

**UNIT 1**

**Book Keeping**

**Accounting –Introduction-Meaning and definition – Types of Accounting-Accounting concepts and conventions-Double Entry System -Accounting Rules –Journal –Ledger –Subsidiary books- Trial balance-Preparation of Profit and Loss A/C and Balance Sheet-Advantages and disadvantages of Accounting – Uses of Financial Statement – Accounting of Sole Trading Concern and Non-trading concern.**

**PART A**

- 1. What is accounting?**
- 2. Define accounting.**
- 3. What are the objectives of accounting?**
- 4. What is book keeping?**
- 5. Who are the different persons interested in accounting information?**
- 6. What are the limitations of accounting?**
- 7. What is double entry system?**
- 8. What do you understand by debit and credit?**
- 9. Describe the three types of personal account.**
- 10. State the rules for debiting and crediting.**
- 11. What are real accounts? Give example.**
- 12. What are nominal accounts? Give examples.**
- 13. What is mercantile system of accounting?**

- 14. Give a list of different accounting concepts and conventions.**
- 15. Write short notes on (a) business entity concept  
(b) convention of materiality**
- 16. What is accounting equation?**
- 17. What are the stages in the accounting cycle?**
- 18. What is journal?**
- 19. What is ledger?**
- 20. What are the subsidiary books?**
- 21. What is a three columnar cash book?**
- 22. What is petty cash book?**
- 23. What is a trial balance?**
- 24. List out the functions of trial balance.**
- 25. Write short notes on (a) schedule of debtors (b)  
schedule of creditors**
- 26. What do you understand by final accounts?**
- 27. What is the purpose of preparation of financial  
statement?**
- 28. What is balance sheet?**
- 29. What is gross profit?**

## **PART B**

- 1. Write short notes on (a) assets (b) liabilities (c)  
capital**
- 2. Explain the meaning of (a) tangible assets (b)  
intangible assets (c) fictitious assets**

- 3. Explain the significance of ledger.**
- 4. Write short notes on (a) revenue (b) expense (c) losses**
- 5. What is the difference between current liability and long term liability?**
- 6. What is accounting? What is the need for it?**
- 7. Explain the steps in the process of accounting in detail.**
- 8. What is book keeping? Distinguish between accounting and book keeping.**
- 9. Describe the advantages and limitations of accounting.**
- 10. Describe the internal and external users of accounting information and their requirements.**
- 11. Briefly describe various branches of accounting.**
- 12. Explain the methods of accounting.**
- 13. What is double entry system? What are its advantages?**
- 14. Classify accounts and explain them in details.**
- 15. What are the three kinds of accounts? What are the rules governing debiting and crediting of those accounts?**
- 16. Explain the bases of accounting.**
- 17. Distinguish between cash basis and accrual basis of accounting.**

- 18. Explain the importance of money measurement concept.**
- 19. Why is it important to assume that a business firm is a going concern?**
- 20. What are the characteristics of accounting concepts and conventions?**
- 21. Write short notes on (a) cost concept (b) accounting period concept.**
- .
- 22. Explain briefly the conventions of consistency, full disclosure and materiality.**
- 23. Explain the difference between purchases book and purchases account.**
- 24. Differentiate between sales book and sales account.**
- 25. What do you understand by the convention of full disclosure? How is it important?**
- 26. What is a trial balance? How is it prepared?**
- 27. State the difference between trial balance and balance sheet.**
- 28. Explain the objective of preparing a trial balance**
- 29. Journalise the following transactions.**
  - a. Sold goods to seevan for cash ₹ 1000**
  - b. Purchases a cycle for the personal use of proprietor and paid by cheque ₹ 2000.**
  - c. Paid wages ₹ 100.**

- d. Returned defective goods to Ram ₹ 50.
- e. Received a cheque for ₹ 600 from mani.

