

Theoretical Questions

1. What is an account?
2. Briefly explain the debits and credit.
3. How is an account balanced?
4. What is credit balance?
5. What is debit balance?
6. What are real accounts?
7. Distinguish between real account and real account.
8. What are the nominal accounts?
9. Examine the differences in the balances of different type of accounts.
10. What are balance sheet accounts and income statement accounts?
11. What is the relevance of trial balance?
12. Explain the process of preparing trial balance.
13. Classify the following items into real, personal, and nominal accounts:
 - Bad debt
 - Discount received
 - Interest paid
 - Dividend received
 - Share capital
 - Bonds
 - Capital
14. Classify the following items into balance sheet and income statement accounts:
 - Salary
 - Outstanding Salary
 - Discount received
 - Interest received
 - Dividend received
 - Share capital
 - Bonds issued
 - Cash
 - Rent
 - depreciation
15. What is positing?
16. Explain the difference between journalizing and posting.
17. Distinguish between ledger and journal.
18. Classify the following financial items into Real, Nominal and Personal Accounts

Financial Items	
Capital	Cash
Outstanding Salary	Customer
Salary paid	UTI Bank
Rent received	Infosys Technologies Limited
Outstanding Rent	Share premium
Commission	Share Capital

Numericals

- Following the transactions of XYZ ltd. Show the journal entries.
 - Started business with cash of 230,000 and a computer costing Rs. 35,000
 - Took a building for rent and paid rent for the three years: 60,000
 - Purchased plant on credit from Mr M: 45,000
 - Purchased stock of goods on credit from Mr. M: 50,000
 - Purchased stock of goods for cash: 40,000.
 - Sold 50% of stock for Rs. 150,000. 80% of sales were on credit to Ms.N.
 - Paid insurance premium for the year: 12,000
 - Depreciation on the plant: 4500 per year.
 - Ms. N paid 50% of the money due.

Required:

- Journal entries
- Necessary ledger accounts
- Trial balance
- Financial statements

- Following are some of the journal entries. You are required to explain the transactions

	<i>Debit</i>	<i>Credit</i>
<i>Cash</i>	10000	
<i>Bank Loan</i>		10000

	<i>Debit</i>	<i>Credit</i>
<i>Salary</i>	10000	
<i>Cash</i>		10000

	<i>Debit</i>	<i>Credit</i>
<i>Goods</i>	10000	
<i>Mr. Y</i>		10000

	<i>Debit</i>	<i>Credit</i>
<i>Interest</i>	5000	
<i>Cash</i>		5000

	<i>Debit</i>	<i>Credit</i>
<i>Furniture</i>	2500	
<i>Mr. X</i>		2500

	<i>Debit</i>	<i>Credit</i>
<i>Goods</i>	25000	
<i>Capital</i>		25000

3. You are required to pass the necessary journal entries and do the necessary posting.
- Took IDBI Loan: Rs. 10 lakhs
 - Purchased furniture for cash: 250000
 - Purchased 2 computers: Rs.50000
 - Salary paid:Rs. 10000
 - Rent due but not paid
 - Electricity bill paid: Rs.2500
 - Purchased goods for sale: Rs. 250000
 - Sold the goods on credit to Mr. X at a profit of 20% on Sales.
 - Telephone charges due but not paid: Rs.1500
4. Prepare the necessary financial statements along with the necessary ledger accounts from the following transactions of X ltd. for the first quarter (April- June):
- Purchased goods for cash 10000.
 - Purchased goods on credit 20000
 - Rent paid: 2500
 - Sold 50% goods for cash: 50000
 - Purchased cycle for son: 1500
 - Availed a 12% loan: 25000 on 20th April
 - Invested 10000 in the local chit funds. Interest rate is 5% per month.
 - Purchased furniture on credit from Y: 10000
 - Depreciation on furniture: 20% per annum
 - Sold 25% of the balance stock for cash at profit of 25% on cost.
 - Other expenses per month: 5000. However, Mr. X defaulted in making these payments.
5. Opening balances of X ltd as on 1st April 2005
- Capital = 50000; 10% Convertible Debentures = 100000; Creditors = 50000; Provision for taxation = 10000. Stock of goods (5000 units @ 5) = 25000; Debtors : 50,000; Plant = Original Cost 100,000 (Accumulated Depreciaiton =55000); Misc. Expenses = 5000; Furniture = Orignal Cost 50000 (AD = 15000); 12% Loan given to another company = 100000; Balance in cash.
- Transactions during 2005:
- Purchased stock of goods 10000 units @ 8 on credit from Mltd.
 - 50% of the convertible debentures converted to capital on 1st October.
 - Sold 8000 units @25

