

# Loyola



# EC ACCOUNTANCY

# 11

This special guide is prepared  
on the basis of New Syllabus  
and Govt. Key

## Loyola

### Publications

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## PREFACE

Dear Teachers and Students.

- We **Loyola Publications** sincerely thank you for the support that you have extended to us so far.
- The only **GUIDE** which shows How to Solve the problems? and Do yourself (Practice Exercises) and Theory Questions in **ACRONYMS**.
- **In section I**, 20 questions will be given and U have to answer 20 questions. [20×1=20]  
The questions may be :
  - i) Choose the correct Answer (with 4 choices)
  - ii) Fill in the blanks
  - iii) Match List I with List II
  - iv) Pick the odd one out
  - v) Correctly matched
  - vi) Wrong pair
  - vii) True statement
  - viii) Wrong statement
  - ix) Assertion (A) Reason (R)
- **In section II**, 10 questions will be given and U have to answer 7 questions.  
Q.No.30 is compulsory. [7×2=14]
- **In section III**, 10 questions will be given and U have to answer 7 questions.  
Q.No.40 is compulsory [7×3=21]
- **In section IV** 7 questions (14) will be given in either or pattern.  
U have to answer all the 7 questions [7×5=35]
- For Two mark theory questions, U write :
  - 4 points (without explanation) (e.g) [Give 4 examples for Capital Receipt]
  - 2 points (with explanation)  
(e.g) [Difference between Capital Expenditure and Revenue Expenditure]
- For Three mark Theory questions U write :
  - 6 points (without explanation) (e.g) [What are the objectives of Book-keeping]
  - 3 points (with explanation) (e.g) [Explain Branches of Accounting]
- 5 Mark Theory Questions May or may not be asked.  
If asked :

U write 5 points with explanation.TO GET FULL MARKS.

**ALL THE BEST**

Yours,

**SHAHUL RAJA**





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## ACCOUNTANCY



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**UNIT  
1**
**INTRODUCTION TO ACCOUNTING**
**PART I - TEXT BOOK EVALUATION**
**I. Multiple choice questions**

1. **The root of financial accounting system is** HY - 2018 HY - 2019 Mar - 2019 Aug - 2022  
 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 May - 2022  
 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?** GMQ - 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** QY - 2018 First mid - 2018 June - 2019 Mar - 2023  
 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?** 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.** First mid - 2018 Sep - 2020 May - 2022  
**American Accounting Association** has defined accounting as "the process of identifying, measuring, and communicating economic information to permit informed judgements and decisions by users of the information".
2. **List any two functions of accounting.** GMQ - 2018 Mar - 2019 Aug - 2022
- Measurement**  
 ➤ Accounting works as a tool for measurement the performance of the business enterprises.  
 ➤ It also shows the financial position of the business enterprises
- Forecasting**  
 ➤ With the help of the various tools of accounting, future performance and financial position of the business enterprises can be forecasted.

3. **What are the steps involved in the process of accounting?** HY - 2019
1. Identifying the transactions and journalising
  2. Posting and balancing
  3. Preparation of trial balance
  4. Preparation of Trading A/c and Profit and Loss A/c
  5. Preparation of balance sheet
- 
4. **Who are the parties interested in accounting information?** QY - 2019 Mar - 2023
- |  |  |
|--|--|
| <p><b>A) Internal Users</b></p> <ul style="list-style-type: none"> <li>➤ Owners</li> <li>➤ Managements</li> <li>➤ Employees</li> </ul> | <p><b>B) External Users</b></p> <ul style="list-style-type: none"> <li>➤ Creditors and financial institutions</li> <li>➤ Investors</li> <li>➤ Customers</li> <li>➤ Tax authorities and other regulatory bodies</li> <li>➤ Government</li> <li>➤ Researchers</li> <li>➤ General public</li> </ul> |
|--|--|
- 
5. **Name any two bases of recording accounting information.** HY - 2018
- 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
- Accounting is the systematic process of identifying, measuring, recording, classifying, summarising, interpreting and communicating financial information. Accounting gives information on :
- i) The resources available
  - ii) How the available resources have been employed
  - iii) The results achieved by their use.
- 
2. **Discuss briefly the branches of accounting.** First mid - 2018 Aug - 2022
1. **Financial Accounting**
    - It provides financial information to the users for taking decisions.
    - It is concerned with identification, recording, classification and summarising of financial transaction and events
  2. **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.
  3. **Management Accounting**
    - It is concerned with the presentation of accounting information in such a way to assist management in decision making and in day-to-day operations of an enterprise.
  4. **Social Responsibility Accounting**
    - It is concerned with presentation of accounting information by business entities and other organisations from the view point of the society by showing the social costs incurred such as environmental pollution by the enterprise and social benefits such as infrastructure development and employment opportunities created by them.

