

Biyani's Think Tank

Concept based notes

Fundamentals of Accounting

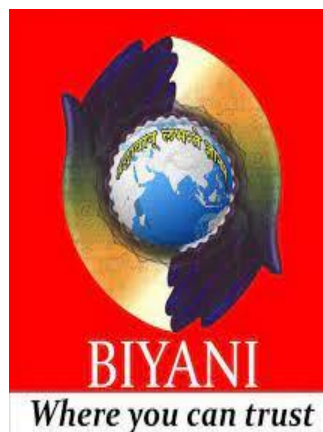
BCA Part-II

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Preface

I am glad to present this book, especially designed to serve the needs of the students. The book has been written keeping in mind the general weakness in understanding the fundamental concepts of the topics. The book is self-explanatory and adopts the “Teach Yourself” style. It is based on question-answer pattern. The language of book is quite easy and understandable based on scientific approach.

Any further improvement in the contents of the book by making corrections, omission and inclusion is keen to be achieved based on suggestions from the readers for which the author shall be obliged.

I acknowledge special thanks to Mr. Rajeev Biyani, *Chairman* & Dr. Sanjay Biyani, *Director (Acad.)* Biyani Group of Colleges, who are the backbones and main concept provider and also have been constant source of motivation throughout this Endeavour. They played an active role in coordinating the various stages of this Endeavour and spearheaded the publishing work.

I look forward to receiving valuable suggestions from professors of various educational institutions, other faculty members and students for improvement of the quality of the book. The reader may feel free to send in their comments and suggestions to the under mentioned address.

Author

Content

S. No.	Name of Topic
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3.	Subsidiary Books
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5.	Bill of Exchange
6.	Depreciation, Provision and Reserve
7.	Rectification of Errors
8.	Final Accounts
9.	Sectional and Self Balancing Ledgers
10.	Preparation of Accounts from Incomplete Records
11.	Accounts of Non-Profit Organizations
12.	Unsolved Five Years Papers
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Chapter-1

Accounting : An Introduction

Very Short: Question-Answer

Q.1. What is meant by Accounting? Give two objectives of Accounting.

Ans. According to the American Institute of Certified Public Accountants (AICPA) in their Accounting Terminology Bulletin No. 1, "Accounting is the art of recording, classifying and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial character and interpreting the results thereof."

Two objectives of Accounting are:—

- (i) **To keep systematic records:** Its main objective is to keep complete record of business transactions. It avoids the possibility of omission and fraud.
- (ii) **To calculate profit or loss:** Accounting helps to ascertain the net profit earned or loss suffered on account of business transactions during a particular period. To ascertain profit or loss at the end of each accounting period Trading and Profits & Loss of the business is prepared.

Q.2. What do you mean by Accounting Concepts?

Ans. Accounting Concepts provide a base for accounting process every enterprise has to consider basic concepts at the time of preparing its financial statements.

According to Kohler concept as, "A series of assumptions constituting the supposed basis of a system of thought or an organized field of an endeavour.

Q.3. What is separate entity concept?

Ans. According to this concept, the business and businessman are two separate and distinct entities. Business is treated as a unit separate and distinct from its owners, managers and others. Therefore, proprietor is treated as a creditor of the business

to the extent of capital invested by him in the business. It is applicable to all forms of business organizations, i.e., sole proprietorship, partnership or a company.

Q.4. What do you understand by going concern concept?

Ans. According to this concept it is assumed that the business will continue to exist for a long period in the future. According to this concept we record fixed assets at their original cost and full cost of the asset would not be treated an expense in the year of its purchase itself.

Q.5. What do you understand by convention of consistency?

Ans. According to this convention accounting principles and methods should remain consistent from one year to another. The rationale for this concept is that changes in accounting treatment would make the Profit & Loss and Balance Sheet unreliable for end users. For example there are several methods of providing depreciation on fixed assets i.e. fixed installment method, diminishing balance method etc., But it is expected that the business entity should be consistent to follow accounting method.

