

10. An amount given to petty cashier equal to estimated petty expenses for a period is -- 1
 a) Petty cash **b) imprest money** c) Estimated expenses None

11. Assertion(A): In Purchase book, credit purchases of goods are recorded. 1
 Reason(R): Purchase book is a ledger.

Options:

- a) Both Assertion(A) and Reason(R) are correct but Reason is the correct explanation of Assertion(A)
- b) Both Assertion(A) and Reason(R) are correct but Reason is not the correct explanation of Assertion(A)
- c) Assertion (A) is correct but Reason (R) is not correct**
- d) Both Assertion (A) and Reason (R) are not correct

12. Aryan sells electronic goods from Delhi to customer in Mumbai. Which type of GST will be applicable in this transaction? 1



- a) CGST b) SGST **c) IGST** d) Both b and c

13. Bank Reconciliation Statement reconciles the:

- a) Ledger with the journal
- b) Petty cash book with the bank statement
- c) Day books with the bank statement
- d) Bank statement with the cash book

14. Balance as per Asset Account is:

- a) Credit b) **Debit** c) Debit and Credit d) None of these.

15. Cost of fixed assets less its accumulated depreciation is equal to the _____ value. 1

- a) capitalised b) **book** c) scrap d) market.

16. Provisions are --- 1

- a) **internal** b) external c) Both a and b d) none

17. Goods of Rs.1,000 taken by the proprietor for personal use is --- 1

- a) credited to sales A/c b) credited to Proprietors personal expense A/c **c) credited to purchase A/c** d) None of the above

18. Balance Sheet is prepared to determine --- 1

- a) Operating profit b) Gross profit c) Net profit **d) Financial position**

19. Wages and Salaries A/c is shown in --- 1

- a) **Trading** A/c b) Profit & loss A/c c) Balance Sheet Trading & Balance sheet

20. When closing capital is less than opening capital, it means---- 1

- a) Profit b) loss **c) Loss if there is no drawing** d) None of these

21. Difference between Revenue and Capital Reserve on the basis of Source, usage and purpose. 3

Ans)

Basis	Revenue Reserve	Capital Reserve
Source	Created out of profits earned from normal business operations (operating or non-operating profits).	Created out of capital profits , i.e., profits not related to regular business operations (e.g., sale of fixed assets, premium on issue of shares).
Usage	Can be used for dividends, expansion, contingencies, or business	Generally used for writing off capital losses, issuing bonus shares, or strengthening financial position;

Basis	Revenue Reserve	Capital Reserve
	development.	not for dividend.
Purpose	To reward shareholders and strengthen internal financial resources.	To preserve capital profits for specific purposes and maintain capital integrity.

22. (A) After preparing the Trial Balance, the following errors were noticed:

3

1. Purchases were overcast by ₹2,500.
2. Sales were undercast by ₹3,000.
3. Rent was overcast by ₹500.

Pass rectification journal entries to correct the above errors.

Ans) **Rectification Entries**

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
31 Mar 2025	Purchases A/c		2,500	
	To Suspense A/c			2,500
31 Mar 2025	Suspense A/c		3,000	
	To Sales A/c			3,000
31 Mar 2025	Rent A/c		500	
	To Suspense A/c			500

OR

(B) What kinds of errors would cause difference in the trial balance? Also list examples that would not be revealed by a trial balance?

Ans) One-sided errors are the errors which when committed affect the agreement of the trial balance. These errors affect only one account and any one side i.e. debit or the credit side of the account. Errors of partial omission, recording transactions with wrong amount, casting, posting of incorrect amount are examples of one-sided errors.

Two-sided errors do not affect the agreement of the trial balance. Here, are a few examples which would not be revealed in a trial balance:

1. Purchases from Mr. Shah, completely omitted to be recorded in the purchase book.
2. Purchases made from Vijesh, recorded in Ritesh's account who is another creditor.
3. Stationary purchased for office use recorded in the purchase book.

23. Prepare a Trial Balance from the following balances of M/s Aman Traders as on 31 March 2025:

3

Particulars	Amount (₹)
Capital	90,000
Cash in hand	15,000
Purchases	40,000
Sales	70,000
Rent paid	5,000
Debtors	20,000
Creditors	10,000

Solution: Trial Balance of M/s Aman Traders as on 31 March 2025

Particulars	Debit (₹)	Credit (₹)
Cash in hand	15,000	—
Purchases	40,000	—
Rent	5,000	—
Debtors	20,000	—
Capital	—	90,000
Sales	—	70,000

Particulars	Debit (₹)	Credit (₹)
Creditors	—	10,000
Total	80,000	80,000

24. (A) From the books of M/s Neha Traders, the following information is available for the year ended 31 March 2025:

3

Particulars	Amount (₹)
Opening Stock	20,000
Purchases	70,000
Purchase Returns	5,000
Carriage Inwards	2,000
Sales	1,20,000
Sales Returns	4,000
Closing Stock	25,000

Prepare Trading A/c to find out gross profit for the year.

