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**SPECIAL CLASSES OF  
QT AND FM  
BY NEMANI SIR**

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NEMANI CLASSES

# NEMANI CLASSES

## Class XI Theory Notes

# XI –Accountancy

## Objective Type Question Bank

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## **CHAPTER : 6**

### **CASH BOOK AND OTHER SUBSIDIARY BOOKS**

#### **Typology of Questions**

R – Remembering

U- Understanding

A – Application

A&E- Analysis & Evaluation

#### **REMEMBERING:-**

1. Cash book is also known as book of \_\_\_\_\_. (Prime entry)
2. Credit purchases of goods are recorded in \_\_\_\_\_. (Purchases book)
3. Cash and bank transactions are recorded in the cash book in \_\_\_\_\_ order. (chronological)
4. Cash book is both \_\_\_\_\_ and \_\_\_\_\_ book. (Subsidiary, principal)
5. Cash book doesn't record \_\_\_\_\_ transactions. (non-cash)
6. When a firm avails a bank service it has to pay charges for service called \_\_\_\_\_. (bank charges)
7. Cash discount allowed and received is recorded by the way of \_\_\_\_\_ entry. (journal)
8. A two- column cash book is based on \_\_\_\_\_ aspect of accounting. (dual)
9. Paying advance in the beginning and re-imbursing the amount spent is \_\_\_\_\_ system of cash book. (imprest)
10. Transactions which cannot be recorded in other subsidiary books are recorded in \_\_\_\_\_. (journal proper)
11. Increase in assets is \_\_\_\_\_ and decrease in liabilities in \_\_\_\_\_. (debited, debited)
12. Provision for doubtful debt created @5% on debtors will be recorded in \_\_\_\_\_ book. (journal proper)

#### **UNDERSTANDING:-**

13. If the bank allows the firm to withdraw more amount than the balance, the amount withdrawn is known as \_\_\_\_\_. (overdraft)

14. If cheque is deposited in bank on the same day, the amount is entered in the \_\_\_\_\_ column on the \_\_\_\_\_ side of double column cash book. (bank, debit)
15. The transaction that effects both sides of the cash book are known as \_\_\_\_\_. (Contra entries)
16. When a cheque is received and deposited in the bank from the customer, returned dishonoured the \_\_\_\_\_ account is debited and bank account is \_\_\_\_\_. (customer's, bank)
17. Expenses involving small amounts are recorded in \_\_\_\_\_ book. (petty cash)
18. Goods purchased from Sohan for Rs. 5,000 on credit is recorded in \_\_\_\_\_ book. (purchases)
19. Purchased machinery on credit from Mr Karan for Rs.50,000 for use in business is recorded in \_\_\_\_\_. (journal proper)
20. R.K. Company purchased 60 units of goods @100 each less trade discount 10% allowed, cash discount allowed is 5%. This transaction is to be recorded in \_\_\_\_\_ book. (Purchase)
21. Goods destroyed by fire will be recorded in \_\_\_\_\_. (journal proper)
22. For interstate transactions of goods \_\_\_\_\_ GST is charged. (integrated)
23. Weekly/ monthly total of purchases book is posted to \_\_\_\_\_ side of \_\_\_\_\_ account. (debit, purchases)
24. If bank charges on dishonoured cheque, then bank charges will be \_\_\_\_\_ into the cheque amount. (added)

**APPLICATION:-**

25. The balance of petty cash book is \_\_\_\_\_ for the firm. (asset)
26. Bought goods for Rs.6,000 in cash, CGST and SGST paid @6% each. \_\_\_\_\_ amount is to be entered in cash book. (Rs.6,720)
27. Rajesh who owed Rs.5,000 became insolvent and 40p in a rupee was realised. Amount to be posted in cash book is \_\_\_\_\_. (Rs.2,000)
28. Received from Vedika in full settlement of her account of Rs.6000 and  $\frac{3}{4}$  of it is deposited in bank on same day. The amount to be debited to cash book is Rs. \_\_\_\_\_ in cash column and Rs. \_\_\_\_\_ in bank column. (1500, 4500)
29. Received Rs.10,000 for petty cash book. Balance after all the expenses is Rs.3928. \_\_\_\_\_ amount will be reimbursed according to imprest system. (Rs.6,072)
30. Sold goods to M/S Mukti, Delhi. 10 kgs tea packets @Rs. 600 per kg less trade discount @10%. 5% IGST is to be charged. Freight and packing charge is to be charged separately @ Rs.1,500. Amount to be posted in Sales Journal Rs. \_\_\_\_\_. (7,170)
31. M/S Nayar and Co. purchased goods for cash amounting to Rs.10,000 from Ruchi and Co. \_\_\_\_\_ amount is to be recorded in Purchases Book. (Nil/no)

32. Received commission Rs.2,000 plus CGST and SGST @ 6% each. Rs.\_\_\_\_\_ is debited to cash book. (2,240)
33. Received from S.K. limited a cheque for Rs.10,800 against dues of Rs,12,000 in full settlement of his account.\_\_\_\_\_ amount will be entered in receipt side of cash book. (Rs.10,800)
34. Bank paid life insurance premium as per the standing instruction of the owner, \_\_\_\_\_ account is debited. (drawings)
35. The balance of Sales book is Rs.25,000. Rs.5,000 recovered from debtors . The balance of Sales Book will be transferred to sales account by amount Rs.\_\_\_\_\_. (25,000)
36. A second hand motor car was purchased from Veer Brothers for Rs.10,000. It is recorded in \_\_\_\_\_ book. (journal proper)
37. Accounting for partial recovery from Mr Aof an amount of Rs.2,000; which was earlier written off as bad debts will be recorded in \_\_\_\_\_ book. (cash)

**ANALYSIS & EVALUATION:-**

38. A wholesaler sold 60 units of a good @ Rs.100 each less trade discount @10%. The retailer returned 10 units of these goods.\_\_\_\_\_ amount should be recorded in the sales book. (Rs.4,500)
39. Purchased goods for cash Rs.6,720 including CGST, SGST 6 %, received discount of Rs.220. \_\_\_\_\_ amount is to be entered in cash book. (Rs.6,500)
40. Rajesh who owed Rs.5,000 became insolvent and 40p in a rupee wasn't realised. Amount to be posted in cash book is \_\_\_\_\_. (Rs.3000)
41. M/S Rena Furniture sold furniture amounting to Rs.1,00,000 to M/S Neha . Trade discount applicable @10%, CGST and SGST @ 6% each. Half payment received in cash and availed cash discount of 10%. Amount to be entered in Sales book is Rs.\_\_\_\_\_ and Journal Proper Rs.\_\_\_\_\_. (50400,4,500)
42. Received from Astha cash Rs.2,000 and a cheque amount Rs.4,000. Discount allowed is Rs.400.\_\_\_\_\_ and \_\_\_\_\_ amount is to be entered in cash and bank column of cash book. (Rs.1,600; Rs.4,000)
43. Mr XYZ purchased goods from ABC electric Limited; 5 dozen bulbs @ 100 each plus IGST @ 12%; 10 power plugs @ 80 each plus IGST @ 12% the purchase book is to be debited by rupees \_\_\_\_\_. (Rs.1,456)
44. Balance of the cash column is Rs.18,174 after retaining Rs.2000 in cash \_\_\_\_\_ amount is to be deposited with the bank. (Rs.16,174)
45. Cash and bank balance shows a debit of rupees 10,000 and 15,000 respectively; rupees 8000 is withdrawn from the bank for office use. Cash and bank balance after this transaction is \_\_\_\_\_ and \_\_\_\_\_. (Rs.18,000; Rs.7,000)
46. A cheque of rupees 10000 received from Gopal Chandra and was deposited on \_\_\_\_\_ account is credited. (Gopal Chandra)

47. On 1st May 2019 balance of cash column of cash book rupees 12000 after receiving rupees 2,000 from Anil, giving cheque of rupees 3200 to Sunil and payment of wages rupees 500. Balance of cash will be \_\_\_\_\_ debit. (8,000)
48. Received a two months post-dated cheque of rupees 30,000 from Rajesh and deposited in the bank on same day; discounted from Bank paying discounting charges of rupees 750 the cash book is debited by rupees \_\_\_\_\_. (Rs 29,250)
49. Cheque received from Amit for rupees 20,000 was dishonoured; the bank column will be \_\_\_\_\_ . (Credited)
50. Hema traders purchased from Videocon India Limited 5 machines @ rupees 50,000 at less trade discount @ 10% + GST @ 12% freight charges rupees 1,000 the purchase book is debited by amount rupees \_\_\_\_\_. (Rs 2,53,000)

**REMEMBERING:-**

1. Books of original entry are called Subsidiary books. (True)
2. Single column cash book can have credit balance. (False)
3. Non cash transactions are recorded in cash books. (False)
4. In the cash book, transactions are not recorded in chronological order. (False)
5. Cash book is a journalized ledger. (True)
6. Two column Cash book also records cash discount allowed and received. (False)
7. The form filled for depositing cash/cheques in the bank is called Pay-in-slip. (True)
8. Purchase book records cash as well as credit purchases. (False)
9. Purchase return book is also known as return outwards book. (True)
10. The source document for recording entries in the sale return book is a debit note. (False)
11. The total of sale return book is posted to profit and loss account. (False)
12. The petty Cash book is used to record large cash payments. (False)

**UNDERSTANDING:-**

13. Cash receipts are recorded in the credit side of cash book. (False)
14. While recording transactions in the bank column of the cash book, rule applicable to personal account is followed. (True)
15. The transactions in which the supplier name is not given, is treated as credit transaction. (False)
16. The transactions that cannot be recorded in any special journal are recorded in journal proper. (True)
17. The balance of the petty cash book is always an income for the firm. (False)
18. The bank column of cash book always show a debit balance. (False)
19. The payment of a crossed cheque can be made directly to the party on the counter. (False)
20. The bank debits the firm's account on the account of bank charges. (True)

21. The entries which represent debit or credit of cash discount against the bank account or vice versa are contra entries. (True)
22. The amount given to the petty cashier at the beginning of the certain period is called imprest system. (True)
23. The petty cash account is not opened in ledger. (False)
24. The credit purchase of assets are recorded in purchase book. (False)

**APPLICATION:-**

25. In the books of M/S Rohan enterprises, the cash received Rs.12,000 will be recorded on the debit side of cash book. (True)
26. The goods purchased in cash Rs.20,000 will be recorded in receipt side of cash book. (False)
27. The opening balances of a firm are Machinery Rs.5,00,000, Creditors Rs. 2,00,000 and capital Rs.10,00,000. The entries for the same will be passed in journal proper. (True)
28. The goods returned to Mr.X, 2 table fans @ Rs.1000 each less trade discount 15 will be shown in sale return book. (False)
29. Sita has made full and final payment to Ram by cheque. Discount allowed by Ram is Rs.300. It will be recorded in sale return book. (False)
30. Cash purchase Rs.8,000, Credit Sales Rs.2,000, Credit purchases Rs.5,000, Cash discount allowed @4%. In this case each discount will be recorded in debit side of cash book. (False)
31. M/S Raman has purchased 80 bottles @ Rs.100 each from M/S Murari on credit. CGST and SGST is levied @6% each. Rs.1,440 will be shown in Input CGST column in the purchase book. (False)
32. Loss by fire amounted to Rs.80,000 but the insurance company paid Rs.60,000. So the amount Rs.60,000 will be recorded in the bank column of cash book. (True)
33. M/S Sudarshan maintains petty cash book. The imprest amount is Rs.5,000. If the cash balance in hand is Rs.1,300, Rs.2,700 will be reimbursed to make for imprest amount. (True)
34. Sudha received cheque of Rs.10,100 from Mudra in full settlement of Rs.11,000. The cheque is not deposited in bank for 24 hours. Entry for this will be recorded in cash book. (False)
35. The proprietor Aman started business with cash Rs.1,00,000, Stock Rs.70,000, building Rs.10,00,000. So Rs.11,70,000 will be recorded as capital in credit side of cash book. (False)
36. Cash deposited in bank Rs.50,000 will be recorded in cash book in the bank column on payment side and in cash column on the receipt side. (False)
37. Siya paid Rs.900 plus CGST and SGST @6% each. Rs.1008 will be recorded on the payment side of cash book. (True)
38. Rima sold goods on credit to Rohit: 50 shuttles @Rs.10 each. In this case the customer account will be debited in sales book for Rs.2000. (False)

**ANALYSIS & EVALUATION:-**

39. M/S Tushar traders deposited with the bank the entire balance after retaining Rs.2, 000 cash in hand. The debit side and credit side of cash column of cash book are Rs.18, 170 and Rs.9,170 The amount deposited in bank is Rs.7,000. (True)
40. Cheque amounting to Rs.12,000 deposited into bank is now dishonoured. The bank charged Rs.250 as dishonour charges. The amount to be recorded on the payment side of cash book Rs.12,000. (False)
41. A cheque was received from Mr. X for amount Rs.15,000 on 15.4.2019 and the same was endorsed to Mr.Y on 17.04.2019 in the full settlement of Rs.15,600 The entry of the date of endorsement will be raised in journal proper as:

Y's Account	Dr.	15,600	
	To Cheque in hand A/c		15,000
	To Discount Received A/c		600

(True)

42. Following are the balances of ledger accounts of M/S Aman Traders on 1<sup>st</sup> April.

Cash in Hand Rs. 5,000

Cash at Bank Rs.10,000

Bill Receivable Rs. 7,000

Bills Payable Rs. 3,000

The entry of the above balances will be recorded in Journal proper as opening entry and balance will be treated as capital reserve. (False)

43. M/S Parveen traders purchased 20 kg sugar@ of Rs.100 each from us. Trade discount is applicable @5% and IGST @ 12%.The entry will be recorded in the sales book of our books of accounts as -

Sales Column	1,900
Output IGST	228

(True)

