

Kendriya Vidyalaya Sangathan

(Ahmedabad Region)



Class: XI

Study Material

Accountancy

(2021-22 Term-1)



TERM: I (2021-22)

CHIEF PATRON: **DR. JAIDEEP DAS**
Deputy Commissioner, KVS RO Ahmedabad

PATRON: **MS. SHRUTI BHARGAVA**
Assistant Commissioner, KVS RO Ahmedabad

CONVENOR: **MR. RAJESH TRIVEDI**
Principal, KV NO 2 ARMY Cantt Bhuj

CO-ORDINATOR: **MR. ARUN SHARMA**
Principal, KV AFS Naliya

CONTENT TEAM

Ms. Bharti Khatri, PGT Commerce, KV Jamnagar
Ms. Samita Rani, PGT Commerce, KV ONGC Ankleshwar
Mr. Anuj, PGT Commerce, KV Porbandar
Mr. Sunil Hind, PGT Commerce, KV No 2 Inf. Jamnagar

COMPILATION

Mr. N C Khambhati, PGT Commerce, KV No.3 AFS Baroda.

ACCOUNTANCY (055)
CLASS–XI (2021-22)
TERM WISE CURRICULUM (TERM 1)
MCQ BASED QUESTION PAPER

UNITS	PARTICULARS	MARKS
PART A	Part A: FINANCIAL ACCOUNTING-I	
	UNIT - 1	
	THEORETICAL FRAMEWORK	
1	INTRODUCTION TO ACCOUNTING	12
2	THEORY BASE OF ACCOUNTING	
	UNIT - 2	
	ACCOUNTING PROCESS	
3	RECORDING OF BUSINESS TRANSACTIONS	28
4	BANK RECONCILIATION STATEMENT	
5	DEPRECIATION, PROVISIONS AND RESERVES	
	TOTAL	40
	PROJECT	10

INDEX

UNIT	NAME OF THE CHAPTER	PAGE NO.
1	INTRODUCTION TO ACCOUNTING	4-9
2	THEORY BASE OF ACCOUNTING	10-15
3	RECORDING OF BUSINESS TRANSACTIONS	16-22
4	BANK RECONCILIATION STATEMENT	23-33
5	DEPRECIATION, PROVISIONS AND RESERVES	34-42

INTRODUCTION OF ACCOUNTING

Q. No.	OBJECTIVE TYPE QUESTIONS
1	<p>In accounts recording is made of:</p> <p>(A) Only Financial Transactions</p> <p>(B) Only Non-financial transactions</p> <p>(C) Financial as well as non-financial transactions</p> <p>(D) Personal transactions of the Proprietor</p>
2	<p>Which of the following transactions is not of financial character?</p> <p>(A) Purchase of asset on credit</p> <p>(B) Purchase of asset for cash</p> <p>(C) Withdrawing of money by owner for personal use</p> <p>(D) Strike by Employees</p>
3	<p>Last step of accounting process is :</p> <p>(A) Provide information to various parties who are interested in business enterprise.</p> <p>(B) Record transactions in the books.</p> <p>(C) To make summary in the form of financial statements.</p> <p>(D) To classify the transactions under separate heads in the ledger.</p>
4	<p>Ledger is related to :</p> <p>(A) Provide information to various parties who are interested in business enterprise.</p> <p>(B) Record transactions in the books.</p> <p>(C) To make summary in the form of financial statements.</p> <p>(D) To classify the transactions under separate heads in the ledger.</p>
5	<p>Which of the following is not a limitation of accounting?</p> <p>(A) Based on accounting conventions</p> <p>(B) Evidence in Legal Matters</p> <p>(C) Incomplete Information</p> <p>(D) Omission of Qualitative Information</p>
6	<p>Which of the following is not an objective of accounting?</p> <p>(A) To assist the Management.</p> <p>(B) To ascertain cost of a product.</p> <p>(C) To provide information to various users.</p>

	(D) To record business transaction in terms of money
7	Is the process of Ascertain the cost? (A) Tax accounting (B) Social responsibility accounting (C) Cost accounting (D) Management accounting
8	The book in which various kind of account are opened is called (A) Ledger (B) subsidiary (C) trial book (D) Original book
9	Accounting starts where book keeping_____ (A) Starts (B) Ends (C) Mid way (D) Don't know
10	Which of the following is not a business transaction? (A) Bought furniture of Rs. 10,000 for business (B) Paid for salaries of employees 15,000. (C) Paid sons fees from her personal bank account Rs.20,000. (D) Paid sons fees from the business Rs. 2,000
11	Which qualitative characteristics of accounting information are reflected when accounting information is clearly presented? (A) Relevance (B) Comparability (C) Reliability (D)Understandability
12	Book-keeping is mainly concerned with : (A) Recording of financial data (B) Designing the systems of summarizing the recorded data (C) Interpreting the data for internal and external users (D) Preparation of financial statements of the business enterprise
13	External users of accounting information are not: (A) Lenders (B) Officers (C) Employees (D) Public
14	What is the end product of accounting cycle? (A) Trading, profit and loss account and balance sheet (B) Cash book (C)Journal

	(D) Transactions
15	Which of the following is not a current assets: (A) Stock in hand (B) Cash at Bank (C) Prepaid expenses (D) Long term investments
16	Real Account are not: (A) Cash A /c (B) Furniture A/c (C) Patents A/c (D) Salary A/c
17	Book of original record is (A) Balance sheet (B) Profit and loss A/c (C) Journal (D) Ledger
18	Rule of Nominal A/c is: (A) Debit income, Credit loss (B) Debit receiver, Credit giver (C) Debit losses and expenses, credit income and gain (D) Debit comes in, credit goes out
19	Use of common unit of measurement and common format of reporting promotes: (A) Comparability (B) Understandability (C) Relevance (D) Reliability
20	_____ involves the balancing of ledger accounts and preparation of trial balance with the help of such balances. (A) Classifying (B) Recording (C) Summarizing (D) Interpreting
21	Chronological order means: (A) Month-to-Month (B) Year-to-Year (C) Week to Week (D) Day to Day
22	Recording step of accounting as a process of information is related to (A) User of Accounting Information (B) Ledger (C) Primary Book(D) Trial Balance
23	Out of the following which item is known as position statement? (A) Income Statement (B) Balance Sheet

