

CONTENTS

S.No	Contents	Page Number
A.	Design of the Question Paper	2
B.	Learning Objectives, Methodology And Syllabus	3
C.	Flashback Assignments:	
1	Meaning And Objectives Of Accounting	7
2	Basic Accounting Terms	8
3	Accounting Principles	9
4	Accounting Equation	11
5	Journals	13
6	Cash Book	14
7	Ledger and Trial Balance	16
8	Comprehensive Questions	18
9	Bank Reconciliation Statement	19
10	Depreciation- Straight Line Method	21
11	Depreciation- Written Down Value Method	22
12	Rectification Of Errors	23
13	Accounting For Bills Of Exchange Transactions	25
14	Financial Statements without Adjustments	26
15	Financial Statements With Adjustment	28
D.	Project Work in Accountancy	37

Subject: Accountancy-Class XI
Design of the Question Paper for Annual Examination:
Chapter wise and Question wise division of marks

	Number Of Questions					TOTAL MARKS
Marks	1	3	4	6	8	90
No. of Questions	6	6	5	5	2	
Total Marks	6	18	20	30	16	

Subject: Accountancy-Class XI - Chapter wise division of marks

Name of Unit	Periods	Marks
Part A:Financial Accounting-I		
Unit 1. Theoretical Framework	25	15
Unit 2. Accounting Process and Special Accounting Treatment	95	35
TOTAL	120	50
Part B:Financial Accounting-II		
Unit 3. Financial Statements of Sole Proprietorship: from Complete and Incomplete Records	40	15
Unit 4. Financial Statements of Not-for-Profit Organisations	30	15
Unit 5. Computers in Accounting	20	10
Part C:Project Work	30	20
TOTAL		80

ACCOUNTANCY (CODE NO. 055)**GENERAL LEARNING OBJECTIVES, METHODOLOGY AND SYLLABUS**
FOR THE ACADEMIC YEAR**Rationale:**

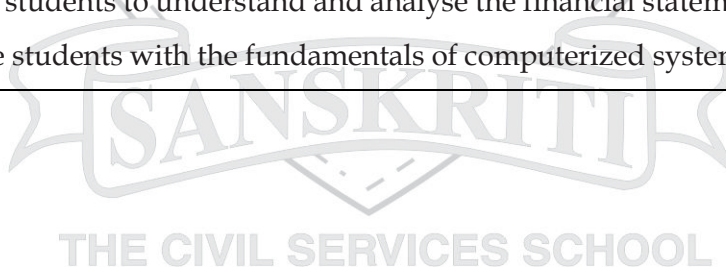
The course in Accountancy is introduced at + 2 stage of Senior Secondary education, as formal commerce education is provided after first ten years of schooling. With the fast changing economic scenario and business environment in a state of continuous flux, elementary business education along with accountancy as the language of business and as a source of financial information has carved out a place for itself at the Senior Secondary stage. Its syllabus content should give students a firm foundation in basic accounting principles and methodology and also acquaint them with the changes taking place in the presentation and analysis of accounting information, keeping in view the development of accounting standards and use of computers. Against this background, the course puts emphasis on developing basic understanding about the nature and purpose of the accounting information and its use in the conduct of business operations.

This would help to develop among students' logical reasoning, careful analysis and considered judgments. Accounting as an information system aids in providing financial information.

In class XII, Accounting Partnership Firms and Companies are to be taught as a compulsory part. Students will also be given an opportunity to understand further about Computerized Accounting System, as an optional course to Analysis of Financial Statements.

General Learning Objectives of the Subject:

- To familiarise the students with accounting as an information system;
- To acquaint the students with basic concepts of accounting and accounting standards;
- To develop an understanding about recording of business transactions and preparation of financial statements;
- To enable the students with accounting for reconstitution of partnership firms;
- To enable the students to understand and analyse the financial statements; and
- To familiarize students with the fundamentals of computerized system of accounting.



Accountancy
Class XI
SYLLABUS

Unit 2: Accounting Process and Special Accounting Treatment

Part A: Financial Accounting – I

Unit 1: Theoretical Framework

Introduction to Accounting

- Accounting- objectives, advantages and limitations, types of accounting information; users of accounting information and their needs.
- Basic accounting terms: business transaction, account, capital, drawings, liability (internal & external, long term & short term) asset (tangible & intangible, fixed, current, liquid and fictitious) receipts (capital & revenue), expenditure (capital, revenue & deferred), expense, income, profits, gains and losses, purchases, sales, stock, debtors, bills receivable, creditors, bills payable, goods, cost, vouchers, discount - trade and cash

Theory Base of Accounting

- Fundamental accounting assumptions: going concern, consistency, and accrual.
- Accounting principles: accounting entity, money measurement, accounting period, full disclosure, materiality, prudence, cost concept, matching concept and dual aspect.
- Double entry system.
- Basis of accounting - cash basis and accrual basis.
- Accounting standards: concept & objective. IFRS (International Financial Reporting Standards).

Recording of Transactions

- Accounting equation: analysis of transactions using accounting equation.
- Rules of debit and credit: for assets, liabilities, capital, revenue and expenses.
- Origin of transactions- source documents (invoice, cash memo, pay in slip, cheque), preparation of vouchers - cash (debit & credit) and non-cash (transfer).
- Books of original entry: format and recording - Journal.
- Cash book: simple, cash book with bank column, petty cash book,
- Other books: purchases book, sales book, purchases returns book, sales returns book, bills receivable book, bills payable book and journal proper.

Preparation of Ledger, Trial Balance and BRS

- Ledger - format, posting from journal, cash book and other special purpose books, balancing of accounts.
- Trial balance: objectives and preparation
- Bank reconciliation statement: need and preparation. Corrected cash book balance

Depreciation, Provisions and Reserves

- Depreciation: concept, need and factors affecting depreciation; methods of computation of depreciation: straight line method, written down value method (excluding change in method)

- Provisions and reserves: concept, objectives and difference between provisions and reserves; types of reserves- revenue reserve, capital reserve, general reserve, specific Reserves and secret reserves.
- Accounting treatment of depreciation: by charging to asset account, by creating provision for depreciation/ accumulated depreciation account, treatment of disposal of asset.

Accounting for Bills of Exchange

- Bills of exchange and promissory note: definition, features, parties, specimen and distinction.
- Important terms : term of bill ,due date, days of grace, date of maturity, bill at sight, bill after date, discounting of bill, endorsement of bill, bill sent for collection, dishonor of bill, noting of bill , retirement and renewal of a bill, insolvency of acceptor.
- Accounting treatment of bill transactions

Rectification of Errors

- Errors: types-errors of omission, commission, principles, and compensating; Their effect on Trial Balance.
- Detection and rectification of errors; preparation of suspense account.

Part B: Financial Accounting - II

Unit 3: Financial Statements of Sole proprietorship

- Financial Statements: objective and importance.
- Trading and profit and loss account: gross profit, operating profit and net profit.
- Balance Sheet: need, grouping, marshalling of assets and liabilities.
- Adjustments in preparation of financial statements : with respect to closing stock, outstanding expenses, prepaid expenses, accrued income, income received in advance, depreciation, bad debts, provision for doubtful debts, provision for discount on debtors, manager's commission, abnormal loss, goods taken for personal use and goods distributed as free sample .
- Preparation of Trading and Profit and Loss Account and Balance Sheet of sole proprietorship



FLASHBACK

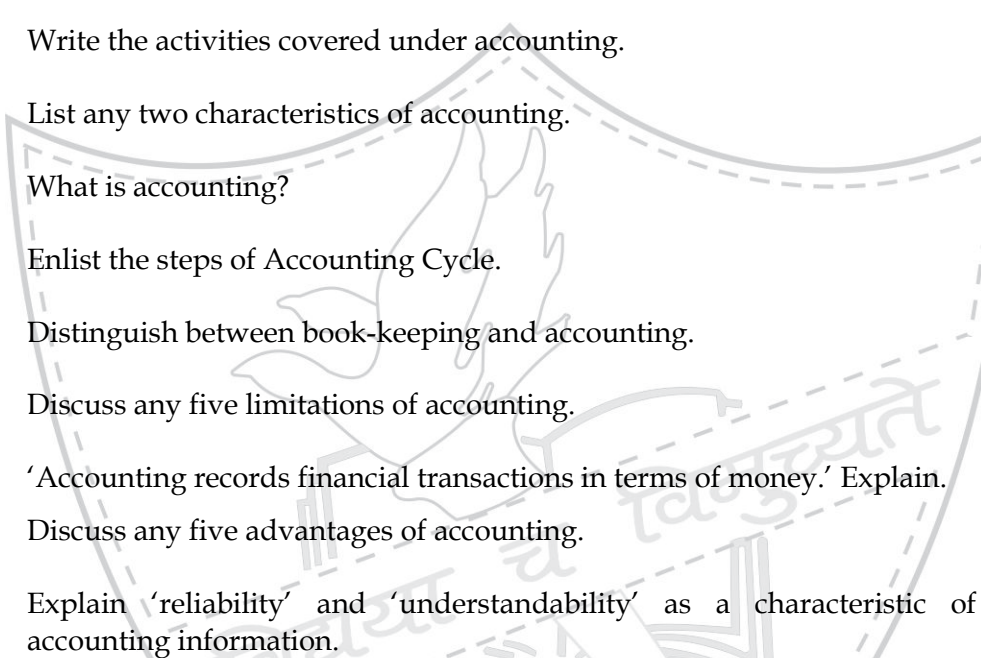


THE CIVIL SERVICES SCHOOL

FLASHBACK
ASSIGNMENT I

Topic: MEANING AND OBJECTIVES OF ACCOUNTING

Learning Outcome: After this assignment students should be able to Recognize , draw relationships and narrate processes about facts, concepts and terms used in accounting.

- 
- Q1. What is bookkeeping?
- Q2. Write the activities covered under accounting.
- Q3. List any two characteristics of accounting.
- Q4. What is accounting?
- Q5. Enlist the steps of Accounting Cycle.
- Q6. Distinguish between book-keeping and accounting.
- Q7. Discuss any five limitations of accounting.
- Q8. 'Accounting records financial transactions in terms of money.' Explain.
- Q9. Discuss any five advantages of accounting.
- Q10. Explain 'reliability' and 'understandability' as a characteristic of accounting information.

FLASHBACK**ASSIGNMENT II****TOPIC - BASIC ACCOUNTING TERMS**

Learning Outcomes: After this assignment students should be able to Recognize , draw relationships and narrate processes about facts, concepts and terms used in accounting.

Q.1	Fill in the blanks:
	a) A person who owes money to a firm is called _____
	b) Debtors are _____
	c) Sales less _____ will give gross profit
	d) _____ and _____ are examples of indirect expenses.
	e) Income statement means _____
	f) Position statement means _____
	g) Capital is a _____ to the business.
	h) Income = _____
	i) Assets = _____
	k) If I am a dealer in cycles, buying cycles is _____.
	l) If I buy a car for the company it is an _____
	m) If debtors are not able to pay back they are _____ to the company
Q2.	Explain any three of the following terms with example: i. Current Assets ii. Fixed Liabilities iii. Creditors iv. Capital
Q.3	Differentiate between Cash and Trade Discount.
Q4	Define the following terms: i) Drawings ii) Sales iii) Expenses iv) Asset v) Drawings
Q.5	Explain any two of the following with an example: Liabilities, stock, gain.
Q.6	What is a business transaction? Explain with the help of an example.

FLASHBACK**ASSIGNMENT III****TOPIC - ACCOUNTING PRINCIPLES**

After this assignment students should be able to:

- **Develop basic skills of accounting to apply accounting concepts and accounting standards in different business situations.**
- **Develop skills to analyze and interpret financial statements of specialized business entities for informed decision making and economic reasoning.**

Q1 Choose the best alternative :

1. The convention of conservatism takes into account:
 - a. All prospective profits and all prospective losses.
 - b. All prospective profits and leaves all prospective losses.
 - c. All prospective losses but leaves all prospective profits.
 - d. None of these.
2. According to going concern concept, a business is viewed as having:
 - a. A limited life.
 - b. A very long life.
 - c. An indefinite life.
 - d. None of these.
3. According to which of the following accounting concepts, even the proprietor of a business is treated as creditor to the extent of his capital:
 - a. Money measurement concept.
 - b. Dual aspect concept.
 - c. Cost concept.
 - d. Business entity concept.
4. According to which of the following concepts, in determining the net income from business, all costs which are applicable to the revenue of the period should be charged against that revenue:
 - a. Matching concept
 - b. Money measurement concept
 - c. Cost concept
 - d. Dual aspect concept.
5. X Ltd follows the written down value method of depreciation machinery year after year due to:
 - a. Comparability
 - b. Convenience
 - c. Consistency
 - d. All of the above.

Q2 State the accounting concept / convention involved in each of the following situation:

1. The calibre or the quality of management team is not directly disclosed in the balance sheet.
2. Advance received from a supplier is not taken as income or sale.
3. Assets are recorded in books at the cost incurred for acquisition of such assets.
4. Revenue must be recognized when it is realized and expenses are recognized when incurred.
5. Revenue is generally recorded at the point of sale.
6. Capital contributed by the proprietor is credited to his capital account.
7. Financial statements of the firm are prepared every year on 31st March.
8. Goods sold on credit to Ramesh – Ramesh's account is debited and sales account is credited.
9. Harpreet has entered into an agreement whereby he will earn Rs 10,00,000 for the services to be provided in the next year. The revenue should be recognized as the revenue in the next year after the service has been provided.
10. Purchase of pen is treated as an expense.

Q3. Explain any two of the following with one example each :

- a. Revenue Recognition Concept.
- b. Convention of full disclosure.
- c. Business Entity Concept.
- d. Matching Concept.
- e. Convention of consistency.
- f. Money Measurement Concept.

Q4. Give an example for each and explain how it satisfies that particular concept or principle.

- (i) Accrual concept
- (ii) Dual aspect principle
- (iii) Objectivity concept
- (iv) Money measurement concept
- (v) Verifiable objective principle

FLASHBACK**ASSIGNMENT IV****TOPIC 4-ACCOUNTING EQUATION**

After going through this Assignment, the students will be able to:

- explain the concept of the accounting equation and appreciate that every transaction affects either both the sides of the equation or a positive effect on one item and a negative effect on another item on the same side of the accounting equation
- explain the effect of a transaction (increase or decrease) on the assets, liabilities, capital, revenue, and expenses

Q1. Fill in the blanks

Case	Capital as on 31.12.2001 Rs	Capital as on 1.1.2001 Rs	Profit - Loss during 2001 Rs	Drawings during 2001 Rs	Fresh Capital introduced Rs
I	?	6,000	3,000	1,200	600
II	12,000	?	(600)	1,800	2,400
III	12,600	6,000	?	1,200	6000
IV	6,000	12,000	3,000	?	600
V	9,000	18,000	(4,800)	4,200	?