3. Discuss in detail the importance of accounting. QY - 2019 Mar - 2019 Mar - 2023
- i) **Systematic records**
    - All the transactions of an enterprise which are financial in nature are recorded in a systematic way in the books of accounts. The records are classified under common heads and summaries are prepared
  - ii) **Assessment of progress**
    - Analysis and interpretation of financial data can be done to assess the progress made in different areas and to identify the areas of weaknesses. Management is provided with a complete picture of the liquidity, profitability and solvency of the business
  - iii) **Information to interested groups**
    - Accounting supplies appropriate information to different interested group like owners, management, creditors, employees, financial institutions, tax authorities and the government.
  - iv) **Legal evidence**
    - Accounting records are generally accepted as evidence in courts of law and other legal authorities in the settlement of disputes.
  - v) **Settlement during merger**
    - When two or more business units decide to merger, accounting records provided information for deciding the terms of merger and any compensation payable as a consequence of merger.
- 
4. Why are the following parties interested in accounting information? HY - 2019
- a) **Investors**
    - Persons who are interested in investing their funds in an organisation should know about the financial condition of a business unit while making their investment decisions.
  - b) **Government**
    - The scarce resources of the country are used by business enterprises.
    - Information about performance of business units in different industries helps the government in policy formulation for development of trade and industries, allocation of scarce resources, grant of subsidy, etc.
- 
5. Discuss the role of an accountant in the modern business world. HY - 2018 Sep - 2020 May - 2022
- i) **Record keeper**
    - The accountant maintains a systematic record of financial transactions.
    - 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**
    - He advises the management about insurance of various assets and the maintenance of the same.
  - 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**
    - The accountant ensures that tax returns are prepared and filed correctly on time and payment of tax is made on time.
  - vi) **Public Relation officer**
    - The accountant provides accounting information to various interested users for analysis as per their requirements.



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## PART II - ADDITIONAL QUESTIONS

## I. Choose the correct answers

1. **Pick the odd one out.**  
a) Measurement    b) Forecasting    c) Comparison    d) Planning  
**Ans : b) Forecasting**
2. **Pick the odd one out.**  
a) Financial Accounting    b) Cost Accounting  
c) Management Accounting    d) Equation Accounting  
**Ans : d) Equation Accounting**
3. **Functions of Accounting .....**  
a) Measurement    b) Forecasting    c) Comparison    d) All the above  
**Ans : d) All the above**
4. **Goods taken by proprietor is .....**  
a) Cash    b) Goods    c) Drawings    d) NOTA  
**Ans : c) Drawings**
5. **Which one is not correctly matched?**  
a) Capital - Invested by the owner  
b) Voucher - Document in support of a business transaction.  
c) Invoice - Price, Quantity, Value.  
d) Purchase - Bought for own use.    **Ans : d) Purchase - Bought for own use**
6. **Which one is Correctly matched?**  
a) Sales - Buying goods  
b) Income - Repayment of loan  
c) Depreciation - Increase in the value of Assets  
d) Bad Debts - Not recovered from debtors.  
**Ans : d) Bad Debts - Not recovered from debtors**

## II. Match the following

## 1. Match List I with List II

List I		List II	
i	Proprietors	1	External users
ii	Investors	2	Environmental Pollution
iii	Human Resource Accounting	3	Investment made in HR
iv	Social Responsibility Accounting	4	Internal users

- i)    ii)    iii)    iv)
- a)    4    1    3    2
- b)    1    2    1    3
- c)    2    3    1    2
- d)    3    1    3    2

**Ans : a) 4 1 3 2**

## 2. Match List I with List II

List I		List II	
i	Cost Accounting	1	Providing information to the management
ii	Management Accounting	2	Recording financial transaction



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iii	Financial Accounting	3	Receipts and Payments
iv	Cash basis	4	Cost Control

- |    |    |     |      |     |
|----|----|-----|------|-----|
|    | i) | ii) | iii) | iv) |
| a) | 4  | 1   | 2    | 3   |
| b) | 4  | 2   | 1    | 3   |
| c) | 4  | 3   | 1    | 2   |
| d) | 4  | 1   | 3    | 2   |

Ans : a) 4 1 2 3

### III. Assertion and Reason

1. **Assertion (A) :** Cash or goods taken by the proprietor for his personal use is Drawings.

**Reason (R) :** It reduces the Capital.

- |  |  |
|--|--|
| a) Both (A) and (R) are correct          | b) Both (A) and (R) are not correct      |
| c) (A) is correct and (R) is not correct | d) (A) is not correct and (R) is correct |

Ans : a) Both (A) and (R) are correct

### IV. Very short answer questions

1. **What is financial accounting?**

- Financial Accounting involves recording of transaction and events which are financial in nature.
- It provides financial information to the users for taking decisions.
- It ends up with the preparation of trading and profit and loss account and balance sheet.

2. **What is Cost accounting?**

Cost Accounting 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.

3. **What is sales?**

When goods meant for resale are sold, it is called sales.