	(C) Cash flow statement (D) Trading A/c.
24	Which of the following is the most relevant accounting information for taxation Department? (A) Cash Balance of the firm (B) Book Value of the Fixed Assets (C) Credit Sales of the year (D) Profit generated during the year
25	Money spent on Acquire of Assets is known as: (A) Expenditure (B) Expenses (C) Deferred revenue expenditure (D) Both (B) and (C)
ASSERTION REASONING QUESTIONS	
26	Assertion (A) - It is not necessary to match “revenues” of the period with the expenses” of that period to determine correct profit or loss for the accounting period. Reason (R) – Therefore, it is not relevant when the payment was made or received. All adjustments are made for all outstanding expenses and prepaid expenses. (A) Both (A) and (R) are true and (R) is the correct explanation of (A). (B) Both (A) and (R) are true and (R) is not the correct explanation of (A). (C) (A) is true, but (R) is false. (D) (A) is false, but (R) is true.
27	Assertion (A) – Accounting process is carried out on the basis of the rules and principles framed by accountancy. Reason (R) – Thus, it may be said that accountancy is knowledge of accounting and accounting is the application of accountancy. (A) Both (A) and (R) are true and (R) is the correct explanation of (A). (B) Both (A) and (R) are true and (R) is not the correct explanation of (A). (C) (A) is true, but (R) is false (D) (A) is false, but (R) is true.
28	Assertion (A) – Financial accounting is confined to recording of financial transactions and events in the books of account, preparation of financial

	<p>statements.</p> <p>Reason (R) – Financial accounting also records transactions which are of non-financial in nature.</p> <p>(A) Both (A) and (R) are true and (R) is the correct explanation of (A).</p> <p>(B) Both (A) and (R) are true and (R) is not the correct explanation of (A).</p> <p>(C) (A) is true, but (R) is false.</p> <p>(D) (A) is false, but (R) is true.</p>
29	<p>Assertion (A) - There should be complete and understandable reporting on the financial statements of all significant information relating to the economic affairs of the entity.</p> <p>Reason (R) – Such disclosure of material information will result in better understanding of financial statements.</p> <p>(A) Both (A) and (R) are true and (R) is the correct explanation of (A).</p> <p>(B) Both (A) and (R) are true and (R) is not the correct explanation of (A).</p> <p>(C) (A) is true, but (R) is false.</p> <p>(D) (A) is false, but (R) is true.</p>
30	<p>Assertion (A) – Double entry system is a scientific System</p> <p>Reason (R) – it helps to know the financial position of business.</p> <p>(A) Both (A) and (R) are true and (R) is the correct explanation of (A).</p> <p>(B) Both (A) and (R) are true and (R) is not the correct explanation of (A).</p> <p>(C) (A) is true, but (R) is false</p> <p>(D) (A) is false, but (R) is true</p>
31	<p>Mr. Naveen dealing in electronic goods sold 20 TV sets costing 30000 Rs. Each at Rs. 40000 each. Out of this Rs. 5, 00,000 were received in cash and the balance is not yet received. State the answer of following.</p>
(i)	<p>Amount of Revenue</p> <p>(A) 5,00,000 (B) 6,00,000</p> <p>(C) 8,00,000 (D) 7,00,000</p>
(ii)	<p>Amount of Debtor</p> <p>(A) 2,00,000 (B) 3,00,000</p> <p>(C) 4,00,000 (D) 7,00,000</p>
(iii)	<p>Amount of Profit</p>

	(A) 2,00,000 (B) 3,00,000 (C) 5,00,000 (D) 7,00,000
(iv)	Amount of Creditor (A) 2,00,000 (B) 3,00,000 (C) 5,00,000 (D) None of the Above
	CASE BASED QUESTIONS
32	Mohan starting his Clothes business with Rs. 2,00, 000. He purchases Clothes for 1, 20,000 in cash and 50,000 in credit from Ram. He also purchases furniture for Rs. 20,000. He appoint Mr. X for attend the customer. Salary of Mr. X is 6000 Rs per month. State the type of Account in Above case study.
(i)	Capital A/c (A) Real Account (B) Personal A/c (C) Nominal A/c (D) None of the above
(ii)	Furniture A/c (A) Real Account (B) Artificial Personal A/c (C) Nominal A/c (D) None of the above
(iii)	Salary A/c (A) Real Account (B) Artificial Personal A/c (C) Nominal A/c (D) Representative Personal A/c
(iv)	Mr. Ram is treated in this case (A) Creditor (B) Debtor (C) Owner (D) Financer

Answers:

1. A	2. D	3. A	4. D	5. B	6. B	7. C	8. A
9. B	10. C	11. D	12. A	13. B	14. A	15. D	16. D
17. C	18. C	19. A	20. C	21. D	22. C	23. B	24. D
25. A	26. D	27. A	28. C	29. A	30. B	31(i). C	31(ii). B
31(iii). A	31(iv). D	32(i). B	32(ii). A	32(iii). C	32(iv). A		

THEORY BASE OF ACCOUNTING

Q.No.	OBJECTIVE TYPE QUESTIONS
1	Which of the basis of accounting is recognized by Indian companies Act, 2013: (A) Cash basis (B) Accrual basis (C) Both (A) and (B) (D) Hybrid basis
2	IFRS stands for: (A) Indian formal reporting system (B) Indian financial reporting system (C) International financial reporting standards (D) International financial reporting system
3	Which basis of accounting is generally adopted by the professionals like doctor lawyers etc.? (A) Cash basis (B) Accrual basis (C) Hybrid Basic (D) None of these
4	Principle of conservation takes into account: (A) All future profits and losses (B) All future profits and not losses (C) All future losses and not profit (D) Neither profits nor losses of future
5	The cost of a calculator is accounted as an expense and not shown as on asset in a financial statement of business entity due to: (A) Materiality concept (B) Matching concept (C) Periodicity concept (D) Principle of full disclosure
6	ICAI stands for (A) Institute of Company Accounts of India (B) Institute of Chartered Account of India (C) Institute of Chartered Accountant of India (D) Institute of Company Association of India

7	<p>M/s S Ltd. has invested Rs. 10,000 in the shares of Reliance industries Ltd. Current market value of these shares is Rs. 10,500. Accountant of S Ltd. wants to show Rs. 10,500 as value of investment in the books of accounts, which accounting convention restricts him from doing so?</p> <p>(A) Full Disclosure (B) Consistency (C) Conservatism (D) Materiality</p>
8	<p>'GAAP' stands for</p> <p>(A) Genuinely Accepted Account Principle (B) Genius Accounting Accepted Principle (C) Generally Accepted Accounting Principle (D) Globally Accepted Accounting Principle</p>
9	<p>According to which principle even the proprietor of the business is treated as a creditor of the business:</p> <p>(A) Going concern (B) Cost principle (C) Business Entity Principle (D) Accounting Period Principle</p>
10	<p>As per Dual Aspect Principle</p> <p>(A) Assets = Liabilities - Capital (B) Assets = Capital - Liabilities (C) Assets = Liabilities + Capital (D) Capital = Assets + Liabilities</p>
11	<p>Which Tax merged in GST</p> <p>(A) Income Tax (B) Wealth Tax (C) Service Tax (D) All of the Above</p>
12	<p>Income is measured on the basis of:</p> <p>(A) Cost concept (B) Consistency concept (C) Matching Concept (D) None of the above</p>
13	<p>The basis of ascertaining profit and loss as</p> <p>(A) Cash Basis (B) Accrual Basis</p>