Q.6. Explain Accounting Equation.

Ans. Accounting equation is also termed as balance sheet equation. It signified that the assets of a business are always equal to the total of capital and liabilities.

It can be represented as:

Assets = Liabilities + Capital

Capital = Assets + Liabilities

Short: Question-Answer

Q.1. Give advantages of Accounting.

Ans. Advantages of accounting are:—

- (i) **Provides Complete and Systematic Record:** In business there are so many transactions therefore it is not possible to remember all transactions. Accounting keeps a systematic record of all the business transactions and summarized into financial statements.
- (ii) **Information Regarding Financial Position:** Accounting provides information about the financial position of the business by preparing a balance sheet at the end of each accounting period.

- (iii) **Helpful in Assessment of Tax Liability:** Accounting helps in maintaining proper records. With the help of these records a firm can assessed income tax of sales tax. Such records are trusted by income tax and sales tax authorities.
- (iv) **Information Regarding Profit or Loss:** Profit & Loss Account is prepared at the end of each accounting period to know the net profit earned or net loss suffered at the end of each accounting period.

Q.2. Give limitations of Accounting.

Ans. Limitations of Accounting are:—

- (i) **Possibilities of Manipulation:** Accounts can be manipulated, so that the financial statements may disclose a more favourable position than the actual position for example closing stock may be overvalued in accounts.
- (ii) **It includes only Economic Activities:** Non-monetary transactions are not recorded in accounts. Transactions which can not be expressed in money cannot find place in accounts. Qualitative aspects of business units like management labour relations, efficiency of management etc. are wholly omitted from the books of accounts.
- (iii) **Price Level Changes not Considered:** Fixed assets are recorded in accounts at their original cost. Sometimes assets remain undervalued particularly land and building. Effect of price level changes is not considered at the time of preparing accounts.
- (iv) **Influenced by Personal Judgments:** An accountant has to use his personal judgment in respect of many items. For example, it is very difficult to predict the useful life of an asset.
- (v)

• • •

Chapter-2

Journal and Ledger

Very Short: Question-Answer

Q.1. What is Journal?

Ans. A Journal is a book of original entry in which transactions are recorded in the order in which they occur i.e., in chronological order.

It is a basic book of original entry in which transactions are analyzed before they are posted in the ledger.

Q.2. Give four advantages of Journal.

Ans. Advantages of Journal:—

- (i) As transactions in journal are entered as and when they take place, the possibility of omission of a transaction in the books of accounts is minimized.
- (ii) Journal provides a chronological record of all transactions.
- (iii) Along with the entry in the journal, a complete explanation is written so that it is possible to understand the entry properly later.
- (iv) Journal facilitates cross checking of ledger accounts in case a trial balance does not agree.

Q.3. Give two limitations of Journal.

Ans. Limitations of Journal:—

- (i) When the number of transactions is large, it is not possible to record all the transactions in journal. Therefore, the usual practice is to have separate journals or books for different classes of transactions.
- (ii) Cash transactions are generally recorded in a separate book called Cash Book. Thus cash transactions need not be recorded in Journal.

Q.4. What is Double Entry System of Book-Keeping?

Ans. According to William Pickles, "The Double Entry System seeks to record every transaction in money or money's worth in its double aspect-The receipt of a benefit by one account and the surrender of a like benefit by another account, the former entry being to the debit of the account receiving and the latter to the credit of that account surrendering."

Q.5. Give two advantages of Ledger.

Ans. Advantages of Ledger:—

- (i) It is difficult to prepare the final accounts in the absence of a ledger as it provides necessary information regarding various accounts.
- (ii) All the transactions related to an account are collected at one place, which will provide a complete information of all the transactions related to a particular account.

Q.6. Differentiate between Journal and Ledger.

