

ACCOUNTANCY (224)

SECTION – A

1. The convention is based on the principle “Anticipate no profit, but provide for all possible losses”.

- (A) Materiality
- (B) Conservatism
- (C) Business entity
- (D) None of these

Answer: (B) Conservatism

2. Which of the following includes in external liabilities ?

- (A) Capital
- (B) Interest on capital
- (C) Reserves
- (D) Sundry Creditors

Answer: (D) Sundry Creditors

3. Accounting does not record non-financial transactions because of :

- (A) Entity concept
- (B) Accrual concept
- (C) Money measurement concept
- (D) None of the above

Answer: (C) Money measurement concept

4. Which of the following is not included in internal liabilities ?

- (A) Capital
- (B) Reserves
- (C) Profit of business
- (D) Bills payable

Answer: (D) Bills payable

14. Narration of Journal entry is recorded in the column of :

- (A) Date
- (B) Particulars
- (C) Dr. Amount
- (D) Cr. Amount

Answer: (B) Particulars

15. The cash book records :

- (A) All cash receipts
- (B) All cash payments
- (C) All cash receipts and cash payments
- (D) None of these

Answer: (C) All cash receipts and cash payments

16. Which two accounts are involved in “Contra entry” ?

- (A) Cash account and Capital Account
- (B) Cash account and Bank Account
- (C) Bank Account and Capital Account
- (D) None of these

Answer: (B) Cash account and Bank account

17. The page number of the ledger book is posted in :

- (A) Date Column
- (B) Voucher No. Column
- (C) Ledger Folio
- (D) Amount Column

Answer: (C) Ledger Folio

18. Central Processing Unit (CPU) does not include :

- (A) Control unit
- (B) Memory unit
- (C) Arithmetic Logic Unit
- (D) Output unit

Answer: (D) Output unit

19. The commonly used output devices include :

- (A) Monitor
- (B) Plotter
- (C) Printer
- (D) All of the above

Answer: (D) All of the above

20. Which of the following is characteristics of computer ?

- (A) Diligence
- (B) Storage
- (C) Both (A) and (B)
- (D) None of the above

Answer: (C) Both (A) and (B)

SECTION – B

21. Complete the following statements. (any two)

(i) Unsold goods are valued at cost price or market price, whichever is _____.

Answer: Unsold goods are valued at cost price or market price, whichever is **lower**

(ii) Convention of consistency states that the same accounting methods should be adopted every year for preparing _____ statements.

Answer: Convention of consistency states that the same accounting methods should be adopted every year for preparing **financial** statements

22. Match the following.

- | | |
|----------------|--|
| (i) Debtor | (a) To whom money is owing |
| (ii) Creditor | (b) Cash or goods withdrawn for personal use |
| (iii) Drawings | (c) Who owes money |

Answer:

- (i) Debtor - (c) Who owes money
- (ii) Creditor - (a) To whom money is owing
- (iii) Drawings - (b) Cash or goods withdrawn for personal use

(iii) Rent paid

Answer:

Debit: Rent Account

Credit: Cash Account

(iv) Sold goods to Haresh on Credit

Answer:

Debit: Debtor (Haresh's Account)

Credit: Sales Account

26. Match the following.

- | | |
|---------------------|---|
| (a) Assets | (i) Increase is credited and decrease is debited |
| (b) Cash voucher | (ii) Record of small expenses |
| (c) Liabilities | (iii) Book of Original entry |
| (d) Petty cash book | (iv) Cash receipts and payments |
| (e) Combined entry | (v) Increase is debited and decrease is credited |
| (f) Journal | (vi) Contains more than one debit or Credit or both |

Answer:

- (a) Assets - (v) Increase is debited and decrease is credited
(b) Cash voucher - (iv) Cash receipts and payments
(c) Liabilities - (i) Increase is credited and decrease is debited
(d) Petty cash book - (ii) Record of small expenses
(e) Combined entry - (vi) Contains more than one debit or Credit or both
(f) Journal - (iii) Book of Original entry

**27. Identify whether the following are personal accounts, Real accounts or nominal accounts.
(any four)**

(i) Commission Received

Answer: Nominal Account

(ii) M/s M.K. Agencies

Answer: Personal Account

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(iii) Wages paid

Answer: Nominal Account

(iv) Aditya Account

Answer: Personal Account

28. Match the following.

- | | |
|-------------------------|--------------------------------|
| (a) Capital | (i) Raw-materials to be used |
| (b) Interest on Capital | (ii) Owner's Claim |
| (c) Bills payable | (iii) Creditors for loans |
| (d) Bank loans | (iv) Amount invested by owners |
| (e) Wasting assets | (v) Oil wells |
| (f) Stock | (vi) Liability |

Answer:

- (a) Capital - (iv) Amount invested by owners
(b) Interest on Capital - (ii) Owner's Claim
(c) Bills payable - (vi) Liability
(d) Bank loans - (iii) Creditors for loans
(e) Wasting assets - (v) Oil wells
(f) Stock - (i) Raw-materials to be used

29. State the following sentences True or False. (any four)

(i) Computer is a device that accepts and stores data.