Q2. Fill in the blanks

Case	Capital as on 31.12.20X1 Rs	Capital as on 1.1.20X1 Rs	Profit - Loss during 20X1 Rs	Drawings during 20X1 Rs	Fresh Capital introduced during 20X1 Rs
I	?	10,000	5,000	2,000	1,000
II	20,000	?	(1,000)	3,000	4,000
III	21,000	10,000	?	2,000	10,000
IV	10,000	20,000	5,000	?	1,000
V	15,000	30,000	(8,000)	7,000	?

- Q3.**
- A had a capital of Rs 75,000 on 1st April 2007. He also had goods amounting to Rs 15,000 that he had purchased on credit and the payment had not been made. Find out the value of total assets of the business.
 - After a period of one month he came to know that he had suffered a loss of Rs 1,700. He withdrew Rs 800 for his personal use. Find out his capital and assets of the business.
- Q4.** Prove that the accounting equation is satisfied in all of the following transactions of Sameer Goel:
- Commenced business with Cash Rs 60,000.
 - Paid rent in advance Rs 500.

- c. Purchased goods for cash Rs 30,000 and credit Rs 20,000
- d. Sold goods for cash Rs 30,000 costing Rs 20,000.
- e. Paid salary Rs 500 and salary outstanding being Rs 100.
- f. Bought motorcycle for personal use Rs 5,000.
- g. Commission received in advance Rs 1000.

Q5. Show the Accounting Equation on the basis of the following transactions and prepare the Balance Sheet at last.

- i. Shri Ram commenced business with Rs 30,000.
- ii. Paid rent in advance Rs 1,200.
- iii. Purchased a typewriter for Rs 4,200.
- iv. Bought furniture from M/s Mohan Furnitures on credit for Rs 1,800.
- v. Purchased goods from Sohan for cash Rs 21,000.
- vi. Sold goods to Shyam for cash for Rs 24,000 (costing Rs 18,000).
- vii. Bought goods from Ramesh for Rs 18,000.
- viii. Sold goods to Shyam costing Rs 18,000 for Rs 30,000.
- ix. Purchased household goods for Rs 9,000 giving Rs 3,000 in cash and the balance through a loan.
- x. Goods destroyed by fire (Cost Rs 300, Sale Price Rs 360).
- xi. Paid half the amount owed to Mohan Furniture.
- xii. Paid cash for Rs 300 for loan and Rs 180 for interest.
- xiii. Withdrew goods for personal use (cost Rs 300, sale price Rs 360).
- xiv. Received Rs 29,700 from Shyam in full settlement.
- xv. Paid Rs 17,820 to Ramesh in full settlement.

Q6. Prove that the Accounting Equation is satisfied in all the following transactions. Verify your result with Balance Sheet of the last new equation:

- i. Anwar started business with :

Cash	20,000
Goods	12,000
Machine	8,000
- ii. He purchased goods 5,000
- iii. Sold goods (Costing Rs. 2,000) for Rs 2,500
- iv. Purchased goods on credit 7,000
- v. Payment made to creditors in full settlement 6,900
- vi. Sold goods on credit (costing Rs 5,400) 6,000
- vii. Payment received from debtors 5,800

Discount Allowed	200
------------------	-----
- viii. Salaries Paid 4,000
- ix. Wages outstanding 400
- x. Prepaid insurance 100
- xi. Rent received 300
- xii. Amount withdrawn 3,000
- xiii. Interest on drawing 200
- xiv. Depreciation on machinery 800
- xv. Purchased goods on credit 17,000

FLASHBACK**ASSIGNMENT V****TOPIC -JOURNAL**

After this assignment the students should be able to:
develop the understanding of recording of transactions in the journal and the skill of calculating GST.

- Q1.** Analyze the following transactions, state the nature of accounts and state which account will be debited and which account credited according to the British approach.
- i. Dinesh started business with cash Rs 5,00,000
 - ii. Borrowed from Naresh Rs 1,00,000
 - iii. Purchased furniture from Sunrise furnishing Rs 20,000
 - iv. Received a cheque from Sun Rs 5,000
 - v. Paid interest on loan Rs 5,000
 - vi. Interest allowed by bank Rs 100
- Q2.** What are the different types of Accounts under the British approach? Give two examples for each and write the rules of Debit and Credit for these accounts.
- Q3.** What are the different types of Accounts under the American approach? Give two examples for each and write the rules of Debit and Credit for these accounts.
- Q4.** Pass necessary journal entries in the following cases:
- a. Paid cash to Bhavana on behalf of Sangeeta Rs 1,100.
 - b. Received cash from Azhar Rs 2,000 on behalf of Sachin.
 - c. Exchanged old EC TV for a new Sunsui TV. The old TV was valued at Rs 5,000, the price of the new TV was Rs 12,000. The balance was paid through bank.
 - d. Contractor's bill for construction of shed in the building for Rs 17,000 was paid by a crossed cheque.
 - e. Purchased from Shanti Swaroop goods worth Rs 60,000 and sold on the same day 20% of the goods at a profit of 10%.
- Q5.** Pass the journal entries for
1. Purchased goods worth Rs 4,000 from X.
 2. Pay Life Insurance Premium of Rs 1,000
 3. Y returned goods worth Rs 200
 4. Paid Rs 200 as house rent to Arvind
 5. Y turned insolvent and 60% in full settlement of his account was received.
 6. Discounted a bill of exchange for Rs 10,000 at 1% through bank.
 7. Goods worth Rs 1,000 is used as free samples
 8. Depreciation on Machinery is Rs 150
 9. Outstanding Rent is Rs 500
 10. Provide interest on loan from Raghav Rs 1,00,000 at 18% p.a. for 2 months.

FLASHBACK**ASSIGNMENT VI****TOPIC: CASH BOOK**

After this assignment the students should be able to:

explain the purpose of maintaining a Cash Book and develop the skill of preparing the format of different types of cash books and the method of recording cash transactions in Cash book. .

Q1 Distinguish between cash discount and trade discount.

Q2 'Cash book is a journalized ledger.' Explain.

Q3. Prepare a Bank Column Cash Book from the following transactions:

2012		Rs.
Oct 1	Cash in hand	11,800
	Cash at bank	11,000
Oct 5	Discounted a B/E at 1% through bank	4,000
Oct 7	Bought goods by cheque	7,000
Oct 8	Bought goods for cash	500
Oct 10	Honoured our own acceptance by cheque	5,000
Oct 14	Paid trade expenses	105
Oct 16	Paid into bank	1,000
Oct 18	Ramesh, who owed us Rs 500 became bankrupt and us @ 50 p in the rupee	
Oct 20	Received cash from Manohar	400
	Allowed discount	10
Oct 21	Sales to Ratan tata	10000
Oct 22	Received cheque from Ratan tata	
Oct 23	Withdrew from Bank	400
Oct 23	Ratan tata's cheque dishonoured	
Oct 23	Paid to Ghanshyamdas & Co.	300
	Allowed us discount	10
Oct 24	Received Rs 2,000 from a B/E from Hari Ram and deposited the same into bank	
Oct 25	Withdrew from bank for private expenses	300
Oct 27	Sold goods to Akshay kumar	200
Oct 28	Received cheque for goods sold	
Oct 29	Akshay's cheque endorsed in favour of Twinkle	
Oct 29	Received payment of a loan of Rs 5,000 and deposited Rs 3,000	

	out of it into bank.	
Oct 30	Bank charges as per Pass Book	5

Q4. Enter the following transactions in a cash book with cash and bank columns.

2012		Rs
Jan 1	Cash in hand	800
	Bank Overdraft	5700
Jan 5	Received a cheque from Ram	3250
Jan 7	Deposited Ram's cheque into bank	
Jan 10	Paid Sohan by cheque	2425
Jan 15	Ram's cheque returned dishonored	
Jan 20	Withdrew from bank for office use	250
Jan 25	Cheque received from Hari	1200
Jan 28	Hari's cheque was endorsed in favour of Mukesh	
Jan 30	Rent paid by cheque	150
Jan 31	Bank charges	25

Q.5 Prepare a two column cash book of Shri Raman on the basis of the given information:

- Cash at office Rs 1,600 and Bank Balance (Cr.) 2575
- Mohan settled his account of Rs 750 by giving a cheque of Rs 730.
- Mohan's Cheque deposited into bank.
- Discounted a bill for Rs. 5,000 at 1% through bank.
- Jones who owed us Rs 1000 became insolvent and only 30paise in a rupee could be recovered from his estate.
- Received a cheque of Rs 4,000 for goods sold.
- Withdrew from bank to pay Income tax of owner Rs 400.
- Mohan's cheque was dishonored.
- Paid by cheque a bill of Rs 2,500 drawn upon us.
- Received a payment of loan of Rs 10,000 and deposited Rs 2,500 out of it into bank.

Q.6 Prepare a cash book for the following month in 2021:

- Jan 1 Cash in hand Rs 50,000; Cash at Bank Rs 16,000
- Jan 5 Discounted a bill at 1% through bank Rs 4,000
- Jan 8 Hari a debtor paid Rs 650 in full settlement of his account for Rs 700.
- Jan 17 Honoured our own acceptance for Rs 2,000
- Jan 19 Withdrew from bank for private use Rs 1,500
- Jan 20 Received payment of a loan of Rs 5,000 and deposited Rs 3,000 in the bank.
- Jan 21 Received a cheque from Mohan Rs 5,000
- Jan 22 Paid trade expenses Rs 1500 by cash.
- Jan 29 Discounted Vinod's bill for Rs 3,000 at 2%.
- Jan 30 Vinod's bill was dishonored.

FLASHBACK**ASSIGNMENT VII****TOPIC : LEDGER & TRIAL BALANCE**

After this assignment the students should be able to:

appreciate that for ascertaining the position of individual accounts, transactions are posted from subsidiary books and journal proper into the concerned accounts in the ledger and develop the skill of ledger posting.

Q.1 Prepare a Trial balance with the given balances:

LEDGER ACCOUNTS	AMT (Rs.)	LEDGER ACCOUNTS	AMT (Rs.)
a) Cash	1,04,800	i) R.K. Mart (Cr.)	500
b) Bank	8,000	j) Electricity charges	200
c) Capital	1,00,000	k) Drawings	2,000
d) Furniture	5,000	l) Purchase returns	2,000
e) Raj furniture house (Cr.)	5,000	m) Sales returns	3,000
f) Purchases	33,500	n) Creditors	8,500
g) Sales	43,000	o) Bank loan	8,000
h) Stationary	500	p) Debtors	10,000

Q2. Enter the following transactions in the journal of Bunty, post to ledger and prepare a Trial Balance:

2012			
Jan 1	Assets:	Cash in hand	20,000
		Cash at bank	35,000
		Stock	15,000
		Furniture	4,500
	Debtors:	Mona	20,000
		Sonu	10,000
	Liabilities:	Ajay	13,500
		Pankaj	21,500
Jan 4		Purchased goods from Pankaj	5,000
Jan 7		Paid Ajay by cheque in full settlement of his account	13,000
Jan 10		Sold goods to Mona	11,000
Jan 30		Paid Salaries	6,000

Q3. On 1st January, 2012...the following were the ledger balance of Rajan & Co. :
Cash in hand, Rs. 900 ; Cash at Bank, Rs. 21,000 ; Soni (Cr.), Rs. 3,000 ; Zahir (Dr.), Rs. 2,400 ; Stock, Rs. 12,000 ; Prasad (Cr.), Rs. 6,000 ; Sharma (Dr.), Rs. 4,500 ; Lall (Cr.), Rs. 2,700.

Transactions during the month were:

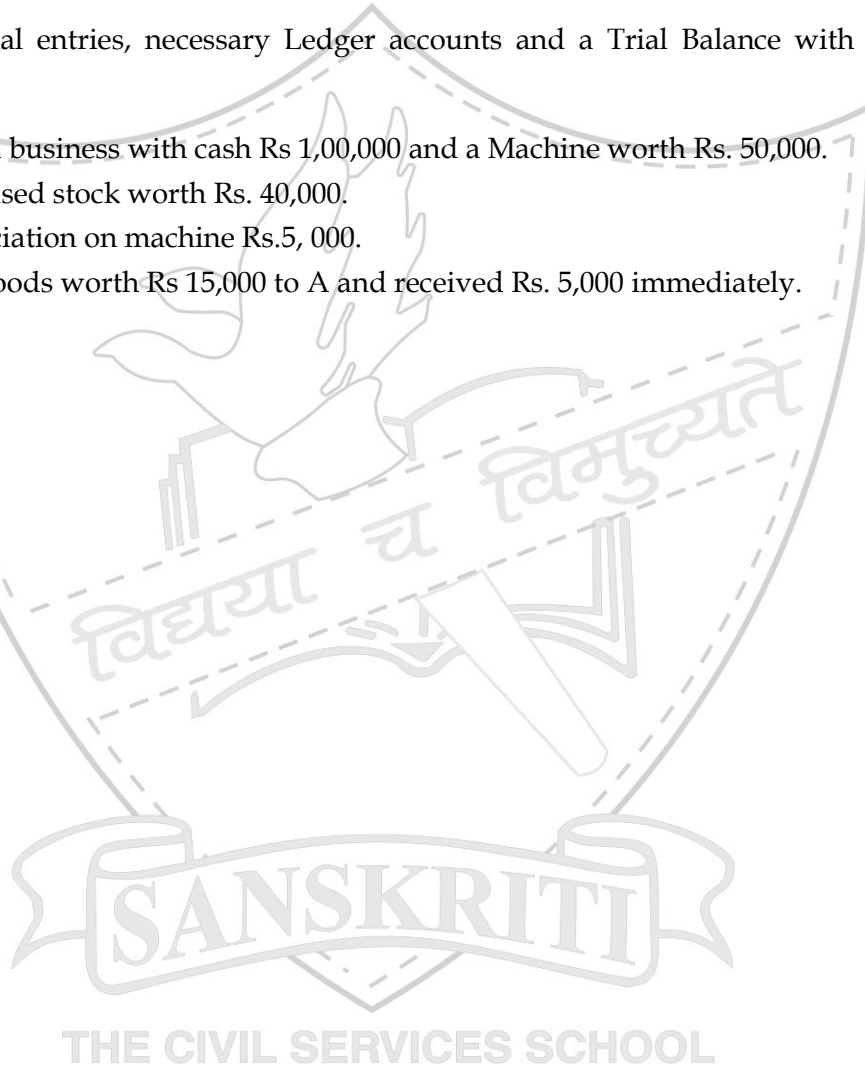
		Rs.
2012		
Jan 2	Bought goods from Prasad	2,700
Jan 3	Sold to Sharma	3,000
Jan 5	Sold to Lall goods for cash	3,600

Jan 7	Took goods for personal use	200
Jan 13	Received from Zahir in full settlement	2,350
Jan 17	Paid to Soni in full settlement	2,920
Jan 22	Paid cash for stationery	50
Jan 29	Paid to Prasad by cheque	2,650
	Discount allowed	50
Jan 30	Provide interest on capital	100
	Rent due to landlord	200

Enter the above transactions in appropriate subsidiary books, post them to ledger and prepare the trial balance.