4. **Who is a proprietor?**

- A person who owns the business is called proprietor.
- He contributes capital to the business with the intention of earning profit.

5. **What is meant by drawing?**

It is the amount of cash or value of goods, assets etc., with drawn from the business by the proprietor for his personal use.

6. **What do you mean by accounting cycle?**

An accounting cycle is a complete sequence of accounting process, that begins with the recordings of business transactions and ends with the preparation of final accounts.

7. **What is bad debt?**

Bad debts is a loss to the business arising out of failure of a debtor in payment of his dues.

8. **What is depreciation?**

Depreciation refers to the reduction in the value of the fixed asset due to Usage, Passage of time and Obsolescence.

9. **What is Purchases and Purchase returns?**

- Buying of goods with the intention of resale is called purchases.
- When goods bought are returned to the suppliers, it is known as purchase returns (outward.)

**10. What do you mean by Solvency and Insolvency?**

- Solvency is the capability of a person or an enterprise to pay the debts.
- Insolvency is the incapability of a person or an enterprise to pay the debts.

**V. Short answer questions**

**1. Write short notes on :**

**a) Debtors    b) Creditors**

**a) Debtors:**

A person who receives a benefit without giving money or money's worth immediately, but liable to pay in future or in due course of time.

**b) Creditors**

A person who gives a benefit without received money or money's worth immediately buy to claim in future.

**2. Explain the term Transactions:**

- Transaction are those activities of a business, which involve transfer of money or goods or services between two persons or two accounts.
- **For example,** Purchase of goods. Sales of goods, lending Money, Salaries paid, rent paid, commission received and dividend received.

**Cash Transaction:**

It is a transaction in which cash receipt or cash payment is involved immediately

**Credit Transaction:**

It is a transaction in which cash is not received or paid immediately, but will be paid or received.

**3. Briefly explain the following terms.**

**a) Account    b) Voucher    c) Invoice**

**a) Account :**

- An account is the basic unit of accounting.
- Transactions are recorded into various accounts.

**b) Voucher:**

- Any written document in support of a business transaction is called a voucher.
- Example : Cash receipt, invoice cash memo.

**c) Invoice:**

- It is a statement prepared by a seller of goods to be sent to the buyer.
- It shows details of quality, price value etc., of the goods and any discount given, finally showing the net amount payable by the buyer.

**4. Write short notes on a) Income b) Expense c) Revenue**

**a) Income**

Income is the difference between revenue and expense.

**b) Expense**

- Expense is the amount spent in order to produce and sell goods and services.
- **For example,** Payment of salaries, wages etc.

**c) Revenue**

Revenue means the amount receivable or released from sale of goods and earnings from interest , dividend, commission, etc.

**5. Write short notes on**

**a) Capital    b) Assets    c) Liabilities.**

**a) Capital:**

- Capital is the amount invested by the owner in an organisation.
- This amount is increased by the profit of the business and the amount of additional capital introduced.

**b) Assets :**

- Any physical thing or right owned that owned that has a monetary value is called assets.
- Assets can be classified into tangible and intangible.

**c) Liabilities:**

- Liabilities refers to the financial obligations of a business.
- For example, loans from banks or other persons creditors for goods supplied, bills payable outstanding expenses, bank overdraft etc.

## 6. What are the objectives of Accounting?

June - 2019

Following are the objectives of accounting :

- To keep systematic record of financial transaction and events.
- To ascertain the profit or loss of the business enterprise.
- To ascertain the financial position or status enterprise.
- To protect the properties of an enterprise.

### VI. Long answer questions

#### 1. Briefly explain the functions of accounting.

The main functions of accounting are as follow:

##### Measurement :

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.

##### Forecasting :

- With the help of the various tools of accounting future performance and financial position of the business enterprise can be forecasted.

##### Comparison :

- Accounting helps to asses the actual performance with the targets.
- It also discloses the accounting policies.

##### Decision making :

- Accounting assists the management in planning, evaluation of performance, control and decision making by providing required information to various users of accounts.

##### Control :

- As accounting works as a tool of control, the strength and weakness are identified to provide feedback on various measures adopted.

#### 2. What are the bases of accounting? and briefly explain it.

There are three bases of accounting in common usage namely

##### i) Accounting on cash basis :

- Credit transactions are not recorded till the cash is actually received or paid.
- Under the basis
  - Any income received
  - Any expenditure paid
  - Any asset purchased for which cash is paid.

##### ii) Accrual or Mercantile basis:

- Under accrual basis of accounting, the income whether received or not but has been earned or accrued during the period and expenses incurred whether paid or not are recorded.
- Under the basis,
  - Any income earned whether received or not
  - Any expenditure incurred whether paid or not
  - Any asset purchased whether cash is paid or not.

##### iii) Hybrid or mixed basis:

- Under mixed basis of accounting both cash basis and accrual basis are followed.
- Income are generally recorded on cash basis where at expenses and liabilities are generally taken on accrual basis.