	(C) Hybrid Basis (D) Mixed Basis
14	As per income Tax Act, accounting period is (A) From 1 st Jan to 31 st Dec (B) From 1 st April 1 to 31 st March (C) From 1 st July to 30 th June (D) From Diwali to Diwali
15	In India, the accounting standard board was set up in the year – (A) 1972 (B) 1975 (C) 1956 (D) 1977
16	The basic accounting postulates are denoted by – (A) Concepts (B) Book keeping (C) Accounting standards (D) None of these
17	Meaning of credibility of going concern is: (A) Closing of business (B) Continuing of business (C) Opening of business (D) None of these
18	Which of these is not a fundamental Accounting Assumption (A) Going Concern (B) Consistency (C) Accrual (D) Materiality
19	Presenting of financial Statement related to (A) AS-3 (B) AS-1 (C) AS-2 (D)AS-4
20	Contingent Liabilities Show in..... (A) Assets Side (B) Liabilities Side (C) Footnote of B/S (D) Expenses Side
21	Capital invested by owner Show as a liabilities in balance sheet due to (A) Business Entity Concept (B) Matching Concept (C) Accounting Period Concept (D) Historical cost concept
22	In accounting we are recording Assets on Book value not on Market Price due

	<p>to...</p> <p>(A) Business Entity Concept (B) Historical cost concept (C) Accounting Period Concept (D) Dual Aspect Concept</p>
23	<p>Advantages of Accounting Standard</p> <p>(A) Reliability (B) Comparability (C) Consistency (D) All of above</p>
24	<p>Which method of Accounting is adopted by company Act, 2013</p> <p>(A) Cash Basic (B) Accrual Basic (C) Hybrid Basic (D)All of above</p>
25	<p>According to which concept the same accounting method should be used each year.</p> <p>(A) Prudence (B) Materiality (C) Consistency (D) Historical cost concept</p>
ASSERTION REASONING QUESTIONS	
26	<p>Assertion (A) - outstanding expenses must be added to particular expenses to know exact position.</p> <p>Reason (R) – All cost which is applicable to revenue of the period should be charged against the revenue.</p> <p>(A) Both (A) and (R) are true and (R) is the correct explanation of (A). (B) Both (A) and (R) are true and (R) is not the correct explanation of (A). (C) (A) is true, but (R) is false. (D) (A) is false, but (R) is true</p>
27	<p>Assertion (A) – Income are recorded when they are earned or accrued, irrespective of the fact whether cash is received or not.</p> <p>Reason (R) – Accounting Standard is not permitted to Record of Such income.</p> <p>(A) Both (A) and (R) are true and (R) is the correct explanation of (A). (B) Both (A) and (R) are true and (R) is not the correct explanation of (A). (C) (A) is true, but (R) is false. (D) (A) is false, but (R) is true</p>
28	<p>Assertion (A) – Professional person ignore outstanding income but consider outstanding expenses.</p> <p>Reason (R) – Professional persons follow Cash base system of Accounting.</p>

	<p>(A) Both (A) and (R) are true and (R) is the correct explanation of (A).</p> <p>(B) Both (A) and (R) are true and (R) is not the correct explanation of (A).</p> <p>(C) (A) is true, but (R) is false.</p> <p>(D) (A) is false, but (R) is true</p>
29	<p>Assertion (A) – GST has a dual Aspect.</p> <p>Reason (R) – In GST Central and state government simultaneously levy on a common tax base.</p> <p>(A) Both (A) and (R) are true and (R) is the correct explanation of (A).</p> <p>(B) Both (A) and (R) are true and (R) is not the correct explanation of (A).</p> <p>(C) (A) is true, but (R) is false.</p> <p>(D) (A) is false, but (R) is true.</p>
30	<p>Assertion (A) – GST is destination base tax.</p> <p>Reason (R) – GST is applicable on all level of sale of goods & services.</p> <p>(A) Both (A) and (R) are true and (R) is the correct explanation of (A).</p> <p>(B) Both (A) and (R) are true and (R) is not the correct explanation of (A).</p> <p>(C) (A) is true, but (R) is false.</p> <p>(D) (A) is false, but (R) is true.</p>
	CASE BASED QUESTIONS
31	<p>Mr. A of Baroda purchased goods of Rs. 50,000 from Mr. B of Surat and Rs. 1,20,000 From Mr. X of Jaipur. Mr.A sold goods costing of 1, 30,000 to a businessman in Gujarat for Rs. 1,50,000. Rate of IGST is 10%, Rate of SGST is 5 % and Rate of CGST is 5%.</p>
(i)	<p>Amount of IGST charged by Mr. A</p> <p>(A) 12000 (B) 17000</p> <p>(C) Nil (D) 13000</p>
(ii)	<p>Amount of IGST charged by Mr. X</p> <p>(A) 22000 (B) 17000</p> <p>(C) 3000 (D) 12000</p>
(iii)	<p>Amount of SGST charged by Mr. A</p> <p>(A) 15000 (B) 9000</p> <p>(C) 7500 (D) 6500</p>
(iv)	<p>Amount of CGST charged by Mr. A</p>

	(A) 7500 (C) 15000	(B) 6500 (D) 13000
32	There are three main components under GST which are IGST, CGST and SGST. Tax collected under CGST and IGST will constitute revenue of central government while collection of SGST is revenue for state govt. all tax like. VAT, entertainment tax, luxury tax and all other which have indirect nature will be merged with GST.	
(i)	Nature of GST is (A) Direct Tax (C) Merged Tax	
	(B) Indirect Tax (D) None of the above	
(ii)	Source of income for State Govt. under GST (A) IGST (C) SGST	
	(B) CGST (D) All of the above	
(iii)	Source of income for Central Govt. under GST (A) IGST (C) SGST	
	(B) CGST (D) Both (A) & (B)	
(iv)	Narrate IGST _____. (A) Integrated Good & Sale Tax (C) Integrated Good & Services Tax	
	(B) Inter Good & Services Tax (D) Interrelated Good & Services Tax	

ANSWERS:

1. B	2. C	3. C	4. C	5. A	6. B	7. C	8. C
9. C	10. C	11. C	12. A	13. B	14. B	15. D	16. C
17. B	18. D	19. B	20. C	21. A	22. B	23. D	24. B
25. C	26. A	27. C	28. C	29. A	30. C	31(i). C	31(ii). D
31(iii). C	31(iv). A	32(i). B	32(ii). C	32(iii). D	32(iv). C		