30. Prepare Trial balance of Mr. Akilan.

	Rs.	Rs.
Purchases	600000	-
Reserve Fund	200000	-
Sales	-	1000000
Purchases returns	10000	-
Sales returns	-	20000
Opening stock	300000	-
Closing stock	-	400000
Expenses	-	200000
Outstanding expenses	20000	-
Bank balances	50000	-
Assets	500000	-
Debtors	-	800000
Creditors	-	300000
Capital	940000	-
Suspense A/c (Difference)	100000	-
	2720000	2720000

31 Anand starts business with Rs.10,000 on 1.7.86. Of this, he pays Rs.9,000 into his bank account. His cash transactions during

36. the first

week were; Prepare cash book for the period.

July 1	Purchased stationery, paid cash Purchased goods for cash Purchased office table and chair
-----------	---

2	Cash sales
3	Received from Gopal, as advance for a consignment of goods
4	Paid Sethi & Co.
5	Paid for sign board
6	Cash sales
6	Purchased old typewriter

## **PART C**

- 1. What are the accounting concepts and conventions? How are they evolved?**
- 2. How do you classify accounting concepts?**
- 3. Explain various accounting concepts briefly.**
- 4. What are accounting conventions? Explain**
- 5. The entity concept and money measurement concept are the fundamental concepts. Explain..**
- 6. Explain accounting equation with examples.**
- 7. Briefly describe the four stages in the accounting cycle.**
- 8. What is journal? What is its importance?**
- 9. What is ledger? How is it maintained? Explain its significance.**
- 10. Explain the meaning of (a) journalising (b) posting (c) balancing (d) debiting (e) crediting**
- 11. Distinguish between journal and ledger.**
- 12. What are subsidiary books? Explain the purpose of each one of them.**

13. Briefly describe the purpose and method of preparation of each subsidiary book.
14. Write short notes on (a) inward invoice (b) outward invoice (c) debit note (d) credit note.
15. Explain the procedure for posting from subsidiary books.
16. Explain different types of cash books and their specific uses.
17. How do you prepare a three columnar cash book? Explain its utility.
18. Explain the utility of a petty cash book under imprest system with analytical columns..
19. How do you prepare schedule of debtors and schedule of creditors? What is their purpose?.
20. Describe the procedure for preparation of the final accounts of a sole trader, step by step.
21. Distinguish between trial balance and balance sheets.
22. What are the differences between trading account and profit and loss accounts?
23. Prepare Final accounts for the year ended 31-12-1995.

Purchases	124184	Capital	72000
Debtors	7770	Bad debts	574
Postage	546	Creditors	17440
Interest	2590	Machinery	20000
Insurance	834	Bank overdraft	-----
Salaries	8000	Sales	156364

Buildings	47560	Bills payable	5054
wages	8600	Loan	24000
Stock(1/1/95)	19890	Stock(31/12/95)	28600
Discount (Dr.)	2000		
Furniture	32310		

**24. Journalise the following transactions and prepare, the ledger Accounts: 1994**

**Jan.1 Mr. Kumar commenced business with cash Rs.50,000, Building Rs.1,00,000, Bank balance of Rs.1,00,000.**

**19. Purchased goods for cash Rs.7,000**

**20. Purchased goods for Rs. 7, 500 from Devi&co.**

**21. Sold Goods to swamy & Co.Rs.9,500**

**22. Sold Goods to Nithya & Co. Rs.6,500**

**23 Sold Goods Rs.2000**

**Obtained a loan from India bank Rs.20,000**

**25.. From the following Trial balance of Bharathi, prepare trading and P&L a/c for the year ended 31.3.2000 and Balance sheet as on that date:**

Debit Balance	Rs	Credit balances	Rs
Returns	300	Capital	10,000
Drawings	700	Creditors	2,600
Land & Building	2,000	Sales	17,000
Plant & machinery	4,500	Returns	400
Debtors	4,050		



