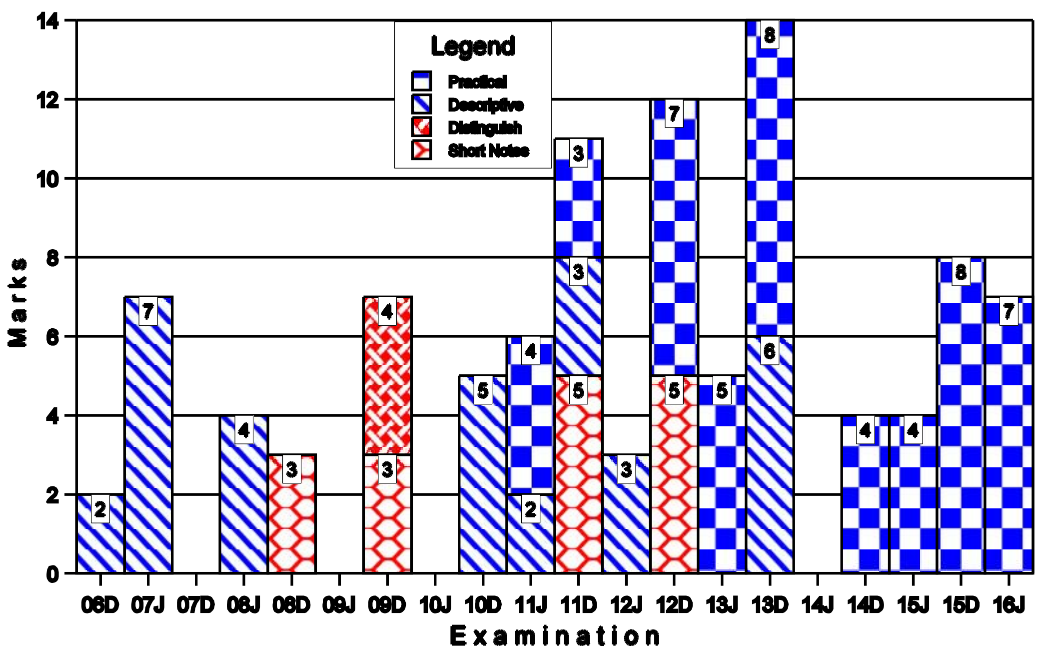
1 Accounting Process

This Chapter Includes : Accounting - Cycle, Objectives, Terms, Concepts, Conventions, Process, Equation, Standards, Estimates; GAAP, Events, Transactions, Voucher, Debit, Credit, Types of Accounts, Accrual & Cash Basis, Capital & Revenue Transactions, Double Entry System, Subsidiary Books, Trial Balance, Measurement & Valuation of Transactions; Opening, Closing, Transfer & Rectification Entries, Bad debts.

Marks of Short Notes, Distinguish Between, Descriptive & Practical Questions



Questions of December - 2007 are from CMA Gr. II and from December - 2008 onwards are from CMA Gr. I New Course.

Short Notes

2008 - Dec [8] Write note on:

(e) Materiality concept. (3 marks)

Answer:

Materiality Concept : Materiality principle permits other concepts to be ignored, if the effect is not considered material. This principle is an exception of full disclosure principle. According to materiality principle, all the items having significant economic effect on the business of the enterprise should be disclosed in the financial statements and any insignificant item which will only increase the work of the accountant but will not be relevant to the users need should not be disclosed in the financial statements. The term materiality is the subjective term. It is on the judgment, common sense and discretion of the accountant that which item is material and which is not. For example stationary purchased by the organization though not used fully in the accounting year purchased still shown as an expense of that year because of the materiality concept. Similarly depreciation on small items like books, calculators etc, is taken as 100% in the year of purchase though used by the company for more than a year, This is because the amount of books or calculator is very small to be shown in the balance sheet though it is the asset of the company.

The materiality depends not only upon the amount of the item but also upon the size of the business, nature and level of information, level of the person making the decision etc. Moreover an item material to one person may be immaterial to another person. What is important is that omission of any information should not impair the decision-making of various users.

2009 - Dec [8] Write note on:

(d) Accounting Bases; (3 marks)

Answer :

Accounting Bases : There are three bases of Accounting :

1. **Accrual Base :** Here, income as well expenses are considered on the bases of their occurrence in an Accounting period and not on the bases of their actual receipts and payments.
2. **Pure Cash Base :** Here the Revenues are not recognized and

recorded unless they are received in cash. Similarly expenses are recognized only when they are paid in cash.

