PRINCIPLES OF ACCOUNTING-18UEC101

K1 LEVEL QUESTIONS

UNIT -I

1. All personal, real and nominal accounts are opened in_______

A. single entry system.

B. double entry system.

C. accrual system.

D. mercantile system.

2. Opening balance of creditors will be posted in which side of creditors account?

A. Debit.

B. Credit.

C. Outside.

D. Inside.

3. Bills receivable account opening balance will appear in_______

A. debit.

B. credit.

C. outside.

D. inside.

4. Loss of usefulness occasioned by improved production methods is known as___

A. physical deterioration.

B. obsolescence.

C. disuse.

D. inadequacy.

5. Mines, quarries, oilfields and forest are example of _________

A. fixed assets.

B. current assets.

C. wasting assets.

D. intangible assets.

6. Estimated sale value of the asset at the end of its economic life is known as_________

A. purchase value.

B. market value.

C. written down value.

D. residual value.

7. If the asset is sold, the provision for depreciation relating to the asset sold is transferred to__.

A. asset account.

B. liability account.

C. P & L account.

D. trading account.

8. Carriage inward expenses should be divided among the different departments on the basis of________

A. light points.

B. purchase value.

C. sales ratio.

D. floor area.

9. Trial balance can be prepared in ________

A. single entry system.

B. double entry system.

C. accrual system.

D. mercantile system.

10. Balance sheet cannot be prepared____

A. in single entry system.

B. in double entry system.

C. with the help of cash book.

D. with the help of bank account.

11. Statements prepared to know profit or loss and financial position of the business are called_

A) Financial Statement

b) Bank Reconciliation Statement

C)Trial Balance

D) All of these

12. Account which shows Gross Profit or Gross Loss of the business is called_

a) Profit and Loss Account

b) Balance Sheet

c)Trial Balance

d)Trading Account

13. Trading Account is prepared to know______

a) Net Profit or Loss of business

b) Gross Profit or Loss of business

c)Both (1) or (2)

d)Financial Position of business

14. On debit side of trading Account we record_______

a) Direct Expense

b) Indirect Expense

c) Both of these

d) None of these

15. Closing stock is recorded in_______

a) Profit and Loss Account

b) Trading Account and Balance Sheet

c) Balance Sheet only

d) None of these

16. Profit and Loss Account shows the________

a) Total Capital Employed

b) Profit and Loss through sale of assets

c) Profit earned by business

d) None of these

17. Carriage Outwards is an example of________

a) Direct Expenses

b) Indirect Expenses

c) Indirect Income

d) Direct Income

18. Discount received is an example of_______

a) Indirect income

b) Direct Income

c) Net Income

d) General Income

19. Which are indirect incomes of the followings?

a) Commission received

b) interest on investment

c) Dividend received

d) All of these

20. On credit side of Profit and Loss Account we record________

a) Direct Expenses

b) Direct Income

c) Indirect Expenses

d) Indirect Income

UNIT-II

1. Depreciation is provided on_______

a) fixed assets

b) current assets

c) Intangible assets

d) none of these

2. Depreciation is _______

(a) A loss due to wear and tear of fixed assets

(b) A loss by fire accident

(c) A loss by flood

(d) None of the above

3. Depreciation arises because of _______.

a) Obsolescence

c) Physical wear & tear

b) Lapse of time

d) All the above

4. Under straight line method depreciation is calculated on ______.

a) original cost

b) selling price

c) book value

d) market value

5. The amount of depreciation remains constant every year in _______ method.

a) Sinking

c) Straight line

b) Written down value

d) Annuity

6. Prepaid expense is __________.

a) An Asset

c) A liability

b) Included in Capital

d) Included in drawings

7. Balance sheet is prepared to know the ______.

a) financial position

b) profit or loss

c) net profit

d) assets and liabilities

8. ------- accounts are fully written and maintained in single entry system.

a) Personal account

b) Real account

c) Nominal account

d) None of the above

9. Net worth method is otherwise known as ------

a) Statement of Affairs

b) Balance Sheet

c) Profit and Loss

d) Trading account

10. Credit sales can be ascertained by way of preparing -----

a) Total Debtors account

b) Total Creditors account

c) Cash account

d) Bills Payable account.

11. The main purpose of preparing a bank reconciliation statement is_________

(a) To know the bank balance.

(b) To know the balance of bank statement.

(c) To correct the cash book

(d) To identify the causes of difference between cash book and bank book

12. Bank reconciliation statement is?

(a) Part of bank statement

(b) Part of the cash book

(c) A separate statement

(d) a sub-division of journal

13. Uncollected checks are also known as?

(a) Outstanding checks

(b) Uncleared checks

(c) Outstation checks

(d) Both b & c

14. Favorable balance means?

(a) Credit balance in the cash book

(b) Credit balance in Bank statement

(c) Debit balance in cash book

(d) both b and c

15. Unfavorable balance means?

(a) Credit balance in the cash book

(b) Credit balance in Bank statement

(c) Debit balance in cash book

(d) Debit balance in petty cash book

16. When check is not paid by the bank, it is called?

(a) Honored

(b) Endorsed

(c) Dishonored

(d) a & b

17. A bank reconciliation statement is prepared by?

(a) Banker

(b) Accountant of the business

(c) Auditors

(d) Registrar

18. Bank reconciliation is not a?

(a) Reconcile records

(b) Memorandum statement

(c) Ledger account

(d) Procedure to provide cash book adjustments

19. The balance on the debit side of the bank column of cash book indicates?

(a) The total amount has drawn from the bank

(b) Cash at bank

(c) The total amount overdraft in the bank

(d) None of above

20. Bank statement also called?

(a) Pass book

(b) Cash book

(c) Credit book

(d) Debit book

UNIT-III

1. When bank statement shows a debit balance, it means?

(a) Overdraft balance as per cash book

(b) Unfavorable balance as per cash book

(c) Unfavorable balance as per bank book

(d) None of the above

2. The check which is deposited into bank but not cleared at the end of a particular year is called?

(a) Uncredited check

(b) Unpresented check

(c) Omitted check

(d) Dishonored check

3. When dealing with Bank reconciliation statement while using missing method the credit side of cash book corresponds to?

