QUESTION 2014

Group – A

(Multiple Choice Type Questions)

1. Answer any ten questions

i) Identify the one which is not a method of depreciation:

a) written down value method
b) sum of the year's digit method
c) straight line method
✓d) weighted average cost method

ii) Depreciation is considered as a:

a) method of cost cutting
b) tax-shield
✓c) exact measurement of depletion
d) maintenance cost of a assets

iii) When any particular transaction has not at all been entered, it is an error of

a) commission
✓b) omission
c) principle
d) none of these

iv) According to which concept even the owner of the business who provides Capital is placed at the liability side of the balance sheet

✓a) Entity Concept
b) Cost Concept
c) Money Measurement Concept
d) Going Concern Concept

v) Which of the following Accounts should be used to record Purchase of Furniture on credit?

a) cash book
✓b) journal proper
c) purchase book
d) sales book

vi) Outstanding rent is treated as a/an

a) assets
✓b) liabilities
c) capital
d) external equities

vii) Preliminary Expenses is an item of balance sheet. Where is it shown?

✓a) assets
b) liabilities
c) contingent
d) not shown in the balance sheet

viii) The contingent Liability is shown in the

a) trading account
b) profit and loss account
c) balance sheet
✓d) foot note

ix) Ledger is a book of

a) original entry
✓b) secondary entry
c) all cash transactions
d) recording narrations

x) Sundry debtors are treated as

✓a) liquid asset
b) fixed asset
c) fictitious asset
d) contingent asset

xi) A firm replaces a manual typewriter worth Rs. 1,000 with a netbook costing Rs. 1,77,000. State the nature of the transaction:

a) Revenue Expenditure
b) Deferred Revenue Expenditure
✓c) Capital Expenditure
d) Prepaid Expenditure

xii) Which of the following comes under credit column of trial balance

a) Carriage Inward
b) Carriage Outward
c) Return Inward
✓d) Return Outward

Group – B
(Short Answer Type Questions)

2. Distinguish between Gross Profit and Net Profit.
A company's Gross Profit was Rs. 20,00,000. But it made a net loss of Rs. 2,50,000. What suggestions will you provide to the top management to earn a handsome net profit next year?
See Topic: CAPITAL AND REVENUE, Short Answer Type Question No. 6.

3. What do you mean by GAAP? State its importance.
See Topic: MEANING AND SCOPE OF ACCOUNTING, Short Answer Type Question No. 5.

4. Distinguish between Sales Day Book and Sales Account
See Topic: ACCOUNTING TRANSACTIONS, Short Answer Type Question No. 13.

5. What do you mean by a "Contra entry"? Where is it used?
See Topic: ACCOUNTING TRANSACTIONS, Short Answer Type Question No. 14.

6. The following errors have been detected before the preparation of a Trial Balance. Pass the necessary Journal entries to rectify the following errors:

i) Furniture purchased for Rs. 10,000 has been recorded through the purchase day book.
ii) The Sales Day Book has been overcast by Rs. 2,500.
iii) Rs. 5,000 paid to Champa has been credited to her account.
iv) Rs. 380 paid for repairs to Machinery has been debited to Machinery A/c as Rs. 830.
v) Sold goods for Rs 10,000 on credit to Maynak but wrongly debited to Mayukh A/c

See Topic: ACCOUNTING TRANSACTIONS, Short Answer Type Question No. 15.

Group – C
(Long Answer Type Questions)

7. From the following trial balance of Sk. Ali Traders as on 31.3.2014, prepare the trading and Profit and Loss A/c for the year ended and the Balance Sheet as on that date taking into account the adjustments

Debit	Rs.	Credit	Rs.
Drawings	6,000	Capital	90,000
Plant and machinery	20,000	Sundry Creditors	10,000
Addition to plant	5,000	Sales	1,10,000
Stock (1.4.2013)	15,000	Return outward	1,000
Purchase	82,000	Reserve for bad debts	400
Debtors	20,600	Discount	800
Return inwards	2,000	Interest	1,200
Furniture and fixtures	5,000		
Freight and duty	2,000		
Carriage outward	500		
Rent rates and taxes	4,600		
Printing and stationery	800		
Trade expenses	400		
Postage and Internet	800		
Insurance Premium	700		
Salary and wages	21,300		
Cash in Hand	6,200		
Cash at Bank	20,500		
	2,13,400		2,13,400

