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CLASS: XI- ACCOUNTANCY

Operating Profits = Gross Profit – Operating Expenses + Operating incomes

OR

= Net Profit + Non operating expenses – Non operating incomes

Management Expenses such as Salaries, Office Rent, rates and Taxes, Printing and Stationery, insurance etc. Maintenance expenses such as Repairs and renewals, depreciation etc. Selling and Distribution Expenses such as advertisement, Carriage outward, Bad Debts etc. are considered as Operating Expenses where as Financial Expenses such as Interest on loans, bank charges etc. and Abnormal Losses such as Loss on sale of fixed assets, loss by fire etc. are considered as Non operating Expense

Other income such as discount received, commission received etc. are considered as Operating Income where as Non trading Income such as bank interest, dividends received etc. and Abnormal Gains such as profit on sale of fixed assets and investment are considered as Non operating Incomes.

Q.1 Objectives Questions

Fill in the Blanks:

- (i) When gross profit is expressed as a percentage of cost of sales, it is known as gross profit.....
- (ii) Balance Sheet is regarded as a prominent accounting.....
- (iii) Fixed assets are in nature----- relatively long-lived..... of a business.
- (iv) Current assets are reasonably expected to realize in cash or consumed during normal.....cycle of the business.
- (v) Liabilities are obligations which arise from or other events that have already been occurred.

Q.2 State True or False:

- (i) In the Balance Sheet, fixed assets are shown at market values.
- (ii) As per the principle of conservatism, the reserve for discount on creditors should not be provided.
- (iii) Bad debts recovery is credited to Debtors Account.
- (iv) The expressions--- depreciate plant and machinery @ 10% and @ 10% p.a. carry the same meaning.

Q.3 P and Co. is in business dealing in pest control. Its owner, K. Mandal, employs a team of eight workers who were paid Rs. 3,000 per month each in the year to 31st Dec, 2001. At the start of 2002 he raised salaries by 10% to Rs. 3,300 per month each.

On 1st July, 2002, he hired a trainee at a salary of Rs. 2,100 per month. He pays his work force on the first working day of every month, one month in arrear, so that his employees receive their salary for January on the first working day in February etc.

You are required to:

- Calculate the amount of salaries which would be charged in the Profit and Loss Account of P & Co. for the year ended on 31st Dec, 2002.
- Calculate the amount actually paid in salaries during the year.
- Calculate the amount of outstanding salaries which would appear in the Balance Sheet of P & Co. as at 31st Dec, 2002.

Q. 4 During the year to 31st Dec, 2002 payments were made in respect of insurance premium.

January 2nd : Rs. 16,000 for the 3 months ending 31st March, 2002

April 19th : Rs. 32,000 for the 6 months ending 30th Sep, 2002

October 6th : Rs. 35,000 for the 6 months ending 31st March, 2003.

You are required to calculate the amount of prepaid insurance premium for the year ending on 31st Dec, 2002 and also show the completed Insurance Premium Account.

Q.5 The following balance of accounts are appearing in the Trial Balance of X. How do you deal with them at the time of preparing the final accounts?

Extract of a Trial Balance

Particulars	Dr. (Rs.)	Cr. (Rs.)
Income Tax	50,000	
Advance Income Tax	35,000	
Interest on Advance Income Tax		1,000

Q.6 From the following balances extracted of M/s Ahuja and Nanda. Calculate the amount (a) Cost of goods available for sale, (b) Cost of goods sold during the year, (c) Gross Profit.

Opening stock Rs. 25,000, Credit purchases Rs. 7,50,000, Cash purchases Rs. 3,00,000, Credit sales Rs. 12,00,000, Cash sales Rs. 4,00,000, Wages Rs. 1,00,000, Salaries Rs. 1,40,000, Closing stock Rs. 30,000, Sales return Rs. 50,000, Purchases return Rs. 10,000.

Q.7 The following are the extracts of a trial balance of M/S Bhola and Sons as on 31st March, 2005.

