



ஸ்ரீ-ல-ஸ்ரீ காசிவாசி சுவாமிநாத சுவாமிகள் கலைக் கல்லூரி
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S.K.S.S ARTS COLLEGE, THIRUPPANANDAL - 612504



QUESTION BANK

Title of the Paper

PRINCIPLES OF ACCOUNTANCY

Course: I B.Com., & I B.Com., (CA)

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CORE COURSE – I
PRINCIPLES OF ACCOUNTANCY

UNIT – I

Introduction – Accounting concepts and conventions –Accounting Standards – Meaning - Double entry system – Journal, Ledger, Subsidiary books, Trial Balance- Bank Reconciliation Statement.

UNIT – II

Final Accounts of sole traders with adjustment entries - Rectification of Errors.

UNIT – III

Accounts of Non-profit organization – Bills of exchange – Average due date – Account Current.

UNIT – IV

Consignments and Joint Ventures.

UNIT – V

Single Entry System. Depreciation - Methods, provisions and reserves.

(Theory 25% Problems 75%)



UNIT – I

CHOOSE THE CORRECT ANSWER

1. Which accounting concept satisfy the valuation criteria?
 - (a) Going concern ,Realisation, cost
 - (b) Going concern, Cost, Dual aspect
 - (c) Cost, Dual aspect, Conservation
 - (d) Realisation, Conservation, Going concern
2. Which is correct?
 - (a) Capital =Assets+ Liabilities
 - (b) Liabilities=Capital-Assets
 - (c) Capital = Net Assets
 - (d) Liabilities = Assets + Capital
3. GAAPS are
 - (a) Generally accepted accounting policies
 - (b) Generally accepted accounting principles
 - (c) Generally accepted accounting provision
 - (d) None of these
4. The profit made by a concern during the past the one year would be when the capital increased by Rs 40,000 and drawing amounted to Rs,10,000.
 - (a) Rs 50,000
 - (b) 30,000
 - (c) 40,000
 - (d) 20,000
5. Main objectives of preparing ledger accounts is to
 - (a) Ascertain the financial position
 - (b) Ascertain the profit position
 - (c) Ascertain the profit loss and finance
 - (d) Know the balance of each ledged account
6. Trail balance is
 - (a) Statement
 - (b) Account
 - (c) Ledger
 - (d) Journal
7. Cash book prepared imprest system is
 - (a) Two column cash book
 - (b) Cash book
 - (c) Petty cash book
 - (d) Purchase book
8. The statement sent along with purchase return is
 - (a) Credit note
 - (b) Bills payable book
 - (c) Debit note
 - (d) Purchase return book

9. A bank reconciliation statement is prepared by

- (a) Bank
- (b) Business
- (c) Debtor to the business
- (d) Creditor to the business

10. A bank statement is a copy of

- (a) Cash column of the cash book
- (b) Bank column of the cash book
- (c) A customer account in the banks book
- (d) Cheques issued by the business

Answers : 1. (a) 2. (c) 3. (b) 4. (a) 5. (d) 6. (a) 7. (c) 8. (a) 9. (b) 10. (c)

SHORT QUESTIONS (2 MARKS)

- 11. What is Accounting?
- 12. What is book keeping?
- 13. What is Journal?
- 14. What is ledger?
- 15. Define cash book.
- 16. What is contra entry?
- 17. What is trail balance?
- 18. What are Real account?
- 19. What do you understand by debit and credit?
- 20. Define bank reconciliation statement.

PARAGRAPH QUESTIONS (5 MARKS)

21. Pass journal entry:-

	Rs.
i) Rahim started business with cash	20,000
ii) Rahim purchased furniture for cash	2,000
iii) Rahim paid rent	200
iv) Rahim purchased goods on credit	3,000
iv) Rahim sold goods(cost price Rs.2000) for Rs 3,000 on cash	

22. What are basis of accounting concepts and explain their implication?

23. What is concept of disclosure?

24. Journalise the following transactions;

2011 Jan	3.	Received cash from Ram	Rs. 15,000
	4.	Purchased goods for cash	Rs. 2,500
	11.	Sold goods for cash	Rs. 3,200
	13.	Paid Ramesh	Rs. 1,400
	17.	Received from Hari	Rs. 1,100
	20.	Bought furniture from Ram	Rs. 2,200
	27.	Paid Rent	Rs. 480
	30.	Paid salary	Rs. 1,100

25. Pass the opening entry in the journal of Ram (as On 1-1-2001) from the following particulars.

	Rs.
Cash in hand	1,000
Cash at bank	5,000
Stock	20,000
Land & Building	1,00,000
Plant & Machinery	50,000

Owing from Mr.X	12,500
Prepaid Insurance	500
Owing to Z Ltd	3,750
Interest received in advance	250

26. State the uses of subsidiary books. What are their features?

27. Prepare the purchase book of M/S fancy dress mart.

- 2010** June 2. Purchased from Gupta of Guntyre; 100 T.Shirts at Rs 80 per Shirt
 4. Sold to Burman of Bombay; 50 T.Shirts at Rs 120 per Shirt
 6. Purchased from vijay of Vijayawada; 100 bush shirts at Rs 90 each
 8. Bought from Bombay furniture mart; 10 chairs at Rs 80 each .

28. Prepare a Sale Book from the following transactions; Rs.

2012

Jan.1 Sold goods to Sen	400
3. Sold goods to Ramesh	250
11. Sold goods to Roy	800
13. Sold goods to Ram	300

29. From following particulars, prepare a reconciliation statement as on 31.12.2010.

- | | |
|---|----------|
| a) Overdraft, as per cash book | Rs 1,000 |
| b) Cheques issued but not presented | Rs 2,000 |
| c) Cheques deposited but not collected | Rs 5,000 |
| d) Dividends collected and credited in the pass book only | Rs 1,200 |

30. From the following particulars ascertain the balance that would appear in the cash book of B. Bhagat as at 31st Dec.2013 after making the necessary adjustments and then prepare a bank reconciliation statement.

	Rs
(i) Overdraft as per pass book	27,260
(ii) Interest on overdraft	480
(iii) Bank charges	120
(iv) Cheques issued but not presented for payment	4,600
(v) Cheques paid into banks but not collected	8,680
(vi) A bills receivable discounted was dishonoured	2,000

ESSAY TYPE QUESTIONS (10 MARKS)

31. Explain the main objectives and functions of accounting?

32. What are the fundamental accounting assumptions? Are different from accounting policies?

33. Journalise the following transactions; Rs

2011. Jan

1. Started business with cash	50,000
2. Paid into bank	36,000
3. Bought goods from M/S singh & co on credit	22,000
4. Purchased furniture	4,200
Purchasing adding machine & typewriter (Payment in all cases made by cheque)	8,400
6. Paid for postage	215
8. Sold goods for cash	5,400
9. Sold goods on credit to M/S Sharda & co	4,600
15. Paid to M/S singh & co	21,000
Discount allowed by them	1,000
25. Sold goods to M/S Ray &co	5,000

34. Enter the following transactions in the Journal and Ledger of Hans Raj of Chennai.

2012:	Rs.
Mar.1 Hans Raj commenced business with cash	30,000
3. Purchased goods for cash	1,500
4. Deposited in to bank	21,000
5. Withdraw from bank for office use	1,500
6. Sold goods to Ramu	1,500
10. Purchased goods on credit from Kannan	680
19. Received from Ramu Rs1,470 and allowed him discount 30.	
20. Cash sales	2,400
27. Paid to Kannan in full settlement	650
28. Paid rent	150
Paid salary	300

Accounts are closed on 31st March.2012.

