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ACCOUNTANCY

N-224

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Based on

N.I.O.S. *Class – X*

National Institute of Open Schooling

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ACCOUNTANCY

Based on : ***NATIONAL INSTITUTE OF OPEN SCHOOLING – X***

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Sample Preview
of the
Solved
Sample Question
Papers

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Solved Sample Paper - 1

Based on NIOS (National Institute of Open Schooling)

ACCOUNTANCY - X

N-224

Time : 3 Hours **Maximum Marks : 100**

Note: *(i) This question paper consists of 45 questions in all. (ii) All questions are compulsory. Internal choice is given in some questions. (iii) Section-A consists of: Q.No. 1 to 20 – Multiple Choice Type Questions (MCQs) carrying one mark each. (iv) Section-B consists of: Q. No. 21 to 23 - Objective Type Questions Carry 2 marks each and Q. No. 24 to 29 carry 4 marks each. (v) Section-C consists of: (a) Q.No. 30 to 35 – Very Short Answer type questions carrying 2 marks each to be answered in the range of 30 to 50 words. (b) Q.No. 36 to 41 – Short Answer type questions carrying 3 marks each to be answered in the range of 50 to 80 words. (c) Q.No. 42 to 45 – Long Answer type questions carrying 5 marks each to be answered in the range of 80 to 120 words.*

SECTION-A

Q. 1. According to Going Concern Concept:

(a) The business is treated as a seperate unit from its owners
(b) Only monetary transactions are recorded
(c) The business will exist for indefinite period
(d) The assets should be recorded at historical cost

Ans. *(c)* The business will exist for indefinite period.

OR

Which of the following is not a tangible asset?

(a) Building *(b)* Plant & Machinery
(c) Furniture *(d)* Goodwill

Ans. *(d)* Goodwill.

Q. 2. which of the following cannot be recorded in the books of accounts?

(a) Purchase of raw materials of ₹ 20,000
(b) Sale of a property
(c) Applied for a bank loan
(d) Sale of goods on credit

Ans. *(c)* Applied for a bank loan.

Q. 3. The cash or goods withdrawn from busienss by proprietor is known as:

(a) Assets *(b)* Capital
(c) Drawings *(d)* Liability

Ans. *(c)* Drawings.

OR

Mr. Kansal purchases goods of ₹ 15,000 on credit from a firm. Mr. Kansal will be considered as a:

(a) Debtor *(b)* Creditor
(c) Investor *(d)* Proprietor

Ans. *(a)* Debtor.

Q. 4. According to which convention, rules and practices being observed are applied constantly?

(a) Materiality *(b)* Consistency
(c) Conservatism *(d)* All of the above

Ans. *(b)* Consistency.

OR

According to which convention, all possible losses are taken into account but not profits?

(a) Dual aspect *(b)* Materiality
(c) Consistency *(d)* Conservatism

Ans. *(d)* Conservatism.

Q. 5. According to which of the following concepts, the two aspects of a transaction are recorded?

(a) Matching concept
(b) Dual aspect concept
(c) Realisation concept
(d) Money-measurement concept

Ans. *(b)* Dual aspect concept.

Q. 6. Which of the following is not included in external liabilities?

(a) Outstanding wages
(b) Bank overdraft
(c) Interest on capital
(d) Bills payable

Ans. *(c)* Interest on capital.

Q. 7. The assets, which can be converted into cash within a short period, are known as:

(a) Fixed assets *(b)* Current assets
(c) Wasting assets *(d)* All of the above

Ans. *(b)* Current assets.

OR

A business has unsold stock at the end of the eyar. The cost is ₹15,000 and its market price is ₹ 20,000. At which price, the unsold stock should be recorded?

(a) ₹ 15,000 *(b)* ₹ 20,000
(c) ₹ 35,000 *(d)* ₹ 5,000

Ans. *(a)* ₹ 15,000.