Ans) Trading Account of M/s Neha Traders for the year ended 31 March 2025

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening Stock	20,000	By Sales	1,20,000
To Purchases	70,000	Less: Sales Returns	4,000
Less: Purchase Returns	5,000	Net Sales	1,16,000
Add: Carriage Inwards	2,000		
Net Purchases	67,000	By Closing Stock	25,000
Total (COGS side)	87,000	Total	1,41,000
To Gross Profit (Balancing Figure)	29,000		

(B) What are financial statements? What information do they provide?

Ans) Financial statements which reports the profitability and the financial position of the business at the end of accounting period.

It provides – Income statement- Trading and Profit and Loss and Statement of financial position.

25. What will be the effect of the following on the Accounting Equation:

4

- Harish started business with cash ₹ 18,000
- Purchased goods for cash ₹ 5,000 and on credit ₹ 2,000
- Sold goods for cash ₹ 4,000 (Costing ₹ 2,400)
- Rent paid ₹ 1,000 and rent outstanding ₹ 200

Ans)

S.No	Transactions	Assets Cash + Stock	= Liabilities + o/s Rent + Creditors.	Capital
1	Harish started business with cash ₹ 18,000	18,000		18,000
		www.commerceschool.in		
2	Purchased goods for cash ₹ 5,000 and on credit ₹ 2,000	(₹) 5,000 (+) 7,000	(₹) 2,000 + 0	+ 0
	New Equation	13,000 + 7,000	= 2,000 + 0	+ 18,000
3	Sold goods for cash ₹ 4,000 (Costing ₹ 2,400)	(₹) 4,000 (+) 2,400		(₹) 1,600
	New Equation	17,000 + 4,600	= 2,000 + 0	+ 19,600
4	Rent paid ₹ 1,000 & Rent o/s ₹ 200	(₹) 1,000	200	(₹) 1,200
	New Equation	16,000 + 4,600	= 2,000 + 200	+ 18,400

26. Record the following transactions in two column cash book for December 2005:

4

		Rs
01	Started business with cash	80,000
04	Deposited in bank	50,000
10	Received cash from Rahul	1,000
15	Bought goods for cash	8,000
22	Bought goods by cheque	10,000
25	Paid to Shyam by cash	20,000
30	Drew from Bank for office use	2,000
31	Rent paid by cheque	1,000

Solution :

Cash Book

Dr.

Cr.

Date	Particulars	L.F.	Cash Rs	Bank Rs	Date	Particulars	L.F.	Cash Rs	Bank Rs
2005					2005				
Dec.01	Capital		80,000		Dec.04	Bank	C	50,000	
Dec.04	Cash	C		50,000	Dec.15	Purchases		8,000	
Dec.10	Rahul		1,000		Dec.22	Purchases			10,000
Dec.30	Bank	C	2,000		Dec.25	Shyam		20,000	
					Dec.30	Cash	C		2,000
					Dec.31	Rent			1,000
					Dec.31	Balance c/d		5,000	37,000
			83,000	50,000				83,000	50,000

OR

(B) What is contra entry? How can you deal this entry while preparing double column cash book?

Ans) The transaction that is entered in either sides of the double column or three column cash book, affecting both cash and the bank balances concomitantly is called contra entry. These entries result in increase in cash balances and decrease in bank balances or vice versa. In other words, a debit of bank account leads to a credit of cash account and a credit of bank account leads to a debit of cash account. For example, Rs 200 cash deposited into bank. This transaction increases the bank amount on one hand; whereas, on the other hand reduces the cash balance. In this entry, in the debit side of the cash book, 'Cash' will be recorded with a balance of Rs 200 in the bank column and in the credit side of the cash book, 'Bank' will be recorded with a balance of Rs 200 in the cash column. This entry is a contra entry as it affects both cash and bank balance together. The contra entries are denoted by 'C'.

Some transactions that lead to contra entry are given below.

1. Opening a bank account
2. Depositing cash into bank
3. Withdrawal from bank

27. M/s Arya Traders carried out the following transactions in March 2025:

4

1. Purchased goods from M/s Raj Enterprises for ₹60,000. GST applicable: **CGST 9% and SGST 9%**.
2. Sold goods to Mr. Sharma for ₹80,000 plus **GST (CGST 9% + SGST 9%)**.
3. Paid **freight ₹3,000** for the purchased goods in cash.
4. Paid ₹40,000 to M/s Raj Enterprises by cheque.