Q.4 Prepare Journal entries, necessary Ledger accounts and a Trial Balance with the given entries:

- Started business with cash Rs 1,00,000 and a Machine worth Rs. 50,000.
- Purchased stock worth Rs. 40,000.
- Depreciation on machine Rs.5, 000.
- Sold goods worth Rs 15,000 to A and received Rs. 5,000 immediately.



FLASH BACK**ASSIGNMENT VIII****TOPIC: COMPREHENSIVE QUESTION****After this assignment the students should be able to:**

- describe the method of recording transactions other than cash transactions as per their nature in different subsidiary books
- state the need and objectives of preparing trial balance and develop the skill of preparing a trial balance.

Ques1 Enter the foll: transactions in the subsidiary books and post them into ledger and prepare a trial balance.

2010		
April 1	Mr. Raj started a business with	6,00,000
April 4	Purchased furniture from Modern Furniture worth	50,000
April 5	Purchased goods for cash	1,00,000
April 8	Purchased goods from K.G Khosla and company for Rs.1,50,000, trade discount 20%	
April 10	Opened a bank account by depositing	1,50,000
April 14	Purchased stationery worth Rs.5,000 from R.S Mart	
April 15	Sold goods to Sanjay Khan worth	1,00,000
April 20	Goods returned by Sanjay Khan worth	20,000
April 22	Withdrew Rs.10,000 for private use from bank	
April 30	Cash Sales	90,000

You are supposed to prepare:

1. Purchases book
2. Sales book
3. Sales returns book
4. Cash book
5. Journal Proper
6. Ledger Accounts: Capital Account, Furniture Account, Modern Furniture Account, Purchases Account, Sales Account, Sales Returns Account, K.G Khosla Account, R.S Mart Account, Stationery Account, Sanjay Khan Account, Drawings Account.
7. Trial Balance.

FLASH BACK**ASSIGNMENT IX****TOPIC: BANK RECONCILIATION STATEMENT****After this assignment the students should be able to:**

- appreciate that at times bank balance as indicated by the cash book is different from the bank balance as shown by the passbook/bank statement and to reconcile both the balances, the bank reconciliation statement is prepared.
- develop an understanding of preparing a bank reconciliation statement.

- Q1.** Define bank reconciliation statement.
- Q2.** Give any three causes for difference between the cash book and pass book balance.
- Q3.** On 31st December 20X1 the Cash Book of Ram Lal showed an overdraft of Rs 5,670 from the following particulars, make out a Bank Reconciliation Statement and ascertain the balance as per Bank Pass Book.
- (a) Cheques drawn but not cashed before 31st December amounted to Rs 3,946.
 - (b) Cheques paid into the bank but not collected and credited before 31st December amounted to Rs 4,891.
 - (c) A bill receivable for Rs 520 previously discounted with bank had been dishonored and debited in the Pass Book.
 - (d) Debit is also made in the Pass Book for Rs 120 on account of interest on overdraft and Rs 55 on account of charges for effecting bills and cheques.
 - (e) The bank has collected interest on investment and credited Rs 760 in the Pass Book.
- Q4.** From the following particulars prepare a bank reconciliation statement showing the balance as per the cash book on 31st December 2012
- a) The following cheques were paid into the bank in December but were credited in January Rs 3,500, Rs 2,500, Rs 2,000
 - b) The following cheques were issued by the firm in December, but were presented in January Rs 4,000 and Rs 4,500
 - c) A cheque of Rs 1,000 which was received from a customer, was entered in the bank column of the cash book in December, but was omitted to be banked in December
 - d) The passbook showed a debit entry of Rs 1,000 as bank charges and credit entry of Rs 2,000 for interest.
 - e) Interest on investment Rs 2,500 collected by bank appears in the passbook.
 - f) The bank balance as per passbook was Rs 62,000 on 31st December 2012.
- Q5.** From the following particulars, ascertain the balance by means of the statement that would appear in the pass book of Mr. Atul as on 31st December, 2012:
- a. Overdraft as per cash book (on 31st Dec 2012) Rs. 7,190.
 - b. Interest on overdraft for six months ending 31st Dec, 2012 Rs. 160.
 - c. Bank charges for the above period Rs. 70.

- d. Cheques drawn but not cashed by the customers prior to 31st Dec, 2012 Rs. 1,270
- e. Cheques paid into bank but not cleared before 31st Dec, 2012 Rs. 2,210.
- f. A bill receivable (discounted with bank in November) dishonored on 31st Dec, 2012 Rs. 600.

- Q6.** On 31st Dec, 2012 the pass book of a merchant showed a credit balance of Rs. 3,357. The cheques and drafts sent to the bank but not collected and credited amounted to Rs. 790 and three cheques for Rs. 300, Rs. 150 and Rs. 200 respectively were not presented for payment till 31st January next. Bank has paid a bill amounting to Rs. 1,000 but it has not been entered in the cash book and a bill receivable for Rs. 500 which was discounted with the bank was dishonored on the due date. The bank has charged Rs. 13 as its commission for collection of outstation cheques and has allowed interest Rs. 10 on the trader's balance. Prepare a bank reconciliation statement.
- Q7.** On 30th June 2012, the bank column of the cash book showed a balance of Rs. 12,000 but the pass book shows a different balance due to the following reasons:
- 1) Cheques paid into bank Rs. 8,000 but out of these only cheques of Rs. 6,500 credited by bankers.
 - 2) The receipt column of the cash book undercast by Rs. 200.
 - 3) On 29th June, a customer deposited Rs. 3,000 direct in the bank account but it was entered in the pass book only.
 - 4) Cheques of Rs. 9,200 were issued of which Rs. 2,200 were presented for payment on 15th July. Pass book shows a credit of Rs. 330 as interest and a debit of Rs. 60 as bank charges.
- Prepare a reconciliation statement as on 30th June, 2012.
- Q8.** From the following particulars make out a Bank reconciliation statement on 31st December in the books of D.K:
- 1. Pass book showed an overdraft of Rs. 15,000 on 31st December, 2013.
 - 2. A cheque of Rs. 200 was deposited in the bank but not recorded in the cash book.
 - 3. Cheques of Rs. 17,000 were issued but cheques worth only Rs. 10,000 were presented for payment up to 31st December, 2013.
 - 4. Cheques of Rs. 10,000 were sent to the bank for collection. Out of these, cheques of Rs. 2,000 and Rs. 1,000 were credited respectively on 7th January and 9th January and remaining cheques were credited before 31st December, 2013.
 - 5. Bank paid Rs. 300 as Chamber of Commerce fee on behalf of D.K which was not recorded in the cash book.
 - 6. Bank charged interest on overdraft Rs. 800.
 - 7. Rs. 40 for bank charges was recorded two times in the cash book and bank expenses of Rs. 35 were not at all recorded in the cash book.
 - 8. Payment side of cash book was Rs. 1,000 short.
 - 9. Bank received Rs. 200 as interest on debentures on behalf of D.K.

FLASH BACK**ASSIGNMENT X****TOPIC: DEPRECIATION (Straight Line Method)****After this assignment the students should be able to:**

- explain the necessity of providing depreciation and develop the skill of using different methods for computing depreciation.
- understand the accounting treatment of providing depreciation directly to the concerned asset account or by creating provision for depreciation account.

1. A firm bought a machine costing Rs 1,00,000 with an expected life of nine years and scrap value of Rs 10,000 at the end of its expected life. Show the machinery account for the first three years.
2. A firm bought a building for Rs 20,00,000 and spent Rs 2,00,000 on its repair before use. Depreciation is to be charged at 10% per annum. Prepare Building a/c for the first three years.
3. A firm bought an asset on 31st of July 2014 and paid Rs 12,00,000 for the same. Depreciation is to be charged at 10% pa on Straight-line basis and the financial year is from 1st April to 31st March. Prepare asset account for three financial years.
4. A firm imported a machine on 1st of April 2012 and paid Rs 1,00,000 for it and Rs 20,000 as import duty. The machine was to be depreciated on Straight-line basis @10% pa. On 30th of June 2014, the machine was sold for Rs 85,000. Prepare machine account.
5. A firm bought a vehicle for Rs 14,00,000 on 1st of April 2010 and another one on 31st of August 2011 for Rs 10,00,000. The first vehicle was sold on 30th of September 2013 for Rs 10,00,000 and a third car was bought for Rs 6,00,000 on 31st December 2013. Prepare Vehicle Account. Depreciation is charged @12% pa on the Straight-line method,
6. On the 1st of April 2011 a firm bought an asset and paid Rs 5,00,000 for it. On 1st of July 2013 1/4th of the asset was lost due to fire and had to be sold off. The firm could recover only Rs 2,500 as scrap. Prepare asset a/c when depreciation is charged @ 12% pa on straight-line basis.

FLASH BACK**ASSIGNMENT XI****TOPIC: DEPRECIATION (Written Down Method)****After this assignment the students should be able to:**

- explain the necessity of providing depreciation and develop the skill of using different methods for computing depreciation.
- understand the accounting treatment of providing depreciation directly to the concerned asset account or by creating provision for depreciation account.

1. A firm bought a building for Rs 20,00,000 and spent Rs 2,00,000 on its repair before use. Depreciation is to be charged at 10% per annum. Prepare Building a/c for the first three years.
2. A firm bought an asset on 31st of July 2014 and paid Rs 12,00,000 for the same. Depreciation is to be charged at 10% pa on Written down value basis and the financial year is from 1st April to 31st March. Prepare asset account for three financial years.
3. A firm imported a machine on 1st of April 2011 and paid Rs 1,00,000 for it and Rs 20,000 as import duty. The machine was to be depreciated on Written down value basis @10% pa. On 30th of June 2013, the machine was sold for Rs 85,000. Prepare machine account.
4. A firm bought a vehicle for Rs 14,00,000 on 1st of April 2010 and another one on 31st of August 2011 for Rs 10,00,000. The first vehicle was sold on 30th of September 2013 for Rs 10,00,000 and a third car was bought for Rs 6,00,000 on 31st December 2013. Prepare Vehicle Account. Depreciation is charged @12% pa on the Written down value method.
5. On the 1st of April 2010 a firm bought an asset and paid Rs 5,00,000 for it. On 1st of July 2012 1/4th of the asset was lost due to fire and had to be sold off. The firm could recover only Rs 2,500 as scrap. Prepare asset a/c when depreciation is charged @ 12% pa on Written down value basis.

FLASHBACK**ASSIGNMENT XII**

After this assignment the students should be able to:

- appreciate that errors may be committed during the process of accounting.
- understand the meaning of different types of errors and their effect on the trial balance.
- develop the skill of identification and location of errors and their rectification and preparation of suspense account.

TOPIC: RECTIFICATION OF ERRORS

- Q1.** Fill in the blanks :
- If total debits exceed the total credit of trial balance, suspense account will show _____ balance.
 - If the suspense account indicates a credit balance it shows that _____ column of the trial balance is more than the _____ column.
 - Undercasting in salaries account is rectified by _____ suspense account and _____ salaries account.
 - Errors of principle _____ affect the Trial Balance.
- Q2.** Which of the following errors will affect the trial balance?
- The total of the Sales Book has not been posted to the Sales Account.
 - Rs. 1,000 paid as installation charges of a new machine has been debited to Repairs Account.
 - Goods costing Rs. 4,000 taken by the proprietor for personal use have been debited to the Debtors Account.
 - Rs. 1,000 paid for repairs to building have been debited to Building Account.
- Q3.** Multiple Choice Questions:
- If the trial balance agrees, it implies that:
 - There is no error in the books.
 - There may be two sided errors in the books.
 - There may be one sided errors in the books.
 - There may be both two sided and one sided errors in the books.
 - If suspense account does not balance off even after rectification of errors it implies that:
 - There are some one sided errors only in the books yet to be located.
 - There are no more errors yet to be located.
 - There are some two sided errors only yet to be located.
 - There may be both one sided errors and two sided errors yet to be located.
- Q4.** Give two examples each of the following types of errors:
- Compensating errors
 - Error of commission
 - Error of principle
- Q5.** Pass journal entries to rectify the following errors:
- Sale of goods for Rs. 250 to Neelam was recorded in purchases book by mistake.
 - A promissory note for Rs. 1,000 was received from Gautam for which an entry of Rs. 10,000 was made in the bills receivable book.
 - Goods invoiced at Rs. 35 were received back from Gulab Rai, a customer but no entry was passed in the books of account.
 - Furniture for office was purchased on credit from Modern Furniture House for Rs. 540. An entry was passed for Rs. 450 in the purchases book.

- e. Repairs to furniture for Rs.15 were debited to furniture account.
- f. Rs.760 paid for the construction of showcase(furniture),wrongly debited to the wages a/c as Rs.670.
- g. Rs.500 received from Anand against a debt previously written off as bad debt has been credited to his personal a/c.
- h. Goods purchased from Sonu for Rs.800 wrongly passed through sales book.
- i. Rs.750 was outstanding on a/c of wages.
- j. The debit side of Radhey Lal, a debtor, is overcast by Rs. 7,000.
- k. A cheque of Rs. 1,400 received from Rajneesh & Sons was dishonored and debited to Allowances Account.
- l. A fax machine purchased for the office for Rs. 6,200 was entered in the purchase book.

Q6. A book-keeper while balancing his books finds that he is out excess credit Rs.88. Being required to prepare his final accounts, he places the difference to a newly opened suspense account which he carries forward to the next year. the following mistakes were discovered.

- i. Goods bought from a merchant of Rs.5 had been posted to the credit of his a/c as Rs.55.
- ii. A dishonoured B/R for Rs.200 returned by the bank has been credited to the bank a/c and debited to the B/R a/c.
- iii. An item of Rs.10 entered in the sales return book had been posted to the debit of the customer who returned the goods.
- iv. Sundry item of plant sold for Rs.260 had been entered in the sales book.
- v. An amount of Rs.60, owing by a customer had been omitted from the schedule of sundry debtors.
- vi. Discount of Rs.2 from a creditor had been duly entered in his a/c but not posted to discount a/c

Draft journal entries for rectifying the above errors. Also prepare the suspense a/c.

Q7. A trial balance of a merchant shows a difference which has been carried to suspense account and the following errors were subsequently discovered:

- a. Sales book was undercast by Rs. 1,000.
- b. Discount column on credit side of cash book overcast by Rs. 60.
- c. Goods sold to Ram Rs. 1,500 was posted to Krishna's account as Rs. 1,050
- d. B/R from Suresh Rs. 2,000 was posted to the credit of B/P account and credit to Suresh account.
- e. A cash sales of Rs. 1,500 to Anil correctly entered in the cash book was posted to the credit of Anil's account.
- f. Goods of an invoice of Rs. 500 returned by Deepak were taken into stock but no entries were made in the books.

Give journal entries to rectify the errors and show their effect on the net profit of the year.

Q8. On going through the trial balance of X Ltd. you found that the debit is an excess by Rs 250. This was credited to the suspense account on a close scrutiny of the book the following mistakes were noted. Pass necessary journal entries for correcting the above and prepare and suspense account.