#### 3. Describe the informational needs of external users:

External users are the persons who are outside the organisation but make use of accounting information for their own purposes. They are.

##### i) Creditors and financial institutions:

- They are interested in the liquidity position and repaying capacity of the business to know the safety of getting the interest and get back the principal amount.

##### ii) Customers:

- These who use the products and services of a firm are interested in knowing the justification for the prices charged to them.
- They examine the expenses , sales and profits to see if they are paying fair price for the products and services.

##### iii) Tax authorities:

- Accounting information helps them in computing goods and services tax, Income tax etc., to be collected from business units.
- They scrutinies the revenues and expenses of business firms to determine their actuary.

##### iv) Researches:

- Researches to carry out their research can make use of the published financial statements in their analysis and evaluation.

# UNIT 2

## CONCEPTUAL FRAMEWORK OF ACCOUNTING

### PART I - TEXT BOOK EVALUATION

#### I. Multiple choice questions

- The business is liable to the proprietor of the business in respect of capital introduced by the person according to **GMQ - 2018 QY - 2018 March - 2019**

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

**Ans : c) Business entity concept**
- 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**
- GAAPs are: **Firstmid - 2018 HY - 2019 May - 2022**

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**
- The rule of stock valuation 'cost price or realisable value' whichever is lower is based on the accounting principle of: **HY - 2018 Aug - 2022**

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

**Ans : c) Conservatism**
- In India, Accounting Standards are issued by **GMQ - 2018 Firstmid - 2018 QY - 2018**

a) Reserve Bank of India                              **HY - 2018 QY - 2019 June - 2019 March - 2023**  
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

- Define book-keeping. **GMQ - 2018 Mar - 2019**

"Book - keeping is an art of recording business dealings in a set of books".

- J.R Batliboi
- What is meant by accounting concepts?

Accounting concepts are the basic assumptions or conditions upon which accounting has been laid. Accounting concepts are the results of broad consensus.
- Briefly explain about realisation concept.

  - According to realisation concept, any change in value of an asset is to be recorded only when the business realises it.
  - 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.

HY - 2018 Sep - 2020

- The full disclosure principle states that information that would "make a difference" to financial statement users or would be useful in decision - making should be disclosed in the financial statements.
- This way investors or creditors can see a total picture of the company before they choose to take any action.

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

- The consistency principle states companies should use the same accounting treatment for similar events and transactions overtime.
- In other words, companies shouldn't use one accounting method today, use another tomorrow, and switch back the day after that.
- Similar transactions should be accounted for using the same accounting method over time.
- This creates consistency in the financial information given to creditors and investors.

III. Short answer questions

1. What is matching concept? Why should a business concern follow this concept? QY - 2019

- The matching principle states that expenses should be recognized and recorded when those expenses can be matched with the revenues those expenses helped to generate.
- This matches the revenues and expenses in a period.
- In this sense, the matching principle recognizes expenses as the revenue recognition principle recognizes income.
- The benefits of an asset or revenue should be linked to the cost of that asset or revenue.

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

GMQ - 2018 June - 2019 March - 2023

- The monetary unit assumption that all business transactions and relationships can be expressed in terms of money monetary units.
- Money is the common denominator in all economic activity and financial transactions.
- That is why we assume that money is a good basis for comparing companies and other accounting measurements.
- In other words, accounting looks at transactions that can be communicated in money or monetary units.

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

"Business units last indefinitely - Going to Concern Concept

- The going concern concept or going concern assumption states that businesses should be treated as if they will continue to operate indefinitely or at least long enough to accomplish their objectives.
- In other words the going concern concept assumes that businesses will have a long life and not close or be sold in the immediate future.
- Companies that are expected to continue are said to be a going concern.
- Companies that are expected to close in the near future are not a going concern.

4. Write a brief note on Accounting Standards.

- Accounting standards are the written statements consisting of rules and guidelines, issued by the accounting institutions, for the preparation of uniform and consistent financial statements and also for other disclosures affecting users of accounting information.

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- Accounting standards lay down the terms and conditions of accounting policies and practices by way of codes, guidelines and adjustments for making the interpretation of the items appearing in the financial statements easy and even their treatment in the books of account.

## PART II - ADDITIONAL QUESTIONS

### I. Choose the correct answers

1. Which one of the following is not correctly matched?

- a) IFRS - International Financial Reporting Standards.  
 b) IASB - International Accounting Standard Board.  
 c) ASB - Accounting Standards Bank.  
 d) ICAI - Institute of Chartered Accountants of India.

Ans: (c) ASB - Accounting Standards Bank.

2. Which one of the following is correctly matched?

- a) COST - Supporting evidence.  
 b) Realisation - Revenue realised.  
 c) Consistency - Monetary Transaction.  
 d) Full disclosure - Cost price.

Ans : (b) Realisation - Revenue realised.

