

CLASS XI
ACCOUNTANCY (055)

ANSWER KEY

1.	Identify the external user of accounting information that make use of financial data to calculate national income and assess the tax dues from the business concern. A. Creditors B. Government C. Banks & Financial Institutions D. Consumers	1
2.	ASSERTION: Reliability, relevance, understandability, comparability are the qualitative characteristics of accounting information. REASON: Qualitative attributes make the accounting information useful to users. A. Assertion is correct but Reason is wrong. B. Assertion and Reason are both wrong C. Assertion and Reason both are correct but not a correct explanation of Reason. D. Assertion and Reason both are correct and a correct explanation of Reason.	1
3.	Which one of the following is not a limitation of accounting? A. Accounting considers price level changes. B. Accounting ignores qualitative elements. C. Accounting leads to window dressing D. Accounting is not free from bias and the data may inexact.	1
4	Suresh purchased a delivery van for his business which he is estimated to use for next 10 years. Identify the type of expenditure made by Suresh. A .Revenue Expenditure B. Capital Expenditure C. Deferred Revenue Expenditure D. None of the above	1
5.	Goodwill, Copyrights are _____ assets. A. Current Assets B. Liquid Assets C. Intangible Assets D. Tangible Assets	1

6.	<p>Payment of the electric bill of owner's residence by giving a cheque of business's bank Account is called as _____.</p> <p>A. Capital B. Gain C. Loss D. Drawings</p>	1
7.	<p>Rakesh is an accountant, he records the transactions based on accounting documents, so the transactions are verifiable and free from any bias. Which accounting concept is referred to above?</p> <p>A. Consistency B. Objectivity C. Materiality D. Going Concern</p>	1
8.	<p>A business finds some stock is left at the end of the accounting year. The cost at which these items were purchased was ₹ 1,000. The accountant anticipates a rise in demand for the upcoming year and records the value of this stock in the books at ₹ 2,000. Which accounting concept is violated by the accountant?</p> <p>A. Conservatism B. Revenue Recognition C. Business Entity D. Money Measurement</p>	1
9.	<p>The full form of IFRS is _____.</p> <p>A. Indian Financial Reporting Standards B. Indian Financial Result Standards C. International Financial Reporting Standards D. International Financial Result Statement</p>	1
	<p>Read the following paragraph and then answer the question no. 10 to 12. Vaibhav operates a furniture shop selling both wooden and plastic molded furniture. He also offers delivery service for his customers. Vaibhav sold furniture worth ₹ 60,000 during a week to Nitish on credit. After 2 days, Vaibhav deposited the amount into his bank a/c. Nitish found two chairs to be broken and returned it to Vaibhav. Vaibhav acknowledged it and assured Nitish that the amount will be adjusted next time he purchases some item from the shop. Nitish agreed to such condition.</p>	
10.	<p>Which document is issued by Vaibhav when goods are sold to Nitish?</p> <p>A. Cash Memo B. Invoice C. Cheque D. Receipt</p>	1

11.	<p>Identify the document Vaibhav will use while depositing cash into bank?</p> <p>A. Cheque B. Debit Note C. Cash memo D. Pay-in-slip</p>	1
12	<p>Which document is being issued by Vaibhav when goods are returned by Nitish?</p> <p>A. Debit Note B. Credit Note C. Cheque D. Receipt</p>	1
13.	<p>State any three advantages of accounting?</p> <ul style="list-style-type: none"> ➤ Replaces Memory : A systematic and timely recording of transactions eliminates the necessity to remember all the transactions. ➤ Evidence in court: Systematic record of transactions is often accepted by the court as good evidence. ➤ Financial information about business: Financial performance during the accounting period i.e., profit earned or loss incurred and also the financial position at the end of the accounting period is known through accounting. ➤ Helps in decision making: It helps both internal and external users in taking their respective decisions. ➤ Assistance to Management: The management makes business plans, takes decisions and exercises control over the affairs on the basis of accounting information. 	3
14.	<p>Define the following terminologies: (i)Cash discount; (ii)Current Liabilities; (iii)Inventory</p> <p><u>Cash discount</u> is the discount given to facilitate immediate cash payment. It is recorded in the books.</p> <p><u>Current Liabilities</u> are those which are to be paid within 1 year. For ex. Creditors.</p> <p><u>Stock or Inventory</u> is goods unsold either in the beginning or at the end of the accounting year. It is an current asset.</p>	3
15.	<p>Define with example: (i) Dual Aspect Concept (ii) Full Disclosure Concept</p> <p>Dual Aspect: This concept states that every transaction has a dual or two-fold effect and should therefore be recorded at two places. Dual aspect is the foundation or basic principle of accounting.</p> <p>It provides the very basis for recording business transactions into the book of accounts. (With example)</p>	4

