

**SECOND MID TERM TEST - 2023**

Time : 1.30 hrs

**11** - Std**ACCOUNTANCY**

Marks : 45

**PART - I****ANSWER ALL THE QUESTIONS :****CHOOSE THE MOST APPROPRIATE ANSWER :****(15 X 1 = 15)**

1. The difference in trial balance is taken to
  - (a) The capital account
  - (b) The trading account
  - (c) The suspense account
  - (d) The profit and loss account
2. Wages paid for installation of machinery wrongly debited to wages account is an error of
  - (a) Partial omission
  - (b) Principle
  - (c) Complete omission
  - (d) Duplication
3. Which of the following errors will not affect the trial balance?
  - (a) Wrong balancing of an account
  - (b) Posting an amount in the wrong account but on the correct side
  - (c) Wrong totaling of an account
  - (d) Carried forward wrong amount in a ledger account
4. Error of principle arises when
  - (a) There is complete omission of a transaction
  - (b) There is partial omission of a transaction
  - (c) Distinction is not made between capital and revenue items
  - (d) There are wrong postings and wrong castings
5. If the total charge of depreciation and maintenance cost are considered, the method that provides a uniform charge is
  - (a) Straight line method
  - (b) Diminishing balance method
  - (c) Annuity method
  - (d) Insurance policy method
6. For which of the following assets, the depletion method is adopted for writing off cost of the asset?
  - (a) Plant and machinery
  - (b) Mines and quarries
  - (c) Buildings
  - (d) Trademark
7. Residual value of an asset means the amount that it can fetch on sale at the \_\_\_\_\_ of its useful life.
  - (a) Beginning
  - (b) End
  - (c) Middle
  - (d) None

8. Which method shall be efficient, if repairs and maintenance cost of an asset increases as it grows older
- (a) Straight line method (b) Reducing balance method  
(c) Sinking fund method (d) Annuity method
9. Amount spent on increasing the seating capacity in a cinema hall is
- (a) Capital expenditure (b) Revenue expenditure  
(c) Deferred revenue expenditure (d) None of the above
10. Interest on bank deposits is
- (a) Capital receipt  
(b) Revenue receipt  
(c) Capital expenditures  
(d) Revenue expenditures
11. Revenue expenditure is intended to benefit
- (a) Past period (b) Future period  
(c) Current period (d) Any period
12. Expenditure incurred Rs. 20,000 for trial run of a newly installed machinery will be
- (a) Preliminary expense (b) Revenue expenditure  
(c) Capital expenditure (d) Deferred revenue expenditure
13. Pre-operative expenses are
- (a) Revenue expenditure (b) Prepaid revenue expenditure  
(c) Deferred revenue expenditure (d) Capital expenditure
14. Closing stock is an item of \_\_\_\_\_
- (a) Fixed asset (b) Current asset  
(c) Fictitious asset (d) Intangible asset
15. Carriage inwards will be shown
- (a) In the trading account (b) In the profit and loss account  
(c) On the liabilities side (d) On the assets side

### PART - II

ANSWER ANY 4 QUESTIONS. QUESTION NO.21 IS COMPULSORY.

(4 X 2 = 8)

16. What is meant by error of complete omission?
17. What is sinking fund method?
18. What is capital expenditure?
19. Name any Four direct expenses

20. The following errors were detected before preparation of trial balance. Rectify them.
- The total of purchases book is carried forward to the next page Rs.100 short.
  - The total of purchases returns book is carried forward to the next page Rs.200 excess.
  - The total of sales book is carried forward to the next page Rs.300 excess.
  - The total of sales returns book is carried forward to the next page Rs.400 short.
21. State whether the following expenditures are capital, revenue or deferred revenue.
- Advertising expenditure, the benefits of which will last for three years.
  - Registration fees paid at the time of registration of a building.