- a) the total of debits side of expense account has been cast in excess by Rs 150.
- b) the sales account has been totaled in short by Rs 200.
- c) One item of purchases of Rs 25 has been posted from the purchase book to the ledger as Rs 350.
- d) the sale return of Rs 200 from a party has not been posted to that account though the party's account has been credited.
- e) a cheque of Rs 200 issued to the supplier account towards his due has been wrongly debited to the purchases.
- f) a credit sale of Rs 100 has been credited to the sales and also to the sundry debtors account.

FLASH BACK**ASSIGNMENT XIII**
TOPIC: BILLS OF EXCHANGE**After this assignment the students should be able to:**

- state the meaning of different terms used in bills of exchange and their implications in accounting.
- explain the method of recording of bill transactions.

- Q.1 Write any two differences and promissory note a bill of exchange.
- Q.2 What is meant by endorsing a bill. Explain it with an example.
- Q.3. What are the ways open to a holder for dealing with bills of exchange?
- Q.4. What is meant by 'Renewal of a Bill'?
- Q.5 On 1st January, B owes Rs 10,000 and accepts a 3 month bill for the amount. On the date of maturity not being able to meet the bill offers A Rs 4,000 and asks him to draw another bill for 3 months for the balance plus interest at 15% per annum. A agrees to this proposal. Pass the necessary Journal Entries in the books for A and B.
- Q.6 B owed to A Rs 60,000 on 1st January, 2005. On the same date, A drew upon B a bill for the amount at 2 months and B returned the bill duly accepted. A got the bill discounted at his bank at 15% per annum. Before the bill was due for payment, B told A that he was not able to pay the full amount and requested A to accept Rs 20,000 immediately and drew upon another bill for the remaining amount for two months together with interest at 18% per annum, A agreed. The second bill was duly met. Give journal entries in the books of both A and B.
- Q.7. Nikita accepted a bill of exchange for Rs. 40,000 drawn on him by Arun on 1st of May, 2005 for 3 months. This was for the amount that Nikita owed Arun. Arun got the bill discounted for Rs. 39,000. Just before the due date, Nikita approached Arun for renewal of the bill. Arun accepted on the condition that Rs. 10,000 be paid immediately along with an interest of 12% per annum on the balance amount for 3 months and agreed to draw up another bill for Rs. 30,000. On 7th November, Nikita was declared insolvent and her estate paid only 40 paise in a rupee. Pass necessary entries in the books of Arun.
- Q.8 Journalise the following transaction in the books of J Jaggi:
D. Dutt's bill receivable for Rs. 7,000 which we had endorsed in favour of P. Mukerjee dishonored. P. Mukerjee paid Rs. 10 as noting charges. We pay P. Mukerjee by cheque and accept from D. Dutt another bill for the amount due plus interest, Rs. 315.
- Q.9 Mr. David draws two Bills of Exchange on 1.1.2001 for Rs. 6,000 and Rs. 10,000. The Bills of Exchange for Rs. 6,000 is for two months while the Bills of Exchange for Rs. 10,000 is for three months. These bills are accepted by Mr. Thomas. On 4.3.2001 Mr. Thomas requests Mr. David to renew the first bill with the interest at 18% p.a. for a period of two months. Mr. David agrees to this proposal. On 20.3.2001 Mr. Thomas renounces the acceptance of Rs. 10,000, the interest rebate, i.e., discount, being Rs. 100. Before the due date of the renewed bill, Mr. Thomas becomes insolvent and only 50 paise in a rupee could be recovered from his estate. You are to give the journal entries in the books of Mr. David.

FLASH BACK**ASSIGNMENT XIV****TOPIC: FINANCIAL STATEMENTS WITHOUT ADJUSTMENTS****After this assignment the students should be able to:**

- state the meaning of financial statements
- purpose of preparing financial statements
- state the meaning of gross profit, operating profit and net profit and develop the skill of preparing trading and profit and loss account.
- explain the need for preparing a balance sheet.
- understand the technique of grouping and marshaling of assets and liabilities.

Q.1 Explain with the help of an example what is meant by 'Revenue Expenditure'.

Q.2. Define 'Income Statement' of a firm.

Q.3. From the following Trial Balance given for the year ended 31st March, 2014, prepare Financial Statements for Rohan:

Name of Account	Amount (Rs.)	Name of Account	Amount (Rs.)
Capital	5,00,000	Purchases	6,00,000
Plant & Machinery	1,00,000	Opening Stock	2,00,000
Land and Building	1,20,000	Sundry Creditors	1,20,000
Sales	9,00,000	Purchase Returns	10,000
Furniture & other Equipment	50,000	Rent	12,000
Sundry Debtors	1,00,000	Discount (Dr.)	8,000
Trade Expenses	30,000	Drawings	10,000
Cash in Hand	1,00,000	Bills Recievable	40,000
Cash at Bank	1,50,000	Bills Payable	30,000
Wages and Salaries	60,000	Bad Debts	4,000
Repairs	10,000	Interest (Cr.)	10,000

The stock on 31st March 2014 was valued at Rs. 1,40,000.

Q.4. From the following trial balance of Mr. A, prepare a trading and profit and loss Account for the year ending 31st March, 20X2 and a balance sheet as on that date :

TRIAL BALANCE			
Particulars	Dr. (Rs.)	Particulars	Cr. (Rs.)
Cash	10,000	Sales	1,80,500
Stock	40,800	Returns	195
Wages	22,525	12% Loans	20,000
Purchases	1,30,295	Creditors	30,305
Returns	2,400	Discount	530
Repairs	1,675	Capital	37,500
Bad debts	2,310		
Interest on Loan	600		
Salaries	8,000		
Sales Tax	800		
Octroi	500		

Insurance	1,000		
Charity	125		
Rent	2,000		
Machinery	16,000		
Debtors	30,000		
Total	2,69,030		2,69,030

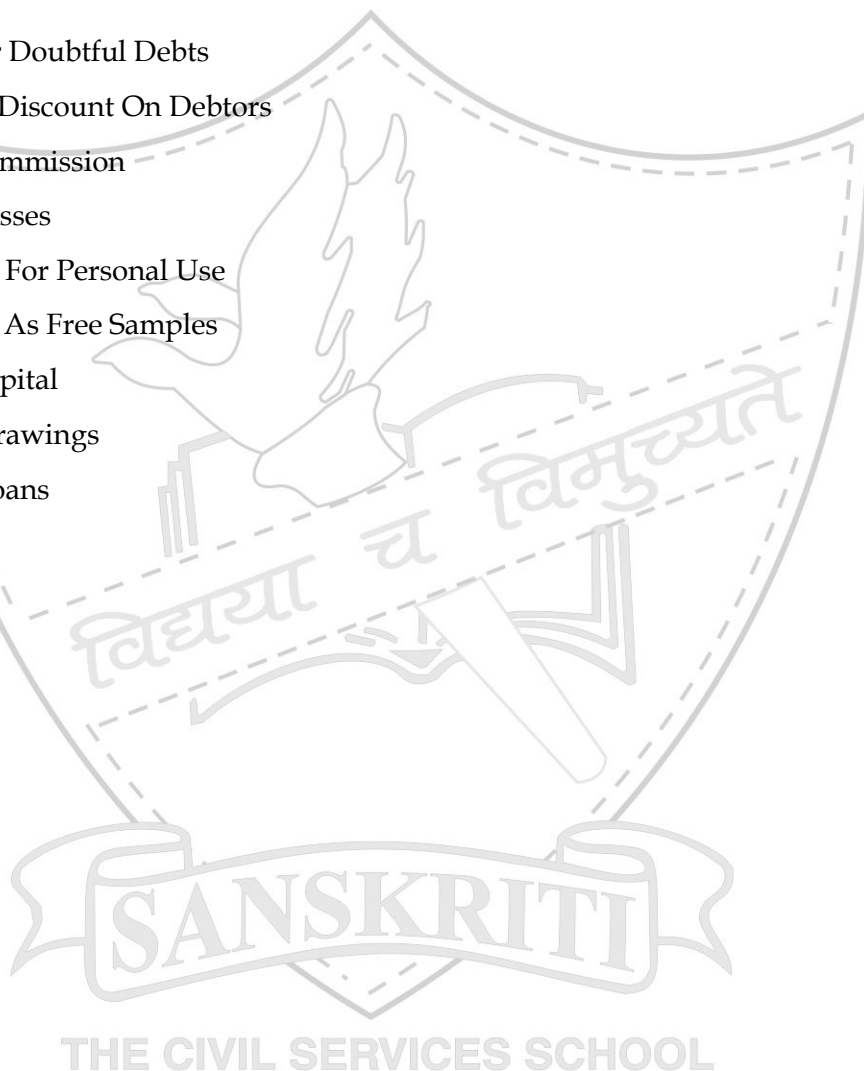
- Q.5.** From the following trial balance and additional information, prepare trading and profit and loss account of Mr. Charat Tulsian for the year ended 31st March, 20X2 and balance sheet as at that date :

TRIAL BALANCE		
Particulars	Dr. (Rs.)	Cr. (Rs.)
Capital/ Drawings	10,000	1,70,000
Plant & Machinery	1,10,000	---
Sales / Purchases	84,000	1,65,000
Returns	5,000	4,000
Bad Debts / Bad Debts Recovered	5,000	26,450
Freight Inward	5,000	---
Freight Outward	7,000	---
Discount	2,000	1,000
Commission	4,000	3,000
Rent	3,000	4,000
Interest	2,500	3,000
Office & Administration Expenses	6,000	---
Selling & Distribution Expenses	10,000	---
Creditors / Debtors	2,15,000	2,02,000
Bills Payable / Bills Receivable	10,000	5,600
Loan	20,000	50,000
Investments	50,000	---
Opening Stock	54,000	---
Cash in hand	5,000	---
Cash at Dena Bank	45,550	---
Bank Overdraft at Canara Bank	---	20,000
Wages & Salaries	1,000	---
Total	6,54,050	6,54,050

THE CIVIL SERVICES SCHOOL

TOPIC 16-FINANCIAL STATEMENTS WITH ADJUSTMENTS

- i. Closing Stock
- ii. Outstanding Expenses
- iii. Prepaid Expenses
- iv. Accrued Income
- v. Income Received N Advance
- vi. Depreciation
- vii. Bad Debts
- viii. Provision For Doubtful Debts
- ix. Povision For Discount On Debtors
- x. Managers Commission
- xi. Abnormal Losses
- xii. Goods Taken For Personal Use
- xiii. Goods Given As Free Samples
- xiv. Interest on capital
- xv. Interest on Drawings
- xvi. Interest on Loans



ITEM	WHERE TO SHOW IN FINAL ACCOUNTS IF IT APPEARS		ADJUSTMENT ENTRY
	WITHIN THE TRIAL BALANCE	AS AN ADJUSTMENT	
i. Closing Stock	Balance Sheet - Asset	<ul style="list-style-type: none"> Trading a/c - Cr Balance Sheet - Asset 	Closing stock account dr To trading account
ii. O/s expenses/ expenses payable / expenses due but not paid	Balance Sheet - Liability	<ul style="list-style-type: none"> Add to Expense in Trading/P&L a/c Balance Sheet - Liability 	Expenses account dr To outstanding exp.
iii. Prepaid Expenses	Balance Sheet - Asset	<ul style="list-style-type: none"> Deduct from expense in Trading/ P & L a/c Balance Sheet - Asset 	Prepaid expenses a/c dr To expenses account xxx
iv. Accrued Income	Balance Sheet - Asset	<ul style="list-style-type: none"> Add to Income in P&L a/c Balance Sheet - Asset 	Income Receivable/ Accrued Income a/c dr To income account
v. Income Received in Advance	Balance Sheet - Liability	<ul style="list-style-type: none"> Deduct from income in P & L a/c Balance Sheet - Liability 	Income account dr To income received in advance account
vi. Depreciation	Expense - P & L A/c - Dr	<ul style="list-style-type: none"> Deduct from asset in Balance Sheet Expense- Dr in / P & L a/c 	Depreciation account dr To respective asset account
vii. Bad Debts	Expense - P & L A/c - Dr	<ul style="list-style-type: none"> Expense - P & L A/c - Dr Reduce from debtors 	Bad Debts account dr To Debtors Account
viii. Provision For Doubtful Debts	<ul style="list-style-type: none"> Expense - P & L A/c - Dr Reduce from debtors 		Provision For Doubtful Debts account dr To Debtors Account
ix. Povision For Discount On Debtors	<ul style="list-style-type: none"> Expense - P & L A/c - Dr Reduce from debtors 		Povision For Discount On Debtors account dr To Debtors Account
x. Managers	<ul style="list-style-type: none"> Expense - P & L A/c - Dr 		Commission account dr.

Commission	<ul style="list-style-type: none"> Liability if not paid in cash Reduce from cash only(if question states so) 	To outstanding commission
xi. Abnormal Losses –stock if its uninsured	<ul style="list-style-type: none"> Credit side of trading account Profit and loss account's debit side 	Loss by fire or accident account dr. To trading a/c Profit and loss account dr. To loss by fire / accident
xii. Abnormal Losses –stock if its insured	<ul style="list-style-type: none"> Credit side of trading account with the total value of the loss Profit and loss account's debit side (with amount of loss not covered by insurance) Insurance company will appear as an asset in the asset side of the balance sheet with the claim admitted. 	Loss by fire or accident account dr To trading a/c Profit and loss account dr To loss by fire / accident (amount not covered by insurance claim) Insurance Company a/c dr To loss by fire / accident (amount covered by insurance claim)
xiii. Abnormal Losses –asset if it is not insured	<ul style="list-style-type: none"> Profit and loss account's debit side Reduce from the value of asset in the Balance sheet 	Loss by fire or accident account dr. To Asset a/c Profit and loss account dr. To loss by fire / accident
xiv. Abnormal Losses –asset if it is insured	<ul style="list-style-type: none"> Reduce the total value of the loss from the value of asset in the Balance sheet Profit and loss account's debit side (with amount of loss not covered by insurance) Insurance company will appear as an asset in the asset side of the balance sheet with the claim admitted. 	Loss by fire or accident account dr. To Asset a/c Profit and loss account dr To loss by fire / accident (amount not covered by insurance claim) Insurance Company a/c dr To loss by fire / accident (amount covered by

		insurance claim)
xv. Goods Taken For Personal Use	<ul style="list-style-type: none"> Deduct from purchase in the debit side of trading account (purchase –drawing in goods) Deduct from capital in the liabilities side of balance sheet (capital- drawing in goods) 	Drawings account dr To Purchases account
xiii. Goods Given As Free Samples	<ul style="list-style-type: none"> Deduct from purchase in the debit side of trading account (purchase – Advertisement Expenses) Profit and loss account's debit side 	Advertisement Expenses account dr To Purchases account



• **Trading and Profit and Loss A/c**

For the year ending...