35. Prepare Trial Balance as on 31.12.2010 from the following balance of Mr, Balan

	Rs.
Capital	3,40,000
Creditors	13,000
Drawings	4,000
Salaries	38,200
Bills receivable	5,800
Bills payable	7,000
Debtors	16,000
Sales	1,44,000
Insurance	2,200
Land	2,50,000
Commission received	800
Purchase	94,000
Sales returns	3,400
Purchase returns	2,400
Carriage inwards	1,400
Printing and stationary	5,000
Stock	29,900
Machinery	50,000
Wages	5,000
Rent	1,600
Interest received	1,700
Electricity charges	2,400

36. Enter the following transactions in a two column cash Book and post it into the ledger.

2010	Rs.
Dec 1. Commenced business with cash	50,000
2. Bought goods for cash	28,000
5. Received cash from Arun	2,000
7. Paid cash to sanjay	
(Discount allowed by him Rs.100)	2,900
10. Paid wages	3,000
14. Received from Rajesh cash	950
Allowed him discount	50
16. Paid into bank	10,000
18. Cash sales	2,500
20. Purchased stationary for cash	250
23. Paid suresh cash	

(Discount allowed Rs.100)	3,900
26. Received from Rajesh	1,900
Allowed him discount	100
30. Paid salaries	2,000

37. From the following transactions prepare Three column cash book;

2011	Rs
Jan 1. Cash in hand	410
Balance at Bank	8,920
2. Cash sales	4,500
3. Paid in to Bank	4,000
5. Purchased stationery	100
8. Paid Mahesh by cheque	280
Discount received	20
12. Gave a cheque for cash purchase	1,500
15. Drew for personal use	500
18. Received from suresh, a cheque for Rs. 1,970 in full settlement of account for Rs. 2,000 and deposited it in Bank.	
20. Drew from Bank	1,000
21. Paid wages	800
25. Bank returned cheque of suresh dishonoured	
31. Bank charge as per pass Book	10

38. Enter the following transactions in purchase Book, Sales Book, Returns Inward Book and Returns Outward Book of Mr. Thangaraj.

2000	Rs.
Jan 1. Bought goods from Arunkumar	6,000
2. Sold goods to Balu	3,000
6. Sakila sold goods to us	3,000
10. Bharathi bought goods from us	1,800
11. Received goods returned by Balu	240
13. We returned goods to Arunkumar	200
15. Dharani returned goods	300
18. Sold goods to Velu	1,400
23. Purchased goods from Madan	1,600
25. Returned goods to Sakila	200
31. Sold goods to Anwer	2,400

39. Prepare Bank Reconciliation statement from the following data as on 31.12.2011

- (i) Balance as per pass Book on 31.12.2011 overdrawn Rs 9204
- (ii) Cheques drawn on 31.12.2011 but not cleared till March 2011 Rs 3,225, Rs. 745 and Rs 926
- (iii) Bank overdraft interest charged on 28.3.2011 not entered in the cash book Rs. 1,610
- (iv) Cheques received on 26.3.2011 entered in the cash book but not deposited to Bank till 3rd April, 2011 Rs 11322 and Rs 1,730.
- (v) Cheques received amounting to Rs 35 entered in cash Book twice
- (vi) Bills receivable was sent to Bank for collection on 28.3.2011 and was entered in the cash book forth with but the proceeds were not credited in bank pass book till 3rd April, 2011 Rs. 2,980.
- (vii) A periodic payment by bank of Rs80 under standing instruction not entered in the cash book.
- (viii) Cheques deposited on 30th March 2011 dishonoured but the entry for dishonor was not made in the cash book Rs 1,890.

40. Prepare bank reconciliation statement as on 31st March 2012 of Mr.Rahul Dravid from the following particulars after finding out the adjustment bank balance as per cash book.

- (i) Bank overdraft as per cash book Rs.7,000
- (ii) Cheque issued but not encashed during the year Rs. 4,400
- (iii) Cheque deposited but not credited by bank during the year Rs 1,320
- (iv) Bank charges not recorded in the cash book Rs.300
- (v) Cheques deposited as per bank statement not entered in the cash book Rs.1,900
- (vi) Interest charged by the bank recorded twice in the cash book Rs. 900
- (vii) Club dues of Mr.Rahul Dravid paid by bank as per standing instructions not recorded in cash book Rs,200
- (viii) Cheques issued by Mr.Rahul Dravid dishonoured Rs. 2,400

UNIT – II

CHOOSE THE CORRECT ANSWER

1. Unearned income account is
 - (a) Asset
 - (b) Liability
 - (c) Expenses
 - (d) All of these
2. Depreciation is provided on
 - (a) Fixed assets
 - (b) Outward charges
 - (c) Current assets
 - (d) Intangible assets
3. Accounts receivable includes
 - (a) Sundry debtors
 - (b) Bills receivable
 - (c) Promissory note
 - (d) All of those
4. Provision for bad debts is calculated on;
 - (a) Creditors
 - (b) Sales
 - (c) Purchase
 - (d) Debtors
5. An example of a revenue expenditure is
 - (a) Purchase of land
 - (b) Salaries
 - (c) Lease
 - (d) Purchase of building
6. Errors which affect one account can be
 - (a) Errors of omission
 - (b) Errors of principle
 - (c) Errors of posting
 - (d) None of these

7. Errors of carry forward from one year to another year affect;
- Personal account
 - Real account
 - Nominal account
 - Both personal & Real account
8. Error of commission do not allow;
- Correct totaling of the Balance sheet
 - Correct totaling of the Trail balance
 - The Trail balance to Agree
 - None of these
9. Sale to Ram Rs.336, posted to his account as Rs. 363 affects;
- Sales account
 - Ram's account
 - Cash account
 - Suspense account
10. Which of the following errors is an error of omission?
- Sale of Rs.800 was written in the purchase journal
 - Wages paid to Sohan have been debited to his account.
 - The total of sales journal has not posted to the sales account
 - None of these

Answers : 1. (b) 2. (a) 3. (d) 4. (d) 5. (b) 6. (c) 7. (d) 8. (c) 9. (b) 10. (c)

SHORT QUESTIONS (2 MARKS)

- What do you understand by final account?
- What is gross profit?
- What do you understand by adjusting entries?
- What is trading account?
- What is provision for discount on debtors?
- What is meant by rectification of errors?
- What are compensating errors?
- What is suspense account?
- What are the errors of omission?
- Give two examples of one sided errors.

PARAGRAPH QUESTIONS (5 MARKS)

21. Prepare Trading Account of Archana for the year ending 31-12-2016 from the following information;

	Rs.
Opening stock	80,000
Purchase	8,60,000
Freight Inward	52,000
Wages	24,000
Sales	14,40,000
Purchase Returns	10,000
Sales Returns	3,16,000
Closing stock	1,00,000
Import duty	30,000

22. Pass necessary journal entries for the following adjustments.
- (a) Depan, at 5% is to be charged on plant & Machinery worth Rs 10,000
 - (b) Insurance unexpired Rs 800
 - (c) To provide for doubtful debts at 3% on book debts worth Rs 50,000
23. From the following particulars prepare provision for doubtful debts Account; Amounts given in Trail Balance;
- Bad debts Rs 200; provision for doubtful debts Rs 600, Debtors Rs 20,300
- Write off Rs 300 more for Bad debts and make a provision 5% on debtors for doubtful debts.
24. M/S Kumar & Co close their financial books on 31st March. Stock taking i.e. completed over a period of four weeks. In 2011 the value of the closing stock thus arrived at was Rs 25,000. During the two weeks;
- (a) Purchase made were Rs 1,000 and
 - (b) Sales totaled Rs 4,000. The firm makes a gross profit of 30% on sales. Ascertain the value of closing stock as on 31st March.2011.
25. Pass necessary journal entries for the following while finalizing the annual accounts;
- (i) Debtors include Rs.500 receivable from the Proprietor for goods drawn by him.
 - (ii) Trade debtors of Rs.1,05,000 include Rs, 5,000 with are considered bad, provide for discount debts @2.5%.
 - (iii) Provide for discount on creditors on closing day @2.5% on Rs.85,000.
26. Pass necessary entries to rectify the following errors;
- (i) A welding machine purchased for Rs.5,600 from the Oxygen Co.Ltd has been entered in the purchase day book.
 - (ii) Rent for proprietor's house Rs.30 has been debited to General Expenses A/C.
 - (iii) A sale of Rs. 2,000 for old machinery has been passed through the sales book.
27. Give journal entries to rectify the following errors;
- (a) Purchase book has been overcast by Rs 10,000 for a month
 - (b) Repairs to furniture Rs 500 have been debited to furniture A/C
 - (c) A sale of Rs.456 to Ravi has been credited to his account as rs.654
28. Rectify the following errors;
- (i) Paid wages Rs.500 for the erection of a Machinery has been entered in wages A/C
 - (ii) The sales book was overcast by Rs.150
 - (iii) Paid cash to pasupathi Rs.500 but debited to Ragupatji A/C.
29. Rectify the following errors which are discovered in the books of Srinivasagalu & Co.
- (a) The returns outward book is over cast by Rs 150
 - (b) Received Rs.200 from Shyam debited to his account.
 - (c) The purchase book was under cast by Rs 1,000
 - (d) A payment of Rs.500 for salaries to Raju has been posted twice to salaries account.
 - (e) Rs. 150 received from Madan entered on the debit side of the cash book. No posting was done to Madan's A/C.
30. Pass`journal entries to rectify the following errors;
- (i) A cheque of Rs.750 received for loss of stock by fire had been deposited in the proprietor's private bank account A/C.
 - (ii) An item of purchase of Rs.151 was entered in the purchase book as Rs.15 and posted to the supplier's account as Rs 51.
 - (iii) A sales return of Rs.500 was not entered in the financial accounts though it was duly taken in the stock book.