	<p>Full Disclosure Concept: This concept requires that all material and relevant facts concerning financial performance of an enterprise must be fully and completely disclosed in the financial statements.</p> <p>This is to enable the users to make correct assessment about the profitability and financial soundness of the enterprise and help them to take decisions. (with example)</p>																																																																																																																	
16.	<p>Show the accounting equation for the following transactions:</p> <p>(i) Sunil commenced business with cash ₹ 5,000; machinery ₹ 10,000 and Bank Loan ₹4,000.</p> <p>(ii) Machinery is depreciated @10%.</p> <p>(iii) Paid salary ₹700, further outstanding ₹200.</p> <p>(iv) Purchased goods from Ravi for ₹1,500.</p> <p>(v) Paid ₹1,300 to Ravi in full settlement of his dues.</p> <p>(vi) Sold goods costing ₹ 800 for ₹ 900 and received cash from customer, Sandip.</p> <p>(vii) Bank Loan of ₹ 1,000 was repaid.</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th>Particulars</th> <th>Cash</th> <th>Mach.</th> <th>Stock</th> <th>Loan</th> <th>O/S</th> <th>Crs.</th> <th>Capital</th> </tr> </thead> <tbody> <tr> <td>(i)</td> <td>5,000</td> <td>10,000</td> <td></td> <td>4,000</td> <td></td> <td></td> <td>11,000</td> </tr> <tr> <td>(ii)</td> <td></td> <td>(1,000)</td> <td></td> <td></td> <td></td> <td></td> <td>(1,000)</td> </tr> <tr> <td></td> <td>5,000</td> <td>9,000</td> <td></td> <td>4,000</td> <td></td> <td></td> <td>10,000</td> </tr> <tr> <td>(iii)</td> <td>(700)</td> <td></td> <td></td> <td></td> <td>200</td> <td></td> <td>(900)</td> </tr> <tr> <td></td> <td>4,300</td> <td>9,000</td> <td></td> <td>4,000</td> <td>200</td> <td></td> <td>9,100</td> </tr> <tr> <td>(iv)</td> <td></td> <td></td> <td>1,500</td> <td></td> <td></td> <td>1,500</td> <td></td> </tr> <tr> <td></td> <td>4,300</td> <td>9,000</td> <td>1,500</td> <td>4,000</td> <td>200</td> <td>1,500</td> <td>9,100</td> </tr> <tr> <td>(v)</td> <td>(1,300)</td> <td></td> <td></td> <td></td> <td></td> <td>(1500)</td> <td>200</td> </tr> <tr> <td></td> <td>3,000</td> <td>9,000</td> <td>1,500</td> <td>4,000</td> <td>200</td> <td>-</td> <td>9,300</td> </tr> <tr> <td>(vi)</td> <td>900</td> <td></td> <td>(800)</td> <td></td> <td></td> <td></td> <td>100</td> </tr> <tr> <td></td> <td>3,900</td> <td>9,000</td> <td>700</td> <td>4,000</td> <td>200</td> <td>-</td> <td>9,400</td> </tr> <tr> <td>(vii)</td> <td>(1,000)</td> <td></td> <td></td> <td>(1,000)</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>2,900</td> <td>9,000</td> <td>700</td> <td>3,000</td> <td>200</td> <td>-</td> <td>9,400</td> </tr> </tbody> </table> <p style="text-align: center;">12,600 = 12,600</p>	Particulars	Cash	Mach.	Stock	Loan	O/S	Crs.	Capital	(i)	5,000	10,000		4,000			11,000	(ii)		(1,000)					(1,000)		5,000	9,000		4,000			10,000	(iii)	(700)				200		(900)		4,300	9,000		4,000	200		9,100	(iv)			1,500			1,500			4,300	9,000	1,500	4,000	200	1,500	9,100	(v)	(1,300)					(1500)	200		3,000	9,000	1,500	4,000	200	-	9,300	(vi)	900		(800)				100		3,900	9,000	700	4,000	200	-	9,400	(vii)	(1,000)			(1,000)					2,900	9,000	700	3,000	200	-	9,400	8
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