44. Mr. A sold 35 items to Mr. B@ Rs.100 each less 20% trade discount. Mr. B returned 15 of the above items. As a result of this a credit note should be sent to Mr. B of Rs.1,200.(True)

45. Interest is due on loan but not paid for last 9 months. If Loan amount was Rs.12,00,000 taken @ 6% pa. Adjustment entry in journal proper will be recorded as:

Loan A/c	Dr.	54,000	
	To Interest on Loan A/c		54,000

(False)

46. Tarun, a debtor has become insolvent and 40 p in a rupee was realized from him Cash column of cash book should be debited with Rs.54,000. (False)
47. Cash withdrawn by the proprietor for paying his son's tuition fees is Rs.3,500. This will be recorded as an expense on the payment side of cash book. (False)
48. An old machinery was sold to Mayank for Rs.6, 000 plus CGST and SGST @ 6% each. Entry will be recorded in Journal proper as –

Mayank's Account	Dr.	5,600	
To Machinery A/c			5,000
To Output CGST A/c			300
To Output SGST A/c			300

- (True)
49. The closing entry for discount received Rs.1,000 Commission received Rs.4,000 and interest on investment Rs.1,200 will be passed in journal proper amounted to Rs.6,800 in profit and loss account. (False)
50. Kartikey who owed us Rs. 80,000 became insolvent and 20 paise in a rupee was realized from his estate. Amount received from him is Rs.10,000. (False)

### MULTIPLE CHOICE QUESTIONS

#### REMEMBERING:-

- When a firm maintains cash book it need not to maintain:
  - Journal proper
  - Purchases book
  - Sales book
  - Cash & Bank A/c in ledger [D]
- A person who is responsible for recording transactions in a petty cash book is known as:
  - General cashier
  - Petty cashier
  - Additional cashier
  - Counter cashier [B]
- A cheque received and deposited on same day will be recorded in cash book in:
  - Cash column on debit side
  - Cash column on credit side
  - Bank column on debit side
  - Bank column on credit side [C]

4. The source document for making entries in the return inward book is:
- Cheque counterfoil
  - Credit note
  - Debit note
  - Purchase invoice
- [B]
5. When debit as well as credit aspects of a transaction are recorded in a cash book , it is called \_\_\_\_\_
- Compound entry
  - Closing entry
  - Contra entry
  - Opening entry
- [C]
6. Purchase book is used to record:
- Cash purchase of goods
  - Credit purchases of goods
  - Credit purchase of assets
  - Cash purchase of assets
- [B]
7. Purchase Return Book is also known as:
- Returns Outward Book
  - Returns Inward book
  - Invoice Book
  - Journal Proper
- [A]
8. The total of Sales book is posted to:
- Credit side of customer's account
  - Credit side of purchases account
  - Credit side of sales account
  - Credit side of capital account
- [C]
9. If nature of cash balance is not mentioned in cash book then it will be :
- Credit balance
  - Overdraft balance
  - Debit balance
  - None of these
- [C]
10. The credit side of cash book is also known as :
- Receipt side
  - Profit side
  - Loss side
  - Payment side
- [D]

11. Opening entry is recorded in :

- a. Journal proper
- b. Cash book
- c. Sales book
- d. Purchases book

[A]

12. The word 'C' which stands for contra, is written on both sides in \_\_\_\_\_ column.

- a. Voucher number
- b. Ledger folio
- c. Bank
- d. Particulars

[B]

**UNDERSTANDING:-**

13. A cash book is used to :

- a. Compute profit and loss of business
- b. Record receipts and payments of cash
- c. Records only receipt of cash
- d. Records only payment of cash

[B]

14. A contra entry is an entry that involves:

- a. A cash account as well as sales account
- b. A bank account as well as discount account
- c. A cash account as well as bank account
- d. A cash account as well as discount account

[C]

15. Provision for doubtful debts created @ 6% on debtors with book values of Rs. 12,000.

This transaction will be recorded in :

- a. Purchases book
- b. Sales book
- c. Cash book
- d. Journal proper

[D]

16. In Return Inwards book , individual accounts of customer will be :

- a. Credited
- b. Debited
- c. Neither debited nor credited
- d. Either debited or credited

[A]

17. Cheque received from Rakesh not yet deposited into bank . \_\_\_\_\_Account will be debited:

- a. Bank

- b. Cash  
c. Cheque in hand  
d. Rakesh [C]
18. A fixed amount paid out of current bank account of firm on a regular basis is known to the payer as :  
a. Direct debit  
b. Standing order  
c. Cheque endorsement  
d. Credit transfer [B]
19. The column in purchases book which is the basis to record transactions in this book is:  
a. Ledger folio  
b. Invoice number  
c. Particulars  
d. Date [B]
20. When the goods are returned, a debit note is prepared and is sent to the \_\_\_\_\_ with the returned goods.  
a. Customer  
b. Proprietor  
c. Bank  
d. Supplier [D]
21. Allowance allowed to Samyak & Co. on account of mistake in invoice. Transaction will be recorded in :  
a. Sales return book  
b. Purchases return book  
c. Journal proper  
d. Purchases book [A]
22. Discount previously allowed but later on disallowed is recorded in \_\_\_\_\_  
a. Cash book  
b. Purchase book  
c. Sales book  
d. Journal proper [D]
23. Which of the following transactions will not affect the cash book:  
a. Salary paid  
b. Cash paid to creditor  
c. Cheque received and deposited  
d. Depreciation [D]

24. The total of sales return journal is posted to :

- a. Profit and loss account
- b. Machinery account
- c. Sales return account
- d. Sales account

[C]

25. Journal proper records:

- a. All transactions
- b. All cash transactions
- c. All credit transactions
- d. Transactions which do not find place in any other subsidiary book

[D]

**APPLICATION:-**

26. Goods sold to Mr. X for Rs. 10,000 on 1-3-18. If payment is made within next seven days cash discount allowed @5%. Rs. \_\_\_\_\_ is received from Mr. X on 3-3-18.

- a. 9,000
- b. 10,000
- c. 9,500
- d. 9,800

[C]

27. Discount received from Mr. Y is the nature of :

- a. Income
- b. Expense
- c. Liability
- d. Asset

[A]

28. Salary paid to Mr Ramnarayan will be recorded in :

- a. Journal proper
- b. Cash book on payment side
- c. Cash book on receipt side
- d. Cash book bank column

[B]

29. Bought goods for Rs. 30,000, CGST and SGST @6%. An inter- state transaction \_\_\_\_\_ amount will be recorded on payment side of cash book.

- a. By purchases A/c Rs. 33,600
- b. By purchases A/c Rs. 30,000; By IGST Rs. 3,600
- c. By purchases A/c Rs. 30,000; By CGST Rs. 1,800; By SGST Rs. 1,800
- d. By purchases A/c Rs. 28,200

[B]

30. Cheque issued to a creditor Rs. 40,000 is recorded in:

- a. journal proper
  - b. Single column cash book
  - c. Double column cash book
  - d. Petty cash book
- [C]

31. While recording transactions in the bank column of the cash book , the \_\_\_\_\_ rule is followed:

- a. Real account
  - b. Nominal account
  - c. Personal account
  - d. None of the above
- [C]

32. A cheque of Rs. 20,000 received from Mr. Jone is dishonoured, it will be recorded on \_\_\_\_\_ side and amount will be entered in \_\_\_\_\_ column.

- a. Credit , bank
  - b. Credit, cash
  - c. Debit, bank
  - d. Debit, cash
- [A]

33. Bank notifies that Rahul's cheque of Rs. 4,000 has been dishonoured, Bank charged Rs.20 on this cheque. Rahul's account will be debited and the amount written on payment side of cash book in bank column is:

- a. Rs. 4000
  - b. Rs. 20
  - c. Rs. 4,200
  - d. Rs.4,020
- [D]

34. Discounted a bill of exchange at 2% through bank Rs. 8,000. Bank column in cash book is debited by:

- a. Rs.8,000
  - b. Rs.7,840
  - c. Rs.160
  - d. Rs. 8,160
- [B]

35. Sold goods to Shashi & Sons, vide cash memo no 2415; 6 sofa sets @ 15,000 each, less trade discount 10%. Transaction will be recorded in:

- a. Sales book
  - b. Purchases book
  - c. Cash book
  - d. Journal proper
- [C]

36. Goods sold to Mr Y, 20 dresses @ 1,000 each. Due to some mistake in the invoice a credit note is sent to customer. The reason may be :

- a. Sales invoice is overcast
- b. Sales invoice is undercharged
- c. Sales invoice is undercast
- d. Some good omitted to be recorded

[A]

37. Goods lost by fire Rs. 85,000. Insurance company admitted claim of 40%. Insurance company will be debited by\_\_\_\_\_and entry will be recorded in\_\_\_\_\_.

- a. Rs. 85,000 , purchase return book
- b. Rs. 34,000 , journal proper
- c. Rs. 51,000 , cash book
- d. Rs.85,000 , purchases book

[B]

**ANALYSIS & EVALUATION:-**

38. The following balances were incurred by petty cashier during the month – postage Rs. 1,200; conveyance Rs. 500; Sundries Rs.1, 700. Imprest amount Rs. 8,000. What will be the amount of reimbursement?

- a. Rs. 5,600
- b. Rs. 8,000
- c. Rs. 3,400
- d. Rs. 2,000

[C]

39. On 1-4-19, Bank balance was unfavourable (cr) .Rs. 5000. A customer directly deposited cheque into bank Rs. 10,000 and a cheque issued to pay salary to Mr. Ram amounted to Rs. 2,000. The bank balance will be :

- a. Rs.7,000 cr.
- b. Rs.13,000 dr.
- c. Rs.10,000 dr.
- d. Rs.3,000 dr.

[D]

40. Deposited into bank entire balance after retaining Rs. 10,000. The total of receipt side and payment side is Rs. 54,520 and Rs. 24,500 respectively. What amount is to be deposited in bank account to record contra entry?

- a. Rs. 30,020
- b. Rs. 20,020
- c. Rs. 10,000
- d. Rs. 34,500

[B]

41. Cash sales amounted to Rs. 60,000 of which Rs. 40,000 banked on the same day. Transaction will be recorded on receipt side. Cash and Bank column will be debited respectively with :

- a. Rs. 60,000, Rs. 40,000
- b. Rs. 40,000, Rs. 20,000
- c. Rs. 20,000, Rs. 40,000
- d. Rs. 60,000, Rs. 20,000

[C]

42. Withdrew from bank for personal use Rs. 4,000 and for office use Rs. 7,000. Following transaction will be recorded in cash book:

- a. Only on receipt side
- b. Only on payment side
- c. Both on debit side and credit side
- d. None of these

[C]

43. Acceptance received from Vijay & Co. for Rs. 3,600. The following entry will be passed in journal proper:

a.	Bills Receivable A/c	Dr.	Rs.3,600	
	To Vijay and Co. A/c			Rs.3,600
b.	Vijay and Co. A/c	Dr.	Rs.3,600	
	To Bills Payable A/c			Rs.3,600
c.	Vijay and Co. A/c	Dr.	Rs.3,600	
	To Bills Receivable A/c			Rs.3,600
d.	Bills Receivable A/c	Dr.	Rs.3,600	
	To Vijay and Co. A/c			Rs.3,600

[A]

44. Goods returned by Raman stationery:

3 dozen pens @ Rs. 50 per dozen

2 dozen pencils @ Rs. 60 per dozen; less trade discount @10%

CGST and SGST levied @ 6% each. \_\_\_\_ amount will be shown in Sales return column of sales return book.

- a. Rs. 270
- b. Rs. 272
- c. Rs. 258
- d. Rs. 243

[D]

45. From the following opening balances , while passing opening entry in journal proper the balancing figure will be:

Cash – Rs. 1,70,000; furniture-Rs. 2,20,000; Machinery –Rs. 75,000; Debtors-Rs. 1,65,000; creditors- Rs 1,40,000; bank loan – 1,50,000;

- a. Capital Rs. 2,90,000
- b. Capital Rs. 3,40,000
- c. Capital reserve Rs. 2,90,000
- d. Capital reserve Rs. 3,40,000

[B]

46. Ramesh who owed us Rs. 40,000 became insolvent and paid 20 paise in a rupee was paid by him. Amount received from him is:

- a. Rs. 32,000
- b. Rs. 8,000
- c. Rs. 7,000
- d. Rs. 42,000

[B]

47. Goods purchased for cash Rs. 68,000; less 5% trade discount, plus IGST 12%. Purchases account will be debited by :

- a. Rs.56,848
- b. Rs. 68,000
- c. Rs. 72,352
- d. Rs. 64, 600

[D]

48. The following transactions took place in M/s Aman's books of accounts. CGST and SGST levied @6 %

Goods returned to M/s X, 4 broken chairs @ 500 each,

M/s Y returned goods to us, 3 defective tables @ 600 each, what will be the total of sales return column in sales return book:

- a. Rs. 1,800
- b. Rs. 3,800
- c. Rs. 2,016
- d. Rs. 4,256

[A]

49. Received a cheque from Nitin for Rs. 2,76,000 after deducting cash discount of 8% . The next day cheque was endorsed to Prince in full settlement of his debt of Rs. 2,80,000. The entry in the journal proper on the day of endorsement of will be:

- a. Prince dr. Rs. 2,80,000; To Cheque in hand A/c Rs. 2,80,000
- b. Prince dr. Rs. 2,76,000; To Bank A/c Rs. 2,76,000
- c. Prince dr. Rs. 2,80,000; To Cheque in hand A/c Rs. 2,76,000 ; To Discount Received Rs. 4,000
- d. Prince dr. Rs. 2,76,000; To Cheque in hand A/c Rs. 2,76,000

[C]

50. Bank issued a demand draft for Rs. 15,000 in favour of Mayank . Bank charged RS. 50 for issuing the draft. Amount will be shown on\_\_ side and in\_\_ column of cash book:

- a. Receipt , cash
- b. Payment , bank
- c. Receipt, bank
- d. Payment , cash

[B]

**MATCH THE FOLLOWING**

1.	Match with the suitable subsidiary books	
R	I Receipts and payments of cash II Return of credit sales made by customers	a. Purchases book b. Sales book c. Sales returns book d. Cash book  Ans. I d ; II c
2.	Match with the suitable document:	
R	I Document evidencing that a credit transaction has been made. II Document supporting a transaction	a. Debit note b. Voucher Number c. Credit note  Ans. I C ; II b
3.	Match with proper subsidiary book:	
R	I It doesn't record non cash transaction II Sales Book is a part of	a. Journal proper b. Cash Book c. Journal  Ans. I a II c
4.	Match with suitable option:	
U	I Drawing more out of bank then the available balance II withdrawal of cash from bank	a. Contra Entry  b. Opening Entry c. Overdraft  Ans. I c II a
5.	Match with relevant option :	
U	I Expenses involving small amount II Those transaction which are not recorded in any subsidiary book	a. Journal proper b. Cash Book c. Petty Cash Book  Ans. I c II a
6.	Match the subsidiary books in which following are recorded:	
R	I Purchase of furniture on credit for office use II Sale of goods on credit III Goods returned by debtors	a. Purchases Book b. Journal proper c. Sales return Book d. Sales Book  Ans. I b. II d III c

7.	Match with the books of original entries where these transaction are to be recorded	
R	I Goods purchased from Mr. X on credit II Defective goods sold to veena an credit returned by her III Purchased furniture for personal use	a) Sales returned books b) Journal proper c) Purchase book d) Sales book  Ans. I c. II a. III b.
8.	Match the following with correct option	
U	I Monthly total of purchase book is II Total of sales book is posted to	a) Posted to 'Cr' of purchases A/C b) Posted to 'Dr' of purchases A/C c) Posted to 'Cr' of sales A/C d) Posted to 'Dr' of sales A/C  Ans. I b. II c.
9.	Match the following with correct option	
U	I Intra state sale of goods GST charged is II Interstate sale of goods GST charged is	a) CGST,SGST,IGST b) CGST and SGST c) IGST and CGST d) IGST  Ans. I b. II d.
10.	Match the following with correct option	
R	I Entry made in beginning of the year II Settlement of amount paid or received in advance	a) Adjustment entry b) Opening entry c) Transfer entry  Ans. I b. II a.
11.	Match the following with correct option	
U	I Transfer entries II Closing entries	a) Entry made at the end of the year to close the relevant A/C b) Amount transferred from one A/C to another c) Entry made in the beginning of the year  Ans. I b. II a.
12.	Match the following with correct option	
U	I The balance in petty cash book is II Credit balance in their bank column of cash book	a) Liability b) Profit c) Asset  Ans. I c. II a.
13.	Match with the suitable option	
U	I Cash withdrawn for personal use II Paid salary to Mr. Ram	a) Salary A/C b) Ram A/C c) Drawings A/C d) Cash A/C  Ans. I c. II a.
14	Match with the suitable option	

A	I Received a post dated cheque from Deepak II Paid salary to Mr. Ram	a) Cash book b) Journal proper c) Sales book	Ans. I b. II a.
15	Match with the suitable option		
A	I Deposited cash into bank II Withdrawal of cash for office use	a) Only bank column is credited b) Cash column 'Cr' , bank column 'Dr' c) Cash column 'Dr' , bank column 'Cr' d) Only cash column is credited	Ans. I b. II c.
16	Match with the suitable option		
U	I Transaction not recorded in cash book II Not a contra entry	a) Cash withdrawn from bank for personal use b) Sold goods worth Rs 5000 c) Trade discount	Ans. I c. II a.
17	Match with the suitable option		
A	I Dr or Cr balance II Only Dr balance	a) Only cash column of cash book b) Neither cash nor bank column c) Only bank column of cash book	Ans. I c. II a.
18	Match with the suitable option		
A	I Sold old newspaper for cash II Purchased 10 colour TV @15000 each	a) Purchase book b) Journal proper c) Cash book	Ans. I c. II a.
19	Match with the suitable option		
E	I Sold to M/S A 30 shirts@400 each 40 trousers@300 each TD @ 10% II Return 60 pen drive to M/S X purchased @100 each , IGST @12%	a) 6720 b) 12544 c) 21600	Ans. I c. II a.
20	Match with the suitable option		
U	I A document prepared by the customer Of the goods II A document prepared by the seller Of the goods	a) Credit note b) Voucher c) Debit note	Ans. I c. II a.
21	Match with the suitable option		
A	I For closing purchases	a) Trading A/C is 'Cr'	

	II For closing sales III For closing salaries	b) Trading A/C is 'Dr' c) P/L A/C is 'Cr' d) P/L A/C is 'Dr' Ans. I b. II a. III d.
22	Match with the suitable option	
U	I It records transactions of similar nature II It does not record transactions of Similar nature	a) Journal proper b) Journal c) Subsidiary book Ans. I c. II a.
23	Match with the suitable option :	
U	I Bank Charges II Interest allowed by bank	a) Bank column receipt side b) No entry c) Bank column payment side Ans. I c. II a
24	Match the following with correct option	
U	I Discount allowed , cheque dishonoured II When cash book is prepared	a) No Cash Account is needed b) Cash book c) Journal Proper Ans. I c II a
25	Match the following with correct option	
R	I Record of all cash payments II Record of payment of all small expenses	a) Sales Book b) Cash Book c) Petty cash Book Ans. I b II C
26	Match the following with correct option	
R	I Additional cash introduced II Return of goods sold by customer	a) Return inward book b) Cash Book c) Debit note Ans. I b II a
27	Match the following with correct option :	
U	I Source document for recording in purchases book II Note issued by seller on receipt of goods from customer	a) Credit note b) Debit note c) Inward invoice Ans. I c II a
28	Match with the suitable option	
R	I person who maintain petty cash book II petty cash book in which payment side is ruled in suitable columns	a) Analytical Petty Cash Book b) Simple Cash Book c) Petty Cashier d) Head Cashier Ans. I c II a
29	Match with the suitable option	
U	I source document required to record transaction in Sales Return Book	a) Sales Invoice b) Debit note

	II source document required to record transaction in Sales Book	c) Credit note  Ans. I c II a
30	Match with the suitable option	
U	I Withdrawn from bank Rs. 4,000 II Withdrawn from bank for personal use	a) Drawing Account b) Contra Entry c) Bank Account Ans. I b II a
31	Match with the suitable option	
E	I Imprest amount Rs. 5,000. Expenses incurred during the month Rs. 2,600 amount reimbursed. II Imprest amount Rs. 8,000. Expenses details for the months Rs. 5,500. Has unpaid expenses vouchers Rs. 200 amount reimbursed.	a) Rs. 2,400 b) Rs. 5,500 c) Rs. 2,600 d) Rs. 5,300 Ans. I c II b
32	Match with the suitable option	
E	I Cheque received amount Rs. 46,000 from Mr. Z after cash discount @8% amount due to Z II for the above transaction cash discount allowed is	a) Rs. 4,000 b) Rs. 42,320 c) Rs. 50,000 d) Rs. 3,680 Ans. I c II a
33	Match with the suitable option	
E	I Interest on Overdraft charged by bank @ 10 % bank overdraft Rs. 50,000 II Interest on Loan due for 9 months @ 10% p.a. Loan amount Rs. 2,00,000. Interest amount is	a) Rs. 10,000 b) Rs. 5000 c) Rs. 12,000 d) Rs. 15,000 Ans. I b II d
34	Match with the suitable option	
E	I Goods returned by Priti & Co. 20 Fans @ Rs. 3,000 each 10 Coolers @ Rs. 1,500 each Less: Trade Discount @ 5% Amount recorded in Sales Return Column	a) Rs. 75,000 b) Rs. 71,250 c) Rs. 78,750

	I In the above transaction IGST is levied @12% , amount recorded in IGST column	d) Rs. 8,550 Ans. I b II d
35	Match with the suitable option	
R	I Allowance allowed to Ms. Amit Traders on account of mistake in invoice II Allowance claimed from Mr. Z on account in invoice	a) Purchases Book b) Sales Returns Book c) Journal Proper d) Purchases Return Book Ans. I b II d
36	Match with the suitable option	
A	I paid rent Rs. 10,000 CGST and SGST charged @ 9% each II gave cheque for cash purchase of Rs, 2,000 including IGST @12%	a) Rs. 2,240 b) Rs. 2,040 c) Rs. 11,800 d) Rs. 8,800 Ans. I c II a
37	Match with the suitable option	
A	I Goods purchased and paid by cheques Rs. 20,000 cash discount Rs. 472 CGST and SGST @ 6% each II Received cheque from Ram Rs. 2,000	a) Rs. 29,182 b) Rs. 2,000 c) No entry d) Rs. 21,928 Ans. I d II b
38	Match with the correct entry :	
R	I Interest on Capital II Discount allowed and received III Salary A/c outstanding	a) Miscellaneous Entries b) Closing Entries c) Adjustment Entries d) Opening Entries Ans. I c II a III c
39	Match with the suitable option	
R	I Intra- State Purchases II Inter- state purchases	a) Input CGST & SGST is Cr. b) Input IGST is Dr. c) Input CGST & SGST is Dr. d) Input IGST Cr. Ans. I C II b
40	Match with the suitable option	
E	I Cash Balance Rs. 50,000 out of this deposited into bank Rs. 12,000 a demand draft issued by bank Rs. 3,000 in favour of Mr. Rahul . Closing balance of cash is II Bank Overdraft Rs. 65,000 directly deposited by our customer in bank Rs. 30,000. Cheque received and endorsed amount to Rs. 5,000 bank balance is	a) Rs. 38,000 b) Rs. 41,000 c) Rs. 35,000 Cr. d) Rs. 35,000 Dr. Ans. I a II c
41	Match with the suitable option	

A	I Withdrawn from bank Rs 28,000 for purchase of office equipment purchased for Rs. 17,000, balance taken by proprietor is II Cashed a cheque for Rs. 25,000 and paid salaries Rs. 13,000. Cash balance will be	a) Rs. 28,000 b) Rs. 11,000 c) Nil d) Rs. 2,000	Ans. I b II d
42	Match with the suitable option		
E	I Returned goods to Gopal for Rs. 50,000, goods were not according to the sample apply CSGT & SGST @ 6% each II Allowance claimed from Prasad on account of mistake in invoice of Rs. 10,000 apply CSGT & SGST @ 6% each	a) Rs. 11,200 b) Rs. 20,160 c) Rs. 56,000	And: I c II a
43	Match with the suitable option		
E	I Ajit furniture co. Returned 2 broken Almirahs @ Rs. 11,000 each Less 15% IGST @12% II Returned to Saxena & co. 5 tables @ Rs. 1,600 each Less : 10% CGST & SGST @ 6% each	a) Rs. 22,400 b) Rs. 20,944 c) Rs. 8640 d) Rs. 8064	Ans. I b II d
44	Match with the suitable option; Calculate amount to be recorded in purchase book in the following cases:		
E	I Purchased goods for cash Rs.50,000 II Purchased from Kriti Rs.56,000 including IGST @12%	a) Rs.56,000 b) Rs.62,720 c) Nil d) Rs.50,000	Ans I c II a
45	Match with the suitable option		
E	I. Mr XYZ purchased goods from ABC electric Limited; 10 dozen bulbs @ 100 each plus IGST @ 12%; 20 power plugs @ 80 each plus IGST @ 12% the purchase book is to be debited by rupees _____. II. On 1st May 2019 balance of cash column of cash book rupees 24000 after receiving rupees 4,000 from Anil, giving cheque of rupees 6,400 to Sunil and	a) Rs. 1,456 b) Rs. 2,912 c) Rs.23,000 d) Rs.23,500	

	payment of wages rupees 1000. Balance of cash will be_____.	Ans I b II c
46	Match with the suitable option	
A	I Total of Purchases return A/c II Total of Purchases A/c	a) Debit b) Credit c) Either debit or credit d) Neither debit nor credit Ans. I b II a
47	Match with the suitable option	
A	I Goods sold to Mr. X for Rs. 10,000. Cash discount allowed @5% amount received from Mr. X. II Discounted a bill of exchange at 2% through bank Rs. 8,000. Bank column in cash book is debited by	a) Rs. 8,500 b) Rs. 9,500 c) Rs. 8,740 d) Rs. 7,840 Ans. I b II d
48	Match with the suitable option	
A	I A cheque of Rs. 20,000 received from Mr. Jone is dishonoured, it will be recorded on____side of_____column. II Salary paid to Mr Ramnarayan will be recorded in____Side of____Column	a) Debit , Cash b) Credit , bank c) Credit , Cash d) Debit, Bank Ans. I b II c
49	Match with the suitable option	
A	I Goods lost by fire Rs. 85,000. Claim of 40% received. Insurance company will be debited by_____and entry will be recorded in_____. II Debtor of Rs. 50,000 became insolvent 50% is recovered from his estate.	a) Rs. 25,000 , Cash b) Rs. 50,000 , cash c) Rs. 34,000 Journal proper d) Rs.85,000 Journal Proper Ans. I c II a
50	Match with the suitable option	
A	I While recording transactions in the bank column of the cash book , the _____rule is followed II Discount allowed to a customer the rule of_____is followed	a) Real account b) Nominal account c) Personal account Ans. I c II b

## Sequential Questions

### REMEMBERING:-

1. Put the below mentioned transactions in correct order:
  - a) Sold goods to Ram on credit.
  - b) Started business with cash and goods.
  - c) Cheque dishonoured and Ram's account is debited.
  - d) Ram paid his dues by cheque.
  - e) Ram's cheque deposited into bank. (b-a-d-e-c)
2. Identify the correct sequence for following transactions with respect to cash book:
  - a) Balancing the cash and bank column
  - b) Recording opening balance
  - c) Carry forward the balance to next month
  - d) Recording cash and bank transactions (b-d-a-c)

### UNDERSTANDING:-

3. Identify the sequence to be followed in following transactions to calculate amount to be entered in cash book.
  - a) Goods sold for Rs.5,000 to Simran.
  - b) Cash discount allowed @2%.
  - c) CGST, SGST levied @6% each
  - d) Trade discount allowed @5% (a-d-c-b)

### APPLICATION:-

4. Purchased 5kgs of Green Tea on credit from Tea House @Rs.500 per kg; trade discount 10% plus CGST and SGST @6% each.

Tea House	
5kg @ Rs.500 each	Rs.2,500
Less: _____ @10%	Rs. _____
Total:	Rs. _____
Add: CGST @6%	Rs. _____
Add: SGST @6%	Rs. _____
Total:	Rs. _____

### ANALYSIS & EVALUATION:-

5. Shyam received certain amount under imprest system of petty cash book. He got reimbursement later in the month.

Shyam received amount	Rs. _____
Expenses made	Rs. _____
Balance at the end	Rs.1,375
Reimbursement at the end	Rs.625

## **CHAPTER: 7**

### **BANK RECONCILIATION STATEMENT**

#### **Typology of Questions**

R – Remembering

U- Understanding

A – Application

A&E- Analysis & Evaluation

#### **REMEMBERING:-**

A statement showing reasons for differences between Cash Book and Pass book balances on a particular day is called \_\_\_\_\_.