(a) Debit side of cash book

(b) Credit side of Bank statement

(c) Debit side of Bank statement

(d) None of them

4. In cash book bank charges recorded?

(a) Credit side

(b) Debit side

(c) both a & b

(d) None of them

5. Credit balance as per pass book is?

(a) Unfavorable balance

(b) Favorable balance

(c) Both a & b

(d) None

6. When cash is deposited into bank then the following account would be debited in the company accounts?

(a) Cash account

(b) Overdraft account

(c) Bank account

(d) None

7. Which of the following would not affect bank reconciliation?

(a) Dishonored cheque

(b) Discount received

(c) Bank interest

(d) Check not presented

8. An amount of Rs. 1,000 is debited twice in the bank statement. When overdraft as per the cash book is the starting point?

(a) Rs. 1,000 will be deducted

(b) Rs. 1,000 will be added

(c) Rs. 2,000 will be deducted

(d) Rs. 2,000 will be added

9. Which one of the following is not missing of cash book?

(a) Mistakes in cash book

(b) Outstation check

(c) Bank charges debited in bank statement?

(d) Interest credited in bank statement

10. If any amount is directly deposited into the bank then?

(a) Cash book will show less balance & bank book will show more

(b) Cash book will show more balance & bank book will show less

(c) Cash book will show double balance

(d) Bank book will show double balance

11. Under which system ownership is transferred on signing of the agreement?

A. Installment system.

B. Credit system.

C. Hire purchase system.

D. Cash system.

12. Under hire purchase system the buyer is called__________

A. buyer.

B. hirer.

C. hire vendor.

D. debtor.

13. Under hire purchase system the seller is called_________

A. buyer.

B. hirer.

C. hire vendor.

D. debtor.

14. Under hire purchase system the relationship of hirer and hire vendor is______

A. buyer and seller.

B. bailor and bailee.

C. pawner and pawnee.

D. debtor and creditor.

15. Under installment system the relationship between the buyer and seller is that of a__________

A. buyer and seller.

B. bailor and bailee.

C. pawner and pawnee.

D. debtor and creditor.

16. Under hire purchase system, the risk of loss is borne by________

A. buyer.

B. hirer.

C. debtor.

D. hire vendor.

17. Under installment system the risk of loss is borne by________-

A. buyer.

B. hirer.

C. hire vendor.

D. debtor.

18. Under hire purchase system who has the right of sell________

A. buyer.

B. hirer.

C. hire vendor.

D. debtor.

19. Under hire purchase system, if installment is not paid the hire vendor has right to_________

A. sell the goods.

B. repossession of goods.

C. repair the goods.

D. purchase the goods.

20. Under hire purchase system, the agreement can be___________

A. renewed.

B. registered.

C. terminated.

D. endorsed.

UNIT-IV

1.The act of buying an asset without having to make full payment in the immediate future is known as:

A.Hire purchase

B.Finance lease

C.Operating lease

D.Sale and leaseback

2. When an asset is acquired on hire purchase system, the asset account is debited with _______ of the assets in the books of the hire purchaser.

A. Hire purchase price

B. Cash price

C. Instalment price

D. None of these

3. Under which system, ownership is transferred on payment of final installment

A. Installment system.

B. Credit system.

C. Hire purchase system.

D. Cash system.

4. Under hire purchase system the buyer is called _________.

A. Buyer.

B. Hirer.

C. Hire vendor.

D. Debtor.

5. Hire Purchase price =__________

A. Cash price + Down payment

B. Cash price + Total interest

C. Cash price

D. Sum of total installments

6. Cash Price =_______

A. Hire purchase price – total interest

B. Down payment in cash

C. Down payment + Interest

D. None of the above

7. Under ______ system the buyer does not get ownership of goods immediately

A. Installment

B. HP

C. Installment and HP

D. None of these

8. ________ means the price at which the goods can be purchased by the hirer for ready cash.

A. HP price

B. Installment price

C. Cash price

D. Down payment

9. ________ is the initial payment made at the time of signing the hire purchase agreement

A. HP price

B. Installment price

C. Cash price

D. Down payment

10. The difference between hire purchase price and the cash price is called ______

A. Hire charges

B. Cost of the asset

C. Installment price

D. Cash price

11. A bill promise contains_______

A.A promise

B An unconditional order

C. A request

D. Endorsee

12. The acceptor of bill of exchange is called_____

A.Drawee

B.Drawer

C.Payee

D.Endorsee

13. The act of transferring the bill from one person to another is called___________

A. Discounting

B.Acceptance

C.Endorsement

D.Retirement

14. The period of time after which a bill becomes payable, is called______

A.Days of Grace

B.Usance

C.Tenor

D. None of these

15. Bills Receivable Book is a part of_________

A.Journal

B.Ledger

C.Trading Account

D.Profit & Loss Account

16. The formal certificate of dishonoring the bill, issued by notary public is called_____

A.Nothing

B.Nothing Charges

C.Footing

D.Protest

17. Accommodation bill is drawn_________

A.Without trading

B.Without consideration

C.For financial assistance

D.All of the above

18. A promissory note contains______

A.unconditional order

B.A promise

C.A conditional order

D.None of these

19. No. Of parties in promissory note are__________

A.Two

B.Three

C.Four

D.Five

20. Kite-flying or kiting in accommodation bill is_________

A.Endorsement of bill

B.Retirement of bill

C.Discounting of bill

D.Renewal of bill

UNIT-V

1. Which of the following is(are) example(s) of accruals?

a.Electricity bills payable

b.Water supply bills payable

c.Wages payable

d.All of the given options

2.Which of the following shows company's negative working capital?