RECORDING OF BUSINESS TRANSACTIONS

Q.No.	OBJECTIVE TYPE QUESTIONS								
1	An increase in one liability is accompanied by:								
	(A) Increase in another asset (B) Decrease in another liability (C) Increase in capital (D) All of these								
2	Which of the following accounts has a credit balance?								
	(A) Discount Received (B) Wages (C) Bank (D) Discount Allowed								
3	Narration should not be written in Journal.								
	(A) True (B) False (C) Partially True (D) None of these								
4	When two accounts are debited or credited, it is called:								
	(A) Single Entry (B) Dual Entry (C) Compound Entry (D) None of these								
5	Closing Stock is Rs. 10,000. Journalise in the books of account by crediting _____.								
	(A) Purchase Account (B) Sales Account (C) Trading Account (D) None of these								
6	Match the followings:								
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 50%;">(a) Journal, Ledger</td> <td>(i) Like a Statement</td> </tr> <tr> <td>(b) Real Accounts</td> <td>(ii) Contra Entry</td> </tr> <tr> <td>(c) Simple Petty Cash Book</td> <td>(iii) Book-Keeping</td> </tr> <tr> <td>(d) Cash Book</td> <td>(iv) Related to Assets</td> </tr> </tbody> </table>	(a) Journal, Ledger	(i) Like a Statement	(b) Real Accounts	(ii) Contra Entry	(c) Simple Petty Cash Book	(iii) Book-Keeping	(d) Cash Book	(iv) Related to Assets
(a) Journal, Ledger	(i) Like a Statement								
(b) Real Accounts	(ii) Contra Entry								
(c) Simple Petty Cash Book	(iii) Book-Keeping								
(d) Cash Book	(iv) Related to Assets								
	(A) a-iii, b-iv, c-i, d-ii (B) a-ii, b-iv, c-i, d-iii (C) a-i, b-iv, c-ii, d-iii (D) None of these								
7	Raju sold goods to Shruti for Rs. 10,000 at 10% Trade Discount. It will be recorded by Shruti in.....book.								
	(A) Purchase Book (B) Cash Book (C) Pass Book (D) Sales Book								

8	Post-dated cheque received from a Debtor is recorded in	
	(A) Journal Proper (C) Pass Book	(B) Cash Book (D) None of these
9	Match the followings:	
	(a) Cash Memo	(i) For Depositing cash or cheque into bank
	(b) Invoice	(ii) Prepared by the seller when goods are sold on credit
	(c) Debit Note	(iii) Prepared by seller when goods are sold against cash
	(d) Pay-in-slip	(iv) Evidencing that a debit has been made to the account of the party
	(A) a-iii, b-ii, c-iv, d-i (C) a-i, b-ii, c-iv, d-iii	(B) a-i, b-ii, c-iv, d-ii (D) a-iv, b-ii, c-iii, d-i
10	The process of transferring the transactions from the Journal to the Ledger is known as:	
	(A) Balancing (C) Journlising	(B) Costing (D) Posting
11	Ravi paid Rs. 4,900 in settlement of his account of Rs. 5,000. Discount allowed will be recorded in-	
	(A) Cash Book (C) Both Cash Book and Journal	(B) Journal Book (D) Petty Cash Book
12	Sunil purchased 1,000 add Ger Roller Pens@ Rs.50 each less Trade Discount of 20%. Purchase Account will be debited by:	
	(A) Rs.50,000 (C) Rs.45,000	(B) Rs.40,000 (D) Rs.60,000
13	Bad Debts earlier written off, now received are credited to-	
	(A) Bad Debts A/c (C) Misc Income A/c	(B) Debtors A/c (D) Bad Debts Recovered A/c
14	Outstanding Rent is a..... account.	
	(A) Personal (C) Real	(B) Nominal (D) None of these

15	Repair expenses paid on purchase of an old machine debited to _____.
	(A) Repair Account (B) Machinery Account (C) Misc Expenses Account (D) None of these
16	_____ folio column is prepared in the sales book
	(A) Journal (B) Ledger (C) Sales (D) None of these
17	From _____ book balance is directly transferred to the Trial Balance.
	(A) Journal (B) Sales Book (C) Ledger (D) Cash
18	On inter-state purchase of goods, which of the following GST is levied?
	(A) IGST (B) IGST and CGST (D) CGST (D) SGST
19	Mahesh of Jaipur, Rajasthan sold goods to Naresh of Jodhpur, Rajasthan of Rs.20,000 if rate of GST 12%, Mahesh will charge CGST and SGST @6% each.
	(A) True (B) False (C) Partially True (D) None of these
20	Total of the debit side of the Cash Book can be _____ than or _____ to the total of credit side
	(A) More, Equal (B) Equal, Less (C) Less, More (D) None of these
21	Goods distributed as free samples is posted to the credit of _____ account.
	(A) Sales Account (B) Purchase Account (C) Debtors Account (D) Drawings Account
22	Cash discount is allowed @10% on Rs.7,750. The amount paid will be _____.
	(A) Rs. 7,000 (B) Rs. 6,925 (C) Rs. 6,900 (D) Rs. 6,975
23	Cash Vouchers are of two types, viz, Debit Vouchers and Credit Vouchers.
	(A) True (B) False (C) Partially True (D) None of these

24	Carriage Inwards and Carriage Outwards have credit balances.
	(A) True (B) False (C) Partially True (D) None of these
25	Sumit, who owed Rs. 10,000 become insolvent. 70 paise in a rupee was received from his estate. Bad Debts Account will be debited by:
	(A) Rs. 10,000 (B) Rs. 5,000 (C) Rs. 1,500 (D) Rs. 7,000
ASSERTION REASONING QUESTIONS	
<u>A/R Questions:</u>	
In each of the questions given below, there are two statements marked as Assertion (A) and Reason (R). Mark your answers as per the codes provided below:	
(A) Both A and R are true and R is the correct explanation of A.	
(B) Both A and R are true but R is not the correct explanation of A.	
(C) A is true but R is false.	
(D) Both A and R are false.	
26	Assertion: Ledger is called Principal Book of accounts as any accounting information can be extracted from it. Reason: Ledger are essential to complete a system of accounting.
27	Assertion: A debit balance is always signifying a balance in Assets Account. Reason: Rent account has debit balance.
28	Assertion: Journal Folio column is maintained in the ledger to show the page at which transaction was recorded in the Journal. Reason: Ledger Folio column is maintained in the Journal to show the page at which transaction was recorded in the Ledger.
29	Assertion: Journal Proper is a residuary book which is used for recording those transactions which are not recorded in any of the other books of original entry. Reason: Journal proper or General Journal is a simple book of chronological records of business transactions . This book of original entry (simple journal) in which miscellaneous credit transactions which do not fit in any other books are recorded.