- Ans. (i) Journal is the book of original entry while a ledger is the book of secondary entry because all transactions are recorded first in the journal and then posted to the ledger.
- (ii) The process of recording transactions in a journal is termed 'Journalizing' while the process of recording transactions in a ledger is called a posting'.

Q.7. Distinguish between Cash Discount and Trade Discount.

Ans. Difference between Cash Discount and Trade Discount are:—

Basic of Difference	Cash Discount	Trade Discount
1. Meaning	Cash discount is allowed when payment is received and cash discount is received when payment is made.	Trade discount is allowed at the time of sale to the customers at a fixed percentage on the marked price.
2. Purpose	The purpose is to encourage prompt payment from customers.	The purpose is to increase sales and to enable retailers to sell the goods to their customers at list price.
3. Recording in the books	It is recorded in the books of accounts.	It is not recorded in the books of accounts.
from Invoice	from the invoice.	

□□□

Chapter-3

Subsidiary Books

Very Short: Question-Answer

Q.1. Define subsidiary books and give names of subsidiary books.

Ans. Subsidiary book is meant for recording all the transactions of a similar nature. They are also known as special journals.

It may be defined as books where the transactions are entered first and then ledger accounts are prepared on their basis.

Journal is divided into a number of subsidiary books. These are:—

- | | |
|------------------------|----------------------------|
| (i) Cash Book | (ii) Purchase Book |
| (ii) Sales Book | (iii) Purchase Return Book |
| (iv) Sales Return Book | (iv) Bills Receivable Book |
| (v) Bills Payable Book | (vi) Journal Proper |

Q.2. Why Cash Book is called a book of original entry?

Ans. The number of cash transactions in a firm is generally larger, therefore, it becomes inconvenient to record all cash transactions in the journal. Since all cash transactions are recorded for the first time in the cash book, it is therefore called a book of original entry. Only cash transactions are recorded in the cash book.

Q.3. Give four advantages of Petty Cash Book.

- Ans.
- (i) It saves the time of chief cashier.
 - (ii) Maintenance of petty cash book does not require any specialized knowledge of accounting.
 - (iii) It provides control over small payments.
 - (iv) It minimizes the chances of fraud.

Q.4. What is a purchase book?

Ans. It is a subsidiary book which records transactions of credit purchases of goods. Cash purchases are not recorded in the purchases book since they are recorded in the cash book.

Q.5. What is a sales book?

Ans. It is a subsidiary book which records transactions of credit sales of goods. Cash sales will be recorded in the cash book and not in the sales book. Sale of assets is not recorded in the sales books.

Q.6. Define purchase return book.

Ans. Purchase return or return outward book is maintained to record the goods or materials returned to the suppliers that have been purchased on credit. When the goods are returned, a debit note is prepared and is sent to the supplier with the returned goods.

Q.7. What is a credit note?

Ans. When the goods are received back, a credit note is prepared in duplicate and the original copy of the same is sent to the party from whom goods were received. A credit note contains details relating to the name of the customer, details of the goods received back and the amount of return.

Short: Question-Answer

Q.1. State the four advantages of sub-dividing a Journal.

Ans. Advantages of sub-dividing a Journal are:—

- (i) **Division of Work:** There are eight subsidiary books, in place of one journal, accounting work can be divided among a number of persons. Different persons do the accounting work in different books, therefore, the work will be completed in a very short time.
- (ii) **Time Saving:** Various accounting processes can be undertaken simultaneously because of the use of number of books. This leads to the work being completed quickly.
- (iii) **Increase in Efficiency:** Work of a particular book is handled by a particular person, therefore he acquires full knowledge of it and becomes efficient in handling it.
- (iv) **Flexible:** Maintenance of all the eight books is not necessary for every business firm. Any business firm can increase or decrease the number of books according to the needs of the business.

Q.2. Explain the meaning of Imprest System of Petty Cash Book.