### PART – III

ANSWER ANY 4 QUESTIONS. QUESTION NO.27 IS COMPULSORY. (4 X 3 = 12)

22. What are the causes for depreciation?
23. What is deferred revenue expenditure? Give two examples.
24. A company purchased a building for Rs.50,000. The useful life of the building is 10 years and the residual value is Rs.5,000. Find out the amount and rate of depreciation under straight line method.
25. A manufacturing company purchased on 1 April, 2010, a plant and machinery for Rs.4,50,000 and spent Rs.50,000 on its installation. After having used it for three years, it was sold for Rs.3,85,000. Depreciation is to be provided every year at the rate of 15% per annum on the fixed instalment method. Accounts are closed on 31<sup>st</sup> March every year. Calculate profit or loss on sale of machinery.
26. State whether the following are capital, revenue and deferred revenue.
- Renewal of factory licence Rs.12,000.
  - Legal fees paid to the lawyer for acquiring a land Rs.20,000.
  - A sum of Rs.4,000 was spent on painting the factory.
27. From the following balances extracted from the books of M/s. Lavanya and sons, prepare trading account for the year ended 31st March, 2017:

Particulars	Rs.	Particulars	Rs.
Opening stock	16,500	Fuel and power	9,200
Purchases	45,000	Indirect Expenses	5,000
Sales	72,000	Closing stock	18,000
Purchases returns	500	Sales returns	1,500

## PART - IV

ANSWER ALL THE QUESTIONS.

(2 X 5 = 10)

28. (a) Classify the following receipts into Capital and Revenue.

- (i) Sale proceeds of goods Rs.75,000.
- (ii) Loan borrowed from bank Rs.2,50,000
- (iii) Sale of investment Rs.1,20,000.
- (iv) Commission received Rs.30,000.
- (v) Rs.1,400 wages paid in connection with the erection of new machinery.

(OR)

(b) The following errors were located after the preparation of the trial balance. Rectify them.

- (a) Paid Rs.50 to Anitha was wrongly debited to Vanitha account.
- (b) Sale of furniture for Rs.500 was credited to sales account.
- (c) Purchased goods from Natarajan on credit for Rs.750 were wrongly passed through sales book.
- (d) Wages Rs.1,000 paid on erection of machinery was debited to wages account.

29. (a) On 1st April 2008, Sudha and Company purchased machinery for Rs. 64,000. To install the machinery expenses incurred was Rs. 28,000. Depreciate machinery 10% p.a. under straight line method. On 30th June, 2010 the worn out machinery was sold for Rs.52,000. The books are closed on 31st December every year. Show machinery account.

(OR)

(b) The accountant of a firm located the following errors after preparing the trial balance. Rectify them assuming that there is a suspense account.

- (a) Machinery purchased for Rs.3,500 was debited to purchases account.
- (b) Rs.1,800 paid to Raina as salary was debited to his personal account.
- (c) Interest received Rs.200 was credited to commission account.
- (d) Goods worth Rs.1,800 purchased from Amudhanila on credit was not recorded in the books of accounts.
- (e) Used furniture sold for Rs.350 was credited to sales account.

**+1 Accountancy II Mid Term Nov 2023****Choose the best answer**                      **15 x 1 = 15**

1. C The Suspense account
2. B Principle
3. B Posting an amount in the wrong a/c but on the correct side.
4. C Distinction is not made between cap & Rev items.
5. B Diminishing Balance Method
6. B Mines & Quarries
7. B End
8. B Reducing Balance Method
9. A Capital Expenditure
10. B Revenue Receipt
11. C Current Period
12. C Capital Expenditure
13. D Capital Expenditure
14. B Current Asset
15. A On the Trading account

**Answer any FOUR Questions:**                      **4x2=8**

**16. Error of complete omission** It means the failure to record a transaction in the journal or subsidiary book or failure to post both the aspects in ledger. This error affects two or more accounts.

**17. Sinking fund method** This method is adopted especially when it is desired not merely to write off an asset but also to provide enough funds to replace an asset at the end of its working life. Under this method, the amount charged as depreciation is transferred to depreciation fund and invested outside the business. The investment is made in safe securities which offer a certain rate of interest. Interest is received annually and reinvested every year along with the amount of annual depreciation. On the expiry of the life of the asset, the investments are sold and the sale proceeds are used for replacement of the asset. This method of depreciation is suitable for assets of higher value. This method is also known as depreciation fund method. Thus, this method not only takes into account depreciation but also makes provision for the replacement of the asset.

**18. Capital expenditure** It is an expenditure incurred during an accounting period, the benefits of which will be available for more than one accounting period. It includes any expenditure resulting in the acquisition of any fixed asset or contributes to the revenue earning capacity of the business. It is non-recurring in nature.

**19. Name any Four Direct Expenditure.**

Carriage inwards or Freight Inwards  
Wages. Dock Charges, Octroi & Import Duty,  
Royalty, Coal, gas, water.