Purchase	8,500	
Rent	400	
Advertising	1,000	
Cash in hand	1,050	
Stock (1.4.99)	2,300	
Wages	1,300	
Salary	1,510	
Commission	660	
Carriage in wards	630	
Motor van	1,100	
	30,000	30,000

**Adjustments:**

- i) Stock on 31.12.2000 Rs.7, 500
- ii) Depreciate land & Buildings at 2<sup>1</sup>/<sub>2</sub> % and plant & machinery @ 5%.
- iii) Write off Rs.50 as bad debt and create 5% provision for bad & doubtful Debts.
- iv) Salary outstanding Rs.140.

**26. From the following transactions, prepare a Three colum cash book:**

<b>1998</b>		
Jan.1	Murthy started business	10,000
2	Opened current a/c with bank	9,000
6	Paid kannan by cheque (Discount 100)	4,000
10	Cash sales	4,000
11	Paid into bank	1,000
	Manickan directly paid into our	
15	account	1,000
Jan19	Purchased furniture by cheque	2,000

20	Received from N	500
	Allowed Discount	50
22	Withdrawn from bank	200
25	Purchased goods and paid by cheque	800
31	Paid salary by cheque	1200

27..From the following Trial balance, prepare Trading, profit & Loss a/c for the year ended 31.12.1981 and a Balance sheet as on that date:

**Trial Balance**

	₹		₹
Purchases	11,870	Capital	8,000
Debtors	7,580	Bad debts recovered	250
Return inwards	450	Creditors	1,250
Bank Deposit	2,750	Return outwards	350
Rent	360	Bank overdraft	1,570
Salaries	850	Sales	14,690
Travelling expenses	300	Bills payable	1,350
Cash	210		
Stock	2,450		
Discount allowed	40		
Drawings	600		
	<u>27,460</u>		<u>27,460</u>

**Adjustments:**

- i) The closing stock on 31.12.81 was ₹ 4,200.
- ii) Write off ₹ 80 as Bad debts and create a reserve for Bad debts at 5% on sundry Debtors.
- (iii) Four months rent is outstanding.

## **Unit 11**

### **Single Entry System**

**Meaning and definition-Preparation of Trading, Profit and loss A/C and Statement of Affairs – Networth method –Conversion method – Difference between Single entry system and Double Entry system- difference between Balance sheet and Statement of Affairs.**

#### **PART A**

- 1. What is single entry?**
- 2. Define single entry.**
- 3. What is net worth method?**
- 4. How do you ascertain profit under net worth method of single entry?**
- 5. What is a statement of affairs? Why is it prepared?**
- 6. What is conversion method in single entry?**

#### **PART B**

- 1. What is single entry? What are its salient features?**
- 2. Describe the limitations of single entry system.**
- 3. Distinguish between single entry and double entry systems.**
- 4. Mohan, a retail merchant commenced business with a capital of ₹ 12,000 on 1.1.94. Subsequently on 1.5.94 he invested**

further capital of ₹ 5000. During the year, he has withdrawn ₹ 2000 for his personal use. On 31.12.94, his assets and liabilities were as follows:

	₹
Cash at bank	3,000
Debtors	4,000
Stock	16,000
Furniture	2,000
Creditors	5,000

Calculate the profit (or) Loss made during the year 1994.

5. From the following information ascertain Opening stock on 1.1.1996

	Rs.
Purchases made during 1996	2,50,000
Sales made during 1996	3,25,000
Stock on 31.12.1996	60,000
Wages	3,000
Rate of gross profit on cost	25%

6. The position of a businessman who keeps his books on Single entry was as under on 31.12.90 and 31.12.91.

	1990 Rs.	1991 Rs.
Cash in hand	400	480
Cash at bank	6,000	2,500
Stock	6,500	5,000
Debtors	4,000	5,200
Furniture	300	350
Sundry	4,100	3,100

creditors		
-----------	--	--

He withdraws Rs. 7,500 from business on 2.1.91 out of which he spent Rs. 5,200 for purchase of a motor truck for the business.

