from Mohit Traders
  - c] Repair charge on machinery ₹ 2,500
- 6] Use Accounting Equation to show the effect of the following transactions of Ravi Traders.
  - a] Started business with cash ₹ 1,00,000
  - b] Goods destroyed by fire ₹ 13,000
  - c] Paid for charity ₹ 200
- 7] Transactions of Mohan Traders are given below. Show the effects of these transactions on assets, liabilities and capital with the help of Accounting equation. **(For Practice purposes only)**
  - a] Business started with cash ₹ 1,00,000
  - b] Cash purchase ₹ 50,000

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- c] Cash sale of ₹ 60,000  
d] Purchase furniture for cash ₹ 5,000  
e] Paid rent ₹ 4,000  
f] Bought from Ratan ₹ 8,000
- 8] Prepare accounting equation from the following transactions:  
a] Started business with cash of ₹ 1,00,000  
b] Bought from Navin Traders ₹ 50,000  
c] Returned goods to Navin Traders ₹ 5,000  
d] Cash paid to Navin Traders ₹ 43,000 in full settlement.  
e] Opened Bank Account with ₹ 5,000  
f] Withdrawn from Bank ₹ 2,000 for office use.
- (For Practice purposes only)**
- 9] Classify the following Accounts into Assets, Liabilities, Capital, Expenses/Losses and revenue/gains:  
a] Cash A/c  
b] Purchases A/c  
c] Drawings A/c  
d] Computer A/c  
e] Building A/c  
f] Salary A/c  
g] Interest on Investment A/c  
h] Sales A/c  
i] O/S salary A/c  
j] Creditors A/c  
k] Purchases Returns A/c  
l] Bills Receivable A/c
- 10] Classify the following into Assets, Capital, Expenses/Losses and Revenue/Gains under Accounting Equation Method  
a] Furniture A/c  
b] O/S Rent A/c  
c] Bad debt A/c  
d] Interest Receivables A/c  
e] Rent received in advance  
f] Prepaid salary A/c  
g] Capital A/c  
h] Bills Payable A/c  
i] Investment A/c  
j] Sales return A/c  
k] Bank Overdraft A/c  
l] Debtors A/c
- 11] Prepare the ledger Account from the following transactions and balance the same. **(For Practice purposes only)**  
01.01.2023 Started business with cash ₹ 10,000  
10.01.2023 Cash purchases ₹ 5,000  
20.01.2023 Goods sold for cash ₹ 8,000  
25.01.2023 Deposited cash into bank ₹ 24,000.



- e] Sold of goods to Varun (costing ₹ 50,000) ₹ 60,000
- f] Paid cash to Rahul in full settlement ₹ 53,000
- g] Received cash from Varun in full settlement ₹ 59,000
- h] Depreciation charge on building ₹ 10,000
- i] Fresh capital introduced ₹ 50,000

4] Journalise the following transaction in the books of Harpret Brothers

- 2023 Jan 1) Started business with cash ₹ 1, 65,000
- “ Jan 2) Bought goods from Tara ₹ 22, 000
- “ Jan 5) Cash paid to Tara ₹ 22, 000
- “ Jan 8) Sold goods to Nariman ₹ 12, 000
- “ Jan 10) Commission received ₹ 1, 000
- “ Jan 11) Salary paid ₹ 5, 000
- “ Jan 15) Goods issued for house hold purpose ₹ 2,000
- “ Jan 18) Cash received from Nariman ₹ 11,700 and discount allowed ₹ 300
- “ Jan 20) Cheque given for Insurance premium ₹ 1000
- “ Jan 22) Furniture purchased for cash ₹ 3,000
- “ Jan 25) Goods destroyed by fire ₹ 800.

5] Journalise the following transactions:

- 2023 Jan, 01 Commenced business with cash ₹ 5,000, stock of good ₹ 20,000, machinery ₹ 10,000 and bills payable ₹ 1,000
- ” Jan,02 Borrowed ₹ 5, 000 from Arun and ₹ 10, 000 from Bharat.
- “ Jan,05 Purchased goods from Charan ₹ 4,000 and from Dhanaraj ₹ 6,000
- “ Jan,15 Sold goods to Hari ₹ 8,000 and to Govind ₹ 4,000
- “ Jan,20 Received cash from Hari ₹ 7,500 and allowed him discount ₹ 500
- “ Jan,25 Paid salary ₹ 2, 000 and rent ₹ 1,000

6] Journalising the following transactions

- 2023 Jan,01 Started business with Cash ₹ 50,000
- ” Jan,05 Deposited in to bank ₹ 10,000
- “ Jan,07 Purchased goods from Jagadish ₹ 5,000
- “ Jan,09 Sold goods to Nagaraj for cash ₹ 10,000
- “ Jan,11 Paid amount to Jagadish
- “ Jan,13 Paid for travelling expenses ₹ 500

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- “ Jan,15 Took goods from business for domestic use at Selling price ₹ 1,000
  - “ Jan,17 Outstanding salary ₹ 800
  - “ Jan,20 Took loan from bank ₹ 10,000
  - “ Jan,22 Paid for Advertisement ₹ 2,000
  - “ Jan,25 Paid in as further capital ₹ 12,000
  - “ Jan,27 Goods distributed as free samples ₹ 800

7] Journalising the following transactions:

- 2023 Jan,01 Business started with cash ₹ 25,000
- “ Jan,03 Opened bank Account with SBM ₹ 5,000
- “ Jan,05 Bought goods from Satish on credit ₹ 7,000
- “ Jan,07 Returned goods to Satish ₹ 500
- “ Jan,08 Issued cheque infavour of Satish ₹ 4,000
- “ Jan,10 Gave charity ₹ 500
- “ Jan,15 Paid Electricity bill ₹ 750
- “ Jan,18 Bought office furniture ₹ 3,000
- “ Jan,20 Drew cash from Bank for personal use
- “ Jan,22 Bought Postage stamps ₹ 100
- “ Jan,25 Drew cash for personal use ₹ 1,000
- “ Jan,28 Commission received in advance ₹ 400

8] Journalising the following transactions in the books of Shree Raju:

- 2023 Jan,01 Commenced business with cash ₹ 40,000
- “ Jan,05 Bought goods from Ravi ₹ 10,000
- “ Jan,08 Sold goods to Vinayak ₹ 15,000
- “ Jan,10 Returned goods to Ravi ₹ 300
- “ Jan,12 Vinayak returned us goods ₹ 300
- “ Jan,15 Paid Ravi ₹ 5,000 by cash and the balance through cheque
- “ Jan,18 Received cheque from Vinayak ₹ 10,000 and the balance received by cash
- “ Jan,20 Withdrawn Cash of ₹ 1, 000 and goods worth ₹ 500for domestic use.
- “ Jan,25 Paid for printing charges ₹ 500

- 9] Journalising the following transactions in the books of Rama. Post them into the ledger and balance the same. **(For Practice purposes only)**
- 2023 Jan,01 Started business with cash ₹ 50,000, bank balance ₹ 25,000
- “ Jan,02 Bought goods worth ₹ 20,000 less trade discount at 10% from Naveen Trade
- ” Jan,05 Raj and company bought goods from us worth ₹ 10,000 for which a cheque was received for ₹ 4,000(which is paid into bank) balance being payable within 1month
- “ Jan,07 Paid to Naveen Traders cash ₹ 10,000 and also ₹ 7,500 by cheque in full settlement of Account.
- ” Jan,09 Received commission ₹ 1,000 and Interest ₹ 500
- “ Jan,11 Paid for Rent ₹ 1,000 and Cartage ₹ 300

- 10] Journalising the following transactions, post them into ledger and balance the same. **(For Practice purposes only)**

- 2023 Jan,01 Commenced business with cash ₹ 1,00,000
- “ Jan,02 Cash Purchases ₹ 25,000
- “ Jan,05 Till takings ₹ 40,000
- “ Jan,07 Deposited into Bank ₹ 20,000
- “ Jan,09 Outstanding rent ₹ 1,000
- “ Jan,15 Cash withdrawn for personal use ₹ 2,000
- “ Jan,17 Prepaid insurance ₹ 500
- “ Jan,18 Commission receivable ₹ 800
- “ Jan,20 Bank charges ₹ 200
- “ Jan,22 Interest on Capital ₹ 2,000
- “ Jan,25 Goods given away by Charity ₹ 600
- “ Jan,28 Drew for office use ₹ 2,000

**Key answer for short questions :**

**MCQ**

- 1] d 2] b 3] b 4] b 5] b 6] b 7] c 8] d 9] a 10] c  
11] c 12] d 13] a 14] d 15] a.

**FILL IN THE BLANKS**

- |                     |                               |                       |
|---------------------|-------------------------------|-----------------------|
| 1] Consideration    | 2] Source document or voucher | 3] Simple transaction |
| 4] Compound voucher | 5] Capital                    | 6] Credit             |
| 7] journalizing     | 8] posting                    | 9] original entry     |
| 10] narration       | 11] Simple journal entry      | 12] five              |
| 13] Compound        | 14] Balance sheet             | 15] temporary         |

**MATCH THE FOLLOWING**

- a] ii b] i c] iv d] vi e] iii

## **RECORDING OF TRANSACTIONS - II**

### **PART - A**

#### **One Mark Questions:**

##### **I. Multiple Choice Questions:**

- 1] when a firm maintains a Cash book, it need not maintain:
  - a] Journal Proper
  - b] Purchases book
  - c] Sales book
  - d] Bank and cash account in the ledger.
- 2] Double column cash book records:
  - a] All transactions.
  - b] Cash and bank transactions
  - c] Only cash transactions
  - d] Only credit transactions.
- 3] Goods purchased on cash are recorded in the:
  - a] Purchases book
  - b] Sales book
  - c] Cash book
  - d] Purchases return book.
- 4] The balance on the debit side of the bank column in the cash book indicates:
  - a] The total amount withdrawn from bank.
  - b] The total amount deposited in the bank.
  - c] Cash at bank.
  - d] Cash in hand
- 5] Cash book is a
  - a] Subsidiary journal.
  - b] Subsidiary journal and a ledger account.
  - c] Ledger account.
  - d] Journal and ledger.

- 
- 6] Cash book does not record transaction of:
- a] Cash nature
  - b] Credit nature
  - c] Cash and credit nature
  - d] Credit and cash nature
- 7] Credit balance of bank account in cash book shows:
- a] Overdraft
  - b] Cash deposited in bank
  - c] Cash withdrawn from bank
  - d] Bank balance.
- 8] Cash sales are recorded in:
- a] Sales book
  - b] Cash book
  - c] Journal
  - d] journal proper.
- 9] The balance of petty cash book is:
- a] a liability
  - b] an expense
  - c] a gain
  - d] an asset
- 10] Cash discount is provided on:
- a] prompt payment
  - b] Sale
  - c] purchase
  - d] delayed payment.
- 11] The term imprest system is used in relation to:
- a] Purchases book
  - b] Sales book
  - c] Cash book
  - d] Petty cash book.
- 12] Purchases book is maintained to record:
- a] Purchases of goods
  - b] All cash purchases
  - c] All credit purchases
  - d] All credit purchases of goods.

- 
- 13] Sales book is maintained to record:
- a] credit sales of goods only
  - b] cash sales of goods only
  - c] all credit sales
  - d] credit sale of assets.
- 14] Returns inward book records:
- a] Returns of goods from factory to the godown.
  - b] Returns of goods from show-room to godown.
  - c] Returns of goods from the customers
  - d] Returns of goods from the suppliers.
- 15] Returns outward book records
- a] Goods returned to the suppliers
  - b] Goods returned to the stores
  - c] Goods returned to the customers
  - d] Goods returned by the owner.

**II. Fill in the blanks:**

- 1] Cash book is a \_\_\_\_\_ journal(book).
- 2] Assets sold on credit are entered in \_\_\_\_\_.
- 3] Cash book does not record the \_\_\_\_\_ transactions.
- 4] While making entries in cash book the rule of \_\_\_\_\_ account is followed.
- 5] Cash book is a journal as well as the \_\_\_\_\_ account.
- 6] Cash book maintained to record small expenses is called \_\_\_\_\_.
- 7] Petty cash book is also known as \_\_\_\_\_ book.
- 8] \_\_\_\_\_ Book is a journal as well as ledger.
- 9] In two column cash book records transaction relating to \_\_\_\_\_ and \_\_\_\_\_.
- 10] Credit note is the basis for recording \_\_\_\_\_ book.
- 11] Debit note is the basis for recording \_\_\_\_\_ book.
- 12] Invoice is the basis for recording \_\_\_\_\_ book.
- 13] Outward invoice is the basis for recording \_\_\_\_\_ book.
- 14] Fixed assets purchased for cash are recorded in \_\_\_\_\_ book.
- 15] Adjusting entries are recorded in \_\_\_\_\_.

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**III. Match the followings**

**A**

- a] Credit purchase of goods
- b] Paid into Bank
- c] Transactions cannot be recorded in any special journal
- d] Bearer cheque
- e] Imprest system

**B**

- i. Journal proper
- ii. Claims of outsiders
- iii. Transfer by mere delivery
- iv. Petty cash book
- v. Purchases return book
- vi. Purchases book

**IV. Very Short Answer Questions:**

- 1] What do you mean by discount?
- 2] Mention any one feature of cash book.
- 3] Name any one type of cash book.
- 4] What do you mean by petty cash book?
- 5] State any one type of petty cash book.
- 6] What type of transaction is recorded in the purchase book?
- 7] What type of transaction is recorded in the sales book?
- 8] Name any one transaction recorded in the purchases returns book.
- 9] State any one transaction recorded in the sales returns book.
- 10] Name any one type of transaction recorded in the journal proper.
- 11] Cash account is a real account. (State true or false)
- 12] Cash book is both a ledger account and subsidiary book. (State true or false)
- 13] Bank column of the cash book always shows a debit balance. (State true or false)
- 14] Trade discounts are not recorded in books of accounts. (State true or false)
- 15] Purchases book and Purchases account are synonymous. (State true or false)

**PART- B**

**V. Short Answer Questions for Two marks:**

- 1] Name any two types of subsidiary books.
- 2] What is a cash book?
- 3] Mention any two features of a cash book.
- 4] What is a two column cash book?
- 5] What are contra entries?
- 6] What is a petty cash book?
- 7] What is a columnar petty cash book?
- 8] What is the imprest system for a petty cash book?
- 9] Give the meaning of subsidiary books.

- 10] Write the meaning of the purchased book.  
 11] What is an invoice?  
 12] Why is a debit note prepared?  
 13] State the meaning of sales book?  
 14] When do you prepare a credit note?  
 15] What is Journal proper?

**PART - C**

**VI. Six Marks Questions:**

**I. Simple cash Book/ single column cash book:**

- 1] Enter the following transactions in a single column cash book for the month of December- 2023 and balance the same:

2023	₹
Dec-01 cash in hand	24,000
Dec-04 cash received from Vishnu	6,000
Dec-08 Purchased goods from Vishnu for cash	4,000
Dec-10 Paid insurance	2,000
Dec-15 Sold goods for cash	8,000
Dec-18 paid rent	500
Dec-22 Purchased stationary items	4,500
Dec-25 Received commission	1,000
Dec-27 Paid salaries	2,000
Dec-31 Paid to postage	400

**(Ans: Cash in hand ₹ 25600/-)**

- 2] Record the following transactions in a simple cash book for March 2023.

2023	₹
Mar-01 Balance on hand	10,000
Mar-03 Paid to Mahesh on account	3,000
Mar-06 Cash received from Ramesh	5,500
Mar-10 Purchased goods for cash	2,500
Mar-12 Paid freight charges	400
Mar-15 Sold goods for cash	7,500
Mar-18 Paid for advertisement	1,500
Mar-20 Paid into Bank	2,000
Mar-24 Paid wages	1,200
Mar-30 Paid repair charges	1,800

**( Ans: Cash in hand ₹ 10600/-)**

- 3] Record the following transaction in a simple cash book of Mr.Sundar

2023		₹
Jan-01	Sundar started business with capital	2,00,000
Jan-02	Purchased machinery	50,000
Jan-06	Purchased goods for cash	1,20,000
Jan-08	Sold goods for cash	1,64,000
Jan-12	Opened a current A/c in SBI	1,00,000
Jan -16	Cash sales	82,000
Jan-20	Advertising charges paid	50,000
Jan-23	Interest received	80,000
Jan-26	Paid to Kishore	20,000
Jan-31	Rent paid for the month	8,000

**(Ans: Cash in hand ₹ 151000/-)**

- 4] Enter the following transactions in the single column cash book of Mr. Ramlal and balance the same at the end of Feb-2023

2023		₹
Feb-01	Ramlal commenced business with cash	60,000
Feb-02	Cash purchases	30,000
Feb-05	Cash sales	40,000
Feb-08	Paid for general expenses	4,000
Feb-12	Received from Meera	8,400
Feb-15	Bought furniture	10,400
Feb-20	Paid to Deepashree	9,600
Feb-24	Paid into bank	4,000
Feb-28	Paid salaries for the month	6,000
Feb-28	Cash withdrawn from business for personal use	2,000

**(Ans: Balance on hand ₹ 42400/-)**

- 5] Prepare simple cash book from the following transactions:

2023		₹
March-01	Cash in hand	75,000
March-03	Purchased furniture for cash	12,000
March-06	Sold goods for cash	32,500
March-10	Paid to Mohan on account	5,000
March-15	Bought goods for cash	12,000

March-18	Paid for stationery	1,500
March-20	Sale of old type writer for cash	1,000
March-24	Deposited into bank	25,000
March-28	Paid salary to staff	1,200
March-31	Paid for carriage on purchase	800

**(Ans: Cash in hand ₹ 51000/-)**

- 6] Enter the following transaction in simple cash book for the month of November-2023 and balance the same:

2023		₹
Nov-01	Balance on hand	8,000
Nov-02	Further capital introduced	12,000
Nov-04	Spent for private use	2,000
Nov-08	Purchased goods for cash	3,000
Nov-12	Paid to Bhaskar	5,000
Nov-16	Paid to advertisement	1,000
Nov-20	Credit sales	10,000
Nov-23	Received from Anil	6,000
Nov-27	Purchased stationery	500
Nov-30	Paid salaries	2,500

**(Ans: Cash in hand ₹ 12500/-)**

- 7] On 1<sup>st</sup> March 2023 Mr. Sharma started business with cash ₹ 15000 of this pays ₹ 5000 into his bank account. His transactions during the month were:

2023		₹
March-05	Cash sales	12,000
March-08	Cash purchases	7,000
March-12	Withdrew from bank for office use	3,000
March-15	Paid for sundry expenses	2,500
March-18	Purchase of type writer	4,000
March-20	Withdrew cash for domestic use	5,000
March-26	Paid travelling expenses	1,500
March-30	Postage paid	400

**(Ans: Cash in hand ₹ 4600/-)**

8] Enter the following transactions in the single column cashbook

2023		₹
April-01	Balance from the last month	16,750
April-04	Sold goods for cash	32,250
April-06	Purchased furniture	8,375
April-10	Paid electric bill	1,025
April-13	Purchased TV for domestic use	16,675
April-16	Paid charity	800
April-18	Paid to printing press	260
April-21	Received from Amar	2,200
April-25	Paid water bill	525
April-30	Sent money order to his son	1,000

**(Ans: Balance on hand ₹ 22540/-)**

9] Prepare a single column cash book for the month of January -2023 from the following:

2023		₹
Jan-01	Opening cash balance	15,280
Jan-03	Received from Rahul on account	4,550
Jan-06	Paid to Kiran on part settlement of his A/c	1,275
Jan-10	Repaid bank loan	6,000
Jan-12	Paid wages to house servant	1,250
Jan-15	Bought additional capital	5,000
Jan-18	Borrowed from vijaya bank	10,000
Jan-21	Purchased vehicle for office use	8,250
Jan-24	Sold goods to Dinesh at 10% discount	4,000
Jan-31	Deposited into vijaya bank	3,550

**(Ans: Cash balance ₹ 18105/-)**

10] Record the following transactions in a simple cash book:

Date	Particulars	₹
01.01.2023	Balance of cash in hand	18,000
04.01.2023	Purchased goods for cash form Subbanna	3,000
08.01.2023	Sold goods to chadrappa for cash	4,000
10.01.2023	Cash received from Rajanna	1,000
15.01.2023	Paid power charges to KPTCL	500
18.01.2023	Paid commission to Ramappa	800
20.01.2023	Paid miscellaneous expenses to Gundappa	200
23.01.2023	Paid to Ranganath	4,500
26.01.2023	Paid salary to Rajakumar	1,500
31.01.2023	Paid rent to Rajanikanth	2,600

**(Ans: Cash in hand ₹ 9900/-)**

## II. Problems on double column cash book

- 11] Enter the following transactions in double column cash book of M/S Naveen Trades for March -2023:

Month	Date	Particulars	₹
March	01	Bank balance	4,400
March	01	Cash balance	17,000
March	03	Purchased furniture by cheque	12,000
March	08	Sold goods for cash	13,000
March	12	Purchased goods for cash	5,000
March	15	Cheque received from Rahul (Deposited same day)	9,500
March	20	Cash withdrew from bank	2500
March	25	Paid salary	3400
March	31	Rent paid by cheque	2,600

(Ans: Cash in hand ₹ 24100/- cash at bank ₹ 36400/-)

- 12] Prepare a double column cashbook with the help of the following transactions for December-2023:

Month	Date	Particulars	₹
Dec	01	Cash in hand	22,500
Dec	01	Cash in bank	10,000
Dec	02	Purchased goods for cash	4,000
Dec	05	Paid insurance by cheque	2,000
Dec	09	Deposited in bank	5,000
Dec	13	Cash received for sale of goods	12,000
Dec	18	Received cheque from Joseph	3,000
Dec	24	Joseph's cheque deposited into bank	
Dec	30	Withdrew cash for personal use	1,000

(Ans: Cash in hand ₹ 24500/- Cash at bank ₹ 16000/-)

- 13] Record the following transactions in a double column cash book for January-2023 and balance the same:

Month	Date	Particulars	₹
Jan	01	Commence business with cash	1,00,000
Jan	03	Opened a current A/C with SBI	50,000
Jan	05	Purchased goods for cash	10,000
Jan	10	Purchased machinery by cheque	15,000
Jan	15	Cash deposited into bank	4,000
Jan	18	Sold goods for cash	6,000
Jan	22	Paid cartage by cheque	2,000
Jan	31	Withdrew from bank for office use	3,000

(Ans: Cash in hand ₹ 45000/- Cash at bank ₹ 34000/-)

- 14] Prepare a double column cash book from the following transaction February-2023:

Month	Date	Particulars	₹
Feb	01	Cash in hand	7,500
Feb	01	Bank overdraft	12,500
Feb	03	Paid wages	600
Feb	07	Goods purchased and paid by cheque	2,400
Feb	12	Cash paid into bank	5,000
Feb	16	Cash sales	8,000
Feb	21	Paid establishment expenses by cheque	1,500
Feb	28	Commission received	2,500

**(Ans: Cash in hand ₹ 12400/- Bank overdraft ₹ 11400/-)**

- 15] Record the following transactions in double column cash book and balance it:

Month	Date	Particulars	₹
Aug 2023	01	Cash balance	20,000
		Bank Balance	15,000
Aug	08	Paid into bank	5,000
Aug	10	Cash sales	18,000
		Cash discount	180
Aug	12	Paid telephone bill by cheque	1,500
Aug	21	Payment for cash purchases	4,000
		Cash discount	40

**(Ans: Cash in hand ₹ 29000/- Cash in bank ₹ 18500/-)**

- 16] Prepare bank column cash book from the following transactions of M/S modern Associates for the month of June-2023:

Month	Date	Details	₹
2023			
June	01	Cash in hand	8,000
		Bank overdraft	6,400
June	05	Purchased goods by cheque	4,000
June	10	Cash sales	14,000
June	15	Purchased type writer for office by cash	3,200
June	20	Withdrew from bank for personal use	1,800
June	24	Paid insurance premium by cheque	1,000
June	26	Paid rent	800
June	30	Interest charged by bank on overdraft	500

**(Ans: Cash in hand ₹ 16200/- Cash at bank ₹ 11900/-)**

- 17] Prepare two column cash book of M/s Unique Software LTD., for the month of October-2023 from the following transactions:

Month	Date	Particulars	₹
Oct	01	Cash in hand	6,050
		Cash in bank	13,760
Oct	06	Deposited into bank	2,250
Oct	10	Purchased goods for cash	5,750
Oct	14	Cash sales deposited into bank on the same day	3,460
Oct	19	Received cheque from Prema	4,440
Oct	22	Prema's cheque deposited into bank	
Oct	26	Paid trade expenses	250
Oct	31	Bank charges	150

(Ans: Cash in balance ₹ 1460/- Bank balance ₹ 20300/-)

- 18] Record the following transactions of M/S Surya and Arya in a double column cash book for March-2023

Month	Date	Particulars	₹
March	01	Opening cash balance	25,000
		Opening bank balance	31,000
March	04	Received cheque from Suresh and deposited into bank	15,000
March	12	Sold goods to Anand for cash	7,500
March	15	Drew cash from office for household expenses	2,500
March	18	Suresh's cheque returned dishonoured	
March	21	Paid for carriage	1,200
March	27	Bought computer and issued cheque	18,000
March	31	Paid electric bill	1,800

(Ans: Cash Balance ₹ 27000/- Bank balance ₹ 13000/-)

- 19] Prepare double column cash book from the following transactions and balance the same:

Month	Date	Particulars	₹
2023			
Nov	01	Balance of cash in hand	15,000
		Cash at bank	1,20,000

Nov	03	Received cash from Ramesh	20,000
Nov	08	Paid to Suresh by cheque	18,000
Nov	14	Drew for office use	10,000
Nov	19	Goods withdrawn from the business for personal use	5,000
Nov	22	Paid rent to land lord	6,000
Nov	26	Cash sales	17,000
Nov	30	Paid salaries to staff	12,000

**(Ans: Cash in hand ₹ 4400/- Cash at bank ₹ 92000/-)**

**20]** Record the following transactions in double column cash book and balance it:

Month	Date	Particulars	₹
2023			
Feb	01	Started business with cash	10,000
Feb	04	Opened a current A/C in Indian bank.	5,000
Feb	08	Purchased goods for cash	2,000
Feb	10	Sold goods on credit to Mohan	3,000
Feb	14	Paid for stationary by cheque	1,500
Feb	20	Cash sales deposited into bank	18,000
Feb	24	Bought furniture and payment made by cheque	6,000
Feb	28	Paid wages to watchman	1,200

**Ans: Cash in hand ₹ 1800/- Cash at bank ₹ 23000/-**

### III. PROBLEMS AND PETTY CASH BOOK

**21]** Prepare a petty cash book from the following information.

The imprest amount is ₹ 1,000.

Date	Particulars	₹
2023		
Jan. 01	Paid cartage	60
Jan. 03	Postage	50
Jan. 06	Refreshments to customers	110
Jan. 10	Courier charges	80
Jan. 12	Pen pencil and rubber	30
Jan. 15	Telegram charges	115
Jan. 18	Miscellaneous expenses	50
Jan. 22	Fax charges	70
Jan. 26	Auto charges	65
Jan. 31	Purchased Stationary	90

**(Ans: Petty cash balance ₹ 280/-)**

- 22]** Enter the following transactions in the petty cash book under the imprest system and balance the same:

<b>Date</b>	<b>Particulars</b>	<b>₹</b>
2023		
August 01	Received an Imprest cheque worth	200
04	Paid for stationery	20
08	Purchased postal stamps	10
12	Paid cartage and coolie	16
15	Purchased paper and pencils	40
20	Paid taxi charges	50
24	Paid tips to peons	5
27	Register post charges	10
30	Tea charges	28
31	Sent telegrams	10

**Ans: Petty cash balance ₹ 11/-)**

- 23]** Record the following transactions in the petty cash book under imprest system:

<b>Date</b>	<b>Particulars</b>	<b>₹</b>
2023		
January 01	Received cash from head cashier	1,000
03	Spent for postage	58
07	Travelling expenses to the manager	75
09	Paid for office cleaning	98
12	Paid subscription to news papers	80
15	Messaging charges	30
18	Auto fare	25
20	Xerox charges	40
26	Refreshments to customers	50
31	Cartage	20

**(Ans: Petty cash balance ₹ 524/-)**

- 24] Enter the following transactions in the petty cash book under the Imprest system and balance it.

Date	Particulars	₹
2023		
Feb 01	Received a cheque towards petty cash	500
02	Paid cartage on goods	25
06	Paid taxi fare	70
08	Postage and Telegram	30
12	Stationery purchased	65
15	Wages paid	50
17	Paid for repairs to chairs	75
20	Registered parcel charges	50
26	Bus fare	10
28	Coffee expenses	30

**(Ans: Petty cash balance ₹ 95/-)**

- 25] Prepare petty cash book from the following particulars under Imprest system.

Date	Particulars	₹
2023		
July 01	Received cash from main cashier	120
03	Purchased stationery	20
06	Paid for charity	10
07	Paid newspaper bill	20
09	Paid coolie	12
12	Postal expenses	8
14	Paid for cart hire	4
25	Auto fare	18
30	Carriage expenses	5
31	Refreshment expenses	5

**(Ans: petty cash balance ₹ 18/-)**

- 26] Enter the following transactions in the petty cash book on the Imprest system and balance the same:

Date	Particulars	₹
2023		
April 01	Received cheque from cashier	600
02	Paid for bus tickets	75
05	Paid for cleaning office floor	40
08	Purchase of envelopes	30
10	Courier charges	20
12	Sent telegram	45
16	Bought white sheets	25
19	Tea expenses	30
22	Paid coolie	50
30	Auto charges	20

**(Ans: Petty cash balance ₹ 265/-)**

- 27]** Prepare petty cash book from the following particulars with imprest system and balance the same:

<b>Date</b>	<b>Particulars</b>	<b>₹</b>
2023		
Sept 01	Main cashier issued a cheque to petty cashier	400
02	Paid electricity charges	30
06	Xerox charges	25
08	Trunk call charges	40
10	Paid railway freight	50
14	Bought post cards and inland letters	25
18	Paid for computer stationery	20
20	Coffee expenses	15
26	Paid charity	10
30	Paid cartage	25

**(Ans: Petty cash balance ₹ 160/-)**

- 28]** Enter the following transactions in the petty cash book under Imprest system:

<b>Date</b>	<b>Particulars</b>	<b>₹</b>
2023		
Dec 01	Received cash from head cashier	300
04	Sent telegrams	25
08	Bought ink and pens	30
12	Auto fare	20
16	Courier charges	15
20	Paid for coolie	30
23	Travelling expenses	35
26	Tiffin charges	20
29	News paper bill	25
31	Tips to peons	10

**(Ans: petty cash balance ₹ 90/-)**

**Note: It is advised to consider any 5 transactions including opening balance for 6 marks**

#### IV. PROBLEM ON PURCHASES BOOK

29] Enter the following transactions in the purchases book/journal of M/S Jain traders:

Date	Particulars	₹
2023		
Jan 01	Purchased goods from Mr. Suresh	10,000
Jan 09	Credit purchases from Mr. Santhosh	20,000
	Less 10% trade discount	
Jan 11	Purchased from Mahesh traders	8,000
Jan 16	Purchased office furniture from Bengaluru	
	Furniture	15,000
Jan 26	Bought goods from Girish	
	Less 5% trade discount	28,000

**Ans: ₹ 62,600.**

30] Enter the following transactions in the purchases book of Samarth traders

Date	Particulars
2023	
Feb 01	Purchased from Mandya sugar mills, 10 quintals of sugar at ₹ 3500 per quintal
Feb 10	Bought 25 quintals of rice from Bharath mills, Belgaum at ₹ 3000/- per quintal at 10% discount
Feb 20	Bought Furniture of ₹ 15,000 from Modern furniture on credit
Feb 25	Bought wheat from Akhil and co., 15 quintals at ₹ 2,500/- per quintal at 8% trade discount
Feb 28	Purchased 5 tins of coconut oil from Mangaluru Stores at ₹ 2,000/- per tin

**Ans: ₹ 1,47,000.**

31] Prepare purchases book from the following transactions of Saraswathi Book house.

2023

June 01 Purchased 50 Accountancy Books at ₹ 150 per book from Sapna book house

- June 05 Bought 25 business studies books at ₹ 100 per book and 50 Economics books at ₹ 100 per book from Matha publishers at 5% discount.
- June 12 Purchased 500 note books from siddi suppliers for ₹ 30 per Note book at 10% discount.
- June 18 Bought 10 packs of pens from Subhash book house at ₹ 120 each for cash.
- June 25 Bought 10 dictionaries at ₹ 100 each from Chethan publications.

**Ans: ₹ 29,125.**

- 32]** Record the following transactions in purchase journal of city stationeries For the month of July 2023.

2023

- July 01 Bought from Ravindra traders as per invoice no.431:  
10 Note books at ₹ 25 each  
20 Registers at ₹ 50 each, less trade discount @ 6%.
- July 05 Purchased from Gokul stationeries as per Invoice no. 515:  
20 colour books at ₹ 75 each  
100 packs of pens at ₹ 40 each Trade discount 5%.
- July 15 Purchased 20 colour pencil boxes from Ganga stationeries @ ₹ 120 Per box.
- July 18 Purchased Xerox machine of ₹ 20,000/- from Adiswar electronics
- July 22 Purchased 25 calculators from Global Electronics at ₹ 100 each.

**Ans: ₹ 11,300.**

- 33]** Enter the following transactions in the purchases book:

2023

- April 01 Purchased from Mr. Balu, Bijapur, 10 quintals of jawar at ₹ 3,000/- Per quintal at 20% trade discount.
- April 08 Shubha mills sold us 12 quintals of small rice at ₹ 3,500/- per Quintal and paid transportation charges of ₹ 500.
- April 14 Purchased from Bindhu mills 15 quintals of big rice at ₹ 500 Per quintal.
- April 20 Purchased from Star mills 10 bags of wheat @ ₹ 3,000 per bag

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for Cash.

April 26 Bought 50 kg moong from Ganesh traders at ₹ 50 per kg.

**Ans: ₹ 1,06,500.**

**34]** Prepare purchases book for the month of January 2023.

2023

Jan 01 Purchased goods from Rajesh ₹ 8,000.

Jan 08 Bought goods from Ramesh ₹ 20,000/- less 5% trade discount.

Jan 10 Bought Vehicle from Maruti co. on credit

Jan 19 Purchased from Lakshmi traders for ₹ 5,000 on credit.

Jan 24 Purchased goods from Mr. A for ₹ 4,000 less 10% trade discount.

**Ans: ₹ 45,600.**

**35]** Prepare the purchases book for the month of March 2023 in the books of Krishna provision stores

2023

March 02 Purchased 20 packs of Biscuit at ₹ 100 each from Sunfeast ltd.,

March 11 Bought 10 bags of Tea powder at ₹ 1000 each less trade discount of 10%.

March 15 Bought 10 packs of chocolate at ₹ 250 each from Lakshmi Chocolate stores at 2% discount.

March 21 Bought 10 bags of detergent powder at ₹ 500 per bag from Hari traders.

March 28 Purchased 10 boxes of soap at ₹ 200/- per box from Shiva Traders for cash.

**Ans: ₹ 20,450.**

**36]** Prepare the purchases book for the month of sept.2023 in the books of Pooja stationeries.

2023

Sept.01 Purchased 10 dozens of note books from Geetha publishers for ₹ 5,000 less 5% trade discount.

Sept.04 Bought pens and Pencils from Vasavi stores ₹ 1,500.

Sept.13 Cash purchases from Dhathri stores ₹ 4,000.

Sept.17 Bought from Mr.Kiran ₹ 6,000 at 10% discount.

Sept.24 Bought Charts and graphs from Sreenidhi publishers for ₹ 500.

**Ans: ₹ 12,150.**

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**37]** Prepare purchases book from the following transactions:

2023

- Dec.01 Purchased goods from Sundar for ₹ 8,000/- on account.  
Dec.08 Bought goods from Pradeep for ₹ 4,000/- on credit at 10% discount.  
Dec.11 Purchased one printer for ₹ 8,000 from New computers.  
Dec.21 Bought goods from Ankith ₹ 3,500.  
Dec.24 Purchased goods from Manjunath ₹ 8,000/.  
Dec.27 Purchased goods from Nagendra for ₹ 2,500.

**Ans: ₹ 25,600.**

**38]** From the following transactions prepare purchases book for the month of jan.2023 in the books of Janatha Furnitures.

2023

- Jan.01 Purchased from New furnitures 10 tables at ₹ 2,500 each.  
Jan.08 Purchased from Arun furnitures 20 chairs at ₹ 1,000/- each at a 5% discount.  
Jan.13 Bought 10 dining sets from Royal king furniture at ₹ 6,000 each at a 10% discount.  
Jan.20 Bought 10 Bureau from Lakshmi works at ₹ 10,000/- each for cash.  
Jan.28 Varun Furnitures sold us 10 TV stands at ₹ 3,000/- each.

**Ans: ₹ 1,28,000.**

## **V. PROBLEMS ON SALES BOOK**

**39]** From the following transactions prepare the sales book of Naveen Furniture for the month of January 2023.

2023

- Jan.04 Sold on credit to Raghu traders Hubli: 25 chairs of ₹ 500/- each  
10 tables of ₹ 2,000/- each Trade discount @ 10%  
Jan.09 Sold to Meghana traders: 2 tables of ₹ 1,500 each  
4 bureaus of ₹ 8,000 each  
Jan.16 Sold one old type writer to Janatha motors for ₹ 2,000.  
Jan.23 Sold to Mr.Deepak one table for ₹ 1,500, and  
4 chairs for ₹ 500 each at a trade discount of 2%.  
Jan.27 Sold to Aravind Stores 10 chairs at ₹ 800 each.

**Ans : ₹ 75,680.**

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**40]** Enter the following in the day book (sales book)

2023

- Nov.01 Sold to Mr.Ravi for ₹ 6,000/- on credit  
Nov.03 Mr. Keshav bought goods from us of ₹ 7,000/- on account.  
Nov.09 Credit sales to Mr.Arun ₹ 10,000/-@ 2% discount.  
Nov.12 Sold goods to Amul for ₹ 8,000 for cash.  
Nov.24 Credit sales to Mr. Dhanu for ₹ 4,500/- and spent ₹ 200 for transportation.

**Ans: ₹ 27,500.**

**41]** Prepare the sales book for the month of February 2023 in the books of Mahalakshmi traders.

2023

- Feb.05 Sold 4 bags of wheat flour @ ₹ 500 each to Ashoka hotel @ 5%trade discount.  
Feb.12 Sold 2 boxes of spices at ₹ 800 per box to Amith on account and also spent ₹ 200 for packing.  
Feb.19 Vikas bought from us 5 kg coffee powder at ₹ 700 per kg @ 8% trade discount.  
Feb.20 Sold to Hema 5kg of sugar at ₹ 35 per kg. For cash.  
Feb.28 Sold 4 bags of rice at ₹ 3,000 per bag to Rajesh.