[Bank Reconciliation Statement]

26. Bank Reconciliation Statement is prepared to reconcile \_\_\_\_\_ and \_\_\_\_\_ balances.  
[cash book , pass book]
27. Unfavourable balance as per Pass book is \_\_\_\_\_ balance. [debit]
28. Unfavourable balance as per Cash book is \_\_\_\_\_ balance. [credit]
29. Favourable balance as per Pass book is \_\_\_\_\_ balance. [credit]
30. Favourable balance as per Cash book is \_\_\_\_\_ balance. [debit]
31. Bank overdraft is \_\_\_\_\_ balance as Cash Book. [Credit]
32. Bank overdraft is \_\_\_\_\_ balance as Pass Book. [Debit]

#### **UNDERSTANDING:-**

33. Bank Charges debited in pass book are recorded on the \_\_\_\_\_ side of Cash Book in Bank Column. [Credit]
34. Interest allowed by Bank is recorded on the \_\_\_\_\_ side of Cash Book in Bank Colum. [Debit]
35. Amount directly deposited by customers into Bank but no information received will increase \_\_\_\_\_ book balance. [Pass book]
36. When money is withdrawn from Bank, the bank \_\_\_\_\_ the account of customer.

37. While preparing Bank reconciliation Statement, Pass book is compared with \_\_\_\_\_ [Debits]  
balance of Cash Book. [Bank]

**APPLICATION:-**

38. Transaction between an enterprise and its bank is recorded by the Bank in \_\_\_\_\_. [Pass Book]
39. \_\_\_\_\_ is the copy of trader's account in the books of the Bank. [Pass Book]
40. While preparing Bank Reconciliation Statement with Pass book balance, if the debit side of Cash Book is overcasted by mistake the pass book balance should be \_\_\_\_\_. [reduced]
41. If Bank reconciliation Statement is prepared with debit balance as per cash book, the balance that we arrive at in the end will be \_\_\_\_\_ balance as per \_\_\_\_\_. [credit , pass book]
42. If Bank Reconciliation Statement is prepared with Pass book Balance, the transactions which reduces the Cash book balance, Pass book must be \_\_\_\_\_ for the purpose of reconciliation. [decreased]

**ANALYSIS & EVALUATION:-**

43. Cash Book shows a credit balance of Rs 7,500 , if there is no reconciliation the pass book will show \_\_\_\_\_ balance of Rs \_\_\_\_\_. [debit , Rs 7,500]
44. Overdraft as per Cash book is Rs 10,000. Uncollected cheques are Rs 2,500 and unrepresented cheques were Rs 3,500. The \_\_\_\_\_ balance as per pass book is Rs \_\_\_\_\_. [debit , Rs 9,000]
45. If Pass book is showing credit balances of Rs 8,000. A cheque deposited in Bank for Rs 2,000 returned dishonoured and the same cheque was not recorded in Cash Book earlier. The Cash Book will show \_\_\_\_\_ balance of Rs. \_\_\_\_\_. [debit , Rs 8,000]
46. Cash book overdraft is more than Pass Book overdraft, when payment side of Cash Book is \_\_\_\_\_. ( Overcast / undercast) [Overcast]
47. Cheque issued but returned due to technical error would \_\_\_\_\_ the overdraft as per Cash Book while preparing Bank Reconciliation Statement with overdraft as per Cash Book. (increase/decrease) [decrease]
48. Cheque issued and debited in the Pass Book but omitted to be recorded in Cash Book would \_\_\_\_\_ the Cash book Balance. (Overcast/ undercast) [ Overcast]
49. Cheque issued recorded on the credit side of the Cash book in Cash Column would not affect the bank balance of \_\_\_\_\_. ( Cash Book / Pass Book) [ Cash Book ]

**REMEMBERING:-**

1. A statement showing reasons for differences between Cash Book and Pass book balances on a particular day is called Trial Balance. [False]
2. Bank Reconciliation Statement is prepared to reconcile cash book and pass book balances. [True]
3. Unfavourable balance as per Pass book is credit balance. [False]
4. Unfavourable balance as per Cash book is credit balance. [True]
5. Favourable balance as per Pass book is credit balance. [True]
6. Favourable balance as per Cash book is Credit balance. [False]
7. Bank overdraft is debit balance as Cash Book. [False]
8. Bank overdraft is Debit balance as Pass Book. [True]

**UNDERSTANDING:-**

9. Bank Charges debited in pass book are recorded on the debit side of Cash Book in Bank Column. [False]
10. Interest allowed by Bank is recorded on the Debit side of Cash Book in Bank Column. [True]
11. Amount directly deposited by customers into Bank but no information received will increase Pass book balance. [True]
12. When money is withdrawn from Bank, the bank credits the account of customer. [False]
13. While preparing Bank reconciliation Statement, Pass book is compared with Cash balance of Cash Book. [False]

**APPLICATION:-**

14. Transaction between an enterprise and its bank is recorded by the Bank in Pass Book. [True]
15. Cash Book is the copy of trader's account in the books of the Bank. [False]
16. While preparing Bank Reconciliation Statement with Pass book balance, if the debit side of Cash Book is overcasted by mistake the pass book balance should be reduced. [False]
17. If Bank reconciliation Statement is prepared with debit balance as per cash book, the balance that we arrive at in the end will be Credit balance as per Cash book. [False]
18. If Bank Reconciliation Statement is prepared with Pass book Balance, the transactions which reduce the Cash book balance, Pass book must be increased for the purpose of reconciliation. [False]

**ANALYSIS & EVALUATION:-**

19. Cash Book shows a credit balance of Rs 7,500 , if there is no reconciliation the pass book will show credit balance of Rs 7,500 [False]
20. If Pass book is showing credit balances of Rs 8,000. A cheque deposited in Bank for Rs 2,000 returned dishonoured and the same cheque was not recorded in Cash Book earlier. The Cash Book will show debit balance of Rs. 800. [False]
21. Cash book overdraft is more than Pass Book overdraft, when payment side of Cash Book is overcastted. [True]
22. Cheque issued and debited in the Pass Book but omitted to be recorded in Cash Book would Overcast the Cash book Balance. [True]
23. Cheque issued recorded on the credit side of the Cash book in Cash Column would not affect the bank balance of Cash Book [True]

**REMEMBERING:-**

1. Statement that explains the causes of difference between cash-book and bank statement is called:
- a) Bank statement
  - b) Financial statement
  - c) Income statement
  - d) Bank reconciliation statement (D)
2. Bank reconciliation statement is prepared by:
- a) Bank
  - b) Customer's accountant
  - c) Auditors
  - d) None of the above (C)
3. Bank statement is issued by:
- a) Bank
  - b) Auditors
  - c) Depositor / Customer
  - d) None of the above (A)
4. Bank reconciliation statement is:
- a) Part of Bank statement
  - b) Memorandum statement
  - c) Part of journal
  - d) Ledger account (B)
5. Bank Reconciliation statement is prepared in the books of:
- a) Bank
  - b) Guarantor
  - c) Depositor/ trader

- d) None of the above (C)
6. Cheques issued but not presented in the bank are called:  
a) Un-presented cheques  
b) Un-credited cheques  
c) Un-collected cheques  
d) Un-cleared cheques (A)
7. The differences between the cash-book and bank pass-book is caused by:  
a) Timing differences on recording of the transactions.  
b) Errors made by the business  
c) Errors made by the bank  
d) All of the above (D)

**UNDERSTANDING:-**

8. Debit Balance as per Cash book shows:  
a) Bank withdrawals are more than deposits.  
b) Bank withdrawals are less than deposits  
c) Bank deposits are less than withdrawals.  
d) All of the above (B)
9. Which of the following is not a part of Double Entry System?  
(A) Cash-book (B) Journal  
(C) Trial balance (D) Bank reconciliation statement (D)
10. Which of the following transaction will result in higher balance in the bank column of cash-book in comparison to pass-book?  
(A) Cheques issued but not presented for payment.  
(B) Interest allowed by bank.  
(C) Bank charges entered twice in each book.  
(D) Cheques paid into bank for collection but not yet credited. (D)
11. Cheques deposited but not collected will result in:  
(A) Increasing the balance of pass-book when compared to cash-book.  
(B) Increasing the balance of cash-book when compared to pass-book.  
(C) Decrease the balance of pass-book when compared to cash-book.  
(D) Both (B) and (C) (D)
12. When cheques issued by the trader but not yet presented for payment will:  
(A) Decrease the pass-book, and no affect on the cash-book.  
(B) No affect on the pass-book, and decrease the cash-book.  
(C) Both (A) and (B)  
(D) None of the above. (B)
13. Which of the following statement is true?  
(A) When debit balance as per cash-book is given and balance as per pass-book is to be ascertained.

- (B) When credit balance as per pass-book is given and balance as per cash-book is to be ascertained.
- (C) When credit balance as per cash-book is given and the balance as per pass-book is to be ascertained.
- (D) All of the above. (D)
14. A bank reconciliation statement is mainly prepared to :
- (A) Reconcile the cash balance of the cash-book.
- (B) Reconcile the difference between the bank balance shown by the cash-book and pass-book.
- (C) Both (A) and (B)
- (D) None of the above. (B)

### APPLYING

15. While preparing Bank Reconciliation Statement with the Amended Cash-Book, which of the item is not recorded in amended cash-book?
- (A) Wrong amount entered in Cash-Book
- (B) Dividend collected by Bank
- (C) Cheques issued but not yet presented
- (D) Interest allowed by Bank. (C)
16. Cash Book of a trader shows a debit bank balance of Rs. 6400. While comparing it with Pass-Book, it was found that a cheque of Rs. 7200 issued was recorded on the debit side of Cash-Book. The Pass-Book balance at this point of time would be:
- (A) Nil (B) Rs. 8000 Cr.
- (C) Rs. 8000 Dr. (D) None of above (D)
17. Amended Cash-Book includes:
- (A) Errors in Cash-Book
- (B) Errors in Pass-Book
- (C) Both (A) & (B)
- (D) None of the above (A)
18. If Cash-Book (Bank Column) shows a balance of Rs. 10,000 and following were observed while comparing it with Pass-Book:  
A cheque of Rs. 1000 deposited in Bank but not recorded in Cash-Book and the payment side of Cash-Book was under cast by Rs. 100. The balance as per Pass-Book would be:
- (A) Rs. 11,000 (B) Rs. 10,900
- (C) Rs. 9,100 (D) Rs. 8,900 (B)
19. Bank wrongly credited Rs. 18,000 to a trader's account. This amount would be recorded in Cash-Book:
- (A) On Debit side

- (B) On Credit side  
 (C) Either on Debit or Credit side  
 (D) Neither on Debit nor on Credit side (D)

**ANALYSIS & EVALUATION:-**

20. Which of the following is not a reason due to time difference on recording of the transactions while preparing bank reconciliation statement?  
 a) Unpresented cheques.  
 b) Uncollected cheques.  
 c) Payment side of cash book overcast.  
 d) Direct deposit by Customer into bank. (C)
21. Which of the following is not a reason due to errors made by the business while preparing bank reconciliation statement?  
 a) Uncollected cheques.  
 b) Receipt side of Cash Book overcast  
 c) Cheques debited in Cash Book but not banked.  
 d) Bank Charges recorded twice in Cash Book. (A)
22. When Bank Reconciliation Statement is prepared with Credit balance as per Pass Book, the Balance derived will be  
 a) Credit Balance as per Cash Book  
 b) Debit Balance as per Pass Book  
 c) Debit Balance as per Cash Book  
 d) Both (A) and (C) (D)
23. Choose an item that will increase the credit balance of Pass Book but Cash Book Balance will remain unaffected till information is not received  
 a) Interest allowed by Bank  
 b) Directly deposited by customer into Bank  
 c) Rent Collected by Bank on our behalf  
 d) All of above. (D)

**MATCH THE FOLLOWING**

**REMEMBERING:-**

1. Match items in List I with terms in List II using the codes given below the lists-

1. Cheques issued by the bank but not yet presented for payment .what will be its effect on cash book	a) Increases the cash book
2. Cheques pay into bank but not yet collected. what will be its effect on cash book	b) increases the pass book
	c) decreases the cash book
	d) decreases the pass book

(Ans. 1;c , 2;a)

2. Match items in List I with terms in List II using the codes given below the lists-

1. Cheques issued by the bank but not yet presented for payment .what will be its effect on pass book	a) cash book balance is more than pass book balance.
2. Cheques pay into bank but not yet collected. What will be its effect on pass book	b) Pass book balance is more than cash book balance.
	c) cash book balance is less than pass book balance.
	d) Pass book balance is less than cash book balance.