Solution:

Step 1: Purchase Entry

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
1 Mar 2025	Purchases A/c		60,000	
	CGST Input A/c		5,400	

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
	SGST Input A/c		5,400	
	To M/s Raj Enterprises A/c			70,800

Step 2: Freight Paid

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
3 Mar 2025	Purchases A/c		3,000	
	To Cash A/c		3,000	

Step 3: Payment to Supplier

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
10 Mar 2025	M/s Raj Enterprises A/c		40,000	
	To Bank A/c			40,000

Step 4: Sale Entry

- Sale Value = ₹80,000
- CGST 9% = $80,000 \times 9\% = 7,200$
- SGST 9% = $80,000 \times 9\% = 7,200$
- Total Sale Invoice = $80,000 + 7,200 + 7,200 = 94,400$

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
15 Mar 2025	Mr. Sharma A/c		94,400	
	To Sales A/c		80,000	
	To CGST Output A/c		7,200	
	To SGST Output A/c		7,200	

28. Bank balance of ₹ 40,000 showed by the cash book of Atul on December 31, 2013. It was found that three cheques of ₹ 2,000, ₹ 5,000 and ₹ 8,000 deposited during the month of December were not credited in the passbook till January 02, 2014. Two cheques of ₹ 7,000 and ₹ 8,000 issued on December 28 were not presented for payment till January 03, 2014. In addition to it bank had credited ₹ 325 as interest and had debited him with ₹ 50 as bank charges for which there were no corresponding entries in the cash book. Prepare a bank reconciliation statement as on December 31, 2013. 4

Solution:

Bank Reconciliation Statement of Atul as on December 31, 2013			
S. No.	Particulars	(+) Amount ₹	(-) Amount ₹
	Balance as per the cash book	40,000	
a.	Cheque deposited but not credited in the pass book (2,000+5,000+8,000)		15,000
b.	Cheque issued but not yet presented for payment (7000+8000)	15,000	
c.	Bank allowed interest	325	
d.	Bank debited charges		50
			15,050
	Balance as per the pass book (55325 - 15,050)		40,275
		55,325	55,325

29. On April 01, 2010, Bajrang Marbles purchased a Machine for ₹ 2,80,000 and spent ₹ 10,000 on its carriage and ₹ 10,000 on its installation. It is estimated that its working life is 10 years and after 10 years its scrap value will be ₹ 20,000. 4

(a) Prepare Machine account and Depreciation account for the first four years by providing depreciation on straight line method. Accounts are closed on March 31st every year.

Ans)

Machinery Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2010				2011			
Apr 01	To Bank A/c		3,00,000	Mar 31	By Depreciation A/c		28,000
				Mar 31	By Balance c/d		2,72,000
			3,00,000				3,00,000
2011				2012			
Apr 01	To Balance b/d		2,72,000	Mar 31	By Depreciation A/c		28,000
				Mar 31	By Balance c/d		2,44,000
			2,72,000				2,72,000
2012				2013			
Apr 01	To Balance b/d		2,44,000	Mar 31	By Depreciation A/c		28,000
				Mar 31	By Balance c/d		2,16,000
			2,44,000				2,44,000
2013				2014			
Apr 01	To Balance b/d		2,16,000	Mar 31	By Depreciation A/c		28,000
				Mar 31	By Balance c/d		1,88,000
			2,16,000				2,16,000

30. Swaraj maintains his books of account by Single Entry System. His books provide the following information: 4

	1 st April 2022	31 st March 2023
Furniture	2000	2000
Stock	28000	30500
Debtors	21000	34000
Cash	1500	5000
Creditors	17500	19000
loan	--	5000
Investment	--	10000

His Drawings for the year was 5000.

Depreciate furniture by 10% and reserve for doubtful debts at 10% on Debtors.

Prepare statement showing the profit for the year.

Ans)

Statement of Profit or Loss for the year Ended 31 st March	
Particulars	₹
Closing Capital	57500
Add Drawings	5000
Adjusted Capital	62500
Less opening Capital	35000
Profit Before Adjustment (Gross Profit)	27500
Less Depreciation on furniture (2000 x 10%)	200
Less Provision for Doubtful Debts (34000 x 10%)	3400
Profit for the year	23900

31. Pass necessary Journal entries for the following transactions: 6

(i) Raghu started business with cash Rs 8,00,000

(ii) Paid into bank for opening a Current Account Rs 1,00,000

(iii) Purchased goods from Ramesh of the list price of Rs 1, 60,000 at 10% trade discount and paid him by

cheque.