Particulars	Amount (Dr.)	Amount (Cr.)
Opening Stock	2,00,000	
Purchases	8,10,000	
Sales		10,10,000

Adjustments:

Closing Inventory as on date was valued at Rs. 3,00,000. Prepare journal entries in the books of M/s Bhola and Sons.

Q.8 Gupta and Co. employs a team of 5 workers who were paid Rs. 3,500 per month each in the year ending 31st Dec, 2014. At the start of the 2014, the company raised salaries by 10% to 3,850 per month. On 1st July, 2014 the company hired two trainee at salary of Rs. 2,500 per month. The workforce are paid salary on the first working day of every month, one month in arrears, so that the employees receives their salary for January on the first working day of February. Calculate the following.

- (a) Amount of salaries which would be charged to the profit and loss account for the year ended 31st Dec, 2014.
- (b) Amount actually paid as salaries during the year 2014.
- (c) Outstanding Salaries as on 31st Dec, 2014.

Q.9 The manager is entitled to a commission of 10% on net profit after charging such commission. Net profit before charging such commission is Rs. 1,10,000. Find out the commission payable to a manager.

Q.10 Calculate the commission of general manager and works manager

- (i) The General Manager is to be given commission of 10% after charging the commission of Works Manager and his own on net profits.
- (ii) The Works Manager is to be given commission of 5% after charging commission of General Manager and his own on net profits. Such commission shall be calculated to the nearest multiple of a rupee.
- (iii) Net profit before charging commission= Rs. 82,960.

Q.11 From the following information, calculate the amount of stationery is to be charged to Profit and Loss Account and also show the effect on opening stock, closing stock, purchases and trade expenses, etc.

- (i) Opening Stock Rs. 50,000
- (ii) Closing stock Rs. 45,000
- (iii) Opening stock and Closing stock include stock of stationery, amounting to Rs. 2,000 and Rs. 1,500 respectively. Trade expenses include payment of stationery for Rs. 18,000. Credit purchases of stationery for Rs. 4,500 recorded as ordinary purchase. Stationery of Rs. 500 is consumed by the proprietor.

Q.12 Calculate (i) Loss on exchange of furniture; (b) Total depreciation is to be charged to Profit and Loss Account and (iii) Book value of furniture on 31.12.2003 from the following information

- (a) Furniture appearing in the Trial Balance of X as on 31.12.2003 at Rs. 56,000.
- (b) Rate of depreciation on furniture 10%.
- (c) Furniture appearing in the book on 1.1.2003 at Rs. 16,000 was disposed off on 30.06.2003 at Rs. 13,500 in part exchange of a new furniture costing Rs. 15,000. The net invoice for Rs. 1,500 was passed through Purchase Day Book.

Q.13 Show by means of Journal Entries how the following matters should be adjusted when preparing the Annual Accounts of a firm for the year ended 30.09.2002:

- (a) Goods sold and recorded as sales for Rs. 4,000 were packed and the invoice for them sent to the customer. Stock taking intervened, and the parcel of goods was not dispatched but was included in stock-in-hand.
- (b) Several employees took their salary in advance in the month of September 2002, which was payable to them in October 2002 amounting to Rs. 2,500.
- (c) A purchase made for a staff member of Rs. 1,000 and the cost was included in purchases. A deduction of similar amount was made from his salary and net payment to him posted to Salaries Account.
- (d) Wages paid to the firm's own workmen for making certain additions to machinery amounting to Rs. 750, were posted to wages account.
- (e) A dishonoured bill receivable for Rs. 500 returned by the bank with whom it had been discounted, had been credited to Bank Account and debited to Bills Receivable Account.
- (f) A cheque amounting to Rs. 720 received from a customer, Mr. X, was dishonoured. The returned cheque was correctly entered in the Cash Book but was posted therefrom to Allowances Account.
- (g) A duplicate invoice for a purchase of machinery costing Rs. 10,000 was erroneously passed again and entered into the books.
- (h) A sum of Rs. 1,000 drawn by proprietor was debited to travelling account.