	<ul style="list-style-type: none"> • Cash Sales Rs. 2,000 • Purchase of Furniture by cheque Rs.2,000 <p>Mr. Saurav maintains Principal as well as subsidiaries books of accounts including Cash Book, Purchase Book, Sales Book, Purchase Return Book, Sales Return Book and Journal Proper.</p> <p>Answer the following questions from the above case:</p>
(i)	Mr. Sourav started business with Machinery, where the transaction of machinery recorded.
	(A) Cash Book (B) Journal Proper (C) Purchase Book (D) Sales Book
(ii)	He Purchase furniture by cheque, where it will be recorded in:
	(A) Journal Proper (B) cheque Book (C) Purchase Book (D) Cash Book
(iii)	Mr. Saurav has no need to prepare two accounts if he maintains double column Cash Book. Which two accounts he has no need to prepare _____.
	(A) Cash, Bank (B) Bank, Cheque in hand (C) Bank Overdraft, Bank (D) Machinery
(iv)	In which side of Cash Book does Cash Sales recorded:
	(A) Credit (B) Debit (C) Not recorded in Cash Book (D) None of these

Answers:

Objective type Questions:

- | | | |
|--------|--------|--------|
| (1) D | (2) A | (3) B |
| (4) C | (5) C | (6) A |
| (7) A | (8) A | (9) A |
| (10) D | (11) B | (12) B |
| (13) D | (14) A | (15) B |
| (16) B | (17) D | (18) A |

(19) A

(20) A

(21) B

(22) D

(23) A

(24) D

(25) D

A/R Questions:

(26) A

(27) B

(28) B

(29) A

(30) D

Case based questions:

(31) (i) A

(ii) D

(iii) C

(iv) B

(32) (i) B

(ii) D

(iii) A

(iv) B

BANK RECONCILIATION STATEMENT

Q. No.	OBJECTIVE TYPE QUESTIONS
1	<p>Bank reconciliation statement is prepared to reconcile _____ and _____ balances.</p> <p>A. Cash Book; Pass Book B. Cash book; Cash Account C. Bank Account; Cash Book D. Cash Account; Pass book</p>
2	<p>Bank overdraft is _____ balance as per Cash book.</p> <p>A. Debit B. Credit C. Both A and B D. None of the above</p>
3.	<p>When money is withdrawn from bank, the bank _____ the account of customer in Pass Book.</p> <p>A. Debits B. Credits C. Both A and B D. None of the above</p>
4	<p>While preparing the Bank Reconciliation Statement, Pass book is compared with _____ balance of cash book.</p> <p>A. Cash B. Bank C. Debit D. Credit</p>
5	<p>Debit Balance as per Cash book shows:</p>

	<p>A. Bank withdrawals are more than deposits.</p> <p>B. Bank withdrawals are less than deposits</p> <p>C. Bank deposits are less than withdrawals.</p> <p>D. All of the above</p>
6	<p>Cheque issued and debited in the Pass Book but omitted to be recorded in Cash Book would _____ the Cash book Balance.</p> <p>A. Total</p> <p>B. Not effect</p> <p>C. Overcast</p> <p>D. Undercast</p>
7	<p>A statement showing reasons for differences between Cash Book and Pass book balances on a particular day is called Trial Balance.</p> <p>A. True</p> <p>B. False</p> <p>C. Partially True</p> <p>D. Partially False</p>
8	<p>Unfavourable balance as per Cash book is credit balance.</p> <p>A. True</p> <p>B. False</p> <p>C. None of the above</p> <p>D. Both B and C</p>
9	<p>Amount directly deposited by customers into Bank but no information received will increase Pass book balance.</p> <p>A. True</p> <p>B. False</p> <p>C. Partially True</p> <p>D. Partially False</p>
10	<p>When money is withdrawn from Bank, the bank credits the account of customer.</p> <p>A. True</p> <p>B. False</p> <p>C. Both of the above</p> <p>D. None of the above</p>

11	<p>Cash Book is the copy of trader's account in the books of the Bank.</p> <p>A. True B. False C. Partially True D. Partially False</p>
12	<p>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.</p> <p>A. True B. False C. None of the above D. Cannot be determined</p>
13	<p>Bank reconciliation statement is prepared by:</p> <p>A. Bank B. Customer's accountant C. Auditors D. None of the above</p>
14	<p>The differences between the cash-book and bank pass-book is caused by:</p> <p>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</p>
15	<p>Which of the following is not a part of Double Entry System?</p> <p>A. Cash-book B. Journal C. Trial balance D. Bank reconciliation statement</p>
16	<p>Cheques deposited but not collected will result in:</p> <p>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)</p>
17	<p>Cash Book of a trader shows a debit bank balance of Rs. 6,400. While comparing</p>

	<p>it with Pass-Book, it was found that a cheque of Rs. 7,200 issued was recorded on the debit side of Cash-Book. The Pass-Book balance at this point of time would be:</p> <p>A. Nil B. Rs. 8000 Cr. C. Rs. 8000 Dr. D. None of above</p>						
18	<p>If Cash-Book (Bank Column) shows a balance of Rs. 10,000 and following were observed while comparing it with Pass-Book:</p> <p>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:</p> <p>A. Rs. 11,000 B. Rs. 10,900 C. Rs. 9,100 D. Rs. 8,900</p>						
19	<p>Which of the following is not a reason due to time difference on recording of the transactions while preparing bank reconciliation statement?</p> <p>A. Unpresented cheques. B. Uncollected cheques. C. Payment side of cash book overcast. D. Direct deposit by Customer into bank.</p>						
20	<p>Match items in List I with terms in List II using the codes given below the lists-</p> <table border="1" data-bbox="318 1388 1464 1818"> <tr> <td data-bbox="318 1388 889 1551">1. Cheques issued by the bank but not yet presented for payment .what will be its effect on pass book</td> <td data-bbox="889 1388 1464 1551">a) Pass book balance is less than cash book balance.</td> </tr> <tr> <td data-bbox="318 1551 889 1715">2. Cheques pay into bank but not yet collected. What will be its effect on pass book</td> <td data-bbox="889 1551 1464 1715">b) Pass book balance is more than cash book balance.</td> </tr> <tr> <td data-bbox="318 1715 889 1818"></td> <td data-bbox="889 1715 1464 1818">c) Cannot be determined.</td> </tr> </table> <p>A. 1-a, 2-b B. 1-b, 2-a</p>	1. Cheques issued by the bank but not yet presented for payment .what will be its effect on pass book	a) Pass book balance is less than cash 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) Cannot be determined.
1. Cheques issued by the bank but not yet presented for payment .what will be its effect on pass book	a) Pass book balance is less than cash 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) Cannot be determined.						

C. 1-c, 2-a

D. 1-b, 2-c

21

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 equal to 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) Pass book balance is equal to Cash book balance.
	d) Pass book balance is less than cash book balance.