3. **Modified Cash Base or Hybrid system :** The system is the mixture of both the bases of accounting as stated above. In this system Accrual base is followed for expenses and cash system is followed for revenues. Such system is followed by professionals who term their Income Statements as 'Receipts and Expenditure Account'.

2011 - Dec [8] Write short note on :

(e) Money measurement concept. (5 marks)

Answer :

Money Measurement Concept in accounting, also known as Measurability Concept, means that only transactions and events that are capable of being measured in monetary terms are recognized in the financial statements.

All transactions and events record in the financial statements must be reduced to a unit of monetary currency. Where is not possible to assign a reliable monetary value to a transaction or event, it shall not be recorded in the financial statements. However, any material transactions and events that are not recorded for failing to meet the measurability criteria might need be disclosed in the supplementary notes of financial statements to assist the users in gaining a better understanding of the financial performance and position of the entity.

2012 - Dec [8] Write short note:

(c) Accounting convention of consistency; (5 marks)

Answer :

In order to enable the management to draw important conclusions regarding the working of a company over a number of years it is essential that accounting practices and methods remain unchanged from one accounting period to another. According to AS-1 consistency is a fundamental assumption and it is assumed that accounting policies are consistent from one period to another. Where this assumption is not followed, the fact should be disclosed with proper reasons.

Kohler has talked about three types of consistencies :

(i) Vertical consistency- consistency maintained within the interrelated financial statements of the same date.

(ii) Horizontal consistency- this enables the comparison of performance of the organization in one year with its performance of previous/ next year.

(iii) Third dimensional consistency- Performance of one organization can be compared with that of another organization in the same industry.

DISTINGUISH BETWEEN

2009 - Dec [1] (h) Distinguish between capital receipts and revenue receipts. (4 marks)

Answer :

Capital receipts and revenue receipts:-

Receipts which are obtained in the course of normal trading operations are revenue receipts (e.g. sale of goods, interest income). On the other hand, Receipts which are not revenue in nature are capital receipts (e.g. sale of fixed assets, secured and unsecured loans, owners contribution etc.) Revenue receipts are credited to profit and loss account. On the other hand capital receipts are not directly credited to profit and loss account. Profits and Loss on sale of fixed assets is calculated and recorded in profit and less account.

DESCRIPTIVE QUESTIONS

2006 - Dec [1] {C} (a) Accounting involves communication. — Comment. (2 marks)

Answer :

It is concerned with the transmission of summarized, analyzed and interpreted information to the end-users to enable them to make rational decisions. This is done through preparation and distribution of Accounting Reports, which include besides the usual Profit and Loss Account and the Balance Sheet, additional information in the form of Accounting Ratios, Graphs, Diagrams, Fund Flow Statements etc.

2007 - June [1] {C} (a) List out any four of accounting concepts. (2 marks)

(c) State the components of financial statement. (2 marks)

(e) State with reasons whether the following statements are True or False:

(i) Accounting principle is general rule followed in preparation of financial statements. (1 mark)

(g) Link-up the items with appropriate accounting systems :

Items	Accounting Systems
(i) Commission on re-insurance	(1) Bank Account
(ii) Net Revenue Account	(2) Company Account
(iii) Forfeited shares A/c	(3) Double Accounting system
(iv) Acceptances, endorsements and other obligations	(4) Insurance Accounts

(2 marks)

Answer :

(a) Four concepts on which Financing Accounting is founded are:

(i) Money Measurement Concept: As per this concept only those transactions which can be measured in terms in money are recorded. Since money is the medium of exchange and standard of Economic Value, this concept requires those transactions alone that are capable of being measured in terms of money be only to be recorded in the books of Accounts.

(ii) Accrual Concept: Under Accrual Concept, the effects of transactions and other events are recognised on Mercantile basis, i.e. when they occur (and not as Cash or a Cash equivalent is received or paid) and they are recorded in the Accounting records and reported in the Financial Statements of the period to which it relate. Financial Statements prepared on Accrual Basis inform users not only of past events involving the payment and receipt of Cash but also of obligations to pay Cash in future and of resources that represents Cash to be received in the future.

(iii) Going concern concept: Going Concern Concept is a Fundamental Accounting Assumption in the preparation of Financial Statement. The meaning of Going Concern is that the entity for which the Account are being written will continue its operation/Business for an indefinitely long period and because of this assumption, depreciation is provided in Accounts. The Fixed Assets are shown in Balance Sheet at cost less accumulated depreciation less accumulated impairment loss. Distinction between Capital and Revenue Expenditure is made only because of Going Concern Assumption. Hence it is assumed that the enterprise has neither the intention nor the need to liquidate or curtail materially the scale of its operation and will continue its operation for the foreseeable future.