- (iv) An amount of Rs 300 was received in full settlement from a customer after he was allowed a discount of Rs 50 but while writing the books, the amount received was entered in the discount column and discount allowed was entered in the amount column.
- (v) Bills receivable from Mr.A Rs 1,000 was posted to the credit of bills payable account and also credited to the account of Mr.A.

ESSAY TYPE QUESTIONS (10 MARKS)

31. Prepare a Trading Account of a trader for the year ending 31st March, 2011 from the following data;

	Rs
Stock on 1.4.2010	2,40,000
Cash purchase for the year	2,08,000
Credit purchase for the year	4,00,000
Cash sales for the year	3,50,000
Credit sales for the year	6,00,000
Purchase returns during the year	8,000
Sales returns during the year	10,000
Direct expenses incurred;	
Freight	10,000
Carriage	2,000
Import duty	8,000
Cleaning charges	12,000
Cost of good distributed as free Sample during the year	5,000
Goods withdrawn by the trader For personal use	2,000
Stock damaged by fire during the year	13,500

The cost of unsold stock on 31st March was Rs 1,20,000 but its market value was Rs 1,50,000.

32. Prepare Trading and profit and loss Account of M/S Suraj Prakash & Sons for the year ending 31st December .2010 from the following information;

	RS.
Stock 1.1.2010	2,00,000
Purchase	2,55,000
Wages	1,00,000
Carriage	5,000
Purchase returns	13,250
Export duty	9,000
Sales	5,75,000
Coal & coke	25,000
Sales returns	10,000
Printing & Stationary	2,250
Stock 31.12.2010	3,00,000
Salaries	30,000
Rent, Rates & Taxes	12,000
Depreciation	3,020
Repairs	6,000
Discount allowed	12,505
Bad debts	9,000
Advertisement	2,500
Gas & Water	1,500
Factory lighting	2,500
General Expenses	4,000

33. Prepare manufacturing and Trading Account for the year ending 30th June, 2011 with the following figures extracted from the books of a manufacturing concern;

	Opening stock Rs	closing stock Rs
Raw materials	1,20,000	80,000
Work-in-progress	24,000	16,000
Finished goods	86,400	64,000
	-----	-----
Transactions during the year;		Rs
Purchase of raw materials		4,00,000
Wages		2,50,000
Stores consumed		30,000
Indirect wages		72,000
Factory rent		24,000
Depreciation on plant & Machinery		40,000
Sales		11,20,000
Purchase of finished goods		10,000

34. Pass necessary adjustment entries for the following adjustments;

- Depreciation adjustment at 10% is to be charged on Machinery standing in the books at Rs 1,00,000
- Insurance unexpired is Rs200.
- Salaries outstanding Rs 10,000
- To provide provision for Doubtful Debts at 2% on Sunday debtors worth Rs 20,000
- Closing stock Rs 55,000
- Interest has accrued on investments Rs.500.
- Commission received in advance Rs 1,000
- To provide 10% Interest on capital of Rs 2,50,000
- Interest charged on drawing Rs 520

35. Prepare Trading ,Profit & Loss A/C and Balance Sheet from the following Trial Balance of M.Madan.

Debit Balance	Rs.	Credit Balance	Rs.
Sundry debtors	92,000	Madan's capital	70,000
Plant & Machinery	20,000	Purchase Returns	2,600
Interest	430	Sales	2,50,000
Rent, rate, Taxes & Insurance	5,600	Sundry creditors	60,000
Conveyance charges	1,320	Bank overdraft	20,000
Wages	7,000		
Sales returns	5,400		
Purchase	1,50,000		
Opening stock	60,000		
Madan's Drawings	22,000		
Trade Expenses	1,350		
Salaries	11,200		
Advertising	840		
Discount	600		
Bad debts	800		
Business premises	12,000		
Furniture & Fixtures	10,000		
Cash in hand	2,060		
	4,02,600		4,02,600

Adjustments;

- (i) Stock on hand on 31-12-2016 Rs 90,000
 - (ii) Provide depreciation on premises at 2.5%; Plant & Machinery at 7.5% and furniture and fixtures @ 10%
 - (iii) Write off Rs 800 as bad debts
 - (iv) Provide for doubtful debts at 5% on sundry debtors
 - (v) Outstanding rent was Rs 500 and outstanding wages Rs 400
 - (vi) Prepaid insurance Rs. 300 and prepaid salaries Rs 700
36. The following errors were detected in the accounts of Siva & Sons for the year ended 30th June 1992;
- (a) A builder's bill for Rs 2,700 for erection of small shed was debited to repairs account .
 - (b) A cheque for Rs300 received from Ram was dishonoured and debited to allowances account.
 - (c) Goods to the value of Rs 150 returned by Chandras were included in stock but no entry was made in the books.
 - (d) Repairs to plant amounting to Rs.567 had been charged to Plant& Machinery account.
 - (e) Wages paid to firm's own worker to made certain additions to machinery amounting to Rs.550 were posted to wages account
 - (f) a sum of Rs 100 drawn by the proprietor was debited to travelling expenses account.
- Pass necessary journal entries to rectify these errors.
37. Rectify the following errors without using a suspense account.
- (i) Purchase of Rs.500 from Gopal wrongly entered in the sales book.
 - (ii) Goods taken by the proprietor Rs 1,000 not recorded in the books at all.
 - (iii) Salaries paid to Ramesh Rs.1,500 debited to his personal account.
 - (iv) Discount Rs.50 allowed to sunder has been credited to discount account.
 - (v) Credit sales to Ramu Rs 1,500 wrongly posted to the credit of his account.
38. Following errors were detected after preparation of trail balance and taking the difference to suspense account, Rectify the errors.
- (a) A credit sale of Rs 450 to Chitra was debited to Mitra.
 - (b) A purchase of goods for Rs750 from Chakravarthy was debited to his account.
 - (c) An office almirah purchased for Rs 750 was debited to repairs account.
 - (d) A sum of Rs 350 received from Maya, a debtor, was debited to her account.
 - (e) Purchase of goods for the consumption of the proprietor was debited to purchase account.
 - (f) Discount allowed Rs.75 was credited to discount received account.
39. Retify the following errors and open a suspense account.
- (a) Rs.350 paid for the purchase of new office furniture charged to office expenses account.
 - (b) Goods worth Rs 147 were purchased from Deepak Stores, but the latter's account was actually debited with Rs.174
 - (c) The total of sales Book is short by Rs. 500.
 - (d) Goods worth Rs 960 were sold to Mr.Suri and an invoice was sent to him .The invoice amount was debited to his account and entered in the Sales Book. later on it was found that the invoice made only Rs.690
 - (e) The total for the discount column on the credit side of the Cash Book was short by Rs.15.
 - (f) An amount of Rs.500 withdraw by the proprietor for his personal use was debited to Trade expenses account
 - (g) Rs.90 was received on account of interest but was credited to commission account..