A. 1-a, 2-b

B. 1-b, 2-c

C. 1-c, 2-d

D. 1-d, 2-b

22

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

A. 1-a, 2-b

B. 1-b, 2-a

	<p>C. Both A and B</p> <p>D. None of the above</p>	
23	<p>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?</p>	
	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
	<p>A. 1-a, 2-b</p> <p>B. 1-b, 2-a</p> <p>C. Both A and B</p> <p>D. None of the above</p>	
24	<p>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?</p>	
	1. Dishonour of Bills of Exchange.	a) Plus side
	2. Direct deposit made into bank by the customer	b) minus side
		c) none of any side
	<p>A. 1-a, 2-b</p> <p>B. 1-b, 2-a</p> <p>C. 1-c, 2-d</p> <p>D. 1-d, 2-b</p>	
25	<p>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?</p>	
	1. Post-dated cheque of Rs. 15,000	a) 15,000 Plus side

	debited in the cash book but not sent to bank.	
	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

- A. 1-a, 2-b
- B. 1-a, 2-c
- C. 1-c, 2-d
- D. 1-d, 2-b

ASSERTION AND REASON BASED QUESTIONS

In the questions given below are two statements labeled as Assertion (A) and Reason (R). Read these two statements and decide which of the given option is correct:

26	<p>Assertion (A): Bank statement is prepared by Bank.</p> <p>Reason (R): All business firms open current account with banks.</p> <p>Options:</p> <ul style="list-style-type: none"> a) Both A and R are true, R is the correct explanation of A. b) Both A and R are true, R is not the correct explanation of A. c) A is correct, but R is incorrect. d) A is incorrect, but R is correct.
27	<p>Assertion (A): Cheque issued but not presented in the bank are called unrepresented cheque.</p> <p>Reason (R): It is not compulsory to present the cheque in the bank to receive the payment.</p> <p>Options:</p> <ul style="list-style-type: none"> a) Both A and R are true, R is the correct explanation of A. b) Both A and R are true, R is not the correct explanation of A. c) A is correct, but R is incorrect. d) A is incorrect, but R is correct.

28	<p>Assertion (A): Interest collected by bank is recorded on the credit side of Cash Book in Bank column.</p> <p>Reason (R): Customer can give instruction to the bank to collect interest on behalf of customer.</p> <p>Options:</p> <ul style="list-style-type: none"> a) Both A and R are true, R is the correct explanation of A. b) Both A and R are true, R is not the correct explanation of A. c) A is correct, but R is incorrect. d) A is incorrect, but R is correct.
29	<p>Assertion (A): For transactions which reduce the Cash Book balance, Passbook must be decreased for the purpose of reconciliation of BRS.</p> <p>Reason (R): If BRS is prepared with Passbook Balance.</p> <p>Options:</p> <ul style="list-style-type: none"> a) Both A and R are true, R is the correct explanation of A. b) Both A and R are true, R is not the correct explanation of A. c) A is correct, but R is incorrect. d) A is incorrect, but R is correct.
30	<p>Assertion (A): Unfavourable balance as per Pass Book is Debit Balance.</p> <p>Reason (R): Favourable Balance as per Cash Book is Debit Balance.</p> <p>Options:</p> <ul style="list-style-type: none"> a) Both A and R are true, R is the correct explanation of A. b) Both A and R are true, R is not the correct explanation of A. c) A is correct, but R is incorrect. d) A is incorrect, but R is correct.
CASE STUDY BASED QUESTION	
31	<p><u>Read the following hypothetical text and answer the given questions:</u></p> <p>After completing his 12th class with commerce stream, Raman started to assist his father in their family business named, Raman & Sons.. One day while going through the Cash Book of Raman & Sons, he found that the cash book showed a balance of Rs. 2,500 at Bank as on 31st December, 2021. He recalled the topic of Bank reconciliation statement studied by him during his 11th standard in Accountancy subject. Thus, he tried to tally the balance of Cash book with Pass</p>

	<p>book. He found out that there is some mismatch, so he enquired and found that they sent cheques amounting to Rs. 13,500 for collection before 31st December, but it seems from Pass Book that cheques for Rs. 8,500 had been credited by this date. Similarly, they issued cheques for Rs. 9,800 in the month of December, but cheques for Rs. 1,350 were presented in January, 2022.</p> <p>The pass book also revealed that bank collected dividend on securities Rs. 1,000 as per standing instruction. Bank also charged Rs. 210 as incidental charges. Both of these entries were not passed in the Cash Book. So, he tried to prepare a Bank Reconciliation Statement to reconcile the balance of cash book with the balance of pass book.</p> <p>Based on above information you are required to answer the following questions.</p>
(i)	<p>When Bank Reconciliation Statement is prepared with debit balance as per Cash Book, the Balance derived will be</p> <p>A. Credit Balance as per Pass Book B. Debit Balance as per Cash Book C. Debit Balance as per Pass Book D. Either (A) or (C)</p>
(ii)	<p>In Bank Reconciliation Statement, Cheques issued but not presented for payment in December would amount to:</p> <p>A. Plus Rs. 8,450 B. Minus Rs. 1,350 C. Plus Rs. 1,350 D. Minus Rs. 8,450</p>
(iii)	<p>In Bank Reconciliation Statement, dividend collected by the bank on securities will be recorded as:</p> <p>A. Plus Rs. 1,000 B. Minus Rs. 1,000 C. Will not be recorded D. Both A and B</p>
(iv)	<p>In Bank Reconciliation Statement, Cheques deposited but not yet cleared would be recorded as:</p>

	<p>A. Plus Rs. 5,000</p> <p>B. Minus Rs. 5,000</p> <p>C. Plus Rs. 8,500</p> <p>D. Minus Rs. 8,500</p>
	CASE BASED QUESTION
32	<p><u>Read the following hypothetical text and answer the given questions:</u></p> <p>Sujan initiated her startup Ishika Ltd. in 2018. On 31st March, 2022, She was going through her Cash book and Pass Book. She found out that the pass book showed a debit balance of Rs. 7,500 which was different from her cash book Bank column balance. So, she decided to prepare a Bank Reconciliation statement to reconcile both the balances from the following particulars:</p> <ol style="list-style-type: none"> 1. Cheques paid in for collection amounted to Rs. 20,600 but cheques of Rs. 7,800 were credited on 3rd April, 2022. 2. A cheque for Rs. 1,000 debited in the cash book was omitted to be banked. 3. Cheques amounting to Rs. 7,800 were drawn on 27th March, of which cheques of Rs. 2,400 were cashed upto 31st march, 2022. 4. A cheque of Rs. 800 was banked and credited, but omitted to be recorded in the Cash Book. 5. Bank charged interest on overdraft Rs, 650. <p>Based on above information you are required to answer the following questions.</p>
(i)	<p>How would you dealt with the bank interest charged by bank on overdraft?</p> <ol style="list-style-type: none"> A. Plus Rs. 650 B. Plus Rs. 1,300 C. Not be recorded D. None of the above
(ii)	<p>A cheque of Rs. 800 was banked and credited, but omitted to be recorded in the Cash Book. in Bank Reconciliation Statement, Sujan should:</p> <ol style="list-style-type: none"> A. Ignore it B. Record it as minus Rs.800 C. Record it as plus Rs. 800