(Ans. 1-d, 2-b)

3. Match items in List I with terms in List II using the codes given below the lists-

1. Direct debits made by the bank on behalf of the customer. what will be its effect on cash book	a) cash book balance is more than pass book balance.
2. Amount directly deposited in the bank account what will be its effect on cash book	b) Pass book balance is more than cash book balance.
	c) cash book balance is less than pass book balance.
	d) Passbook balance is less than cash book balance.

(Ans.1;a, 2;c)

4. Match items in List I with terms in List II using the codes given below the lists-

1. Direct debits made by the bank on behalf of the customer. what will be its effect on Pass book	a) Cash book balance is more than pass book balance.
2. Amount directly deposited in the bank account what will be its effect on pass book	b) Pass book balance is more than cash book balance.
	c) Cash book balance is less than pass book balance.
	d) Pass book balance is less than cash book balance.

(Ans. 1-d, 2-b)

5. Match items in List I with terms in List II using the codes given below the lists-

1. When debit balance as per cash book is given	a) Balance as per pass book is to be ascertained
---	--

2. When credit balance as per pass book is given	b) Balance as per cash book is to be ascertained
--	--

(Ans. 1;b, 2;a)

6. Match items in List I with terms in List II using the codes given below the lists-

1. When debit balance as per pass book is given	a) Balance as per cash book is to be ascertained
2. When credit balance as per cash book is given	b) Balance as per pass book is to be ascertained

(Ans. 1;a , 2;b)

7. Match items in List I with terms in List II using the codes given below the lists-

1. Unfavourable balance as per pass book shows	a) Credit balance
2. Favourable balance as per pass book shows	b) Debit balance

(Ans. 1-a,2-b)

8. Match items in List I with terms in List II using the codes given below the lists-

1. Bank reconciliation statement is prepared by	a) Bankers Books
2. Bank statement is prepared in the books	b) Customer's accountant
	c) Bank reconciliation

(Ans. 1:b , 2:a, )

**APPLICATION:-**

9. On which side (Plus side Or minus Side) the following items will be shown while preparing bank reconciliation statement, if credit balance as per cash book is given?

1. Cheque Deposited But not yet credited by bank.	a) Plus side
2. Cheque issued and presented for payment	b) minus side
	c) none of any side

(Ans. 1-b, 2-c)

10. On which side (Plus side Or minus Side) the following items will be shown while preparing bank reconciliation statement, if Debit balance as per cash book is given?

1. Cheque issued but omitted to be recorded in the cash book.	a) Plus side
2. Cheque issued and but not yet presented for payment	b) minus side
	c) none of any side

(Ans. -b;2-a)

11. On which side (Plus side Or minus Side) the following items will be shown while preparing bank reconciliation statement, if credit balance as per cash book is given?

1. Dishonour of Bills of Exchange	a) Plus side
2. Direct payment made by bank as per standing instruction	b) minus side
	c) none of any side

(Ans. 1-b ; 2-b )

12. On which side (Plus side Or minus Side) the following items will be shown while preparing bank reconciliation statement, if credit balance as per Pass book is given?

1. Cheque deposited but not yet credited by bank.	a) Plus side
2. Cheque issued and presented for payment	b) minus side
	c) none of any side

(Ans. 1-a; 2-c)

13. On which side (Plus side Or minus Side) the following items will be shown while preparing bank reconciliation statement, if Debit balance as per pass book is given?

1. Cheque issued but omitted to be recorded in the cash book.	a) Plus side
2. Cheque issued and but not yet presented for payment	b) minus side
	c) none of any side

(Ans. 1-a;2-b)

14. On which side (Plus side Or minus Side) the following items will be shown while preparing bank reconciliation statement, if credit balance as per cash book is given?

1. Dishonour of Bills of Exchange.	a) Plus side
2. Direct payment made by bank as per standing instruction	b) minus side
	c) none of any side

(Ans. 1-a ; 2-a)

15. On which side (Plus side Or minus Side) the following items will be shown while preparing bank reconciliation statement, if credit balance as per cash book is given?

1. Post-dated cheque debited in the cash book but not sent to bank.	a) 15,000 Plus side
---	---------------------

2. One outgoing cheque of Rs 700 was recorded twice in the cash book.	b)15,000 minus side
	c) 700 Plus side
	d) 1400 minus side

(Ans. 1-b; 2-c)

16. On which side (Plus side Or minus Side) the following items will be shown while preparing bank reconciliation statement, if Debit balance as per Pass book Rs is given?

1. Post-dated cheque debited in the cash book but not sent to bank.	a) 15,000 Plus side
2. One outgoing cheque of Rs 700 was recorded twice in the cash book.	b)15,000 minus side
	c) 700 minus side
	d) 1400 Plus side

(Ans. 1-b; 2-c)

17. On which side (Plus side Or minus Side) the following items will be shown while preparing bank reconciliation statement, if Debit balance as per Pass book Rs is given?

1. A bill of exchange of Rs 6,000 was discounted with bank for Rs 5,800 was dishonoured but Rs 6,000 was credited in the cash book.	a) 5,800 Plus side
2. A bill of exchange of Rs 6,000 was discounted with bank for Rs 5,800 was dishonoured but Rs 5,800 was credited in the cash book.	b) 6,000 minus side
	c) 200 Plus side
	d) None of the above

(Ans. 1-c;2-d)

18. On which side (Plus side Or minus Side) the following items will be shown while preparing bank reconciliation statement, if Debit balance as per Cash book Rs is given?

1. A bill of exchange of Rs 6,000 was discounted with bank for Rs 5,800 was dishonoured but Rs 6,000 was credited in the cash book.	a) 5,800 Plus side
2. A bill of exchange of Rs 6,000 was discounted with bank for Rs 5,800 was dishonoured but Rs 5,800 was credited in the cash book.	b) 6,000 minus side

	c) 200 minus side
	d) None of the above

(Ans. 1-c;2-d)

19. On which side (Plus side Or minus Side) the following items will be shown while preparing bank reconciliation statement, if Debit balance as per Pass book Rs is given?

1. Receipt side of cash book was overcast by Rs 2,000.	a) 2,000 Plus side
2. Payment side of cash book was undercast by Rs 2,000.	b) 2,000 minus side
	c) none of the above

(Ans. 1-a;2-a)

20. On which side (Plus side Or minus Side) the following items will be shown while preparing bank reconciliation statement, if Debit balance as per Cash book Rs is given?

1. Receipt side of cash book was overcast by Rs 2,000.	a) 2,000 Plus side
2. Payment side of cash book was undercast by Rs 2,000.	b) 2,000 minus side
	c) none of the above

(Ans. 1-b;2-b)

21. On which side (Plus side Or minus Side) the following items will be shown while preparing bank reconciliation statement, if Debit balance as per Cash book Rs is given?

1. Cheque of Rs 350 paid into bank , but bank credited Rs 530 by mistake	a) 880 Plus side
2. Cheque of Rs 350 paid into bank , but bank Debited Rs 530 by mistake	b) 880 minus side
	c) 180 Plus side
	d) 180 minus side

(Ans. 1-c;2-b)

22. On which side (Plus side Or minus Side) the following items will be shown while preparing bank reconciliation statement, if Debit balance as per pass book Rs is given?

1. Cheque of Rs 350 paid into bank , but bank credited Rs 530 by mistake	a) 880 Plus side
--	------------------

2. Cheque of Rs 350 paid into bank , but bank Debited Rs 530 by mistake	b) 880 minus side
	c) 180 Plus side
	d) 180 minus side

1-d;2-a

23. On which side (Plus side Or minus Side) the following items will be shown while preparing bank reconciliation statement, if Debit balance as per cash book Rs is given?

1. Bank charges Rs 700 was Debited twice in the Pass book while correctly entered in cash book	a) 700 Plus side
2. Bank charges Rs 700 was Credited twice in the Pass book while correctly entered in cash book	b) 700minus side
	c) 2,100 Plus side
	d) 1400 minus side

(Ans. 1-b;2-c)

24. On which side (Plus side Or minus Side) the following items will be shown while preparing bank reconciliation statement, if Debit balance as per pass book Rs is given?

1. Bank charges Rs 700 was Debited twice in the Pass book while correctly entered in cash book	a) 700 Plus side
2. Bank charges Rs 700 was Credited twice in the Pass book while correctly entered in cash book	b) 700minus side
	c) 2,100 minus side
	d) 1400 plus side

(Ans. 1-a;2-c)

25. On which side (Plus side Or minus Side) the following items will be shown while preparing bank reconciliation statement, if Debit balance as per pass book Rs is given?

1. Interest allowed by the bank Rs 1,000 entered twice on credit side of cash book.	a) 1,000 Plus side
2. Interest allowed by the bank Rs 1,000 entered twice on Debit side of cash book.	b) 1,000minus side
	c) 3,000 minus side
	d) 2,000 plus side

(Ans. 1-c; 2-a)

26. On which side (Plus side Or minus Side) the following items will be shown while preparing bank reconciliation statement, if Debit balance as per cash book Rs is given?

1. Interest allowed by the bank Rs 1,000 entered twice on credit side of cash book.	a) 1,000 Plus side
2. Interest allowed by the bank Rs 1,000 entered twice on Debit side of cash book.	b) 1,000minus side
	c) 3,000 plus side
	d) 2,000 plus side

(Ans. 1-a; 2-b)

## **CHAPTER : 8**

### **TRIAL BALANCE**

#### **Typology of Questions**

R – Remembering

U- Understanding

A – Application

A&E- Analysis & Evaluation

#### **REMEMBERING:-**

1. The process of writing the difference of totals on the shorter side of the account is known as -----. (Balancing)
2. The main objective of preparing a trial balance is to verify the ---- accuracy of accounting entries. (Arithmetic)
3. A list of balances of all ledger accounts and cash book is called -----. (Trial Balance)
4. When trial balance does not match ----A/c is opened. (Suspense)

#### **UNDERSTANDING:-**

5. Returns Outwards A/c generally has a ---- balance. (Credit)
6. Cash A/c always has a ---- balance. (Debit)
7. Trial balance is a list of the balances of all ---- accounts and ---- accounts. (Real and personal)
8. Output CGST A/c will be shown on the ---- side of the Balance Sheet. (Liabilities)

#### **APPLICATION:-**

9. If the suspense account indicates a debit balance, it shows that ---- column of the trial balance is more than the ---- column. (Credit, Debit)
10. ---- balance of personal account represents the amount payable to him. (Credit)
11. Nominal account having credit balance represents -----. (Income)

#### **ANALYSIS & EVALUATION:-**

12. Machinery Rs. 40,000; Creditors Rs. 30,000. Cash Rs.36,000; Bank Rs. 10,000; Debtors Rs.45,000; Bills Payable Rs. 5,000; Stock Rs. 44,000; Suspense A/c will be credited with Rs. -----. (1,40,000)
13. Furniture A/c shows an opening balance of Rs.5,00,000. Furniture with a book value of Rs.10,000 was sold during the year. New furniture was purchased for Rs.40,000. Depreciation provided Rs.5000. The closing balance of Furniture A/c is Rs. ....

(5,25,000)

14. Total of the debit side of trial balance is Rs. 35,000 and credit total is Rs.45,000. -----  
A/c will be opened with Rs.-----.

(Suspense, 10,000)

**REMEMBERING:-**

1. A Trial Balance is a list of balances of ledger accounts & cash book. (True)
2. A Trial Balance is an account which shows the balances of all ledger accounts. (False)
3. Trial Balance is prepared to check the arithmetic accuracy of ledger accounts. (True)
4. Trial Balance facilitates preparation of final accounts. (True)
5. A Trial Balance can be prepared only by one method. (False)

**UNDERSTANDING:-**

6. A trial balance can be prepared only on a particular date. (False)
7. Transactions completely omitted from recording in the books of accounts cannot be detected from a trial balance. (True)
8. Preparation of Trial Balance is compulsory. (False)
9. A Trial Balance shows either debit or credit balances. (False)

**APPLICATION:-**

10. Following balances are given to you on 1<sup>st</sup> April, 2019:  
Stock A/c Rs.50,000; Building A/c Rs.80,000; Machinery A/c Rs.60,000; Creditors Rs.90,000.  
Balance of capital A/c will be Rs.1,10,000. (False)
11. Output CGST A/c has a balance of Rs.4,000. It will be shown in the debit balances in the trial balance. (False)
12. Following trial balance is given to you:

Heads of Accounts	Dr. balance (Rs)	Cr. balance (Rs)
Furniture A/c	1,00,000	
Capital A/c		1,80,000
Cash A/c	60,000	
Loan A/c		40,000
	1,60,000	2,20,000

13. The difference in trial balance will be trial balance will be transferred to Suspense A/c. (True)

**ANALYSIS & EVALUATION:-**

14. . Cash in hand Rs.50,000; Cash Sales Rs.1,00,000; Cash Purchases Rs. 40,000; Closing balance of cash will be Rs. 60,000. (False)
15. Closing stock is Rs.50,000;market value of closing stock is Rs.45,000. It will be shown in the trial balance at Rs. 50,000. (False)
16. Following balances are provided:  
Bank A/c Rs. 1,00,000;Cash in Hand Rs.60,000;Capital Rs.2,00,000; Furniture Rs. 1,00,000; Stock Rs. 50,000. The accountant has forgotten to put the balance of Loan A/c. The amount of Loan A/c will be Rs.1,50,000. (False)
17. 51. Following account of Mohan is given to you:

Mohan A/c

18. Dr.

Cr.

