

**CHENNAI - ACCOUNTANCY-KEY**  
PART -A

S.NO	OPTION	ANSWER
1	C	The suspense account
2	b	b) Sales returns account
3	b	R.N. Carter,
4	c	a, b
5	a	(a) Capital expenditure
6	a	3
7	c	Trade
8	b	Profit and loss a/c
9	c	Sales—indirect exp =G/p
10	b	statement

PART-B

11 Direct expenses 1 wages 2 freight 3coal gas water

12 Trading account

Dr		Cr	
PAR	RS	PAR	RS
To Op stock	3000	By sales	9200
Purchase	7000	Cl stock	2600
Gross profit	<b>1800</b>		
	11800		11800

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a) Vasu a/c Dr 5000  
To Sales a/c 5000

(The sale of goods to vasu not entered )

b) Sales a/c Dr 5000  
To suspense a/c 5000  
(twice recording )

14 Calculation of Amount of Depreciation

Cost of Asset+ Erection/Life  
20000+1000/5=**4200**

15 Deferred revenue expenditure.

An expenditure, which is revenue expenditure in nature, the benefit of which is to be derived over a subsequent period or periods is known as deferred revenue expenditure. The benefit usually accrues for a period of two or more years.

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a) Amount spent on demolition of building to construct a large building on the same site. - **Capital expenditure**  
b) Office rent paid - **revenue expenditure.**

17,

Point of difference	Straight line method	Written down value method
Basis of calculation	Depreciation is calculated on the original cost of the asset for all the years.	Depreciation is calculated on the written down value of the asset year after year.
Amount of depreciation	The amount of depreciation is the same for all the years.	The amount of depreciation goes on decreasing year after year.
Book value of the asset at the end of its life	The book value of the asset becomes zero when there is no scrap value or is equal to its scrap value at the end of its life.	The book value of the asset never becomes zero.

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a	Depreciation account should be debited with `5,000
b	Wages account should be credited with ` 2,000.
c	Nila account should be debited with ` 50.

19 Rate of Depreciation

$$160000+40000-8000=192000/4=48000$$

$$48000/200000 \times 100 = 14\%$$

20 Classify the following items into capital and revenue.

- Legal expenses paid for raising of loans—  
Capital
- Carriage paid on goods purchased--  
Revenue.
- Repairs to furniture  
-capital

Basis	Trial balance	Balance sheet
1. Nature	Trial balance is a list of ledger balances on a particular date.	Balance sheet is a statement showing the position of assets and liabilities on a particular date.
2. Purpose	Trial balance is prepared to check the arithmetical accuracy of the accounting entries made.	Balance sheet is prepared to ascertain the financial position of a business.
3. Contents	It is a summary of balances of all accounts – personal, real and nominal accounts	It is a statement showing the closing balances of only personal and real accounts

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**PROFIT AND LOSS ACCOUNT**

PAR	RS	PAR	RS
Office rent	10,000	<b>BY</b>	<b>50000</b>
Depreciation on office assets	8,000	<b>Gross profit</b>	2,000
Discount allowed	12,000	Interest received	3,000
Advertisement	4,000	Discount received	
Audit fees	1,000		
Carriage outwards	2,500		
Insurance on office building	3,500		
General expenses	3,000		
Net profit			
	11000		

PART -D

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a) **Error of principle**

It means the mistake committed in the application of fundamental accounting principles in recording a transaction in the books of accounts.

b) **Error of partial omission**

When the accountant has failed to record a part of the transaction, it is known as error of partial omission.

23 cause of depreciation

(i) Wear and tear 2 Efflux time 3 (iii) Obsolescence  
iv) Inadequacy for the purpose (v) Lack of maintenance (vi) Abnormal factors

24 Classify the following receipts into capital and revenue.

i) Sale proceeds of goods 150000- **revenue**  
ii) Loan borrowed from bank 50000 **Capital**  
iii) Sale of investment ` 240000 **Capital**  
iv) Commission received ` 60000 **revenue**  
v) ` 2800 wages paid in connection with the erection of new machinery. **Capital**

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**TRADING AND PROFIT AND LOSS ACCOUNT**

PAR	RS	PAR	RS
Opening stock	2,500	SALES	7000
Wages	2,700	Closing Stock	4000
Purchases	3300		
Gross profit	2,500		
	11000	G/P	11000
Salary: `	2600	Discount received	2500
N/P	2400		
	5000		5000

**BALANCE SHEET**

LIA	RS	ASSET	RS
CAPTAL		C Bank	6400
52000		Machin	52000
+N/P2400	54400	Cl stock	4000
Crs	8000		
	62400		62400

25 A Machinery Account

Par	Rs	par	Rs
To Bank	60000	By Dep	6000
		Bal c/d	54000
	60000		60000
To Bal b/d	54000	By Dep	5400
		Bal c/d	48600
	54000		54000
To Bal b/d	48600	By Dep	2430
		Bank sale	28600
		P/L(Loss)	17570
	48600		48600

Calculation of profit or loss of Machinery

Book value	60000
Less Dep 1	6000
2	5400
3	2430
	13830
	46170
Less sale	28600
Loss on sale	17570

Suspense account

par	Rs	par	Rs
To Balance	308	By D/ allowed	100
b/d	18	A/c	100
To Mekala		By D/ received	26
A/c		A/c	100
		By Stationery	
		A/c	
		By Purchases	
		A/c	
	326		326

25 b

	Par	Debit	Credit
a	Suspense A/c Dr. To Mekala A/c (Excess amount posted to Mekala account rectified)	18	18
b	Discount allowed A/c Dr. Discount received A/c Dr. To Suspense A/c (Discount allowed wrongly posted to discount received account rectified)	100 100	200
c	Kannan A/c Dr. To Mannan A/c (Wrong credit to Kannan account instead of mannan account rectified)	175	175
d	Stationery A/c Dr. To Suspense A/c (Purchase of stationery not posted to stationery account rectified)	26	26
e	Purchases A/c Dr. To Suspense A/c (Undercasting in the purchases book rectified)	100	100