Ans. Under this system, a definite sum of money is given to the petty cashier at the beginning of a period. The petty cashier goes on paying all petty expenses like expenses on telegram, newspaper, taxi fare etc. Out of this amount and records them in the petty cash book maintained by him. At the end of the certain period, the petty cashier submits the account to the chief cashier who, after having examined the petty cash book, reimburses the amount actually spent by the petty

cashier. Thus, petty cashier will again have the fixed amount at the beginning of the new period. Such a system is known as the 'Imprest System of Petty Cash'.

Q.3. What is Journal Proper?

Ans. In journal proper only those transactions are recorded which cannot be recorded in any other subsidiary book. For example, if fixed asset is purchased on credit, it can neither be recorded in cash book nor in purchase book, it will be recorded in the journal proper.

Following types of transactions are recorded in journal proper:

- (i) Opening Entry
- (ii) Closing Entries
- (iii) Adjustment Entries
- (iv) Transfer Entries
- (v) Rectifying Entries
- (vi) Entries for dishonour of bills (not discounted with the bank)

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B.C.A. (Pt. - II)

Bus. Acct.

201/231

B.C.A. (Part - II) EXAMINATION, 2021

(Faculty of Science)

(Three-Year Scheme of 10+2+3 Pattern)

Business Accounting

Time Allowed : Three Hours

Maximum Marks : 100

Question paper consists of **three parts**. **All three parts are compulsory.**

PART - I : (Very Short Answer) consists of **10** questions of **2** marks each. Maximum limit for each question is upto **40** words.

PART - II : (Short Answer) consists of **5** questions of **4** marks each. Maximum limit for each question is upto **80** words.

PART - III : (Long Answer) consists of **5** questions of **12** marks each with internal choice.

Write your roll number on question paper before start writing answers of questions.

PART - I

1. **10x2=20**
- (a) Give name of any two accounting concept.
 - (b) Classify different types of Accounts.
 - (c) Explain any two objectives of Preparing a Trial Balance.
 - (d) Write two causes of Depreciation.
 - (e) Give any two name of Provision.
 - (f) Explain the kinds of Error's.
 - (g) Give any two names for indirect expenses.
 - (h) Give two examples of adjustment.
 - (i) Give the formula of amount of claim.
 - (j) Explain any two examples of Financial Expenses.

PART - II

2. **5x4=20**
- (a) Give 4 persons who might feel interested in accounting.
 - (b) Explain sub-division of Journal.
 - (c) Give any four distinction between Reserve and Provision.
 - (d) Received ₹ 500 from Dilip, but the same was wrongly credited to Ankit. Give Journal entries to rectify them.
 - (e) Give four names for Fixed Assets.

PART - III

3. Explain the various Accounting concepts and conventions.

8+4=12

OR

Differentiate between Book-keeping and Accounting.

12

4. What are the different types of cash books ? Explain in detail.

12

OR

Give Journal Entries in the books of Nishchag for the following transactions.

12

2021

₹

1. Goods purchased from Sumit	40,000
2. Goods sold to Kumbhat	20,000
3. Loan received from Bank	2,22,000
4. Rent Paid to Suresh	7,500
5. Goods returned to Sumit	5,000
6. Goods returned by Kumbhat	3,000
7. Goods given in charity ₹ 400 and Cash	600
8. Paid to Sumit in full settlement	34,500
9. Received from Kumbhat at full settlement	16,000
10. Paid for Stationery	5,000
11. Paid for salary	15,000
12. Rent Received	1,500

5. Prepare a Trial Balance from the following balances of Ledger Accounts :

12

Capital A/c	1,00,000
Building A/c	15,000
Furniture A/c	7,500
Motor Car A/c	25,000
Opening stock A/c	40,000
Office Exps. A/c	15,000
Carriage Inward A/c	3,000
Cash at Bank A/c	20,600
Drawings A/c	18,000
Loan From Hari A/c	15,000
Sales A/c	1,00,000
Bad Debts A/c	450
Purchase A/c	75,000
Commission Received A/c	9,500
Debtors A/c	60,000
Creditor's A/c	55,050

OR

What are the various methods of providing depreciation ?