- 50% of the interest on loan given was received during the year.
- 10% of the debtors became bad debt.
- Salary per month : 2000. Paid for 10 months only.
- Rent paid for the next three years: 36000.
- Plant depreciation = 5 000 per year
- Furniture depreciation = 3000 per year

Required: Show the necessary ledger accounts, trial balance and the financial statements.

6. Following are the transactions of A ltd.

- Started business with capital : 100,000
- A ltd purchased a Machinery on credit from Mr. R: 50000
- A ltd. purchased goods on credit from Mr. X: Rs.25000
- Altd. sold 75% goods on credit and balance for cash. Goods are sold at cost plus 25% profit.
- A ltd. charged depreciation on the machine: 10% on the cost

Required: Necessary ledger accounts and financial statements

7. Explain the following :

- A debit of Rs. 5000 to Furniture Account
- A debit of Rs. 5000 to Loan (taken) Account
- A debit to Rs. 5000 to Loan (given) Account
- A credit of Rs. 5000 to Mr. X (Customer)
- A credit of Rs. 5000 to Mr. Y (Supplier)
- Credit balance
- A credit of Rs. 5000 to Cash Account

8. Classify the following financial items into Real, Nominal and Personal Accounts

Financial Items	
Capital	Cash
Outstanding Salary	Customer
Salary paid	UTI Bank
Rent received	Infosys Technologies Limited
Outstanding Rent	XIMB
Commission	Share Capital

9. From the following transactions you are required to prepare the cash account and check the balance.

Transactions for the month of January 2004	
Started business with cash	50000
Purchased computers for cash	25000
Purchased goods on credit from X	10000
Sold 50% of the goods for Cash	8000
Sold 50 %of the balance goods on credit to Y	4500
Rent due but not paid	5000
Salary paid	8000
Electricity charges paid	1000
Received 50% of the money due from Y	
Paid 5% commission on all sales to Z	

10. Refer to the question no.4. what will be the impact on the cash balance in the following cases (treat each case separately)

- Computers are purchased on credit
- All goods are sold on credit
- All expenses are paid in cash.

11. Started business with cash: 10000; 12% Loan 100000; purchased stock (for cash) of goods = 150000; purchased goods (on credit from X) = 50000; Purchased furniture: 5000; Purchased shares of M ltd.: 50000; 50% of the goods sold for= 200,000; 60% of sales on credit. Salaries for the period : 10000 (fully paid). Rent and other expenses: 25000 (fully paid); Interest for the period due but not paid: 6000.

Required: Journal entries, ledger accounts, trial balance, and the financial statements..

12. Following are the transactions of Altd.

- X started business with cash: Rs.150000
- Purchased goods on credit from Mr. Y: Rs. 50000
- Purchased furniture on credit from F ltd.: Rs.25000
- Sold goods costing Rs. 10000 at a profit of 20% on sales for cash.
- Bought goods costing Rs. 20000 for cash.
- Drawn for personal use: Rs. 5000
- Sold the available goods to Ms. Z on credit at a profit of 25% on cost.
- Paid Salaries: Rs. 80000
- Rent due but not paid: Rs. 5000
- Received 75% of the money due from Ms. Z
- Paid 50% of the money due to Mr. Y
- Purchased 5 shares of Infosys @ Rs.4000.

