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- Govt. Supplementary Exam **September - 2021** question paper is given with answers.



SURA PUBLICATIONS

Chennai

2022-23 Edition
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ISBN : 978-93-92559-96-9
Code No : SG 277

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It gives me great pride and pleasure in bringing to you **Sura's Accountancy Guide** for +1 Standard. A deep understanding of the text and exercises is rudimentary to have an insight into Accountancy. The students and teachers have to carefully understand the topics and exercises.

Sura's Accountancy +1 Standard Guide encompasses all the requirements of the students to comprehend the text and the evaluation of the textbook.

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I pray the almighty to bless the students for consummate success in their examinations.

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2022-23 பதிப்பு புதிய பாடப்புத்தகத்தின்படி தயாரிக்கப்பட்டுள்ளது.

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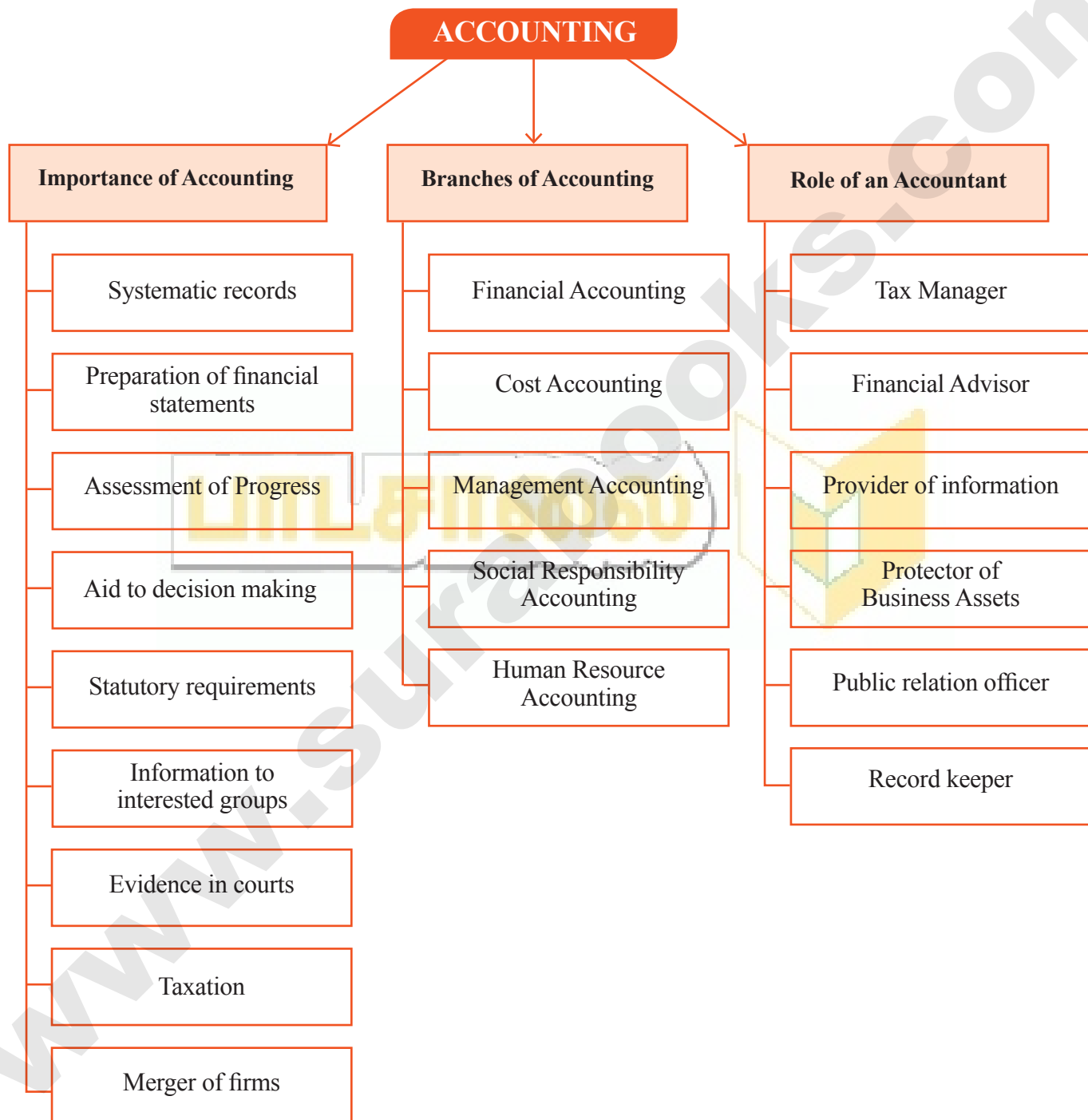
UNIT 1

INTRODUCTION TO ACCOUNTING

CHAPTER SNAPSHOT

- 1.1 Introduction to Accounting
- 1.2 Evolution of Accounting
- 1.3 Meaning and Definition of Accounting
- 1.4 Accounting Cycle
- 1.5 Objectives of Accounting
- 1.6 Functions of Accounting
- 1.7 Importance of Accounting
- 1.8 Basic Accounting terminologies
- 1.9 Branches of Accounting
- 1.10 Bases of Accounting
- 1.11 Users of Accounting information
- 1.12 Role of an accountant

CONCEPT MAP



IMPORTANT POINTS

- Accounting has rightly been termed as the language of the business.
- An individual invests capital with the objective of making profit and thereby increasing his resources.
- Accounting is the systematic process of identifying, measuring, recording, classifying, summarising, interpreting and communicating financial information.
- Accounting has to be a versatile system to serve a large number of goals in the modern business world.
- Accountancy plays a major role in any industry and as such accountants are required to be competent in a number of areas.
- Transactions are those activities of a business, which involve transfer of money or goods or services between two persons or two accounts.
- Transaction are of two types, namely, cash and credit transactions.

SELF-EXAMINATION QUESTIONS

I. MULTIPLE CHOICE QUESTIONS.

CHOOSE THE CORRECT ANSWER.

1. The root of financial accounting system is

[BEQ; HY-2018, 2019; Mar-2019; Sep-2021]

- (a) Social accounting
- (b) Stewardship accounting
- (c) Management accounting
- (d) Responsibility accounting

[Ans. (b) Stewardship accounting]

2. Which one of the following is not a main objective of accounting? [Sep-2020]

- (a) Systematic recording of transactions
- (b) Ascertainment of the profitability of the business
- (c) Ascertainment of the financial position of the business
- (d) Solving tax disputes with tax authorities

[Ans. (d) Solving tax disputes with tax authorities]

3. Which one of the following is not a branch of accounting? [BEQ; Govt. MQP-2018]

- (a) Financial accounting
- (b) Management accounting
- (c) Human resources accounting
- (d) None of the above

[Ans. (d) None of the above]

4. Financial position of a business is ascertained on the basis of

[BEQ; First Mid-2018; QY-2018; June-2019]

- (a) Journal
- (b) Trial balance
- (c) Balance Sheet
- (d) Ledger

[Ans. (c) Balance Sheet]

5. Who is considered to be the internal user of the financial information?

[BEQ; HY-2018; QY-2019; June-2019]

- (a) Creditor
- (b) Employee
- (c) Customer
- (d) Government

[Ans. (b) Employee]

II. VERY SHORT ANSWER QUESTIONS.

1. Define accounting.

[BEQ; First Mid-2018; Sep-2020]

Ans. **American Accounting Association** has defined accounting as "the process of identifying, measuring and communicating economic information to permit informed judgments and decisions by users of the information."

2. List any two functions of accounting.

[BEQ; Govt. MQP-2018; Mar-2019; Sep-2021]

Ans. (i) **Measurement :**

1. The main function of accounting is to keep systematic record of business transactions, post them to the ledger and ultimately to prepare the final accounts.

2. It also shows the current financial position of the business enterprises.

(ii) Comparison :

1. Accounting helps to compare the actual performance with the planned performance.
2. It is also possible to compare with the accounting policies.

3. What are the steps involved in the process of accounting? [HY-2019]

Ans. The Steps involved in accounting are :

- (i) Identifying the transactions and Journalising.
- (ii) Posting and Balancing.
- (iii) Preparation of Trial Balance.
- (iv) Preparation of Trading Account.
- (v) Preparation of Profit and Loss Account.
- (vi) Preparation of Balance Sheet.