Date	Particulars	L.F	Rs.	Date	Particulars	L.F	Rs.
2018							
April 15	To Sales A/c		50,000	April 20	By Cash		49,500
				April 20	By Discount		500
			50,000				50,000

19. If we are following the balance method in trial balance , than Rs. 50,000 will be shown in the debit balance of Mohan A/c. (False)

	<b><u>REMEMBERING:-</u></b>	
Q31	Trial balance is _____ 1) An account 2) A statement 3) A balance sheet 4) None of them	(2)
Q32	Trial balance is the link between _____ and _____. 1) Journal and ledger 2) Ledger and subsidiary books 3) Ledger and final accounts 4) None of them	(3)
Q33	Trial balance checks the _____. 1) Principle errors 2) Compensating errors 3) Arithmetical accuracy	(3)

	4) None of them	
Q34	Interest on drawings indicates _____ balance in trial balance.  1) Debit 2) Credit 3) Both 4) None of them	(2)
Q35	The reason for agreement of a trial balance is _____.  1) Transactions have dual aspect 2) Transactions have single aspect 3) Because of suspense account 4) None of them	(1)
<b>UNDERSTANDING:-</b>		
Q36	Wages paid for the construction of building were recorded in wages account. This is _____  1) Error of omission 2) Error of commission 3) Compensating error 4) Error of principle	(4)
Q37	Omission of an account from the trial balance _____ the trial balance.  1) Will affect 2) Will not affect 3) none of them	(1)
Q38	Writing an amount in the wrong account but on the correct side will _____ the trial balance.  1) Will affect 2) Will not affect 3) None of them	(2)
Q39	The error which is revealed by the trial balance is _____.  1) Wrong amount posted in the ledger account 2) Wrong amount entered into the books of original entry 3) Complete omission 4) None of them	(1)
Q40	Balancing of Trial balance ensures the accuracy of books of accounts.  1) Yes 2) No 3) None of them	(2)

**APPLICATION**

Q41	Rs.2,000 received as commission correctly entered in the cash book is not posted to commission account. The_____side of trial balance will _____.  1) Debit, exceed 2) Credit, exceed 3) Debit, decrease 4) Credit, decrease	(1)
Q42	While calculating cost of goods sold_____should be added.  1) Wages 2) Salaries 3) Carriage outwards 4) None of them	(1)
Q43	If a trial balance doesn't agree, then which account is opened in order to reconcile the trial balance?  1) Profit and loss account 2) Suspense account 3) Goodwill account 4) Capital reserve	(2)
Q44	Closing stock is not accounted in the trial balance because_____  1) It has not been brought into account 2) It has been brought into account 3) None of them	(1)
Q45	Carriage inwards, carriage outwards, return inwards and return outwards.  1) All above items depict debit balances 2) All above items depict credit balances 3) One debit and three credit 4) One credit and three debit	(4)

**ANALYSIS & EVALUATION**

Q46	Outstanding interest Rs.1,000; prepaid rent Rs. 1,000 ; debtors Rs.2,000; creditors Rs.2,000 ; building Rs.20,000. The amount of capital is _____.  1) 30,000 2) 10,000 3) 20,000 4) 15,000	(3)
Q47	Capital and interest on capital have_____and_____balances respectively in a trial balance.  1) Credit and debit 2) Debit and credit	(1)

	3) Debit and debit 4) Credit and credit	
Q48	Interest on given loan and loans and advances (given) have _____ and _____ balances respectively in a trial balance.  1) Debit and credit 2) Debit and debit 3) Credit and credit 4) Credit and debit	(4)
Q49	A dealer dealing in furniture business purchased furniture, recorded in furniture account.  1) There is an error in the above transaction, but trial balance will agree. 2) There is not any error in the above transaction, trial balance will not agree. 3) There is an error and trial balance will not agree.	(1)
Q50	Rent paid for Rs. 5,000 was posted as 5,200 and carriage outwards paid for Rs.8,000 was posted as 7,800. Identify the type of error.  1) Error of commission 2) Error of omission 3) Compensating errors 4) Error of principle	(3)

**REMEMBERING:-**

1.

1. The statement that is prepared with the debit and credit balances of ledger accounts is	a. Journal
2. The book of original entry is	b. Trial balance

Answer 1-b

2-a

2.

1. Scanning the Trial balance helps us to know	a. Assets
--	-----------

2. The amount owed to the creditor is	b.Liabilities
	c.Expense /incomes
	d.all.of the above

Answer 1 –d  
2 – b

3.

1.All the account showing debit balances in the ledger account are put on	a. Debit side of the trial balance
2. all the account showing credit balances in the ledger account are put on	b. Credit side of the trial balance

Answer 1-a  
2- b

4.

1. When wrong amount is entered in the journal or subsidiary book it is called error of	a. Omission
2. Trial balance could be affected by which type of error	b. Principle
	C. Commission
	d. all of the above

5.

**UNDERSTANDING :-**

1. The accounts which will indicate the debit balance in trial balance are	a. Capital A/c
2. The accounts which will indicate the credit balance in trial balance are	b. Salary A/c
	c. Bad debts recovered A/c
	d. Sale return A/c

Answer 1- b ,d  
2- a ,c

6.

1.The account which will indicate the credit balance in the trial balance	a. Capital account
2. If the rent of this month is not paid then which account would be credited	b. Rent outstanding account
	c. Bank loan
	d. All of the above

Answer 1 – d  
2- b

7.

1.If both sides of trial balance does not get match then which account is open in order to reconcile the balances	a. Suspense account
2. If the full amount of claim is not received from insurance company which account is debited.	b. Profit and loss account

Answer 1-a.  
2- b

8.

1.The accounts which are not considered while preparing the trial balance by balance method	a. Accounts which show debit balance
2. If both the sides of account show an equal balance it is	b. Accounts which show credit balance
	c. Accounts which shows no balance

Answer 1– c  
2-c

**APPLICATION:-**

9.

1. The arithmetical accuracy of the ledger accounts , preparation of final accounts as well as locating the errors can be done with the help of	a. Trial balance
2. If we want to know the closing balance of accounts what is required to be prepared	b. Journal
	c. Ledger
	d. None of the above

Answer 1- A

2- c

10.

1. Purchase of goods from Ravi for Rs 5,000 on credit entered in the purchase book as Rs500 is error of	a. Compensating errors
2. wages paid for installation of machinery debited to wages account is	b. Error of principle
	c. Error of commission

Answer 1-c

2-b

11.

1. salary of Rs2100 was posted as Rs 2,000 in salary account and advertisement of Rs.7,700 was posted as Rs 7,800 .identify the type of error	a. Error of principle
2. if the effect of one error is neutralized by the effect of some other error it is	b. Compensating error
	c. Error of commission

Answer 1-c

2- b

12.

1.purchase of furniture is debited to purchase account instead of furniture account is due to which type of error	a. Error of omission
2. the error committed by violating the rules of accounting.	b. Error of commission
	c. Error of principle

13.

**ANALYSIS AND EVALUATION:-**

1. Trial balance is a statement which does not ensure the accuracy of books of accounts .The errors which remain undetected even if the trial balance agrees are	a. Errors of omission
2. if the effect of one error is neutralized by the effect of some other error it is	b. Errors of commission
	c. Compensating error
	d. All of the above

Answer 1-d  
2- c

14.

1.Closing stock will not figure in the trial balance because	a. It has not yet been brought into account
2. if the debit side of Trial balance of exceeds the credit side ,the difference will be put on	b. It has been brought into account
	c. credit side of suspense account
	d. debit side of trial balance

Answer 1-a  
2-c

15.

1. if Rs5,000 is received as rent and correctly entered in the cash book are not posted to rent account, its effect on trial balance would be	a. Debit side of trial balance will exceed by rupees 5,000
2.if Rs5,000 is received as rent and correctly entered in the cash book and posted to credit of rent account, its effect on trial balance would be	b. Credit side of trial balance will exceed by rupees 5,000
	c. Trial balances will not agree .
	d.Trial balances will agree .

Answer : 1-a  
2-d

16.

1.A trial balance may be prepared at	a. End of every month, quarterly ,half yearly
2. journal is prepared	b. every day
	c. yearly
	d. Particular Date .

Answer 1- d  
2- b

17.

1. If the effect of one error is neutralized by the effect of some other error .it is	a.error of commission
2. If a wrong amount is entered either in the journal or subsidiary book	b.compensating error

Answer 1-b.  
2- a

## **CHAPTER :9**

### **DEPRECIATION**

#### **Typology of Questions**

R – Remembering

U- Understanding

A – Application

A&E- Analysis & Evaluation

#### **FILL IN THE BLANKS**

1. At the time of charging depreciation, \_\_\_\_\_ account is debited and \_\_\_\_\_ account is credited.  
(Depreciation , Asset) (U)
2. Due to \_\_\_\_\_ and new technology, the old asset becomes obsolete. (inventions) (A&A)
3. Under fixed installment method, depreciation is calculated by deducting the \_\_\_\_\_ value, from the original cost of the asset. (Scrap) (A&A)
4. Discarding the old machinery, due to new invention, is called \_\_\_\_\_. (obsolescence) (U)
5. Estimated sales value of an asset after its working is called \_\_\_\_\_. (scrap value) (R)
6. Under Straight Line method the formula for calculating depreciation is Original Cost of an Asset divided by \_\_\_\_\_. (estimated Life of the asset) (R)
7. Depreciation Decreases only the book value of the asset, not \_\_\_\_\_. (market value) (APP)
8. In Straight line method, annual amount of depreciation remains \_\_\_\_\_ in comparison to diminishing balance method (Fixed) (APP)
9. Other name of Written down Value Method is \_\_\_\_\_. (Diminishing balance method) (R)
10. At the end of useful life of an asset, the book value of the asset is \_\_\_\_\_ under Straight Line Method (Ans–nil/zero) (U)
11. The original cost of an asset is Rs. 1,20,000 and its Scrap Value is likely to be Rs.20,000 after its estimated useful life of 10 years, the annual depreciation written off will be \_\_\_\_\_. (Ans-Rs.10,000) (A&A)

12. The annual depreciation of a machinery under Straight Line Method is Rs.12,000 and the machinery is sold on Jan 1,2018, the amount of depreciation in the year of sale would be Rs.\_\_\_\_\_, if the year ends on March31 every year. (Ans-Rs.9000) A (A&A)
13. Under Straight Line Method, an asset can be depreciated upto the net\_\_\_\_\_ value or \_\_\_\_\_ value. (Ans-scrap ,zero) (U)
14. Annual depreciation of an asset is Rs.25,000 and the cost of acquiring an asset is Rs.5,00,000. So the rate of depreciation would be\_\_\_\_ % p.a. (Ans-5) (APP)
15. The another name of Straight Line Method is Fixed\_\_\_ method and Fixed\_\_\_ on Original cost method. (Ans – Instalment, percentage) (U)
16. The balance of machinery on March31, 2019 is Rs.1,60,000. The machinery was purchased on April 1, 2017. Depreciation is charged @ 10% p.a. by Straight Line Method. The cost price of the machine as on April1, 2017 is Rs.\_\_\_\_\_. (Ans Rs.2,00,000) (APP)
17. In the books of Vandana Ltd. the machinery account showed a debit balance of Rs.1,20,000 as on april 1,2019 and Provision for depreciation account at Rs.24,000. The Machinery was sold on Dec31, 2019 for Rs.56,000. The company charges depreciation @ 20% p.a. on Straight Line Method. Profit or Loss on sale of the Machinery is Rs. . (Ans. Loss Rs.22,000) (APP)
18. The original cost of a machinery is Rs.15,000, salvage value is Rs.1500 after 9 years and repair charges in second year is Rs.1,000. The Rate of Depreciation per annum is . (Ans 10%) (A&A)
19. A company purchased machinery on December 31,2017 for Rs.60,000. Installation charges were Rs.25,000 and carriage was Rs.15,000.Depreciation provided @10% p.a. under Straight Line Method. The total Depreciation till March 31, 2019 is Rs.\_\_\_\_\_. (Ans-Rs.12,500) (APP)
20. For getting depreciable cost,\_\_\_\_\_value should be deducted from Original Cost of an Asset. (Ans-scrap/salvage/residual) (U)
21. Under Fixed Installment Method, depreciation is charged on\_\_\_\_\_cost of an asset. (Ans-Original/Acquisition) (R)
22. X Ltd purchased machinery worth Rs, 2,00,000 on 1.4.19. The firm follows diminishing balance method @ 10% p.a. The firm wanted to calculate the depreciation for the year20 20-21. On what value will it calculate ----- (Loss 1,80,000) (APP)
23. The amount of depreciation charged under diminishing balance method is ----- (Reducing) (U)
24. Given the same rate percentage asset depreciate faster by the----- as compared to the ----- (SLM; WDV) (R)
25. Amortisation is a gradual and systematic writing off of----- (Intangible assets) (U)
26. Installation, freight and transport expenses are a part of\_\_\_\_\_of the asset. (Historical Cost) (U)
27. When Provision for depreciation account is created depreciation is charged to \_\_\_\_\_ (Provision for depreciation a/c) (U)