a.Current Asset > Current Liability

b.Current Asset < Current Liability

c.Current Asset = Current Liability

d.None of the given options

3.___________ is the detail of transaction in one's account provided by the bank.

a.Bank statement

b.Bank reconciliation statement

c.Income statement

d. Financial statement

4.Total Sales are calculated by adding_________

a.Cash sales and cash received from debtors

b.Credit sales and cash received from debtors

c.Cash sales and credit sales

d.Cash ales and credit purchases

5.The amount of owner's equity in a business is affected by which of the following?

a.The profitability of the business

b.Investments made in the business by the owner

c.The amount of dividends paid to stockholders

d.All of the given option

6. Expenses incurred for Salaries, heating and lighting are the examples of_______

a.Preliminary Expense

b.Deferred Expense

c.Revenue Expense

d.Capital Expense

7.Which of the following account balance/s is/are shown on credit side of Trial Balance Capital

a. account

b. Sundry creditors account

c. Accounts payable account

d. All of the given options

8.While making Profit & Loss account, Excess of expenses over income in a specified

a.Profit

b.Loss

c.Surplus

d.Deficit

9.__________ is the art of recording, classifying and summarizing the transactions and events of a business and interpreting the results thereof.

a.Book-keeping

b.Accounting

c.Management

d.Auditing

10.In balance sheet fixed assets are shown at:

a.**Written down value (WDV)**

b.Cost price

c.Market value

d.Fair value

11.Assets are divided in which of the following categories in balance sheet.

a.Current assets, Long term assets and capital assets

b.Current assets, Long term assets and fixed assets

c.Current assets, Quick assets and business debts

d.Current assets, Fixed assets and deferred cost

12.In cost of goods sold statement the ‘cost of goods manufactured’ is equal to_________

a.Total factory cost + Opening work in process + Ending work in process

b.Total factory cost + Opening work in process – Ending work in process

c.Total factory cost - Opening work in process + Ending work in process

d.Ending work in process +Total factory cost – Opening work in process

13.Bank Reconciliation Statement is_____

a.**A memorandum statement**

b.A ledger account

c.A part of cash book

d.A part of journal

14.Which of the following entry will be recorded for discount received in a control account?

a.Discount Received (Dr) and Creditors Control A/c (Cr)

b.Discount Received (Dr) and Creditors A/c (Cr)

c.Creditors Control A/c (Dr) and Discount Received (Cr)

d.Debtors A/c (Dr) and Discount Received (Cr)

15.Bank Reconciliation Statement is prepared by_______

a.Bankers

b.Accountant of the business

c.Statutory auditor

d.Manger

16.Which of the following contents are included in the Cost of goods sold?

a.Opening stock

b. Purchases

c. Freight in

d. All of the given options

17. Which of the following is NOT correct?

a. Decrease in Assets will be credit

b.Decrease in Liabilities will be credit

c.Decrease in Expenses will be credit

d.Decrease in Revenue will be debit

18.An accounting system is used by a business to_______

a. Analyze transactions

b.Handle routine bookkeeping tasks

c.Structure information

d.All of the given options

19.In an account if debit side > credit side, the balance is known as the______

a. Negative Balance

b.Debit balance

c.Positive Balance

d.Credit balance

20. Under installment system the risk of loss is borne by ________.

A. Buyer.

B. hirer.

C. hire vendor.

D. debtor.

PRINCIPLES OF ACCOUNTING-18UEC101

K2 LEVEL QUESTIONS

UNIT -I

1. What is an accounting concept?

   These basic accounting concepts are as follows: Accruals concept. Revenue is recognized when earned, and expenses are recognized when assets are consumed.
2. What is business entity concept?

   The business entity concept states that the transactions associated with a business must be separately recorded from those of its owners or other businesses.
3. What is going concern concept?

   The going concern principle is the assumption that an entity will remain in business for the foreseeable future.
4. What do you mean by journal?

   A journal is a detailed account that records all the financial transactions of a business, to be used for future reconciling of and transfer to other official accounting records, such as the general ledger.
5. What is a ledger?

   A ledger is the principal book or computer file for recording and totaling economic transactions measured in terms of a monetary unit of account by account type, with debits and credits in separate columns and a beginning monetary balance and ending monetary balance for each account.
6. What is the purpose of the trial balance?

   The purpose of a trial balance is to prove that the value of all the debit value balances equal the total of all the credit value balances. If the total of the debit column does not equal the total value of the credit column then this would show that there is an error in the nominal ledger accounts.
7. What is meant by final account?

Final accounts gives an idea about the profitability and financial position of a business to its management, owners, and other interested parties. All business transactions are first recorded in a journal.

8. What is sole trading business?

A sole trader business structure is a person trading as the individual legally responsible for all aspects of the business.

9. What is the accounting equation formula?

The accounting equation is considered to be the foundation of the double-entry accounting system. The accounting equation shows on a company's balance sheet whereby the total of all the company's assets equals the sum of the company's liabilities and shareholders' equity.

10. What is matching concept?

The matching concept is a founding principle of accounting. In general, it means that expenses are recorded (matched) with the income that is generated from those expenses.