**Ans: ₹ 18,920.**

**42]** Enter the following transactions in sales book.

2023

- June 01 Sold goods to Aparna traders for ₹ 10,000/-@ 10% discount.  
June 03 Sold goods to Rashmi traders of ₹ 7,000/- on credit.  
June 11 Sold goods to Gagan and co. ₹ 8,000/- on credit.  
June 20 Sold an old Motor car to Harsha on credit for ₹ 25,000.  
June 25 Sold goods to Manu for ₹ 5,000/- at 5% trade discount.

**Ans : ₹ 28,750.**

**43]** Enter the following transactions in the sales book.

2023

- Sept.01 Sold to Arun and co. 20 bags of rice @ ₹ 5,000/- per bag.  
Sept.10 Mohan bought from us 10 bags of sugar of ₹ 3,000/- per bag at 5% Trade discount.  
Sept.15 Sold to Raju 2 bags of wheat at ₹ 2,000/ per bag for cash.  
Sept.20 Sold to Bombay refreshments 5 bags of wheat flour at ₹ 700/ per bag at 10% discount.  
Sept.25 Rahul bought from us 8 kg. Tea powder at ₹ 800/ per kg.

**Ans : ₹ 1,36,550.**

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**44]** Prepare the sales book for the month of June 2016 in the books of Vidya book stores:

2023

June 01 Sold 20 History books to Pooja book stores at ₹ 150 each @10% trade discount.

June 06 Sold to Subhash book stores 15 dictionaries of ₹ 100 each.

June 10 Sold old furniture for ₹ 2,000/ for cash.

June 17 Sold 25 Accountancy text books for ₹ 100 each to Saraswathy Book house.

June 26 Sold 10 English text books for ₹ 80 each to Samskruthi book Stores at 3% discount.

**Ans : ₹ 7,476.**

**45]** Prepare the sales book from the following transactions:

2023

May 01 Sold 20 pen sets @ ₹ 150 per set to Samarth traders.

May 06 Sold 2 dozens of note books at ₹ 300 per dozen to Sharadha book stores at 5% discount.

May 09 Sold to Guru publishers 15 roles of paper at ₹ 50 each.

May 17 Old motor car sold to Shiva motors for ₹ 80,000 on credit.

May 20 Sold to Nandish and co. 20 note books at ₹ 35 each; 15 note pads at ₹ 10 each. Trade discount at 5%.

**Ans: ₹ 5,127.**

**46]** Enter the following transactions in the sales book of M/s Baldev Electronics:

2023

Nov.01 Sold to Nikhil traders as per bill no. 112, 10 radio sets at ₹ 500 each 20 earphone sets at ₹ 100 each, @ 10% trade discount.

Nov.08 Sold to Rahul traders as per bill no. 116:10 pen drives at ₹ 400 each 5 chargers at ₹ 120 each

Nov.13 Sold to Swathy Electronics as per bill no. 192 : 8 walkmans at ₹ 500 each 5 tape recorders at ₹ 800 each

Nov.17 Sold to Mahadev : 10 TV sets at ₹ 10,000 each for cash.

Nov.18 Sold to Many electronics ltd. As per bill no. 1340 :10 walkman at ₹ 250 each 15 pocket radio at ₹ 200 each, at 10% trade discount.

**Ans : ₹ 23,850.**

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**47]** Enter the following transactions in the books of Venkat stores:

2023

- Dec.01 Sold to Anjali stores as per invoice no. 1314:  
40 notebooks at ₹ 25 each  
20 color pads at ₹ 50 each, trade discount at 10%
- Dec.07 Sold to Girija stationeries as per invoice no. 1318:  
20 staplers at ₹ 70 each  
20 punching machines at ₹ 150 each  
10 boxes of chalk pieces at ₹ 50 each Trade discount @ 5%.
- Dec.12 Sold to Meghana stores as per invoice no.1413;  
10 dozens of pens at ₹ 150 per dozen  
20 dozens of pencils at ₹ 120 per dozen discount at 2%.
- Dec.18 Sold to Gaurav Stores, 100 note books at ₹ 30 each for cash.

**Ans : ₹ 10,199.**

**48]** Record the following transactions in the sales book of Ganesh emporium, Bangalore.

2023

- April 01 Sold to Karnataka cloth center  
10 shirts at ₹ 500 each  
10 suits at ₹ 900 each at 20% trade discount.
- April 06 Sold to Sagar cloth center  
20 meter of woolen cloth at ₹ 50 per meter  
10 blankets at ₹ 700 each,
- April 12 Universal cloth center purchased from us  
20 pants at ₹ 800 per pant  
30 shirts at ₹ 700 per shirt, discount at 15%
- April 20 Sold 10 blankets to Bhagya textiles at ₹ 300 per blanket for cash.
- April 25 Sold 10 meters of cotton cloth to Anitha tailors  
at ₹ 50 per meter on credit.

**Ans : ₹ 53,550.**

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## PART -D

### Twelve Marks Problems:

#### PROBLEMS ON TWO COLUMN CASH BOOK

- 01] Record the following transactions of M/s tools India ltd. In two column cash book:

Date	Particulars	₹
2023		
Jan.01	Bank balance	48,000
	Cash balance	12,000
Jan.04	Purchased goods for cash	6,000
Jan.08	Bought goods by cheque	15,000
Jan.12	Sold goods for cash	11,000
Jan.15	Purchased machinery by cheque	7,500
Jan.16	Sold goods and received cheque and deposited in to the bank	8,500
Jan.18	Bought stationery by cheque	2,000
Jan.20	Cheque given to Rohith	3,500
Jan.21	Withdraw cash from bank for office purpose	10,000
Jan.27	Rent paid by cheque	3,000
Jan.31	Paid salary	4,000

**Ans : cash balance ₹ 23,000. Bank balance ₹ 15,500.**

- 02] Record the following transactions in two column cash book of Sagar and balance it:

Date	Particulars	₹
2023		
Feb.01	Bank balance	50,000
	Cash balance	10,000
Feb.02	Paid insurance premium by cheque	8,000
Feb.05	Cash sales	25,000
Feb.08	Cash purchases	18,000
Feb.10	Cash deposited in to the bank	19,000
Feb.12	Telephone bill paid by cheque	2,500
Feb.15	Withdrawn cash from the bank for personal use	5,000
Feb.16	Cash withdrawn from bank for office use	10,000
Feb.18	Received cheque from Anand for full settlement of his A/c of ₹ 11,000 and deposited in to the bank	10,500
Feb.22	Cartage paid in cash	1,500
Feb.28	Cheque received from Kumar	5,000

**Ans: Cash in hand ₹ 11,500; cash at bank ₹ 54,000.**

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**03]** Enter the following transactions in the double column cash book with bank and Cash columns and balance it.

01. Cash at Office ₹ 18,500 and bank balance ₹ 79,850.
02. Mohan settled his account of ₹ 7,500, by giving the cheque of ₹ 7,300.
03. Mohan's cheque deposited in to the bank
04. Mohan's cheque returned dishonored
05. Paid for mobile bill ₹ 1,500
06. Purchased Furniture and paid by cheque ₹ 12,500
07. Bought goods and paid by cheque ₹ 20,000
08. Paid salary ₹ 6,000
09. Sold goods for cash ₹ 16,000
10. Insurance premium paid by cheque ₹ 2,500
11. Goods withdrawn for domestic use ₹ 3,500
12. Sold goods to Sindhu on credit ₹ 5,000.
13. cash deposited into the bank ₹ 15000.

**Ans: cash in hand ₹ 12,000 cash at bank ₹ 59,850.**

**04]** From the following transactions made by Ramanath traders, prepare Double column cash book:

2023

- Mar.01 Cash in hand ₹ 1,75,000 and at bank ₹ 6,500.
- Mar.02 Deposited into the bank ₹ 1,05,000
- Mar.03 Issued a Cheque for the furniture purchased ₹ 25,000
- Mar.05 Purchased computer for ₹ 30,000
- Mar.08 Loan taken from bank ₹ 3,00,000
- Mar.09 Bought goods and paid by cheque ₹ 65,000
- Mar.10 Bought computer for office use and paid by cheque ₹ 85,000.
- Mar.11 Sold goods for ₹ 50,000 and received cheque from Govind
- Mar.15 Purchased machinery from Hmt. Ltd. For ₹ 50,000 on credit
- Mar.20 Settled Hmt's account by transferring Govind' cheque
- Mar.23 Sold goods for cash to Sudhakar ₹ 24,000.
- Mar.25 Stationery expenses paid ₹ 2,500.

**Ans: cash in hand ₹ 61,500: cash at bank ₹ 2,36,500.**

- 05]** Record the following transactions in double column cash book and balance it:

Date	Particulars	₹
2023		
April01	Cash balance	15,000
	Bank balance	2,20,000
April02	Insurance premium paid by cheque	6,000
April04	Issued a cheque for goods purchased	28,000
April05	Sold goods and received cheque from Rahul	19,000
April08	Sold goods to Modi and get the amount transferred to our bank account	36,000
April10	Paid rent by cheque	12,000
April11	Paid wages	3,500
April13	Bought goods from Amith	65,000
April15	Sold goods to mamatha and received a cheque	56,000
April20	Mamatha's cheque deposited in to the bank	
April28	Paid to Amith by cheque in full settlement of his account	64,000

**Ans: cash in hand ₹ 25,500; cash at bank 2,02,000.**

#### PROBLEMS ON SUBSIDIARY BOOKS

- 06]** Enter the following transactions in the Purchases book, Purchases return book,  
Sales book, Sales return book:

2023

- Jan 01 Goods sold to Sachin ₹ 5,000  
 Jan 04 Purchased from Kushal traders ₹ 2,480.  
 Jan 06 Sold goods to manish traders ₹ 2,100  
 Jan 07 Sachin returned goods ₹ 600  
 Jan 08 Returned to Kushal traders ₹ 280.  
 Jan 12 Purchased goods from Kunal traders ₹ 5,700 less 10% trade discount.  
 Jan 15 Sold to Sri chand brothers ₹ 6,600 less 5% trade discount.  
 Jan 20 Return outwards to Kunal traders ₹ 1,000 less 10% trade discount.  
 Jan 24 Bought of Naresh ₹ 4,060.  
 Jan 26 Furniture purchased from Tharun ₹ 3,200.  
 Jan 29 Chand brothers returned goods ₹ 500.  
 Jan 30 Sold to Mukesh ₹ 3,300.  
 Jan 31 Mukesh returned goods ₹ 300.

**Ans: P.book ₹ 11,670; S.book ₹ 16670; P.R.book ₹ 1,180; S.R.book ₹ 1,400.**

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**07]** Enter the following transactions in the Purchases book, Purchases return book,

Sales book, Sales return book of Mr. Kumar:

2023

Dec.01 Purchased goods from Prem for ₹ 20,000 less 5% trade discount.

Dec.03 Purchased goods from Sunil for ₹ 15,000 for cash.

Dec.05 Sold goods to Suresh for ₹ 12,000.

Dec.08 Sold goods to Karan ₹ 35,000 less discount 10%.

Dec.10 Purchased goods from Mohan for ₹ 15,000 less trade discount 10%.

Dec.13. Sold goods to Sundar for ₹ 30,000.

Dec.17 Goods returned by Sundar worth ₹ 5,000.

Dec.20 Goods returned to Prem ₹ 5,000.

Dec.22 Sold old newspapers to Thamos ₹ 200.

Dec.25 Purchased goods from Naveen for ₹ 20,000.

Dec.28 Returned goods worth ₹ 3,000 to Mohan.

Dec.30 Bought goods from Ajay ₹ 6,500.

Dec.31 Allowances claimed from Ajay for shortage ₹ 50.

Dec.31 Sold goods to Bimal ₹ 2,000.

**Ans: P.book ₹ 74,000;S.book ₹ 75,500;P.R.book ₹ 8,000;S.R.book ₹ 5,050.**

**08]** Enter the following transactions in the Purchases book, Purchases return book,

Sales book, Sales return book:

2023

April 01 Goods sold to Manish ₹ 6,000.

April 02 Purchased goods from Ramesh ₹ 16,000.

April 03 Bought goods from Rahul ₹ 18,000 less trade discount 10%.

April 06 Goods returned to Ramesh ₹ 1,500.

April 08 Goods sold to Kushal ₹ 10,000 less discount 10%.

April 10 Goods purchased from Sheethal traders ₹ 7,000.

April 13 Returned goods from kushal ₹ 1,000.

April 15 Sold goods to Hari ₹ 6,000 less trade discount @ 5%.

April 18 Goods purchased from Naresh ₹ 5,000.

April 20 Goods returned from Hari ₹ 300.

April 22 Old machinery sold to Ramesh on credit ₹ 12,000.

April 24 Raju purchased goods from us ₹ 8,000.

April 28 Manish claimed for shortage of ₹ 500.

**Ans: P.book ₹ 44,200; S.book ₹ 28,700; P.R.book ₹ 1,500;S.R.book ₹ 1,800.**

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**09]** Enter the following transactions in the Purchases book, Purchases return book, Sales book, Sales return book:

2023

Aug. 01 Purchased goods from Sharath ₹ 3,500.

Aug. 02 Bought from Kiran ₹ 4,500 on account, less 10% trade discount.

Aug. 04 Sold goods to Aswin ₹ 4,500.

Aug. 06 Returned defective to Kiran ₹ 1,000 (gross).

Aug. 07 Sold goods to Sundar ₹ 4,000.

Aug. 10 Credit sales to Raju and sons ₹ 15,000.

Aug. 12 Returned defective goods from Sundar ₹ 1,000.

Aug. 15 Credit purchases from Anand ₹ 10,000.

Aug. 18 Dinesh bought goods from us on account ₹ 5,000.

Aug. 19 Cash sales to vinay ₹ 3,000.

Aug. 24 Sent a credit note to Dinesh ₹ 1,000.

Aug. 25 Bought 15 units from Jayanth at ₹ 200 per unit.

Aug. 31 Returned to Jayanth 2 damaged units.

**Ans:P.book ₹ 20,550;S.book ₹ 28,500;P.R.book ₹ 1,300;S.R.book ₹ 2,000.**

**10]** Record the following transactions in the Purchases book, Purchases return book, Sales book, Sales return book of Unique provisional stores for the month of June 2023.

June 01 Purchased 10 bags of rice from fine rice mills, Maddur @ ₹ 5,500 per bag.

June 02 Sold 2 bags of sugar to Ashoka hotel, Bengaluru @ ₹ 3,500 per bag.

June 05 Sent a debit note to Fine rice mills, Maddur for the over price of ₹ 300 per bag.

June 07 Sold 20 kg of coffee powder to Janapriya hotel at ₹ 120 per kg.

June 10 Purchased 25 cases of tea powder from Tata tea suppliers for ₹ 6,250.

June 12 Sent a credit note by Janapriya hotel for short supply of 2 kg. Coffee powder.

June 15 Returned 4 cases of defective tea powder to Tata tea suppliers.

June 18 Bought 15 bags of wheat flour from Panjab flour mills @ ₹ 2,000 Per bag.

June 21 Supplied two bags of rice and 3 bags of wheat flour to Reliance stores @ ₹ 3,400 per bag and ₹ 2,600 per bag respectively.

June 23 Reliance stores returned wrong supply of one bag of rice.

June 26 Bought office furniture from Vishal furniture mart for ₹ 25,000 on credit.

June 27 Sold to Vishnu Darshini provisions of ₹ 10,000 on account, less 10% discount.

**Ans : P.book ₹ 91,250; S.book ₹ 33,000;P.R.book ₹ 4,000;S.R.book ₹ 3,640.**

- 11] Enter the following transactions of M/s Highlight fashions in purchases and purchases returns book and post them to the ledger accounts for the month of September 2023.

Date	Details
2023	
Sept.01	Purchase of the following goods on credit from M/s Rakesh traders as per invoice no. 417: 50 shirts at ₹ 600 per shirt 20 pants at ₹ 700 per pant, less 10% trade discount.
Sept.08	Purchase of following goods on credit from Bombay fashion house as per invoice no. 723: 10 fancy trousers at ₹ 1,000 per trouser 20 fancy hats at ₹ 100 per hat, less 5% trade discount.
Sept.10	Goods returned to Rakesh traders as per debit note no. 201: 3 shirts at ₹ 600 per shirt 1 pant at ₹ 700 per pant, less 10% trade discount.
Sept.15	Purchase of following goods on credit from M/s Royal fashions as per invoice no. 1876: 20 jackets at ₹ 1,000 per jacket 10 plain shirts at ₹ 400 per shirt, less 15% trade discount.
Sept.20	Purchase of following goods on credit from M/s Brigade palace as per invoice no. 6701: 25 fancy lengha @ ₹ 2,000 per lengha, less 5% trade discount.
Sept.24	Goods returned to Bombay fashion house as per debit note no.103: 02 fancy trousers @ ₹ 1,000 per trouser 04 fancy hats @ ₹ 100 per hat, less 5% trade discount.
Sept.28	Goods returned to M/s Brigade palace as per debit note no. 501: 02 fancy Lengha @ ₹ 2,000 per lengha Less 5% trade discount.

**Ans; P.book 1,18,900;P.R.book 8,330.**

- 12] Enter the following transactions in the sales and sales returns book of M/s Navaneeth stores:

Date	Particulars
2023	
Dec.01	Sold goods on credit to M/s Rajani stores as per bill no. 523: 60 kids books at ₹ 120 each 40 Animal books @ ₹ 100 each
Dec.05	Sold goods to M/s Meena stores as per invoice no.238: 200 greeting cards at ₹ 12 each 50 musical cards at ₹ 50 each, less 5% trade discount.

Dec.10	Sold goods on credit to M/s Noble stationeries as per invoice no.329: 100 writing pads at ₹ 40 each 100 colour books at ₹ 60 each 40 ink pads at ₹ 32 each
Dec.15	Goods returned from M/s Rajani stores as per credit note no.102: 04 kids books at ₹ 120 each 02 Animal books at ₹ 100 each
Dec.19	Sold goods on credit to M/s Abhi traders as per invoice no. 553: 500 rules note books at ₹ 20 each 250 plain note books at ₹ 25 each, less 5% trade discount.
Dec.22	Goods returned from M/s Noble stationeries as per credit note no.204: 04 colour books @ ₹ 60 each
Dec.30	Goods returned from Abhi traders as per credit note no. 207: 20 ruled note books at ₹ 20 each 05 plain note books at ₹ 25 each, less 5% trade discount.

**Ans: Sales.book 41,385; S.R.book 1,1551**

- 13]** Enter the following transactions in Purchase and Sales day book and prepare only personal accounts in the ledger: **(for practice purposes only)**  
2023

- Mar.01 Purchased 50 Accountancy text books from Nuthan publishers at ₹ 100 per copy.
- Mar.07 Sold to Bhaskar 10 accountancy text books at ₹ 110 per copy.
- Mar.12 purchased 150 Business studies text books from Himalaya publishers @ ₹ 100 each, Less discount @ 25%.
- Mar.15 Sold to Mr. Dinesh stores 50 business studies text books at ₹ 100 each less 10% trade discount.
- Mar.20 Bought 200 Economics note books from Abhiman publishers at ₹ 80 each less 30% trade discount.
- Mar. 26 Sold to MK book house, 100 economics text books at ₹ 75 each.

