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Answers Key:

Assertion and reason

1. a)Statement 1 is true and 2 is false.
   Explanation: One of the advantage of accounting is that it helps in the efficient allocation of resources by providing relevant financial information.Accounting is useful for decision-making because it provides information about the financial performance and position of the entity, as well as insights into future trends and opportunities.
2. b) Statement 2 is true and 1 is false.
   Explanation: The going concern concept assumes that a business will continue to operate in the foreseeable future, and its financial statements should reflect this assumption. The accounting period concept requires that business transactions be recorded within a specified period, such as a month or a year, but necessarily on a daily basis.
3. c) Both the statements are true.
4. a) Both the Assertion(A) and Reason(R) are true and the Reason (R) is the correct explanation of the Assertion(A).
5. a) Both the Assertion(A) and Reason(R) are true and the Reason (R) is the correct explanation of the Assertion(A).
   Explanation: The assertion is correct because outstanding checks are those checks that have been issued but not yet presented for payment, so they are not reflected in the bank statement. Hence, they need to be deducted from the bank balance while preparing the bank reconciliation statement to arrive at the correct cash balance. The reason is also correct as it explains why outstanding checks need to be deducted from the bank balance.
6. b) Both the Assertion(A) and Reason(R) are true but the Reason(R) is not the correct explanation of the Assertion(A)
   Explanation: Trial balance is an important statement in the accounting process as it shows the final position of all accounts and helps in preparing the final statements. The task of preparing the statements is simplified because the accountant can take the balances of all accounts from the trial balance instead of going through the whole ledger.

6 Marks

7. Journal

Date	Particulars		L.F	Debit (Rs)	Credit(Rs.)
(i)	Cash A/c	Dr		50,000	
	Furniture A/c	Dr		10,000	
	To Capital A/c				60,000
	(Bring cash and furniture brought as capital)				
(ii)	Purchases A/c	Dr		20,000	
	To Deepak A/c				20,000
	(Being goods purchased and cartage paid in cash)				
(iii)	Drawings A/c	Dr		5,000	
	To Cash A/c				5,000
	(Being cash withdrawn for personal use)				
(iv)	Charity A/c	Dr		1,000	
	To Purchases A/c				1,000
	(Being goods given as charity)				
(v)	Drawings A/c	Dr		1,000	
	To Cash A/c				1,000
	(Being personal insurance premium of the proprietor paid)				
(vi)	Deepak	Dr		4,000	
	To Purchase Return A/c				4,000
	(Being goods returned to Deepak)				

8. Accounting Equation

No.	Transactions	Assets (Rs)	=	Liabilities (Rs)	+	Capital (Rs)
1	Mannu started business with Cash Rs.50,000	50,000	=	0	+	50,000
2	Purchases goods on credit for Rs.4,000	(+) 4,000	=	4,000	+	0
	New Equation	54,000	=	4,000	+	50,000
3	Purchases goods for cash Rs.1,000	(+) 1,000	=			
	New Equation	54,000	=	4,000	+	50,000
4	Purchases furniture for cash for Rs.500	(+ 500)	=			
		(- 5,00)	=	0	+	0
	New Equation	54,000	=	4,000	+	50,000
5	Withdraw cash for private use Rs.700	(-) 700	=	0	+	(-) 700
	New Equation	53,300	=	4,000	+	49,300
6	Paid for rent Rs.200	(-) 200	=	0	+	(-) 200
	New Equation	53,100	=	4,000	+	49,100
7	Received interest Rs.100	(+) 100	=	0	+	(+)100
	New Equation	53,200	=	4,000	+	49,200
8	Sold goods on costing Rs.500 for Rs.700 in cash	(-) 500				
		(+) 700	=	0	+	(+)200
	New Equation	53,400	=	4,000	+	49,400
9	Paid to creditors Rs.400	(-) 400	=	(-) 400	+	0
	New Equation	53,000	=	3,600	+	49,400
10	Paid for salaries Rs.200	(-) 200	=	0	+	(-) 200
	New Equation	52,800	=	3,600	+	49,200