(iv) Cash sales Rs 1,00,000 (of goods costing Rs 80,000)

(v) Paid salary to staff in cash Rs 80,000

(vi) Purchased Machinery for cash Rs 3,00,000 and paid Rs 10,000 on its installation

Ans)

(A) Gagan Traders				
JOURNAL ENTRIES				
Date	Particulars	LF	Debit Rs	Credit Rs
i.	Cash A/c Dr. To Capital A/c		800000	800000
ii.	Bank A/c Dr. To cash A/c		100000	100000
iii.	Purchases A/c Dr. To Cash A/c		144000	144000
iv.	Cash A/c Dr. To Sales A/c		100000	100000
v.	Salary A/c Dr. To Cash A/c		80000	80000
vi.	Machinery A/c Dr. To Cash A/c		310000	310000

[1 mark each for correct journal entry]

OR

(B) Debit and credit depend on the nature of accounts involved; such as assets, expenses, income, liabilities and capital. Explain using example of each types of accounts.

Ans) Debit and credit depend on the nature of accounts involved; such as assets, expenses, income, liabilities and capital. There are five types of Accounts.

1. Assets- These include all properties or legal rights owned by a firm for its operations, such as cash in hand, plant and machinery, bank, land, building, etc. All assets have debit balance. If assets increase, they are debited and if assets decrease, they are credited.

For example, furniture purchased and payment made by cheque. The journal entry is:

Furniture A/c Dr.

To Bank A/c

Here, furniture and bank balance, both are assets to the firm. As furniture is purchased, so furniture account will increase, and will be debited. On the other hand, payment of furniture is being made by cheque that reduces the bank balance of the business, so bank account will be credited.

2. Expense- It is made to run business smoothly and to carry day to day business activities.

All expenses have debit balance. If an expense is incurred, it must be debited.

For example, rent paid. The journal entry is:

Rent A/c Dr.

To Cash A/c

Here, rent is an expense. All expenses have debit balance. Hence, rent is debited. On the other hand, as rent is paid in cash that reduces the cash balances, so cash account is credited.

3. Liability- Liability is an obligation of business. Increase in liability is credited and decrease in liability is debited.

For example, loan taken from bank. The journal entry is:

Bank A/c Dr.

To Bank Loan A/c

Here, loan from bank is a liability to the firm. As all liabilities have credit balance, so loan from bank has been credited because it increases the liabilities.

4. Income- Income means profit earned during an accounting period from any source. Income also means excess of revenue over its cost during an accounting period. Income has credit balance because it increases the balance of capital.

For example, rent received from tenant. The journal entry is:

Cash A/c Dr.

To Rent A/c

Here, rent is an income; hence, rent account has been credited and cash has been debited, as rent received increases the cash balances.

5. Capital- Capital is the amount invested by the proprietor in the business. Capital has credit balance. Increase in capital is credited and decrease in capital is debited

For example, additional capital introduced by owner. The journal entry is:

Cash A/c Dr.

To Capital A/c

As additional capital is introduced, so the amount of capital will increase, i.e. why, capital account is credited. On the other hand, as capital is introduced in form of cash, so the cash balances decrease, i.e. why, cash account is debited.

32. Prepare Ledger Accounts from the following Journal Entries:

6

DATE	PARTICULAR	LF	DEBIT	CREDIT
1/1/2025	Cash A/c ---Dr To Capital A/c		10000	10000
5/1/2025	Bank A/c----Dr To Cash A/c		5000	5000
7/1/2025	Purchase A/c--- Dr To Cash A/c		1000	1000

Ans)

Ledger Cash Account

Dr.

Cr.

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2016				2016			
Jan. 1	To Capital A/c		10,000	Jan. 5	By Bank A/c		5,000
				7	By Purchases A/c		1,000
				31	By Balance c/d		4,000
			10,000				10,000
Feb. 1	To Balance b/d		4,000				

Capital Account

Dr.

Cr.

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2016				2016			
Jan. 31	To Balance c/d		10,000	Jan 1.	By Cash A/c		10,000
			10,000				10,000
				Feb. 1	By Balance b/d		10,000

Bank Account

Dr.

Cr.

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2016				2016			
Jan. 5	To Cash A/c		5,000	Jan. 31	By Balance c/d		5,000
			5,000				5,000
Feb. 1	To Balance b/d		5,000				5,000

Purchase Account

Dr.

Cr.