12

6. From the following particulars prepare the Trading Account for the year ending 31st March, 2021 : 12

Opening Stock	24,500
Cash Purchase	86,300
Credit Purchase	2,74,650
Purchase Returns	13,400
Sales	6,27,480
Sales Returns	18,900
Productive Wages	63,500
Carriage Inward	8,600
Motive Power	5,750
Import Duty	43,250
Other MFG Expenses	9,300
Closing stock was valued at	₹ 32,200

OR

- Prepare a Balance sheet in the order of Permanence by taking imaginary figures. 12

7. Name the main adjustments and give adjustment journal entries with examples. 12

OR

Write short notes on :

4+4+4=12

- (a) Gross Profit Ratio
- (b) Average claim
- (c) Indemnity Period

- o O o -

This question paper contains 8 printed pages

Roll No.

Sl.No.

231

B.C.A. (Part. II)

B.C.A. (Part - II) EXAMINATION, 2017

(Faculty of Science)

(Three-Year Scheme of 10 + 2+ 3 Pattern)

Paper - 231

BUSINESS ACCOUNTING

Time : Three Hours

[Maximum Marks : 100]

Answer of all the questions (short answer as well as descriptive) are to be given in the main answer -book only. Answers of short answer type questions must be given in sequential order. Similarly all the parts of one question of descriptive part should be answered at one place in the answer-book. One complete question should not be answered at different places in the answer-book. Write your roll numbers on question paper before start writing answers of questions.

Question paper consists of three Parts.

All THREE Parts are compulsory.

- PART I:** *(Very Short Answer) consists of 10 questions of two marks each. Maximum limit for each question is up to 40 words.*
- PART II:** *(Short answer) consists of 5 questions of four marks each. Maximum limit for each question is up to 80 words.*
- PART III:** *(Long answer) consists of 5 questions of twelve marks each with internal choice.*

PART - I

1. a) What is trade discount?
- b) What do you mean by convention of disclosure?
- c) Write any two advantages of double entry system.
- d) Write any two examples of real accounts.
- e) What is ledger?
- f) What are the causes of charging depreciation?

R-691

P.T.O.

- g) What do you mean by Balance Sheet?
- h) What are fictitious assets?
- i) What is accrued income?
- j) What are outstanding expenses?

[10×2=20]

PART - II

- 2.
- a) Differentiate between Book-keeping and Accounting.
 - b) Explain various types of cash books.
 - c) What are the objectives of preparing a trial balance?
 - d) Differentiate between trading and profit & loss account.
 - e) Explain the methods of valuation of closing stock.

[5×4=20]

PART - III

3. Define accounting and explain various accounting concepts.

[4+8]

OR

Explain following accounting terminology:

- a) Balance Sheet
- b) Current Assets
- c) Drawings
- d) Journal Entry

[3+3+3+3]

4✓ Journalise the following transactions in the books of Ram.

2016		Rs
Oct. 1	Commenced business with cash	20,000
Oct. 2	Paid into Bank	16,000
Oct. 3	Bought goods for cash	1,000
Oct. 4	Bought furniture for office use by cheque	6,000
Oct. 10	Withdrawn from Bank for office use	1,800
Oct. 13	Goods sold to Gopal	1,000
Oct. 15	Bought goods from Ramshankar	1,020
Oct. 18	Paid trade expenses	400
Oct. 19	Received cash from Gopal & allowed discount Rs.20	980
Oct. 25	Paid wages	140
Oct. 28	Paid to Ramshankar in full settlement	1,000
Oct. 30	Interest on capital charged	1,000
Oct. 30	Paid Rent	300

[12]

OR

- What is petty cash book? What are its advantages?
- Explain various types of subsidiary goods.