4. Who are the parties interested in accounting information? [QY-2019]

Ans. There are several persons who need the accounting information for various purposes. They can be classified into two.

(i) Internal users :

1. Owners
2. Management
3. Employees

(ii) External users :

1. Creditors and Financial institutions
2. Investors
3. Customers
4. General public
5. Tax authorities and regulatory bodies
6. Government
7. Researchers

5. Name any two bases of recording accounting information. [BEQ; HY-2018]

Ans. There are three bases of accounting in common usage, namely

- (i) Cash Basis
- (ii) Accrual or mercantile basis
- (iii) Mixed or hybrid basis

III. SHORT ANSWER QUESTIONS

1. Explain the meaning of accounting. [QY-2018]

Ans. (i) Accounting is the systematic process of identifying, measuring, recording, classifying, summarising, interpreting and communicating financial information.

(ii) Accounting gives information on:

1. the resources available
2. how the available resources have been employed and
3. the results achieved by their use.

(iii) The profit earned or loss incurred during the accounting period, value and nature of assets, liabilities and capital can be ascertained from the information recorded in accounts.

2. Discuss briefly the branches of accounting. [BEQ; First Mid-2018]

Ans. The various branches of accounting are

(i) Financial Accounting :

1. It involves recording of financial transactions and events.
2. It provides financial information to the users for taking decisions.
3. It ends up with the preparation of trading and profit and loss account and balance sheet.

(ii) Cost Accounting :

It involves the collection, recording, classification and appropriate allocation of expenditure for the determination of the costs of products or services and for the presentation of data for the purposes of cost control and managerial decision making.

(iii) Management Accounting :

It is concerned with the presentation of accounting information in such a way as to assist management in decision making and in the day - to - day operations of an enterprise.

(iv) Social Responsibility Accounting :

It is concerned with presentation of accounting information from the view point of the society by showing the social costs and social benefits.

(v) Human Resource Accounting :

It is concerned with identification, quantification and reporting of investments made in human resources of an enterprise.

3. Discuss in detail the importance of accounting. [Mar-2019; QY-2019; Sep-2021]

Ans. Importance of accounting is enumerated as below:

(i) Systematic records :

1. All the business transactions are recorded in the books of accounts.
2. Any event or happening which has financial effects is included in the accounting records.

(ii) Preparation of financial statements :

Results of business operations and the financial position of the concern are provided by accounting periodically through the preparation of financial statements namely profit and loss account and balance sheet.

(iii) Assessment of progress :

Analysis and interpretation of financial statements can be done to assess the progress made in different areas and it also identify the areas of weaknesses.

(iv) Information to interested groups :

Accounting supplies appropriate information to different interested groups like owners, creditors, management, employees, financiers, tax authorities and government.

(v) Taxation :

Accounting records are the basis source for computation and settlement of sales tax, income tax and other local taxes.

4. Why are the following parties interested in accounting information? [HY-2019]

- (a) Investors (b) Government

Ans. (a) Investors :

1. Persons who are interested in investing their surplus funds should know about the financial condition of a business unit while making their investment decisions.
2. They are more concerned about future earnings and risk bearing capacity of the organisation which will affect the return to the investors.

(b) Government :

1. The scarce resources of the country are used by business enterprises.
2. Information about performance of business units in different industries helps the government in policy

formulation for development of trade and industry, allocation of scarce resources, grant of subsidy, etc.

3. Government also administers prices of certain commodities.

5. Discuss the role of an accountant in the modern business world.

[BEQ; HY-2018; Sep-2020]

Ans. An accountant designs the accounting procedures for an enterprise. He plays several roles in an organisation as follows :

(i) Record keeper :

1. The accountant maintains a systematic record of financial transactions.
2. He also prepares the financial statements and other financial reports.

(ii) Provider of information to the management :

The accountant assists the management by providing financial information required for decision making and for exercising control.

(iii) Protector of business assets:

The accountant maintains records of assets owned by the business which enables the management to protect and exercise control over these assets.

(iv) Financial advisor:

The accountant analyses financial information and advises the business managers regarding investment opportunities, strategies for cost savings, capital budgeting, provision for future growth and development, expansion of enterprise, etc.

(v) Tax manager:

1. The accountant ensures that tax returns are prepared and filed correctly on time and payment of tax is made on time.
2. The accountant can advice the managers regarding tax management, reducing tax burden, availing tax exemptions, etc.

(vi) Public relation officer:

The accountant provides accounting information to various interested users for analysis as per their requirements.

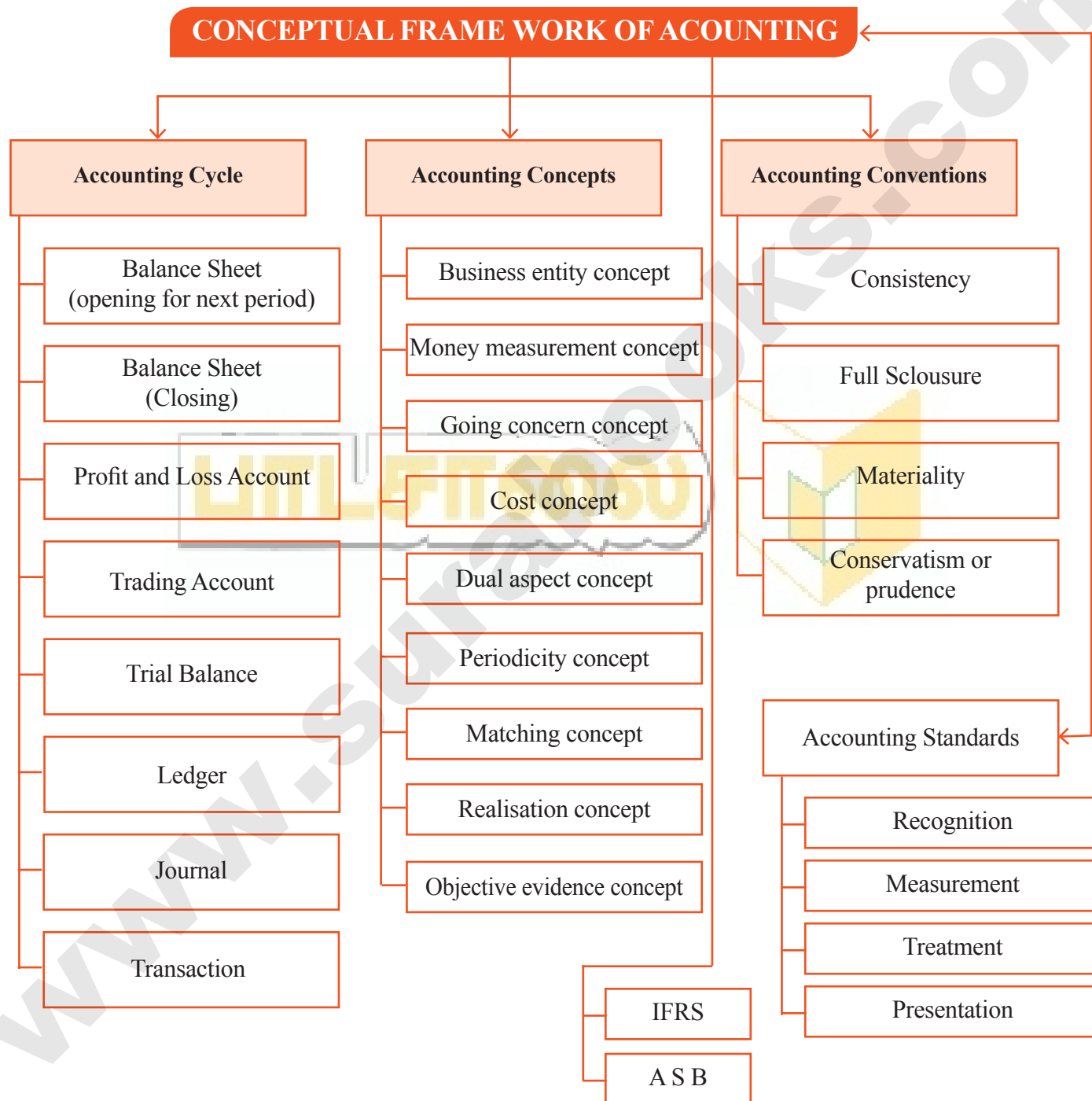
UNIT 2

CONCEPTUAL FRAMEWORK OF ACCOUNTING

CHAPTER SNAPSHOT

- 2.1 Book-keeping – An introduction**
 - 2.1.1 Meaning of book-keeping**
 - 2.1.2 Definition of book-keeping**
 - 2.1.3 Features of book-keeping**
 - 2.1.4 Objectives of book-keeping**
 - 2.1.5 Advantages of Book-keeping**
 - 2.1.6 Limitations of book-keeping**
- 2.2 Book- keeping Vs. Accounting**
- 2.3 Relationship among Book-keeping, Accounting and Accountancy**
- 2.4 Accounting Principles**
- 2.5 Accounting Standards (AS)**
 - 2.5.1 Need for accounting standards**
- 2.6 International Financial Reporting Standards (IFRS)**
- 2.7 Accounting Standards in India**