3. Choose the Correct Statement:

- i) An asset is recorded in the book on the basis of historical cost.  
 ii) Every transaction has two aspects in dual concept.  
 iii) Periodicity Concept deals with preparing accounts for a particular period.  
 a) (i) is correct      b) (ii) is correct      c) (iii) is correct      d) (i) ,(ii), (iii) are correct.

Ans: d) (i) ,(ii), (iii) are correct.

4. Pick out the odd one out:

- a) Transactions      b) Journal      c) Ledger      d) Suspense A/C

Ans: (d) Suspense A/C

5. Pick out the odd one out:

- a) Trail Balance      b) Trading and P&L A/C  
 c) Balance Sheet      d) BRS

Ans: d) BRS

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

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

Ans : b) Going concern

7. Which of the following does not follow dual aspect concept?

- a) Increase in one asset and decrease in other asset  
 b) Increase in both asset and Liability  
 c) Decrease in one asset and decrease in other asset  
 d) Increase in one asset and increase in capital

Ans : c) Decrease in one asset and decrease in other asset

## II. Match the following

### 1. Match List I with List II

List - I		List - II	
i	Going concern concept	1	Business will continue
ii	Dual aspect Concept	2	Cash Receipt and Invoice
iii	Matching concept	3	Debit and Credit
iv	Objective evidence concept	4	Comparison of Expenses and Revenue

- (i) (ii) (iii) (iv)
- a) 1 3 4 2
- b) 4 3 2 1
- c) 2 4 3 1
- d) 3 1 2 4

Ans : a) (i) 1, (ii) 3, (iii) 4, (iv) 2

### 2. Match List I with List II

List - I		List - II	
i	Business entity	1	Settlement
ii	Money measurement	2	Accounts closed at end of the period
iii	Periodicity	3	Only monetary transactions
iv	Accrual	4	Owner and Business are different

- (i) (ii) (iii) (iv)
- a) 4 3 2 1
- b) 3 4 2 1
- c) 2 1 4 3
- d) 2 1 3 4

Ans : a) (i) 4 (ii) 3, (iii) 2, (iv) 1

## III. Assertion and Reason

### 1. Assertion (A) : Every transaction has two aspects - Debit and Credit.

**Reason (R) : Every Debit must have its corresponding or equal Credit.**

- a) Both (A) and (R) are True. (R) is correct explanation of (A)
- b) Both (A) and (R) are True. (R) is not correct explanation of (A)
- c) (A) is True (R) is false.
- d) Both (A) and (R) are false.

Ans : a) Both (A) and (R) are True. (R) is correct explanation of (A)

## IV. Very short answer questions:

### 1. What is Accounting?

- Accounting is a process of recording, classifying, summarizing business transactions and events.
- It is to ascertain the financial position and performance and to communicate the results to the interested users.



## 2. What is Accountancy?

- Accounting is a process of managing the income and expenses of a business firm.
- Recording, classification and reporting are some key tasks of accountancy.

## 3. What are the limitations of Book Keeping?

- Book keeping has the following limitations .
- Only monetary transaction are recorded in the books of accounts.
- Effect of the price level changes are not considered.

## 4. What you meant by IFRS?

- International Financial Reporting Standard are issued by the International Accounting Standard Board (IASB)
- IFRS is a set of International Accounting Standards stating how particular types of transactions and other events should be reported in financial statements.
- IASB initially adopted the Accounting standards issued by IASC to be replaced by IFRS upon their issuance.

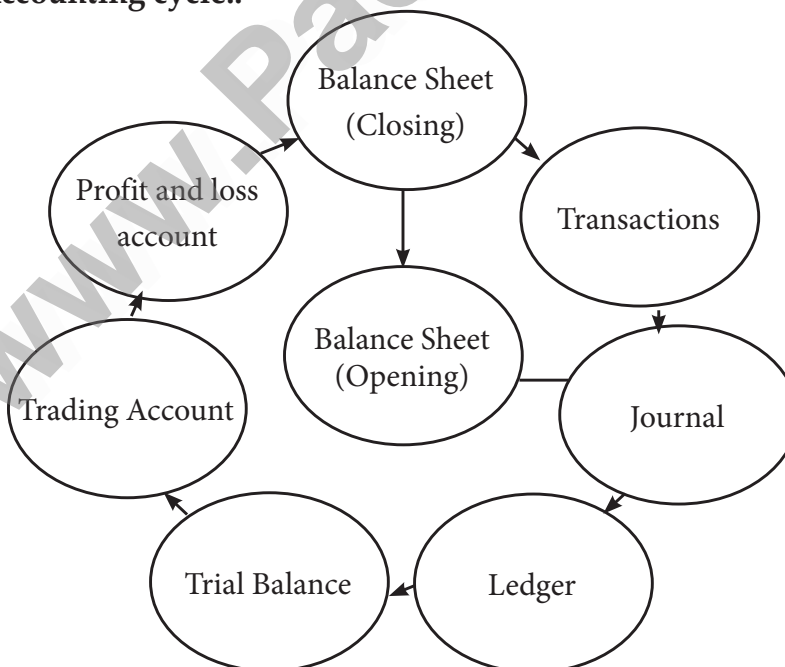
## 5. What are the basic concepts of accounting?