[6+6]

5. From the following balances taken from the books of M'S Mehta & Sons on 31st March, 2016, prepare a Trial Balance:

Name of Account	Rs.
Cash Balance	28,800
Opening stock	1,28,000
Purchases	5,12,000
Purchase Return	12,800
Sales	8,83,200
Sales Return	32,000
Machinery	1,53,600
Land & Buildings	3,20,000
Discount allowed	15,360
Discount Received	9,600
Debtors	1,17,760
Creditors	54,400
Bills Receivables	18,240
Bills Payables	10,560
Capital	3,84,000
Drawings	38,400
Rent	23,680
Salaries	23,040
Loan	64,000
Interest Payable on Loan	7,680

OR

[12]

231

On 1st April, 2006 Amar Chand purchased five machines for Rs.60,000 each. Depreciation at the rate of 10% p.a. on initial cost has been charged from P&L account and credited to provision for Depreciation Account.

On 1st April, 2007 one machine was sold for Rs.50,000 and on 1st April, 2008 a second machine was sold for Rs.50,000. An improved which costs Rs.1,00,000 was purchased on 1st October, 2007. Amar Chand closes his books on 31st March each year. You are required to show

- a) Machinery Account
- b) Machinery Disposal Account, and
- c) Provision for Depreciation Account.

[12]

6. From the following Trial Balance of Anil Kumar, prepare Trading and Profit & loss account for the year ending 31st March, 2016 and Balance Sheet as on that date. <https://www.uoronline.com>

<u>Debit Balance</u>	<u>Rs.</u>	<u>Credit Balance</u>	<u>Rs.</u>
Opening stock	31,350	Sales	4,02,160
Purchases	2,80,000	Purchase Return	1,150
Sales Returns	2,000	Creditors	62,000
Carriage inward	8,710	Discount	90
Wages	58,840	Capital	50,000
Coal, Gas & water	42,860		
Manufacturing expenses	4,840		
Debtors	67,900		
General Expenses	4,890		
Salaries	4,300		
Rent, Rates & Taxes	1,910		
Cash in Hand	70		
Cash at Bank	4,730		
Drawings	3,000		
	<u>5,15,400</u>		<u>5,15,400</u>

Closing stock as on 31st March, 2016 Rs. 53,800.

[12]

OR

What is profit & Loss account? Explain various items which are shown in P&L account by using a suitable format. **[4+8]**

R-691

-5-

7. From the following Trial Balance of a trader, prepare Trading and profit & Loss account for the year ending 31st March, 2016 and a balance sheet as on that date.

	<u>Dr.(Rs.)</u>	<u>Cr.(Rs.)</u>
Capital	-	1,20,000
Loan - 15% p.a. (1st January, 2016)	-	10,000
Commission	-	600
Provision for Bad debts	-	1,000
Purchases and sales	80,000	90,000
Returns	10,000	2,000
Debtors & Creditors	50,500	30,000
Drawings	5,000	-
Furniture	5,000	-
Machinery	30,000	-
Opening stock	20,000	-
Octroi	5,000	-
Import Duty	2,000	-
Salaries & Wages	20,000	-
Bad debts	500	-
Rent, Rates & Taxes	4,000	-
Life Insurance premium	2,000	-
Insurance on Loan	200	-
Cash	19,400	-
	<u>2,53,600</u>	<u>2,53,600</u>

Adjustments:

- Stock on 31st March, 2016 was Rs.20,000.
- Write off further bad debts Rs.500 and make provision for bad debts at 5% and provision for discount at 2% on debtors.
- The proprietor withdraw goods costing Rs.600 for personal use and gave goods costing Rs.400 in charity.
- Create reserve for discount on creditors at 3%.
- 60% of the work relating to commission received has been completed in this year.
- Rs.4,000 of salaries and wages is outstanding.