**Adjustments:**

- (a) Depreciation on closing balance of furniture and truck at 10%
- (b) Write off Rs. 220 as bad debts
- (c) 5% provision for bad and doubtful debts is needed. Find out the profit or loss for the year

7. Shantham commenced business on 1. January 1997 with a capital of Rs.15,000. On 1<sup>st</sup> July, 1997 he introduced a further capital of Rs.8,000. During the year he withdrew Rs.500 P.M for domestic use. On 31<sup>st</sup> Dec.1997 his assets and liabilities were:

	Rs
Stock	21,000
Debtors	10,000
Furniture	3,500
Cash at bank	2,100
Cash in hand	1,400
Expenses unpaid	700
Sundry creditors	8,300

Ascertain Shantham's profit for 1997.

**8..Calculate profit made by Rafi during 1992**

Capital as on 1.1.92	32000
----------------------	-------

<b>Capital as on 1.1.93</b>	<b>36000</b>
<b>Drawings during the year 1992</b>	<b>10000</b>
<b>Capital introduced on August 1992</b>	<b>6000</b>

## **PART C**

**1.What is net worth method? How do you ascertain profit or loss under net worth method?**

- 2 What are the points of distinction between a statement of affairs and a balance sheet?**
- 3 What is conversion method? How do you find profit or loss under conversion method?**
- 4 Describe the procedure to be adopted in the conversion of books maintained by single entry to double entry system.**
- 5 Problems on net worth and conversion method.**

**Problem No.1 to 10. Page number. 13.51 to13.55**

**Problem No.15 to 25. Page number. 13.58 to13.62.**

**Reference book. Financial Accounting by T.S.Reddy And Dr.A. Murthy**

## Unit 111

**Accounting for Non-Trading Concern.  
Meaning and definition of Income, Expenditure,  
General and Special funds – Preparation of Receipts  
and payments A/C, Income and Expenditure A/C and  
Balance Sheet.**

### **PART A**

- 1 What is non trading organization?**
- 2 Give a list of non trading concerns which generally non profits are seeking.**
- 3 What is a receipt and payment account?**
- 4 What is an income and expenditure account?**
- 5 What is an entrance fees? How do you treat it in the final accounts of a non trading concern?**
- 6 What is the treatment of donation in the accounts of a non profit organisation?**
- 7 Write short notes on: (a) subscription (b) life membership fees.**

### **PART B**

- 1. Distinguish between receipts and payment account and income and expenditure account.**
- 2. What is income and expenditure account? Explain the steps required in its preparation.**
- 3. How do you prepare the balance sheet of a non trading concern?**

- 4 From the following details, ascertain the amount of subscription to be credited to income and expenditure a/c for the year 1999. Subscription received in 1999-Rs.48, 000 which includes Rs.4, 000 for 1998 and Rs.8, 000 for 2,000. Subscription due but not received at the end of the year 1999 were 20, 000. Subscription received in 1998 in advance for 1999 were Rs. 12, 000.
- 5 Problems on preparation of receipts and payment account. and income and expenditure account. Problem Number. 1 to 10 Page no.27.64 to 27.69. Reference book. Financial Accounting by T.S.Reddy And Dr.A. Murthy.