The following are the basic concepts of accounting

- |                             |                              |
|-----------------------------|------------------------------|
| ➤ Business entity concept   | ➤ Accounting Period concept  |
| ➤ Money measurement concept | ➤ Matching concept           |
| ➤ Going concern concept     | ➤ Realisation concept        |
| ➤ Cost concept              | ➤ Objective evidence concept |
| ➤ Dual aspect concept       | ➤ Accrual concept.           |

## 6. Explain the process of Accounting cycle.

Process of Accounting cycle:.



### V. Short answer questions

**1. What are the objectives of books - keeping?**

**Following are the objectives of book - keeping:**

- To have complete and permanent record of all business transactions in chronological.
- To facilitate ascertainment of financial position.
- To know the progress of the business.
- To find out the tax liabilities.
- To fulfill the legal requirements effectively.

**2. Explain the advantages of books - keeping?**

**QY - 2019**

- Book - keeping is useful to get the financial information.
- It helps to have control over the various business activities.
- Records provided by business serve as legal evidence in the case of disputes.
- It is useful to find out the tax liability.
- It provides a permanent and reliable record for all business.

**3. Explain any five Accounting Concepts.**

**Firstmid - 2018 | March - 2019 | QY - 2019**

- i) Business Entity Concept :** This concept implies that the business unit is separate and distinct from the owners who supply Capital to business.
- ii) Money Measurement Concept :** This concept implies that in Accounting, every transaction or happening or event is recorded in terms of money.
- iii) Going Concern Concept :** It is the basic assumption that business will continue for a long time and it will not be closed down or stopped for quite long time.
- iv) Cost Concept :** As asset recorded in the books at the value of price paid for it at the time of its purchase and cost paid will be base for all further accounting.
- v) Dual Concept :** Every transaction has two aspects Debit and Credit.

**4. Write the difference between Book - keeping and Accounting.**

**Firstmid - 2018**

No.	Basic of difference	Book - keeping	Accounting
1	Scope	It is Concerned with Recording and Classifying business transactions.	It is concerned with Recording, Classifying, Summarising, Analysing and Interpreting the financial data.
2	Stage	It is the primary stage	It is secondary stage
3	Nature	It is Routine and clerical in nature	It is Analytical in nature.
4	Requires	It require the basic knowledge of principles.	It requires thorough knowledge of principles
5	Skill	Analytical skill is not required.	Analytical skills required

**5. Write short notes on Going Concern concept.**

**March - 2023**

- It is the basic assumption that business is a going concern and will continue its operations for a foreseeable future.
- 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 accrued and unearned revenues.

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**UNIT  
14**
**COMPUTERISED ACCOUNTING**
**PART I - TEXT BOOK EVALUATION**
**I. Multiple choice questions**

1. In accounting, computer is commonly used in the following areas:  
 a) Recording of business transactions      b) Payroll accounting  
 c) Stores accounting      d) All the above      **Ans : d) All the above**
2. Customised accounting software is suitable for **May - 2022**  
 a) Small, conventional business      b) Large, medium business  
 c) Large, typical business      d) None of the above  
**Ans : b) Large, medium business**
3. Which one is not a component of computer system? **Hy - 2019 Mar - 2019**  
 a) Input unit      b) Output unit      c) Data      d) Central Processing Unit  
**Ans : c) Data**
4. An example of output device is **Mar - 2019, 2023**  
 a) Mouse      b) Printer      c) Scanner      d) Keyboard  
**Ans : b) Printer**
5. One of the limitations of computerised accounting system is **Hy - 2019 Jun - 2019**  
 a) System failure      b) Accuracy      c) Versatility      d) Storage  
**Ans : a) System failure**
6. Which one of the following is not a method of codification of accounts? **May - 2022**  
 a) Access codes      b) Sequential codes  
 c) Block codes      d) Mnemonic codes      **Ans : a) Access codes**
7. TALLY is an example of **Mar - 2019 Sep - 2020 Mar - 2023**  
 a) Tailor-made accounting software      b) Ready-made accounting software  
 c) In-built accounting software      d) Customised accounting software  
**Ans : b) Ready-made accounting software**
8. People who write codes and programmes are called as **Mar - 2019**  
 a) System analysts      b) System designers  
 c) System operators      d) System programmers  
**Ans : d) System programmers**
9. Accounting software is an example of **Jun - 2019 Aug - 2022**  
 a) System software      b) Application software  
 c) Utility software      d) Operating software  
**Ans : b) Application software**

**II. Very short answer questions**

1. What is a computer?  
 ➤ A computer is an electronic machine or device that performs processes, calculations and operations based on instructions provided by a software or hardware program.  
 ➤ It is designed to execute applications and provides a variety of solutions by combining integrated hardware and software components.