UNIT-II

1. What is called depreciation?

The gradual conversion of the cost of a tangible capital asset or fixed asset into an operational expense (called depreciation expense) over the asset's estimated useful life. When applied to intangible assets, the preferred term is amortization.

2. What are the causes of depreciation?

- **Wear and tear. Any asset will gradually break down over a certain usage period, as parts wear out and need to be replaced.**
- **Perishability. Some assets have an extremely short life span.**
- **Usage rights.**
- **Natural resource usage.**
- **Inefficiency/obsolescence.**

3. What are the characteristics of depreciation?

In common usage the term 'depreciation' refers to a decline in the value of any kind of property. But in Accounting its use is restricted to the expiration of

the cost of tangible fixed assets. Except land, all other physical assets have a limited period of useful life.

4. What are the methods of depreciation?

- **Straight line method**
- **Written down value method**
- **Annuity method**
- **Sinking fund method**
- **Insurance**
- **Policy method.**

5. What is annuity method?

The annuity method of depreciation is a process used to calculate depreciation on an asset by calculating its rate of return as if it was an investment.

6. What is written down value method?

Written-down value can be calculated by a method of depreciation that is sometimes called the diminishing balance method. This accounting technique reduces the value of an asset by a set percentage each year

7. What is **the difference between straight line method and written down value?**

The amount of depreciation in WDV method diminishes every year. In straight line method, the book value of the asset is completely written off i.e. the asset value is reduced to zero or its salvage value. Conversely, the asset's book value is not completely written off in written down value method.

8. What is sinking fund method?

The sinking fund method is a depreciation method that provides funds for the replacement of an asset at the end of its useful life

9. What is insurance policy method?

In this method, instead of purchasing securities, an insurance policy is purchased for an amount equal to the cost of replacement of asset. The Insurance Company agrees to pay a lump sum in return for a sum known as premium to be paid at the beginning of every year.

10. What is the other name of straight-line method?

Other names used for straight-line method are original cost method or fixed installment method.

UNIT-III

1. What is mean by bank reconciliation statement?

In bookkeeping, a bank reconciliation statement is a process that explains the difference on a specified date between the bank balance shown in an organization's bank statement, as supplied by the bank and the corresponding amount shown in the organization's own accounting records.

2. Who prepares bank reconciliation statement?

Bank reconciliation statement is generally prepared by the company accountant or the bookkeeper with the purpose to compare the bank's records with your own company records. It is done on monthly basis whenever bank statement arrives.

3. What are the features of bank reconciliation statement?

Bank reconciliation Statement is a statement which is prepared to reconcile the balances shown by Cash Book and Pass Books on a particular slate for a stated period. It contains a complete and satisfactory explanation of the difference in balances as per cash book and pass book.

4. What are the advantages of bank reconciliation statement?

And it can benefit you company in five important ways. Eliminates accounting errors. Accounting reconciliation on a monthly basis is a great way to keep your bookkeeping identical to what is recorded at your bank or financial institution. It can help catch errors, which can easily happen on either side.

5. What are the objectives of bank reconciliation statement?

The following are the main objectives of bank reconciliation statement: To ensures the accuracy of the balances shown by the pass book and cash book. To provide check on the accuracy of entries made in the both books. To helps to update the cash book by discovering come entries not yet recorded.

6. What is cash book in BRS?

A cash book is a financial journal that contains all cash receipts and payments, including bank deposits and withdrawals. Entries in the cash book are then posted into the general ledger.

7. What is difference between cash book and pass book?

Passbook is issued by the bank to the account holder that records the deposits and withdrawals. Cash book is prepared by the firms whereas Passbook is written by banks and retained by the customer. Conversely, in passbook debit balance shows overdraft while the credit balance shows cash at the bank.

8. What is a pass book in accounting?

Traditionally, a passbook is used for accounts with a low transaction volume, such as a savings account. A bank teller or postmaster would write, by hand, the date and amount of the transaction, the updated balance, and enter his or her initials.

9. What is the need of bank reconciliation statement?

The need and importance of bank reconciliation statement can be summarized in the following points: Bank reconciliation statement ensures the accuracy of the balances shown by the pass book and cash book. It provides a check on the accuracy of entries made in both the books.

10. What is rectification of errors?

Once an error is located, it should be properly corrected. The correction of accounting errors in a systematic manner is called the rectification of errors. In other words, the process of systematically correcting the accounting errors is known as rectification of errors.

UNIT-IV

1. What is hire purchase?

Hire purchase is an arrangement for buying expensive consumer goods on credit, where the buyer makes an initial down payment, with the balance being paid in installments plus interest.

2. What is installment system?

Instalment payment system (also called the deferred instalments) is a system where the. buyer is given the ownership as well as the possession of the gods at the time of signing the contract. The buyer has the facility to pay the price in instalments.

3. What is repossession in hire purchase?

A Hire Purchase agreement involving vehicles principally is an agreement to rent the vehicle and also to purchase it at a later time. In a hire purchase agreement, you agree to hire the vehicle until you fully pay off what you owe.

4. What is partial repossession?

In the case of partial repossession too, the accounting treatment is similar to one discussed in the case of full repossession, that is, the entries for interest and depreciation will be made in the books of the purchaser and the seller except of payment of installment up to date of default.

5. What is complete repossession?

There are two possibilities in repossession of goods. When the vendor takes back the complete repossession of asset i.e., Complete Repossession, and. When the vendor takes repossession of only a part of the total asset sold to the hire purchaser i.e., Partial Repossession.

6. What is the difference between hire purchase and installment?

Whereas installment purchase is defined as another method of financing the capital goods / assets whereby the goods are purchased by the buyer but the payment is made in smaller installments.