9. Purchases Book

Date	Particulars	Invoice No.	L.F.	Details	Cost	Input CGST	Input SGST	Input IGST	Total
2018	M/s White and Co., Kolkata								
	5 gross pencils @ Rs 1200 per gross			6000					
	2 dozen registers @ Rs 500 per dozen			1000					
				7000					
	Less : Trade Discount @ 10%			700					
	Add : IGST @ 5%			6300					
				315					
				6615	6300	-	-	315	6615
Feb 4	The Boat Co., Delhi								
	8 Reams white @ Rs 500 each			4000					
	10 Reams Ruled paper @ Rs 600 each			6000					
				10000					
	Less: Trade Discount @ 10%			1000					
				9000					
	Add: CGST @ 2.5%			225					
	SGST @ 2.5%			225					
				9450	9000	225	225	-	9450
Feb 5	Mis Verma Bros., Delhi								
	80 Rotomac Pens @ Rs 5 each			400					
	Add: CGST @ 2.5 %			10					
	SGST@ 2.5%			10					
				420	400	10	10	-	420
Feb 28					15700	235	235	315	16485

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10. In the Books of ..... Journal Entries

Date	Particulars		L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(i)	Returns Inward A/c	Dr.		750	
	To Suspense A/c (Being Returns Inward book was undercast by Rs 750, now rectified)				750
(ii)	Drawings A/c	Dr.		45,000	
	To Motor Vehicles A/c (Being motor bike purchase for personal use costing Rs 45,000 has been posted to Motor VehicleAccount, now rectified).				45,000
(iii)	Furniture A/c	Dr.		3,750	
	To Wages A/c (Being Rs 3,750 paid for wages for making showcase debited to WagesAccount, now rectified)				3,750
(iv)	Suspense A/c	Dr.		900	
	To Creditors A/c (Being purchase of Rs 4,350 has been posted as Rs 3,450 to Creditor A/c, now rectified)				900
(v)	Depreciation A/c	Dr.		2,500	
	To Suspense A/c (Beingmachinery written off by Rs 2,500has not been posted to Depreciation Account, now rectified)				2,500
(vi)	Purchases A/c	Dr.		6,030	
	To Suspense A/c (Being goods purchased for Rs 6,700 posted to Purchases Account as Rs 670, now rectified)				6,030
(viii)	Maya	Dr.		12,800	
	Suspense A/c	Dr.		5,400	
	To Daya (Being amount of Rs 12,800 paid toMayawaswrongly debited to Daya as Rs 18,200, now rectified).				18,200

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Dr. Suspense Account Cr.

Date	Particulars	L.F.	Amount (Rs)	Date	Particulars	L.F.	Amount (Rs)
	To Difference as per				By Returns Inward A/c		750
	Trial Balance		2,980		By Depreciation A/c		2,500
	To Creditor A/c		900		By Purchases A/c		6,030
	To Daya		5,400				
			9,280				9,280

11. Dr **Trading Account as on March 31, 2017** Cr

Particulars	Amount Rs.	Particulars	Amount Rs.
Opening Stock	6,000	Sales	73,500
Purchases	58,500	Closing Stock	22,400
Wages	15,000		
Carriage Inwards	450		
Profit and Loss (Gross Profit)	15,950		
	95,900		95,900

Dr. Profit and Loss Account as on March 31, 2017 Cr.

Particulars	Amount	Particulars	Amount
Sundry Expenses	600	Trading (Gross Profit)	15,950
Rent and Taxes	1,350		
Net Profit	14,000		
	15,950		15,950

Balance Sheet as on March 31, 2017

Particulars		Amount(Rs.)	Assets	Amount(Rs.)
Capital	60,000		Fixed Assets	
Add: Net Profit	14,000		Machinery	27,000
	74,000			
Less: Drawings	2,700	71,300	Current Assets	
			Bank	4,500
Sundry Creditors		1,400	Closing Stock	22,400
Bills Payable		2,800	Sundry Debtors	21,600
		75,500		75,500

12.