40. On scrutinizing the books, the accountant who had agreed the trail balance and prepared Profit & Loss account, detected the following errors;
- (i) Rs. 3,000 paid to repairs done to the building were debited to building account.
 - (ii) An invoice received from Anand for Rs 1,100 was entered in the books as for Rs.110 only.
 - (iii) A bill of Rs.450 for old furniture of the business sold to Charles was entered in the purchase day book.
 - (iv) Bills received from Janaki for repairs done to machinery Rs. 300 and three table fans supplied for Rs 580, were entered in the purchase book.
 - (v) Rs. 1,800 paid for rent were debited to Landlord's account and Rs.550 paid to Doss against our acceptance were debited to Sankar's account.
- Pass the journal entries to rectify the above mistakes and show the effect of rectification on profit.

UNIT – III

CHOOSE THE CORRECT ANSWER

1. Not for profit organizations prepare
 - (a) Profit & loss account
 - (b) Manufacturing account
 - (c) Income and expenditure account
 - (d) Real account
2. Receipts and payments account is
 - (a) A nominal account
 - (b) A real account
 - (c) Personal account
 - (d) Income and expenditure account
3. Subscription received in advance is
 - (a) An income
 - (b) An asset
 - (c) Liability
 - (d) Profit
4. Admission fee income should be
 - (a) Capitalised
 - (b) Treated as a revenue
 - (c) Treated as revenue unless the amount is pretty large
 - (d) Treated as a liability
5. When a bill is drawn by A on B it is debited in the books of A to
 - (a) Cash account
 - (b) B's account
 - (c) Bills receivable account
 - (d) Bills payable account
6. When a bill drawn by A on B and endorsed to C is dishonored on the due date it is credited C in the books of A to
 - (a) Bank account
 - (b) Bill receivable account
 - (c) Bank for collection of bill account
 - (d) C's account

7. When a bill drawn by A on B and before the date of maturity B becomes insolvent then in the books of A it is debited to
- (a) B/R account
 - (b) Bank account
 - (c) B' account
 - (d) Bank for collection of bills
8. Base date is otherwise called as-----
- (a) Zero date
 - (b) Leave date
 - (c) working days
 - (d) None of the above
9. Average due date can be called as
- (a) Mean due date
 - (b) Median due date
 - (c) Mode due date
 - (d) None of the above
10. Account current is journal
- (a) True
 - (b) False
 - (c) Partly true
 - (d) Partly false

Answers : 1. (c) 2. (b) 3. (c) 4. (c) 5. (c) 6. (d) 7. (c) 8. (a) 9. (a) 10. (b)

SHORT QUESTIONS (2 MARKS)

- 11. What do you mean by not for profit organization?
- 12. What is receipts and payments account?
- 13. What is life membership fees?
- 14. What do you mean by accommodation bills?
- 15. Define bill of exchange.
- 16. What do you mean by noting and protesting?
- 17. What do you mean by renewal of a bill?
- 18. What is average due date?
- 19. What is honorarium?
- 20. What do you mean by an account current?

PARAGRAPH QUESTIONS (5 MARKS)

- 21. Distinguish between Receipts and Payments Account and 'Income and Expenditure Account'.
- 22. From the following details prepare Receipts and Payments Account;

	Rs
Opening cash in hand	500
Opening bank balance	4,800
Subscription collected	11,000
Entrance Fees received	1,000
Salary paid	3,000
Rent paid	1,200
Furniture purchased	2,000
Tournament expenses	3,000

Entertainment expenses	1,500
Periodicals	1,200
Miscellaneous expenses	300
Cash in hand at close	800

23. How will you deal with the following items while preparing the income and Expenditure Account and Balance Sheet of a club for the year ended 31st December, 2009?

	Rs
Subscription outstanding on 31-12-2008	200
Subscription received on 31-12-2008	
For 2009	300
For 2010	100
Total subscription received during the year 2009	5,800
Subscription outstanding on 31-12-2009	
For the year 2008	50
For the year 2009	250
Subscription in advance on 31-12-2009;	
For 2010	350
For 2011	150

24. How will you deal with the following case while preparing the final accounts as on 31st Dec., 2010?

BALANCE SHEET
As on 1st January, 2010

Liabilities	Rs	Assets	Rs
Creditors for Sports Materials	150	Sports Materials	200

RECEIPTS AND PAYMENTS ACCOUNT
For the year ended 31st Dec., 2010

Receipts	Rs	Payments	Rs
		Sports Materials	3,500

Additional information;

Sports Materials in Hand on 31st December, 2010 Rs 550.

25. On 1st January, 2011, A sold goods to B for Rs 6,000 and drew a bill on B for 4 months. B accepted the bill for Rs 6,000 and returned it to A who discounted it on 3rd January, 2011 with his bank at 12% p.a., B met his acceptance on the due date. Pass journal entries in the books of both the parties, i.e., drawer and drawee.

26. For the mutual accommodation of Robin and Rahul, Robin draws a bill on Rahul for Rs 6,000, Rahul accepts the bill and returns it to Robin who discounts the same with his banker and receives Rs 5,850, The proceeds are shared between Robin and Rahul in proportion of 2/3rd and 1/3rd respectively. On the due date, Robin remits proportion to Rahul who meets the bill. Pass journal entries in the books of Robin and Rahul to record the above transactions.

27. A partner has withdrawn the following sums of money during the year ending 30th June 2011.

	Rs
January 15	300
February 28	250

March 10	150
March 26	200
April 20	400
May 16	300
June 18	500

Interest is to be charged at 8% p.a .Find out the average due date and calculate the amount of interest to be debited to the partner.

28. A drew upon B several Bills of Exchange due for payment on different due date as under;

Date	Amount Rs	Tenure
2-10-2010	600	3 months
20-10-2010	800	2 months
10-11-2010	1,000	3 months
27-11-2010	750	3 months
8-12-2010	900	1 months
16-12-2010	1,200	2 months

Find out the Average Due Date on which a payment may be made in one single amount.

29. From the following prepare an Account Current to be rendered by Sarathy to Bharathy;

		Rs.
2011		
Jan. 1	Balance due from Bharathy	2,000
1	Goods sold to Bharathy	1,000
Feb. 1	Amount received from Bharathy	2,000
Mar 1	Goods sold to Bharathy	4,000
April 1	Goods purchased from Bharathy	1,500
May 1	Goods sold Bharathy	5,000
May 1	Cash received from Bharathy	2,000
June 1	Goods purchased from Bharathy	2,500
June 30	cash received from Bharaty	1,000

Prepare an Account Current for half year ending 30th June, interest is to be calculated at 12% p.a.

30. On 1st January 1998, the amount due to from Gopal to Krishnan was Rs 1,000 During the six months ended June, the transactions were as follows;

		Rs.
1998		
Feb 10	Sold goods to Gopal	2,000
Mar 15	Purchased goods from Gopal	600
Apr 20	Cash received from Gopal	800
May 15	Cash paid to Gopal	600
June 10	Sold goods to Gopal	2,500
June 20	Cash received from Gopal	1,000

Prepare an account current to be rendered by Krishnan to Gopal on 30th June 1998 calculating interest @ 12% p.a.

ESSAY TYPE QUESTIONS (10 MARKS)

31. The Income and Expenditure A/C of Sunday for the year 2000-2001 is as follows;

Expenditure	Rs	Income	Rs
To salaries	9,500	By Subscriptions	15,000
To General Expenses	1,000	By Entrance fees	500
To Audit fee	500	By Contribution for	2,000

		annual dinner	
To secretary's Honorarium	1,500	By profit on Annual sports meet	1.000
To printing & Stationary	900		
To Annual Dinner Expenses	3,000		
To Bank charges	300		
To Depreciation on; Sports Equipment	1,200		
To Surplus	1,200		
	18,500		18,500

This account has been prepared after the following adjustments.

	1-4-2000	31-12-2001
	Rs.	Rs.
Subscription outstanding	1,200	1.500
Subscription received in advance	900	540
Salaries outstanding	800	900

General expenses of current year include prepaid to the extent of Rs. 120. Audit fee for 2000-2001 is yet unpaid. During 2000-2001. audit fee for 1999-2000 was paid amounting to Rs. 400. Bank loan on 31-12-2000 was Rs. 4,000 and yet to be paid.