**2. What is CAS? Mar - 2023**

- Computerised Accounting System (CAS) facilitate the management and other users to maintain accounts and prepare financial statements using computers.
- The reports generated through CAS are used to analysis financial status of a business and take necessary decision to strengthen the financial soundness of the business.

**3. What is hardware? Hy - 2019 Mar - 2019**

**Hardware:** Physical structure that houses a computer's processor, memory, storage, communication ports and peripheral devices.

**4. What is meant by software? Mar - 2019**

**Software:** Includes operating system (OS) and software applications.

**5. What is accounting software?**

Accounting software is a type of computer used by accounting professionals to manage accounts and perform accounting operations.

**6. Name any two accounting packages.**

- (i) Readymade software May - 2022
- (ii) Customised software and
- (iii) Tailor made software

**7. Give any two examples of ready made software.**

1. Tally
2. EX
3. Busy
4. Professional Accountant

**8. What is coding? Aug - 2022**

Coding refers to creating computer programming code. In a more general sense, the word coding is used to refer to assigning a code or classification something.

**9. What is grouping of accounts?**

- The increase in the number of transaction changes the volume and size of the business.
- Therefore it becomes necessary to have proper classification of data.
- The basic classifications of different accounts embodied in a transaction are resorted through accounting equation.

**10. What are mnemonic codes?**

A mnemonic code consists of alphabets or abbreviations as symbols to codify a piece of information

**III. Short answer questions****1. What are the various types of accounting software? Sep 2020 Aug 2022 Mar 2023****Ready-to-Use**

- Ready-to-use accounting software is suited to organisations running small conventional business where the frequency or volume of accounting transactions is very low.
- This is because the cost of installation is generally low and number of users is limited. Ready-to-use software is relatively easier to learn and people (accountant) adaptability is very high.

**Customised**

- Accounting software may be customised to meet the special requirement of the user.
- Standardised accounting software available in the market may not suit or fulfil the user requirement.

**Tailored**

- The accounting software is generally tailored in large business organisations with multi users and geographically scattered locations.
- These software requires specialised training to the users.
- The tailored software is designed to meet the specific requirements of the users and form an important part of the organisational MIS.
- The secrecy and authenticity checks are robust in such software's and they offer high flexibility in terms of number of users

**2. Mention any three limitations of computerised accounting system.**

1. Faster obsolescence of technology necessitates investment in shorter period of time.
2. Data may be lost or corrupted due to power interruptions.
3. Data are prone to hacking
4. Un-programmed and un-specified reports cannot be generated.

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3. State the various types of coding methods.  
**Sequential Codes** Mar - 2019

In Sequential code, numbers and/or letters are assigned in consecutive order. These codes are applied primarily to source documents such as cheques, invoices, etc. A sequential code can facilitate document searches. This process enables in either identification of missing codes (numbers) relating to a particular document or a relevant document can be traced on the basis of code.

**Block Codes.**

In a block code, range of numbers is partitioned into a desired number of sub-ranges and each sub-range is allotted to a specific group. In most of the uses of block codes, numbers within a sub-range follow sequential coding scheme, i.e. the numbers increase consecutively.

**Mnemonic Codes.**

A Mnemonic code consists of alphabets or abbreviations as symbols to codify a piece of information. SJ for "Sales Journals", HQ for "Head Quarters" are examples of mnemonic codes.

4. List out the various reports generated by computerised accounting system.

- A. Sales report
- B. Purchase report
- C. Sales return
- D. Stock report
- E. Trading and profit and lost account and balance sheet
- F. Sales tax related report
- G. Sundry debtors report
- H. Sundry creditors report
- I. Bank statement

5. State the input and output devices of a computer system. May - 2022

- |                           |   |
|---------------------------|---|
| a) Graphics Tablets       | b) Cameras                              |
| c) Video Capture Hardware | d) Trackballs                           |
| e) Barcode reader         | f) Digital camera                       |
| g) Gamepad                | h) Joystick                             |
| i) Keyboard               | j) Microphone                           |
| k) MIDI keyboard          | l) Mouse (pointing device)              |
| m) Scanner                | n) Webcam                               |
| o) Touchpads              | p) Pen Input                            |
| q) Microphones            | r) Electronic Whiteboard                |
| s) OMR                    | t) OCR                                  |
| u) Punch card reader      | v) MICR (Magnetic Ink Character Reader) |
| w) Magnetic Tape Drive    |   |