Required: Journal Entries and Necessary Ledger Accounts

13. Mr. A started a business on 1st January 2004. Following are the transactions upto April 30th

Date	Transaction	Amount
1-Jan-04	Started business with own money	100,000
10-Jan-04	Took a 12% loan from SBI	250,000
15-Jan-04	Purchased computers	50,000
25-Jan-04	Purchased Satyam shares for cash	75,000
30-Jan-04	Paid the following	
	Rent	5,000
	Electricity Charges	2,000
	Internet connection charges	1,500
5-Feb-04	Sold 50% of the Satyam Shares	45,000
10-Feb-04	Purchased SBI shares	25,000
27-Feb-04	Paid the following	
	Rent	5,000
	Electricity Charges	2,000
	Internet connection charges	1,500
10-Mar-04	Purchased the shares of UTI Bank	50,000
25-Mar-04	Purchased Timex Shares	80,000
2-Apr-04	Sold 50% of the Satyam Shares	55,000
	Sold SBI shares	45,000
15-Apr-04	Sold Timex shares	70,000
30-Apr-04	Paid the following	
	Rent	5,000
	Electricity Charges	2,000
	Internet connection charges	1,500

Required: Necessary Ledger Accounts upto the end of the accounting year ending March 2004

14. In the above question post the transactions of the month of April in their respective ledger accounts.

15. Following are the transactions of GM Ltd. s

- Started business with Rs. 400,000 in bank and cash in hand: 100000
- Bought furniture with Rs. 50000 and paid by cheque.
- Bought textile on credit from Mr. M: Rs.100000
- Sold 50% of the textile at 75000.
- Paid wages : Rs. 1000
- Paid Mr. M: Rs.25000
- Bought T Shirts from Tirupur: Rs.50000. Paid by cheque
- Sold all Tshirts to a local retailer at Rs. 60000.
- Bought stationery: Rs. 5000
- Paid rent: Rs.5000

- Electricity charge due but not paid: Rs.2000
- Insurance premium paid by cheque: Rs. 10000
- Sold 10% of the balance textile on credit to Mr. Y at Rs.7500.
- Mr. Y failed to make the payment on the due date. The entire money was declared bad-debt.

Required: Pass the necessary journal entries and post the transactions to the relevant ledger accounts

16. Following is the Cash Account of X ltd.

Cash Account for the year ending 31st March 2006					
Date	Particulars	Debit Amt.	Date	Particulars	Credit Amt.
	Capital	500,000		Goods	50,000
	goods	150,000		furniture	10,000
	Shares of RIL	30,000		Shares of RIL	50,000
	Old Newspapers	500		Salary	5,000
	Old Furniture	2,000		Rent	2,500
	Shyam	5,000		Interest	500
	Loan	50,000		Closing Balance	619,500
		737,500		Total	737,500

Explain the underlying transactions. You are also required to prepare the necessary ledger accounts.

17. Following are the balance of accounts.

Relevant Accounts as on 31st March 2006	
Cash	55,000
Capital	100000
12% Loan	40,000
Shares:	25000
Plant:	45000
Mr. X(creditor)	4800
Stock:	5000
Debtors	37,000
Purchases:	45000
Sales:	100000
Salaries:	20000
Interest	4800
Bad debt:	3000
Depreciation:	5000

Required:

- Trial balance
- Financial statements

18. Following is the trial balance of XY ltd.

Trial Balance as on 31st March 2005		
Account	Debit Balance	Credit Balance
Cash	55,000	
Capital		100,000
12% Loan		40,000
Shares	25,000	
Plant	50,000	
Mr. X		4,800
Opening Stock	7,000	
Debtors	40,000	
Purchases	45,000	
Sales		100,000
Salaries	20,000	
Interest	4,800	
outstanding Interest		2,000
	246,800	246,800

Additional information:

- Bad debt: 5000; Depreciation: 3000; Advance salaries: 5000

Required: Financial statements

19. Following is the cash account of XY ltd.

Cash Account for the year ending 31st March 2006					
Date	Particulars	Debit Amt.	Date	Particulars	Credit Amt.
	Capital	200,000		Goods	50,000
	goods	150,000		furniture	10,000
	Shares of ABC	110,000		Shares of ABC	80,000
	Old Newspapers	500		Salary	60,000
	Old Furniture	2,000		Rent	30,000
	Debtors	5,000		Interest	12,000
	Loan	50,000		Closing Balance	275,500
		517,500		Total	517,500

Required: Show the relevant journal entries and ledger accounts.

20. ABC Ltd was formed by three friends. They contributed 50,000 each and availed 12% loan from a local bank. They used the funds as follows:

- During the first quarter: used 75% of the funds for purchasing the shares of XYZ Ltd. No further transactions.
- During the second and third quarter: No transactions.
- During the last quarter: Sold all shares at premium of 50%.

Required:

- Financial statement for Q1, Q2, Q3, and the entire year.