Adjustments:

a. Stock on 31.3.2014 was Rs. 14,600
b. Rs 600 occurred as bad debt
c. Reserve for bad debts is to be maintained @5% on debtors.
d. Create reserve for discount on debtors @2%
e. Depreciate furniture and fixtures @5% and plant and machinery @20% p.a.
f. A fire occurred on 25.3.2014 in the go down and stock worth Rs. 5,000 was destroyed. It was fully insured and the Insurance Co. admitted the claim in full.

See Topic: CAPITAL AND REVENUE, Long Answer Type Question No. 9.

8. a) What do you mean by MIS? Why is Accounting considered as a part of a Company's MIS?
b) What do you mean by GAAP? Why do we find differences amongst GAAP of different countries?

See Topic: MEANING AND SCOPE OF ACCOUNTING, Long Answer Type Question No. 4.

9. M/s Kamala Ltd. Purchased a machinery as on 1st April, 2012 for Rs. 2,50,000 and installed at a cost of Rs. 30,000. On 1st October, 2013, it purchased another machinery worth Rs. 1,00,000 and on that date it sold off the first machinery purchased on 1st April, 2012 for Rs. 1,00,000. On 1st January, 2014 another machinery was purchased for Rs. 2,50,000 and on that date that second machinery purchased on 1st October, 2013 was sold off Rs. 20,000. The depreciation is provided @10% on written down value method. Draw the Machinery account and Depreciation account for the period of 2012-2014.

See Topic: DEPRECIATION PROVISIONS & RESERVES, Long Answer Type Question No. 11.

10. Pass the necessary journal entries for the following: (for the business which follows calendar year for the purpose of accounting)

i) Mr. Sarkar starts a business ABC consultants on 1st January 2014, with Rs. 2,00,000 as cash Rs. 5,00,000 worth of furniture and Rs. 3,00,000 worth of furniture and fixture.
ii) Advance rent paid Rs 36,800 on 2nd January, 2014
iii) Rent for January was paid as Rs 18,400 on 4th January, 2014
iv) ABC Consultants opens a bank account at Axis Bank win Rs 1,00,000 and Mr. Sarkar also deposits Rs. 1,00,000 from his Savings Bank account by cheque as an introduction of fresh capital on 7th January, 2014.
v) Purchased a HP printer at Rs. 26,000 on 8th January and paid by cheque on 8th January, 2014.
vi) Paid insurance premium for computers and furniture Rs. 28,100 on 19th January, 2014.
vii) Cash withdrawn from bank: Rs. 7,000 as 22nd January, 2014.
viii) Salary paid to Mr. Keshri Rs. 15,000; Mr. Bhadra Rs. 10,000 and Mr. Lahiri Rs. 12,000 by cheque for a consultancy project on 3rd February, 2014.
ix) Another account of the company was opened in Yes Bank. It was a zero balance account. The account was opened without deposit on 2nd February, 2014.
x) Got an advance from Philips Electrical Ltd. worth Rs.10,000 by cheque for a consultancy project on 3rd February, 2014.

See Topic: ACCOUNTING TRANSACTIONS, Long Answer Type Question No. 11.

11. Differentiate between any three of the following:
a) Cash Discount and Trade Discount.
b) Capital Expenditure and Revenue Expenditure
c) Trading Account and Profit and Loss Account.
d) Financial Accounting and Management Accounting
e) Provisions and Reserves.

See Topic: ACCOUNTING TRANSACTIONS, Long Answer Type Question No. 14.b.
See Topic: CAPITAL AND REVENUE, Short Answer Type Question No. 2.
See Topic: CAPITAL AND REVENUE, Short Answer Type Question No. 7.
See Topic: MEANING AND SCOPE OF ACCOUNTING, Short Answer Type Question No. 6.
See Topic: CAPITAL AND REVENUE, Short Answer Type Question No. 8.