CONCEPT MAP



IMPORTANT POINTS

- Accounting is the language of business. It records business transactions taking place during the accounting period.
- The basic assumptions of accounting are like the foundation pillars on which the structure of accounting is based.
- Six concepts guide how business transactions are reported.
- To make the accounting information useful to various interested parties, the basic assumptions and concepts discussed earlier have been modified.
- IASC the main purpose of this committee is to formulate and publish in public interest, standards to be observed in the presentation of audited financial statements and to promote their world-wide acceptance and observance.
- The ASB will consider the applicable law, custom, usage, business environment and the International Accounting Standards.

SELF-EXAMINATION QUESTIONS

I. MULTIPLE CHOICE QUESTIONS.

CHOOSE THE CORRECT ANSWER.

1. The business is liable to the proprietor of the business in respect of capital introduced by the person according to

[BEQ; Govt. MQP-2018; QY-2018; Mar-2019; Sep-2021]

- (a) Money measurement concept
- (b) Cost concept
- (c) Business entity concept
- (d) Dual aspect concept

[Ans. (c) Business entity concept]

2. The concept which assumes that a business will last indefinitely is

[QY-2019, Sep-2020]

- (a) Business Entity
- (b) Going concern
- (c) Periodicity
- (d) Conservatism

[Ans. (b) Going concern]

3. GAAPs are :

[HY-2019]

- (a) Generally Accepted Accounting Policies
- (b) Generally Accepted Accounting Principles
- (c) Generally Accepted Accounting Provisions
- (d) None of these

[Ans. (b) Generally Accepted Accounting Principles]

4. The rule of stock valuation 'cost price or realisable value' whichever is lower is based on the accounting principle of :

[BEQ; HY-2018; Sep-2021]

- (a) Materiality
- (b) Money measurement
- (c) Conservatism
- (d) Accrual

[Ans. (c) Conservatism]

5. In India, Accounting Standards are issued by

[Govt. MQP-2018; First Mid-2018; QY-2018, 2019; HY-2018; June-2019]

- (a) Reserve Bank of India
- (b) The Cost and Management Accountants of India
- (c) Supreme Court of India
- (d) The Institute of Chartered Accountants of India

[Ans. (d) The Institute of Chartered Accountants of India]

II. VERY SHORT ANSWER QUESTIONS.

1. Define Book Keeping.

[BEQ; Govt. MQP-2018; Mar-2019]

Ans. According R.N. Carter defines, "Book keeping is the science and art of recording correctly in the books of account all those business transactions of money or money's worth".

2. What is meant by accounting concepts?

- Ans.**
- (i) Accounting concepts are the basic assumptions or conditions upon which accounting has been alid.
 - (ii) Accounting concepts are the results of broad consenses.
 - (iii) The word concept means a notion or abstraction which is generally accepted.
 - (iv) Accounting concepts provide unifying structure to the accounting process and accounting reports.

3. Briefly explain about realisation concept.

- Ans.**
- (i) According to realisation concept, any change in value of an asset is to be recorded only when the business realises it.
 - (ii) When assets are recorded at historical value, any change in value is to be accounted only when it realises.

4. What is "Full Disclosure Principle" of accounting?

[BEQ; HY-2018, Sep-2020]

- Ans.**
- (i) The accounts must disclose all material information.
 - (ii) The accounting reports should disclose full and fair information to the related parties.
 - (iii) The financial position and performance should be disclosed very honestly to all the users.

5. Write a brief note on 'Consistency' assumption.

[Sep-2021]

- Ans.**
- (i) The Consistency convention implies that the accounting practice should remain the same from one year to another.
 - (ii) The results of different years will be comparable only when same accounting methods are followed from year to year.
 - (iii) The firm should be modify the method of charging the depreciation from one to another.
 - (iv) If any change has to be incorporated, valid reasons for such a change should be emphasised.

III. SHORT ANSWER QUESTIONS.**1. What is matching concept? Why should a business concern follow this concept?**

[QY-2019]

- Ans.**
- (i) According to this concept, revenues during an accounting period are matched with expenses incurred during that period to earn the revenue during that period.
 - (ii) This concept is based on accrual concept and periodicity concept.
 - (iii) Periodicity concept fixes the time frame for measuring performance and determining financial status.
 - (iv) All expenses paid during the period are not considered, but only the expenses related to the accounting period are considered.

2. "Only monetary transactions are recorded in accounting". Explain the statement.

[BEQ; Govt. MQP-2018; June-2019]

- Ans.**
- (i) Only financial transactions are to be recorded because it is due to Money Measurement concept, which states that only those transactions are to be recorded in the books of accounts which consist of cash.
 - (ii) Hence it is concerned with the Nominal value not the real value.
 - (iii) For example Mohan purchase television for ₹12,000. So this, will recorded in journal entry book as it has cash transactions.

3. "Business units last indefinitely". Mention and explain the concept on which the statement is based.

- Ans.**
- (i) "Business units last indefinitely". This statement is used in Going Concern Concept.
 - (ii) Going concern concept influences Accounting practices in relation to valuation of assets and liabilities, depreciation of the fixed assets, treatment of outstanding and prepaid expenses and incomes.
 - (iii) The values involved in the going concern concept are :

1. **Growth** : By following the going concern concept, business activities are to be carried out for future growth.
2. **Preparing for future** : By following the going concern assumption, business firm always intends to prepare for the future.

4. Write a brief note on Accounting Standards.

- Ans.** (i) Accounting Standards provide the framework and norms so that the financial statements of different enterprises become comparable.

- (ii) It becomes necessary to standardise the accounting principles and policies to ensure consistency, comparability, adequacy and reliability of financial reporting.
- (iii) Accounting standards in India are issued by the Institute of Chartered Accountants of India (ICAI).

Definition :

In the words of Kohler, "Accounting standards are codes of conduct imposed by customs, law or professional bodies for the benefit of public accountants and accountants generally".

Government Exam Questions and Answers

I. CHOOSE THE CORRECT ANSWER.

1 MARK

(i) CHOOSE THE CORRECT OPTION.

1. **IFRS** is [First Mid-2018]
- (a) Indian Financial Reporting Standards
 - (b) Indian Funds Reporting Standards
 - (c) International Financial Reporting Standards
 - (d) None of these

[Ans. (c) International Financial Reporting Standards]

2. _____ said "Book keeping is an art of recording business dealings in a set of books". [BEQ; June-2019]

- (a) Norcot
- (b) J.R. Batliboi
- (c) R.N. Carter
- (d) Keynes

[Ans. (b) J.R. Batliboi]

(ii) CONSIDER THE FOLLOWING STATEMENT.

1. [BEQ; Govt. MQP-2018]
- Assertion (A):** Book keeping provides a permanent and reliable record for all business transactions.

Reason (R) : Transactions are recorded systematically in chronological order in the books of account.

Select the correct answer:

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
- (c) (A) is true, but (R) is false
- (d) (A) is false, but (R) is true

[Ans. (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)]

II. VERY SHORT ANSWER QUESTIONS.

2 MARKS

1. Give any two advantages of Book-keeping.

[QY-2019]

Ans. Book-keeping has the following advantages:

- (i) Transactions are recorded systematically in chronological order in the book of accounts. Thus, book-keeping provides a permanent and reliable record for all business transactions.
- (ii) Book-keeping is useful to get the financial information.