**Ans: P.book 27,450;S.book 13,150.**

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**Key answer for short questions :**

**MCQ**

1] d 2] b 3] c 4] c 5] a 6] b 7] a 8] b 9] d 10] a 11] d 12] d  
13] a 14] c 15] a

**TRUE OR FALSE**

11] t 12] t 13] f 14] t 15] f

**FILL IN THE BLANKS**

1] special 2] journal proper 3] credit 4] asset 5] ledger  
6] petty cash book 7] analytical or columnar petty cash 8] cash  
9] cash and Bank 10] sales returns book 11] purchase returns book  
12] purchases 13] sales 14] Cash book  
15] journal proper.

**MATCH THE FOLLOWING**

a] vi b] iv c] i d] ii e] iii

# **BANK RECONCILIATION STATEMENT**

## **PART - A**

### **One Mark Questions:**

#### **I. Multiple Choice Questions:**

- 1] A bank reconciliation statement is prepared by:
  - a] Creditors
  - b] bank
  - c] Account holder in a bank
  - d] Debtors
- 2] A bank reconciliation statement is prepared with the balance:
  - a] Passbook
  - b] Cashbook
  - c] Both passbook and cashbook
  - d] Purchase book
- 3] Passbook is a copy of
  - a] Customer Account
  - b] Bank column of cash book
  - c] Cash column of cash book
  - d] Receipts and Payments
- 4] Unfavourable bank balance means
  - a] Credit balance in pass book
  - b] Credit balance in cash book
  - c] Debit balance in cash book
  - d] Both (a) and (b)
- 5] Favourable bank balance means
  - a] Credit balance in the cash book
  - b] Credit balance in the pass book
  - c] Debit balance in the pass book
  - d] Both (a) and (b)

- 
- 6] A bank reconciliation statement is mainly prepared for
- a] Reconcile the cash balance of the cash book
  - b] Reconcile the difference between the bank balance shown by the cash book and passbook
  - c] Both (a) and (b)
  - d] Reconcile the bank balance of the passbook
- 7] Cheque issued but not presented for payment is also known as
- a] Uncollected cheques
  - b] Uncredited cheques
  - c] Outstanding cheques
  - d] Cheques deposited by customers
- 8] Bank reconciliation statement compares a bank statement with.....
- a] Cash payments journal
  - b] Cash receipts
  - c] Financial statements
  - d] Cash book
- 9] ABC Ltd., receives a cheque for ₹ 100, records it in the cash book, and deposits it on the same day. A statement sent by the bank that day does not show this ₹ 100. How is this shown on the bank reconciliation statement?
- a] As an uncredited deposits added to the bank statement balance
  - b] As an uncredited deposits deducted from the bank statement balance.
  - c] As an unpresented cheque added to bank statement balance.
  - d] As an unpresented cheque deducted from the bank statement balance.
- 10] Bank overdraft as per cash book is a\_\_\_
- a] Debit balance
  - b] Credit balance
  - c] Cash balance
  - d] Favourable balance

**II. Fill in the blanks:**

- 1] Passbook is a copy of \_\_\_\_\_ as it appears in the ledger of the bank.
- 2] When money is withdrawn from the bank, the bank \_\_\_\_\_ the account of the customer.
- 3] Normally, the cash book shows a debit balance, passbook shows \_\_\_\_\_ balance.

- 
- 4] Favourable balance as per the cashbook means \_\_\_\_\_ balance in the bank column of the cash book.
  - 5] If the cash book balance is taken as starting point the items which make the cash book balance smaller than the passbook must be \_\_\_\_\_ for the purpose of reconciliation.
  - 6] If the passbook shows a favourable balance and if it is taken as the starting point for the purpose of bank reconciliation statement, then cheques issued but not presented for payment should be \_\_\_\_\_ to find out cash balance.
  - 7] When the cheques are not presented for payment, favourable balance as per the cash book is \_\_\_\_\_ than that of the passbook.
  - 8] When a banker collect the bills and credits the account passbook overdraft shows \_\_\_\_\_ balance.
  - 9] If the overdraft as per the passbook is taken as the starting point, the cheques issued but not presented are to be \_\_\_\_\_ in the bank reconciliation statement.
  - 10] When the passbook balance is taken as the starting point items which makes the passbook balance \_\_\_\_\_ then the balance in the cash book must be deducted for the purpose of reconciliation.

**III. Match the following:**

**A**

- a] Passbook
- b] Dividend collected by the bank
- c] Favourable balance as per cash book
- d] Overdraft
- e] Favourable balance as per pass book

**B**

- (i) withdrawal exceeds deposits
- (ii) deposits held at the bank.
- (iii) copy of customer account
- (iv) debit balance in cash book
- (v) reason for difference between the cashbook and pass book
- (vi) over casting in Dr. side of cash book

**IV. VERY SHORT ANSWER QUESTIONS:**

- 1] What is passbook?
- 2] What is bank overdraft?
- 3] Give an example for errors committed by the firm in cash book.
- 4] State any one causes of difference between cash book balance and pass book balance occurred due to Time difference.

- 
- 5] Expand BOD.
  - 6] Cheques issued but not presented for payment will reduce the balance as per the passbook. (State true/false)
  - 7] Cheques deposited but not collected will result in increasing the balance of cash book when compared to passbook. (State true/false)
  - 8] Overdraft as per the passbook is less than the overdraft as per the cashbook when there are cheques deposited but not collected by the banker. (State true/false)
  - 9] The bank credits the customer accounts only when the amount of cheques are actually realized (State true/false)
  - 10] When payments made by the bank as per the standing instruction of the customer the balance in the passbook will be more when compare to the cash. (State true/false)

### **PART - B**

#### **TWO MARKS QUESTIONS:**

- 1] What is Bank Reconciliation Statement?
- 2] Why is Bank Reconciliation Statement prepared?
- 3] State any two causes for the difference between cash book balance and pass book balance.
- 4] Give any two examples for errors committed by the firm in cash book.
- 5] Give any two examples for errors committed by the bank in pass book.
- 6] What do you understand by the following?
  - a] Debit balance as per cash book. b] Credit balance as per cash book.
- 7] What do you understand by the following?
  - a] Debit balance as per pass book. b] Credit balance as per pass book
- 8] What do you understand by the following?
  - a] Favourable balance as per cash book
  - b] Unfavourable balance as per cash book
- 9] What do you understand by the following?
  - a] Favourable balance as per pass book
  - b] Unfavourable balance as per pass book
- 10] State any two factors which is caused by the time gap in recording the transactions.

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## PART - C

### Twelve marks problems:

#### Dealing with favourable balances:

- 1] From the following particulars of Mr. Shourya, prepare Bank Reconciliation Statement as on March 31, 2024.
- a] Bank balance as per cash book ₹ 50,000.
  - b] Cheques issued, but not presented for payment ₹ 6,000.
  - c] Dividend on shares collected by the bank and credited in the pass book ₹ 8,000.
  - d] Bank charges debited in the pass book only ₹ 400.
  - e] A cheque deposited into bank, but not collected by the bank ₹ 5,000.
  - f] Interest credited in the pass book only ₹ 500.
  - g] Insurance premium paid directly by the bank understanding advice ₹ 1,000.

**(Ans: Balance as per pass book ₹ 58,100)**

- 2] From the following particulars of Mr. Chidananda, prepare Bank Reconciliation Statement as on Dec. 31, 2023.
- a] Bank balance as per cash book ₹ 20,000.
  - b] Cheques issued, but not cashed prior to Dec. 31, 2023 ₹ 4,000.
  - c] Interest on investments collected by the bank and credited in the pass book ₹ 2,000.
  - d] Bank charges debited in the pass book only ₹ 100.
  - e] Cheques paid into bank, but not cleared before Dec.31,2023 ₹ 3,000.
  - f] Interest credited in the pass book only ₹ 400.
  - g] Electricity bill paid by the bank unde standing order ₹ 300.

**(Ans: Balance as per pass book ₹ 23,000)**

- 3] From the following particulars of Mrs. Gowri kumar, prepare Bank Reconciliation Statement as on June.30, 2023.
- a] Bank balance as per cash book ₹ 80,000.
  - b] Out of cheques issued for ₹ 10,000, cheques for ₹ 2,000 cashed before Jun. 30, 2023.
  - c] There was a wrong credit in the pass book for ₹ 5,000.
  - d] Bank charges debited in the pass book only ₹ 300.
  - e] Out of Cheques amounting to ₹ 8,000 deposited into bank, ₹ 3,000 only collected before Jun.30, 2023.

- 
- f] Payment received from a customer directly by the bank ₹ 1,000
  - g] Bills discounted dishonoured ₹ 4,000.

**(Ans: Balance as per pass book ₹ 84,700)**

- 4] Prepare a Bank Reconciliation Statement as on May 31, 2024.
  - a] The bank pass book of Mrs. Lakshmi showed a balance of ₹ 10,000 on May 31, 2024.
  - b] Cheques issued, but not presented for payment ₹ 12,000.
  - c] The payments side of the cash book (bank column) was overcast by ₹ 1000
  - d] Bank commission debited in the pass book only ₹ 100.
  - e] Cheques of ₹ 4,000 deposited into bank, of which ₹ 3,000 only collected in May.
  - f] Interest on bank balance credited in the pass book only ₹ 200.
  - g] Club bill paid by the bank under Standing order ₹ 900.

**(Ans: Overdraft as per Cash book ₹ 1200 )**

- 5] Prepare a Bank Reconciliation Statement as on Jan.31, 2024.
  - a] The bank passbook of Mr. Sanjay showed a balance of ₹ 55,000 on Jan.31, 2024.
  - b] Cheques issued before Jan. 31, 2024, but not presented for encashment until that date ₹ 9,000
  - c] Two cheques of ₹ 3,900 and ₹ 2,100 were deposited into the bank on Jan. 31, 2024 but the bank gave credit for the same in Feb. 2024
  - d] There was also a debit in the pass book of ₹ 2,500 in respect of a cheque dishonoured on Jan. 31, 2024.
  - e] A bill receivable for ₹ 1,000 discounted with the bank was dishonoured.
  - f] Direct deposit into bank by a customer omitted in cash book ₹ 3,500
  - g] The debit side of the cash book (bank column) undercast by ₹ 1,000.

**(Ans: Balance as per cash book ₹ 51,000)**

- 6] From the following particulars, prepare a Bank Reconciliation Statement of Mr. Vijay as on 30<sup>th</sup> April, 2024 and ascertain bank balance as it would appear in cash book:
  - a] Bank pass book showed a balance of ₹ 25,000 on 30<sup>th</sup> April.
  - b] Bank charges of ₹ 250 has been debited in the pass book, but not entered in the cash book.

- 
- c] There was a wrong debit in the pass book for ₹ 1,000.
  - d] Cheques issued, but not encashed prior to 30<sup>th</sup> April, amounted to ₹ 1,500.
  - e] Cheques sent to bank for collection, but remained uncollected ₹ 2,500.
  - f] Interest on investments collected by the bank and credited in the pass book ₹ 1,800.
  - g] Payment by a cheque ₹ 1,900 entered in cash book (bank column) as ₹ 2,900.

**(Ans: Balance as per cash book ₹ 24,450)**

7] From the following particulars of Mr.Shreyas, prepare Bank Reconciliation Statement as on Dec. 31, 2023.

- a] Bank balance as per cash book ₹ 75,000.
- b] Cheques issued, but not cashed prior to Dec. 31, 2023 ₹ 8,000.
- c] Interest on investments collected by the bank and credited in the pass book ₹ 6000.
- d] Bank charges debited in the pass book only ₹ 500.
- e] Cheques paid into bank, but not cleared before Dec.31,2023 ₹ 7,000.
- f] Interest credited in the pass book only ₹ 1,000.
- g] Electricity bill paid by the bank under standing order ₹ 800.

**(Ans : Balance as per pass book ₹ 81,700)**

8] From the following particulars of Mrs Padmavathi, prepare Bank Reconciliation Statement as on Jan.31, 2024.

- a] Bank balance as per cash book ₹ 40,000.
- b] Out of cheques issued for ₹ 10,000, cheques for ₹ 6,000 cashed before Jan. 31, 2024
- c] There was a wrong credit in the pass book for ₹ 2,000.
- d] Bank charges debited in the pass book only ₹ 400.
- e] Out of Cheques amounting to ₹ 8,000 deposited into bank, ₹ 5,000 only collected before Jan.31, 2024.
- f] Payment received from a customer directly by the bank ₹ 2,000
- g] Bills discounted dishonoured ₹ 5,000.

**(Ans : Balance as per pass book ₹ 39,600)**

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9] From the following particulars, prepare Bank Reconciliation Statement as on 31<sup>st</sup> Mar. 2024:

- a] Bank balance as per pass book ₹ 40,000.
- b] Cheques issued, but not presented for payment ₹ 7,000.
- c] Cheques paid into bank, but not collected by the bank ₹ 6,000.
- d] Interest on investments amounting to ₹ 1,500 appeared only in the pass book.
- e] Direct deposit into the bank by a customer ₹ 2,000
- f] Interest on bank deposits ₹ 4,300 credited in the pass book only.
- g] Bank charges ₹ 300 debited in the pass book only.

**(Ans: Balance as per cash book ₹ 31,500)**

10] The cash book shows a bank balance of ₹ 7,800. On comparing the cash book with passbook the following discrepancies were noted. Prepare Bank Reconciliation Statement:

- a] Cheque desposited into bank, but not credited ₹ 13,000
- b] Cheque issued, but not yet presented for payment ₹ 1,500
- c] Insurance premium paid by the bank ₹ 2,000
- d] Bank interest credited by the bank ₹ 400
- e] Bank charges ₹ 100 debited in the pass book.
- f] Directly deposited by a customer ₹ 4,000

**(Ans : Overdraft as per pass book ₹ 1400)**

11] From the following particulars, prepare Bank Reconciliation Statement as on 31<sup>st</sup> Mar. 2024:

- a] Bank balance as per pass book ₹ 30,000
- b] Cheques issued, but not presented for payment ₹ 5,000.
- c] Cheques deposited into bank, but not collected ₹ 4,000.
- d] Dividend on shares collected by the bank and credited in the pass book only ₹ 4,000.
- e] Electricity bill is paid by the banker and debited in the pass book only ₹ 1,000
- f] Interest on bank deposits ₹ 2,500 and Bank charges ₹ 500 are recorded in the pass book only.

**(Ans: Balance as per cash book ₹ 24,000)**

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- 12] The bank pass book of Mr. Navarathna kumar showed a balance of ₹ 18,000 on Jan.31, 2024.
- a] Cheques issued before Jan. 31, 2024, but not presented for encashment until that date ₹ 2,000
  - b] Two cheques of ₹ 1,600 and ₹ 1,400 were deposited into the bank on Jan. 31,2024, but the bank gave credit for the same in Feb.2024
  - c] There was also a debit in the passbook of ₹ 1,500 in respect of a cheque dishonoured on Jan. 31, 2024.
  - d] A bill receivable for ₹ 1,000 discounted with the bank was dishonoured.
  - e] Direct deposit into bank by a customer omitted in cash book ₹ 1,300
  - f] The credit side of the cash book (bank column) overcast by ₹ 200.
- Prepare a Bank Reconciliation Statement as on Jan.31,2024.
- (Ans: Balance as per cash book ₹ 20,000)**

**Dealing with overdraft (Unfavourable balance)**

- 13] Overdraft shown by the pass book of Mr. Sheshank is ₹ 20,000. Prepare Bank Reconciliation Statement as on July. 31, 2024.
- a] Bank charges debited as per pass book ₹ 500.
  - b] Cheques received recorded in the cash book (bank column), but not sent to the bank for collection ₹ 2,500.
  - c] Received a payment by bank directly from a customer ₹ 4, 600.
  - d] Cheque issued, but not presented for payment ₹ 6, 980.
  - e] Interest on overdraft debited by the bank ₹ 100.
  - f] Insurance premium paid by bank ₹ 2, 500.
  - g] Cheques deposited into the bank, but not collected ₹ 3, 500.
- (Ans: Overdraft as per cash book ₹ 22,480)**

- 14] On 31-03-2024 the pass book of Mr. Mohan showed a bank overdraft of ₹ 12,000. From the following particulars, prepare a Bank Reconciliation Statement as on 31-03-2024.
- a] Out of total cheques amounting to ₹ 6,000 issued on 10-03-2024, cheques of ₹ 4,000 only were cashed so far.
  - b] Cheques paid into bank, but not cleared before 31-03-2024 amounted to ₹ 3,000.
  - c] There was a wrong debit of ₹ 2,000 given in the pass book
  - d] One of the customers directly deposited ₹ 1,000 into bank for which there was no entry in the cash book.
  - e] Dividend on shares collected by the bank and credited in the pass book amounted to ₹ 1,500.

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f] There was a debit of ₹ 500 in the pass book in respect of dishonoured cheque, but there was no corresponding entry in the cash book.

**(Ans: Overdraft as per cash book ₹ 11,000)**

15] From the following particulars of Mr.Gopi, prepare Bank Reconciliation Statement as on July 31, 2023.

- a] Bank overdraft as per cash book ₹ 10,000.
- b] Cheques issued, but not presented for payment ₹ 13,000.
- c] Dividend on shares collected by the bank and credited in the pass book ₹ 2,000.
- d] Interest on overdraft debited in the pass book only ₹ 500.
- e] A cheques deposited into bank, but not collected by the bank ₹ 5,000.
- f] Direct deposit into bank by a customer ₹ 4,000 for which no entry was made in cash book
- g] Insurance premium paid directly by the bank understanding order ₹ 1,500.

**(Ans: Bank balance as per pass book ₹ 2000)**

16] From the following particulars of Mr.Tejas, prepare Bank Reconciliation statement as on Aug. 31, 2023.

- a] Bank overdraft as per cash book ₹ 20,000.
- b] Cheques issued, but not cashed prior to Aug. 31, 2023 ₹ 6,000.
- c] Interest on investments collected by the bank and credited in the pass book ₹ 3,000.
- d] Bank charges debited in the pass book only ₹ 100.
- e] Cheques paid into bank, but not cleared before Aug.31,2023 ₹ 2,000.
- f] Credit side of the cash book (bank column) overcast by ₹ 600.
- g] Bills discounted dishonoured ₹ 1,000

**(Ans: Overdraft as per pass book ₹ 13,500)**

17] From the following particulars of Asha & Co, prepare a Bank Reconciliation Statement on Oct. 31, 2023:

	₹
Overdraft as per pass book	20,000
Interest on overdraft debited in passbook only	2,000
Insurance Premium paid by the bank	200

Cheques issued, but not presented for payment	6,500
Cheques deposited, but not yet cleared	6,000
Wrongly debited by the bank	500
The receipt side of the cash book (bank column) was under-cast by	100

**(Ans: Overdraft as per cash book ₹ 17,900)**

18] On 31-03-2024 the pass book of Mr. Swamy showed a bank overdraft of ₹ 6,000. From the following particulars, prepare a Bank Reconciliation Statement as on 31-03-2024.

- Out of total cheques amounting to ₹ 3,800 issued on 28-03-2024, cheques of ₹ 2,000 only were cashed so far.
- Cheques paid into bank but not cleared before 31-03-2024 amounted to ₹ 1,000.
- There was a wrong debit of ₹ 100 given in the pass book
- One of the customers directly deposited ₹ 300 into bank for which there was no entry in the cash book.
- Dividend on shares collected by the bank and credited in the pass book amounted to ₹ 200.
- There was a debit of ₹ 500 in the pass book in respect of dishonoured cheque, but there was no corresponding entry in the cash book.