7. What are the advantages of hire purchase system?

Immediate use of assets without paying the entire amount. Expensive assets can be utilized as the payment is spread over a period of time.

8. How is hire purchase interest calculated?

The interest is calculated using a flat rate of interest per annum and charged on the balance being borrowed.

9. Why is interest charged on hire purchase?

When buying on credit you have to borrow money to pay for the object, meaning you will have to pay more for it due to the interest on the loan. The interest on a hire purchase loan is always charged at a simple interest rate and only charged on the amount owing.

10. What is hire purchase advantages and disadvantages?

The most obvious benefit for a company in using a hire purchase plan is it does not have to pay the full amount of the purchase up front. Expensing the rental payments may be more tax advantageous than buying and depreciating the equipment.

UNIT-V

1. What is bill of exchange in accounting?

A bill of exchange is a binding agreement by one party to pay a fixed amount of cash to another party as of a predetermined date or on demand.

2. What is the Dishonour of Bill?

Dishonour of a Bill. A bill is said to have been dishonoured when the drawee fails to make the payment on the date of maturity. In such case, liability of the acceptor is restored.

3. What is renewal of Bill?

Sometimes, acceptor of a bill finds himself unable to meet his acceptance on the due date. Thus the cancellation of the old bill maturity in return for a new bill (which includes interest) for an extended period is called "renewal of a bill of exchange".

4. What is an accommodation bill?

Bill of exchange endorsed by a reputable third party (called an accommodation party or accommodation endorser) acting as a guarantor, as a favor and without compensation. The bill then can be discounted on the financial strength of the guarantor who remains liable until the bill is paid.

5. What is the difference between bills payable and bills receivable?

Accounts Receivables shows the cash expected to be received in the future, for the sales made on the credit basis. Accounts Payable is the cash to be paid within a short period, to the creditors for the sale of goods and services. The two primary components of accounts receivable are bills receivable and debtors.

6. How many parties are there in a bill of exchange?

There are 3 parties involved in a payment by bill of exchange: the drawer is the party that issues a bill of exchange the 'creditor'; the beneficiary or payee is the party to which the bill of exchange is payable; the drawee is the party to which the order to pay is sent 'the debtor'.

7. What is the journal entry for bills receivable?

The first journal is to record the amount due from the customer as an accounts receivable in the usual manner. The debit records the amount due from the customer as an accounts receivable. The credit is to revenue representing the goods sold to the customer.

8. What is endorsement bill?

The drawer or holder of the bill may endorse (transfer) the bill in favor of his creditor for the clearance of his own debts. A bill of exchange is a "negotiable instrument" i.e. a document which is transferable by delivery without notice to the party liable (drawee).

9. What is drawee and drawer?

Maker or writer of a bill of exchange (check, draft, letter of credit, etc.) who directs the drawee (such as a bank) to pay the stated amount to a third party (the payee). In documentary credit, the drawer is the beneficiary of a letter of credit. Also called writer.

10. Who is the acceptor bill of exchange?

The acceptor is the third party who accepts responsibility for payment in a bill of exchange. The bill of exchange will generally have three parties: the drawer, the drawee and the acceptor.

PRINCIPLES OF ACCOUNTING-18UEC101

K3 LEVEL QUESTIONS

UNIT -I

1.Journalise the following transaction in the books Mr.Kumaran.

1st April 2015 commenced business with Rs. 70,000.

2nd Brought goods for cash Rs.1,20,000.

4thSold goods to Mr.Giri on credit 40,000.

5th Purchased goods from Miss. Anu on credit Rs.57,000.

10th Purchased machinery for Rs.27,000.

19th Sold goods to Mohan Rs. 17,000.

2.Prepare trading account of Latha& co for the year ending 31st March 2016.

	Amount (Rs.)
Opening stock	80,000
Purchase	8,60,000
Freight inward	52,000
Wages	24,000
Sales	14,40,000
Purchase return	10,000
Sales return	3,16,000
Closing stock	1,00,000
Import duty	30,000

3.Journalise the following transaction in the books of Mr.Karthik.

May 2015

1st Mr. Karthik commenced business with cash Rs.80,000.

2nd Purchased goods for cash Rs. 75,000.

5th Sold goods to Baskar Rs. 44,000.

7th Commission received Rs. 750.

15th Rent paid Rs.470.

4.The following transactions have been extracted from the books of Mr.Yuvaraj. You are required to prepare JOURNAL and LEDGER.

2016 July

1 Mr.Yuvaraj started business with cash Rs.50,000

2 He purchased goods from Nirmal on credit Rs.10,000

5 He paid cash to Nirmal Rs. 5,000

7 He sold goods to ManojRs.10,000

10 He received cash from ManojRs.8,000

15 He further purchased goods from Nirmal Rs.12,000

20 He paid cash to Nirmal Rs. 4,000

25 He further sold goods to ManojRs. 13,000

30 Received cash from Nirmal Rs. 3,000

5.From the following balances as at 31st March 2012 of Mr.Sridhar, prepare a Trading Account and Profit & Loss Account and Balance Sheet as on that date.

Particulars	**Debit (Rs.)**	**Particulars**	**Credit (Rs.)**
Salaries	5,500	Creditors	9,500
Rent	1,300	Sales	32,000
Cash	1,000	Capital	30,000
Debtors	40,000	Loans	10,000
Trade Expenses	600		
Purchases	25,000		
Advances	2,500		
Bank Balance	5,600		

	81,500		81,500

Adjustments:

a) The Closing Stock Amounted to Rs. 9,000.

b) One Month Salary is Outstanding.

c) One Month Rent has been paid in Advance.

d) Provide 5% for Doubtful Debts.