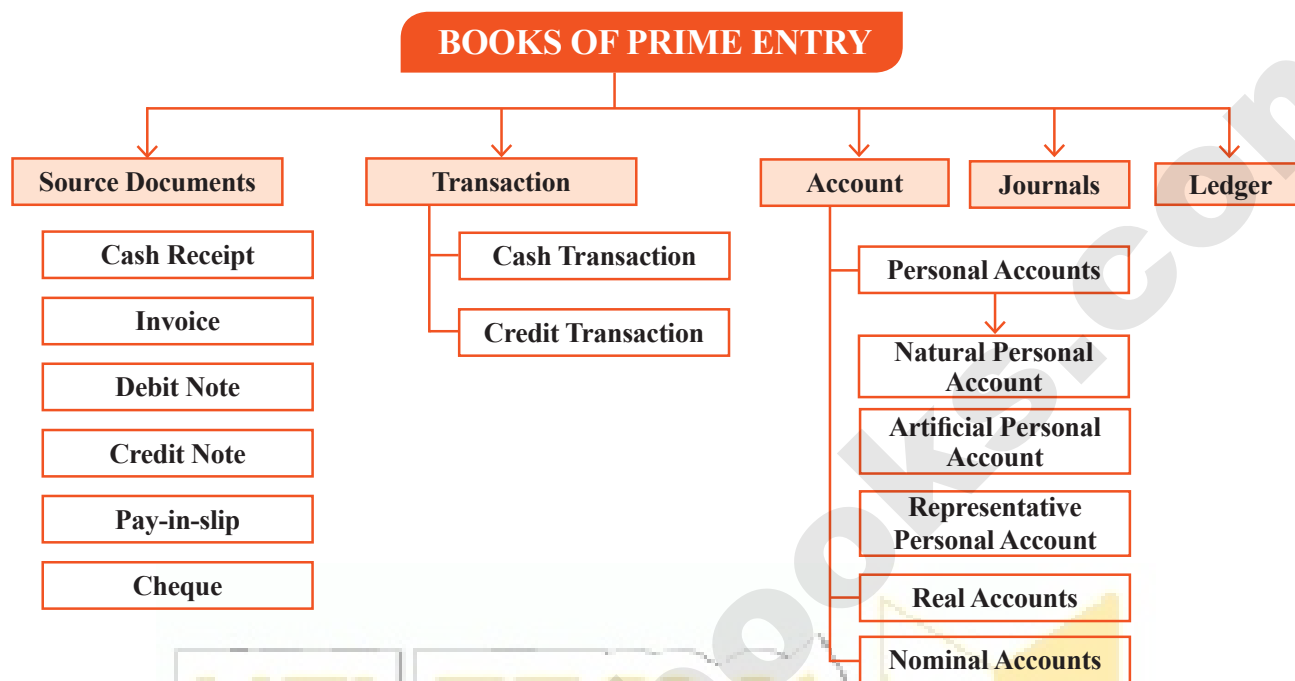
UNIT 3

BOOKS OF PRIME ENTRY

CHAPTER SNAPSHOT

- 3.1 Introduction**
- 3.2 Source documents**
- 3.3 Double entry system**
 - 3.3.1 Definition**
 - 3.3.2 Principles of double entry system**
 - 3.3.3 Advantages of double entry system**
- 3.4 Transaction**
- 3.5 Account**
- 3.6 Approaches of recording transactions**
 - 3.6.1 Accounting equation approach**
 - 3.6.2 Traditional approach**
- 3.7 Accounting rules**
- 3.8 Journal entries**
 - 3.8.1 Meaning**
 - 3.8.2 Format of Journal**
 - 3.8.3 Steps in journalising**
 - 3.8.4 Different types of journal entries**
 - 3.8.5 Application of rules of double entry system**
 - 3.8.6 Analysis of transactions**
 - 3.8.7 Advantages of journal**

CONCEPT MAP



IMPORTANT POINTS

- ❑ Source documents are the evidence of business transactions.
- ❑ Source documents include cash receipt, invoice, debit note, credit note, pay-in-slip, salary bills, wage bills, counterfoils of cheques.
- ❑ Double entry system is the scientific and complete system of recording the financial transactions of a business.
- ❑ The basic principle of double entry system is that for every debit there must be an equivalent and corresponding credit.
- ❑ Transaction can be classified into cash transaction and credit transaction.
- ❑ Accounting Equation is a mathematical expression which shows that the total of assets is equal to the total of liabilities and capital.
- ❑ Account is the systematic presentation of all material information regarding a particular heading at one place, under one head.
- ❑ In Double entry system of book keeping, for the purpose of recording the various business transactions the accounts are classified as personal accounts and impersonal accounts.
- ❑ Journal is the original book of recording the business transactions in a systematic manner.
- ❑ The transactions are recorded in chronological order in the order of occurrence.
- ❑ Since transactions are first of all recorded in the journal, it is called book of original entry or prime entry or preliminary entry, or first entry.

SELF-EXAMINATION QUESTIONS

I. MULTIPLE CHOICE QUESTIONS.

CHOOSE THE CORRECT ANSWER.

1. Accounting equation signifies
[BEQ; First Mid-2018]

- (a) Capital of a business is equal to assets
- (b) Liabilities of a business are equal to assets
- (c) Capital of a business is equal to liabilities
- (d) Assets of a business are equal to the total of capital and liabilities

[Ans. (d) Assets of a business are equal to the total of capital and liabilities]

2. 'Cash withdrawn by the proprietor from the business for his personal use' causes

- (a) Decrease in assets and decrease in owner's capital
- (b) Increase in one asset and decrease in another asset
- (c) Increase in one asset and increase in liabilities
- (d) Increase in asset and decrease in capital

[Ans. (a) Decrease in assets and decrease in owner's capital]

3. A firm has assets of ₹1,00,000 and the external liabilities of ₹60,000. Its capital would be
[Mar-2019]

- (a) ₹1,60,000
- (b) ₹60,000
- (c) ₹1,00,000
- (d) ₹40,000

[Ans. (d) ₹40,000]

4. The incorrect accounting equation is

- (a) Assets = Liabilities + Capital
- (b) Assets = Capital + Liabilities
- (c) Liabilities = Assets + Capital
- (d) Capital = Assets – Liabilities

[Ans. (c) Liabilities = Assets + Capital]

5. Accounting equation is formed based on the accounting principle of [BEQ; QY-2018; HY-2018]

- (a) Dual aspect
- (b) Consistency
- (c) Going concern
- (d) Accrual

[Ans. (a) Dual aspect]

6. Real account deals with

[BEQ; First Mid-2018, Sep-2020]

- (a) Individual persons
- (b) Expenses and losses
- (c) Assets
- (d) Incomes and gains

[Ans. (c) Assets]

7. Which one of the following is representative personal account?

[BEQ; First Mid-2018; HY-2018; QY-2019]

- (a) Building A/c
- (b) Outstanding salary A/c
- (c) Mahesh A/c
- (d) Balan & Co

[Ans. (b) Outstanding salary A/c]

8. Prepaid rent is a

[QY-2018; HY-2019]

- (a) Nominal A/c
- (b) Personal A/c
- (c) Real A/c
- (d) Representative personal A/c

[Ans. (d) Representative personal A/c]

9. Withdrawal of cash from business by the proprietor should be credited to

[BEQ; Govt. MQP-2018]

- (a) Drawings A/c
- (b) Cash A/c
- (c) Capital A/c
- (d) Purchases A/c

[Ans. (b) Cash A/c]

10. In double entry system of book keeping, every business transaction affects [Sep-2021]

- (a) Minimum of two accounts
- (b) Same account on two different dates
- (c) Two sides of the same account
- (d) Minimum three accounts

[Ans. (a) Minimum of two accounts]

II. VERY SHORT ANSWER QUESTIONS.

1. What are source documents? [Sep-2021]

Ans. (i) Source documents are the authentic financial evidence of transactions. These documents show the nature of transaction, the date, the amount and the parties involved.

(ii) Source documents include cash receipt, invoice, debit note, credit note, pay-in-slip, salary bills, wage bills, counterfoils of cheques and any other form of written document proof.