PARTICULARS	AMT	PARTICULARS	AMT
To Opening Stock To Purchases Less Purchase Returns Less Goods Given As Free Samples Less Goods Taken By The Owner For Personal Use Less Goods Used To Make Some Asset For The Business To Direct Expenses Add Outstanding Expenses Less Prepaid Expenses To Gross Profit C/F		By Sales Less Sales Returns By Loss Of Goods Due To Fire/Theft/Accident By Closing Stock	
To Expenses Add Outstanding Expenses Less Prepaid Expenses To Depreciation To Loss Of Goods Or Asset Due To Fire/Theft/Accidents(Amount Not Covered By Insurance Claim) To Bad Debts (Given In Trial Balance) Add Further Bad Debts(Given As Adjustment) Add New Provision Created For Bad Debts Less Old Provision For Bad Debts Already Shown In The Trial Balance Add Provision For Discount On Debtors To Manager's Commission To Interest On Capital To Net Profit		By Gross Profit B/F By Income Add Accrued Income Less Income Received In Advance By Interest On Drawings	

BALANCE SHEET

As on.....

PARTICULARS	AMT	PARTICULARS	AMT
Capital		Fixed assets	
Less Drawings		<i>Less depreciation</i>	
<i>Less goods taken for personal use</i>		<i>Add amount if stock has been used to make fixed assets</i>	
<i>Less Interest on Drawings</i>			
<i>Add interest on capital</i>		Long term investments	
<i>Add Net Profit/Less net Loss</i>		<i>Add interest accrued on investments</i>	
Fixed Liabilities		Current Assets	
Long term loans		Debtors	
<i>Add interest accrued on long term loans</i>		<i>Less further bad debts</i>	
Reserves		<i>Less new provision for bad debts</i>	
Current Liabilities		<i>Less provision for discount on debtors</i>	
<i>Outstanding expenses</i>		<i>Prepaid expenses</i>	
<i>Incomes received in advance</i>		<i>Accrued incomes</i>	
<i>Managers commission</i>		<i>Insurance company(claim admitted by Insurance Company)</i>	



THE CIVIL SERVICES SCHOOL

FLASH BACK**ASSIGNMENT XV****TOPIC: FINANCIAL STATEMENTS WITH ADJUSTMENTS****After this assignment the students should be able to:**

- appreciate that there may be certain items other than those shown in trial balance which may need adjustments while preparing financial statements
- develop the understanding and skill to do adjustments for items and their presentation in financial statements like depreciation, closing stock, provisions, abnormal loss, etc.
- develop the skill of preparation of trading and profit and loss account and balance sheet.

Q1. From the following adjustments and the trial balance prepare the final accounts for 31st Dec. 2013.

Dr. Balance	RS	Cr. Balance	Rs
Insurance charges	2,400	Capital	1,70,000
Salaries & wages	19,400	Creditors	20,000
Cash in hand	200	Sales	1,20,000
Cash at bank	26,500	Return outwards	1,200
Trade expenses	400	Provision for doubtful debts	400
Postage & telegraphs	800	Discount	800
Drawings	6,000	Rent received for 1 year up to 30-6-14	1,200
Plant & machinery 1-1-13	1,20,000		
Addition 1-7-88	5,000		
Stock on 1-1-88	15,000		
Purchases	82,000		
Return inwards	2,000		
Debtors	20,800		
Furniture & fittings	5,000		
Freight & duty	2,000		
Carriage outwards	500		
Rent, rates, taxes	4,600		
Printing & stationery	1,000		
	3,13,600		3,13,600

Adjustments:-

- Stock on 31-12-13 was valued at Rs 24,000 and stationery unused at the end was Rs 250.
- The provision for doubtful debts to be maintained at 6% on debtors.
- Create a provision for discount on debtors and creditor at 2%.
- Write off Rs 800 as bad debts.

- Provide dep: on plant & machinery at 10% p.a.
- Insurance is paid up to 31st March 1989.

Q.2. Show how the following adjustments will be recorded in the final accounts of ABC Ltd.

- Rent of Rs.5, 000 shown in the credit side of the trial balance includes Rs. 1,000 for the next year.
- Goods worth Rs.15, 000 lost due to fire. Insurance company admitted to a claim of Rs.5, 500 only.
- Goods costing Rs.10, 500 sent on approval basis. Selling price for the same was fixed at Rs.15, 500. Debtors and Sales for the period was given as Rs.80,000 and Rs.60,000 in the trial balance.
- The firm charged Rs.3, 500 from the owner as interest on the amount withdrawn by the owner from the business.
- The Trial balance shows Rs.1, 00,000 as 'Investments @10%' in the Debit side. No further information w.r.t this item is given either in the Trial balance or in the adjustments.

Q.3. Prepare Trading, Profit & Loss Account and Balance Sheet from the following particulars as on 31st December 2013:

	Dr.Rs.	Cr. Rs.
Cash in hand	2,000	
Cash at bank	18,000	
Purchases and sales	2,20,000	3,50,000
Return Inwards	6,000	
Return Outwards		7,500
Carriage on Purchases	4,400	
Carriage on Sales	2,100	
Fuel and Power	15,500	
Stock (1-1-13)	36,000	
Bad Debts	6,200	
Bad Debts Provision		2,500
Debtors and Creditors	82,000	30,000
Capital		2,17,000
Investments	20,000	
Interest on Investments		2,000
18% Loan from X		10,000
Repairs	1,520	
General Expenses	10,600	
Land & Buildings	1,80,000	
Wages & Salaries	18,000	
Miscellaneous Receipts		120
Sales Tax Collected		5,200
Stationary	2,000	
	6,24,320	6,24,320

Other information:

- Write off Rs. 2,000 as bad debts and provision for doubtful debts to be maintained @ 5% on debtors.
- Loan from X was taken on May 01, 2013. No interest has been paid so far.
- Included in general expenses is insurance premium of Rs. 1,200 paid for the year ending 31/3/14.
- 1/3 Of wages and salaries is to be charged to trading account and balance to Profit and Loss Account.
- Entire stationery was used by proprietor for own purpose.
- Closing Stock was valued at Rs. 50,000.

- 4 Sanjiv Sondhi starts business on 1st April, 20X1 with a capital of Rs 30,000. The following trial balance was drawn from his book at the end of the year :

Particulars	Dr. (Rs)	Particulars	Cr. (Rs)
Drawings	4,500	Capital	40,000
Plant and Fixtures	8,000	Sales	1,60,000
Purchases	1,16,000	Sundry Creditors	12,000
Carriage Inward	2,000	Bills Payable	9,000
Returns Inward	4,000		
Wages	8,000		
Salaries	10,000		
Printing and Stationery	800		
Advertisement	1,200		
Trade Charges	600		
Rent and Taxes	1,400		
Sundry Debtors	25,000		
Bills Receivable	5,000		
Investments	15,000		
Discount	500		
Cash at Bank	16,000		
Cash in hand	3,000		
	2,21,000		2,21,000

Additional Information:

- Closing Stock was valued at `45,000
- Provide Provision for Doubtful Debts @ 10% and Provision for discount on debtors @ 5%
- Charge depreciation on Plant @ 20%
- Advertisement expenses are outstanding to the extent of `1,000
- Trade charges are prepaid to the extent of `500
- Allow manager's commission @10% after charging such commission

ACCOUNTANCY PROJECT CLASS XI 2018-19
TERM II

GENERAL GUIDELINES:

- The project should be presented in a neat folder with your name and section written on the cover page. **The projects need to be submitted by the**
- The **Accountancy Project** must be done on inter-leaf sheets, should be neat and well presented and must be **completely hand-written**.
- No whiteners to be used or written matter to be crossed out. In case of any mistakes, redo the sheet.

STEP BY STEP GUIDELINES FOR DOING THE PROJECT

STEP 1: (GROUP SUBMISSION)

Prepare a list of 15 business transactions. You cannot select more than 2 entries from each of the XIV categories of entries given below:

- I. **INITIAL CAPITAL INVESTED BY OWNER IN THE FORM OF CASH, STOCK OR ANY OTHER ASSET.**
- II. **GOODS RELATED ENTRIES (3 allowed from this category)**
 - A. Entry for Purchased goods/ Received a V.P.P for goods - cash or credit
 - B. Entry for Sales - cash or credit
 - C. Entry for Purchase returns
 - D. Entry for Sales Returns
 - E. Entry for goods withdrawn for personal use
 - F. Entry for goods given as charity
 - G. Entry for goods given as free samples
 - H. Entry for goods lost in theft
 - I. Entry for goods used to make office furniture
- III. **PAYMENTS MADE TO CREDITORS AND RECEIVED FROM DEBTORS.**
- IV. **CASH DISCOUNT AND TRADE DISCOUNT**
- V. **BAD DEBTS RELATED ENTRIES**
 - A. Entry for bad debts

B. Entry for bad debts recovered

VI. EXPENDITURE ON INSTALLATION OF MACHINERY AND CONSTRUCTION OF BUILDING

VII. BANKING TRANSACTIONS

- A. Entry for opening of an account
- B. Entry for payment made by draft
- C. Entry for bank charges
- D. Entry for cheque received and deposited in bank on the same date
- E. Entry for cheque received and not deposited in bank.
- F. Entry for the above cheque deposited on a later date.
- G. Entry for deposited cheque dishonoured

VIII. EXPENSES/WAGES/RENT

- A. Entry for expenses paid
- B. Entry for outstanding expenses/wages/rent
- C. Entry for prepaid expenses/wages/rent

IX. RECEIVED INCOME/INTEREST, DIVIDEND etc.

- A. Entry for incomes received
- B. Entry for accrued or outstanding income/interest, dividend
- C. Entry for incomes received in advance

X. DEPRECIATION ON ASSET

XI. INTEREST ON CAPITAL AND INTEREST ON DRAWINGS

XII. INCOME TAX PAYMENT

XIII. XI. SALES TAX COLLECTED ON SALES

- A. Entry for receiving sales tax from customers
- B. Entry for depositing sales tax with the government

XIV. VALUE ADDED TAX

- A. Entry on Purchases
- B. Entry at Sales

C. Entry, when VAT is paid to the government

(ALL THE TRANSACTIONS CHOSEN NEEDS TO BE APPROVED BY YOUR SUBJECT TEACHER)

STEP 2: (GROUP SUBMISSION)

Once you get the 15 entries approved by your subject teacher,

- Write a story that encompasses the above 15 transactions.
- The story should incorporate the reason for choosing the particular line of business.
- Also, choose an appropriate name for the business.
- Choose only a sole proprietorship form of organisation and not a partnership or a company.

(STORY WEAIVED TO BE APPROVED BY YOUR SUBJECT TEACHER)

STEP 3: (GROUP SUBMISSION)

- Prepare journal.
- Ledgers should be made only when the journal entries are corrected your subject teacher.

(JOURNAL ENTERIES TO BE APPROVED BY YOUR SUBJECT TEACHER)

STEP 4: (GROUP SUBMISSION)

- Prepare ledger and Trial Balance.

(LEDGER AND TRIAL BALANCE TO BE APPROVED BY YOUR SUBJECT TEACHER)

STEP 5: (GROUP SUBMISSION)

- Pass adjusting entries for the adjustments given and prepare Final Accounts

(FINAL ACCOUNTS TO BE APPROVED BY YOUR SUBJECT TEACHER)

STEP 6: (INDIVIDUAL SUBMISSION)

GENERAL GUIDELINES:

- *The Project needs to be submitted individually, though it was worked as a group*

- The project needs to be handwritten on inter-leaf sheets (A4 size, one side ruled and other side plain)
- Please purchase extra packets of such sheets and stock them (Buy at least 5 packets)
- The projects must be neat and well-presented and must be completely hand-written except the title sheets which can be printed out.
- No whiteners to be used or written matter to be crossed out. In case of any mistakes, redo the sheet.
- Use BLACK to write headings for accounts and for making tables and formats and use

<p><u>COMPREHENSIVE PROJECT</u> (TITLE PAGE)</p>	<p><u>DETAILS OF THE PROJECT</u></p> <ol style="list-style-type: none"> 1. Name of Project: 2. Objective of Project: 3. Period of Project: 4. Source Material: 5. Tools of Analysis: 6. Processing of Data: 	<p><u>SOURCE MATERIAL</u> (TITLE PAGE)</p>
<p><u>...Write the story you have formulated</u></p>	<p><u>PROCESSING OF DATA:</u></p> <ul style="list-style-type: none"> • <u>JOURNALS</u> • <u>LEDGERS</u> • <u>TRIAL BALANCE</u> • <u>ADJUSTING ENTRIES</u> • <u>FINAL ACCOUNTS</u> <p>(TITLE PAGE)</p>	<p><u>... prepare the above mentioned till Final Accounts</u></p>

DETAILS OF THE PROJECT**1. Name of Project:**

- To study the operational efficiency and financial soundness of (name of the business decided in the story)

2. Objective of Project:

- The objective of the project is to let the students have an understanding of the complete accounting cycle and therefore completely appreciate the meaning of Accounting as a process of recording, classifying, summarizing accounting information and its analysis and interpretation.