UNIT-II

1. A firm purchases 5 year's leases for Rs. 80,000 on 1st January. It decides to write off depreciation on the Annuity method, presuming the rate of interest to be 5% per annum. The Annuity tables show that a sum of Rs. 18,478 should be written off every year. Show the leas account for five years. Calculations are to be made to the nearest rupee.

2. A Plant was purchased for Rs. 7,50,000. The useful life of the plant is 10 years and the residual value is Rs. 50,000. Find out the amount of depreciation and Rate of depreciation under the SLM.

3. A machine was required on thre 1st april 2014 at the cost of Rs. 2,70,000, the cost of installation being Rs. 30,000. It is expected that its total life will be 60,000 hours. During 2014, it is worked for 15,000 hours and during 2015 for 24,000 hours. Write up the machinery account for 2014 and 2015.

4. A machine was purchased for Rs. 30,000 on 1.1.2015. This is expected to the last for 5 years. Estimated scrap at the end of five year is Rs. 5,000. Find out the rate of depreciation under straight line value method.

5. A company purchased a plant of Rs. 5,00,000. The useful life of the plant is 10 years and the scrap value are Rs. 1,00,000 amount the rate of depreciation.

UNIT-III

1. Prepare a bank reconciliation statement from the following data as on 31.12.2012.

		Rs.
i)	Balance as per cash book	12,500
ii)	Cheque issued but not presented	900
iii)	Cheque deposited in bank but not collected	1,200
iv)	Bank paid insurance premium	500
v)	Direct deposits by a customer	800

vi) Interest on investment collected by bank 200
vii) Bank charges 100

2.Rectify the following errors

i) Purchase book is ever cast by Rs.300 (for the month of march)
ii) Sales book has been under cast by Rs. 200
iii) Purchase return book has been over cast by Rs. 75
iv) Sales return book has been under cast by Rs. 50

3.From the following particulars, ascertain the bank balance as per cash book of Swamy as at 31st march 2014.

i) Credit balance as per pass book as on 31.03.2014 Rs. 2,500.

ii) Bank charges of Rs. 60 had not be entered in the cash book.

iii) Out of the cheque of Rs.3,500 paid into the bank as cheque of Rs. 1,000 was not yet credited b the banker.

iv) Out of the cheques issued for Rs. 4,500, cheques of Rs. 3,800 only were presented for payment.

v) A dividend of Rs. 400 was collected by the banker directly but not entered in the cash book.

vi) A cheque f Rs. 600 has been dishounered prior to 31.03.2014 but not entry was made in the cash book.

4.The bank overdraft of Rajini in 31.12.2010 as per cash book is Rs. 9,000 from the following particulars prepare bank reconciliation statement.

		Rs.
i)	Unpresented cheque	3,000
ii)	Uncleared cheque	1,700
iii)	Bank interested debited in the pass book only	500
iv)	Bills collected and credited in the pass book only	800
v)	Cheque renudishounered500	

5.Prepare a BRS as on 31st December 2013, from the following details:

A) Balance as per cash book Rs.7,250

B) Cheque deposited into bank but not collected Rs.6,750

C) Cheque issued but not presented for payment Rs.8,790

D) Bank charges debited in the pass book Rs.200

E) Interest credited in the pass book Rs.150

F) Cheque issued to sekar entered in the cash column of cash book Rs.300

UNIT-IV

1. What is the difference between Hire Purchase system and Installment system?
2. Mr.Hari purchased a machine on hire purchase system Rs.3,000 being paid on delivery and the balance in five installment of Rs.6,000 each, payable annually on 31st December. The cash price of the machine was Rs.30,000. Calculate the amount of interest for each year.
3. On 1stjan 2010 X purchased machinery on hire purchase system. The payment is to be made Rs.4,000 down (on signing of the contract) and Rs.4,000 annually for three years. The cash price of the machinery is Rs.14,900 and the rate of interest is 5%. Calculate the interest in each year's installment.
4. Mr.Raman purchased a motor car for Rs.56,00 on 1stjan 2011 Rs.15,000 is paid on signing the contract and the balance is to be paid in 3 equal annual installment of Rs.15,000 each. The rate of interest is 5% p.a. Calculate the amount of interest included in each installment.
5. Raman purchases a motor car from bharathan whose cash price is Rs 56,000 on on 1.1.2012 Rs. 15000 is paid on signing the contract and the balance is to be paid in three equal annual instalment of Rs 15000 each the rate of interest is 5 % per annum.calculate the amount of interest included in each instalment.

UNIT-V

1.On 1.1.2010, Jaya sold goods to Devi on credit for Rs. 2,000 and drew a bill on Devi for Rs. 2,000 for 3 months after date. Devi accepted it on 3.1.2010 and returned it to Jaya . On maturity, the bill was duly honoured by Devi. Pass journal entries in the books of both the parties.

2. On 1st may 2012, Kumaran accepted a two months bill for Rs. 10,000 drawn on him by Mani for the latter's benefit. Mani discounted the bill on 4th may @12% p.a. and on the due

date sent Kumaran a cheque for Rs. 10,000 in order to enable him to honour the bill. Kumaran duly hounered his acceptance. Pass journal entries in the book Mani and Kumaran.

3. On 1^{st}jan 2015 jaya sold goods to devi on credit for Rs.2,000 and drew a bill on devi for Rs.2,000 for 3 months after date. Devi accepted it on 3^{rd}jan 2015 and returned it to jaya. On maturity, the bill was duly honoured by devi. Pass journal entries in the books of both the parties.

4. Mala purchased goods for Rs. 3,000 from kala on 1.4.2015 mala accepted a 3 months bills for the amount and gave it to kala the same day. Kala discounted it immediately with Indian bank at discount of 5% p.a. On due date the bill was honoured by payment.