Expenses/Losses		Amount(Rs.)	Revenues/Gains		Amount(Rs.)
Opening stock		5,760			
Purchases	40,675		Sales	98,780	
Less Return outwards	(500)	40,175	Less Return inwards	(680)	98,100
Wages		8,480	Closing stock		6,800
Fuel and Power		4,730			
Carriage on purchases		2,040			
Gross profit c/d		43,715			
		1,04,900			1,04,900
Salaries	15,000		Gross profit b/d		43,715
Add Outstanding salaries	1,500	16,500	Rent	9,000	
Carriage		3,200	Add Accrued rent	1,000	10,000
General expenses		3,000			
Insurance	600				
Less Prepaid insurance	(85)	515			
Further bad debts	725				
Add Provision for doubtful debts	689	1,414			
Depreciation : machinery	2,000				
Patent	1,500	3,500			
Net profit		25,586			
(transferred to capital account)					
		53,715			53,715

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Dr Balance Sheet as at March 31, 2017 Cr

Liabilities		Amount	Assets		Amount
Sundry creditors		6,300	Cash in hand		540
Cash in bank		2,630			
Salaries outstanding		1,500	Sundry debtors	14,500	
Capital		62,000	Less Further	(725)	
			bad debts	13,775	
			Less Provision	(689)	13,086
Add			Net profit		25,586
Add Net profit		25,586	Insurance prepaid		85
		87,586	Stock		6,800
			Rent accrued		1,000
Less Drawings	(5,245)	82,341	Freehold land		10,000
			Building		32,000
			Machinery	20,000	
			Less Depreciation	(2,000)	18,000
			Patents	7,500	
			Less Depreciation	(1,500)	6,000
		90,141			90,141

4 Marks

13. Rectifying Entries

Date	Particulars		L.F.	Debit Amount (Rs)	Credit amount (Rs)
(i)	Alok	Dr.		25,000	
	To Akash				2,500
	To Suspense A/c (Being the commission to debit Alok and wrongly posted to Akash, now rectified)				22,500
(ii)	Suspense A/c	Dr.		1,000	
	To Purchases Returns A/c (Being Purchase Return undercast, now rectified)				1,000
(iii)	Sales Returns	Dr.		1,500	
	To Puneet (Being the goods returned by Puneet and taken into stock but not recorded in the books of Account, now rectified)				1,500
(iv)	Depreciation A/c	Dr.		5,000	
	To Suspense A/c (Being depreciation wrongly credited, now rectified)				5,000

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14. Bank Reconciliation statement as on December 31, 2014

	Particulars	Amount (Rs)	Amount (Rs)
Add:	Overdraft as per Pass Book		20,000
	(i) Payment of cheque recorded twice in pass book	550	
	(ii) Withdrawn column of Pass book under cast	200	
	(iv) Cheque debited in Pass book omitted to be banked	300	1,050
Less:			21,050
	(iii) Cheque has been debited in Cash book, but not sent to bank	200	
	(v) Cheque dishonoured entered in pass book, but not in cash book	500	700
	Overdraft as per Pass Book		20,350

15. (i) Depreciation $= 1,10,000 \times \frac{10}{100} = Rs.\,11,000$

Note Depreciation has been charged for full year.

(ii) Depreciation $= 1,10,000 \times \frac{10}{100} \times \frac{6}{12} =$ ₹ 5500

Note DepreciatiDn has been charged for a 6-month period

(iii) Depreciation $= 1,10,000 \times \frac{10}{100} =$ Rs. 11,000

Note Time period will not be considered, as depreciation is not defined with reference to a year.

16. **Statement of Affairs as at the end of the year**

Liabilities	Amt(Rs.)	Assets	Amt(Rs.)
Sundry Creditors	80,000	Cash in Hand	15,000
Capital (Balancing Figure)	6,40,000	Cash at Bank	70,000
		Sundry Debtors	1,20,000
		Stock	2,40,000
		Furniture	75,000
		Machinery	2,00,000
	7,20,000		7,20,000

Statement Showing Profit or Loss for the year ended...