3. Period of project: (Period for which transactions are prepared)**4. Source Material:** The case study for which accounting cycle has to be completed**5. Processing of Data:**

- Journals
- Ledgers
- Trial Balance
- Adjusting entries
- Final accounts

6. Tools of Analysis:

- Pie charts
- Ratio Analysis

PROCESSING OF DATA:**FORMATS TO BE USED****a) Journal Entries**

Date (S.No)	Particulars	Lf	Debit Amt(₹)	Credit Amt(₹)
		TOTAL		

NOTE:**✓ NARRATION MUST BE WRITTEN FOR EVERY JOURNAL ENTRY**

If Journal extends to pages, carry forward the total of the page as 'Balance c/f' to the next page as 'Balance b/f'

a) Ledger Accounts:

Dr				Name of Account				Cr			
Date	Particulars	Jf	Amt ()	Date	Particulars	Jf	Amt ()				
Total				Total							

NOTE:

- ✓ Prepare ledgers in the following order:
 - Real Accounts
 - Personal Accounts
 - Nominal Accounts
- ✓ For Real and Personal A/c's , always carry the closing balance of the current year "Bal c/d" as the opening balance of the next year "Bal b/d"
- ✓ For Nominal A/c's, transfer the balance to the "Trading A/c & the profit and loss A/c"

c) Trial Balance:

Trial Balance of _____
as at _____

S No	Particulars	L F	Debit Amt()	Credit Amt()
TOTAL				

d) Adjusting journal Entries

- Format is same as journal entries.
- Narration must be written for these entries also.

d) Final Accounts: Trading A/c; profit and Loss A/c and Balance Sheet:

Trading Account of -----
For the year ending _____

Dr			Cr
Particulars	Amt(Rs)	Particulars	Amt(Rs)
TOTAL		TOTAL	

Profit and Loss Account of -----
For the year ending _____

Dr			Cr
Particulars	Amt(Rs)	Particulars	Amt(Rs)
TOTAL		TOTAL	

Balance Sheet Of -----
As at _____

Liabilities	Amount (Rs)	Assets	Amount (Rs)
TOTAL		TOTAL	

(Balance Sheet to be made in the order of permanence)

Q1.	<p>2015</p> <table border="1"> <tr> <td>Mar</td><td>1</td><td>Bought goods from Vishwas worth ` 1,00,000 @ 20% trade discount and 5% cash discount. Paid full amount at the time of purchase itself.</td></tr> <tr> <td>Mar</td><td>3</td><td>Bought goods from Trisha for ` 2,00,000 @ 5% cash discount and 10% trade discount. Half of the amount paid by cheque at the time of purchase.</td></tr> <tr> <td>Mar</td><td>4</td><td>Sold goods to Nupur for ` 50,000 at 4% cash discount and 20% trade discount. Half the amount received by cash and balance half by cheque on the same day.</td></tr> <tr> <td>Mar</td><td>6</td><td>Sold goods to Shirya for ` 1,00,000 on 10% trade discount and 5% cash discount if the payment is received within 15 days. 80% payment is received on Mar 18 by cheque.</td></tr> <tr> <td>Mar</td><td>20</td><td>Sold goods to Nainika for ` 1,00,000 @ 20% trade discount and 10% cash discount if the payment is received within 10 days. She paid half the amount on Mar 26th and 30% of the remainder on Mar 31.</td></tr> </table>	Mar	1	Bought goods from Vishwas worth ` 1,00,000 @ 20% trade discount and 5% cash discount. Paid full amount at the time of purchase itself.	Mar	3	Bought goods from Trisha for ` 2,00,000 @ 5% cash discount and 10% trade discount. Half of the amount paid by cheque at the time of purchase.	Mar	4	Sold goods to Nupur for ` 50,000 at 4% cash discount and 20% trade discount. Half the amount received by cash and balance half by cheque on the same day.	Mar	6	Sold goods to Shirya for ` 1,00,000 on 10% trade discount and 5% cash discount if the payment is received within 15 days. 80% payment is received on Mar 18 by cheque.	Mar	20	Sold goods to Nainika for ` 1,00,000 @ 20% trade discount and 10% cash discount if the payment is received within 10 days. She paid half the amount on Mar 26 th and 30% of the remainder on Mar 31.																
Mar	1	Bought goods from Vishwas worth ` 1,00,000 @ 20% trade discount and 5% cash discount. Paid full amount at the time of purchase itself.																														
Mar	3	Bought goods from Trisha for ` 2,00,000 @ 5% cash discount and 10% trade discount. Half of the amount paid by cheque at the time of purchase.																														
Mar	4	Sold goods to Nupur for ` 50,000 at 4% cash discount and 20% trade discount. Half the amount received by cash and balance half by cheque on the same day.																														
Mar	6	Sold goods to Shirya for ` 1,00,000 on 10% trade discount and 5% cash discount if the payment is received within 15 days. 80% payment is received on Mar 18 by cheque.																														
Mar	20	Sold goods to Nainika for ` 1,00,000 @ 20% trade discount and 10% cash discount if the payment is received within 10 days. She paid half the amount on Mar 26 th and 30% of the remainder on Mar 31.																														
Q2.	<p>Journalise:</p> <p>2013</p> <table border="1"> <tr> <td>Jan</td><td>1</td><td>Paid into bank current account ` 10,000.</td></tr> <tr> <td>Jan</td><td>3</td><td>Withdrawn from Bank ` 2,000 OR Withdrawn from Bank for office use ` 2,000</td></tr> <tr> <td>Jan</td><td>4</td><td>Withdrawn from Bank for private use ` 500.</td></tr> <tr> <td>Jan</td><td>5</td><td>Received a cheque from Ritul ` 5,000.</td></tr> <tr> <td>Jan</td><td>7</td><td>Deposited Ritul's cheque into Bank.</td></tr> <tr> <td>Jan</td><td>8</td><td>Interest allowed/paid/credited by Bank ` 200.</td></tr> <tr> <td>Jan</td><td>11</td><td>Bank charged commission ` 100.</td></tr> <tr> <td>Jan</td><td>15</td><td>Sold goods through credit card/debit card/paytm ` 10,000. Bank charged 1% commission on sales through cards.</td></tr> <tr> <td>Jan</td><td>17</td><td>Cash sales ` 40,000, out of which ` 30,000 deposited into bank.</td></tr> <tr> <td>Jan</td><td>20</td><td>Placed on fixed deposit a/c at bank by transferring from current a/c ` 20,000.</td></tr> </table>	Jan	1	Paid into bank current account ` 10,000.	Jan	3	Withdrawn from Bank ` 2,000 OR Withdrawn from Bank for office use ` 2,000	Jan	4	Withdrawn from Bank for private use ` 500.	Jan	5	Received a cheque from Ritul ` 5,000.	Jan	7	Deposited Ritul's cheque into Bank.	Jan	8	Interest allowed/paid/credited by Bank ` 200.	Jan	11	Bank charged commission ` 100.	Jan	15	Sold goods through credit card/debit card/paytm ` 10,000. Bank charged 1% commission on sales through cards.	Jan	17	Cash sales ` 40,000, out of which ` 30,000 deposited into bank.	Jan	20	Placed on fixed deposit a/c at bank by transferring from current a/c ` 20,000.	
Jan	1	Paid into bank current account ` 10,000.																														
Jan	3	Withdrawn from Bank ` 2,000 OR Withdrawn from Bank for office use ` 2,000																														
Jan	4	Withdrawn from Bank for private use ` 500.																														
Jan	5	Received a cheque from Ritul ` 5,000.																														
Jan	7	Deposited Ritul's cheque into Bank.																														
Jan	8	Interest allowed/paid/credited by Bank ` 200.																														
Jan	11	Bank charged commission ` 100.																														
Jan	15	Sold goods through credit card/debit card/paytm ` 10,000. Bank charged 1% commission on sales through cards.																														
Jan	17	Cash sales ` 40,000, out of which ` 30,000 deposited into bank.																														
Jan	20	Placed on fixed deposit a/c at bank by transferring from current a/c ` 20,000.																														
Q3.	<p>Journalise:</p> <p>a. Paid ` 300 for subscribing newspapers and magazines.</p> <p>b. Tanya who owed us ` 25,000 became insolvent.</p> <p>c. Bose who owed us ` 10,000 is declared insolvent and 50p in a rupee is received</p>																															

- from his estate / 50% is recovered.
- Received ₹ 6,000 from Jai which were written off as bad debts in the previous year.
 - Goods of ₹ 2,000 (Sale Price ₹ 3,000) given out as charity.
 - Goods of ₹ 10,000 (Sale Price ₹ 12,000) given out as charity
 - Goods worth ₹ 10,000 taken by the proprietor.
 - Goods worth ₹ 700 (Sale Price ₹ 1,000) were lost in fire/ earthquake.
 - Proprietor withdrew cash ₹ 3,500 for personal use.
 - Cash ₹ 5,000 was lost as stolen by an employee / embezzlement.
 - Charge ₹ 50 as interest on drawings.
 - Provide 10% interest on capital amounting to ₹ 80,000.
 - Drawings ₹ 10,000. Charge interest on drawings @ 10%.
 - Drawings ₹ 10,000. Charge interest on drawings @ 10% per annum.
 - Provide 10% depreciation on machinery costing ₹ 2,500.
 - Provide 10% depreciation on machinery costing ₹ 2,500. (was purchased on 1 Oct)
 - Provide 10% p.a. depreciation on machinery costing ₹ 2,500.
 - Provide 10% p.a. depreciation on machinery costing ₹ 2,500. (was purchased on 1 Oct)
 - Furniture of ₹ 50,000 lost by fire.
 - It was uninsured.
 - It was insured and 100% claim admitted by insurance company.
 - It was insured and insurance company admitted 60% claim.
 - It was insured and insurance company paid 60% claim.
 - Bought equipment worth ₹ 1,00,000.
 - Bought machinery worth ₹ 70,000. Installment charges ₹ 10,000.
 - Sold goods costing ₹ 8,000 to Veer invoiced @ 20% above cost, less 5% trade discount.
 - Veer accepted a B/R.
 - B/P issued to creditors ₹ 15,000.
 - Bank loan was repaid by issuing debentures ₹ 5,00,000.

Q4. Journalise:

2017

Jan	1	Received an order from Karan for ₹ 75,000 for supply of goods and received ₹ 40,000 as advance.
Jan	2	Goods worth ₹ 75,000 supplied to Karan.
Jan	3	Purchased goods from Devyani for ₹ 30,000.
Jan	5	Sold 2/5 of the above goods at a profit of 1/3 on cost.
Jan	8	Paid income tax of ₹ 12,000.
Jan	16	Received a VPP from Viraj for ₹ 1,200. Sent a peon to collect it who paid ₹ 50 as cartage.

Jan	18	Bought a horse for ` 20,000 and a cart for ` 2,000 for delivery of goods.
Jan	20	Paid to Rita on behalf of Devyani ` 5,000.
Jan	25	Paid to Sia ` 9,000 in full settlement of her dues of ` 10,000.
Jan	27	Bricks for ` 15,00,000 and timber for ` 10,00,000 purchased for the construction of building.
Jan	28	Bought an old building for ` 50,00,000. Spent ` 5,00,000 on its repairs.
Jan	29	Office building repaired/ renovated / whitewashed ` 8,00,000.
Jan	31	Bought stapler and other stationery ` 1,000.
Feb	1	Paid fire insurance premium on building by cheque ` 1,000 and owner's life insurance premium ` 4,000.
Feb	3	Paid for office cleaning ` 2,000.
Feb	4	Purchased an iron safe for ` 75,000.
Feb	7	Purchased an electric fan for ` 5,000.
Feb	9	Purchased a horse for ` 1,50,000 by cheque.
Feb	12	The horse died, its carcass was sold for ` 10,000.
Feb	13	Paid to landlord by cheque ` 1,20,000 for rent. One third of the building is occupied by the proprietor for residential use.
Feb	15	Bought share in "Colgate Ltd" for ` 50,000 and brokerage paid @ 2%. All the payment is made by cheque.
Feb	16	Took a bank loan of ` 2,00,000.
Feb	17	Paid interest on above ` 1,500.
Feb	20	Bought new car for ` 5,00,000 in exchange of old car (Book value ` 70,000, exchange value ` 30,000) and paid the rest through cheque.
Feb	22	Sold personal car of the proprietor for ` 1,50,000 against cheque which was deposited in firm's bank a/c.
Feb	25	Paid ` 300 as security for installation of telephone.
Feb	28	Paid advertisement expenses Rs 150, electricity expenses ` 100 and subscriptions ` 50.
Mar	1	Purchased goods from Arsh ` 30,000.
Mar	2	Returned goods worth ` 3,000 to Arsh and received their credit note.
Mar	3	A colour TV was purchased for proprietor for ` 20,000 and payment made out of business's money.
Mar	4	Started business with cash ` 1,00,000, Bank ` 2,00,000, furniture ` 50,000 and goods of ` 70,000.



Provisions and Reserves

Provisions:

- *The term Provision refers to any of the following:*
 - The amount written off or retained by way of providing for depreciation, renewals or diminution in the value of assets or
 - The amount retained by way of providing for any known liability of which the amount cannot be determined with substantial accuracy.
 - Thus, in case the amount with respect to a liability or expected loss is not certain, a certain amount is set aside to meet it in the future by debiting the profit and loss account.
 - Provision is a charge against profits and is created by debiting the profit and loss account.
 - Provisions are shown either on the asset side as a deduction from respective assets (eg provision for doubtful debts) or in the liabilities side under the sub-head 'Provisions'.
-

Reserves:

- Reserves refer to profits retained in the business/ accumulated or undistributed profits to strengthen the financial position of a firm.
- If the amount equal to the reserve is invested in outside securities, it is called a '**Reserve Fund**'. But if there are no specific investments and the amount is reinvested in the business itself, it is called a **Reserve**.
- Reserves are shown on the liabilities side of the balance Sheet as in reality, this amount belongs to the owner of the business ultimately just as capital does.
(Also, reserves themselves are not assets but represent that portion of assets that is free to be utilized as the need may be and does not represent any particular liability.)
- **Reserves can be of two types:**
 - a. Revenue Reserves:
 - These are created out of profits available for distribution as dividends. They may be:
 - i. *General reserves* – reserves not created for any specific purpose. This amount is available for any future contingency or expansion of business. Examples are general reserves, Contingency reserves etc.
 - ii. *Specific Reserves* – reserves that are created for a specific purpose and can be utilized only for that purpose.. E.g. dividend equalization reserves, investment fluctuation reserves, Debenture redemption reserves.

b. Capital Reserves:

- Reserves not created out of operating profits (but out of capital profits) and these are not available for distribution as cash dividends.. For a company, examples of such reserves are:
 - i. Profits prior to incorporation
 - ii. Premium on issue of shares and debentures
 - iii. Profit on reissue of forfeited shares
 - iv. Profits on redemption of debentures
 - v. Profits on sale of fixed assets
 - vi. Profits on revaluation of fixed assets
 - vii. Profits on sale of whole or part of an undertaking.

• Secret Reserves:

This is a reserve that is not disclosed in the balance sheet. It is also called a Hidden or Internal reserve. Such reserves are created by either showing the assets at a lower amount or the liabilities at a higher amount. Some of the ways in which a secret reserve can come into existence are:

- a. By charging excess depreciation
- b. By undervaluing stocks or goodwill
- c. By creating excess provision for bad debts or other contingencies
- d. By charging capital expenditure to the P and L A/c etc

Differences between:

Basis	Reserve	Provision
a. Appropriation/Charge	Appropriation of profits	Charge against profits
b. Financial position	Created to strengthen the financial position and meet unforeseen liabilities or losses	Made to meet known liabilities or contingencies if the amount cannot be determined in advance.
c. Charge	Debited to P and L Appropriation A/c	Debited to P and L A/c
d. Investment	May be invested outside the business	Not invested outside the business
e. Distribution	Unutilized part of general reserve can be distributed as dividends	Cannot be used to pay dividends
f. Prudence	Created out of profits as a matter of prudence	Made out of legal necessity

(Difference between Revenue and capital Reserve – T.S Grewal)

THEORY BASE OF ACCOUNTING

What is GAAP?

GAAP stands for *Generally Accepted Accounting Principles*

- They are general rules or norms adopted by accountants universally to record accounting transactions.
- It ensures uniformity in accounting information.
- Helps in drawing meaningful & useful conclusions by the users.

They are classified into:

- Accounting Concepts or Assumptions
- Accounting Conventions

ACCOUNTING CONCEPTS

Also known as Accounting Assumptions are rules or norms presumed to have been followed while preparing accounts.

Going Concern Assumption/Continuity Assumption:

- It is assumed that business shall continue to exist for an indefinite period of time with no intention to close its operation.
- This facilitates distinction between current & fixed assets, long term & current liabilities & capital & revenue expenditure.

