

1. Two functions of accounting are:
  - a. Identifying financial transactions; and
  - b. Recording them in the books of account.
2. Stock-in-trade and cash in hand are two examples of current assets.
3. Error of Principle
4. Debtor
5. Drawings
6. Fixed assets
7. Straight Line Method and Written Down Value Method
8. 4<sup>th</sup> March, 2020
9. Cash account
10. **Journal**

Date	Particulars	L. F.	Debit (₹)	Credit (₹)
(a)	Drawings A/c To Purchases A/c (Goods withdrawn for domestic purpose)	Dr.	15,000	15,000
(b)	Cash A/c To Bad Debt Recovered A/c (Cash received on account of recovery of a bad debt which was previously written off)	Dr.	20,000	20,000
(c)	Bank A/c To Cash A/c (Amount paid into the bank)	Dr.	5,000	5,000
(d)	Salary A/c To Cash A/c (Salary paid)	Dr.	12,000	12,000

Or

Transactions	Assets			Liabilities + Capital				
	Cash	+	Stock	+	Machinery	Creditors	+	Owner's Capital
a.	2,00,000	+	0	+	0	0	+	2,00,000
b.	0	+	50,000	+	0	50,000	+	0
<b>New Equation</b>	<b>2,00,000</b>	<b>+</b>	<b>50,000</b>	<b>+</b>	<b>0</b>	<b>50,000</b>	<b>+</b>	<b>2,00,000</b>

c.	(50,000) +	0	+ 0	(50,000) +	0
<b>New Equation</b>	<b>2,00,000 +</b>	<b>0</b>	<b>+ 0</b>	<b>0 +</b>	<b>2,00,000</b>
d.	(30,000) +	0	+ 30,000	0 +	0
<b>New Equation</b>	<b>1,70,000 +</b>	<b>0</b>	<b>+ 30,000</b>	<b>0 +</b>	<b>2,00,000</b>

**11. Double column cash book**

Date	Particulars	L.F	Cash (₹)	Bank (₹)	Date	Particulars	L.F	Cash (₹)	Bank (₹)
	Balance b/d		2,20,000	-		Balance b/d		-	60,000
	Cash	C	-	80,000		Bank	C	80,000	-
	Interest		-	4,000		Purchases		16,000	-
						Drawings		-	2,500
						Salaries		40,000	-
						Balance c/d		84,000	21,500
			<u>2,20,000</u>	<u>84,000</u>				<u>2,20,000</u>	<u>84,000</u>

OR

**Purchases Book**

Date	Particulars	Invoice No.	L.F	Details (₹)	Total (₹)
2021 Feb 21	M/s Red: 2 dozen registers at ₹2,400 per dozen	413			4,800
Feb 22	M/s Green: 100 dozen exercise books at ₹300 per dozen	414			30,000
Feb 24	M/s Blue: 100 pens at ₹5 each	416			500
Feb 25	M/s Pink: 300 pencils at ₹3 each	417			900
	Purchases A/c			Dr.	<u>36,200</u>

**12. Bank Reconciliation Statement**

as on March 31, 2021

Particulars	Amount (₹)
Overdraft Balance as per Cash Book	(19,890)
Add: Cheque issued but not presented for payment	6,500
Interest collected by bank not credited in cash book	925
Less: Interest and collection charges debited by bank (315 + 75)	(390)
Bill discounted with bank dishonoured	(825)
Cheque sent to the bank for collection but not collected and credited by the bank	(7,250)
Debit side of cash book (bank column) overcast	(1,000)
Overdraft Balance as per Pass Book	(21,930)

13.

**Journal**

Date	Particulars	L. F.	Debit (₹)	Credit (₹)
	Suspense A/c Dr. To Purchases A/c (Purchase book was overcast, now rectified)		20,000	20,000
	Purchases Return A/c Dr. To Suspense A/c (Purchase return book was overcasted now rectified)		3,000	3,000
	Purchase Return A/c Dr. To Suspense A/c (Purchase return book's balance was carried forward in excess of ₹300, now rectified)		300	300
	Suspense A/c Dr. To Purchases A/c (Purchase book's balance was carried forward in excess of ₹4,000 now rectified)		4,000	4,000

**OR**

**Trial Balance**  
as on March 31, 2021

Sl. No.	Account Title	Debit Balances (₹)	Credit Balances (₹)
1.	Bank Overdraft		1,02,000
2.	Sales		9,72,000
3.	Purchases Return		27,000
4.	Debtors	4,80,600	
5.	Wages	1,15,200	
6.	Capital (Balancing figure)		1,90,500
7.	Purchases	5,34,000	
8.	Cash in Hand	10,200	
9.	Creditors		2,58,000
10.	Sales Return	18,900	
11.	Equipment	30,000	
12.	Opening Stock	3,60,600	
	<b>Total</b>	<b>15,49,500</b>	<b>15,49,500</b>

14.