OR

[12]

From the following Trial Balance, prepared from the books of A on 31st December, 2016 prepare an adjusted Trial Balance for the year ending 31st December, 2016.

	<u>Rs.</u>		<u>Rs.</u>
A's Drawings	1,055	A's capital	11,940
Bills Receivable	950	Loan at 6% (1.1.16)	2,000
Plant & Machinery	2,880	Sales	35,643
Sundry Debtors	6,200	Commission received	564
(including Madan for dishonoured cheque Rs.100)		Sundry creditors	5,963
Wages (manufacturing)	4,097		
Returns inward	278		
Purchases	25,659		
Rent & Taxes	562		
Stock on 1.1.16	8,968		
Salaries	1,100		
Travelling expenses:	188		
Insurance	40		
Cash	53		
Bank	1,897		
Repairs & Renewals	337		
Interest on loan	100		
Interest & Discount	487		
Bad Debts	362		
Fixures & Fittings	897		
	56,110		56,110

The Following adjustments are to be made:

- a) Stock in hand on 31.12.16 Rs. 12,896
- b) Write off half of Madan's cheque.
- c) Create a provision of 5% on Sundry debtors.
- d) Manufacturing wages included Rs. 120 for installation of new machinery purchased.
- e) Depreciate plant & Machinery by 5% and fixtures and fittings by 10% per annum.
- f) Commission not earned but received amounts to Rs.60.

[12]

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B.C.A. (Part - II)

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231

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B.C.A. (PART II) EXAMINATION - 2018

(Faculty of Science)

(Three-year Scheme of 10 + 2 + 3 Pattern)

Paper - 231

BUSINESS ACCOUNTING

Time allowed : Three Hours

Maximum Marks : 100

Question paper consists of three Sections. All three section are compulsory.

PART - I: (Very Short Answer) consists of 10 questions of 2 marks each. Maximum limit for each question is up to 40 words.

PART - II: (Short answer) consists of 5 questions of 4 marks each. Maximum limit for each question is up to 80 words.

PART - III: (Long answer) consists of 5 questions of 12 marks each with internal choice.

PART - I

1. (a) What is Accounting?
(b) State any two objectives of financial accounting.
(c) What are different types of Cash Book?
(d) What is Cash Discount?
(e) What is meant by Bank Overdraft?
(f) State any two characteristics of Trial Balance.
(g) Give two examples of Fictitious Assets.
(h) What do you mean by Intangible Assets?
(i) What is Contingent Liability?
(j) Give adjustment entry of outstanding expenses. [10 x 2 = 20]

PART - II

2. (a) State the names of users of Accounting Information.
(b) What is meant by double entry system of accounting?
(c) What is meant by errors of commission? Give two examples of such error.
(d) State any four objectives of preparing balance sheet.
(e) Goods worth ₹ 5,000 was used by the Proprietor for domestic use, worth ₹ 4,000 distributed as free samples and worth ₹ 1,000 given as charity. Where and how will these items appear in final accounts? [5 x 4 = 20]

PART - III

3. What do you mean by accounting concepts? Explain any eight important accounting concepts. [4+8=12]

OR

- (a) Explain any four important accounting conventions.
(b) Explain the limitations of Financial Accounting. [6+6=12]

4. Give Journal entries in the books of Ramit for the following transactions:
2017

	₹
May 1 Goods purchased from Sumit	40,000
May 4 Goods sold to Kumbhat	20,000
May 7 Loan received from Bank	2,22,000
May 8 Rent paid to Suresh	7,500
May 10 Goods returned to Sumit	5,000
May 14 Goods returned by Kumbhat	3,000
May 17 Goods given in charity ₹ 400 and cash in charity ₹ 600	1,000
May 25 Paid to Sumit in full settlement	34,500
May 29 Received from Kumbhat in full Settlement	16,000
May 30 Paid for Stationery	5,000
May 31 Paid for Salary	15,000
	[12]