28. Depreciation is a non- cash expenditure because it does not involve any-----  
(Cash outflow) (U)
29. Land is not depreciated as its useful life is\_\_\_\_\_  
(Unlimited) (U)
30. Depletion is done in case of\_\_\_\_\_  
(Natural resources) (U)
31. The amount of depreciation charged on machinery is debited to\_\_\_\_\_  
(Depreciation a/c) (U)
32. Providing depreciation reduces the amount of profit available for\_\_\_\_\_  
(Dividend) (A&A)
33. Depreciation is a process of\_\_\_\_\_  
(allocation of cost) (U)
34. In the event of an asset being sold, a new account titled\_\_\_\_\_ is opened.  
(Asset Disposal Account) (A&A)
35. The asset which is an exception from depreciation is\_\_\_\_\_  
(Land) (APP)
36. The book value of an asset is Rs. 85,000 and the original cost is Rs.1,00,000. If the asset is sold at a loss of Rs. 8000, the sale proceeds will be\_\_\_\_\_  
(77,000) (APP)
37. The book value of an asset is Rs. 93,000 and the original cost is Rs. 1,20,000. After earning a profit of Rs. 5000, the asset is sold at Rs.\_\_\_\_\_  
(98,000) (APP)
38. If the depreciable cost of an asset is Rs. 90,000 and its scrap value is Rs. 9000, then the original cost of an asset is\_\_\_\_\_  
(99,000) (APP)
39. Reduction in the book value of an asset over a period of time is called\_\_\_\_\_  
(Depreciation) (U)
40. Cost of an asset minus scrap value /life of an asset is the formulae for calculating depreciation under\_\_\_\_\_method.  
(SLM) (R)
41. The accumulated depreciation of the asset is Rs.50,000 as on 1.4.17. The original cost of the asset is Rs. 1,00,000. \_\_\_\_\_ is the amount of depreciation to be charged under diminishing balance method @10%p.a for the year ended 31.3.18.  
(5000) (APP)
42. On 31.3.18 the balance in land account stood at Rs.1,00,000. The company charged depreciation at the rate of 10%on fixed assets under SLM. The amount of depreciation would be\_\_\_\_\_  
(Nil) (A&A)
43. After charging depreciation for 3 years @10%p.a under WDV method, the book value of machinery is 87,480. The original cost of that machinery is\_\_\_\_\_  
( 1,20,000) (APP)
44. The depletion amount of mining rights, if the mine is acquired for Rs,10,00,000 and for 5years is\_\_\_\_\_  
(2,00,000) (APP)
45. The depreciable cost of an asset is Rs. 85,000 and the acquisition cost of the asset was Rs. 1,00,000, then the scrap value of the asset will be Rs.\_\_\_\_\_  
(15,000) (APP)
46. Depreciation is the\_\_\_\_\_in the value of fixed assets.  
(Reduction) (R)

## TRUE AND FALSE

1. Discarding the old plant and Machinery due to inventions is called obsolescence. (True) (R)
2. Providing depreciation reduces the amount of profit available for dividend. (True) (A&A)
3. In Diminishing balance method of depreciation the rate of depreciation gets reduced every year. (False) (U)
4. Depreciation is the decline in the market value of tangible fixed assets. (False) (U)
5. Provision reduces taxable profits. (True) (APP)
6. If adequate maintenance expenditure is incurred depreciation need not to be charged. (False) (A&A)
7. Written Down Value method is more suitable for assets which get depreciated on account of expiry of the working life of the asset. (False) (APP)
8. The Combined cost on the account of depreciation and repairs remain more or less equal throughout the period under written down value method. (True) (A&A)
9. When Accumulated depreciation account is opened the asset account need not be disturbed in any way and it continues to show at its original cost. (True) (A&A)
10. Depreciation is provided only on the fixed assets except land. (True) (U)
11. In case of diminishing balance method the asset gets reduced to zero level. (False) (U)
12. The main aim of charging depreciation is to calculate true profit or loss. (True) (R)
13. Depreciation is a known cash expenditure (False) (U)
14. Under straight line method depreciation is charged on the cost price of fixed assets. (False) (U)
15. Depreciation is a non –cash expense. (True) (U)
16. The book value of the asset can never be reduced to zero in Straight line method. (False) (APP)
17. Written down value method is approved by Income Tax Authorities. (True) (R)
18. In Straight Line Method equal depreciation is charged every year. (True) (U)
19. Profit on sale of fixed assets is credited to Asset account. (False) (APP)
20. Under Straight Line Method the depreciation is charged on the acquisition cost of an asset. (True) (R)
21. For calculating depreciable cost of an asset, accumulated depreciation is deducted from Original cost of an asset. (True) (APP)
22. The yearly depreciation of a machinery under Straight line Method is Rs.60,000 and the machinery is sold on January 1,2017, the amount of depreciation in the year of sale would be Rs.45,000, if the year ends on March 31,2017. (True) (A&A)
23. Under the Straight Line Method, asset is depreciated more in the initial years as compared to the later years of its life. (False) (U)
24. Under written down value the depreciation is charged on the original cost of an asset every year. (False) (U)

25. For calculating depreciable cost of an asset, accumulated depreciation is deducted from Original cost of an asset. (True) (R)
26. Depletion term is used in case of intangible assets. (False) (U)
27. Annual depreciation of an asset is Rs.1,80,000 and the cost of acquiring an asset is Rs.7,20,000, the rate of depreciation would be 15% p.a. (False) (APP)
28. Another name of fixed instalment Method is written down value method. (False) (R)
29. Depreciation will not be charged if the machinery is not used in a particular accounting year. (False) (U)
30. In the year of Loss, depreciation should not be provided on the asset. (False) (U)
31. The depreciation is calculated on the market value of the asset under Original Cost Method. (False) (R)
32. The patents, copyrights and loose tools, their value after their agreement governing their use in business comes to an end after the expiry of predetermined period. (True) (U)
33. A car which has been repaired after an accident will fetch the same price in the market even if it has not been used. (False) (A&A)
34. Asset Disposal account is generally used when a part of an asset is sold. (True) (R)
35. Patents do not depreciate. (True) (U)
36. Good debtors are those from whom collection of debts is certain. (True) (U)
37. Depreciation is charged on all tangible assets. (False) (U)

### MULTIPLE OPTION QUESTIONS

1. In the books of Vandana Ltd. the machinery account shows a debit balance of Rs.48,000 as on April 1, 2013. The original cost of which was Rs.75,000. The Machinery was sold on September 30, 2015 for Rs.42,000. The company charges depreciation @20% p.a. on Straight line Method. The depreciation for 2013-2014 is
- a. Rs. 15,000
  - b. Rs. 9,600
  - c. Rs. 4,800
  - d. Rs.7,500
- App (Ans. D)
2. Which of the following is of Capital nature?
- a. Freight inward
  - b. Cost of building
  - c. Repair done on asset
  - d. Tax paid
- Ana (Ans. B)

3. Which of the following tangible fixed asset cannot be depreciated

- a. Building
- b. Vehicle
- c. Plant
- d. Land

Rem (Ans. D)

4. In which of the following methods, the cost of the asset is not spread over in equal proportion during its useful economic life?

- a. Original Cost Method
- b. Written Down Value Method
- c. Both a. and b.
- d. None of these

(Ans. B)

5. Which of the following statement is true?

- a. Depreciation is a charge against profit.
- b. Depreciation is an appropriation to profit
- c. Depreciation is provided only if there is a profit.
- d. In case of loss, depreciation should not be charged.

UND (Ans. A)

6. Which of the following expenses is not included in the acquisition cost of a plant and equipment?

- a. Cost of site preparation
- b. Repairs
- c. Installation Cost
- d. Freight and transportation charges

Ana (Ans. B)

7. Original Cost of an asset is Rs.3,50,000; its salvage value is Rs 25,000; useful life 5 years. Annual Depreciation under Straight Line Method :

- a. Rs 65,000
- b. Rs85,000
- c. Rs.35000
- d. Rs.17,500

APP (Ans. A)

8. Original Cost of an asset is Rs.3,50,000; its salvage value is Rs 25,000; useful life 5 years. Rate of Depreciation under Straight Line Method :

- a. 18.57 % p.a.
- b. 20 % p.a.
- c. 15 % p.a.
- d. 17 % p.a.

APP (Ans. A)

9. On April 1, 2016, a machinery was purchased for Rs.1,00,000. Rate of Depreciation Charged @ 12% p.a. under Straight line method. The book value on May 31,2017 would be

- a) Rs. 24,000

- b) Rs. 86,000
- c) Rs.34,000
- d) Rs. 14,000

APP (Ans. B)

10. Which of the following is not considered as a factor affecting amount of depreciation?

- a) Rate of Depreciation
- b) Depreciable Cost
- c) Cost of an Asset
- d) Estimated useful life of an asset.

UND (Ans. A)

11. If an asset costing Rs.1,20,000 is depreciated by Straight Line Method @ 10% p.a., it will be zero after

- a) 8 years
- b) 12 years
- c) 10 years
- d) 6 years

APP (Ans. C)

12. Book Value of an asset after 2 years is Rs.80,000; Rate of depreciation is 10% p.a. under Straight Line method. The Original Cost Of an asset would be

- a. Rs.8,000
- b. Rs. 1,00,000
- c. Rs.8,00,000
- d. Rs.80,000

APP (Ans. B)

13. Which of the following is not true with regard to the fixed assets?

- a) they are not meant to resale to earn profit
- b) they are acquired for use over a long period of time
- c) they always give profit on sale
- d) depreciation at specified rates to be charged on most of the fixed asset

Ana (Ans. C)

14. The balance of Fixed Assets account is always :

- a. Debit balance
- b. Credit Balance
- c. Both a. and b.

Ana (Ans. A)

15. Depreciation appears in the:

- a. Profit and loss account
- b. Trading account
- c. Profit and loss Appropriation account

UND (Ans. A)

16. Depreciation is Provided on:

- a. Current assets
- b. Fictitious asset
- c. Intangible Asset
- d. Fixed Asset

Rem (Ans. D)

17. Depreciation is calculated from the date of:

- a. Purchase of an asset
- b. Receipt of an asset at business premises
- c. Asset put to use
- d. Asset installed

UND (Ans. A)

18. Amortisation refers to writing off

- a. Depleting Asset
- b. Wasting asset
- c. Intangible Asset
- d. Fictitious asset

Rem (Ans. C)

19. Which one of the following is not an objective of providing depreciation

- a. For ascertaining the true profit and loss
- b. Showing the True And Fair view of financial statement
- c. For avoiding overpayment of income tax
- d. Depreciation is a gradual and continuing process.

Ana (Ans. C)

20. Depreciation is a

- a. Reserve
- b. Provision
- c. Both a. and b.
- d. None of these

UND (Ans. D)

21. An asset was purchased for Rs. 1,00,000 and as per Reducing Balance Method, 10 % depreciation is charged every year. What is the value of asset at the end of 4 years.

- a. Rs.65,610
- b. Rs. 65,680
- c. Rs.75,610
- d. Rs.75,630

APP (Ans. A)

22. The value of machinery as on April 1, 2018 is Rs. 64,000 which was purchased on April 1, 2016 for Rs.1,00,000 was sold on October 1, 2018 and depreciation charged thereon @ 20% p.a. under Written Down Value Method. The total Depreciation Provided on the Machinery Sold is

- a. Rs. 42,300
- b. Rs.42,400
- c. Rs. 42,000
- d. Rs.42,600

APP (Ans. B)

23. This charge is used in case of exhaustion of wasting asset

- a. Depreciation
- b. Amortisation
- c. Depletion

UND (Ans. C)

24. The balance of Machinery Account as on March 31, 2018 is Rs.1,08,000. The machinery was purchased on April 1, 2017. Depreciation is charged @10% p.a. by Diminishing Balance Method. What is the original cost of an asset purchased on April1, 2017.

- a. Rs. 1,30,000
- b. Rs.1,25,000
- c. Rs. 1,20,000

APP (Ans. C)

25. The Written Down Value of an asset after 3 years of depreciation on Reducing Balance Method @20% p.a. is Rs.64,000. Its original cost is:

- a. Rs.1,25,000
- b. Rs.1,26,000
- c. Rs. 80,000

APP (Ans. A)

26. Diminishing Value Method means a method by which

- a. The rate of depreciation falls year to year
- b. The amount on which depreciation is calculated falls year to year.
- c. The Rate as well as the amount to which it is applied falls year by year
- d. None of the above

Ana (Ans. B)

27. When an Organisation Follows Written Down value Method , in the Balance sheet the asset will be represented at

- a. Net Book Value
- b. Historical cost
- c. Cost or market price, whichever is less

Ana (Ans. A)

28. The loss on sale of asset is debited to

- a. Reserves
- b. Depreciation fund
- c. Profit and Loss Account
- d. None of the Above.

UND (Ans. B)

29. What is the amount of difference between the closing Balance of 2 machines after 2 years , if both the machine were purchased on the same date and with the same amount i.e., Rs.2,00,000.Machine I is depreciated by 10% p. a. under Straight Line Method and Machine II is depreciated by 10%p.a. on Written Down value Method:

- a. Both Value will be equal
- b. Value of Machinery II is more by Rs.2,000
- c. Value of Machinery I is more by Rs.4,000
- d. Value of Machinery II is more by Rs.4,000

Ana (Ans. B)

30. Charging Depreciation is

- a. Compulsory
- b. Voluntary
- c. Depending upon the condition of an asset
- d. None of the above

Rem (Ans. A)

31. An asset was purchased for Rs.2,50,000 and as per Reducing Balance Method , 20 % p.a. depreciation is charged . What is the value of Asset at the end of three years

- a. Rs.1,28,000
- b. Rs.1,54,000
- c. Rs. 1,23,000
- d. Rs. 1,00,000
- e.

APP (Ans. A)

32. Which Method is not recognised by Income Tax Authority

- a) Written down value Method
- b) Diminishing Balance Method
- c) Fixed Installment Method
- d) All of the above

Rem (Ans. C)

33. Book value is the basis of charging Depreciation under Which method.

- a) Written down value Method
- b) Straight line Method
- c) Fixed Installment Method
- d) All of the above

Rem (Ans. A)

34. Name the method of Depreciation which assumes that the asset is depreciated more in the earlier year and less in the later year of its life.

- a) Straight Line Method
- b) Written Down Method
- c) Both a. and b.
- d) None of these

Ana (Ans. B)

35. The book value of machinery on the date of sale is Rs. 45000. The original price of it was Rs. 85,000. The company sold it at a loss of Rs.7,000. What is the sale proceed?

- a) Rs.92,000
- b) Rs.78,000
- c) Rs.52,000
- d) Rs. 38,000

APP (Ans. D)

36. The book value of machinery on the date of sale is Rs. 45000. The original price of it was Rs. 85,000. The company sold it at a profit of Rs.7,000. What is the sale proceed?