**(Ans: Overdraft as per cash book ₹ 6700)**

19] Prepare Bank Reconciliation Statement from the following particulars.

- Overdraft shown as per cash book on September 30, 2024 ₹ 10,000.
- Bank charges debited in the passbook ₹ 100
- Interest on overdraft for six months ending September 30, 2024 ₹ 380 debited in the passbook.
- Cheques issued, but not encashed prior to September 30, 2024 amounted to ₹ 2,150.
- Interest on investment collected by the bank and credited in the passbook ₹ 600.
- Cheques paid into bank, but not cleared before September 30<sup>th</sup> 2024 were ₹ 1,100.
- There was a wrong credit in the pass book for ₹ 830

**Ans : overdraft as per pass book ₹ 8,000).**

20] On December 31, 2023 the cash book of Mr.Puneeth showed an overdraft of ₹ 6,920. From the following particulars prepare a Bank Reconciliation Statement and ascertain the balance as per pass book.

- a] Debited by bank for ₹ 200 on account of interest on overdraft and ₹ 50 on account of charges for collecting bills.
- b] Cheques drawn, but not encashed before Dec. 31, 2023 for ₹ 4,000.
- c] The bank has collected interest and has credited ₹ 600 in passbook.
- d] A bill receivable for ₹ 700 previously discounted with the bank had been dishonoured and debited in the passbook.
- e] Cheques paid into bank, but not collected and credited before Dec. 31, 2023 amounted ₹ 6,000.
- f] The debit side of the cash book (bank column) was under cast by ₹ 270.

**(Ans: Overdraft as per Pass book ₹ 9,000)**

21] Prepare a bank reconciliation statement.

- a] Overdraft shown as per cash book as on March 31,2023 ₹ 10,000
- b] Bank charges debited in Pass book ₹ 100
- c] Interest on overdraft debited in passbook ₹ 380
- d] Interest on investment collected by the bank ₹ 600
- e] Cheques issued but not cashed before 31.03.2023 ₹ 2150
- f] Cheques paid into bank but not cleared before 31.03.2023 ₹ 1,100
- g] Direct deposit into bank by a customer ₹ 11,000

**(Ans: Bank balance as per Pass book ₹ 2,170)**

**Key answer for short questions :**

**MCQ**

1] c    2] c    3] a    4] b    5] b    6] b    7] c    8] d    9] a    10] b

**FILL IN THE BLANKS**

1] Customer Account    2] Debit    3] Credit    4] Debit    5] Added  
6] Deducted    7] Less    8] Less    9] Added    10] Higher.

**MATCH THE FOLLOWING**

a] iii    b] v    c] iv    d] i    e] iv

**TRUE OR FALSE**

6] False    7] True    8] False    9] True    10] False

# TRIAL BALANCE AND RECTIFICATION OF ERRORS

## PART - A

### One Mark Questions:

#### I. Multiple Choice Questions:

- 1] Agreement of trial balance is affected by:
  - a] One sided errors only
  - b] Two sided errors only.
  - c] Both a and b
  - d] None of the above.
- 2] Which of the following is not an error of principle?
  - a] Purchase of furniture debited to purchases account.
  - b] Repairs on the overhauling of second hand machinery purchased debited to repairs account.
  - c] Cash received from Manoj posted to Saroj.
  - d] Sale of old car credited to sales account.
- 3] Which of the following is not an error of commission:
  - a] Over casting of sales book.
  - b] Credit sales to Ramesh ₹ 5000 credited to his account.
  - c] Wrong balancing of machinery account.
  - d] Cash sales not recorded in cash book
- 4] Which of the following errors will be rectified through suspense account:
  - a] Sales return book was under cast by ₹ 1,000.
  - b] Sales return by Madhu ₹ 1,000 not recorded.
  - c] Sales return by Madhu ₹ 1,000 recorded as ₹ 100.
  - d] Sales return by Madhu ₹ 1,000 recorded through purchases returns book.
- 5] If the trial balance agrees generally, it implies that:
  - a] The posting of the ledger is arithmetically correct.
  - b] There may be two sided errors in the books.
  - c] There may be one sided errors in the books.
  - d] There may be both two sided and one sided errors in the books.

- 
- 6] If the suspense account does not balance even after rectification of errors, it implies that :
- a] There are some one sided errors only in the books yet to be located.
  - b] There are no more errors yet to be located.
  - c] There are some two sided errors only yet to be located.
  - d] There must be both one sided errors and two sided errors yet to be located.
- 7] If wages paid for installation of new machinery is debited to wages account, it is:
- a] An error of commission.
  - b] An error of principle.
  - c] A compensating error.
  - d] An error of omission
- 8] Trial balance is:
- a] An account.
  - b] A statement.
  - c] A subsidiary book.
  - d] A principal book.
- 9] A trial balance is prepared:
- a] After preparation of financial statements.
  - b] After recording transactions in subsidiary books.
  - c] After posting to the ledger is completed.
  - d] After posting to ledger is completed and accounts have been balanced.
- 10] Objective of preparing trial balance is:
- a] To know the accuracy of account.
  - b] To know the financial position of the business.
  - c] To know the profit or loss.
  - d] To know the arithmetical accuracy of books of accounts.

## II Fill in the blanks:-

- 1] The Trial balance is usually prepared with the \_\_\_\_\_ of accounts.
- 2] Trial balance is normally prepared at the \_\_\_\_\_ of the accounting year.
- 3] Trial balance is a list of \_\_\_\_\_ and its balances.
- 4] When a transaction is completely omitted from recording in the books of original records, it is an error of \_\_\_\_\_.
- 5] Accounting entries are not recorded as per the generally accepted accounting principles is known as error of \_\_\_\_\_.
- 6] When two or more errors are committed in such a way that the net effect of these errors on the debit and credit of account is nil, such errors are called \_\_\_\_\_ errors.

- 7] Capital account balance is a \_\_\_\_\_ balance.
- 8] Drawings account balance is a \_\_\_\_\_ balance.
- 9] Assets account balances are \_\_\_\_\_ balances.
- 10] Liabilities account balances are \_\_\_\_\_ balances.
- 11] Expenses account balances are \_\_\_\_\_ balances.
- 12] Incomes account balances are \_\_\_\_\_ balances.

**III. Match the following:**

<b>A</b>		<b>B</b>	
a	Trial balance	i	Error of commission
b	Objectives of Trial balance	ii	Error of omission
c	Capital account	iii	Error of principle
d	Drawings account	iv	Statement
e	Overcasting	v	Debit balance
f	Transaction omitted to record in books	vi	Compensating errors
g	Entries not recorded as per GAAPs	vii	Locating errors
h	Errors do not affect the arrangement of trial balance	viii	Suspense account
i	Difference in Trial balance	ix	Credit balance

**IV. Very Short Answer Questions: -**

- 1] What is Trial balance?
- 2] State one objective of Trial Balance.
- 3] Name one method of preparing the Trial Balance.
- 4] State any one classification of error.
- 5] Give an example for error of commission.
- 6] Give an example for error of omission.
- 7] Give an example for error of principle.
- 8] Give an example for compensating errors.
- 9] Give an example for error which affects the trial balance.
- 10] Give an example for error which does not affects the trial balance.
- 11] When a suspense account is opened?

**State true or false in the following cases:**

- 12] Trial Balance is a statement of ledger account balances on a particular date.
- 13] Trial balance is a part of book-keeping.
- 14] Trial balance is just a statement and not an account.
- 15] Object of preparing the trial balance is to know profit or loss of the business.
- 16] The difference of trial balance is transferred to capital account.
- 17] Generally trial balance does not include the closing stock.

- 18] When one error compensates the other mistakes it is called error of principle.  
 19] Error of omission affects the agreement of Trial balance.  
 20] Compensating error does not affect the totals of Trial balance.  
 21] Trial Balance cannot trace the error of principle.  
 22] Preparation of trial balance is compulsory.

### PART - C

#### Six marks Questions/Short problems

#### Preparation of Trial Balance:

- 1] Prepare a trial balance from the following balances as on 31-03-2024:

Capital	₹ 25,000
Bills Payable	₹ 1,850
Bills Receivable	₹ 4,400
Stock on 1.4.2023	₹ 8,500
Furniture	₹ 2,600
Purchases	₹ 8,950
Sales	₹ 22,500
Discount earned	₹ 970
Carriage	₹ 300
Cash at Bank	₹ 25,570

**(Ans. Total ₹ 50,320)**

- 2] Mr. Ganesh's ledger shows the following balances, prepare a Trial balance using balances method.

Sl.No.	NAME OF ACCOUNTS	Balance (₹)
1	Ganesh's capital account	50,000
2	Manu's Account (credit)	40,000
3	Machinery Account	17,000
4	Ravi's Account (Debit)	15,000
5	Sales Account	60,000
6	Wages Account	5,000
7	Purchases Account	76,000
8	Cash Account	41,000
9	Debtors	10,500
10	Creditors	14,500

**(Ans: Total ₹ 1,64,500)**

- 3] From the following particulars given below prepare a Trial Balance as on 31-03-2024

Sl.NO	Particulars	Balance (₹)
1	Purchases	95,000
2	Sales	1,36,000
3	Bank loan	20,000
4	Machinery	50,000
5	Cash	46,000
6	Capital	1,00,000
7	Debtors	80,000
8	Creditors	17,000
9	Bills receivable	4,000
10	Bills payable	2,000

**(Ans: Total ₹ 2,75,000)**

- 4] Prepare a Trial balance from the following balances relating to Mrs. Sridevi as on 31-03-2024:

Sl. No	Particulars	Balance (₹)
1	Mrs. Sridevi 's Capital	1,45,000
2	Stock of goods	70,000
3	Motor car	1,20,000
4	Bad debts	7,000
5	Sales	2,00,000
6	Cash at bank	90,000
7	Cash in hand	12,000
8	Rent	35,000
9	Discount earned	4,000
10	Carriage	15,000

**(Ans: Total ₹ 3,49,000)**

- 5] Prepare a trial balance from the following ledger balances extracted from the books of Mr. Harsha Traders, Tumakuru as on 31-03-2024.

Sl. No	Particulars	Balance (₹)
1	Opening stock	18,000
2	Capital	4,72,000
3	Buildings	46,000
4	Plant	33,860
5	Carriage	2,000
6	Sales	3,60,000

7	Purchases	3,08,600
8	Sales returns	3,640
9	Machinery	4,21,880
10	Interest received	1,980

**(Ans: Total ₹ 8,33,980)**

- 6] From the following ledger balances of Mrs. Arpitha, prepare Trial balance as on 31-03-2024

Sl. No	Particulars	Balance (₹)
1	Stock (01-04-2023)	15,000
2	Purchases	30,000
3	Sales	40,000
4	Capital	45,000
5	Drawings	10,000
6	Debtors	18,000
7	Creditors	10,000
8	Investments	15,000
9	Legal Charges	2,000
10	Cash in hand	5,000

**(Ans: Total ₹ 95,000)**

- 7] From the following particulars of Mr. Arjun, prepare Trial balance as on 31-03-2024:

Sl. No.	Particulars	Balance(₹)
1	Capital	2,33,000
2	Stock of goods	60,000
3	Motor Car	89,000
4	Discount earned	4,000
5	Sales	4,00,000
6	Cash at Bank	46,000
7	Rent paid	40,000
8	Wages	97,000
9	Purchases	3,50,000
10	Trade Creditors	45,000

**(Ans: Total ₹ 6,82,000)**

- 8] From the following particulars of Mr.Mallik, prepare Trial balance as on 31-03-2024:

Sl.No.	Particulars	Balance (₹)
1	Mallik's Capital	4,00,000
2	Mallik's Drawings	20,000
3	Land and Building	3,79,500
4	Stock on 01-04-2023	1,25,000
5	Sundry Debtors	22,000
6	Sundry Creditors	27,500
7	Purchases	2,37,000
8	Sales	3,84,000
9	Carriage inwards	2,000
10	Postage and Telephone	26,000

**(Ans: Total ₹ 8,11,500)**

- 9] From the following particulars of Mr.Amith, prepare Trial balance as on 31-03-2024

Sl.No.	Particulars	Balance(₹)
1	Opening stock	24,520
2	Capital	4,72,000
3	Buildings	81,440
4	Sales	3,60,000
5	Purchases	3,64,600
6	Sales return	3,640
7	Machinery	3,72,300
8	Discount allowed	15,800
9	Loan from Manu	16,000
10	Bank overdraft	14,300

**(Ans: Total ₹ 8,62,300)**

- 10] From the following particulars of Mr.Purushotham, prepare Trial balance as on 31-03-2024

Sl.No.	Particulars	Balance(₹)
1	Mr.Purushotham's Capital	15,16,000
2	Debtors	1,00,000
3	Purchases	5,00,000
4	Sales	6,00,000
5	Return inwards	4,000
6	Land and Buildings	12,60,000
7	Loan to employees	1,00,000
8	Interest received	18,000
9	Opening stock	1,20,000
10	Goodwill	50,000

**(Ans: Total ₹ 21,34,000)**

### PART - C

#### 6 Marks problems on Rectification of Errors:

- 1] Rectify the following errors:
- An amount of ₹ 1,000 spent on repairs to machinery has been debited to machinery account.
  - An amount of ₹ 2,000 withdrawn by the proprietor has been debited to office expenses account.
  - A sum of ₹ 3,000 received from Radha has been credited to Sudha.
  - An amount paid towards salary of ₹ 4,000 has been debited to Rent account.
  - Extension to building ₹ 50,000 has been debited to repairs account.
  - Furniture purchased for ₹ 10,000 has been debited to Purchases account.
- 2] Rectify the following errors :
- Salary paid ₹ 5,000 was debited to employee's personal account.
  - Rent paid ₹ 4,000 was posted to landlord's personal account.
  - Goods withdrawn by proprietor for personal use ₹ 1,000 were debited to sundry expenses account.
  - Cash received from Kohli ₹ 2,000 was posted to Kapur's account.
  - Cash paid to Babu ₹ 1,500 was posted to Sabu's account.
  - Credit sales to Mohan ₹ 7,000 were not recorded.

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- 3] Rectify the following errors:
- a] Furniture purchased for ₹ 10,000 wrongly debited to Purchases account.
  - b] Machinery purchased on credit from Raman for ₹ 20,000 was recorded through Purchases book.
  - c] Repairs on Machinery ₹ 1,400 debited to Machinery Account.
  - d] Repairs on overhauling of second hand machinery purchased ₹ 2,000 was debited to Repairs Account.
  - e] Sale of old machinery at book value of ₹ 3,000 was credited to Sales Account.
  - f] Credit purchases from Rohan ₹ 9,000 were not recorded.
- 4] Rectify the following errors:
- a] Depreciation provided on machinery ₹ 4,000 was not posted.
  - b] Bad debts written off ₹ 5,000 were not posted.
  - c] Discount allowed to a debtor ₹ 100 on receiving cash from him was not posted to discount account.
  - d] Bill receivable for ₹ 2,000 received from a debtor was not posted.
  - e] Goods returned to Rakesh ₹ 4,000 were not recorded.
  - f] Credit sales to Mohan ₹ 7,000 were recorded as ₹ 700.
- 5] Rectify the following errors :
- a] Credit sales to Mohan ₹ 7,000 were recorded in purchases book.
  - b] Goods returned to Rakesh ₹ 4,000 were recorded in the sales return book.
  - c] Goods returned from Mahesh ₹ 1,000 were recorded in purchases returns book.
  - d] Goods returned from Naresh ₹ 2,000 were recorded in purchases book.
  - e] Wages paid for installation of machinery ₹ 5,000 was posted to wages account.
- 6] Rectify the following errors :
- a] Credit sales to Mohan ₹ 7,000 were posted to Karan.
  - b] Credit Purchases from Rohan ₹ 9,000 were posted to Govind.
  - c] Goods returned to Rakesh ₹ 4,000 were posted to Naresh.
  - d] Goods returned from Mahesh ₹ 1,000 were posted to Manish.
  - e] Cash sales ₹ 2,000 were posted to commission account.
  - f] Cash received from Mandira ₹ 5,000 was not entered.

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**Rectification of errors after putting the difference in Trial balance as suspense account:**

- 7] Rectify the following errors assuming that the errors detected after the difference in trial balance is placed to suspense account:
- a] A credit purchase of ₹ 2,000 from Mahesh has been debited to his account.
  - b] A sum of ₹ 1,000 received from Vishnu has been debited to his account.
  - c] The total of sales return book has been overcast by ₹ 1000.
  - d] A sum of ₹ 800 paid to Krishna has been debited to his account as ₹ 80.
  - e] A credit sale of ₹ 4,000 to Anju has been credited to Anju's account.
  - f] Payment of rent ₹ 2,500 has been posted twice to rent account
- 8] Rectify the following errors assuming that the errors detected after the difference in trial balance is placed to Suspense Account:
- a] Credit sales to Mohan ₹ 7,000 were not posted to his account.
  - b] Credit Purchases from Rohan ₹ 9,000 were recorded through Sales book.
  - c] Goods returned to Rakesh ₹ 4,000 were not posted.
  - d] Goods returned from Mahesh ₹ 1,000 were not posted.
  - e] Cash paid to Ganesh ₹ 3,000 was not posted.
- 9] Trial balance of Raju showed an excess debit of ₹ 6,000. He put the difference to Suspense Account and discovered the following errors.
- a] Depreciation written-off on the furniture ₹ 6,000 was not posted to furniture account.
  - b] Credit sales to Rupam ₹ 10,000 is posted to his account as ₹ 7,000.
  - c] Purchases book undercast by ₹ 2,000.
  - d] Cash sales to Rana ₹ 5,000 were not posted to sales account.
  - e] Old machinery sold for ₹ 7,000 was credited to Sales Account.
  - f] Discount received ₹ 800 from Kanan on paying cash to him was not posted at all.
- Rectify the above errors.**
- 10] Trial balance of Anuj did not agree. It showed an excess credit of ₹ 6,000. He put the difference to Suspense Account. He discovered the following errors.
- a] Cash received from Ravish ₹ 8,000 posted to his account as ₹ 6,000.

- b] Returns inwards book overcast by ₹ 1,000.
- c] Total of sales book ₹ 10,000 was not posted to sales account.
- d] Machinery purchased for ₹ 10,000 was posted to purchases account as ₹ 5,000
- e] Credit purchases from Nayak ₹ 7,000 were recorded in sales book. However, Nayak's account was correctly credited.