### PART C

- 1 Distinguish between receipts and payment account and income and expenditure account.
- 2 What is income and expenditure account? Explain the steps required in its preparation
- 3 The following is the Receipts and Payments Account of Kandan Recreation club for the year ended 31.03.2002

Receipts	Rs.	Payments	Rs
To Balance b/d	7,000	By salaries	28,000
To Subscription		By general expenses	6,000
2000 -2001 -		By	4,000



,000		electricity	
2001-2002 – 20,000		By books purchased	10,000
2002- 2003 - 4000 --- -----	29,000	By periodicals purchased	8,000
To rent for use of Conference room	14,000	By loan repaid	20,000
To receipt from entertainment facilities	28,000	By balance c/d	4,000
To sale of old magazines	2,000		
	80,000		80,000

**Additional Data:**

- (1) The club has 50 members, each paying Rs. 500 PA as subscription.
- (2) Subscription outstanding on 31-3-2002 Rs.6,000
- (3) Salaries outstanding Rs. 2,000. Salaries paid include Rs. 6,000 for 2000-01.
- (4) On 1-4-2001, the clubs properties were:  
Buildings Rs. 2, 00,000 Furniture and Fittings Rs. 20,000 and Books Rs. 20,000.
- (5) Provide 10% Depreciation on Buildings and Furniture.

**Prepare Income and Expenditure Account for the ending 31-3-2002 and a Balance sheet on that date.**

**4.Problems on preparation of income and expenditure account.and Balance sheet. Problem Number. 12 to 20 Page no.27.71to 27.77. Reference book. Financial Accounting by T.S.Reddy And Dr.A. Murthy.**

## **Unit 1V**

### **Consignment Account.**

**Meaning –Accounting for Consignment transaction – Stock valuation –Preparation of Consignment A/C- Normal lass and Abnormal loss calculations.**

## **PART A**

- 1 What is consignment?**
- 2 What are the features of consignment transactions?**
- 3 What do you understand by proforma- invoice?**
- 4 What is an account sale?**
- 5 What is Del credere commission? What is its purpose?**
- 6 What do you understand by recurring expenses and non recurring expenses?**

## **PART B**

### **PART B**

- 1 Distinguish between normal loss and abnormal loss an consignment.**
- 2 Write short notes on (a) consignment stock reserve (b) stock on consignment.**
- 3 From the following details prepare the Account sale**

<b>Consignor</b>	<b>Ajantha Cycle Ltd., Hariyana</b>
<b>Consignee</b>	<b>Sri Ram Cycles, Chennai</b>
<b>Consignment</b>	<b>100 cycles @ Rs. 1,200 each</b>
<b>Sales</b>	<b>50 cycles @ Rs. 1,400 each</b>
	<b>20 cycles @ Rs. 1,500 each</b>
<b>Consignee's Expenses</b>	
<b>Freight &amp; Cartage</b>	<b>Rs.5,000</b>
<b>Godown Rent</b>	<b>Rs. 2,000</b>
<b>Other Expenses</b>	<b>Rs.1,000</b>
<b>Consignee's Commission</b>	<b>10%</b>

- 4. Siva consigned 1,000 kg vegetables costing Rs. 4,500. Expenses incurred were Rs. 600. If the loss due to natural deterioration in quality is of 10 kg and if**

**810 kg were sold, Calculate the cost of stock at the end.**

**5. Mr. Vijay of Chennai sent 200 bicycles which costs Rs. 900 each to Kamal of Hyderabad on consignment basis. Vijay paid freight of Rs. 2,400, cartage Rs. 600 and Insurance Rs. 800. In Hyderabad, Kamal has spent Rs 200 as cartage, loading and unloading Rs. 100. The bicycles have been kept in a godown at a monthly rent of Rs. 200 p.m. At the end of accounting period 40 bicycles remained unsold. The selling price of the bicycle is Rs. 1,000 at Hyderabad. What should be the value of stock unsold?**

**6. Problem No.1 to 07. Page number. 25.78 to25.80. Reference book. Financial Accounting by T.S.Reddy And Dr.A. Murthy.**

### **PART C**

- 1 What is consignment? What are its main features?**
- 2 What are the differences between sale and consignment?**
- 3 Explain the method of valuation of unsold stock on consignment when goods are sent (a) at cost price (b) at invoice price.**
- 4 How do you value abnormal loss of goods on consignment?**