- 20.** (a) Purchase account should be debited with 100.  
(b) Purchase return account should be debited with 200  
(c) Sales account should be debited with 300.  
(d) Sales returns account should be debited with 400.

- 21. (a)** Deferred Revenue Expenditure  
**(b)** Capital Expenditure

**Answer any FOUR Questions:**                      **4x3=12**

**22. Causes of depreciation** There are different reasons causing the reduction in the book value of the fixed assets. Such causes are as follows:

**(i) Wear and tear** The normal use of a tangible asset results in physical deterioration which is called wear and tear. When there is wear and tear, the value of the asset decreases proportionately.

**(ii) Efflux of time** Certain assets whether used or not become potentially less useful with the passage of time.

**(iii) Obsolescence** It is a reduction in the value of assets as a result of the availability of updated alternative assets. This happens due to new inventions and innovations. Though the original asset is in a usable condition, it is not preferred by the users and it loses its value. For example, preference of latest computers by the users.

**(iv) Inadequacy for the purpose** Sometimes, the use of assets may be stopped due to their inadequacy for the purpose. These may become inadequate due to expansion in the capacity of a firm.

**(v) Lack of maintenance** A good maintenance will naturally increase the life of the asset. When there is no proper

maintenance, there is a possibility of more depreciation.

### 23. Deferred revenue expenditure:

An expenditure, which is revenue expenditure in nature, the benefit of which is to be derived over a subsequent period or periods is known as deferred revenue expenditure. The benefit usually accrues for a period of two or more years. It is for the time being, deferred from being charged against income. It is charged against income over a period of certain years.

Examples

- Considerable amount spent on advertising
- Major repairs to plant and machinery

$$24. \text{ Cost of Asset} - \text{Scrap Value} = \frac{50000 - 5000}{10} = 4500$$

$$\text{Rate of Depreciation: } \frac{\text{Amnt of Depn}}{\text{Cost}} \times 100 = \frac{4500}{50000} \times 100 = 9\%$$

### 25. Calculation of Profit or Loss

Particulars	Amnt
Cost Price of Machinery on 01-04.2010	450000
Add: Installation Expenses	50000
<b>Total</b>	<b>500000</b>
Less :- Depn on 31-03-2011	75000
	<b>425000</b>
Less:- Depn on 31-03-2012	75000
	<b>350000</b>
Less:- Depn on 31-03-2012	75000
Book value on the date of sale	<b>275000</b>
Selling Price	385000
<b>Profit on Sale</b>	<b>110000</b>

26. i) Revenue Expenditure.  
 ii) Capital Expenditure.  
 iii) Revenue Expenditure.

### 27. Trading account

To Op St		16,500	By Sales	72,000	
To Pur	45,000		Less: Sal.Ret	1,500	70,500
Less: Pur.Ret	500	44,500	By Clo.St		18,000
To Fuel Power		9,200			
<b>To GP</b>		<b>18,300</b>			
		<b>88,500</b>			<b>88,500</b>

Answer ALL the Questions: : 2X5=10

28.(a) i) Revenue Receipt

- ii) Capital Receipt  
 iii) Capital Receipt  
 iv) Revenue Receipt  
 v) Capital Expenditure

### 28. (b) Journal Entries

Particulars	Debit	Credit
Anitha a/c Dr To Vanitha a/c	50	50
Sales Dr To Furniture a/c	500	500
Purchase Dr Sales a/c Dr To Natarajan a/c	750 750	1500
Machinery a/c Dr To Wages a/c	1000	1000

### 29.(a) Machinery a/c

Date	Particulars	Amt	D	Parti	Amt
1.4.8	Bank Bank	64000 18000	31 12	Dep Bal c/d	6900 85100
		<b>92000</b>	08		<b>92000</b>
1.4.09	Bal c/d	85100	kh 31	Dep Bal c/d	9200 75900
		<b>85100</b>	31		<b>85100</b>
1.4.10	Bal c/d	75900	30 .0 6. 10	Dep Bank P & L	4600 52000 19300
		<b>75900</b>			<b>75900</b>

### 29.(b)

Particulars	Debit	Credit
Machinery a/c Dr To Purchase a/c	3500	3500
Salary a/c Dr To Raina a/c	1800	1800
Commission Dr To Interest Received a/c	200	200
Purchases a/c Dr To Amushanila a/c	1800	1800
Sales a/c Dr To Furniture a/c	350	350