You are required to give entries in the books of all the parties.

5.Sekar receive on 7^{th} May, 2011 a bill at three months due from Raj for RS 2000. Bill is duly paid on due date. Pass journal entries in the books of both the parties.

PRINCIPLES OF ACCOUNTING-18UEC101

K4 LEVEL QUESTIONS

UNIT -I

1. From the following trial balance of Miss. Priya as on 31st March 2010, prepare trading and profit & loss a/c and balance sheet.

Particulars	Debit (Rs.)	Credit (Rs.)
Capital		62,000
Sales		98,780
Purchase returns		500
Sundry creditors		6,300
Bills payable		9,000
Land and buildings	42,000	
Machinery	20,000	
Goodwill	7,500	
Stock (1.04.2009)	5,760	
Sundry debtors	14,500	
Purchase	40,675	
Cash in hand	540	
Cash at bank	2,630	
Sales return	680	
Wages	8,480	
Fuel & power	4,730	
Carriage outwards	3,200	
Carriage inwards	2,040	
Salaries	15,000	
General expenses	3,000	
Insurance	600	
Drawings	5,245	
Total	1,76,580	1,76,580

Adjustments:

a) Stock on 31.03.2010 was Rs.6,800.

b) Salary outstanding Rs. 1,500.

c) Prepaid expenses Rs.150.

d) Depreciation machinery @ 10% and goodwill @ 20%.

e) Create provision for bad debts 2% on debtors.

2. Briefly explain the basic accounting concepts and conveniences.

3. Enter the following transaction in the journal and ledger of Mr. Balan.

2011 October	Amount (Rs.)
1st commenced business with cash	1,80,000
3rd deposited into bank	55,000
4th purchased goods for cash	22,000
5th purchased goods of Swaminathan	72,000
8th cash sales	16,200
11th cash deposited into bank	23,000
14th purchased furniture for cash	4,000
16th sold goods to Vivek	12,700
17th received cash from Vivek	2,446
18th paid Swaminathan cash	12,000
21st withdraw cash for private expenses	1,480

4.The following Trail Balance has been extracted from the books of Mr.Faizal on 31.12.2013.

Debit Balances	**Amount (Rs.**	**Credit Balances**	**Amount (Rs.)**

Drawings A/C	2,000	Capital A/C	1,76,000
Plant & Machinery	1,00,000	Sales	4,68,000
Furniture & Fixtures	12,000	Returns Outward	4,000
Loose Tolls	20,000	Discounts	6,000
Good Will	10,000	Sundry Creditors	24,000
Opening Stock (01.01.2013)	20,000	Reserve For doubtful debts	2,000
Purchases	2,12,000	Bank Overdraft	20,000
Returns Inward	8,000		
Wages	1,00,000		
Carriage Inwards	12,000		
Salaries	41,000		
General Expenses & Insurance	72,000		
Rent & Taxes	14,400		
Postages & Telegrams	4,000		
Sundry debtors	56,000		
B.Balu	2,000		
Cash & Bank Balances	14,000		
	7,00,000		**7,00,000**

Adjustments;

a) Stock on 31st December 2013 was Rs.30,800

b) Unexpired insurance was Rs.400.

c) Provision for doubtful debts is to be maintained at 5% on sundry debtors.

d) Depreciate Plant & Machinery at 5% and furniture & fixtures at 6%. Loose tools are revalued at Rs.16,000.

e) Remuneration of Rs.2,000 paid to B.Balu, a temporary employee, stands debited to his personal account and is to be corrected.

You are required to prepare **Trading Account and Profit & Loss Account** for the year ended 31.12.2013 and a **Balance Sheet** as on that date.

5. From the following balances as at 31st March 2012 of Mr.Swamy, prepare a Trading Account and Profit & Loss Account and Balance Sheet as on that date.

Particulars	Debit (Rs.)	Particulars	Credit (Rs.)

Salaries	5,500	Creditors	9,500
Rent	1,300	Sales	32,000
Cash	1,000	Capital	30,000
Debtors	40,000	Loans	10,000
Trade Expenses	600		
Purchases	25,000		
Advances	2,500		
Bank Balance	5,600		
	81,500		81,500

Adjustments:

a) The Closing Stock Amounted to Rs. 9,000.
b) One Month Salary is Outstanding.
c) One Month Rent has been paid in Advance.
d) Provide 5% for Doubtful Debts.

UNIT-II

1. On 1.1 2011 a company bought machinery costing Rs. 70,000. It is estimated that its working life is 10 years, at the end of which it will fetch Rs. 10,000. Additions are made on 1.1.2012 to the value of Rs. 40,000 (Residual value Rs. 4.000). More additions are made on 1.7.2013 to the value of Rs. 20,000 (Breakup value Rs. 2,000). The working life of the additional machinery is 20 years.

Show the machinery account for the first four years, if depreciation is written off according to S.L. Method. The accounts are closed on 31^{st} Dec. every year.

2. A company whose accounting year is the calendar year, purchased on 01.01.2008 a machine for Rs. 40,000. It purchased further machinery on 01.10.2008 for Rs. 20,000 and on 01.07.2009 for Rs. 10,000. On 01.07.2010, 1/4th of the machinery installed on 01.01.2008 became obsolete and was sold for Rs. 6,800.

Show how the machinery account would appear in the books of the company for all the three years under diminishing balance method. Depreciation is to be provided @ 10%p.a.

3.A) Write note on a) Scrap value and
b) Installation cost.