Dr. Machinery A/c			Cr.		
Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2019 April 1	Bank A/c (3,80,000 + 20,000)	4,00,000	2020 March 31	Depreciation A/c	50,000
			March 31	Balance c/d	3,50,000
		4,00,000			4,00,000
2020 April 1	Balance b/d	3,50,000	2021 March 31	Depreciation A/c	50,000
			March 31	Balance c/d	3,00,000
		3,50,000			3,50,000
2021 April 1	Balance b/d	3,00,000	2022 March 31	Depreciation A/c	50,000
			March 31	Balance c/d	2,50,000
		3,00,000			3,00,000

Dr. Depreciation A/c			Cr.		
Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)

2019 March 31	Machinery A/c	50,000	2019 March 31	Profit and Loss A/c	50,000
		50,000			50,000
2020 March 31	Machinery A/c	50,000	2020 March 31	Profit and Loss A/c	50,000
		50,000			50,000
2021 March 31	Machinery A/c	50,000	2021 March 31	Profit and Loss A/c	50,000
		50,000			50,000

**Working Note:**

Cost of Asset = ₹ (3,80,000 + 20,000) = ₹ 4,00,000

**Annual Depreciation**

= (Cost of Asset – Scrap Value) / Estimated Useful Life of Asset

= ₹ (4,00,000 – 1,00,000) / 6

= ₹ 3,00,000 / 6

= ₹ 50,000

15.

Journal

**In the Books of Parbati**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2021 January 1	Keshav's A/c To Sales A/c (Sold goods to Keshav)	Dr.	70,000	70,000
January 1	Bills Receivable A/c To Keshav's A/c (Promissory note accepted by Keshav)	Dr.	70,000	70,000
February 5	Cash A/c To Bills Receivable A/c (Promissory note honoured on maturity)	Dr.	70,000	70,000

Journal

**In the Books of Keshav**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2017 January 1	Purchases A/c To Parbati's A/c (Goods bought from Parbati)	Dr.	70,000	70,000
January 1	Parbati's A/c To Bills Payable A/c (Promissory note drawn by Parbati, accepted)	Dr.	70,000	70,000
February 5	Bills Payable A/c To Cash A/c (Promissory note honoured on maturity)	Dr.	70,000	70,000

**Note:** Here, 4th February 2017 falls on the emergency holiday, therefore, the due date will be on succeeding date i.e. 5th February, 2017.

**16. Journal**

Date	Particulars	L. F.	Debit (₹)	Credit (₹)
(a)	Cash A/c To Capital A/c (Started business with cash)	Dr.	1,60,000	1,60,000
(b)	Bank A/c To Cash A/c (Deposited cash into bank)	Dr.	1,00,000	1,00,000
(c)	Stationery A/c Input CGST A/c Input SGST A/c To Cash A/c (Bought stationery)	Dr. Dr. Dr.	600 36 36	672
(d)	Purchases A/c Input CGST A/c Input SGST A/c To Cash A/c (Goods purchased)	Dr. Dr. Dr.	42,000 2,520 2,520	47,040
(e)	Cash A/c To Sales A/c To Output CGST A/c To Output SGST A/c (Sold goods)	Dr.	16,800	15,000 900 900
(f)	Furniture A/c	Dr.	10,000	

	Input CGST A/c Input SGST A/c To Prakash Bros. A/c (Purchased furniture )	Dr. Dr.	600 600	11,200
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**17.**

Dr.			Machinery A/c			Cr.		
Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)			
2017 July 1	Bank A/c M1           90,000 M2           90,000 M3 <u>1,80,000</u>	3,60,000	2018 March 31	Balance c/d M1           90,000 M2           90,000 M3 <u>1,80,000</u>	3,60,000			
		3,60,000			3,60,000			
2018 April 1	Balance b/d M1           90,000 M2           90,000 M3 <u>1,80,000</u>	3,60,000	2019 March 31	Balance c/d M1           90,000 M2           90,000 M3 <u>1,80,000</u>	3,60,000			
		3,60,000			3,60,000			
2019 April 1	Balance b/d M1           90,000 M2           90,000 M3 <u>1,80,000</u>	3,60,000	2019 April 1	Provision for Depreciation A/c	15,075			
		3,60,000	April 1	Bank A/c (Sale of M1 )	30,000			
			April 1	Profit and Loss A/c (Loss on Sale of M1)	44,925			
			2020 March 31	Balance c/d M2           90,000 M3 <u>1,80,000</u>	2,70,000			
		3,60,000			3,60,000			
2020 April 1	Balance b/d M2           90,000 M3 <u>1,80,000</u>	2,70,000	2021 Jan 1	Provision for Depreciation A/c	27,625			
		2,70,000	Jan 1	Bank A/c (Sale of M2)	64,875			
2021 Jan 1	Profit and Loss A/c (Profit on Sale of M2)	2,500	Mar 31	Balance c/d M3           1,80,000 M4 <u>1,00,000</u>	2,80,000			
Jan 1	Bank A/c (M4)	1,00,000			2,80,000			
		3,72,500			3,72,500			