2. What is accounting equation?

Ans. (i) Accounting equation is a mathematical expression which shows that the total of assets is equal to the total of liabilities and capital.

- (ii) This is based on the dual aspect concept of accounting.
- (iii) This means that total claims of outsiders and the proprietor will always be equal to the total of assets of business enterprise.

$$\text{Assets} = \text{Liabilities} + \text{Capital} + \text{Revenues} - \text{Expenses}$$

3. Write any one transaction which : [BEQ]

a) Decreases the assets and decreases the liabilities

b) Increases one asset and decreases another asset

Ans. (a) Cash withdrawn by proprietor - Decrease in Cash and decrease in capital.

(b) Purchase of furniture for cash-Increase in furniture and decrease in cash.

4. What is meant by journalising?

Ans. The process of analysing the business transactions under the heads of debit and credit and recording them in the journal is called journalising.

5. What is real account?

Ans. All accounts relating to tangible and intangible properties and possessions are called real accounts.

6. How are personal accounts classified?

Ans. Personal accounts can be classified into natural, artificial and representative personal accounts.

7. State the accounting rule for nominal account. [BEQ; Govt. MQP-2018]

Ans. 'Debit all expenses and losses and Credit all incomes and gains'. For nominal accounts, the rule is debit all expenses and losses and credit all incomes and gains.

8. Give the golden rules of double entry accounting system. [BEQ; First Mid-2018;

QY-2018, 2019; HY-2018, 2019; Mar-2019; Sep-2020]

Ans. Golden rules of double entry system

Personal account	Debit the receiver	Credit the giver
Real account	Debit what comes in	Credit what goes out
Nominal account	Debit all expenses and losses	Credit all incomes and gains

III. SHORT ANSWER QUESTIONS.

1. Write a brief note on accounting equation approach of recording transactions.

Ans. (i) The relationship of assets with that of liabilities to outsiders and to owners in the equation form is known as accounting equation.

(ii) Under the double entry system of book keeping, every transaction has two fold effect, which causes the changes in assets and liabilities or capital in such a way that an accounting equation is completed and equated.

$$\text{Capital} + \text{Liabilities} = \text{Assets}$$

(iii) Capital can also be called as owner's equity and liabilities as outsider's equity.

(iv) Accounting equation is a mathematical expression which shows that the total of assets is equal to the total of liabilities and capital.

(v) This is based on the dual aspect concept of accounting.

(vi) As the revenues and expenses will affect capital, the expanded equation may be given as under:

$$\text{Assets} = \text{Liabilities} + \text{Capital} + \text{Revenues} - \text{Expenses}$$

2. What is an Account? Classify the accounts with suitable examples.

Ans. Account is the systematic presentation of all material information regarding a particular person or item at one place, under one head, under accounting equation approach, accounts are classified into five categories. They are,

(i) **Asset Account** : Any physical thing or right owned that has a monetary value is called asset. These assets are grouped and shown separately.

For example, Land and Buildings account, plant and machinery account.

(ii) **Liability Account** : Financial obligations of the enterprise towards outsiders are shown under separate heads as liabilities. For example, creditors account, expenses outstanding account.

(iii) **Capital Account** : Financial obligations of a business enterprise towards its owners are grouped under this category. For example, Capital contributed by owner.

(iv) **Revenue Account** : Accounts relating to revenues of an enterprise are grouped under this category.

For example, Revenues from sale of goods, Rent received.

(v) **Expenses Account** : Expenses incurred and losses suffered for earning revenue are grouped under this category.

For example, Purchase of goods, Salaries paid.

3. What are the three different types of personal accounts?

[BEQ; Govt. MQP-2018; HY-2018]

Ans. **Personal account** :

Account relating to persons is called personal account. The personal account may be natural, artificial or representative personal account.

(a) **Natural person's account** : Natural person means human beings. Example: Vinoth account, Malini account.

(b) **Artificial person's account** : Artificial person refers to the persons other than human beings recognised by law as persons. They include business concerns, charitable institutions, etc. Example: BHEL account, Bank account.

(c) **Representative personal accounts** : These are the accounts which represent persons natural or artificial or a group of persons. Example: Outstanding salaries account, Prepaid rent account. When expenses are outstanding, it is payable to a person. Hence, it represents a person.

4. What is the accounting treatment for insurance premium paid on the life of the proprietor?

Ans. (i) Insurance premium paid on the life of the proprietor is a personal account.

(ii) It is spend for the personal use of the proprietor not for the business purpose. Hence, Drawings A/c should be debited.

The Entry is

Drawings A/c	Dr	xxxx
To Cash A/c		xxxx

5. State the principles of double entry system of book keeping.

Ans. Following are the principles of double entry system:

(i) In every business transaction, there are two aspects.

(ii) The two aspects involved are the benefit or value receiving aspect and benefit or value giving aspect.

(iii) These two aspects involve minimum two accounts; at least one debit and at least one credit.

(iv) For every debit, there is a corresponding and equivalent credit. If one account is debited the other account must be credited.

6. Briefly explain about steps in journalising.

Ans. The following steps are followed in journalising :

(1) Analyse the transactions and identify the accounts (based on aspects) which are involved in the transaction.

(2) Classify the above accounts under Personal account, Real account or Nominal account.

(3) Apply the rules of debit and credit for the above two accounts.

(4) Find which account is to be debited and which account is to be credited by the application of rules of double entry system.

(5) Record the date of transaction in the date column.

(6) Enter the name of the account to be debited in the particulars column very close to the left hand side of the particulars column followed by the abbreviation 'Dr.' at the end in the same line. Against this, the amount to be debited is entered in the debit amount column in the same line.

(7) Write the name of the account to be credited in the second line starting with the word 'To' prefixed a few spaces away from the margin in the particulars column. Against this, the amount to be credited is entered in the credit amount column in the same line.

(8) Write the narration within brackets in the next line in the particulars column.

7. What is double entry system? State its advantages.

- Ans.** (i) Double entry system of book keeping is a scientific and complete system of recording the financial transactions of an organisation.
- (ii) According to this system, every transaction has a two fold effect.
- (iii) That is, there are two aspects involved, namely, receiving aspect and giving aspect.
- (iv) It is denoted by debit (Dr.) and credit (Cr.).

Following are the advantages of double entry system : [Sep-2021]

- (1) **Accuracy :** In this system, the two aspects of each transaction are recorded in the books of accounts. This helps in checking the accuracy in accounting.
- (2) **Ascertainment of business results:** Details regarding expenses, losses, incomes, gains, assets, liabilities, debtors, creditors, etc., are readily available. This helps to ascertain the net profit earned or loss incurred during an accounting period and also to know the financial position as on a particular date.

- (3) **Comparative study :** The business results of the current year can be compared with those of the previous years and also with other business firms. It facilitates business planning for future.
- (4) **Common acceptance :** The business records maintained under this system are accepted by financial institutions, government and others, because it is a systematic and scientific system.

IV. EXERCISES.

1. Complete the accounting equation.

[BEQ; Govt. MQP-2018; Mar-2019]

- (a) Assets = Capital + Liabilities
₹1,00,000 = ₹80,000 + ?
- (b) Assets = Capital + Liabilities
₹2,00,000 = ? + ₹40,000
- (c) Assets = Capital + Creditors
? = ₹1,60,000 + ₹80,000

Solution :

- (a) Assets = Capital + Liabilities
₹1,00,000 = ₹80,000 + ₹20,000
- (b) Assets = Capital + Liabilities
₹2,00,000 = ₹1,60,000 + ₹40,000
- (c) Assets = Capital + Creditors
₹2,40,000 = ₹1,60,000 + ₹80,000

2. For the following transactions, show the effect on accounting equation.

[BEQ; HY-2018]

- (a) Raj Started business with cash ₹40,000
- (b) Opened bank account with a deposit of ₹30,000
- (c) Bought goods from Hari on credit for ₹12,000
- (d) Raj withdrew cash for personal use ₹1,000
- (e) Bought furniture by using debit card for ₹10,000
- (f) Sold goods to Murugan and cash received ₹6,000
- (g) Money withdrawn from bank for office use ₹1,000

Solution :

S. No.	Transactions	Cash ₹	Bank ₹	Stock ₹	Furniture ₹	Total Assets ₹	=	Total Liabilities ₹	Capital ₹	Creditors ₹
a)	Started business with cash	+40,000							+40,000	
	Balance	+40,000							+40,000	
	Equation					+40,000	=	+40,000		

HOTS Questions

VERY SHORT ANSWER QUESTIONS.