4. Mr.Ram purchased under hire purchase system a machine from Bombay company on 1st January 2013, paying cash Rs. 10,000 and agreeing to pay three further installments of Rs.10,000 each on 31st December every year. The cash price of the machine is Rs.37,250 and the Bombay company charges interest at 5%p.a. Ram writes off depreciation at the rate of 10% p.a. on Diminishing Balance Method. Open ledger account in the books of Ram.

5. What is the difference between Straight Line Method and Diminishing Balance Method?

UNIT-III

1. From the under mentioned particulars of Mr.Mohan prepare a bank reconciliation statement as on 31stjuly 2015.

i) Cheque paid into bank on the 28thjuly 2015 but credited to mohan's account in the first work of august 2015.

K.Kalyan Rs.1,000 ; J.Joy Rs. 800;R.Rughal Rs. 1,200

ii) The following cheque were issued by mohan on 30thjuly 1994 but presented to bank for payment after the close of the year.

D.David Rs.1,200;H.Hari Rs. 1,000; L.Lal Rs.800

iii) A cheque for Rs. 300 was credited direct to the account and was not passed through the cash book.

iv) The bank balance as per cash book on 31stJuly 2015 amounted to Rs.30,000.

2. Draw a Performa of a bank reconciliation statement.

3. From the following particulars find out the bank balance as per passbook of Mr. Murali as on December 31, 2012.

a. The balance as per cash book on that date it was RS. 23000
b. Cheques issued but not cashed before that 888 amounted to Rs. 3500
c. Cheques paid into Bank ok but not clear before December 31,2012 amounted to Rs. 4300
d. Interest on investments collected by the bank ok but not entered in the cash book amounted to Rs 550
e. Local cheque paid into the bank ok but not entered in the cash book Rs. 600
f. Bank charges debited in the passbook Rs 50

4. On 31-3-2016 the passbook showed credit balance of Rs 10500. The following details were noticed:

i)Cheque amounted to rupees 2750 were deposited in the bank but cheques of Rs.750 have not been cleared up to 31st March

ii)Cheques amounted to Rs 3500 were issued but check for rupees 1200 had not been presented for payment in the bank up to 31st March

iii)Bank had given debit of Rs 35 for sundry charges and

iv) Bank has received directly from customers Rs 800 and dividend of Rs 130 up to 31st March

Prepare bank reconciliation statement as on 31-3-2016

5. Explain rectification of errors.

UNIT-IV

1. X purchased machinery under hire purchase system. According to the terms of the agreement Rs.40,000 was to paid on signing of the contract. The balance was to be paid in four annual installments of Rs. 25,000 each plus interest. The cash price was Rs. 140,000. Interest is chargeable on outstanding balance at 20% per annum. Calculate interest for each year and installment amount.

2. Raman purchased a motor car from Bharathan whose cash price is Rs. 56,000 on 1.1.2016. Rs. 15,000 is paid on signing the contract and the balance is to be paid in three equal annual installments of Rs. 15,000 each. The rate of interest is 5% p.a. Calculate the amount of interest included in each installment.

3. Mr.X purchased a machine under hire purchase system. According to the terms of the agreement Rs. 40,000 was to be paid on signing of the contract. The balance was to be paid in four annual installments of Rs.25,000 each plus interest. The cash price was Rs.1,40. 000.Interest is chargeable on outstanding balance at Rs.20%per annum. Calculate interest for each year and the installment amount.

4. Sundaram purchased a machine costing Rs 74000 under instalment system from Shekhar on 1.1 .2013. The arrangement is: Down payment is Rs 20000 on signing the agreement under the balance in 3 equal annual instalment of rupees 20000 each. Sundaram writes off depreciation at 10% per annum on diminishing balance method. All the instalment was duly paid. Give the journal entries and ledger accounts in the books of both the parties.

5. Mr.Z purchased a machine under hire purchase system. According to the terms of the agreement Rs. 40,000 was to be paid on signing of the contract. The balance was to be paid in four annual installments of Rs.25,000 each plus interest. The cash price was Rs.1,40,000.Interest is chargeable on outstanding balance at Rs.20%per annum. Calculate interest for each year and the installment amount.

UNIT-V

1.On 5th February 2009, Mr.Patil draws a bill on Mr.Rahul for Rs.8,000 payable after 3 months. Mr.Patil discounted the bill for Rs.7,880. He remitted half of the amount to Mr.Rahul. on 5th may 2009, Mr.Patil remits Rs.4,000to enable Mr.Rahul to meet the acceptance. On 8th may 2009, Mr.Rahul meets the bill on due Date. Journalise the transaction in the books of Mr.Patil and Mr.Rahul.

2 .Gani sold good to mani for Rs.3,000 on credit on 1.4.2012. For this purpose, gani drew a bill on mani for Rs.3,000 for 3 months. Mani accepted the same and returned it to gani. On maturity, the bill was dishonoured by mani. Show the entries in the books of both parties under each of the following circumstances:

i) If gani retained the bill till maturity

ii) If gani discounted the bill by the bank at 18% p.a.

iii) If gani endorsed the bill to his creditor anil

iv) If gani sent the bill to bank for collection.

3. Rajeev accepted a bill for rupees 500. Unable to meet the same at due date, he requests the drawer Rajesh to cancel the original bill and draw a new one for two months which is a agreed by Rajesh. Show the journal entries in the books of Rajesh if Rajeev pays RS 125 in cash and the new bill is Rs 400.

4. Briefly explain bill of exchange.

5. On 1st July 2012, Bangalore dress and accommodation bill on Amar for Rs. 2000 for three months period. Amar accepted the bill. Balu discounted the bill at 6% and hands half the proceeds to Amar. On maturity Balu pays RS 1000 to Amar and the bill is duly met. Make the entries in the books of the parties to record the above transactions.