Answer: True

(ii) Magnetic disk is an output unit.

Answer: False

(iii) Accounting documents cannot be prepared through computer.

Answer: False

(iv) The full form of OLTP is Online Transaction Processing.

Answer: True

SECTION - C

30. What is meant by a “Bank Column cash Book” ? Draw the format of it.

Answer: A **Bank Column Cash Book** is a type of cash book that includes both cash and bank transactions. It has two main columns on each side—one for cash and the other for bank. This format is used to record all cash transactions, as well as transactions made through the bank, such as deposits and withdrawals. It provides a consolidated view of both cash and bank balances.

Format of a Bank Column Cash Book:

Date	Particulars	L.F.	Cash (Dr.)	Bank (Dr.)	Date	Particulars	L.F.	Cash (Cr.)	Bank (Cr.)

This format includes columns for date, particulars, ledger folio (L.F.), and separate columns for recording cash and bank transactions on both the debit (Dr.) and credit (Cr.) sides

31. State the advantages of double entry system.

Answer:

- i. **Complete Record of Transactions:** It provides a complete record of all transactions by maintaining both debit and credit aspects, ensuring the financial accounts are accurate.
- ii. **Arithmetical Accuracy:** Since every transaction is recorded in two accounts (debit and credit), it allows for cross-checking, ensuring the arithmetical accuracy of accounts through the preparation of a trial balance

32. Explain the effects of complete omission on the trial balance.

Answer: The effect of **complete omission** on the trial balance is that it does **not affect** the trial balance. When a transaction is completely omitted, neither the debit nor the credit side of any account is affected. As a result, the totals of the trial balance will still agree, even though an error has occurred. This type of error does not disturb the equality of debits and credits, but it can still lead to inaccurate financial statements because the transaction was not recorded at all

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1. **Profit & Loss Account:**

The full amount of ₹50,000 (₹45,000 paid + ₹5,000 outstanding) will be shown as an expense on the debit side of the Profit & Loss Account.

2. **Balance Sheet:**

The outstanding wages of ₹5,000 will be shown as a **liability** on the liabilities side of the Balance Sheet.

Journal Entry:

Wages A/c Dr. ₹5,000
To Outstanding Wages A/c ₹5,000

This ensures that the current year's expenses reflect the actual cost incurred, even if payment has not yet been made

36. What are the steps followed for preparation of simple cash book.

Answer:

- i. **Date Column:** Record the date of each cash transaction in the appropriate date column on both the debit and credit sides.
- ii. **Particulars Column:** Record the description of the transaction in the particulars column. For receipts, mention the source of the cash on the debit side, and for payments, mention the purpose on the credit side.
- iii. **Ledger Folio (L.F.) Column:** Enter the ledger page number to which the entry has been posted.
- iv. **Amount Column (Dr. side):** Enter the amount of cash received in the debit column.
- v. **Amount Column (Cr. side):** Enter the amount of cash paid in the credit column.
- vi. **Balancing the Cash Book:** At the end of the period, total both the debit and credit sides. The difference between the two represents the cash balance, which is carried forward to the next period.

37. What is depreciation ? Write the various objectives of providing depreciation.

Answer: Depreciation is the allocation of the cost of a fixed asset over its useful life. It represents the reduction in the value of an asset due to wear and tear, obsolescence, or the passage of time. Depreciation is treated as an expense in the financial statements.

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Objectives of Providing Depreciation:

1. **True Financial Position:** Depreciation ensures that the financial statements reflect the true value of the fixed assets, preventing overstatement of profits and assets.
2. **Accurate Profit Calculation:** By charging depreciation, the business accurately calculates the net profit or loss for the year, as depreciation is considered an operating expense.
3. **Asset Replacement:** Depreciation helps set aside funds for the future replacement of assets as they wear out or become obsolete.
4. **Compliance with Accounting Standards:** Depreciation is necessary to comply with accounting principles and to provide a fair and true view of the business's financial condition.
5. **Tax Benefits:** Depreciation is treated as an allowable expense for tax purposes, reducing taxable profits

38. A plant is purchased for ₹ 1,00,000 on 1st April 2021. It is estimated that the residual value of the plant at the end of the working life of 10 years will be ₹ 20,000. Calculate the depreciation to be provided per year on Straight Line Method. You are also to show the plant account for 2 years.