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2016				2016			
Jan. 7	To Cash A/c		1,000	Jan. 31	By Balance c/d		1,000
			1,000				1,000
Feb. 1	To Balance b/d		1,000				

33. Verma Bros. carry on business as wholesale cloth dealer . From the following write up their Purchase Book for January 2025. Also show the posting from Purchases Book to Ledger accounts.

6

3/1/2025	Purchased from M/s Birla Mills, Kolkata: 100 pieces long cloth @ ₹ 800 each 50 pieces shirting @ ₹ 500 each
8/1/2025	Purchased for cash from M/s Ambika Mills, Ahmedabad: 50 Pieces muslin @ ₹ 1,000 each
15/1/2025	Purchased from M/s. Arvind Mills, Ahmedabad: 20 pieces coating @ ₹ 2,000 each 10 pieces shirting @ ₹ 500 each
20/1/2025	Purchased from M/s. Bharat Computers Ltd. Kolkata: 5 printers @ ₹ 4,400 each

Ans)

In the books of M/s Verma Bros
Purchases Book

Date	Particulars	www.commerceschool.in	Invoice No	C/F	Details	Total
2022 Jan 3	M/s Birla Mills Kolkata:					
	100 Pieces long cloth @ ₹ 800 Each				80000	
	50 Pieces shirting @ ₹ 500 Each				25000	105000
Jan 15	M/s Arvind Mills Ahmedabad:					
	20 pieces Coating @ ₹ 2000 Each				40000	
	10 pieces Shirting @ ₹ 500 Each				5000	45000
Jan 31	Purchases A/c					150000

OR

(B) Difference between Return inward and Return outward on the below basis: Meaning, Balance, Treatment, Issued, Reduction, Term.

Answer :

Basis of Difference	Return Inwards	Return Outwards
Meaning	Goods sold to the customers, are returned by them.	Goods purchased are returned to the suppliers.
Balance	It has debit balance.	It has credit balance.
Treatment	It is deducted from Sales in the Trading Account.	It is deducted from Purchases in the Trading Account.
Issued	Credit note is prepared by the seller.	Debit note is prepared by the buyer.
Reduction	It reduces the payment from the Debtors.	It reduces the payment made to the Creditors.
Term	It is also termed as Sales Returns.	It is also termed as Purchases Returns.

34. From the following information; Prepare Trading account and Profit and Loss Account for the year ended 31st March, 2025.

6

Capital	19,00,000	Cash	2,60,000
Drawings	70,000	Salaries	80,000

Plant & Machinery	12,00,000	Repairs	19,000
Delivery Vehicle	2,60,000	Stock – 1/4/2024	1,60,000
Debtors	3,60,000	Rent	45,000
Creditors	4,95,000	Manufacturing expenses	15,000
Purchases	2,00,000	Bad debts	50,000
Sales	4,20,000	Carriage inwards	16,000
Wages	80,000		

Additional information:

- 1) Closing stock valued at 1,60,000.
- 2) Depreciate Plant & Machinery by 10% and delivery van by 15%.
- 3) Rent outstanding at the year end Rs.5,000.

Ans)

Trading A/c for the year ending 31 st March			
Dr			Cr
Particulars	₹	Particulars	₹
To Opening Stock	160000	By Sales www.commerceschool.in	4,20,000
To Purchase	200000	By closing stock	1,60,000
To wages	80,000		
To Carriage Inwards	16000		
To Manufacturing Expenses	15000	www.commerceschool.in	
To Gross Profit c/d	109000		
	580000		580000

Profit and Loss A/c for the year ending 31 st March			
Dr			Cr
Particulars	₹	Particulars	₹
To Depreciation Plant and Machinery Delivery vehicle www.commerceschool.in	120000 39000	By Gross Profit B/d	109000
To Rent 45000 Add unpaid Rent 5000	50,000		
To Salaries	80,000	By Net Loss	249000
To Repair www.commerceschool.in	19,000		
To BAD Debts	50,000		
	358000		358000

Balance sheet as at 31st March

Liabilities	₹	Assets	₹
Capital	1900000	Plant & machinery	1200000
Less: Net Loss	<u>249000</u>	Less Depreciation	<u>120000</u>
	1651000	www.commerceschool.in	
Less: Drawings	<u>70000</u>	Delivery Vehicle	260000
	1581000	Less Depreciation	<u>39000</u>
		Closing Stock	160000
Sundry Creditors	495000	Sundry Debtors	360000
		www.commerceschool.in	
unpaid Rent	5000	Cash at Bank	260000
	<u>2081000</u>		<u>2081000</u>

ALL THE BEST

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