**Rectify the above errors.**

**Key Answers**

Multiple Choice		Fill in Blanks		Matching		True or False	
Q.No	Ans	Q.No	Ans	Q.No	Ans	Q.No	Ans
1	a	1	Balance	a	iv	12	True
2	c	2	End	b	vii	13	False
3	d	3	Accounts	c	ix	14	True
4	a	4	Omission	d	v	15	False
5	a	5	Principle	e	i	16	False
6	a	6	Compensating	f	ii	17	True
7	b	7	Credit	g	iii	18	False
8	b	8	Debit	h	vi	19	False
9	d	9	Debit	i	viii	20	True
10	d	10	Credit			21	True
		11	Debit			22	False
		12	credit				

# DEPRECIATION, PROVISIONS AND RESERVES

## PART - A

### One Mark Questions:

#### I. Multiple Choice Questions:

- 1] What is the purpose of making a provision for depreciation in the accounts?
  - a] To ascertaining true net profit.
  - b] To show the current market value of fixed asset.
  - c] To make cash available to replace fixed asset.
  - d] To make a provision for repairs.
- 2] According to straight line method of providing depreciation, the depreciation amount;
  - a] Remains constant
  - b] Increase each year
  - c] Decrease each year
  - d] May increase or decrease
- 3] Total amount of depreciation of an asset cannot exceed its
  - a] Depreciable value
  - b] Scrap value
  - c] Market value
  - d] Realisable value
- 4] According to fixed instalment method, the depreciation is calculated on;
  - a] Balance amount
  - b] Original cost
  - c] Scrap value
  - d] Market value
- 5] Salvage value means;
  - a] Definite sale price of the asset
  - b] Cash to be received when life of the asset ends
  - c] Cash to be paid when asset is disposed off
  - d] Estimated disposal value of the asset
- 6] Depreciation amount charged on a machinery will be debited to;
  - a] Repairs account
  - b] Cash account
  - c] Depreciation account
  - d] Machinery account

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- 7] In accounting, becoming out of date or obsolete is known as;
- a] Amortisation
  - b] Obsolescence
  - c] Depletion
  - d] Physical deterioration
- 8] Depreciation is charged on;
- a] Tangible fixed asset
  - b] Intangible fixed asset
  - c] Current asset
  - d] Both (a) and (b)
- 9] Which of the following asset generally assumed not to depreciate?
- a] Machinery
  - b] Building
  - c] Land
  - d] Vehicle
- 10] Under the diminishing balance method, the amount of depreciation is calculated on;
- a] Written down value of the asset
  - b] Market value of the asset
  - c] Original cost of the asset
  - d] Expected realisable value of the asset
- 11] Depreciation charges are;
- a] Cash expenses
  - b] Financial expenses
  - c] Non-cash expenses
  - d] Non-operating expenses
- 12] Book value means;
- a] Expected sale price
  - b] Current market price
  - c] Value as shown in the books of accounts
  - d] Original acquisition price
- 13] The book value after two years of an asset costing ₹10,000 depreciated at 10% on fixed instalment method is;
- a] ₹9,000
  - b] ₹8,000
  - c] ₹1,000
  - d] ₹2,000

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- 14] A machinery was purchased on 01-04-2020. Its installation was completed on 01-05-2020 and was put to use after its trial run on 01-06-2020. The effective period for calculation of depreciation for the year 2020-21 is;
- a] 12 months
  - b] 11 months
  - c] 10 months
  - d] 7 months
- 15] The estimated value of depreciable asset after its useful life is called;
- a] Actual value
  - b] Replacement value
  - c] Residual value
  - d] Current value
- 16] In the books of X company. Ltd., the machine account shows a debit balance of ₹50,000 on 01-04-2020. The machine was sold on 30-09-2021 for ₹40,000. The company charges depreciation at 10% p.a on diminishing balance method. What is the profit or loss on sale of machinery?
- a] ₹2,500 profit
  - b] ₹2,500 loss
  - c] ₹2,750 loss
  - d] ₹2,750 profit
- 17] Original cost of asset is ₹10,000. Estimated life is 10 years. Expected salvage value will be ₹2,000. What is the rate of depreciation under fixed instalment method?
- a] 10% p.a.
  - b] 9% p.a.
  - c] 8% p.a.
  - d] 7% p.a.
- 18] Accumulated depreciation account shows;
- a] Debit balance
  - b] Credit balance
  - c] Nil balance
  - d] (a) or (b)
- 19] An increase in the value of asset is referred as;
- a] Depreciation
  - b] Appreciation
  - c] Reverse depreciation
  - d] Reverse appreciation

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- 20] Which of the following method of depreciation is not recognised by Income tax law?
- a] Straight line method
  - b] Diminishing balance method
  - c] Both
  - d] None of these
- 21] Which of the following is an example for capital reserve?
- a] Workmen compensation fund
  - b] General reserve
  - c] Profit on sale of fixed assets
  - d] Dividend equalisation reserve
- 22] Which of the following is an example for revenue reserve?
- a] Profit on sale of fixed assets
  - b] Profit on revaluation of fixed assets
  - c] Investment fluctuation fund
  - d] Profit prior to incorporation
- 23] Dividend equalisation reserve is;
- a] Specific reserve
  - b] Secret reserve
  - c] General reserve
  - d] (b) or (c)

**II. Fill in the blanks:**

- 1] Depreciation amount remains fixed under \_\_\_\_\_ method of calculating depreciation.
- 2] Depreciation amount is reducing year by year under \_\_\_\_\_ method of calculating depreciation amount.
- 3] \_\_\_\_\_ method is not recognised by Income tax law.
- 4] \_\_\_\_\_ refers to writing-off the cost of intangible assets.
- 5] The term \_\_\_\_\_ is used in the context of extraction of natural resources.
- 6] Depreciation is a \_\_\_\_\_ expense.
- 7] Provision for depreciation account is also known as \_\_\_\_\_ account.
- 8] A part of profit set aside to meet future contingencies is called \_\_\_\_\_.
- 9] \_\_\_\_\_ is a charge against the revenue of the current period.
- 10] \_\_\_\_\_ reserve is a reserve which does not appear in the balance sheet.

**III. Match the following:**

<b>A</b>		<b>B</b>	
a	Amortization	i	Depreciation amount remain fixed
b	Depletion	ii	Free reserve
c	Straight line method	iii	Main cause for depreciation
d	Diminishing balance method	iv	Writing off the intangible asset
e	Wear and tear	v	Out-of-date
f	Obsolescence	vi	Appropriation of profit
g	Provision for depreciation	vii	Extraction of natural resources
h	Provision	viii	Accumulated depreciation
i	Reserve	ix	Depreciation amount reduces
j	General reserve	x	Not shown in the balance sheet
k	Secret reserve	xi	Charge against profit

**IV. Very short answer type questions:**

- 1] What is depreciation?
- 2] Which accounting standard is applicable to accounting for depreciation?
- 3] State any one cause of depreciation.
- 4] Expand ICMA.
- 5] Which method of providing depreciation is recognised by Income tax law?
- 6] The balance in the asset disposal account is transferred to which account?
- 7] What is provision?
- 8] What is reserve?
- 9] Give an example for revenue reserve.
- 10] Give an example for capital reserve.

**State true or false in the following cases:**

- 11] Depreciation is also charged on current assets
- 12] Depreciation is decline in the market value of tangible fixed assets
- 13] The main cause of depreciation is wear and tear caused by its usage
- 14] Depreciation must be charged so as to ascertain true profit or loss of the business
- 15] Depletion term is used in case of intangible assets
- 16] Depreciation provides fund for replacement
- 17] When market value of an asset is higher than book value, depreciation is not charged

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- 18] Depreciation is charged to reduce the value of asset to its market value
- 19] If adequate maintenance expenditure is incurred, depreciation need not be charged
- 20] General reserve is not to be shown in the balance sheet
- 21] Secret reserve is to be shown in the balance sheet

### PART-D

#### Twelve Marks Problems:-

##### Straight Line Method:

- 1] X Co Ltd., acquired a Machine for ₹ 80,000 on 01.07.2021 and spent ₹ 20,000 for its installation. On 01.04.2022 it sold the Machine for ₹ 80,000 and on the same day it purchased another Machine for ₹ 70,000. The Company writes off depreciation at the rate of 10% on original cost every year. The books of accounts closed on March 31st every year. The company charges depreciation to Asset Account.
- Prepare Machinery Account and Depreciation Account for first four years.
- (Ans- Balance of Machinery Account on 31.03.2024 ₹ 56,000/- and Loss on sale of Machine ₹ 2,500)**
- 2] On 1st April 2021, Someshwar Co. Ltd., purchased a Machine for ₹ 2,00,000 and spent ₹ 20,000 on its installation. On 30.09.2022 it purchased another machine for ₹ 1,00,000. On 01.01.2024, it sold the Machine which was purchased on 30.09.2022 for ₹ 90,000. The company charges depreciation at 10% p.a on Straight Line Method.
- The accounts are closed on 31st March every year.
- Prepare Machine Account and Depreciation Account for first three years.
- (Ans- Balance of Machine Account on 31.03.2024 ₹ 1,54,000/- and Profit on sale of Machine ₹ 2,500)**
- 3] On 01-01-2021, a firm purchased Machine costing ₹ 80,000. On 01-07-2023, it sold the Machine for ₹ 60,000 and on same date a new machine was purchased for ₹ 20,000. Depreciation was charged annually @ 10% per annum on Straight Line Method. Accounts are closed on 31st March every year.
- Show Machinery Account and Depreciation Account for first four years.
- (Ans- Balance of Machinery A/c as on 31.12.2024 ₹ 18,500/- Profit /loss on sale of machine is Nil)**

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- 4] On 01-04-2021, Avinash Ltd. purchased Machine costing ₹ 50,000 and spent ₹ 10,000 for its installation. On 30-06-2022, it purchased new Machine costing ₹ 40,000. On 30-09-2023, the machine which was purchased on 1-4-2021 was sold for ₹ 42,300. Depreciation charged at 10% p.a. on Straight line method. Accounts are closed on 31<sup>st</sup> March every year.  
Show Machinery Account and Depreciation Account for first 3 years.  
**(Ans- Balance of Machinery A/c as on 31.03.2024 ₹ 33,000/- and Loss on sale of machine ₹ 2,700)**
- 5] M/s Ganesh transport company Ltd. purchased a Truck for ₹ 3,60,000 on 1-10-2021 and spent ₹ 40,000 for its body building work. On 01.04.2022, the firm purchased another second hand Truck for ₹ 2,50,000. On 31.12.2023 it sold the Truck which was purchased on 01.10.2021 for ₹ 2,95,000. Company charges depreciation at the rate of 10% p.a. on Straight Line Method. The books of accounts are closed on 31<sup>st</sup> March every year.  
Prepare Truck A/c and Depreciation A/c for first 3 years.  
**(Ans- Balance of Truck A/c as on 31.03.2024 ₹ 2,00,000/- Loss on sale of Truck ₹ 15,000)**
- 6] On 1-4-2021, Sanket Co. Ltd purchased a Plant costing ₹ 80,000 and spent ₹ 20,000 for its erection. On 31-12-2023, the plant was sold for ₹ 65,000. On 01-01-2024, a new plant was purchased for ₹ 80,000. The Company charges depreciation at 10% p.a. under straight Line Method. Accounts are closed on 31<sup>st</sup> March every year.  
Prepare Plant Account and Depreciation Account for first 3 years.  
**(Ans- Balance of Plant A/c as on 31-03-2024 ₹ 78,000/-, Loss on sale of plant ₹ 7,500)**
- 7] On 01.04.2021, Jain and co. Ltd., purchased a Machinery for ₹ 2,00,000 and spent ₹ 25,000 for its transportation and installation. On 30.09.2023, the Machinery was burnt by fire and the Insurance company settled the claims at ₹ 85,000 as compensation. On the same day, new Machinery was installed at a cost of ₹ 1,00,000. The company charges depreciation at 20% p.a. under original cost method. Accounts are closed on 31<sup>st</sup> March every year.  
Prepare Machinery A/c and Depreciation A/c for first 3 years.  
**Ans: Loss on Insurance claims: ₹ 27,500 Balance of Machinery A/c as on 31-03-2024: ₹ 90,000**

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- 8] On 01.04.2021, a company purchased Furniture for ₹ 60,000. On 30.09.2022, a part of the Furniture which was purchased on 01.04.2021 costing ₹ 10,000 was sold for ₹ 7,000. On 01.04.2023 additional Furniture were purchased for ₹ 20,000. Depreciation was charged at 10% p.a. on Straight line method. Accounts are closed on 31st march every year. Show Furniture A/c and Depreciation A/c for first 3 years.

**Ans: Loss on sale of Furniture: ₹ 1,500 and Balance of Furniture A/c as on 31-03-2024: ₹ 53,000**

**Diminishing Balance Method:**

- 9] M/s Shaha & Sons acquired a Machine for ₹ 90,000 on 01.07.2021 and spent ₹ 10,000 for its installation. On 01.10.2023, they purchased another machine for ₹ 60,000. On 30-11-2023 they sold the Machine which was purchased 01-07- 2021 for ₹ 75,000. The firm writes off depreciation at the rate of 10% p.a. under Reducing Balance Method. Books of accounts are closed on 31<sup>st</sup> March every year.

Prepare Machinery Account and Depreciation A/c the first 3 years

**(Ans : Balance of Machinery A/c as on 31.03.2024 ₹ 57,000 and Loss on sale of machine ₹ 2,700)**

- 10] On 01-04-2020, Shastri Co. Ltd., purchased a Machinery costing ₹ 45,000 and spent ₹ 5,000 for its installation. On 31-03-2022 the machinery was sold for ₹ 40,000. On 01-04-2022, the new machinery was bought for ₹ 85,000. Depreciation was charged at 10% p.a. under Diminishing Balance Method. Accounts are closed on 31<sup>st</sup> March every year.

Prepare - i) Machinery A/c and ii) Depreciation A/c for first 4 years.

**(Ans- Balance of Machinery A/c on 31.03.2024 ₹ 68,850/- Loss on Sale of Machinery ₹ 500**

- 11] M/s Naresh Ltd. purchased a Truck for ₹ 3,00,000 on 01.01.2021. It was decided to depreciate at 10.% p.a. on Reducing Balance Method. On 31.03.2022 Truck was sold for ₹ 2,60,000. On 01.04.2022, a new Truck was purchased for ₹ 4,00,000. Accounts are closed on 31st March every year.

Prepare : i)Truck A/c ii) Depreciation A/c for first 4 years

**Ans- Balance of Truck A/c on 31-03-2024 ₹ 3,24,000/- , and Loss on sale of truck ₹ 3,250 )**

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12] M/s Patil and Company acquired a Machinery for ₹ 5,00,000 on 01-04-2020. On 01-04-2023 it purchased another machinery for ₹ 1,50,000. On 30-09-2023 it sold the machinery which was purchased on 01-04 -2021 for ₹ 3,70,000. Depreciation is charged @ 10 % p.a. under Written Down value Method.

Prepare Machinery A/c and Depreciation A/c for first 3 years.

**(Ans- Balance of Machinery A/c on 31.03.2024, ₹ 1,35,000.**

**Profit on sale of Machinery ₹ 5,500 )**

13] M/s Diwakar and Company purchased Machine 'A' for ₹ 2,00,000 on 01-04-2021. On 01-10-2021 Machine 'B' was purchased for ₹ 1,00,000. On 31-07-2023 Machine 'B' was sold for ₹ 82,000. It was decided to depreciate the machines @ 10% p.a. under Diminishing Balance Method.

Prepare Machinery A/c and Depreciation A/c for first 3 years.

**(Ans- Balance of machinery A/c on 31-03-2024 ₹ 1,45,800**

**Loss on sale of machine 'B' ₹ 650)**

14] From the following particulars, prepare Machinery A/c and Depreciation A/c for first three years ending on 31-03-2024 assuming that depreciation is charged at 10% p.a. under Diminishing Cost Method.

a) Machine 'X' bought on 01-10-2021 for ₹ 45,000.

b) Machine 'Y' bought on 01-07-2022 for ₹ 30,000.

c) Machine 'X' was sold on 30-11-2023 for ₹ 36,500.

**(Ans- Balance of machinery A/c on 31-03-2024 ₹ 24,975,**

**Profit on sale of machine 'X' ₹ 590)**

15] On 01.04.2020, Praveen company Ltd., purchased Machinery for ₹ 60,000. On 01.04.2022, the Machinery was destroyed by fire and the insurance company settled the claims at ₹ 40,000. On the same day, a new Machinery was installed at a cost of ₹ 50,000. The company charges depreciation at 10% p.a under diminishing balance method. Accounts are closed on 31<sup>st</sup> March every year.

Show Machinery A/c and Depreciation A/c for first 4 years.

**Ans: Loss on Insurance claims: ₹ 8,600 Balance of Machinery**

**A/c as on 31-03-2024: ₹ 40,500**

### Key Answers

Multiple Choice		Fill in Blanks		Matching		True or False	
Q.No	Ans	Q.No	Ans	Q.No	Ans	Q.No	Ans
1	a	2	Original cost/Straight line/Fixed instalment	a	iv	11	False
2	a	3	Diminishing balance/Reducing balance/Diminishing cost/Written down value	b	vii	12	False
3	a	4	Straight line	c	i	13	True
4	b	5	Amortisation	d	ix	14	True
5	d	6	Depletion	e	iii	15	False
6	c	7	Non-cash	f	v	16	True
7	b		Accumulated depreciation	g	viii	17	False
8	a	9	Reserves	h	xi	18	False
9	c	10	Provision	i	vi	19	False
19	a		secret	j	ii	20	False
11	c			k	x	21	False
12	c						
13	b						
14	c						
15	c						
16	c						
17	c						
18	b						
19	b						
20	a						
21	c						
22	c						
23	a						

\*\*\*\*\*

**FINANCIAL STATEMENTS - I****PART - A****One Mark Questions:****I. Multiple Choice Questions:**

- 1] The financial statements consist of :
  - a] Trail balance
  - b] Profit and Loss Account
  - c] Balance Sheet
  - d] b and c
- 2] Choose the correct chronological order of ascertainment of the following profits from the profit and loss account:
  - a] Operating profit ,Net profit, Gross Profit
  - b] Operating profit ,Gross profit, Net Profit
  - c] Gross profit, Operating profit, Net Profit
  - d] Gross profit, Net Profit ,Operating profit
- 3] While calculating operating profit, the following are not taken into account
  - a] Administrative expenses
  - b] Selling expenses
  - c] Finance expenses
  - d] Distribution expenses
- 4] Which of the following is correct?
  - a] Operating profit = Operating profit – Non Operating expenses – Non operating incomes
  - b] Operating profit = Net profit + Non Operating expenses + Non Operating incomes
  - c] Operating profit = Net profit +Non Operating expenses – Non Operating incomes
  - d] Operating profit = Net profit – Non Operating expenses + Non Operating incomes
- 5] Following forms the basis for preparing financial statements :
  - a] Trading Account
  - b] Profit & Loss Account
  - c] Trial Balance
  - d] Balance sheet

- 
- 6] Among following, who is internal user of financial statements?
- a] Bank
  - b] Government
  - c] Society
  - d] Owner
- 7] Among following, who is external user of financial statements?
- a] Owner
  - b] Creditor
  - c] Manager
  - d] Employee
- 8] When benefit of an expenditure exhausted within one year, it is called as:
- a] Capital Expenditure
  - b] Revenue Receipt
  - c] Revenue Expenditure
  - d] Capital Receipt
- 9] Following is example for a Capital Receipt:
- a] Additional Capital
  - b] Rent received
  - c] Salary paid
  - d] Interest received
- 10] Sales Returns Account is closed by transferring its balance to\_\_\_\_\_
- a] P&L A/c
  - b] Trading A/c
  - c] Sales A/c
  - d] Sales Return A/c
- 11] Purchases Returns A/c is closed by transferring its balance to\_\_\_\_\_
- a] Trading A/c
  - b] Purchases A/c
  - c] Profit and Loss A/c
  - d] Purchases Returns A/c
- 12] Salary paid to salesmen is debited \_\_\_\_\_
- a] Trading A/c
  - b] Profit and Loss A/c
  - c] Cash A/c
  - d] Salesmen A/c .