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Dr.			Depreciation A/c			Cr.		
Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)			
2018 March 31	Provision for Depreciation A/c (90,000 x 4 x 10% x 9/12)	27,000	2018 March 31	Profit & Loss A/c	27,000			
		27,000			27,000			
2019 March 31	Provision for Depreciation A/c (90,000 x 4 x 10%)	36,000	2019 March 31	Profit & Loss A/c	36,000			
		36,000			36,000			
2020 March 31	Provision for Depreciation A/c (90,000 x 3 x 10%)	27,000	2020 March 31	Profit & Loss A/c	27,000			
		27,000			27,000			
2021 March 31	Provision for Depreciation A/c [(90,000 x 2 x 10%) + (1,00,000 x 10% x 3/12)]	20,500	2021 March 31	Profit & Loss A/c	20,500			
		20,500			20,500			

**Working Note 1:**

Evaluate M1 Profit &amp; Loss on Sale

Particulars	Amount (₹)
Value of Machinery on 1st July, 2017	90,000
Less: 9 months depreciation	(6,750)
	83,250
Value of Machinery on 1st April, 2018	83,250
Less: Depreciation	(8,325)
	74,925
Value of Machinery on 1st April, 2019	74,925
Less: Sale Value	(30,000)
	44,925



Loss on Sale	44,925
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**Working Note 2:**

Calculation of Profit & Loss on Sale of M2

Particulars	Amount (₹)
Value of Machinery on 1st July, 2017	90,000
Less: 9 months depreciation	(6,750)
Value of Machinery on 1st April, 2018	83,250
Less: Depreciation	(8,325)
Value of Machinery on 1st April, 2019	74,925
Less: Depreciation	(7,493)
Value of Machinery on 1st April, 2020	67,432
Less: 9 months depreciation	(5,057)
Value of Machinery on 1st January, 2021	62,375
Less: Sale Value	(64,875)
Profit on Sale	2,500

**Note:**

Machinery bought on 1st July, 2017 is divided into M1, M2 and M3.

M1: ₹ 90,000 (sold for ₹ 30,000 on 1st April, 2019)

M2: ₹ 90,000 (sold for ₹ 64,875 on 1st January, 2021)

M3: ₹ 180,000 (comprises the cost of remaining two machines still exist in business)

18. Profit and loss account

19. An asset

20. Sales and closing stock

21. Gross profit = ₹8,00,000 × 25/100 = ₹2,00,000

Cost of Goods sold = Sales - Gross profit = ₹8,00,000 - ₹2,00,000 = ₹6,00,000

22. Ready-made softwares, customised softwares and tailor-made softwares.

23. Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
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	Dr.		5,000	5,000
Prepaid Expense A/c To Expense A/c (Prepaid expense adjusted)				

24. Closing capital  
= Opening capital - Drawings + Profit during the year  
= ₹89,000 - ₹36,000 + ₹56,000 = ₹1,09,000
25. Keyboard and Monitor
26. Ready-made softwares is the software that is developed not for any specific user but for the users in general.

27. Gross profit on cost =  $33\frac{1}{3}\%$   
Cost =  $\frac{1}{3}rd$   
 $\therefore$  Gross Profit on Sales =  $\frac{1}{4}th$

Sales  
= Cash Sales + Credit Sales  
= ₹ 90,000 + ₹ 60,000  
= ₹ 1,50,000

Gross Profit =  $\frac{1}{4} \times ₹ 1,50,000 = ₹ 37,500$

Closing Stock  
= (Opening Stock + Purchases + Gross Profit) - Sales  
= ( ₹ 30,000 + ₹ 1,05,000 + ₹ 37,500) - ₹ 1,50,000  
= ₹ 22,500

**OR**

Process of Creating Accounting Reports:

In access, the generation of accounting reports involves the following three steps.

**Step 1: Designing the Report**

A report must be designed in a manner, so as to meet certain objectives of reporting. It should not be either too long as not to be read or too short so as to conceal certain important information that is expected to help in the decision making process.

**Step 2: Identification of Accounting Information Queries**

Many SQL statements are written in such a manner that each successive SQL depends on the results of the preceding SQL statement. It then refines its results by using fresh data from the existing data tables.

**Step 3: Using the Record Set of Final SQL**

The record set of final SQL is a collection of report-oriented information. It relies upon the preceding SQL statement. This record set must be included in the report being produced.