2 MARKS

1. If a transaction has the effect of decreasing an asset, is the decrease recorded as a debit or as Credit? If the transaction has the effect of decreasing a liability, is the decrease recorded as a debit or as a credit?

Ans. (i) If a transaction has the effect of decreasing an asset, the decrease will be recorded as credit because all the assets have debit balance. So if asset decreases, it is credited.

(ii) For example, when an asset is decreased because of depreciation, in that case asset account is credited.

2. Goods costing ₹50,000 were returned to the supplier of goods as the goods were hazardous for the health of the consumers. Pass the Journal Entry.

Solution :

Particulars	L.F.	Debit ₹	Credit ₹
Creditor A/c	Dr.	50,000	
To Return outwards A/c (Being the goods returned)			50,000

3. Goods worth 2,000 and cash worth 20,000 were Stolen by an employee pass the Journal Entry.

Solution :

Particulars	L.F.	Debit ₹	Credit ₹
Loss of theft A/c	Dr.	22,000	
To Purchases A/c			2,000
To Cash A/c			20,000
(Being goods and cash stolen by an employee)			

SHORT ANSWER QUESTIONS.

3 MARKS

1. Accounting equation remains intact under all circumstances. Justify the statement with the help of an Example.

Ans. (i) An accounting equation always remains intact with every change that occurs due to a transaction i.e., under all the circumstances.

(ii) It is because dual aspect concept of accounting says that, every transaction simultaneously, has two effects of equal amount.

(iii) A transaction may affect either both sides of the equation by the same amount or one side of the equation only, by both increasing or decreasing it by equal amounts.



UNIT

4

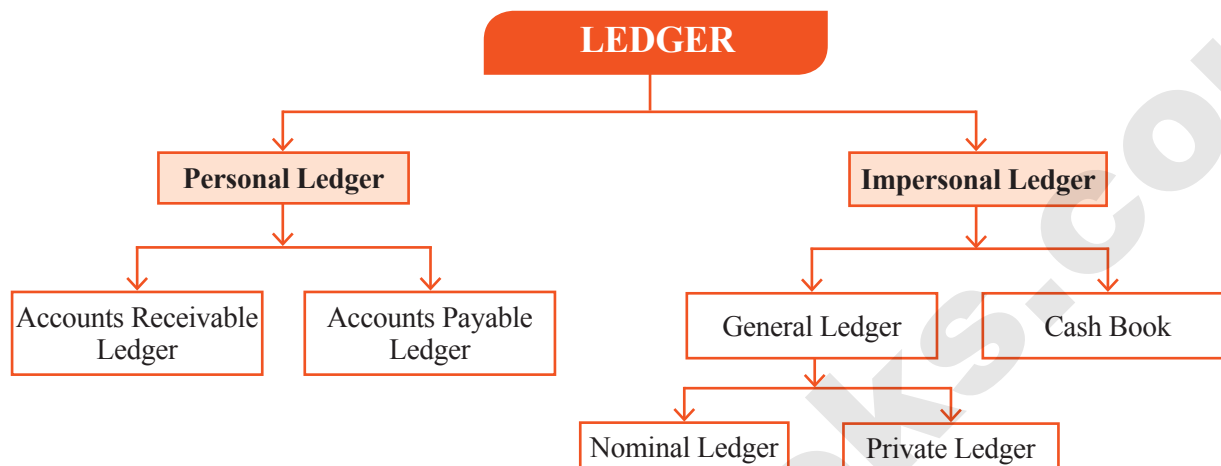
LEDGER

CHAPTER SNAPSHOT

- 4.1** Introduction
- 4.2** Utilities of ledger
- 4.3** Format of ledger account
- 4.4** Distinction between journal and ledger
- 4.5** Procedure for posting
 - 4.5.1** Posting of opening journal entry
 - 4.5.2** Posting of compound journal entry
- 4.6** Balancing of ledger accounts
 - 4.6.1** Procedure for balancing an account
 - 4.6.2** Direct ledger posting

CONCEPT MAP

SUB-DIVISION OF THE LEDGER



IMPORTANT POINTS

- ❑ Ledger is known as Principal book of accounts because it is very useful for a business enterprise.
- ❑ The Personal accounts give the net amount due to creditors and the net amount due from debtors, real accounts show the values of assets and nominal accounts will show sources of incomes and expenses.
- ❑ The ledger account is prepared in 'T' Format. It is divided into two parts.
- ❑ The process of transferring the debit and credit items from the journal to the ledger accounts is called posting.
- ❑ In case of existing business enterprises, opening entry is made at the beginning of the accounting period to bring into account the balances of accounts which were not closed in the Preceding accounting period.
- ❑ When a journal entry has more than one debit or more than one credit or both, it is called a compound entry.
- ❑ Balancing means that the debit side and credit side amounts are totaled and the difference between the total of the two sides is placed in the amount column as Balance c/d on the column side having lesser total so that the total of both debit and credit columns are equal.
- ❑ The Closing balance of an accounting period is the opening balance of the next accounting period.
- ❑ Trial balance is a statement which shows debit and credit balances of all accounts in the ledger.
- ❑ The debit balance of a ledger account is shown in the debit column, while credit balance is shown in the credit column of the trial balance.

SELF-EXAMINATION QUESTIONS

I. MULTIPLE CHOICE QUESTIONS.

CHOOSE THE CORRECT ANSWER.

1. Main objective of preparing ledger account is to *[BEQ; Govt. MQP-2018; QY-2019]*

- (a) Ascertain the financial position
- (b) Ascertain the profit or loss
- (c) Ascertain the profit or loss and the financial position
- (d) Know the balance of each ledger account

[Ans. (d) Know the balance of each ledger account]

2. The process of transferring the debit and credit items from journal to ledger accounts is called *[BEQ; First Mid-2018]*

- (a) Casting
- (b) Posting
- (c) Journalising
- (d) Balancing

[Ans. (b) Posting]

3. J. F. means

- (a) Ledger page number
- (b) Journal page number
- (c) Voucher number
- (d) Order number

[Ans. (b) Journal page number]

4. The process of finding the net amount from the totals of debit and credit columns in a ledger is known as *[June-2019]*

- (a) Casting
- (b) Posting
- (c) Journalising
- (d) Balancing

[Ans. (d) Balancing]

5. If the total of the debit side of an account exceeds the total of its credit side, it means

[BEQ; Govt. MQP-2018; QY-2018, 2019; HY-2018; Sep-2021]

- (a) Credit Balance
- (b) Debit Balance
- (c) Nil Balance
- (d) Debit and Credit Balance

[Ans. (b) Debit Balance]

6. The amount brought into the business by the proprietor should be credited to

[Mar-2019; Sep-2020]

- (a) Cash account
- (b) Drawings account
- (c) Capital account
- (d) Suspense account

[Ans. (c) Capital account]

II. VERY SHORT ANSWER QUESTIONS.

1. What is a ledger?

Ans. (i) Ledger is known as Principal book of accounts because it is very useful for a business enterprise.

(ii) It is a book which contains all sets of accounts, namely, personal, real and nominal accounts.

(iii) Account-wise balance can be determined from the ledger.

(iv) The ledger accounts are opened or maintained based on journal entries passed.

2. What is meant by posting? *[BEQ]*

Ans. The process of transferring the debit and credit items from the journal to the ledger accounts is called posting.

3. What is debit balance?

Ans. (i) The excess of debit total over the credit total is called the debit balance.

(ii) When there is only debit entries in an account, the amount itself is the balance of that account, i.e., the debit balance.

4. What is credit balance? *[Sep-2021]*

Ans. (i) The excess of credit total over the debit total is called the credit balance.

(ii) When there is only credit entries in an account, the amount itself is the balance of that account, i.e., the credit balance.

5. What is balancing of an account?

Ans. (i) Balance is the difference between the total debits and the total credits of an account.

(ii) Balancing means the writing of the difference between the amount columns of the two sides in the lighter (Smaller Total) side, so that the grand totals of the two sides become equal.