---

**II. Fill in the blanks:**

- 1] Operating profit is the \_\_\_\_\_ of Operating revenue over operating expenses.
- 2] \_\_\_\_\_ is a list of all assets, Liabilities & Capital.
- 3] Arrangement of Assets & Liabilities in a particular order is known as \_\_\_\_\_
- 4] \_\_\_\_\_ is any person associated with business.
- 5] Bank loan repayment is example for \_\_\_\_\_
- 6] Interest on Investment received by the business should be treated as \_\_\_\_\_
- 7] Unsold goods lying in the business at the end of the year is termed as \_\_\_\_\_
- 8] A Balance Sheet is prepared to know the \_\_\_\_\_ position.
- 9] Net profit is transferred \_\_\_\_\_ account.
- 10] Generally the beginning item on the debit side of Trading A/c will be \_\_\_\_\_
- 11] Rent received is credited to \_\_\_\_\_ A/c.
- 12] Repairs are usually related to \_\_\_\_\_ assets.

**III. Match the Following:**

- | A                      | B  |
|------------------------|--|
| a] Closing Stock       | i. Internal user                           |
| b] Net Loss            | ii. External user                          |
| c] Current owner       | iii. Revenue Receipt < Revenue expenditure |
| d] Prospective owner   | iv. Credited to Trading account            |
| e] Salary paid         | v. Capital Expenditure                     |
| f] Machinery purchased | vi. Revenue Expenditure                    |
| g] Commission received | vii. Debited to Trading account            |
| h] Loan from Akash     | viii. Revenue receipt                      |
| i] Direct Expenses     | ix. Capital receipt                        |
| j] P&L Account         | x. Position statement                      |
| k] Balance sheet       | xi. Income statement                       |
| l] Drawings            | xii. Deferred revenue expenditure          |
|                        | xiii. Deducted from capital                |

**IV. Very Short Answer Questions:**

- 1] Gross profit is Total Revenue. (State True/False)
- 2] Rent, Rates & Taxes is an example of direct expenses. (State True/False)
- 3] If the total of the credit side of Profit & Loss A/c is more than total of the debit side, the difference is net profit. (State True/False)
- 4] Financial position is determined by Balance Sheet. (State True/False)
- 5] Government is an internal user of financial statements. (State True/False)
- 6] Bank is an external user of financial statements. (State True/False)

- 
- 7] Expand : C O G S.
  - 8] What is Operating Profit?
  - 9] Give the meaning of Balance sheet.
  - 10] Name any one financial statement.
  - 11] State an example for Capital Receipts.
  - 12] State an example for Revenue Expenditure.
  - 13] State the account which ascertain the result of basic operational activities of business.
  - 14] What is Profit & Loss Account?
  - 15] Expand E B I T.

### **PART-B**

#### **V. Short Answer Questions for Two marks:**

- 1] What do you mean by Closing entries?
- 2] What is Capital expenditure?
- 3] Give two examples of Capital expenditure.
- 4] Give the meaning of Gross Profit.
- 5] State two basic objectives of preparing financial statements.
- 6] Why do you prepare Trading and Profit and Loss Account?
- 7] What do you mean by 'Cost of goods sold'?
- 8] What is Capital receipt?
- 9] Give two examples of capital receipt.
- 10] What is revenue receipt?
- 11] State any two distinction between capital receipts and revenue receipts.
- 12] State any two distinction between capital expenditure and revenue expenditure.
- 13] What do you mean by revenue expenditure?
- 14] What is meant by Marshalling of Assets and Liabilities in the Balance Sheet?.
- 15] State any two differences between Profit & Loss A/c and Balance Sheet.
- 16] What is Operating profit?
- 17] Name the two financial statements.
- 18] State any two internal users of financial statements.
- 19] Give two examples for revenue receipts.
- 20] Give two examples for revenue expenditure.
- 21] State any two external users of financial statements.
- 22] Pass closing journal entry for Closing Stock .
- 23] Pass closing journal entry for Drawings.

- 24] Calculate Cost of goods sold : Purchases ₹ 150,000 ;Direct expenses ₹ 30,000 ; Closing stock ₹ 50,000.
- 25] Calculate Net profit : Gross profit ₹ 200,000 ;Indirect expenses ₹ 140,000 ; Interest received ₹ 20,000.

**PART – C**

**VI. Six Marks Questions/Short Problems: -**

- 1] Compute cost of goods sold for the year 2023-24 with the help of the following information.

	₹
Stock on 1st April, 2023	3,00,000
Stock on 31st March, 2024	4,00,000
Purchases during the year	15,00,000
Sales during the year	20,00,000
Wages	1,20,000

**( Ans : ₹ 15,20,000)**

- 2] From the following balances obtained from the records of Mr. Shankar, prepare the Trading Account for the year ending 31st March ,2024:

	₹
Opening Stock	2,00,000
Purchases for the year	20,00,000
Sales for the year	35,00,000
Carriage inwards	10,000
Closing stock is valued	5,00,000

**( Ans : Gross profit ₹ 17,90,000)**

- 3] From the following balances of Sri Narayan, prepare Trading Account for the year ended 31-3-2024.

	₹		₹
Cash purchases	10,000	Credit purchases	2,00,000
Cash sales	1,00,000	Credit Sales	2,20,000
Freight charges	10,000	Carriage inwards	2,000
Import duty	15,000	Stock on 31-3-2024	25,000
Stock 1.4.2023	30,000	Wages	5,000

**( Ans : Gross profit ₹ 73,000)**

- 4] Prepare a Trading Account of Naveen from the following information for the year ending March 31, 2024.

	₹		₹
Opening stock	1,30,000	Factory rent	40,000
Purchases	6,50,000	Dock & clearing charges	95,000
Sales	15,00,000	Freight	15,000
Coal, gas & water	20,000	Closing stock	50,000
Carriage inwards	25,000	Import duty	10,000

**(Ans: Gross profit ₹ 5,65,000)**

- 5] From the following particulars, prepare Trading A/c.

	₹		₹
Sales	200,000	Opening stock	30,000
Purchases	92,000	Sales Returns	5,000
Wages	15,000	Closing Stock	20,000
Carriage Inward	10,000	Purchases Returns	2,000
Other direct expenses	5,000		

**(Ans: Gross Profit ₹ 65,000)**

- 6] From the following information, calculate Gross Profit and Operating profit for the year ending 31st March ,2024:

	₹
Opening Stock	1,00,000
Net Sales	24,00,000
Net Purchases	12,00,000
Direct expenses	1,20,000
Operating expenses	2,20,000
Closing Stock	1,40,000

**( Ans : Gross Profit ₹ 11,20,000 Operating profit ₹ 9,00,000)**

- 7] From the following particulars, prepare a Profit and Loss A/c for the year ending 31st March, 2024:

	₹		₹
Gross Profit	1,20,000	Salaries	20,000
Rents & Taxes	8,000	Insurance premium	2,000
Printing, Stationery & Postage	600	Advertisement	1,400
Office lighting	1,000	Depreciation on fixed asset	1,000
General expenses	600	Discount received	200

**(Ans: Net Profit ₹ 85,600)**

8] Prepare Profit & Loss A/c of Ramesh for the year ending 31st March, 2024:

	₹		₹
Gross Profit	1,30,000	Salaries	45,000
Rent & taxes	3,000	Printing & Stationery	5,000
Insurance	1,000	Depreciation on fixed assets	6,000
Bad debts	1,500	Discount received	4,500
Audit fees	400	Rent received	1,500

**(Ans: Net Profit ₹ 74,100)**

9] Prepare a Profit and Loss A/c for the year ending 31-3-2024 of Srinivas.

	₹		₹
Gross Loss	8,000	Rent received	64,000
General expenses	2,000	Bad debts recovered	3,000
Repairs & renewals	1,000	Salaries	12,000
Audit fees	1,000	Discount allowed	2,000
Depreciation	6,000	Advertisement	4,000

**(Ans: Net Profit ₹ 31,000)**

10] From the following particulars, prepare Profit & Loss A/c.

	₹		₹
Gross profit	60,000	Salary	4,500
Repairs	9,000	Rent received	7,000
Lighting	6,500	Interest received	4,000
Office Expenses	4,000	Commission paid	3,000
Discount allowed	8,500	Discount earned	2,000

**( Ans : Net Profit ₹ 37,500)**

11] Prepare Profit & Loss A/c:

	₹		₹
Gross Loss	15,000	Insurance	7,000
Commission received	4,000	Selling expenses	9,000
Discount earned	5,000	Bad debts	2,500
Interest received	5,500	Other operating expenses	8,000
Other operating incomes	6,000	Postage	2,000

**( Ans : Net Loss ₹ 23,000)**

12] Prepare a Balance Sheet of Mr. Narahari as on 31-3-2024.

	₹		₹
Capital	50,000	Drawings	10,000
Land & Building	20,000	Machinery	20,000
Furniture	10,000	Bills receivable	5,000
Cash in hand	5,000	Bank OD	6,000
Sundry creditors	10,000	Closing stock	11,000
Bank loan	10,000	Net Profit	5,000

**(Ans: Total ₹ 71,000)**

13] Prepare a Balance sheet as on 31-3-2024 of Sunil.

	₹		₹
Capital	14,000	Loan from bank	4,000
Creditors	2,400	Cash in hand	600
Plant & Machinery	7,520	Sundry Debtors	6,700
Drawings	2,000	Closing stock	9,160
Net Profit	5,580	Bank OD	16,000
Loan from Shankar	4,000	Investments	20,000

**(Ans: Total ₹ 43,980)**

14] Prepare Balance Sheet.

	₹		₹
Debtors	27,000	Bank balance(SBI)	3,500
Capital	90,000	Creditors	45,000
Machinery	60,000	Cash in hand	8,500
Closing stock	24,000	Bank OD ( Canara )	42,000
Bills Receivables	12,000	Computers	75,000
Loan from friend	20,000	Bills Payables	13,000

**( Ans : Total ₹ 2,10,000)**

15] Prepare Balance Sheet.

	₹		₹
Closing stock	57,000	Sundry debtors	90,000
Cash	50,000	Capital	1,85,000
Sundry creditors	75,000	Fixed deposit	25,000
Drawings	7,000	Bank loan	37,000
Land	90,000	Loan to Ganesh	5,000
Net profit	47,000	Investments	20,000

**( Ans : Total ₹ 3,37,000)**

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**Key answer for short questions :**

**MCQs:**

1.(d), 2.(c), 3.(c), 4.(c), 5.(c), 6.(d), 7.(b), 8.(c), 9.(a), 10.(c), 11.(b), 12.(b).

**FILL IN THE BLANKS:**

- |                   |                        |                    |
|-------------------|------------------------|--------------------|
| 1. excess         | 2. Balance Sheet       | 3. marshalling     |
| 4. stakeholder    | 5. Capital expenditure | 6. Revenue receipt |
| 7. closing stock  | 8. financial           | 9. Capital         |
| 10. opening stock | 11. Profit and Loss    | 12. fixed.         |

**MATCH THE FOLLOWING:**

- |           |          |          |         |         |            |
|-----------|----------|----------|---------|---------|------------|
| a. (iv)   | b. (iii) | c. (i)   | d. (ii) | e. (vi) | f. (v)     |
| g. (viii) | h. (ix)  | i. (vii) | j. (xi) | k. (x)  | l. (xiii). |

**TRUE OR FALSE:**

1.False, 2.False, 3.True, 4.True, 5.False, 6.True

**FINANCIAL STATEMENTS - II****PART - A****One Mark Questions:****I. Multiple Choice Questions:**

- 1] Closing stock is valued at \_\_\_\_\_
  - a] Cost price
  - b] Market price
  - c] Sales price
  - d] Cost price or Market price whichever is lower
- 2] Opening Stock appearing in the Trail Balance will be shown in \_\_\_\_\_
  - a] Trading account
  - b] Profit and Loss account
  - c] Balance sheet
  - d] Trading A/c and also in Balance sheet
- 3] Stock appearing outside the trail balance will be shown in \_\_\_\_\_
  - a] Trading account
  - b] Balance sheet
  - c] Trading A/c and Balance Sheet
  - d] Profit and Loss account
- 4] Liabilities have \_\_\_\_\_ balance
  - a] Debit
  - b] Credit
  - c] Either debit or credit
  - d] No balance
- 5] Outstanding expense is \_\_\_\_\_ of the business
  - a] A Liability
  - b] An Asset
  - c] An Expense
  - d] An extraordinary loss
- 6] Capital is the difference between \_\_\_\_\_
  - a] Income and Expenses
  - b] Sales and cost of goods sold
  - c] Assets and liabilities
  - d] Operating Incomes and Expenses

- 
- 7] Interest on capital is \_\_\_\_\_ for the business.
- a] Revenue
  - b] Expense
  - c] Gain
  - d] Income
- 8] Property tax payable is a \_\_\_\_\_
- a] Current asset
  - b] Capital account
  - c] Expenses account
  - d] Liability account
- 9] Where do you show the Bad debts given in the Trail Balance at the time of preparation of Financial Statements?
- a] Trading A/c
  - b] Profit and Loss A/c
  - c] Balance Sheet
  - d] Not at all shown
- 10] In which account do you show the depreciation given in the Trail Balance at the time of preparation of Financial Statements?
- a] Profit and Loss account
  - b] Trading Account
  - c] Balance Sheet
  - d] Both in (a) and (c)
- 11] Bank overdraft is shown as a \_\_\_\_\_
- a] Current liability
  - b] Contingent liability
  - c] Unsecured Loan
  - d] Provision
- 12] Full claim accepted by Insurance Company on the Loss of goods by fire is credited to \_\_\_\_\_ A/c
- a] Trading A/c
  - b] Profit and Loss A/c
  - c] Insurance Company A/c
  - d] Cash/Bank A/c
- 13] A surplus of revenue over its cost is known as \_\_\_\_\_ of the business
- a] Capital
  - b] Profit
  - c] Asset
  - d] Loss

- 
- 14] Net profit is equal to \_\_\_\_\_
- a] Sales - cost of goods sold
  - b] Sales – closing stock + purchases
  - c] Opening stock + purchases- closing stock
  - d] Gross Profit- Administrative and selling expenses
- 15] Which one show the business results of the concern for a period?
- a] Trading A/c
  - b] Profit and Loss A/c
  - c] Balance Sheet
  - d] Trial Balance
- 16] Which of the following is not an intangible asset?
- a] Account Receivable
  - b] Trade mark
  - c] Franchise
  - d] Goodwill
- 17] If the insurance premium paid is ₹ 1,000 and pre-paid insurance is ₹ 300, the total amount of insurance shown in profit and loss A/c will be;
- a] ₹ 1,300
  - b] ₹ 1,000
  - c] ₹ 300
  - d] ₹ 700

**II. Fill in the blanks:**

- 1] Closing stock is valued at cost or market price whichever is \_\_\_\_\_
- 2] Trading Account is prepared to ascertain \_\_\_\_\_
- 3] Profit and loss Account shows \_\_\_\_\_ of the business.
- 4] Balance sheet shows \_\_\_\_\_ position of the business enterprise.
- 5] Assets-Capital = \_\_\_\_\_.
- 6] Decrease in the value of fixed assets is called\_\_\_\_\_.
- 7] Bad debts recovered is recorded in \_\_\_\_\_ Account.
- 8] Patent is an \_\_\_\_\_ Asset.
- 9] Profit on sale of fixed asset is known as\_\_\_\_\_ Income.
- 10] Incomes earned but not received are called as\_\_\_\_\_ incomes.
- 11] The expenses paid which are related to the next year are called\_ \_\_\_\_\_expenses\_
- 12] The expenses incurred but not paid up to the end of financial year are called as\_\_\_\_\_ expenses.
- 13] Incomes received but not earned are called as\_\_\_\_\_ incomes

- 14] Interest on capital is \_\_\_\_\_ to capital in Balance sheet.  
 15] Drawings are \_\_\_\_\_ from capital in Balance sheet.

**III. Match the following:**

A	B
a. Closing Stock	i. Added to Capital
b. Interest on Capital	ii. Income
c. Drawings	iii. Appear twice
d. Net Profit	iv. Expense
e. Expenses Payable	v. Financial position
f. Bad debts recovered	vi. Financial performance
g. Trial Balance items	vii. Intangible asset
h. Adjustment items	viii. Appear once
i. Balance Sheet	ix. Tangible asset
j. Trading and P & L A/c	x. Long term liability
k. Trademarks	xi. Current liability
l. Loan from Bank	xii. Deducted from Capital
	xiii. Appear thrice

**IV. Very Short Answer Questions:**

- 1] Give the meaning of adjustment.
- 2] State any one adjustment.
- 3] What is closing stock?
- 4] What is Outstanding expense?
- 5] On which side of the balance sheet, Prepaid expenses are shown?
- 6] Give the meaning of prepaid expenses.
- 8] What is meant by an Accrued income?
- 9] What is meant by Interest on capital?
- 10] Give the meaning of Provision for doubtful debts.
- 11] Write the meaning of Provision for discount on debtors.
- 12] What are Bad debts?
- 13] What is unearned income (Income received in advance)?
- 14] How do you treat, Provision for discount on debtors given in Adjustments, while preparing Financial statements?
- 15] How will you treat accrued income given in adjustments while preparing financial statements?
- 16] Prepaid expenses are assets of the business. (State True or False)
- 17] Unearned income is the liability of the business. (State True or False)

- 
- 18] Accrued income or income due but not received are two different things.  
(State True or False)
  - 19] Unearned income means income received in advance. (State True or False)
  - 20] Outstanding expenses account is a liability account. (State True or False)
  - 21] Provision for discount on debtor is created only on good debtors.  
(State True or False )
  - 22] Bad debts are recoverable from the debtors. (State True or False)
  - 23] Depreciation is the decline in the value of fixed assets due to wear and tear,  
passage of time etc., (State True or False )
  - 24] Interest on capital is an income of the business. (State True or False)
  - 25] The statement of assets and liabilities is balance sheet. (State True or False)
  - 26] Balance sheet discloses financial position of the business.  
(State True or False )
  - 27] A person to whom the business owes is called Debtor. (State True or False)
  - 28] Provision for discount on debtors can be estimated only after computing the  
provision for doubtful debts. (State True or False )
  - 29] Balance sheet is an account. (State True or False )
  - 30] Life insurance premium is treated as business expenses. (State True or False)

### **PART – B**

#### **V. Two Marks Questions:**

- 1] Write adjustment entry for closing stock.
- 2] Write adjustment entry for expenses payable.
- 3] Pass journal entry for expenses paid in advance.
- 4] Pass journal entry for pre-received incomes.
- 5] Write journal entry for accrued incomes.
- 6] Give journal for rent unpaid for one month at ₹ 6,000 per annum.
- 7] Write journal entry for insurance prepaid for a quarter at ₹ 16,000 per  
annum.
- 8] Give journal entry for outstanding salary ₹ 5,000.
- 9] State any two adjustments to be made while preparing financial statements.
- 10] Write journal entry for interest received in advance for one month at  
₹ 12,000 per annum.
- 11] Give journal entry for commission receivable for one month at ₹ 500.
- 12] What is adjustment entry?

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**PART -D**

**VII. Twelve Marks Problems.**

- 1] From the following Trail Balance, prepare Trading and Profit and Loss Account for the year ending 31-3-2024 and the Balance Sheet as on that date.

Name of the Account	Debit (₹)	Credit (₹)
Capital		30,000
Drawings	1,760	
Purchases and Sales	8,900	15,000
Stock (on 1-4-2023)	1,200	
Returns	280	450
Wages	800	
Buildings	22,000	
Freight charges	2,000	
Trade expenses	200	
Advertisement	240	
Interest		650
Taxes and Insurance	430	
Debtors and Creditors	6,500	1,200
Bills receivable and bills payable	1,500	700
Cash at bank	1,200	
Cash in hand	190	
Salaries	800	
<b>Total</b>	<b>48,000</b>	<b>48,000</b>

**Adjustments:**

- 1] Stock on 31-3-2024 was valued at ₹ 10,000.
- 2] Insurance prepaid to the extent of ₹ 100.
- 3] Outstanding salaries ₹ 200.
- 4] Depreciate buildings by 5%.
- 5] Provide PDD at 5% on debtors.