Q. 8. Out of the following, which is not an item of revenue?

(a) Sale of goods *(b)* Commission received
(c) Interest received *(d)* Sale of old furniture

Ans. *(d)* Sale of old furniture.

Solved Sample Paper - 2

Based on NIOS (National Institute of Open Schooling)

Accountancy - X

N-224

Time : 3 Hours **Maximum Marks : 100**

(i) This question paper consists of 45 questions in all. (ii) All questions are compulsory. Internal choice is given in some questions. (iii) Section-A consists of: Q.No. 1 to 20 – Multiple Choice Type Questions (MCQs) carrying one mark each. (iv) Section-B consists of: Q. No. 21 to 23 - Objective Type Questions Carry 2 marks each and Q. No. 24 to 29 carry 4 marks each. (v) Section-C consists of: (a) Q.No. 30 to 35 – Very Short Answer type questions carrying 2 marks each to be answered in the range of 30 to 50 words. (b) Q.No. 36 to 41 – Short Answer type questions carrying 3 marks each to be answered in the range of 50 to 80 words. (c) Q.No. 42 to 45 – Long Answer type questions carrying 5 marks each to be answered in the range of 80 to 120 words.

SECTION-A

Q. 1. Which is a correct statement related to book-keeping?

(a) Book-keeping is summarizing and analysing of business transactions, financial in nature
(b) Book-keeping is posting transactions in the ledger
(c) Book-keeping is recording business transactions in an orderly manner
(d) None of the above

Ans. *(c)* Book-keeping is recording business transactions in an orderly manner.

OR

According to which of the following concepts the two aspects of a transaction are recorded:

(a) Matching concept
(b) Money measurement concept
(c) Dual aspect concept
(d) Realisation concept

Ans. *(c)* Dual aspect concept.

Q. 2. Out of the following which is not an external liability of the business:

(a) Outstanding rent
(b) Bank loan
(c) Capital
(d) Outstanding salary

Ans. *(c)* Capital.

(As per the definition of internal liability given, both *(c)* & *(d)* are internal liability)

Q. 3. Which of the following lists is a list of assets only?

(a) Cash, stock, debtors, machinery
(b) Cash, creditors, loan
(c) Capital, furniture, bills payable
(d) Capital, prepaid expenses, outstanding expenses

Ans. *(a)* Cash, stock, debtors, machinery.

OR

Goods purchased from Ritu for Rs. 60,000. What effect will the transaction have on the Accounting Equation?

(a) Increase in assets and increase in liability
(b) Increase and decrease in asset
(c) Increase and decrease in liability
(d) Decrease in asset and decrease in liability

Ans. *(a)* Increase in assets and increase in liability.

Q. 4. According to which of the following accounting concepts even the owner of a business is considered as creditor to the extent of his capital:

(a) Money measurement concept
(b) Dual aspect concept
(c) Business entity concept
(d) Realisation concept

Ans. *(c)* Business entity concept.

OR

Which of the following is the fundamental accounting equation?

(a) Current assets + Current liabilities = Owners' equity
(b) Assets + Owners' equity = Liabilities
(c) Cash = Debts + Common stock
(d) Assets = Liabilities + Owners' equity

Ans. *(d)* Assets = Liabilities + Owners' equity.

Q. 5. Compound Journal entry is an entry which:

(a) Contains more than one debit
(b) Contains more than one credit
(c) Contains more than one debit or credit or both
(d) Does not contain more than one debit or credit

Ans. *(c)* Contains more than one debit or credit or both.

Q. 6. The balance in the cash book is:

(a) An expense
(b) A profit
(c) An asset
(d) A liability

Ans. *(c)* An asset.