The samsad owned a freehold lease of ground valued at Rs. 20,000. The samsad had sports equipment on 1-4- 2000 valued at Rs. 5,200. At the end of the year, after depreciation, this equipment amounted to Rs. 5,400. On 31st March 2001 Cash in hand amounted to Rs.3,200.

Prepare the Receipts and Payments A/C for the year 2000-2001 and Balance sheet as at 31-12-2001.

32. Prepare Income and Expenditure Account and Balance Sheet for 2010 from the Balance sheet and Receipts and Payments A/C;

BALANCE SHEET
As on 31st December , 2009

Liabilities		Assets	
Capital Fund	33,620	Building	30,000
Subscription received in advance	600	Outstanding subscription	380
Outstanding expenses	1,400	Outstanding Lockers Rent	240
Loan	5,000	Cash	10,000
	40,620		40,620

RECEIPTS AND PAYMENTS ACCOUNT for 2010

Recipts	Rs	Payments	Rs
Balance 1-1-2010	10,000	Expenses : 2009	1,200
Subscriptions; 2009	200	2010	2,000
2010	2,100	Land	4000
2011	100	Interest	400
Entrance Fees	800	Misc. Expenses	2000
Lockers rent	700	Balance 31-12-2010	8,300
Misc.Incomes	4,000		
	17,900		17,900

33. Following is the Receipts and Payments Account of Visakha Youth Association for the year ended 31st December, 2010.

Receipts	Rs	Payments	Rs
To opening Balance	20,800	By Establishment (including Rs 400 for 2011)	6,000
" subscription (including Rs750 for 2011)	21,250	" Telephone charges	790
"Rent of Hall	1,300	" Stationary	600
" Interest on securities	1,000	" Travelling	650
" Donation	10,000	" Rent	5,400
		" Library	3,000
		" Donations	5,000
		" Balance	32,910
	<u>54,350</u>		<u>54,350</u>

Additional information;

- Association holds 3% Govt. Securities amounting Rs 40,000
- The library account Stood at Rs 20,000 on 1st Jan.2010.
- The donations of Rs 10,000 are to be funded for a prize to be awarded by the association
- The outstanding rent is Rs450
- There are 400 members who pay subscription at the rate of Rs 50 per member.

You are required to prepare Income and expenditure A/C for the year ending 31-12-2010 and a Balance sheet as on that date.

34. Following is the Income and Expenditure Account of Charty Hospital for 2010

INCOME AND EXPENDITURE ACCOUNT-

For the ending Dec,31st,2010

Expenditure	Rs	Income	Rs
To Salaries		By subscriptions	22,000
"Direct Expenses	23,500	By Donations	4,000
"Rent & Insurance	2,000	interest on	
"insurance	500	investments for full	
"Office Expenses	200	year @ 5% p,a,	9,000
"surgery and Dispensary	800	"Miscellaneous	
"Depreciation;	1,000	Receipts	600
Building 3,750			
Furniture 120			
Investments 800			
"surplus of Income over expenditure	4,670		
	2,930		
	35,600		35,600

Other information supplied to you is under;

	31-12-2009	31-12-2010
	Rs	Rs
Cash in hand	200	150
Cash at Bank	5,400	—
Buildings	75,000	—
Furniture	2,000	—
Insurance	3,500	—
Subscriptions outstanding	1,500	4,500
Salaries outstanding	1,800	2,000
Subscriptions received in Advance	600	800

Investments purchased during the year Rs.500

You are requested to prepare the Balance Sheet of the Hospital as at 31st Dec,2010, Submit your working neatly.

35. Rane for the mutual accommodation of himself and his friends Kane, draws upon Kane a bill of exchange at three months for Rs 3,200 on 1st March. Rane discounts this bill immediately with his banker at 15% p.a and hands over half the proceeds to Kane.

Kane also for similar purpose and at the same time draws a bill of exchange at three months on Rane for half the amount of the bill. Kane discounts it at 15% p.a and forwards half the proceeds to Rane.

Kane becomes bankrupt on 31st May first and final dividend of 25 paise in a rupee is received from his estate on 1st July. Journalise the above transactions in the books of Rane and Kane

36. On 1.6. 1999, John drew four bills of exchange on Mani for Rs,750, Rs. 1,500, Rs. 2,000 and Rs, 3,500 for 1 month, 2 months, 3 months respectively. Mani accepted the bills and returned to John. John endorsed the first bill to his creditor Samy. He sent the second bill to the bank for collection. He discounted the third bill with the bank at 24% p.a. He retained the fourth bill till due date. All the bills were duly honoured at maturity. Pass Journal entries in the books of John.

37. Anbu owes Sudhakar the following sums of money due on the dates started.

Rs. 400 due on 5th January 1990

Rs. 200 due on 20th January 1990

Rs. 800 due on 4th February 1990

Rs. 100 due on 26th February 1990

Rs. 50 due on 10th March 1990

Find out average due date.

38. On January 1, 2011 A owed Rs 2,000 to B on account. During the six months ends June 30,2011, the transactions were as follows in the books of B;

	Rs
January 1- Goods sold to A	1,000
February 1- Amount received from A	2,000
March 1- Goods sold to A	4,000

April 1- Goods purchased from A	1,500
May 1- Goods sold to A	5,000
May 1- Cash received from A	2,000
June 1- Goods purchased A	2,500
June 30- Cash received from A	1,000

Prepare Account Current to be rendered to A on June 30, 2011. Interest to be calculated at 12% p.a. in months.

39. Krishnan sells goods to Kolappan as follows:

January 2	Rs 500
February 16	Rs 350
March 22	Rs 420

Kolappan sells goods to Krishnan as follows:

January 21	Rs 250
March 8	Rs 472
April 15	Rs 170

They agree to settle the account on the average due date method. Terms: Krishnan's bill at 2 months and Kolappan's bill at one month.

Find out the due and the amount to be paid.

40. The following transactions took place between Ram and Krishnan from 1-1-09 to 30-6-09.

		Rs.
Jan 1.	Sold goods to Ram	2,240
Jan 10.	Received Ram's acceptance at 2 months	1,000
Feb 15.	Received cash from Ram	1,200
Mar 2.	Bought goods from Ram	5,500
Mar 3.	Acceptance Ram's bill at 1 month	2,000
Apr 11.	Paid cash to Ram	2,000
Apr 30.	Sold goods to Ram payable up to 31 st May	2,400
May 11.	Bought goods from Ram	1,500
May 31.	Sold goods to Ram payable up to 10 th June	2,200
June 15.	Bought goods from Ram	3,000

Prepare the account current to be sent by Krishna on 30th June 2009. The rate of interest is 5%.

Unit – IV

Choose the Correct Answer

1. The relationship between a consignor and consignee is that between
 - (a) A principal and an agent
 - (b) A creditor and debtor
 - (c) A seller and a purchaser
 - (d) None of the above
2. Consignee's account is a
 - (a) Nominal account
 - (b) Personal account
 - (c) Real account
 - (d) Representative
3. When goods consigned are sold by the consignee, the account to be debited is;
 - (a) Cash Account
 - (b) Consignment Account
 - (c) Consignor's Personal Account
 - (d) Consignee's personal Account
4. Del credere commission is allowed to cover
 - (a) Normal loss
 - (b) Abnormal loss
 - (c) Loss due to bad debts
 - (d) Business loss
5. The unsold stock is to be valued at
 - (a) Original cost of the goods
 - (b) Original cost of the goods plus direct expenses incurred by both consignor and consignee
 - (c) Original cost plus direct expenses incurred by the consignor
 - (d) Original cost plus direct expenses incurred by the consignee
6. Goods sent on consignment account is of the nature of
 - (a) Personal account
 - (b) Nominal account
 - (c) Real account
 - (d) None of the above
7. Joint venture relationship resembles closely
 - (a) A consignment
 - (b) A partnership
 - (c) The company
 - (d) None of the above
8. Joint bank account is opened, when the system adopted for joint venture transaction is
 - (a) Complete record in exiting books
 - (b) Partial record in existing books
 - (c) Separate set of books
 - (d) None of these

9. Joint venture account is the nature of
(a) Personal account
(b) Nominal account
(c) Real account
(d) None of the above

10. Consignment account is a-----
(a) Nominal
(b) Personal account
(c) Goods account
(d) Profit & loss account

Answers : 1. (a) 2. (b) 3. (a) 4. (c) 5. (b) 6. (b) 7. (b) 8. (c) 9. (b) 10. (a)

SHORT QUESTIONS (2 MARKS)

11. Define Invoice.
12. Define consignment.
13. What do you mean by consignor?
14. What is Del credere commission?
15. What are the recurring expenses?
16. Define Joint venture?
17. What is memorandum joint venture account?
18. What is joint bank account?
19. Give any two characteristics of joint venture?
20. Define co-venturer?