	D. Either A or C
(iii)	<p>A cheque for Rs. 1,000 debited in the cash book was omitted to be banked. This error had not affected the balances so it should be ignored- says Sujan. Sujan is-</p> <p>A. Right</p> <p>B. No she is wrong, she should minus it from passbook balance</p> <p>C. No she is wrong, she should plus it in passbook balance</p> <p>D. Cannot be determined</p>
(iv)	<p>Cheques amounting to Rs. 7,800 were drawn on 27th March, of which cheques of Rs. 2,400 were cashed upto 31st march, 2022. This transaction should be recorded as-</p> <p>A. Minus Rs. 7,800</p> <p>B. Minus Rs. 2,400</p> <p>C. Minus Rs. 5,400</p> <p>D. Minus Rs. 10,200</p>

Answers

1	A	9	A	17	D	25	B	31 (i)	D
2	B	10	B	18	B	26	a	31 (ii)	C
3	A	11	B	19	C	27	c	31(iii)	A
4	B	12	B	20	B	28	d	31(iv)	B
5	B	13	C	21	D	29	a	32 (i)	A
6	C	14	D	22	A	30	b	32(ii)	B
7	B	15	D	23	A			32(iii)	C
8	A	16	D	24	B			32(iv)	C

DEPRECIATION, PROVISIONS AND RESERVES

Q. No.	OBJECTIVE TYPE QUESTIONS
1	<p>The book value of a machine is ₹ 5,000. Three years later, the book value is ₹1,250. The straight-line percentage depreciation is</p> <ul style="list-style-type: none">a) 50%b) 25%c) 33.33%d) 20%
2	<p>An asset was purchased for ₹ 50,000 and as per reducing balance method, 20% depreciation is written off each year. What is the value of assets at the end of three years?</p> <ul style="list-style-type: none">a) ₹ 35,000b) ₹ 25,600c) ₹ 40,000d) ₹ 32,000
3	<p>A machine costing ₹ 30,000 has an estimated life of 10 years. At the end of 10 years, its estimated scrap value is ₹ 5,000. The annual depreciation would be:</p> <ul style="list-style-type: none">a) ₹ 3,300b) ₹ 3,000c) ₹ 3,500d) ₹ 2,500
4	<p>If the Machinery Account has a balance of ₹ 40,000 and Accumulated</p>

	<p>Depreciation Account has a balance of ₹ 18,500, the book value of machinery is:</p> <p>a) ₹ 21,500 b) ₹ 40,000 c) ₹ 18,500 d) ₹ 58,500</p>
5	<p>A machinery which cost ₹ 2,00,000 is depreciated at 25% per year using the Written Down Value Method. At the end of three years it will have a net book value of</p> <p>a) ₹ 1,50,000 b) ₹ 84,375 c) ₹ 1,12,500 d) ₹ 1,00,000</p>
6	<p>A machine was purchased for ₹ 50,000. Installation expenses amounted to ₹2,000 wages of ₹ 4,000 were paid on installation. The scrap value at the end of its useful life of 10 years is ₹ 6,000. Repairs of ₹ 6,000 was made after 6 months from the date of purchase. Calculate depreciation</p> <p>a) ₹ 5,600 b) ₹ 4,800 c) ₹ 5,000 d) ₹ None</p>
7	<p>A machinery is depreciated by ₹ 2,000 every year. Which method is being used to calculate depreciation?</p> <p>a) Written Down value method b) Straight line method c) Sum of Years Digit method d) None of these</p>
8	<p>Cost of machinery ₹ 2,52,000, Salvage value ₹ 12,000 Useful life 6 years Annual depreciation under straight line method will be:</p> <p>a) ₹ 42,000 b) ₹ 40,000 c) ₹ 15,000 d) ₹ 28,000</p>

9	<p>Depreciation is not charged on -----</p> <ul style="list-style-type: none"> a) Furniture b) Machinery c) Goods d) Goodwill
10	<p>On purchase of machinery, amount spent on its carriage is debited to:</p> <ul style="list-style-type: none"> a) Purchase A/c b) Carriage A/c c) Machinery A/c d) Installation Expenses A/c
11	<p>Under Straight Line Method, amount of depreciation:</p> <ul style="list-style-type: none"> a) Increases every year b) Decreases every year c) Remains Constant d) None of these
12	<p>Depreciation is provided on -----</p> <ul style="list-style-type: none"> a) Fixed Assets b) Fictitious Assets c) Current Assets d) Intangible Assets
13	<p>The main objective of providing depreciation is:</p> <ul style="list-style-type: none"> a) To ascertain true profit or loss b) To ascertain correct cost of production c) To provide funds for replacement of assets d) All of these
14	<p>Depreciation is calculated under diminishing balance method, based on</p> <ul style="list-style-type: none"> a) Original value b) Book value c) Scrap value d) None of them
15	<p>Salvage value means</p> <ul style="list-style-type: none"> a) Definite sale price of the asset

	<ul style="list-style-type: none"> b) Cash to be received when life of the asset ends c) Cash to be paid when asset is disposed off d) Estimated disposal value
16	<p>Depreciation is generated due to</p> <ul style="list-style-type: none"> a) Increase in the value of liability b) Decrease in capital c) Wear and tear d) Decrease in the value of assets
17	<p>In accounting, becoming out of date or obsolete is known as</p> <ul style="list-style-type: none"> a) Amortization b) Obsolescence c) Depletion d) Physical deterioration
18	<p>Under the diminishing balance method, depreciation:</p> <ul style="list-style-type: none"> a) Increases every year b) Decreases every year c) Remains constant every year d) None of the above
19	<p>Depreciable cost is equal to cost of the asset less salvage value.</p> <ul style="list-style-type: none"> a) True b) False c) Partially True d) Partially False
20	<p>Depreciation cannot be provided in case of loss in a financial year</p> <ul style="list-style-type: none"> a) True b) False c) Partially True d) Partially False
21	<p>The expression-depreciation at 10% and 10% per annum carry the same meaning.</p> <ul style="list-style-type: none"> a) True b) False