OR

Write short notes on the followings:-

- (a) Subsidiary Books
(b) Three Column Cash Book
(c) Trade Discount and cash Discount [4+4+4 = 12]
5. (a) What do you mean by Bank Reconciliation Statement? Why is it prepared?
(b) Define depreciation and state any four needs of accounting for depreciation. [6+6 = 12]

OR

Prepare a trial balance from the following balances extracted from the books of Ram Brothers:

	₹
Opening Stock	10,000
Purchases	2,00,000
Debtors	60,000
Cash in Hand	1,000
Cash at Bank	3,000
Creditors	50,000
Sales	2,40,000
Salaries	14,000
Rent	3,000
Wages	1,500
Insurance & Taxes	500
Buildings	40,000
Capital Account	44,000
Purchase Returns	12,000
Sales Returns	13,000

6. Define balance sheet and give its characteristics. Differentiate between Trial Balance and Balance Sheet. [12]

OR

[4+4+4 = 12]

From the following balances, Prepare Trading Account, Profit & Loss Account and Balance Sheet as on 31st March, 2017

Particulars	Amount (₹)	
	Dr. (₹)	Cr. (₹)
Stock	8,00,000	-
Cash	1,60,000	-
Furniture	3,00,000	-
Capital	-	12,45,000
Debtors	2,40,000	-
Purchases	16,00,000	-
Sales Return	40,000	-
Commission Received	-	1,30,000
Octor	76,000	-
Creditors	-	7,00,000
Rent	44,000	-
Discount Received	-	11,000
General Expenses	41,000	-
Wages & Salaries	17,000	-
Carriage	3,000	-
Productive wages	20,000	-
Machinery	2,00,000	-
Bank	4,00,000	-
Salaries	1,40,000	-
Stationery	14,000	-
Drawings	80,000	-
Loss by Fire	30,000	-
Investment	3,60,000	-
Interest on Investment	-	9,000
Sales	-	24,00,000
Purchases Return	-	70,000
	45,65,000	45,65,000

Closing Stock on 31-03-2017 is ₹ 10,00,000.

[12]

7. The following trial balance was extracted from the books of Raj Kumar & Sons on 31st March, 2017:

	Dr. (₹)	Cr. (₹)
Drawings and Capital	5,000	1,00,000
Purchases and Sales	68,000	1,20,000
Debtors and Creditors	40,000	30,000
Opening stock	30,000	-
Returns Inward	3,000	-
Bank Overdraft	-	12,000
Salaries	17,000	-
Heating & Lighting-office	2,000	-
Leasehold Property	80,000	-
Commission Received	-	2,000
Travelling Expenses	10,000	-
Printing & Stationery Expenses	1,000	-
Furniture	9,000	-
Provision for Doubtful debts	-	4,000
Wages & Freight	10,000	-
Apprentice Premium	-	12,000
Cash in Hand	5,000	-
	2,80,000	2,80,000

Prepare Trading Account and Profit & Loss Account for the year ending 31st March, 2017 and a Balance Sheet as on that date, from the above trial balance and the following adjustments:

- (i) Closing Stock ₹ 15,000.
- (ii) ₹ 1,000 for wages is still Payable.
- (iii) 75 % of work for commission received has been completed.
- (iv) Charge depreciation at 5% on leasehold property and at 10 % on furniture.
- (v) The provision for doubtful debts is to be maintained at 6% on debtors.
- (vi) A new machine was purchased for ₹ 10,000 and the payment was made by cheque, the entry for this purchase has not been made in the books.
- (vii) ₹ 2,000 for Salaries relates to next year.

[12]

OR

How will you deal with the following items in final accounts:

- (a) Provision for bad and doubtful debts.
- (b) Accrued Income or Income Receivable.
- (c) Accidental losses of goods.
- (d) Commission payable to manager on profit.

[3+3+3+3 = 12]

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