**OUTPUT DEVICES**

- |                                |                                    |
|--------------------------------|------------------------------------|
| 1) Monitor (LED, LCD, CRT etc) | 2) Printers (all types)            |
| 3) Plotters                    | 4) Projector                       |
| 5) LCD Projection Panels       | 6) Computer Output Microfilm (COM) |
| 7) Speakers(s)                 | 8) Head Phone                      |
| 9) Visual Display Unit         | 10) Flim Recorder                  |
| 11) Microfiche                 |                                    |

**PART II - ADDITIONAL QUESTIONS**

**I. Choose the correct answers**

1. Pick the odd one out.

- a) Hard ware      b) Soft ware      c) Data      d) Rata      **Ans : d) Rata**

2. Pick the odd one out.

- a) System Analyst      b) System Programmes  
 c) System operators      d) System Viewers      **Ans : d) Equation Accounting**





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3. Which one is wrong Equation?  
 a) Assets = Capital + Liabilities  
 b) Capital = Assets - Liabilities  
 c) Liabilities = Assets - Capital  
 d) Assets + Capital + Liabilities - Income + Liabilities

Ans : d) Assets + Capital + Liabilities - Income + Liabilities

4. Goodwill - Copy right - Patent right - Trade mark are examples for ..... Assets.

- a) Tangible                      b) Intangible  
 c) Current                        d) Fictitious

Ans : b) Intangible

5. DOS - windows GBUNTU - imac set of tools for .....

- a) Operating system    b) People  
 c) Procedure              d) Data

Ans : a) Operating system

6. Expand CAS

- a) Common Application Software  
 b) Computerised Accounting System  
 c) Centralised Accounting System  
 d) Certified Accounting System

Ans : b) Computerised Accounting System

## II. Assertion and Reason

1. Assertion (A) : Over all working of a computer using a defined set of tools called an operating system.

Reason (R) : It is the interface between the user and the computer system.

- a) Both (A) and (R) are correct  
 b) Both (A) and (R) are not correct  
 c) (A) is correct and (R) is not correct  
 d) (A) is not correct and (R) is correct

Ans : a) Both (A) and (R) are correct

## III. Very short answer questions

1. Explain the types of people interact.

- A) **System Analysis** : People who design the operation and processing of the system.  
 B) **System Programmers**: People who write codes and programmes to implement the working of the system.

2. Explain the 3 types of procedures.

- A) **Hardware oriented procedures**: It defines the working of a hard ware component.

- B) **Software oriented procedures**: It is a set of details instruction for using the software.

C) **Internal Procedure** : It maintains the over all working of each part of a computer system by directing the flow of information

3. Explain briefly the features of computerized accounting system.

**Speed** : It can perform functions at much higher speed than doing the same manually.

**Reliability**: Computers are used to process large volume of data and hence, data provided by it are reliable

**Versatility**: Computer and accounting software have ability to perform diverse tasks.

## IV. Short answer questions

1. Discuss the advantages of computerised accounting system in a business organisation. Jun - 2019

**Reliability**: Computer system are immune to boredom tiredness or fatigue. Therefore, they can perform repetitive functions effectively and are highly reliable.

**Easy availability of information**: The data can be communicated to different users at the same time.

**Efficiency**: The computer based accounting system ensure better use of time and resources.

2. Discuss the various categories of accounting package.

- (i) These packages are standardised or ready made package which can be used by the business enterprises immediately on procurement.

Ex: TALLY, TATA EX SAGE.

**Customised software**:

- (i) Customised packages can be modified according to the need of enterprise.

**Tailor made software**:

- (i) The cost of these packages is very high and specific training for using these packages is also required.

## V. Long answer questions

## 1. Explain the components of accounting system.

Jun - 2019

**(i) Hardware:**

- The physical components of a computer constitute its hardware.
- Hardware consists of input devices and output devices that make a complete computer system.

**(ii) Software:**

A set of programs that form an interface between the hardware and the user of computer system are referred to as software.

**(iii) People:**

The most important element of a computer is its users. They are also called live were of the computer system.

**(iv) Procedure:**

Procedure is a step by step series of instruction to perform a specific function and achieve desired out put.

**(V) Data:**

- The facts and figures that are fed into a computer for further processing are called data.
- Processed and useful data are called information which is used for decision making.

## 2. Differentiate manual accounting with computerised accounting system

	Basis	Manual Accounting	Computerised Accounting
1	<b>Recording of transaction</b>	Transaction are recorded manually	Transactions are recorded using computer
2	<b>Storage</b>	Transaction are stored in volumes of books	Transactions are stored in well-designed data basis
3	<b>Preparation of report</b>	Analysis of financial statements and preparation of report are to be done manually	The cost is less compared to manual accounting as all the records are kept in soft copy.
4	<b>Cost involved</b>	The cost is high in manual accounting as several books of account are to be maintained.	The cost is less compared to manual accounting as all the records are kept in soft copy
5	<b>Retrival of data</b>	It becomes difficult and time consuming to retrieve data as several books have to gone through	Retrival of data is easier as the records are kept in soft copy in data base giving instruction data can be retrived quickly.

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