Consistency Assumption:

- Accounting practices once selected & adopted should be applied consistently year after year
- Applicable when alternative methods of accounting are equally acceptable
- Helps in better understanding of accounting information & enables inter-firm & inter-period comparisons
- It does not mean inflexibility, any change in accounting policies should be completely disclosed with the effects of such changes.

Accrual Assumption:

- Revenue is said to be realized & expenses are said to be incurred when the benefit is given & received respectively.
- It has nothing to do with cash received or cash paid.
- It helps in determining the accounting period for revenues earned and expenses incurred.

ACCOUNTING PRINCIPLES

They are set of conventions followed by enterprises over a period of time which may undergo a change with time.

1. Accounting Entity Principle or Business Entity Principle or Separate Entity Principle:

- Business is treated as separate & distinct entity from its owners for the purpose of accounting.
- All transactions are recorded from the point of view of business though they are performed by the owner
- It is because of this assumption the money introduced by owner is considered as liability of the business towards the owner.
- Helps in managing responsibility accounting.

2. Money Measurement Principle or Monetary Unit Concept:

- Transactions or events that can be measured in money terms can only be recorded in the books of accounts.
- Qualitative aspects i.e. which cannot be expressed in monetary terms are ignored, howsoever important they may be to the enterprise.
- Money is considered to have constant value i.e. it ignores the changes in the purchasing power of money

3. Accounting Period Principle/Periodicity:

- Life of the enterprise which is assumed to be for an indefinite period is broken into smaller periods (usually one year) to facilitate measurement of performance.
- It enables availability of accounting information to its users at regular intervals for decision making
- Facilitates management to take timely corrective measures.

4. Full Disclosure Principle:

- Every business enterprise should provide with full, fair & adequate information to its users to facilitate decision making.
- Financial Statements should be a means of conveying and not concealing
- All the desired information & material facts should be disclosed to both its internal & external users.

5. Materiality Principle:

- It is an exception to the Full Disclosure Principle
- It states that all relatively relevant items, the knowledge of which might influence the decision of the users should be disclosed in the financial statements.
- Where an item is material or not depends upon the nature, amount & size of the organization.

6. Conservatism Principle or Prudence:

- “Do not anticipate profits, but provide for all losses”
- It is based on the policy of playing safe i.e. profits in anticipation should not be recorded but losses in anticipation should immediately be accounted for.
- Through this cautious approach, profits of an enterprise are not overstated, giving a fair picture of the financial status of an enterprise.

7. Cost Principle or Historical cost Concept:

- This principle states that all assets are required to be recorded at their cost of purchase plus all expenses incurred for making the asset ready to use.
- This ensures objectivity & reduces the influence of personal bias in the preparation of accounts.
- The cost of the asset is systematically reduced from year to year by charging depreciation

8. Matching Concept or Matching Principle:

- According to this principle, expenses incurred in one period should be matched with the revenues recognized in that period
- It helps in ascertaining the amount of profit/loss incurred during a particular period.
- It disregards the timing & amount of actual cash outflow

9. Dual Aspect or Duality Principle:

- Each transactions is said to have two aspects, a debit & a credit of the same amount.
- The Fundamental Equation of: $ASSETS = LIABILITIES + CAPITAL$, always remain true.

10. Revenue Recognition Concept

- Revenue is said to be realized when goods or services are rendered by the business enterprise
- It has nothing to do with cash received
- It facilitates to recognize the revenue to be considered in the income statement for a particular period.
- Exceptions: a. Long term contracts b. Hire Purchase Agreement

11. Verifiable Objective Principle:

- Accounting should be free from personal bias.
- All business transactions should be evidenced & supported by business documents
- It helps in audit & verification of accounts

ACCOUNTING STANDARDS

Accounting standards are set of rules and regulations, issued by the accounting institution, that are followed for preparation and presentation of financial statements. The objective of Accounting Standards is to bring uniformity in accounting practices and to ensure transparency, consistency and comparability. In India, Accounting Standards are issued by the Institute of Chartered Accountants of India who has issued 32 Accounting Standards till date.

Accounting Standards serve the following objectives:

- For bringing uniformity in accounting methods
- For improving the reliability of the financial statements
- Simplifying the accounting information
- Prevents frauds and manipulations
- Helps auditors

IFRS – INTERNATIONAL FINANCIAL REPORTING STANDARDS

International Financial Reporting Standards are principle based accounting standards issued by IASB (International Accounting Standards Board) to be used by the enterprise globally to produce financial statements.

The Financial Statements prepared under IFRS are:

- Statement of Financial Position
- Statement of Comprehensive Income
- Statement of Changes in Equity
- Statement of Cash Flow
- Notes and Significant Accounting Policies.

IFRS serve the following objectives:

- To develop understandable and enforceable global accounting standards.
- To bring about convergence of national accounting standard with international standards.
- To promote use of standards.
- To take account of special needs of small and medium sized entities emerging in the economies.

In India, the ICAI had announced that IFRS will be mandatory for financial statements beginning on or after 1st April, 2011. It is applicable for companies worth above ₹1000 crore. It was decided to converge its accounting standards with IFRS titled as **Ind-AS**.

DIFFERENCE BETWEEN AS AND IFRS

Accounting Standard	IFRS
Rule based	Principle Based
Assets and Liabilities to be shown according to Historical Cost Concept.	Assets and Liabilities to be shown at the fair value as at the date of the Balance Sheet.



Practicals
MADE BY Ekant Saraogi, Svasti Pant and Tarannum Malhotra
CLASS XI E 2018-2019
M.M 15

S.No. Questions

Marks

1. From the following trial balance of a cloth merchant, you are required to prepare trading and profit/loss account and balance sheet for the year ending 31 March 2018.

8

Debit Balance	Amt	Credit Balance	Amt
Adjusted purchases	1,93,500	Sales	3,24,500
Wages	23,250	Rent from sublet	700
Carriage on purchases	18,000	Provision for doubtful debts	3,000
Prepaid insurance	625	Cash Discount	4,000
Bad debts	600	Capital	71,175
Rent	5,500	Creditors	18,750
Insurance	2,250	Security deposit received from tenants	900
Salary	13,500	Provision for depreciation on plant	2000
Debtors	37,500		
Stock(31st March 2016)	20,500		
Investments	10,000		
Cash	14,500		
Power	800		
Trademarks	10,500		
Plant	50,000		
Income Tax	2,000		
8% Loan to Mr. Leo(given on 1st july 2015)	22,000		
	4,25,025		4,25,025

Adjustments:-

- (i) Wages include ₹10,000 on installation of plant. Depreciate Plant@ 10%p.a. On WDV.
- (ii) Goods worth Rs. 2750 were taken by the owner for his personal use, no entry made.
- (iii) Write off Rs.500 from debtors as Bad debts and create a provision for doubtful Debts @ 5% and 2% provision for discount on debtors.
- (iv) Salary is paid only for 9 months.
- (v) Goods worth Rs.5,000 (selling price worth Rs. 6500) were destroyed by fire. Insurance company admitted 70% claim.
- (vi) The proprietor has got Bills Receivables worth Rs. 5,000 discounted from bank. Maturity date is 1st May 2016.

2. From the following Trial Balance of Mr.Sarthak for the year ended 31st March 2018.. 7
Prepare Final Accounts.

Particulars	Dr (₹)	Cr (₹)
Cash in hand	1080	
Cash at Bank	5260	
Purchases	81350	
Returns Outwards		1000
Sales		197560
Returns Inward	1360	
Wages	20960	
Fuel and Power	9460	
Carriage on Sales	6400	
Carriage on Purchases	4080	
Stock on April 1,2017	11520	
Building	60000	
Freehold land	20000	
Machinery	40000	
Salaries	30000	
Patents	15000	

General expenses	6000	
Insurance	1200	
Capital		142000
Drawings	10490	
Sundry debtors	29000	
Sundry Creditors		12600
Input CGST	2500	
Input SGST	2500	
Output IGST		5000

Adjustments:

1. Stock on 31 March 2018 is ₹13600
2. Machinery to be depreciated at 10% and patents at 20%
3. Salaries for the month of March 2018 amounting to ₹3000 were unpaid
4. Insurance included a premium of ₹170 for next year
5. Wages include a sum of ₹4000 spent on constructing a cycle shed for employees and customers
6. Provision for doubtful debts to be created at 5% on sundry debtors

Prepare Trading and P/L Account and Balance Sheet .



XII ACCOUNTS

CHAPTER 1: FINANCIAL STATEMENTS OF A COMPANY
FORMAT OF BALANCE SHEET OF A COMPANY
AS PER NEW SCHEDULE III OF COMPANIES ACT, 2013

Particulars	Note No.	Figures as at the end of the current reporting period	Figures as at the end of the previous reporting period
I. <u>EQUITY AND LIABILITIES</u> (1) Shareholder's Fund (a) Share Capital (b) Reserves & Surplus (c) Money received against share warrant (2) Share application Money Pending Allotment (3) Non-Current Liabilities (a) Long term Borrowings (b) Deferred Tax Liability (c) Other long term liabilities (d) Long term provisions (4) Current Liabilities (a) Short term borrowings (b) Trade Payables (c) Other Current Liabilities (d) Short term provisions TOTAL			
II. <u>ASSETS</u> (1) Non-Current Assets (a) Fixed Assets (i) Tangible Assets (ii) Intangible Assets (iii) Capital Work in progress (iv) Intangible assets under development (b) Non-current investments (c) Deferred tax assets (d) Long term loans & advances (e) Other non-current assets (2) Current Assets (a) Current Investments (b) Inventories (c) Trade receivables (d) Cash & cash equivalents (e) Short term loans & advances (f) Other current assets TOTAL			

Notes to accounts:**A. Share Capital:**

Particulars	Amount
a) Authorised Capital	
b) Issued Capital	
c) Subscribed and fully paid up capital	
d) Subscribed but not fully paid up capital	
Less: Calls in Arrear	
Add: Forfeited Shares a/c	

B. Reserves and surplus:

Particulars	Amount
a) Capital Reserves	
b) Capital Redemption Reserve	
c) Securities Premium Reserve	
d) Debenture Redemption Reserve	
e) Revaluation Reserve	
f) Share Options Outstanding Account	
g) Other Reserves :	
i. Dividend Equalisation reserve	
ii. General reserve	
iii. Tax reserve	
h) Balance in the Statement of Profit & Loss Account (Debit or Credit)	

C. Long Term Borrowings

Particulars	Amount
a) Debentures/Bonds	
b) Term Loans:	
from Banks	
from other parties	
c) Deposits	
d) Other Loans & Advances	
e) (Long Term Borrowings are classified as Secured & Unsecured)	

D. Other Long Term Liabilities:

Particulars	Amount
a) Trade payables(if payable after 12 months)	
b) Premium payable on redemption of debentures	
c) Premium payable on redemption of preference shares	

E. Long Term provisions

Particulars	Amount
a) Provision for Employee Benefits	
b) Provision for warranty(if payable after 12 months)	

F. Short term borrowings:

Particulars	Amount
a) Loans repayable on demand: <ul style="list-style-type: none"> • from banks • from other parties b) Cash credit limits c) Short term Loans repayable on demand from other sources d) Security Deposits e) Bank Overdraft f) Other Loans & advances	

G. Trade Payables

Particulars	Amount
a) Creditors b) Bills Payable/Acceptances	

H. Other Current Liabilities:

Particulars	Amount
a) Current Maturities of Long Term Debt b) Interest accrued but not due on borrowing c) Interest accrued & due on borrowings d) Income received in advance e) Unpaid dividends f) Application Money received on securities due for refund & interest thereon g) Unpaid matured deposits/debentures & interest accrued thereon h) Outstanding Expenses i) Calls in advance j) Statutory Dues such as VAT, CST etc. k) Premium on redemption of debentures(due for redemption in 1 year) l) Advances from customers	

I. Short term Provisions

Particulars	A Amount
a) Provision for Employee Benefits e.g. Leave encashment, gratuity etc. b) Provision for doubtful debts c) Provision for expenses d) Provision for tax e) Other provisions	

J. Tangible Assets

Particulars	Amount
a) Land b) Plant & Equipment c) Buildings d) Furniture & Fixtures	

e) Vehicles	
f) Office Equipment	
g) Others	

K. Intangible Assets

Particulars	Amount
a) Goodwill	
b) Brands/Trademarks	
c) Computer Software	
d) Mastheads & Publishing Titles	
e) Copyrights, Patent & other intellectual rights	
f) Services & Operating rights	
g) Licenses & franchise	
h) Recipes, formulae, models & designs	
i) Others	

L. Non-Current Investments

Particulars	Amount
a) Invt. In property	
b) Invt. In Equity Instruments	
c) Invt. In Preference Shares	
d) Invt. In Govt. Or Trust Securities	
e) Invt. In Debentures or Bonds	
f) Invt. In Mutual Funds	
g) Invt. In Partnership Firms	
h) Other Non-current Invt.	

M. Long Term Loans and Advances

Particulars	Amount
(Loans & Advances that are not to be received back in cash or in the form of an asset within 12 months)	
a) Capital Advances	
b) Security Deposits	
c) Loans & Advances to related parties	
d) Other loans & advances	

N. Other Non-Current assets

Particulars	Amount
(Non-current assets which do not fall in any other category)	
a) Trade receivables on long term deferred credit terms	
b) Long term trade receivables	
c) Others	

O. Current investments

Particulars	Amount
(Invt. Which are held to be converted into cash within 12 months)	
a) Invt. In Equity Instruments	
b) Invt. In Preference Shares	

c) Invt. In Govt. Or Trust Securities	
d) Invt. In Debentures or Bonds	
e) Invt. In Mutual Funds	
f) Invt. In Partnership Firms	
g) Other current Invt.	

P. Inventories

Particulars	Amount
a) Raw materials	
b) Work in Progress	
c) Finished Goods	
d) Stock in Trade	
e) Stores & spares	
f) <u>Loose Tools</u>	
g) Others	

Q. Trade receivables

Particulars	Amount
a) Debtors	
b) B/R	

R. Cash and Cash Equivalents

Particulars	Amount
(They are short term highly liquid invt. that are readily convertible into known amt. of cash with an insignificant risk of change in value.)	
a) Balance with banks	
b) Cheques, drafts	
c) Cash in hand	
d) Others	

S. Short term loans & advances

Particulars	Amount
a) Loans & advances to related parties	
b) Security deposits	
c) Loans to employees	
d) Deposits with customs and excise department	
e) Advance income tax	
f) Others	

T. Other current assets

Particulars	Amount
a) Accrued income	
b) Prepaid expenses	
c) Interest accrued on investments/loans & advances	
d) Income tax refund due	

U. Contingent liabilities and commitments

Particulars	Amount
a) Claims against the company not acknowledged as debt b) Proposed Dividend c) Guarantees d) Discounted bills not yet matured e) Estimated amount of contracts remaining to be executed on capital account and not provided for f) Uncalled liability on shares and other investments partly paid g) Arrear of fixed cumulative preference dividend h) Other money for which company is contingently liable	

Important theory points for preparation of a balance sheet

1. An asset shall be classified as **current** when it satisfies any of the following criteria:

- It is expected to be realized in, or is intended for sale or consumption in, the company's normal operating cycle;
- It is held primarily for the purpose of being traded;
- It is expected to be realized within twelve months after the reporting date; or
- It is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

All other assets shall be classified as non-current.