- a) Rs.92,000
- b) Rs.78,000
- c) Rs.52,000
- d) Rs. 38,000

APP (ans. C)

1. (R)

i) A permanent, continuing and gradual shrinkage in the book value of fixed asset.	a. Written down value method
ii) Wear and tear of Fixed asset is charged on the book value of the asset	b. Straight line Method
	c. Depreciation

Ans. i- c. ii-a

2. (APP)

i) This method takes into consideration repairs and maintenance cost in later years.	a. Profit and Loss account
ii) Loss on sale of an asset is shown	b. Written down value method
	c. Credit side of Asset account

Ans. I-b, ii a, c

3. (R)

i) Depreciation arises because of	a. obsolescence
ii) In straight line method the depreciation is calculated on	b. Fall in the value of assets
	c. Wear and tear
	d. original cost
	e. Book value

Ans. i-c; ii-d

4. (U)

i) Provision for depreciation needs to be deducted from	a. fixed assets
ii) Provision for doubtful debts needs to be deducted from	b. Sundry Debtors
	c. Sundry Creditors
	d. General Reserve

Ans. i- a; ii b

5. (U)

i) Amortisation refers to writing off	a. Current Assets
ii) Factor for determining the amount of depreciation	b. Intangible Assets
	c. Estimated life of an asset

Ans. i-b; ii-c

6. (U)

i) Residual value of an asset is also known as	a. Cost of Asset
ii) in original cost method	b. Scrap value of the asset at the end of its useful life.
	c. Equal depreciation is charged.

Ans. i-b; ii-c

7. (APP)

i) Depreciation is provided on	a. Non – cash expense
ii) Depreciation is a	b. cash expense
iii) Depreciation is a process of	c. Fixed Asset
	d. Allocation of cost

Ans. i-c; ii-a; iii-d

8. (U)

i) the amount of depreciation charged on Machinery is debited to	a. Fixed Assets Account
ii) Charging depreciation is	b. Depreciation account
	c. Voluntary
	d. Compulsory

Ans. i-b; ii-d

9. (R)

i) Accumulated depreciation is	a. fall in value of an asset
ii) Depreciation is	b. already charged as expense

Ans. i-b; ii-a

10. (U)

i) In Straight line method depreciation	a. decreases year after year
ii) In written down value method depreciation	b. is charged equally
	c. increases every year

Ans. i-b; ii a

11. (A&A)

i) The annual amount of depreciation to be charged on machinery having original cost of Rs.2,50,000, Scrap value Rs. 5,000 and estimated useful life of the machinery is 5 years.	a. Rs. 49,000
ii) The yearly depreciation charged on machinery having original cost Rs.45,000; Scrap Value Rs.5,000 and estimated useful life is 5 years	b. Rs.8,000
	c. 16%
	d. 17.78%

Ans : i-a ;ii-b

12. (R)

i) Under the Straight Line Method rate of depreciation will be applied on	a. Book Value
ii) Under the Diminishing Balance Method rate of depreciation will be applied on	b. Book value minus Scrap Value
	c. Original Cost
	d. Original Cost Minus Scrap value

Ans i-C; ii-a

13. (R)

i) Depreciation is provided on	a. Fixed Asset
ii) Depletion is provided on	b. Current asset
	c. Wasting asset

Ans 1-a ;2-c

14. (A&A)

i) An expense that can be added to purchase price of an asset to calculate Original Cost for the purpose of charging depreciation is	a. Repairs
ii) An expense that cannot be added to purchase price of an asset to calculate Original Cost for the purpose of charging depreciation is	b. Repairs to second hand machinery

Ans : 1-b; 2-a

15. (U)

i) It is not a Depreciable Tangible Asset	a. land
ii) Amortisation is charged on	b. Plant
	c. Goodwill

Ans : 1-a; 2-c

16. (APP)

i) Original cost of an asset is Rs. 1,05,000; Scrap Value is Rs.5,000 and estimated life of the asset is 5 years. Calculate the annual amount of depreciation	a. Rs.20,000
ii) Book value of an asset is Rs.1,00,000 ; its Original Cost is Rs.2,05,000 and the sale proceed is Rs.1,80,000. Profit on sale of the asset would be	b. Rs. 80,000
	c. Rs.25,000

Ans : 1-a; 2-b

17. (A&A)

i) What would be the total amount of depreciation of two years ending on March31,2018, if, the machinery was purchased on September 30,2016 for Rs.2,00,000 and the rate of depreciation is 15% p.a. under Straight Line Method?	a. Rs.8,00,000
ii) Book Value of an asset after 2 years is Rs.80,000; Rate of depreciation is 10% p.a. under Straight Line method. The Original Cost Of an asset would be	b. Rs. 1,00,000
	c. Rs.8,000
	d. Rs.45,000

Ans :1-d; 2-b

18. (A&A)

i) It is not considered as a factor affecting amount of depreciation	a. Rate of Depreciation
ii) It is the Original Cost minus scrap value of an Asset	b. Depreciable Cost
	c. Cost of an Asset

Ans : 1-a; 2-b

19. (U)

i) When Provision for depreciation Account is maintained, depreciation is charged to	a. Asset account
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ii) Depreciation charged on an Asset is Debited to	b. Provision for Depreciation Account
	c. Depreciation Account

Ans : 1- b; 2-c

20. (R)

i) Accumulated depreciation account is another name of	a. Asset Disposal Account
ii) Depreciation charged on the asset sold will be charged to	b. Provision for Depreciation Account
	c. Depreciation of All fixed assets
	d. Asset Account

Ans : 1-b; 2-a

21. (A&A)

i) April 1, 2016, a machinery was purchased for Rs.1,00,000. Rate of Depreciation Charged @ 12% p.a. under Straight line method. The book value on May 31,2017 would be	a. Rs. 14,000
ii) Original Cost of a machinery sold for Rs.86,000 was Rs.1,20,000. The book value on the date when the machinery was sold is Rs.1,00,000. calculate the total amount of depreciation on machinery sold.	b. Rs.86,000
	c. Rs.34,000

Ans: 1-b; 2-c

22. (U)

i) Obsolescence does not arises due to	a. Change in the demand of a product made by such asset
ii) Abnormal factor causing depreciation includes...	b. Technological changes
	c. Sudden natural disaster
	d. Improvement in the production method

Ans:1-c; 2-c

23. (U)

i) Depreciation Helps in determining	a. Helps to increase the value of the asset
ii) The Asset which is an exception from depreciation	b. Accurate level of profit
	c. Furniture

	d. Land
--	---------

Ans. i-b; ii-d

24. (R)

i) Cost of depreciation remains constant	a. Fixed installment Method
ii) Concept used for calculating depreciation is	b. Diminishing balance method
	c. Matching concept
	d. Prudence concept

Ans. i-a; ii-c

NEEMANI CLASSES

## **CHAPTER : 10**

### **PROVISIONS & RESERVES**

#### **Typology of Questions**

R – Remembering

U- Understanding

A – Application

A&E- Analysis & Evaluation

#### **FILL IN THE BLANKS**

1. The existence and the amount of \_\_\_\_\_ reserve is not disclosed in the Balance Sheet. (Secret Reserve) (U)
2. Provision is a \_\_\_\_\_ against profit. (charge) (A&A)
3. Creation of reserves reduces the taxable -----of the business. (profit) (A&A)
4. The Secret Reserve can be merged with the profit during the \_\_\_\_\_. (lean period) (A&A)
5. The main objective of provision are to account all \_\_\_\_\_ and \_\_\_\_\_. Expenses and losses) (R)
6. Provision is charged to \_\_\_\_\_ Account. (Profit and Loss) (R)
7. The amount of reserve when invested in outside securities is termed as \_\_\_\_\_. (Reserve Fund) (A&A)
8. Revenue reserve is created out of \_\_\_\_\_ whereas capital reserve is created out of \_\_\_\_\_. (Business profit and capital profit) (APP)
9. Provision is a charge on \_\_\_\_\_. (profit) (U)
10. Reserve is an \_\_\_\_\_ of profit. (appropriation) (U)
11. Profit on sale of fixed asset is a capital profit and therefore it will be transferred to \_\_\_\_\_. (capital Reserve) (U)
12. Reserve created for maintaining a stable rate of dividend is termed as \_\_\_\_\_. (dividend equalization Reserve) (A&A)

#### **TRUE AND FALSE**

1. Amortisation refers to writing off fictitious assets. (False) (R)
2. A reserve can be either a general or specific reserve. (True) (R)
3. Provision can be invested outside the business. (False) (A&A)
4. Creation of provision is necessary as per law. (True) (R)
5. If the amount of reserve is invested outside the business then it is called as Reserve Fund.

6. Provision is the amount of any known liability to be determined with substantial accuracy. (True) (U)
7. Workmen compensation Reserve is shown in the profit and loss account. (True) (R)
8. Reserves are the amount set aside out of capital. (False) (A&A)
9. Investment Fluctuation Reserve is also called as General Reserve. (False) (U)
10. Provision and Reserves used interchangeably. (True) (U)
11. Specific Reserve is the reserve created not for a specific purpose and can be utilized for any purpose. (False) (U)
12. A Reserve is shown on the liabilities side of Balance Sheet under the head of Reserves and Surplus. (True) (APP)
13. A Provision is not shown under the head Current Liabilities or as deduction of the asset. (False) (A&A)
14. Provision is debited to the profit and Loss account. (True) (APP)
15. Reserve is credited to the profit and loss appropriation account. (False) (A&A)
16. Provision is an appropriation of profit. (False) (A&A)
17. Reserve is a charge against profit. (False) (U)
18. Capital Reserve is created out of Capital Profit. (True) (R)

### MULTIPLE CHOICE QUESTIONS

1. Capital Redemption Reserve is:
- General Reserve
  - Specific reserve
  - Revenue Reserve
- Rem (Ans-b)
2. Provision is created to meet for:
- Known liability
  - Known Asset
  - Known Amount.
- Rem (ans-a)
3. It is shown under the heading of Reserve & Surplus on the liability side of the Balance sheet:
- Short term Loan
  - General Reserve
  - Provision for Repairs
- Rem (Ans-b)
4. Creating Reserve is important because it helps in
- Meeting the future contingencies
  - Strengthening the Financial position of the business
  - Both a. and b
  - None of these
- Ana (ans-c)
5. Reserves Created for a particular purpose are known as
- General Reserve

- b. Secret Reserve  
 c. Specific Reserve  
 d. Capital Reserve Rem (Ans-c)
6. For creating a provision for doubtful debt, Profit and Loss account is to be:  
 a. Debited  
 b. Credited  
 c. None of the above Ana (Ans-a)
7. Which among the following, provision is created to provide for expected repairs and renewal of fixed assets?  
 a. Revaluation Reserve  
 b. Provision For Depreciation  
 c. Provision for Repairs and Renewals Rem (Ans -c)
8. Dividend equalisation reserve is  
 a. Specific Reserve  
 b. General Reserve  
 c. Revenue Reserve Rem (Ans-a)
9. To strengthening the financial position of the business, the following reserve is created  
 a. Revenue Reserve  
 b. Revaluation reserve  
 c. Specific Reserve UND (Ans-a)
10. Provision for Bad debt is created to  
 a. To cover the loss  
 b. To Cover the Debt  
 c. To cover the profit UND (Ans-b)
11. Which among the following is a correct difference between Provision and reserve?  
 a. Provision is created out of legal necessity whereas Reserve is created as a matter of prudence  
 b. Provision is invested whereas reserve is not invested  
 c. Provision is an appropriation to profit whereas reserve is a charge against profit  
 d. Provision can be used as a distribution of dividend whereas a reserve cannot be allowed to be used for distribution of dividend. UND (Ans-a)
12. If the amount of any known liability can be determined with accuracy:  
 a. A liability should be provided  
 b. A reserve should be set aside  
 c. A provision should be created UND(Ans-c)
12. DRR is created to provide funds for  
 a. Redemption of debentures  
 b. for meeting unknown liabilities  
 c. for creating revenue reserves APP (Ans. a)

## MULTIPLE CHOICE QUESTIONS

1. (A&A)

i) It can be used for distribution of dividends without any pre conditions	a) Capital Redemption reserve
ii) It can be used for distribution of dividends only if the company satisfies certain conditions prescribed by the companies Act	b) Revenue Reserve
	c) Capital Reserve

Ans. i)-b; ii)-c

2. (A&A)

i) It is created for meeting Capital Losses or to be used for purpose specified by the Companies Act	a) Provision
ii) It is created for strengthening the financial position and meeting the unforeseen contingencies	b) General Reserve
	c) Revenue Reserve
	d) Capital Reserve

Ans. i)-d; ii)- c

3. (U)

i) It is created out of business profit	a) Secret Reserves
ii) It is created out of capital profit	b) Provisions
	c) Revenue Reserve
	d) Capital Reserve

Ans. i)-c; ii) -d

4.

1. Provision is created :	a. To strengthen the financial position.
2. Reserve is created :	b. To Ascertain true Financial position .
	c. To face the financial difficulties.
	d. none of above

Ans. 1-b; 2-a

1. Provision is created :	a. Created out of profit
2. Reserve is created :	b. created against profit
	c . created to meet unknown liability
	d. None of above.

Ans. 1-b; 2-a

1. Reserve is created out of profit for specific purpose	a. Workmen Compensation Reserve
2. Reserve is created out of profit not for specific purpose	b. contingency Reserves
	c. Capital Reserves
	d. None of above.

Ans. 1-a; 2-b

1. Purpose of Creating capital reserve is :	a. To strengthen the financial position.
2. Purpose of Creating Revenue reserve is:	b. To Ascertain true Financial position .
	c. To capital losses .
	d. none of above

Ans. 1-c, 2-a

1. Provision is shown in balance sheet	a. Non – current liabilities
2. Reserves is shown in balance sheet	b. current liabilities
	c. share capital
	d. Reserves & surplus

Ans. 1-b; 2-d