- 5 Sekar of Salem sends goods amounting to Rs. 25,000 to Mathu of Madurai on consignment basis. He pays Rs. 1,000 as forwarding expenses. The goods are received by Mathu who spends Rs. 500 for carriage. Mathu sells the goods for Rs. 32,000 for which he incurs selling expenses of Rs. 1,500. He is entitled to a commission of 10% on the gross sale proceeds. Mathu settles the account by a bill. Prepare the account sales
- 6 Problem No.1 to 11. Page number. 25.78 to25.81. Problem No.24 to 32. Page number. 25.86 to25.88. Reference book. Financial Accounting by T.S.Reddy And Dr.A. Murthy.

## Unit V

### Joint Venture

Meaning and definition –Difference between Partnership and joint venture –Journal entries for Joint Venture -Transactions when separate books for Joint Venture is maintained.(Recorded Joint Venture Transactions in own book is excluded).

## PART A

- 1 What is joint venture?
- 2 What is a joint bank account?
- 3 What is memorandum joint venture account?

## **PART B**

- 1 How joint venture differs from partnership?**
- 2 Write short note on (a) co-ventures (b) joint venture with account (c) unsold stock at the end of a joint venture.**
- 3 A and B enter into a joint venture to take a building contract for Rs 240000. They provide the following information regarding the expenditure incurred by them**

	<b>A RS</b>	<b>B RS</b>
<b>materials</b>	<b>68000</b>	<b>50000</b>
<b>Cement</b>	<b>13000</b>	<b>17000</b>
<b>wages</b>		<b>27000</b>
<b>Architecture fees</b>	<b>10000</b>	
<b>Licence fees</b>		<b>5000</b>
<b>Plant</b>		<b>20000</b>

**Plant was valued Rs 10000 at the end of the contact and B agreed to take it at that value contact amount of Rs 240000 was received by A. Show the Joint venture account in the books of A.**

## **PART C**

- 1 What is joint venture? What are its main features?**

- 2 Distinguish between joint venture and partnership.**
- 3 What are the differences between joint venture and consignment?**
- 4 What is a joint bank account? How are entries regarding cash transaction of a joint venture recorded in such an account?**
- 5 What is memorandum joint venture account? Why is it prepared?**
- 6 A and B were partners in a joint venture sharing profits and losses in the ratio of 4:1 A supplied goods to value of Rs 50000 and incurred expense of Rs 5400 B supplied goods to the value of Rs 14000 and his expenses amounted of Rs 800 B sold the goods on behalf of joint venture and realised Rs 92000 B is eligible for a commission of 5% on sales B settled the account by a bank draft. Give the journal entries in the book of A only**
- 7 Peter and Jason agree to import Burmese timber for joint venture business hence on May 1 1965 they open a joint bank account for Rs 24000 towards which Peter contributes Rs 14000 and Jason Rs 10000 They divide profits and losses in proportion to their contributions they send a cheque to their agent in Burma for Rs 23000 to pay for timber purchased and to meet the freight insurance and other charges amounting**

to Rs 4000 on December 2 1965 the sales amounted to Rs 24000 and on dec23 Peter took over the unsold stocks of timber for Rs 3800 they then closed the joint venture after mutually settling their balance Write all the ledger accounts relating to above joint venture.

8 B V and s entered into a joint venture of a contract Rs 100000 is the contract price Rs 40000 Rs 20000 and Rs 20000 were invested by b v s respectively and a joint bank account was opened they purchased materials for Rs 60000 architect fees of Rs1000 was paid by b v paid for sundry expenses Rs 2000 and s paid Rs 4000 for cement. The contract was duly arrived out all the transactions were done through joint bank account

9 Problems from 1 to 06, Page no.26.67 to 26.69  
Problems from 19 to 25, Page no.26.75 to 26.79.  
Reference book. Financial Accounting by  
T.S.Reddy And Dr.A. Murthy

Prepared by Dr.R.Krishnaveni.