2. A liability shall be classified as **current** when it satisfies any of the following criteria:

- It is expected to be settled in company's normal operating cycle;
- It is held primarily for the purpose of being traded;
- It is expected to be settled within twelve months after the reporting date; or
- The company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

All other liabilities shall be classified as non-current.

3. An operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. When the operating cycle cannot be identified, it is assumed to have duration of 12 months.

4. Money received against a share warrant-A share warrant is a financial instrument which is issued by a public company against which the holder have the right to acquire specified no. of equity shares at a future date at a predetermined price. It is part of shareholders fund because it can only be converted into shares according to terms of issue. Money received against share warrant is shown under the head "shareholders fund".

5. Share application money pending allotment-It is the money which is received by the company against share application but shares are yet to be allotted.

6. Contingent liabilities and commitments-

- a) **Contingent liabilities**-Contingent liability is a liability which is not arisen yet but it may be a liability in future depending on the future circumstances .It is an uncertain liability. It should be noted that contingent liability is never shown in the balance sheet but always comes in notes to accounts.

It can be classified into:

- i. Proposed dividend
- ii. Claims against the company not acknowledged as debt
- iii. Guarantees
- iv. Other money for which company is contingently liable

- b) **Commitments**-It is an agreement to perform a particular activity at a certain time in future under certain circumstances.

It can be classified into:

- i. **Estimated amount of contracts remaining to be executed on capital account and not provided for**
- ii. **Uncalled liability on shares and other investments partly paid**
- iii. **Arrear of fixed cumulative preference dividend**

7. **Preliminary expenses**-As per **AS-26**, **preliminary expenses** are to be written off in the year in which they are incurred. So, **it does not appear in the balance sheet**. It is either written off from the securities premium reserve, as is permitted under section 78 of the companies act, 1956, or is debited to the Statement of profit or loss.

8. **Share option outstanding account**: It is a type of employee compensation wherein employees are offered an option to apply, and get allotment of company's share at a future date at a predetermined price which is generally below the market price significantly.

Type I Questions:

Q1. Name the major headings under the Equity and Liabilities side of the company's Balance Sheet as per Part I of new Schedule III of Companies Act, 2013.

Q2. Name the major headings under the Assets side of the company's Balance Sheet as per Part I of new Schedule III of Companies Act, 2013.

Type II Question:

Q1. Name the sub-headings under the head Shareholder's Fund of the company's Balance Sheet as per Part I of new Schedule III of Companies Act, 2013.

Q2. Name the sub-headings under the head Non-Current Liabilities of the company's Balance Sheet as per Part I of new Schedule III of Companies Act, 2013.

Q3. Name the sub-headings under the head Current Liabilities of the company's Balance Sheet as per Part I of new Schedule III of Companies Act, 2013.

Q4. Name the sub-headings under the head Non-Current Assets of the company's Balance Sheet as per Part I of new Schedule III of Companies Act, 2013.

Q5. Name the sub-headings under the head Current Assets of the company's Balance Sheet as per Part I of new Schedule III of Companies Act, 2013.

Q6. Name the sub-headings under the sub-head Fixed Assets of the company's Balance Sheet Part I of new Schedule III of Companies Act, 2013.

Type III Questions:

Q1. List any four items that can be shown under the following headings:

Reserves & Surplus:

Other Non-Current Liabilities:

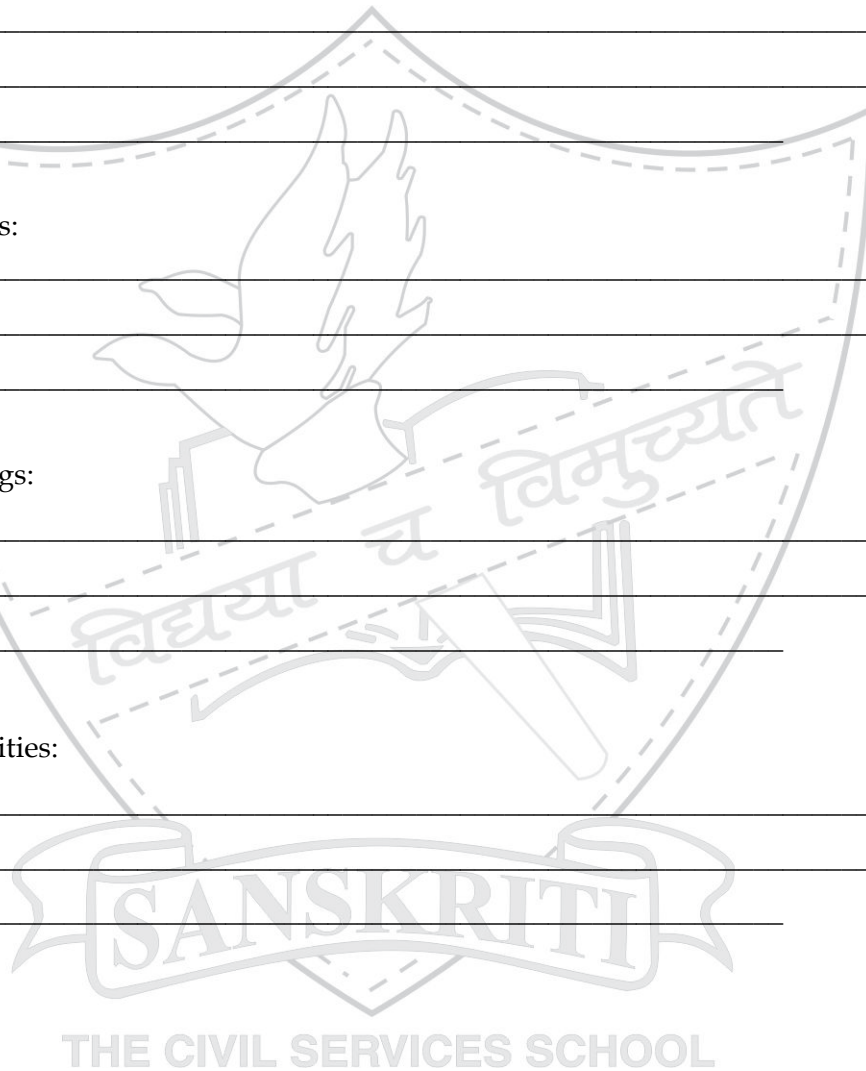
Long term Provisions:

Short term borrowings:

Other Current Liabilities:

Inventories:

Cash & Cash Equivalents:



Type IV Questions:

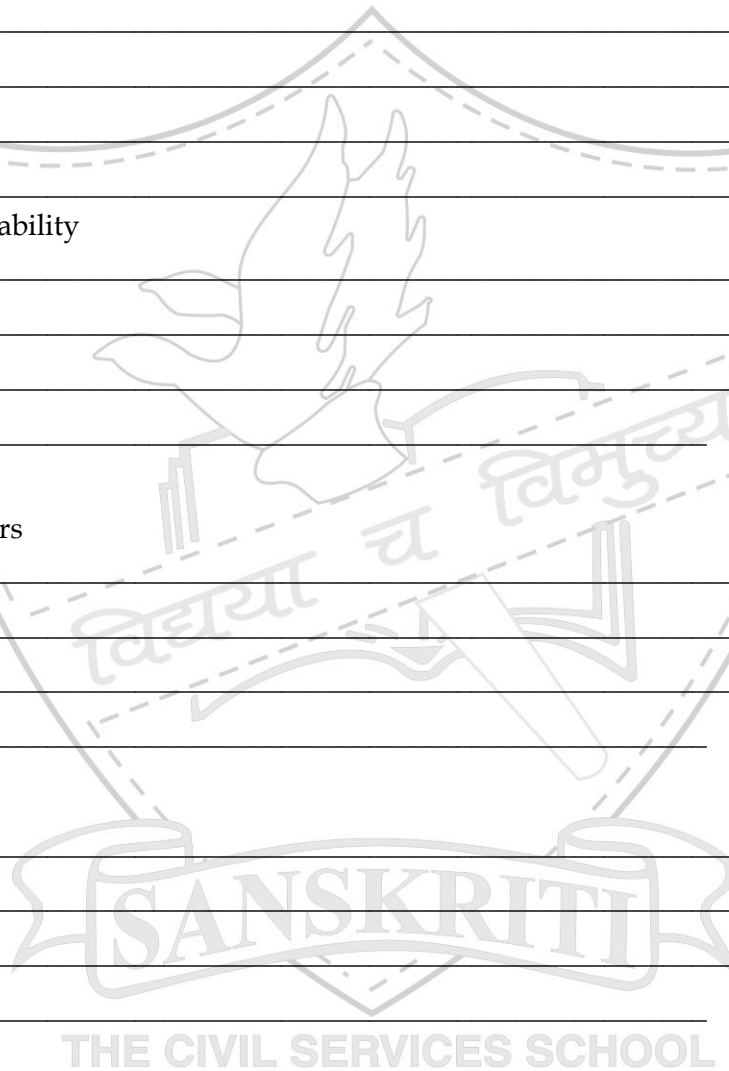
How will you treat the following items in the company's balance sheet:

- a) Forfeited shares

- b) Calls in advance

- c) Contingent liability

- d) Calls in arrears



Type V Questions:

Under what heads and subheads will you classify the following items?

ITEM	MAIN HEAD	SUB HEAD
1) Bills Receivable		
2) Loose tools		
3) Unclaimed dividend		
4) Proposed dividend		
5) Long term loans and advances		
6) Reserves and surplus		
7) Capital reserve		
8) Live stock		
9) Debentures		
10) Interest accrued on investments		
11) Bills Payable		
12) Cash at bank		
13) Stock in trade		
14) Prepaid insurance		
15) Unclaimed dividend		
16) Provision for provident fund		
17) Contingent liability		
18) Mortgage loan		
19) General reserve		
20) Authorised capital		

21) Loan repayable on demand		
22) Deferred tax asset		
23) Building under construction		
24) Mining rights		
25) Provision for doubtful debts		
26) Share option outstanding		
27) Debit balance of statement of profit and loss		
28) Public deposits		
29) Debtors		
30) Work in progress		
31) Outstanding wages		
32) Preference shares in ABC Ltd.(to be redeemed after 2 years)		
33) Provision for tax		
34) Share application money pending allotment		
35) Estimated amount of contracts remaining to be executed on capital a/c and not provided for		
36) Guarantees		
37) Cheques in hand		
38) Computer software		

STATEMENT OF PROFIT AND LOSS

Details of certain items:

- 1) REVENUE FROM OPERATIONS:
 - a) Revenue from sale of products(gross)
 - Less:returns
 - b) Revenue from sale of services(net)
 - c) Other operating revenues ex.sale of scrap
 - Less excise duty collected

Note: In case of financing companies, RFO will include Interest income, Dividend income, Net gain/loss on sale of investments and revenue from other financial services.

- 2) Other income:
 - i. Interest income
 - ii. Dividend income
 - iii. Gain on sale of investments
 - Less: loss on sale of investments(if net loss then goes to other expenses)
 - iv. Other incomes:
 - Rent recd
 - Discount recd
 - Transfer fees
 - Sundry creditors written back
 - Excess provision for bad debts written back
 - Profit on sale of fixed assets
 - Prior period income
 - Sale of miscellaneous items(newspapers etc)
 - Revenue from project consultancy
 - Fees received from arranging loans
 - Refund of income tax
- 3) Employee benefit expenses:
 - a. Wages, salaries, bonus and leave encashment
 - b. Contribution to provident fund and other funds ex. gratuity and superannuation fund etc.
 - c. Staff welfare expenses ex. canteen expenses, medical expenses, expense on employee stock option scheme(ESOP),Employee stock purchase plan(ESPP)
- 4) Finance costs:
 - Interest expenses-interest paid on term loans, bank overdraft, cash credit, Debentures, Public deposits and bonds
 - Other borrowing costs-Discout/Loss on issue of debentures written off, premium payable on redemption of debentures written off, Loan processing charges, Guarantee charges, Commitment charges, commission paid for deposit mobilization
- 5) Other expenses: Consumption of loose tools, power and fuel
Carriage both inwards and outwards

Freight
Manufacturing expenses
Rent, rates and taxes including income tax
Insurance
Discount/commission allowed
Bad debts written off
Provision for bad debts
Repairs and Trade expenses
Administration, office and telephone expenses
Prior period expenses
Bank charges
Loss on sale of fixed assets
Lease rent and computer hiring charges
Director's fees
Audit fee
Conveyance/travelling expenses
Courier expenses
Telephone/internet/entertainment/business promotion expenses
Share issue expenses w/o, underwriting commission on issue of shares w/o

Q1. Under which head of the Statement of P & L of a financial company will you show the following:

- a) Interest paid on debentures
- b) Interest earned
- c) Prior period expenses
- d) Profit on sale of investments
- e) Patents w/o
- f) Contribution to sure annuation fund
- g) Profit on sale of fixed assets
- h) Gratuity paid

Q2. Under which head the following are recorded in a Company's financial statements:

- I. Computer software
- II. B/R
- III. Interest accrued and due on Debentures
- IV. Calls in arrears
- V. Preliminary expenses
- VI. Discount of issue of debentures w/o
- VII. Fees received for arranging loans

- Q3. Prepare Statement of P & L from the following for Alisa Ltd. as at 31st March, 2007:

	Rs.
Sales	15,00,000
Cost of material consumed	8,00,000
10% Debentures(issued on 1 oct,2006)	2,00,000
Depreciation on machinery	30,000
Wages	1,80,000
Salaries	60,000
Sale of scrap	10,000

- Q4. Prepare Statement of P & L from the following for Alisa Ltd. as at 31st March, 2007:

	Rs.
Sales	50,00,000
Purchase of stock in trade	30,00,000
Wages	10,00,000
Interest received	60,000
Bonus	1,20,000
Gratuity paid	80,000
Opening stock in trade	3,00,000
Closing stock in trade	5,00,000

- Q5. Prepare Statement of P & L from the following information:

Particulars	Amount(Rs.)
Sales	8,20,000
Returns	20,000
Sale of scrap	25,000
Interest on deposits	45,000
Dividends received	28,000
Purchase of material	2,50,000
Opening inventory of :	
Material	10,000
Finished goods	36,000
Work in progress	18,000
Wages	48,000
Bonus	10,000
Salaries	1,02,000
Medical expenses	18,000
Interest on loans	30,000
Interest on overdraft	11,000
Discount on issue of debentures	25,000
Interest on public deposits	70,000
Carriage inward	12,000
Depreciation	23,000
Selling expenses	1,02,000
Bank charges	7,000

Additional information:

1. Closing inventory:

Finished goods 20,000 ; Work in progress 28,000; Materials 12,000

2. tax rate 40%