PARAGRAPH QUESTIONS (5 MARKS)

21. Explain the method of Maintaining Accounts in the books of Consignor and Consignee.
22. Ram & Co. of Kolkata consigned 50 cases of goods at Rs 200 each to Nathan of Mumbai. The consigner pays Rs 200 for insurance and for freight Rs 300. Nathan sent an account sales showing the gross proceeds at Rs 24,000. The expenses paid by Nathan were dock dues Rs 20, carriage Rs 50, warehousing expenses Rs 130. He sent the amount due to the consignor after deducting 4 per cent commission. Give Ledger entries in the books of both the parties.
23. On 1st July, 2010 Radio House of Delhi consigned 200 Radios to Banerjee Bros. of Kolkata. The cost of each radio was Rs 400. Radio house paid Rs 5000 for freight and insurance. On 7 July, 2010 Banerjee Bros, accepted a 3 month bill drawn upon them by Radio house for Rs.50,000. Banerjee Bros. Paid Rs 2,200 as rent and Rs 1,300 for advertisement and up to 31st December, 2010 (on which date Radio House close their books) they sold 180 radios at Rs.500 each. Banerjee Bros. were entitled to a commission of 5% on sales. prepare necessary accounts to record the above transactions in the books of consignor.
24. Dinanath consigned 100 tape recorders to Nirup which costed him Rs 300 each. He paid for packings Rs 400. Carriage Rs 200 and Ramdas Motor Transport Rs 400. 10 tape recorders were damaged in transit and Dinanath received Rs 1,800 from the Ramdas Motor Transport as damages. Nirup took delivery of 90 tape recorders and spent Rs 100 for cartage and Rs.400 godown rent. Nirup sold the consignment at Rs 350 per tape recorder he sent the net amount to Dinanath after deducting the commission at 5% on sales. Prepare the consignment account.

25. X consigned 1,00,000 Kgs . of oil at Rs 2 per kg. He spent 2 paise per as kg, as packing and insurance and Rs 3,000 on fright for sending it to his agent Y at Calcutta.
Y sold 90,000 kgs.at Rs 3.75 per kg. He spent Rs 12,500 on advertisement and other recurring expenses. Calculate the value of stock at end with the consignee when Y is entitled to 5% commission on sales.
26. Distinguish between Joint venture and Consignment.
- 27.Vimal & Kamal took up a Venture Jointly. Vimal bought goods for Rs 10,000 and sent the same to Kamal incurring freight Rs 1,000. Kamal sold a part of the goods for Rs 14,000 incurring Rs 1,400 towards selling expenses Rs 3,000 worth goods remain as on date. Prepare the Joint Venture Account in the Books of Vimal.
28. A and B are in joint venture. Both maintain complete records in their own respective books. A spends Rs. 50,000 to buy goods for joint venture and pays Rs. 20,000 for other expenses. 'B' purchase goods for Rs. 40,000 and spends Rs. 30,000 for Expenses. B sells all the goods for Rs. 2,40,000 and the venture is closed. prepare joint venture account in 'A's books.
29. Ramesh sends 100 radio sets to kannan to be sold on consignment basis. Rameh spends Rs.300 in packing etc. The cost of each set is Rs 150.
Kannan sends to bank draft as advance to Ramesh for Rs 10,000. He spends Rs 800 on freight , Rs200 on salesman's salary and Rs 150 as rent insurance.
Kannan sells all the sets @ 200 each. He is entitled to a commission of 10% on sales. He settles his account.Pass journal entries in the books of Ramesh.
30. R and S entered into a joint venture and agreed to share profits in the proportion of 3/5 and 2/5 respectively. R supplied goods Rs 10,000 and paid freight and other expenses amounting to Rs 1,000.
S supplied goods Rs 15,000 and paid rent insurance and other expenses amounting to Rs.900. S sold all the goods and realized Rs 35,000 and was entitled to a commission of 6% on sales. S sent to R a bank draft in settlement of accounts.
Show Ledger account in the books of R.

ESSAY TYPE QUESTIONS (10 MARKS)

- 31.The Mumbai mills Ltd, of Mumbai consign to their Kolkata freight agent Rs 10,000/- worth of piece goods, drawing on Kolkata for the amount. They pay charges fricht and insurance on the consignment amounting to Rs 650/ and discount the bill which costs Rs 200/. The goods were received in Kolkata and in due course the Account sales was received as follows.

Account sales of 200 Bales of piece goods from Mumbai Mills Ltd, Mumbai.	
200 Bales of piece goods at	Rs 14,000
Less;	
Delivery charges etc.,	Rs 500
Godown rent	70
Insurance	80
Sundry charges	18
Commission	700
	<hr/>
	1,368
	<hr/>
	12,632
Draft paid	10,000
Balance Herewith	<hr/>
	2,632
	<hr/>

Enter these particulars in the Ledger of the consignor and complete the transactions showing final profits or the loss on the consignment.

32. H Ltd. Forwarded on 1.7.2010, 100 bicycle to Vasu of Hyderabad to be sold on behalf of H Ltd. The cost of each bicycle was Rs 150 but the invoice price was Rs 200. H Ltd, incurred Rs.1,000 freight and insurance. Vasu received the consignment on 14-7-2012 and accepted a three months draft upon him by H Ltd. For Rs 10,000. Vasu paid Rs 400 as rent and Rs 250 as insurance and by 31-12-2010 had disposed of 80 bicycles at 205 each. Vasu is entitled to a commission of 5 per cent on sales including a del credere commission of 1%. Vasu sold 20 bicycle on credit and was not able to recover sales proceeds of 5 bicycle because of insolvency of the debtor.
Give Ledger accounts to record the above transactions in the books of H Ltd, and Vasu.
33. 1,000 bicycle were consigned by premier bicycle Co., Delhi to Superior Bros., Kanpure at Rs.150 each. Premier Co, paid freight Rs 10,000 and insurance in transit Rs 1,500. During transit 100 bicycle were totally damaged by fire. Superior Bros, took delivery of the remaining bicycle and paid Rs 1.530 for octroi.
Superior Bros. sent a bank draft to Premier Co. for Rs 50,000 as advance payment and later sent an Account sales showing that 800 bicycle were sold at Rs 220 each. Expenses incurred by superior Bros., on godown rent and advertisement etc. amounted to Rs 2,000. Superior Bros. is entitled to commission of 5% . prepare the consignment Account, Accidental Loss Account and Superior Bros. Account in the books of premier Bicycle Co, Delhi assuming that a claim from insurance was settled for Rs 14,000.
34. Jain of Delhi consigned 300 tins of coconut oil to Narang of Chandigarh, invoiced at Rs.200 per tin. Jain paid Rs. 2,000 as carriage and other expenses. The consignor drew a bill of exchange for Rs. 16,000 which was later discounted at Rs. 15,700. The consignee rendered an account sales showing the following details;
280 tins sold at Rs.250 per tin
20 tins sold at Rs. 260 per tin
Storage and selling expenses Rs. 5,000
Clearing and cartage Rs. 1,600
Commission at 6% on sales.
The consignee sent a sight draft for the balance.
Show the entries and important ledger accounts in the books of both the parties.
35. X and Co, Trichy consigns to Y and Co, Mumbai 1,000 fans costing Rs.180 each at invoice price Rs 200 per fan and pays Rs 500 on freight, Rs 300 on insurance and Rs 600 as other expenses. Y and Co remitted Rs 50,000 as advance by 2 month bill.
Y and Co, spends Rs 200 each on octroi, Rs200 on loading and unloading charges and Rs.1,000 on rent and other expenses.
It sells 600 fans at Rs 260 each on credit and 200 fans at Rs 250 each for cash.
Y and Co, remits the balance due by a bank draft after deducting their ordinary commission at 5% and Del credere commission at 1%. The consignees incur a bad debts of Rs 300.
Show the important ledger accounts in the books of both the parties.
36. Ramesh and Naresh undertook the construction of a building for Ideal Engineering Co.,Ltd. For a Contract price of Rs 3,00,000 payable as to Rs 2,00,000 by instalments in cash and Rs.1,00,000 in fully paid debentures of a company. Ramesh put Rs 75,000 and Naresh 45,000 in a joint banking account opened for the purpose. They are to share and losses equally. Following amounts were spent.
(a) On wages Rs 75,000
(b) On material Rs 1,58,000
(c) On plant Rs 20,000
The contract was completed and the price duly received. The joint venture was closed by Ramesh taking up all the debentures at an agreed valuation of Rs 95,000. Half of the plant

was taken over by Naresh and the other half was sold for Rs 12,000. Naresh also took over unused stock of materials at a mutually agreed price of Rs 8,000.