Sample Preview
of
The Chapter

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ACCOUNTANCY

Module-I: Introduction and Basic Concepts

Introduction to Accounting

1

CHAPTER AT A GLANCE

A business is an economic unit that sells goods and services at prices which provide an adequate return to its owners. A businessman cannot remember all the transactions of sale purchase and would need to keep a record of such transactions in writing. The task of recording, classifying and summarising of such transactions is known as book-keeping. The systematic process of identifying, recording, measuring, classifying, verifying, summarizing, interpreting and communicating financial information is known as accounting. In this chapter, we will discuss the meaning, objectives and uses of book keeping and accounting, various branches and uses of accounting, difference between book-keeping and accounting.

Business Transactions: We do various transactions in our daily routine life like buying grocery items, newspaper, household items, paying electricity/ water bills, paying school fees, rent, etc. Some transactions are simple exchanges such as paying for a cup of coffee is a business transaction. Getting a haircut, eating at restaurant or even buying some expensive items can also be a business transaction. Many transactions are complex. Purchasing an item with credit involves a series of transactions before the purchase can be completed. Getting a mortgage to buy a house which requires numerous transactions with the lender, real estate agency, buyer, seller, etc. Few business transactions are ongoing like relationship with bank is an ongoing business transaction that may encompass multiple types of transactions. Thus, business transactions are the interactions between businesses and their customers, vendors and others with whom they do business. Business transaction is an event that must be measureable in terms of money and that essentially impacts the financial position of the business. A valid business transaction would have following five important characteristics:

- It is a monetary event.
- It affects financial position of the business.
- It belongs to business not to the owner or any other person managing the business.
- It is initiated by an authorised person.
- It is supported by recording in the books of accounts.

In accounting, the business transactions may be classified as cash transactions and credit transactions; internal transactions and external transactions. A transaction in which cash is paid or received immediately at the time when transaction occurs is known as cash transactions. For example, Ramesh sold goods to John for Rs. 5,000 and John immediately paid Rs. 5,000 to Ramesh for the goods purchased. It is a cash transaction. In a credit transaction, the cash is does not paid at the time of transaction rather it is paid is at a future date. For example, Sam sold goods to Ajay for Rs. 10,000. Ajay requests Sam to receive payment of Rs. 10,000 by next month. If Sam agrees to get the payment by next month such transaction is called credit transaction in which payment is pending.

On the other hand, the internal transactions are those transactions in which no external parties are involved. Such transactions do not involve in the exchange of values between two parties but the event constituting the transaction is measurable in monetary terms and impacts the financial position of the business. For example, transactions like recording depreciation of fixed assets, realizing the loss of assets caused by fire etc. The external transactions are those transactions in which a business exchanges values with external parties. Such type of transactions occur on daily basis. For example, transactions like purchase of goods from suppliers, sale of goods to customers, etc.

Book-Keeping: Book-keeping is recording the financial transactions on a day-to-day basis and information pertaining to a business. Book-keeping provides the information from which accounts are prepared. It is a distinct process which occurs within the broader scope of accounting. Each transaction, whether purchase or sale, must be recorded. There are usually set structures in place for book-keeping that are called 'quality controls', which help ensure timely and accurate records. It is essential for businesses, but is also useful for individuals and non-profit organisations. The persons responsible for book-keeping for a business would record all transactions that are related but not limited to expense payments to suppliers, loan payments, customer payments for invoices, and generating financial reports, etc. Book keeping and accounting are often being used interchangeably, however, accounting is the process of managing finances of a business or individual while book-keeping refers more specifically to the tasks involved in recording the financial activities.

Need of Book Keeping: It is essential and beneficial for a business owners. Proper book-keeping can help businesses effectively manage cash flow, stay well informed on company performances and develop plans for the future. We can consider following points to understand the need of book-keeping:

(i) It helps in assessing the financial position of a business. It helps a businessman in monitoring the financial success and understanding the existing scenario of financial status to achieve objective and to avoid unexpected losses.

(ii) It helps in taking future business decisions. Future business decisions can only be taken on the basis of current financial status. Thus, it is extremely important to keep accurate financial records in a systematic way.