**(Ans: Gross Profit ₹ 12,270; Net Profit ₹ 9,725;  
Balance Sheet Total ₹ 40,065)**

- 2] From the following Trail Balance, prepare financial statements for the year ended March 31<sup>st</sup>, 2024.

<b>Debit Balances</b>	<b>₹</b>	<b>Credit Balances</b>	<b>₹</b>
Machinery	8,000	Capital	18,000
Cash at Bank	2,000	Sales	32,000
Cash in hand	1,000	Sundry Creditors	9,000
Wages	2,000	Commission received	600
Purchases	16,000		
Stock on 1-4-2023	12,000		
Sundry Debtors	8,800		
Bills Receivable	5,800		
Rent	900		
Legal expense	500		
General expenses	1,600		
Bad debts	1,000		
<b>Total</b>	<b>59,600</b>		<b>59,600</b>

**Adjustments:**

- 1] Stock on 31-3-2024 ₹ 16,000.
- 2] Depreciate machinery at 10%
- 3] Rent prepaid ₹ 200.
- 4] Provide PDD at 5% on sundry debtors.
- 5] Commission received in advance ₹ 400.

**(Ans: Gross Profit ₹ 18,000; Net Profit ₹ 13,160;  
Balance Sheet Total ₹ 40,560)**

- 3] Prepare the Trading and Profit and Loss Account and a Balance Sheet of M/s Shine Stores, from the following particulars.

<b>Account Title</b>	<b>₹</b>	<b>Account Title</b>	<b>₹</b>
Sundry debtors	21,000	Bills Payables	18,000
Bad debts	2,000	Sundry Creditors	10,000
Printing and stationary	4,000	Return outwards	5,000
Freight	3,000	Capital	1,00,000
Sales returns	2,000	Sales	1,22,000
Motor car	20,000	Discount received	1,000

Opening stock	25,000	Interest received	8,000
Furniture and fixtures	15,000		
Purchases	75,000		
Drawings	10,000		
Cash in hand	7,000		
Investments	80,000		
<b>Total</b>	<b>2,64,000</b>		<b>2,64,000</b>

**Adjustments:**

- 1] Closing stock was valued at ₹ 30,000.
- 2] Further bad debts ₹ 1,000. Make a provision for bad debts at 5% on sundry Debtors.
- 3] Depreciate motor car by 10% and furniture and fixture by 5%.
- 4] Accrued interest on investments ₹ 2,000.
- 5] Provide interest on capital at 5%.

**(Ans: Gross Profit ₹ 52,000; Net Profit ₹ 47,250;**

**Balance Sheet Total ₹ 1,70,250)**

- 4] The following balances have been extracted from the ledger accounts of M/s Kolkata Stores, Davanagere. You are required to prepare the Trading and Profit and Loss Account for the year ended 31/3/2024 and prepare Balance Sheet on that date.

<b>Debit balance</b>	<b>₹</b>	<b>Credit balance</b>	<b>₹</b>
Opening stock	20,000	Capital	64,000
Furniture	10,000	Sales	1,10,000
Drawings on	10,000	Bank overdraft	10,000
Purchases	95,000	Bad debts provision	5,000
Bad debts	2,000	Bills Payable	6,000
Carriage	5,000	Apprenticeship premium	2,000
Bank deposit	15,000		
Bank charges	1,000		
Coal, gas and water	8,000		
Trade expenses	4,000		
Rent, rates and taxes	7,000		
Debtors	20,000		
<b>Total</b>	<b>1,97,000</b>	<b>Total</b>	<b>1,97,000</b>

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**Adjustments:**

- 1] Closing stock ₹ 10,000.
- 2] Further bad debts ₹ 2,000. New Provision at 5% on debtors for doubtful debts.
- 3] Depreciate furniture at 10 % .
- 4] Apprenticeship premium received in advance ₹ 500.
- 5] Interest receivable ₹ 400.

**(Ans: Gross Loss ₹ 8,000; Net Loss ₹ 19,000;  
Balance Sheet Total ₹ 51,500)**

- 5] The following were the balances extracted from the books of Ramesh Traders as on March 31<sup>st</sup> 2024.

Name of the accounts	Debit balance (₹ )	Credit balance(₹ )
Purchases and Sales	50,000	1,23,000
Returns	3,000	2,000
Debtors and Creditors	32,000	9,000
Fuel and power	8,000	
Carriage on purchases	2,000	
Carriage on sales	5,000	
Opening Stock	14,000	
Freehold Land	30,000	
Machinery	25,000	
Patents	15,000	
Drawings and capitals	12,000	95,000
Sundry expenses	3,000	
Salaries	7,000	
Bills Receivable and Bills Payable	13,500	5,000
Repair and Renewals	14,500	
<b>Total</b>	<b>2,34,000</b>	<b>2,34,000</b>

Taking in to account the following adjustments, prepare Trading and Profit and Loss Account and Balance Sheet on March 31<sup>st</sup>, 2024.

- 1] Closing stock ₹ 30,000.
- 2] O/S salaries ₹ 500.
- 3] Rent accrued but not received ₹ 500
- 4] Depreciate machinery at 10%.
- 5] Provide for the manager commission at 5% on net profit after charging such commission.

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**(Ans: Gross Profit ₹ 78,000; Net Profit ₹ 43,810;  
Balance Sheet Total ₹ 1,43,500)**

- 6] From the following Trial Balance of Shri Narendra, prepare his Trading and Profit and Loss Account for the year ended 31<sup>st</sup> March, 2024, and Balance Sheet on that date.

<b>Name of the accounts</b>	<b>Debit</b> ₹	<b>Credit</b> ₹
Opening stock	36,000	
Purchases and sales	204,000	3,26,000
Drawings and capital	24,000	1,25,000
Carriage outwards	8,000	
Bills Receivable and bills payable	18,000	20,000
Investments	10,000	
Salaries	38,000	
Wages	33,000	
Sundry debtors and creditors	40,000	50,000
Buildings	50,000	
Insurance and taxes	8,000	
Commission		7,000
Returns	6,000	4,000
Plant and machinery	60,000	
Cash and bank	17,000	
Bank over draft		20,000
<b>Total</b>	<b>5,52,000</b>	<b>5,52,000</b>

**Adjustments:**

- 1] Closing stock valued at ₹ 52,000.
- 2] Outstanding Expenses: Interest on bank over draft ₹ 1,000 and salary ₹ 2,000.
- 3] Commission accrued ₹ 1,000.
- 4] Depreciate plant and machinery by 10%.
- 5] Provide discount on debtors at 5%.

**(Ans: Gross Profit ₹ 1,03,000; Net Profit ₹ 46,000;  
Balance Sheet Total ₹ 2,40,000)**

- 7] Prepare Financial Statements for the year ending March 31<sup>st</sup>, 2024, from the Trail Balance and adjustments given below.

**Trail Balance as on 31-3-2024**

<b>Name of accounts</b>	<b>Debit ₹</b>	<b>Credit ₹</b>
Drawings and capital	5,000	30,000
Opening Stock	13,200	
Purchases and sales	40,000	60,000
Debtors and creditors	10,000	8,500
Salary	500	
Bad debts	300	
Printing and stationary	1,200	
Wages	1,000	
Postage	800	
Bills Receivables and Bills Payables	3,000	3,000
Furniture	7,500	
Cash in hand	1,500	
Bank overdraft		2,000
Machinery	18,000	
Commission received		1,500
Advertisement	3,000	
<b>Total</b>	<b>1,05,000</b>	<b>1,05,000</b>

**Adjustments:**

- 1] Closing stock ₹ 10,300.
- 2] Depreciate machinery at 5% and furniture at 10%.
- 3] Create provision for doubtful debts at 5% on debtors and discount on debtors at 2%.
- 4] Interest on capital at 5%.
- 5] Provide for the manager commission at 10% on net profit before charging such commission.

**(Ans: Gross Profit ₹ 16,100; Net Profit ₹ 7,164;  
Balance Sheet Total ₹ 47,960 )**

- 8] From the following Trail Balance of Shri Krishna, prepare his Trading and Profit and Loss Account for the ended 31/03/2024 and Balance Sheet as on that date.

Name of the accounts	Debit ₹	Credit ₹
Commission received		3,000
Cash at bank	3,500	
Purchases and Sales	41,000	99,000
Returns	4,000	1,000
Wages	12,500	
Carriage inward	2,000	
Carriage on sales	3,500	
Opening stock	6,000	
Buildings	40,000	
Machinery	20,000	
Capital		60,000
Salary	15,000	
Sundry debtors and creditors	22,500	8,000
General expenses	3,000	
Insurance	2,000	
Rent received		5,000
Drawings	5,000	
Provision for doubtful debts		4,000
<b>Total</b>	<b>1,80,000</b>	<b>1,80,000</b>

**Adjustments:**

- 1] Outstanding salary for the month of March 2024, ₹ 1,000.
- 2] Rent due but not received ₹ 2,000.
- 3] Further bad debts ₹ 1,000 and make provision for doubtful debts at 5% on debtors.
- 4] Stock was valued on 31/03/2024, ₹ 7,000.
- 5] Depreciate machinery at 10% and building by 5%.

**(Ans: Gross Profit ₹ 41,500; Net Profit ₹ 24,925;  
Balance Sheet Total ₹ 88,925)**

- 9] From the following Trail Balance of M/s Natural Device Bengaluru, prepare the Trading and Profit and Loss Account f.y.e. March 31<sup>st</sup>, 2024 and Balance Sheet as on that date.

**Trial Balance as on 31-03-2024**

Account Title	Debit ₹	Credit ₹
Drawings and Capital	19,530	67,500
Purchases and Sales	45,000	1,12,500
Salary and Commission	25,470	1,575
Wages	13,915	
Plant and Machinery	27,000	
Furniture	6,800	
Opening Stock	42,300	
Insurance premium	2,700	
Interest		7,425
Bank over draft		24,660
Carriage outwards	3,645	
Returns	2,385	1,440
Debtors and creditors	36,000	58,500
General expenses	6,925	
Octroi	530	
Investments	41,400	
<b>Total</b>	<b>2,73,600</b>	<b>2,73,600</b>

**Adjustments:**

- 1] Interest on capital at 10%.
- 2] Closing stock valued ₹ 19,940.
- 3] Outstanding Expenses were: Wages ₹ 50 and Salary ₹ 20.
- 4] Make provision for doubtful debts on debtors at 5%.
- 5] Depreciate plant and machinery at 5%.

**(Ans: Gross Profit ₹ 29,700; Net Loss ₹ 9,960;**

**Balance Sheet Total ₹ 1,27,990 )**

- 10] Prepare the Trading and Profit and Loss Account and Balance Sheet of Naveen Traders, Vijayapur from the following particulars.

**Trial balance as on 31/3/2024**

Account Title	Debit ₹	Credit ₹
Sundry Debtors and Creditors	100,000	25,000
Bad debts	3,000	
Printing and Stationery	7,500	
Rent ,Rates and Taxes	3,450	
Freight	2,250	
Returns	6,000	4,500
Motor car	25,000	
Openings Stock	75,550	
Furniture	15,500	
Purchases and Sales	75,000	1,00,000
Drawings and Capital	13,560	2,50,000
Investments	65,500	
Cash at Bank	89,000	
Bills Payable		85,550
Provision for bad debts		1,500
Interest Received		11,260
Discount Received		3,500
<b>Total</b>	<b>4,81,310</b>	<b>4,81,310</b>

**Adjustments:**

- 1] Closing stock was valued ₹ 35,000.
- 2] Depreciate furniture at 5% and motor car at 10%.
- 3] Further bad debts ₹ 1,000 and make a provision for bad debts at 2%.
- 4] Commission earned but not received ₹ 555.
- 5] O/S Rent, Rate and Taxes ₹ 200.

**(Ans: Gross Loss ₹ 19,300; Net Loss ₹ 22,890;**

**Balance Sheet Total ₹ 3,24,300)**

- 11] From the following Trail Balance of a Trader, prepare Trading and Profit and Loss Account for the year ending 31/3/2024 and Balance Sheet as on that date.

**Trial balance as on 31/3/2024**

Name of the Accounts	Debit ₹	Credit ₹
Capital		20,000
Drawings	1,700	
Machinery	12,000	
Scooter	2,600	
Debtors and Creditors	3,600	2,600
Purchases and Sales	2,000	4,200
Wages	800	
Cash	2,600	
Salaries	800	
Repairs	190	
Stock on 1/4/2023	1,600	
Rent	450	
Manufacturing Expenses	150	
Bills Payable		2,350
Bad debts	500	
Carriage on Sales	160	
<b>Total</b>	<b>29,150</b>	<b>29,150</b>

**Adjustments :**

- 1] Closing stock as on 31/3/2024 ₹ 1,600.
- 2] Depreciate machinery by 10% and scooter by 15%.
- 3] ₹ 150 are due for wages.
- 4] Paid rent ₹ 50 in advance.

**(Ans: Gross Profit ₹ 1,100; Net Loss ₹ 2,540;  
Balance Sheet Total ₹ 20,860)**

- 12] From the following Trial Balance of Mahesh as on 31/3/2024, prepare Financial Statements:

**Trial balance as on 31/3/2024**

Name of the accounts	Debit ₹	Credit ₹
Capital		1,20,000
Drawings	15,000	
Bills Receivable	22,000	
Machinery	20,000	
Debtors and Creditors	60,000	58,000
Wages	39,000	
Purchases and Sales	2,52,000	3,55,000
Commission		5,500
Rent and Taxes	6,000	
Stock on 1/4/2023	90,000	
Salaries	10,500	
Travelling expenses	2,000	
Insurance	600	
Repairs	3,400	
Bad debts	3,500	
Furniture	9,000	
Returns	5,000	2,000
Cash in Hand	500	
Cash at Bank	2,000	
<b>Total</b>	<b>5,40,500</b>	<b>5,40,500</b>

**Adjustments:**

- 1] Stock on hand on 31/3/2024 was ₹ 1,00,000.
- 2] Create 5% provision on debtors.
- 3] Commission earned but not received ₹ 500.
- 4] O/S wages ₹ 1000 and salaries ₹ 1,500 .
- 5] Depreciate machinery by 5% and furniture by 10%.

**(Ans: Gross Profit ₹ 70,000; Net Profit ₹ 43,600;**

**Balance Sheet Total ₹ 2,09,100)**

**13]** From the following Trail Balance, prepare a Trading, Profit and Loss Account and Balance Sheet after taking into account the adjustments given here under.

- 1] Stock as on 31/03/2024 was valued at ₹ 18,400.
- 2] Write off further bad debts ₹ 300 and provision for doubtful debts at 5% on debtors.
- 3] Outstanding expenses were :Rent ₹ 200 and salaries ₹ 500.
- 4] Unexpired insurance amounted to ₹ 400.
- 5] Depreciate plant and machinery by 5% and furniture and fittings by 10%.

**Trail balance as at 31/03/2024.**

Name of the Accounts	Debit ₹	Credit ₹
Drawings and Capital	9,000	40,000
10% investments	10,000	
Interest on Investment		900
Opening Stock	14,000	
Purchases and Sales	65,000	96,500
Carriage	1,400	
Return Inwards	1,500	
Sundry Debtors and Creditors	10,300	8,000
B/R and B/P	5,000	6,600
Salaries	7,000	
Wages	4,000	
Plant and Machinery	12,000	
Furniture and Fittings	4,000	
Trade expenses	700	
Rent, Taxes and Insurance	2,300	
Discount	200	
Cash in Hand	600	
Cash at Bank	4,600	
Bad debts	400	
<b>Total</b>	<b>1,52,000</b>	<b>1,52,000</b>

**(Ans: Gross Profit ₹ 29,000; Net Profit ₹ 17,300;  
Balance Sheet Total ₹ 63,600)**

- 14] From the following Trail Balance of Sri Chandan Traders Mysore, prepare the Financial Statements for the year ending 31/03/2024.

Name of the Accounts	Debit ₹	Credit ₹
Capital		25,000
Drawings	2,500	
Land and Buildings	5,000	
Plant and Machinery	3,000	
Purchases and Sales	40,000	50,000
Returns	5,000	4,000
Stock on 1/4/2023	7,500	
Furniture	5,000	
Salaries	1,150	
Insurance	200	
Debtors and Creditors	7,600	5,500
B/R and B/P	2,400	2,000
Commission		300
Interest		100
Carriage Inwards	300	
Wages	1,200	
Investments	2,000	
Printing and Stationary	800	
Cash in Hand	3,250	
<b>Total</b>	<b>86,900</b>	<b>86,900</b>

**Adjustments:**

- 1] Closing stock was valued at ₹ 13,000.
- 2] O/S Liabilities were: wages ₹ 400 and salaries ₹ 500.
- 3] Insurance was prepaid to the extent of ₹ 50.
- 4] Depreciate land and building at 5% and plant and machinery at 10%.
- 5] Make provision for doubtful debts at 5% on debtors.

**(Ans: Gross Profit ₹ 12,600; Net Profit ₹ 9,470;**

**Balance Sheet Total ₹ 40,370)**

- 15] From the following particulars of Ledger Balances of Sri Vignasha retailer, Bagalkot for the year ending 31/03/2024, prepare the Trading and Profit and Loss account and Balance Sheet as on that date.

**Trail Balance as on 31/03/2024.**

Name of the accounts	Debit ₹	Credit ₹
Capitals		30,000
Drawings	2,500	
Loan from Narayan		2,000
Sundry Debtors and Creditors	40,000	25,000
Purchases	75,000	
Sales		135,000
Stock on 1/4/2023	30,000	
Purchase Return		2,000
Sales Return	3,000	
Commission		1,000
Bills Payables		10,000
Salaries	7,500	
Advertisement	1,000	
Bad Debts	300	
Rent	800	
Land and Building	25,000	
Furniture	5,000	
Govt Securities	10,000	
Cash at Bank	4,900	
<b>Total</b>	<b>2,05,000</b>	<b>2,05,000</b>

**Adjustments:**

- 1] Stock on 31/03/2024 ₹ 20,000.
- 2] Interest at 5% on Govt securities earned but not received
- 3] Depreciate land and building at 2% and furniture at 10%
- 4] O/S salaries ₹ 500.
- 5] Make provision for doubtful debts at 2% on debtors.

**(Ans: Gross Profit ₹ 49,000; Net Profit ₹ 38,600;**

**Balance Sheet Total ₹ 1,03,600)**

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**Key Answers to:**

**MCQs:**

1.(d), 2.(a), 3.(c), 4.(b), 5.(a), 6.(c), 7.(c), 8.(d), 9.(b), 10.(a),  
11.(a), 12.(a), 13.(b), 14.(d), 15.(b), 16.(a), 17. (d) .

**Fill in the Blanks:**

1. less      2.Gross Profit      3.result      4.financial      5. Liabilities  
6. depreciation      7.Profit and Loss      8.intangible  
9. Non operating      10. Accrued      11.prepaid  
12. outstanding      13. pre received      14.added  
15.deducted.

**Match the following:**

a.(ix)      b.(iv)      c-(xii)      d-(i)      e-(xi)      f-(ii)  
g-(viii)      h-(iii)      i-(v)      j-(vi)      k.(vii)      l.(x).

**True or False:**

16. True      17. True      18.False      19.True      20.True      21.True  
22.False      23. True      24.False      25.True      26.True      27.False  
28.True      29.False      30.False.