III. SHORT ANSWER QUESTIONS.

1. Distinguish between journal and ledger.

[BEQ; Govt. MQP-2018; Sep-2021]

Ans :

S. No.	Basis of Distinction	Journal	Ledger
1.	Book	It is the book of prime entry.	It is the main book of account.
2.	Stage	Recording of entries in these books is the first stage.	Recording of entries in the ledger is the second stage.
3.	Process	The process of recording entries in the books is called "Journalising".	The process of recording entries in the ledger is called "Posting".
4.	Transactions	Transactions relating to a person or property or expenses are spread over.	Transactions relating to a particular account are found together on a particular stage.
5.	Net effect	The final position of a particular account cannot be found.	The final position of a particular account are found together on a particular stage.
6.	Tax authorities	Do not rely upon these books.	Rely on the ledger for assessment purpose.

2. What is ledger? Explain its utilities.

Ans. (i) Ledger account is a summary statement of all the transactions relating to a person, asset, liability, expense or income which has taken place during a given period of time and it shows their net effect. From the transactions recorded in the journal, the ledger account is prepared.

(ii) Ledger is known as principal book of accounts.

Utilities of ledger :

1) **Quick information about a particular account :** Ledger account helps to get all information about a particular account like sales, purchases, machinery, etc., at a glance. For example where there are several transactions with a debtor, the net amount due from a debtor can be known from the ledger account.

2) **Control over business transactions:** From the ledger balances extracted, a thorough analysis of account balances can be made which help to have control over the business transactions.

3) **Trial balance can be prepared :** With the balances of ledger accounts, trial balance can be prepared to check the arithmetical accuracy of entries made in the journal and ledger.

4) **Helps to prepare financial statements :** From the ledger balances extracted, financial statements can be prepared for ascertaining net profit or loss and the financial position

3. How is posting made from the journal to the ledger?

Ans. The procedure of posting from journal to ledger is as follows :

(i) Locate the ledger account that is debited in the journal entry. Open the respective account in the ledger if already not opened. Write the name of the account in the top middle. If already opened, locate the account from the ledger index.

(ii) Record the date of the transaction in the date column on the debit side of that account.

(iii) Record the name of the account credited in the Journal with the prefix 'To' in particulars column.

- (iv) Record the amount of the debit in the 'Amount column'.
- (v) Locate the Ledger account that is credited in the journal entry. Open the respective account in the ledger if already not opened.
- (vi) Write the name of the account in the top middle. If already opened, locate the account from the ledger index.
- (vii) Record the name of the account debited in the journal entry particulars column with the prefix 'By' and write the amount in the amount column.

4. Explain the procedure for balancing a ledger account. [Sep-2021]

- Ans.**
- (i) The debit and credit columns of an account are to be totalled separately.
 - (ii) The difference between the two totals is to be ascertained.
 - (iii) The difference is to be placed in the amount column of the side having lesser total. 'Balance c/d' is to be entered in the particulars column against the difference and in the date column the last day of the accounting period is entered.
 - (iv) Now both the debit and credit columns are to be total and the totals will be equal. The totals of both sides are to be recorded in the same line horizontally.
 - (v) The total is to be distinguished from other figures by drawing lines above and below the amount.
 - (vi) The difference has to be brought down to the opposite side below the total.

- (vii) 'Balance b/d' is to be entered in the particulars column against the difference brought down and in the date column, the first day of the next accounting period is entered.
- (viii) If the total on the debit side of an account is higher, the balancing figure is debit balance and if the credit side of an account has higher total, the balancing figure is credit balance. If the two sides are equal, that account will show nil balance.

IV. EXERCISES.

1. Journalise the following transactions and post them to Ledger.

2016 Jan.		₹
1	Started business with cash	10,000
5	Paid into bank	5,000
7	Purchased goods from Ram for cash	1,000

Solution :

Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
2016 Jan. 1	Cash A/c Dr. To Capital A/c (Started business with cash)		10,000	10,000
5	Bank A/c Dr. To Cash A/c (Amount paid into Bank)		5,000	5,000
7	Purchases A/c Dr. To Cash A/c (Cash purchases)		1,000	1,000

Ledger Account

Cash Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹
2016 Jan 1	To Capital A/c		10,000	2016 Jan 5	By Bank A/c		5,000
				7	By Purchases A/c		1,000
				31	By Balance c/d		4,000
			10,000				10,000
2016 Feb 1	To Balance b/d		4,000				

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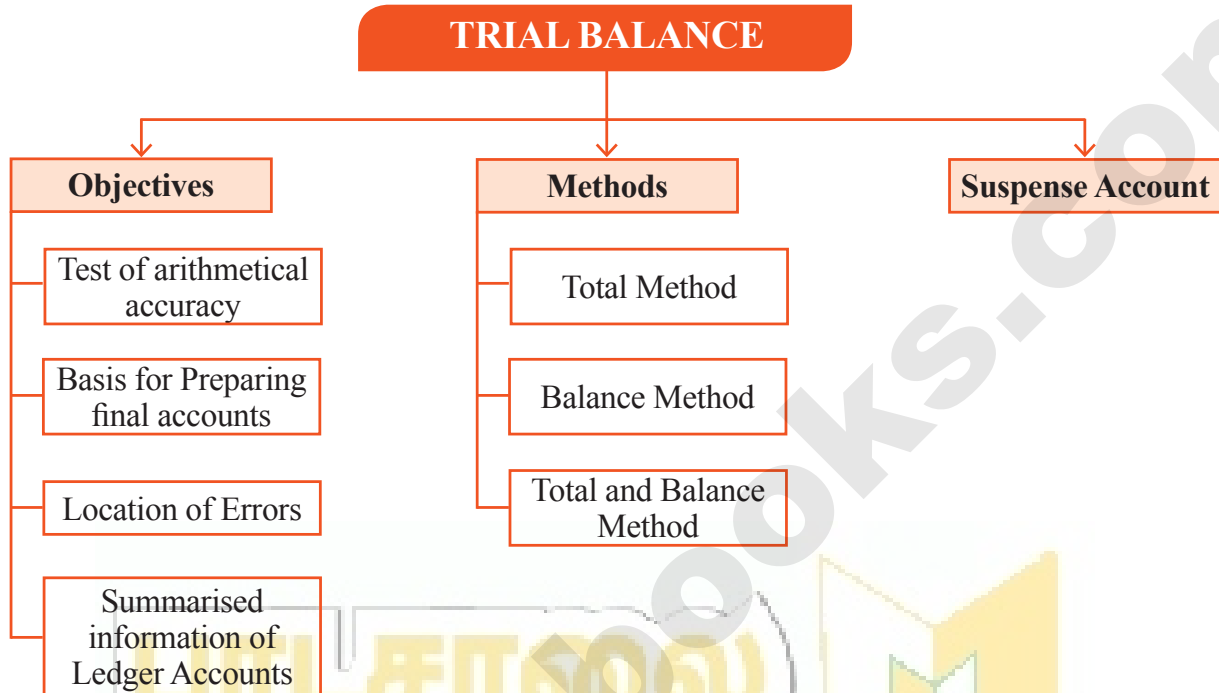
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TRIAL BALANCE

CHAPTER SNAPSHOT

- 5.1 Introduction**
- 5.2 Need for preparing trial balance**
- 5.3 Definition of trial balance**
- 5.4 Features of trial balance**
- 5.5 Objectives of preparing trial balance**
- 5.6 Limitations of trial balance**
- 5.7 Methods of preparing trial balance**
 - 5.7.1 Balance method**
 - 5.7.2 Total method**
 - 5.7.3 Total and Balance method**
- 5.8 Suspense account**

CONCEPT MAP



IMPORTANT POINTS

- Trial balance is a statement containing the debit and credit balances of all ledger accounts on a particular date.
- The first step is recording the business transactions in subsidiary books or journal.
- The second step is preparing ledger accounts on the basis of subsidiary books or journal.
- Trial balance serves as a lubricant for the smooth movement and completion of the accounting cycle, because it is with the help of the Trial balance.
- Trial balance can be prepared in two methods, (i.e.) Total method and the Balance method.
- The fundamental principle of the double-entry system is that every debit has a corresponding credit of equal amount and vice-versa.

SELF-EXAMINATION QUESTIONS

I. MULTIPLE CHOICE QUESTIONS.

CHOOSE THE CORRECT ANSWER.