	<p>c) Partially True d) Partially False</p>
22	<p>Provision is created by debiting:</p> <p>a) Profit and Loss Account b) Profit and Loss Appropriation Account c) Trading Account d) None of these</p>
23	<p>Dividend Equalisation Reserve is:</p> <p>a) Specific Reserve b) Secret Reserve c) General Reserve d) None of these</p>
24	<p>_____ is maintained to provide for any known liability.</p> <p>a) General Reserve b) Provision c) Capital Reserve d) Revenue Reserve</p>
25	<p>Profit on sale of fixed asset is used to create:</p> <p>a) Capital Reserve b) General Reserve c) Specific Reserve d) All of the above</p>
	<p><u>ASSERTION REASONING QUESTIONS</u></p> <p>In the following questions two statements are given, one is labelled as Assertion (A) and the other labeled as Reason (R). Read the statements and choose the correct one.</p>
26	<p>Assertion-In accounting, depreciation is provided on all fixed assets except land. Reason-Land is usually assumed not a depreciate</p> <p>a) Both Assertion and Reason are correct, and Reason is the correct explanation of assertion. b) Both Assertion and Reason are correct, but Reason is not the correct explanation of assertion.</p>

	<p>c) Assertion is correct, but Reason is incorrect.</p> <p>d) Assertion is incorrect, but Reason is correct.</p>
27	<p>Assertion -Under diminishing balance method of depreciation, the charge for depreciation keeps on diminishing year after year in all subsequent years.</p> <p>Reason -Under diminishing balance method, the rate per cent at which depreciation is written off goes on diminishing year after year in all subsequent years.</p> <p>a) Both Assertion and Reason are correct, and Reason is the correct explanation of assertion.</p> <p>b) Both Assertion and Reason are correct, but Reason is not the correct explanation of assertion.</p> <p>c) Assertion is correct, but Reason is incorrect.</p> <p>d) Assertion is incorrect, but Reason is correct.</p>
28	<p>Assertion - Among all methods of charging depreciation on fixed assets, diminishing balance method is the best method.</p> <p>Reason -Diminishing balance method of charging depreciation has been permitted under the Income Tax Act, 1961 for claiming deduction for depreciation.</p> <p>a) Both Assertion and Reason are correct, and Reason is the correct explanation of assertion.</p> <p>b) Both Assertion and Reason are correct, but Reason is not the correct explanation of assertion.</p> <p>c) Assertion is correct, but Reason is incorrect.</p> <p>d) Assertion is incorrect, but Reason is correct.</p>
29	<p>Assertion - Depreciation is the loss of value of fixed assets in use because of normal wear and tear.</p> <p>Reason - Because of depreciation, fixed assets are to be replaced after certain period. So a provision of fund called depreciation reserve fund is created to meet the replacement cost of fixed assets.</p> <p>a) Both Assertion and Reason are correct, and Reason is the correct explanation of assertion.</p> <p>b) Both Assertion and Reason are correct, but Reason is not the correct</p>

	<p>explanation of assertion.</p> <p>c) Assertion is correct, but Reason is incorrect.</p> <p>d) Assertion is incorrect, but Reason is correct.</p>
30	<p>Assertion - Depreciation is an expense which does not involve cash.</p> <p>Reason - Depreciation is a gradual fall in the book value of tangible assets either due to use or with the efflux of time.</p> <p>a) Both Assertion and Reason are correct, and Reason is the correct explanation of assertion.</p> <p>b) Both Assertion and Reason are correct, but Reason is not the correct explanation of assertion.</p> <p>c) Assertion is correct, but Reason is incorrect.</p> <p>d) Assertion is incorrect, but Reason is correct.</p>
	<p><u>CASE BASED QUESTION</u></p> <p>Read the following hypothetical text and answer the given questions:</p>
31	<p>CASE BASED QUESTION</p> <p>There are two dentists Dr Sharma and Dr Mehta in your locality who are competitors. Both of them have recently bought an equipment for treatment of patients. They purchased the equipment for ₹ 1,00,000. Dr Sharma has also paid cartage of ₹ 4,000 and spent ₹ 1,000 on its installation. Dr Sharma has decided to write off an equal amount of depreciation every year @ 10% p.a., while Dr Mehta wants to write of a larger amount in earlier years @ 10% p.a. They have no knowledge about methods of depreciation. On the basis of above information answer the following questions:</p>
(i)	<p>What is the total cost of equipment for Dr Sharma?</p> <p>a) ₹ 1,00,000</p> <p>b) ₹ 1,05,000</p> <p>c) ₹ 1,04,000</p> <p>d) ₹ 1,01,000</p>
(ii)	<p>Name the methods which is being followed Dr Mehta?</p> <p>a) Straight Line Method</p> <p>b) Written - Down Value Method</p> <p>c) None of the above</p>

(iii)	<p>Dr Mehta has wisely selected written down value method, reason is –</p> <p>a) WDV method is recognised by Income tax Laws</p> <p>b) WDV method helps in recovering the cost of equipment in the initial years</p> <p>c) Both (a) and (b)</p> <p>d) None of the above</p>
(iv)	<p>What amount of depreciation Dr Mehta will charge on his equipment in third financial year:</p> <p>a) ₹ 10,000</p> <p>b) ₹ 9,000</p> <p>c) ₹ 8,100</p> <p>d) ₹ 10,500</p>
32	<p>CASE BASED QUESTION</p> <p>MrShyam is a well-known industrialist. He purchased a machinery for ₹ 95,000 on 1st October, 2016. He spent ₹ 5,000 on its installation. The firm follows calendar year and depreciation is charged @ 10% p.a. as per Straight Line Method. He decided to sell the machinery on 1st April 2019. There are two parties who want to purchase his machinery, 1st party wants to purchase the machinery for ₹ 72,000, and 2nd party wants to purchase it for ₹ 76,000. On the basis of above information answer the following questions:</p>
(i)	<p>What is the cost of machinery?</p> <p>a) ₹ 95,000</p> <p>b) ₹ 1,00,000</p> <p>c) ₹ 90,000</p> <p>d) None of the above</p>
(ii)	<p>What will be the Book Value of machinery on the date of sale?</p> <p>a) ₹ 80,000</p> <p>b) ₹ 70,000</p> <p>c) ₹ 75,000</p> <p>d) ₹ 1,00,000</p>
(iii)	<p>Profit or loss on sale of machinery in case of 1st party:</p> <p>a) ₹ 3,000 loss</p> <p>b) ₹ 3,000 profit</p>

	c) ₹ 5,000 loss d) None of the above
(iv)	Profit or loss on sale of machinery in case of 2 nd party: a) ₹ 1,000 profit b) ₹ 1,000 loss c) ₹ 2,000 profit d) None of the above

ANSWERS

1 - b	2 - b	3 - d	4 - a	5 - b	6 - c	7 - b
8 - b	9 - d	10 - c	11 - c	12 - a	13 - a	14 - b
15 - d	16 - c	17 - b	18 - b	19 - a	20 - b	21 - b
22 - a	23 - a	24 - b	25 - a	26 - a	27 - c	28 - d
29 - a	30 - a	31(i) - b	31(ii) - b	31(iii) - c	31(iv) - c	32(i) - b
32(ii) - c	32(iii) - a	32(iv) - a				