Prepare ledger accounts as they would appear in the books of Ramesh and Naresh.

37. X and Y decide to work a joint venture for the sale of electric motors. On 21st May ,2010, X purchase 200 electric motors at Rs 300 each and dispatched 150 motors to Y incurring Rs 1,000 as freight and insurance charges. 10 electric motors were damaged in transit. On 1st February ,2011, Rs 700 were received by X from the Insurance Co. in full settlement of his claim. On 15th March, 2011, X sold 50 electric motors at Rs 425 each. He received Rs 15,000 from Y on 1st April, 2011. On 25th May, 2010, Y took delivery of Electric Motors and incurred the following expenses.

	Rs
Clearing charges	200
Repairing charges to damaged motors	500
Godown rent	600
He sold the motors as below;	
1-2-2011 10 damaged motors @Rs 200 each	
40 motors @ Rs 400 each	
15-3-2011 20 motors @ Rs 500 each	
80 motors @ Rs 600 each	

It is agreed that they are entitled to commissions at 10% on the respective sales effected by them and that the profit and losses shall be between X and Y in the ratio of 2:1,

Y remits to X the balance of money due on 30th April ,2011,

Prepare:

- (i) Memorandum Joint Venture A/c or any other form to represent the transactions.

38. Rajesh and Chand entered into a Joint venture to share the results as 2:1 . The Joint venture transactions were as under:

	Rajesh Rs	Chand Rs
Goods supplied	30,000	15,000
Expenses paid	4,000	1,000
Sales proceeds received	40,000	28,000

Show Ledger accounts in the Books of Rajesh.

39. Subbu and Sayee entered into a joint venture to construct a building for a company at a contract price Rs 1,60,000 payable in cash.

Subbu supplied materials Rs 16,000, purchased materials for Rs 32,000 and paid wages and other expenses Rs 44,000.

Sayee supplied materials Rs 16,000, purchased material for Rs 14,000 and paid expenses amounting to Rs 4,000.

Subbu took away the unused material at Rs 2,000, and received a contract price on completion of the building. Subbu was entitled to 5/8 profit and Sayee 3/8.

Subbu sent a bank draft in settlement, prepare the joint venture account and other co-venture account in the books of Subbu.

40. Vijay and Arun entered into a joint venture for purchase and sale of cotton. They agreed to share profits in the proportion of 2 :1 and also to be entitled to an interest of 12% per annum (on monthly basis) on money invested as well as received. Following transactions took place in between themselves.

- (i) On 1st January ,2011, Vijay purchased 1,000 bales of cotton @ 500 per bale, the brokerage being Rs 10 per bales.

- (ii) On 1st February 2011, Arun purchased 500 bales of cotton @ 520 per bale the brokerage being Rs 10 per bale.

- (i) On 28th February, 2011, Vijay sold 800 bales of cotton @ Rs 572 per bale, the brokerage being Rs 12 per bale and took the proceeds to himself.
- (ii) On 1st April, 2011, Arun sold 600 bales of cotton @ Rs 580 per bale, the brokerage being Rs 10 per bale and took the proceeds to himself.

It was also agreed that each co-venturer will first sell from his own purchase and then, if need be, from the goods purchased by other co-venture. The balance stock left unsold was taken by Vijay at cost on 30th April, 2011 when accounts were settled between the co-ventures.

You are required to show the accounts of co-ventures and Joint Ventures Account as would appear when maintained in a separate set of books

UNIT – V

CHOOSE THE CORRECT ANSWER

1. Closing stock is an item of-----
 - (a) Fixed asset
 - (b) Current asset
 - (c) Fictitious asset
 - (d) Intangible asset
2. Drawing appearing in the trial balance is
 - (a) Added to the purchase
 - (b) Subtracted from the purchase
 - (c) Added to the capital
 - (d) Subtracted from the capital
3. Bank overdraft should be shown
 - (a) In the trading account
 - (b) Profit and loss account
 - (c) On the liabilities side
 - (d) On the asset side
4. Net profit of the business increase the-----
 - (a) Drawing
 - (b) Receivable
 - (c) Debts
 - (d) Capital
5. Depreciation is a process of
 - (a) Valuation
 - (b) Allocation
 - (c) Both valuation and allocation
 - (d) None of these
6. The main objective of providing depreciation is
 - (a) To calculate true profit
 - (b) To show the true financial position in the balance sheet
 - (c) To reduce tax burden
 - (d) Provide funds for replaced of fixed assets

7. Under the diminishing balance method depreciation is calculated on
 (a) Original cost
 (b) Written down value
 (c) The scarp value
 (d) Market value
8. Depreciation on the diminishing balance method of Rs 2000 of the rate 10% p.a for three years will be.
 (a) 1400
 (b) 1458
 (c) 542
 (d) None of these
9. The amount of depreciation charged on a machinery will be debited to
 (a) Machinery account
 (b) Depreciation account
 (c) Cash account
 (d) Sales account
10. Loss on the sale of machinery should be written off against
 (a) Profit & Loss Account
 (b) Sales account
 (c) Depreciation account
 (d) Machinery account

Answers : 1. (b) 2. (d) 3. (c) 4. (a) 5. (b) 6. (a) 7. (b) 8. (b) 9. (b) 10. (a)

SHORT QUESTIONS (2 MARKS)

11. What do you understand by single entry?
12. What is meant by statement of Affairs?
13. What is conversion method in single entry?
14. What is meant by straight line method?
15. What do you mean by double entry system?
16. Define depreciation?
17. What do you mean by reserve?
18. What is a secret reserve?
19. What is annuity method of charging depreciation?
20. What is sinking fund method of provisions?

PARAGRAPH QUESTIONS (5 MARKS)

21. Explain the salient features of Single entry system?
22. Find out the profit from the following data;

	Rs.
Capital at the beginning for the year	60,000
Drawings during the year	7,500
Capital at the end of the year	67,500
Additional capital introduced during the year	3,750

23. Prepare necessary statements to ascertain the profit from the following;

Capital as on 1-1-2010	20,000
Fixed assets as on 31-12-2010	39,000
Current assets on 31-12-2010	14,000
Drawings for the year 2010	6,500

Creditors	5,000
Additional capital brought on 1-8-2010	3,200
Value of furniture lost in a fire accident on 1-4-2010	1,400
Insurance claim on the above (not included in assets)	850

24. Reddy keeps his books by single entry system. On 1-4-2010 his financial position was as follows;

	Rs.
Cash in hand	1,250
Stock in trade	7,500
Sundry debtors	9,800
Sundry creditors	9,000
Cash at bank	2,000
Fixtures	350
Plant	15,100
Drawings	5,900

On 31-3-2011 his financial position was as follows;

Sundry creditors	7,500
Fixtures	320
Plant	18,100
Debtors	13,300
Stock in trade	14,000
Bank overdraft	3,600
Cash in hand	1,150

You are required to prepare a statement of profit or loss and a closing statement of affairs.