1. Trial balance is a [BEQ; HY-2019]

- (a) Statement (b) Account
(c) Ledger (d) Journal

[Ans. (a) Statement]

2. After the preparation of ledger, the next step is the preparation of [QY-2019; Sep-2021]

- (a) Trading account
(b) Trial balance
(c) Journal
(d) Profit and loss account

[Ans. (b) Trial balance]

3. The trial balance contains the balances of [Govt. MQP-2018; QY-2018; HY-2019]

- (a) Only personal accounts
(b) Only real accounts
(c) Only nominal accounts
(d) All accounts

[Ans. (d) All accounts]

4. Which of the following is/are the objective(s) of preparing trial balance?

- (a) Serving as the summary of all the ledger accounts
(b) Helping in the preparation of final accounts
(c) Examining arithmetical accuracy of accounts
(d) a, b and c

[Ans. (d) a, b and c]

5. A list which contains balances of accounts to know whether the debit and credit balances are matched is [Sep-2021]

- (a) Journal (b) Day book
(c) Trial balance (d) Balance sheet

[Ans. (c) Trial balance]

6. Which of the following method(s) can be used for preparing trial balance? [Sep-2020]

- (a) Balance method
(b) Total method
(c) Total and Balance method
(d) a, b and c

[Ans. (d) a, b and c]

7. While preparing the trial balance, the accountant finds that the total of the credit column is short by ₹200. This difference will be

- (a) Debited to suspense account
(b) Credited to suspense account
(c) Adjusted to any of the debit balance
(d) Adjusted to any of the credit balance

[Ans. (b) Credited to suspense account]

8. The account which has a debit balance and is shown in the debit column of the trial balance is [QY-2019; Sep-2020]

- (a) Sundry creditors account
(b) Bills payable account
(c) Drawings account
(d) Capital account

[Ans. (c) Drawings account]

9. The difference of totals of both debit and credit side of trial balance is transferred to:

[BEQ; QY-2018; HY-2018; Mar-2019]

- (a) Trading account
(b) Difference account
(c) Suspense account
(d) Miscellaneous account

[Ans. (c) Suspense account]

10. Trial balance is prepared :

- (a) At the end of the year
(b) On a particular date
(c) For a year
(d) None of the above

[Ans. (b) On a particular date]

II. VERY SHORT ANSWER QUESTIONS.

1. What is trial balance?

[BEQ; Govt. MQP-2018; QY-2019]

Ans. (i) Trial balance is a statement containing the debit and credit balances of all Ledger Accounts on a particular date.

(ii) It is arranged in the form of debit and credit columns placed side by side and prepared with the object of checking the arithmetical accuracy of entries made in the books of accounts and to facilitate preparation of financial statements.

- (iv) If trial balance is not prepared in a systematic way, the final accounts prepared on the basis of trial balance may not depict the actual state of affairs of the concern.
- (v) Agreement of trial balance is not a conclusive proof of arithmetical accuracy of entries made in the accounting records.

3. 'A trial balance is only a prima facie evidence of the arithmetical accuracy of records'. Do you agree with this statement? Give reasons. [BEQ; Govt. MQP-2018]

Ans. Yes, Agree this statement.

The fundamental principle of the double-entry system of book-keeping is that every debit has a corresponding and equal credit and viceversa. Therefore, the total of the debit balances must be equal to the total of the credit balances. When such agreement between the total of all debit balances and the total of all credit balances takes place, it offers an immediate and apparent proof of arithmetical accuracy of the book-keeping work on a particular day. At the same time, it should not be taken as the conclusive proof of arithmetical accuracy as certain errors, such as error of principle compensating errors and complete omission of a transaction are not disclosed by the trial balance.

IV. EXERCISES.

1. Prepare a trial balance with the following information: [BEQ; QY-2018; June-2019]

Name of the account	₹	Name of the account	₹
Purchases	1,00,000	Sales	1,50,000
Bank Loan	75,000	Creditors	50,000
Debtors	1,50,000	Cash	90,000
Stock	35,000	Capital	1,00,000

Solution :

Trial Balance

S. No.	Name of account	L.F.	Debit balance ₹	Credit balance ₹
1.	Purchases		1,00,000	
2.	Bank Loan			75,000

3.	Debtors		1,50,000	
4.	Stock		35,000	
5.	Sales			1,50,000
6.	Creditors			50,000
7.	Cash		90,000	
8.	Capital			1,00,000
	Total		3,75,000	3,75,000

2. Prepare the trial balance from the following information: [BEQ; HY-2018]

Name of the account	₹	Name of the account	₹
Bank loan	2,00,000	Purchases	1,80,000
Bills payable	1,00,000	Sales	3,00,000
Stock	70,000	Debtors	4,00,000
Capital	2,50,000	Bank	2,00,000

Solution :

Trial Balance

S. No.	Name of account	L.F.	Debit balance ₹	Credit balance ₹
1.	Bank Loan			2,00,000
2.	Bills payable			1,00,000
3.	Stock		70,000	
4.	Capital			2,50,000
5.	Purchases		1,80,000	
6.	Sales			3,00,000
7.	Debtors		4,00,000	
8.	Bank		2,00,000	
	Total		8,50,000	8,50,000

3. Prepare the trial balance from the following balances of Chandramohan as on 31st March, 2017.

	₹		₹
Capital	1,24,500	Bank overdraft	5,800
Drawings	2,000	Motor car	20,000
Loan borrowed	7,000	General expenses	2,500
Sales	53,400	Building	1,10,000
Purchases	40,000	Stock	16,200

Solution :

In the books of Mr. Chandramohan Trial Balance as on 31.03.2017

S. No.	Name of account	L.F.	Debit balance ₹	Credit balance ₹
1.	Capital			1,24,500
2.	Drawings		2,000	
3.	Loan borrowed			7,000
4.	Sales			53,400
5.	Purchases		40,000	
6.	Bank overdraft			5,800
7.	Motor car		20,000	
8.	General expenses		2,500	
9.	Building		1,10,000	
10.	Stock		16,200	
	Total		1,90,700	1,90,700

4. Prepare the trial balance from the following balances of Babu as on 31st March, 2016.

	₹		₹
Cash in hand	7,000	Bills receivable	7,000
Sundry debtors	5,400	Sundry creditors	11,800
Salaries	6,800	Capital	25,000
Bad debts	200	Purchases	45,000
Opening Stock	15,400	Sales	50,000

Solution :

In the books of Babu Trial Balance as on 30.03.2016

S. No.	Name of account	L.F.	Debit balance ₹	Credit balance ₹
1.	Cash in hand		7,000	
2.	Sundry debtors		5,400	
3.	Bills receivable		7,000	
4.	Sundry creditors			11,800
5.	Salaries		6,800	
6.	Bad debts		200	
7.	Opening stock		15,400	
8.	Capital			25,000
9.	Purchases		45,000	
10.	Sales			50,000
	Total		86,800	86,800

5. Prepare the trial balance from the following balances of Rajesh as on 31st March, 2017.

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	₹		₹
Bills receivable	13,000	Drawings	7,000
		Sundry debtors	17,100
Bank charges	750		
Conveyance charges	350	Bills payable	12,000
Discount received	1,300	Capital	25,900
Cash in hand	1,000		

Solution :

In the books of Rajesh Trial Balance as on 31.03.2017

S. No.	Name of account	L.F.	Debit balance ₹	Credit balance ₹
1.	Bills receivable		13,000	
2.	Bank Charges		750	
3.	Conveyance Charges		350	
4.	Discount received			1,300
5.	Cash in hand		1,000	
6.	Drawings		7,000	
7.	Sundry Debtors		17,100	
8.	Bills payable			12,000
9.	Capital			25,900
	Total		39,200	39,200

6. The following balances are extracted from the books of Ravichandran on 31st December, 2016. Prepare the trial balance.

	₹		₹
Capital	1,50,000	Sales	75,000
Debtors	22,800	Return inwards	1,000
Rent received	500	Discount allowed	800
Bank overdraft	3,100	Discount received	1,000
Creditors	5,500	Wages	2,900
Premises	1,46,000	Salaries	3,500
Opening Stock	10,000	Commission paid	1,100
		General expenses	2,000
Purchases	45,000		