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Accounting for Not-For-Profit Organization

Q.1 Fill in the Blanks:

- (a) If capital fund on 1.4.2002 is Rs. 15,00,000 and a legacy received capitalized at 10% of the amount, and the closing capital fund on 31.3.2003 works out to be Rs. 19,00,000, the year's is Rs.
- (b) The Charity Institutes 'Care for us Fund' received and wisely invested Rs. 6,00,000 @ 15% p.a. to yield Rs. for the year, which, therefore, reflects only in the of the final accounts compiled.

- (c) For a welfare-oriented unit..... Is not the motive, but even then a financial healthy unit will try to ensure a yearly.....
- (d) A surplus of Rs..... would end up a deficit of Rs. 7,000, for the People's Hospital, if the social workers had failed to collect the much-needed Rs 50,000 general donation.
- (e) Surplus and deficit are terms which pertain to the compilation of by..... and mean.....

Q.2 State True and False

- (a) Commercial Organizations set up for business profits can undertake to do charities, but charitable organizations cannot be granted permission to register as profit-oriented units.
- (b) The net profit determined by compiling the Profit and Loss Account is comparable to the surplus determined by completing the Receipts and Payments Account.
- (c) The surplus of the not-profit organization is distributed amongst the members.
- (d) A Receipts and Payments Accounts is merely a summary of cash transactions.
- (e) The Income and Expenditure Account is equivalent to the Profit and Loss Account of a business enterprise.

Q.3 Multiple Choice: Select the best choice to complete each statement

- (a) The Income and Expenditure Account begins with:
 (i) debit balance (ii) credit balance (iii) no balance
- (b) The Receipt and Payment Account records receipts and payments of:
 (i) revenue nature only (ii) capital nature only; (iii) revenue as well as capital nature
- (c) A profit on sale of furniture of a club will be taken to:
 (i) cash account (ii) receipts and payment account (iii) income and payments accounts
- (d) Entrance fees are generally:
 (i) capitalized (ii) taken as income (iii) treated as a liability
- (e) Legacy for specific purpose is:
 (i) added to the specific fund (ii) shown in the income and expenditure account
 (iii) shown as a separate liability.

Q.4 Calculate the amount of subscription to be credited to Income and Expenditure Account for the year 2002 from the following information:

- | | |
|--|-----------|
| (i) Subscription received during the year 2002 | Rs. 7,000 |
| (ii) Subscription outstanding at the beginning of 2002 | Rs. 1,400 |
| (iii) Subscription outstanding at the end of 2002 | Rs. 1,600 |

Q.5 Calculate the amount of subscription to be credited to Income and Expenditure Account for the year 2002 from the following information:

(i) Subscription received during the year 2002	Rs. 12,000
(ii) Subscription outstanding at the beginning of 2002	Rs. 2,000
(iii) Subscription outstanding at the end of 2002	Rs. 700
(iv) Subscription received in advance for 2003	Rs. 1,600

Q.6 Mr. X, the treasurer Fly High club for the accounting year April 2002 to March 2003, submits the following data for membership fees.

- (i) Cash received in the year totaled Rs.1,00,000.
- (ii) As on 1.4.2003, Rs. 2,000 was in arrears for 2001-2002 (but cleared by 31.3.2003) and Rs.800 was received by the previous year's treasurer for Mr. X.
- (iii) Mr. X received Rs. 1,500 towards the next year's fees, but failed to recover Rs. 1,700 from his current year's members.

Show the final subscriptions income of the year 2002-2003.

Q.7 Prepare a statement showing subscriptions received in 2002-2003 as per Receipts and Payments Account.

- (i) Subscriptions Income for 2002-2003 as per Income and Expenditure Account -Rs. 82,000
- (ii) Advance subscriptions received in 2001-2002 Rs. 4,000
- (iii) Subscription outstanding at the end of 2002-2003 including Rs. 1,000 for 2001-02
Rs. 9,500
- (iv) Advance subscription received for 2003-04 Rs. 2,000
- (v) Subscription written off during 2002-03 Rs. 500
- (vi) Subscription receivable on 1.4.2002 Rs. 5,000
- (vii) Subscription collected for 2002-03 by the secretary but not deposited Rs. 1,000