28. Accounting Information System (AIS) is a subsystem of Management Information System. It is a system of collecting, storing, and processing financial and accounting data.

**Functions of an Accounting Information System (AIS) are as follows :**

- (i) The first function of an AIS is to collect and store the data of an organisation's financial activities.
- (ii) AIS supplies information useful for making decisions, including producing managerial reports, and financial statements.
- (iii) AIS makes sure that controls are in place to accurately record and process data.

29.

**Financial Statements of M/s Priya  
Trading Account  
for the year ended March 31, 2021**

Dr.		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)
Opening Stock	2,26,800	Sales	9,15,040
Purchases	6,58,000	Closing Stock	3,29,000
Power	31,360		
Wages	1,00,800		
Gross Profit (Balancing Figure)	2,27,080		
	<b>12,44,040</b>		<b>12,44,040</b>

**Profit and Loss Account  
for the year ended March 31, 2021**

Dr.		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)
General Expenses	35,000	Gross Profit	2,27,080
Taxes and Insurance	18,410	Commission	18,480
Bad Debts	7,700		
Car Expenses	25,200		
Charity	1,470		
Net Profit (Balancing Figure)	1,57,780		
	<b>2,45,560</b>		<b>2,45,560</b>

**Balance Sheet  
as on March 31, 2021**

Capital and Liabilities		Amount (₹)	Assets		Amount (₹)
Capital	3,43,000		<b>Fixed Assets</b>		
Add: Net Profit	1,57,780		Building		1,54,000
Less: Life Insurance	(7,000)		Machinery		1,30,760
Less: Drawings	<u>(21,000)</u>	4,72,780	Motor Car		28,000
Reserve Fund		12,600	<b>Current Assets</b>		
Loan		1,10,320	Closing Stock		3,29,000
<b>Current Liabilities</b>			Sundry Debtors		87,920
Bank Overdraft		46,200	Cash in Hand		1,120
Bills Payable		53,900			
Sundry Creditors		35,000			
		<b>7,30,800</b>			<b>7,30,800</b>

**Working Note:**

**GST Set-off Calculation:**

GST Payable/Receivable  
 = Output IGST - Input CGST - Input SGST  
 = ₹ 42,000 - ₹ 21,000 - ₹ 21,000  
 = NIL

Hence, the GST calculation will not have any impact on the balance sheet.

30.

Statement of Affairs  
as on July 1, 2021

Capital and Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	11,700	Cash and Bank Balance	32,500
Capital (bal. fig.)	3,52,300	Debtors	84,500
		Stock	52,000
		Plant and Machinery	1,95,000
	<u>3,64,000</u>		<u>3,64,000</u>

Statement of Affairs  
as on December 31, 2021

Capital and Liabilities	Amount (₹)	Assets	Amount (₹)
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Creditors	13,000	Cash and Bank Balance	40,300
Outstanding Wages	1,300	Debtors	78,000
Capital (bal. fig.)	3,45,150	Stock	58,500
		Prepaid Salary	650
		Plant and Machinery	1,82,000
	<u>3,59,450</u>		<u>3,59,450</u>

**Statement of Profit or Loss  
for the half year ended December 31, 2021**

Particulars	Amount (₹)
Capital at the end of the year	3,45,150
Add: Drawings made during the year (260 x 6)	1,560
	<u>3,46,710</u>
Adjusted capital at the end of the year	3,46,710
Less: Capital in the beginning of the year	(3,52,300)
	<u>5,590</u>
Gross loss before adjustment	5,590
Less: Interest on drawings	(27)
Add: Depreciation on plant and machinery	9,100
Bad Debts	6,500
Provision for Doubtful Debts	1,430
	<u>22,593</u>
Net Loss after adjustment	22,593

**Statement of Affairs (after adjustments)  
as on December 31, 2018**

Capital and Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	13,000	Cash and Bank Balance	40,300
Outstanding Wages	1,300	Debtors	78,000
Capital	3,52,300	Less: Bad Debts	(6,500)
Less: Net Loss	(22,593)	Less: PFDD	<u>(1,430)</u>
Less: Drawings	(1,560)	Stock	58,500
Less: Interest on Drawings (27)	3,28,120	Prepaid Salary	650
		Plant and Machinery	1,82,000
		Less: Depreciation	<u>(9,100)</u>
	<u>3,42,420</u>		<u>1,72,900</u>
			<u>3,42,420</u>

**Working Notes:****1. Calculation of Depreciation on Plant and Machinery**

Amount of Depreciation on plant and machinery  
 $= ₹ 1,82,000 \times 10/100 \times 6/12 = ₹ 9,100$

**2. Calculation of Provision for Doubtful Debts**

PFDD =  $(₹ 78,000 - ₹ 6,500) \times 2\% = ₹ 1,430$