(iii) Book-keeping helps in filing income tax returns. Tax preparation is a key reason to maintain a detailed set of books. It is important to know how much money of a business is bringing in and where the money is being spent. With proper records it is easy to prepare tax returns.

(iv) It helps in preparing budget. Keeping previous year financial records helps a businessman in preparing budget for forthcoming year. It helps a businessman to avoid unwanted expenditure.

(v) With the help of proper records, a businessman can conveniently prepare tax assessments. It would help him to prepare payroll, tax returns and sales tax.

Objectives of Book-keeping: Objectives of book keeping may be stated as follows:

(i) To have a permanent record of each transaction of the business.

(ii) To show the financial effect on the entity of each transaction recorded.

(iii) To ascertain the combined effect of all the transactions (during an accounting period) on the financial position on a particular date.

(iv) To disclose the factors responsible for earning profit or suffering loss in a given period.

(v) The amount recoverable by the business from others (debtors) and payable to others (creditors).

(vi) Determination of tax-liability of the business and prevention of errors and frauds.

(vii) Protection of assets and measure of exercising a system of control.

Accounting: Accounting is a systematic process of identifying, recording, measuring, classifying, verifying, summarising, interpreting and communicating financial information. It reveals profit or loss for a given period and the value and nature of firm's assets, liabilities and owner's equity. Accounting provides information on the resources available to a firm and the results achieved through their use. The main function of accounting is to provide quantitative information about the economic entities required in making economic decisions. The American Accounting Association has defined accounting as "A process of identifying, measuring and communicating economic information to permit informed judgements and decisions by users of the information". There are three main branches of accounting:

(i) **Financial Accounting:** Financial accounting involves recording financial transactions and supplying information internally within the organization and to external stakeholders including shareholders, creditors and government/regulatory agencies as required.

(ii) **Cost Accounting:** Cost accounting helps in finding out the cost of production of a product manufactured.

(iii) **Management Accounting:** Management accounting emphasizes the preparation and analysis of accounting information related to funds, costs, profits, etc., within the organization.

Objectives of Accounting: Accounting has following main objectives:

- **To keep systematic records:** Accounting helps to keep a systematic record of financial transactions. In the absence of accounting there would have been terrific burden on human memory which in most cases would have been impossible to bear.
- **To protect business properties:** Accounting provides protection to business properties from unjustified and unwarranted us. This is possible on account of accounting supplying the information to the manager or the proprietor.
- **To ascertain the operational profit or loss:** With the help of accounting a businessman ascertains the net profit earned or loss suffered on account of carrying the business. This is done by keeping a proper record of revenues and expenses of a particular period. The profit and loss account is prepared at the end of a period and if the amount of revenue for the period is more than the expenditure incurred in earning that revenue, there is said to be a profit. In case the expenditure exceeds the revenue, there is said to be a loss.
- **To ascertain the financial position of business:** The profit and loss account gives the amount of profit or loss made by the business during a particular period. However, it is not enough. The businessman must know about his financial position *i.e.*, where he stands; what he owes and what he owns? This objective is served by the balance sheet or position statement.
- **To facilitate rational decision-making:** Accounting these days has taken upon itself the task of collection, analysis and reporting of information at the required points of time to the required levels of authority in order to facilitate rational decision-making.

Advantages of Accounting: Some of the advantages of accounting are as follows:

- **Complete and Systematic Record:** Accounting is based on generally accepted principles and a scientific way of presentation of business transactions in books of accounts. As such, accounting is a complete and systematic recording of all business transactions. The limitations of humans, that they cannot keep all transactions in mind, is overcome by accounting because each and every business transaction can be recorded and analysed through same.
- **Determination of Selling Price:** The main function of the management is decision making. Accounting helps and guides the management to take decisions in respect of determining selling price, deduction of cost, increase in sales, etc.
- **Valuation of Business:** In case of sale of business or conversion of one business into another, true and fair value of the business is calculated. Through accounting, the correct picture can be depicted in Balance Sheet and as such the purchase price can be determined. Balance Sheet shows the value of assets and liabilities of the business which can be used to calculate its net worth.
- **In Compliance of Law:** Every business has to deal with various government departments like income tax, sales tax, custom and excise, etc. Various periodic returns are to be filed with these departments. Accounting helps in preparation and filing of such returns.
- **Inter-Firm or Intra-Firm Comparison:** Trading and Profit and Loss Account shows net profit earned or net loss sustained by the business. If the accounts are maintained properly, records relating to various expenses, sales, gross profit and net profit, etc. can be compared.
- **Facilitates Audit:** Depending upon the size, nature and type of business, certification of books of accounts, known as audit, is mandatory. Audit certificate issued by the auditor on the accounts is a clean chit to organization which proves that there are no irregularities in the organization.
- **Effective Management:** Accounting facilitates proper feedback to the manage-

ment. As such, it helps the management in planning as well as control of different activities of the business enterprise. It also helps the management to evaluate the performance of the business enterprise and takes timely action to remove the short-comings in the management.

Limitations of Accounting: Following are the limitations of accounting:

- Transactions of non-monetary nature do not find place in accounting. Accounting is limited to monetary transactions only. It excludes qualitative elements like management reputation, employee morale, labour strike, etc.
- Cost concept is found in accounting. Price changes are not considered. Money value is bound to change often from time-to-time. This is a strong limitation of accounting.
- Acceptable alternatives are so broad based that comparisons are likely to be confusing or misleading. For instance, inventory cost may be ascertained by LIFO or FIFO; or stock may be evaluated at cost price or market price.
- Accounting policies are framed by the Accountant. The figures of balance sheet are largely resulted by personal judgement of accountant hence it is the subjective factor that prevails in accounting and objective factor is ignored.
- Recording and accounting for wages and labour is not carried out for different jobs, processes, products or departments. This creates problems in analysing the cost associated with different activities.
- It is difficult to know the behaviour of costs in financial accounting as expenses are not assigned to the product at each stage of production. Expenses are not classified into direct and indirect and therefore, cannot be classified as controllable and uncontrollable.
- Control of cost which is the most important objective of all business enterprise, cannot be achieved with the aid of financial accounting alone.
- Accounting does not provide information to analyse the losses due to various factors like idle plant and equipment, seasonal fluctuations in volume of business, etc. It does not help the management in taking important decisions about expansion of business, dropping a product, alternative methods of production, improvement in products, etc.
- Accounting does not set-up a proper system of controlling materials and supplies. Undoubtedly, if materials and supplies are not controlled in a manufacturing concern, they will lead to losses on account of misappropriation, misutilisation, scrap, defectives, etc.

Difference between Book-Keeping and Accounting: Book-keeping and Accounting both are essential for the successful running of any business. Book-keeping is important as it is the primary stage of keeping financial records and accounting is the building of analysis based on the brick of book-keeping. There are following differences between book-keeping and accounting:

Basis for Comparison	Book-Keeping	Accounting
Meaning	Book-keeping is an activity of recording the financial transactions of the company in a systematic manner.	Accounting is an orderly recording and reporting of the financial affairs of an organization for a particular period.
Decision-Making	On the basis of book-keeping records, decisions cannot be taken.	Decisions can be taken on the basis of accounting records.
Preparation of Financial Statements	Not done in the book-keeping process.	Part of Accounting Process.
Tools	Journal and Ledgers.	Balance Sheet, Profit & Loss Account and Cash Flow Statement.
Methods/Sub-fields	Single Entry System of Book-keeping and Double Entry System of Book-keeping.	Financial Accounting, Cost Accounting, Management Accounting, Human Resource Accounting, Social Responsibility Accounting.
Determination of Financial Position	Book-keeping does not reflect the financial position of an organization.	Accounting clearly shows the financial position of the entities.