Answer:

The annual depreciation, using the Straight Line Method, is calculated as follows:

$$\text{Depreciation per year} = \frac{\text{Cost of Plant} - \text{Residual Value}}{\text{Useful Life}}$$

$$\text{Depreciation per year} = \frac{1,00,000 - 20,000}{10} = \frac{80,000}{10} = 8,000$$

Plant Account for 2 Years:

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
01-04-2021	To Cash/Bank A/c	1,00,000	31-03-2022	By Depreciation A/c	8,000
31-03-2022			31-03-2022	By Balance c/d	92,000
01-04-2022	To Balance b/d	92,000	31-03-2023	By Depreciation A/c	8,000
31-03-2023			31-03-2023	By Balance c/d	84,000

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41. What do you mean by financial statements ? State the objectives of preparing financial statements.

Answer: Financial statements are formal records that summarize the financial activities and position of a business. They include the **Trading Account, Profit & Loss Account, and Balance Sheet**. These statements help ascertain the business's financial performance over a specific period (usually a year) and its financial position at a particular date.

Objectives of Preparing Financial Statements:

1. **Ascertain the Result of Business Activities:** To determine the profit or loss made during a particular accounting period through the income statement (Trading and Profit & Loss Account).
2. **Ascertain the Financial Position:** To understand the financial position of the business on a specific date by preparing the **Balance Sheet**, which lists assets, liabilities, and capital.
3. **Correct Decision Making:** Financial statements provide the necessary information for making informed business decisions.
4. **Judging the Performance of Management:** They help assess how efficiently the management has utilized resources and conducted business operations.
5. **Ascertain the Cash Position:** To evaluate the cash position of the business, which is crucial for managing payments to creditors and suppliers

42. What is meant by Journal ? What are the purposes of preparing journal ? Draw a format of it.

Answer: A **Journal** is a book of original entry in which all financial transactions are recorded in chronological order. Each transaction is recorded with a complete explanation, known as a **narration**, and it includes both debit and credit aspects. It forms the basis for posting entries into the ledger.

Purposes of Preparing a Journal:

1. **Systematic Recording of Transactions:** It ensures that all business transactions are recorded in the order they occur, providing a clear and accurate record.
2. **Double Entry System:** The journal provides a record of both the debit and credit aspects of each transaction, ensuring the application of the double entry system.
3. **Reference for Future Use:** Journals include narrations, providing explanations for each transaction, which are helpful for future reference and clarification.
4. **Reduction of Errors:** Recording transactions in the journal helps in identifying and correcting errors before they are posted to the ledger

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Format of a Journal:

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
YYYY-MM-DD	[Debit Account] Dr.		[Amount]	
	To [Credit Account]			[Amount]
	(Narration explaining the transaction)			

This format includes the **date** of the transaction, **particulars** (accounts affected), **ledger folio** (L.F.), and the **debit** and **credit** amounts

43. What is trial balance ? Discuss the objectives of preparing a trial balance.

Answer: A **Trial Balance** is a statement that lists the debit and credit balances of all the ledger accounts on a particular date. It is prepared to check the arithmetic accuracy of the ledger entries before the preparation of the final accounts.

Objectives of Preparing a Trial Balance:

- 1. Check Arithmetical Accuracy:** The primary objective is to ensure that for every debit entry, there is a corresponding credit entry. If the totals of the debit and credit columns agree, it indicates that the accounts are arithmetically accurate.
- 2. Basis for Preparing Final Accounts:** The trial balance forms the foundation for the preparation of the **Trading Account**, **Profit & Loss Account**, and **Balance Sheet**.
- 3. Detect Errors:** While not all errors can be detected through a trial balance, errors such as omissions, posting errors, or incorrect totaling can be identified if the trial balance does not tally.
- 4. Summarization of Ledger Balances:** The trial balance provides a summary of all ledger balances, making it easier to view and verify the balances of all accounts at a glance.
- 5. Facilitates Comparison:** It allows for easy comparison of balances from different accounting periods, helping assess trends and financial progress

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