Particulars	Amt(Rs.)
Capital at the End	6.40,000
(+) Drawings (Household expenses)	90,000
(-) Additional Capital Introduced	7,30,000
Adjusted Capital at the End	1,50,000
(-) Capital in the Beginning	5,80,000
Profit for the Year	5,00,000
	80,000

3 Marks

17. If a transaction is omitted from recording in the books of accounts, it is called an Error of Omission. These may be of two types:
(i) Complete Omission: When a transaction is completely omitted from recording in the books of original entry, it is a case of complete omission. E.g., goods returned by a customer but not recorded at all.
(ii) Partial Omission: When a transaction is recorded in the books of original entry, but it is not posted into ledger, it is a case of partial omission. E.g., goods sold on credit to X recorded in purchases book, but posting is not made in the account of X.

18. **(i) Stock:** Stock refers to the amount of goods which remain unsold or unused on a particular date. For example, if Amit purchases goods costing Rs 2,00,000 and sells goods costing Rs 1,50,000 for Rs 2,50,000 he will have a stock of Rs 50,000(Rs 2,00,000 - Rs 1,50,000).
(ii) Business transactions : Business transactions are the events which involve movement of monetary value from one source to another i.e., which brings change in the financial position of a business enterprise. For example, when goods are purchased for cash, there is a movement of goods from seller to buyer and movement of cash from buyer to seller.

19. Opening Entry: Accounting books are closed every year. In this process, only nominal accounts are closed. The balances of personal and real accounts, being assets or liabilities are carried forward to the next year. In the beginning of the new year, an entry is passed to bring forward the balances of assets, liabilities and capital from last year. This entry is named as 'opening entry'. In this entry all the assets are debited individually. Capital and liabilities (individually) are credited. If capital is not given, it is calculated by applying following accounting equation:
Capital = Asset - Liabilities

20. Bank Reconciliation Statement as on.....

	Particulars	Amount (Rs)	Amount (Rs)
	Balance as per Cash Book (Dr.)		12,000
(i)	Cheques issued but not yet presented for payment amounting Rs 15,600	15,600	
(ii)	Interest credited by Bank not recorded in Cash Book Rs 200	200	15,800
			27,800
(iii)	Cheques deposited but not yet cleared amounting Rs 4000	(4000)	
(iv)	Bank charges debited by bank but not recorded in Cash Book	(100)	(4,100)
	Balance as per Bank Statement (Cr.)		23,700

21. Bank Reconciliation statement as on 31 December, 2013

	Particulars	Amount (Rs)	Amount (Rs)
	Balance as per cash book		40,000
Add:	Cheque of Rs 7,000 and Rs 8,000		
	respectively issued but not presented	15,000	
	Interest credited into bank	325	15,325
	Cheque of Rs 2,000, Rs 5,000 and Rs 8,000 respectively deposited		55,325
Less:	into bank but not credited	15,000	
	Bank charges not entered in Cash book	50	(15,050)
	Balance as per Pass Book.		40,275

22. (i) Rs.71,250
    (ii) Rs.54,437.5
23. Payment of expenses in acquiring or manufacturing goods i.e., carriage and wages, etc. Payment of selling and distribution expenses. i.e. Repairs and maintenance of plant, machines, furniture, equipment, etc.

Multiple Choice Question

24. (b) historical cost
25. (a) Periodicity, accrual, matching
26. (a) going concern
27. (a) identifying a transaction
28. (a) receipts
29. (c) Duality principle
30. (d) cash book
31. (c) In case of without adjusting cash book
32. (b) reconcile the difference between bank balance shown by cash book and bank passbook
33. (b) credit balance in cash book
34. (c) Land
35. (a) Depletion
36. (b) obsolescence
37. (d) Both (a) and (b)
38.
39. (a) low, accuracy
40. (d) Rs.6,000
41. (b) capital receipt
42. (b) Rs.2,13,750
43. (a) Rs.1,43,750
44. (c) Unsystematic

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