25. From the following information find credit sales;

	RS.
Sundry Debtors on 1-1-2010	15,500
Bills Receivable on 1-1-2010	1,400
Sundry Debtors on 31-12-2010	16,350
Bills Receivable on 31-12-2010	1,500
Cash received on bills during the year	2,580
Bills receivable dishonoured	750
Cash received from debtors	32,400
Bad Debtors	850

26. A machine was acquired on 1st April 2011 at a cost of Rs 15,000, the cost of installation being Rs 1,000. It is expected that the scrap value at the end of the working life will be Rs 2,000. Write up the machine account for the first two years under the diminishing balance method charging 10% depreciation. Assume that financial year is followed.

27. Hasan purchased a machine on 1st Jan. 2012 at Rs. 14,400. The scrap value after ten years time is expected to be Rs. 3,400. If depreciation is written off by equal instalments every Dec. 31, show the Machinery A/C for the first three years. Calculate the rate of depreciation.

28. Shri Gupta provided Rs 10,000 as reserve for repairs renewals every year. The actual expenses incurred by him for repairs in 2008 Rs 5,000, in 2009 Rs 8,000 and in 2010 Rs.12,000. You are required to prepare the Reserve for Repairs and Renewals Account for the 3 years ending 31st December, 2010.

29. A lease purchased for a term of 5 years by payment of Rs 25,000 it is proposed depreciate the lease by the annuity method charging 5% interest. Annuity of 1 for 5 years at 5% is Rs 0.230975.
Show Ledger entries for first two years.

30. Distinguish between straight line method and diminishing method?

ESSAY TYPE QUESTIONS (10 MARKS)

31. Prepare statement of Affairs from the following information under single Entry system.

	Opening	Closing
Stock	80,000	95,000
Debtors	1,50,000	1,30,000
Cash	5,000	8,000
Prepaid expenses	3,000	1,000
Outstanding Expenses	4,000	6,000
Creditors	42,000	37,000
Machinery	10,000	15,000
Furniture	1,000	1,000

32. Ganesh Topiwala, a retailer has not kept proper Books of Accounts. However, some ledger extracts are available.

	Last Year Rs	This Year Rs
Trader Creditors	6,270	5,890
Stock	15,000	16,000
Loan from Naresh	10,000	10,000
Cash in hand	570	670
Shop furniture & fittings	7,250	7,800
Trade Debtors	5,280	4,560
Bank Balance	4,000	4,200

Calculate profit for this year and draft revised statement of Affairs at the end of the year after considering the following adjustments.

- Shop furniture and fittings are depreciated by Rs 780
- Proprietor withdrew Rs 100 per week for his personal use.
- Included in trade debtors bad debt of Rs 270
- Interest at 5% per annum is due on the loan from Naresh but has not been paid.

33. Mr. Ramlal keeps his books under single entry system.

Particulars	1-1-2010	31-12-2010
Bank overdraft	10,000	12,000
Furniture	20,000	20,000
Land and Building	70,000	70,000
Investments	—	10,000
Sundry Debtors	20,000	30,000
Sundry creditors	30,000	40,000
Stock	45,000	50,000
Motor car (1-7-2010)	—	20,000
Cash	10,000	20,000
Plant and Machinery	40,000	40,000

During the year he withdrew Rs 10,000 for personal use. On 1-7-2010 he introduced further capital of Rs 20,000 by selling his private house.

Adjustments;

- Appreciate land and Building by 20%

- (b) Debtors include Rs 1,000 from a customer who is insolvent and is irrecoverable.
 (c) Maintain provision for Doubtful Debts at 5% on Debtors
 (d) Depreciate Plant and Machinery at 10% furniture at 5% and Motor car at 10%

Prepare a statement showing profit or loss for the year 2010 and a revised statement of affairs as on that date.

34. Prepare a Trading account, profit and loss account for the year ended 31st December 2010 and Balance sheet as on date from the following information available from the books of a trader.

	1-1-2010 RS	31-12-2010 RS
Cash in Hand	30	50
Cash at Bank	1,000	1,500
Sundry Debtors	1,750	2,500
Sundry Creditors	3,410	3,750
Investments	6,250	6,250
Stock	2,500	1,870
Transactions during the year 2010 were as follows;		
Salaries paid		1,500
General expenses paid		3,500
Payment for Stationary		870
Payment for rent and rates		700
Lighting charges paid		250
Cash receipts from Debtors		31,250
Payment to creditors through Bank and Trade and expenses in cash		20,000
Payments into Bank- Business		18,750
Payments into Bank –Additional capital		250
Payments from Bank Account –Personal		3,250
Cash payments-Personal		910
Stock taken for personal use		140

35. A trader , who has not kept a complete set of books, asks you to prepare his Final accounts of the year ended 31st December,2110. You are however ,able to obtain the following the information;

Summary of his cash book;

	Rs.
Balance of cash on 1 st January ,2010	51,700
Receipt from debtors	4,20,500
Personal Drawings	30,000
Payment to creditors	3,24,000
Salaries	25,000
Rent	12,000
Electricity charges	3,500
Printing and stationary	2,500
Advertising	4,500

	31-12-2009	31-10-2010
Debtors	33,500	51,000
Creditors	14,000	35,000
Rent Outstanding	1,000	1,000
Electricity charges outstanding	200	150
Advertising outstanding	-----	2,500

The stock on 31st December, 2010 was valued at Rs 45,000, but the trader has no record of the stock on 31st December, 2009. He informs you, however, that he invariably sells his goods at cost plus 33 $\frac{1}{3}$. Prepare his Trading and profit and loss Account for the year ending

31st December, 2010 and his Balance sheet as on that date. Give detailed working of arriving at the different unknown figures.

36. On July, 1, 2008 Granites Ltd. Purchased second hand machine for Rs 40,000 and reconditioned the same by spending Rs 6,000. On January 2009 a new machine was purchased for Rs 24,000. On June 30, 2010 the machine purchased on January 1, 2009 was sold for Rs 16,000 and another machine was installed at a cost of Rs 30,000.

The company writes off 10% on original cost every on March 31. Show the Machinery Account update.

37. X purchased second-hand machinery on 1-2-2008 for Rs 50,000; paid Rs 11,000 for its overhauling and Rs 5,000 for his installation which was completed by 31-3-2008.

The company provides depreciation on his machinery at 15% per annum on diminishing balance method from the date it is put to use and close its books on December 31 every year.

On 1-10-2009, a repair work was carried out on the machine and Rs 5,000 were paid for the same.

The machine was sold on 31-10-2010 for a sum of Rs 11,000 and an amount of Rs 1,000 was paid as dismantling charges, Prepare Machinery Account from 2008 to 2010.

38. A company purchased a four years lease on 1-1-2007 for Rs 20,150. It was decided to provide for the replacement of the lease at the end of 4 years by setting up a Depreciation Fund. It is expected that investments will fetch interest at 4% . Sinking Fund tables show that to provide the requisite sum at 4% at the end of 4 years an investment of Rs 4,745.02 is required. Investments are made to the nearest rupee. On 31-12-2010 the investments were sold for Rs 14,830. On 1-1-2011 the same lease was renewed for a further period of 4 years by payment of Rs 22,000.

Give the important ledger amounts to record the above

39. The book value of plant and Machinery on 1-1-2008 was Rs 2,00,000. New machinery for Rs 10,000 was purchased on 1-1-2008 and for Rs 20,000 on 1-7-2009. On 1-4-2010 machinery whose book value had been Rs 30,000 on 1-1-2008 was sold for Rs 16,000 and the entire amount was credited to plant and Machinery Account. Depreciation had been charged at 10% per annum on the book value on 1-1-2008 on straight line method. It was decided on 31 Dec., 2010 that depreciation at the rate of 20% per annum on diminishing balance method should be charged with retrospective effect since 1-1-2009. Show the Plant and Machinery Account 1-1-2008 to 31-12-2010.

40. A second-hand machinery was purchased on 1st January, 2008 for Rs 30,000 and Rs 6,000 and Rs 4,000 were spent on its repairs and erection immediately. On 1st July 2009 another machinery was purchased for Rs 26,000 and on 1st July, 2010 the first machinery having become obsolete was auctioned for Rs 30,000. On the same date another was purchased for Rs 25,000. On 1st July 2011 the second machinery was also old off and it fetched Rs 23,000.

Depreciation was provided on machinery at the rate of 10% on the original cost annually on 31st December.

You are required to prepare Machinery account for all the calendar years.