(iv) **Dual Aspect Concept:** This aspect is the core of Double Entry Book-Keeping. Every transaction or event has two aspects:
1. It increases one Asset and decreases other Asset.
2. It increases one Asset and simultaneously increases Liability.
3. It decreases one Asset and increases another Asset.
4. It decreases one Asset and decreases a Liability.

Answer:

(c) Following are the components of Financial Statements:
- (a) Profit & loss Statement
- (b) Balance sheet
- (c) Cash flow statement
- (d) Notes to Accounts

Answer:

(e) True, Accounting principles are Body of Doctrines commonly associated with the theory and procedures of Accounting serving as an explanation of current practices and a guide for preparation of Financial Statement.

Answer:

(g) (i) d, Insurance Accounts
- (ii) c, Double Accounting System
- (iii) b, Company Account
- (iv) a, Bank Accounts

2008 - June [1] {C} (f) State with reasons whether the following is *True or False* :
Hema Pvt. Ltd. adopts the practice of disclosing the significant policies pertaining to each relevant item in the appropriate schedule (wherein the said item forms a part) to the Income Statement or Balance Sheet. This is a perfectly valid disclosure. (2 marks)

(i) What is meant by Notes to Accounts ? (2 marks)

Answer :

(f) **True :** As per AS-1 Disclosure of Accounting Policies, every company should comply with the Accounting Standard and Relevant Accounting Policies, any deviation from the relevant Accounting Standard, reasons, for such deviation and the accounting policies should be disclosed separately.

Answer:

(i) Notes to account are the explanations of the management about the items in the financial statement (Profit & Loss A/c and Balance Sheet). The management gives more explanations and information about the items of Profit and Loss A/c and Balance Sheet and any other items, by way of notes to Accounts.

For example:

1. Disclosure of details of contingent liability by notes to accounts.
2. Disclosure of litigation about the claim recoverable, each receivable etc.

2010 - Dec [5] (b) State the various accounting concepts. (5 marks)

Answer :

Various Accounting concepts are as follows :

1. Money measurement concept
2. Dual aspect concept
3. Going concern concept
4. Periodicity concept.
5. Accrual concept.
6. Matching concept.
7. Realisation concept
8. Materiality concept
9. Consistency concept.
10. Business entity concept.
11. Historical cost concept.

2011 - June [1] {C} (f) Name four errors which are not detected by Trial Balance. (2 marks)

Answer :

(i) Errors not disclosed by Trial Balance even on its agreement.
(ii) Wrong entries in books of original records.
(iii) Complete omission of a transaction.
(iv) Compensating errors.
(v) Errors of principles.

2011 - Dec [7] (c) Classify the following expenditures into Capital Expenditure and Revenue Expenditure :

(i) Expenses on a foreign tour to purchase a machinery

(ii) Annual maintenance fee of a machine
(iii) Money spent to reduce working cost
(iv) Compensation paid to workers under voluntary retirement scheme
(v) Legal expenses to recover dues from customers
(vi) Salaries paid to Engineering staff in erecting a machine (3 marks)

Answer :

(i) **Capital Expenditure :** Expenses incurred till the date of ready to put to use of an assets will be capitalized.

(ii) **Revenue Expenditure :** Expenses incurred after the use of the assets is a revenue expenditure.

(iii) **Capital Expenditure :** Any Expenditure incurred to increase the revenue generating capacity is a Capital Expenditure.

(iv) **Revenue Expenditure :** Because it will not help to increase our revenue generating capacity.

(v) **Revenue Expenditure :** Expenses arises during ordinary course of business is revenue expenses.

(vi) **Capital Expenditure :** Expenses incurred till the assets is ready to put to use is a capital expenditure.

2012 - June [3] (b) Classify the following accounts into Personal, Real and Nominal accounts.

(i) Patent Rights a/c (ii) Drawing a/c (iii) Purchases a/c (iv) Prepaid Insurance a/c (v) Donation a/c (vi) Bank Overdraft a/c. (3 marks)

Answer:

Personal A/c – Drawings, Prepaid insurance, Bank Overdraft
Real A/c – Patent rights
Nominal A/c – Purchases, Donations

2013 - Dec [1] {C} Answer the following questions (give workings wherever required):

(ii) State briefly the three fundamental accounting assumptions. (2 marks)

Answer:

The three fundamental assumptions are (a) going concern; (b) consistency; and (c) accrual.

Going Concern: It is assumed that the concern would be continuing in operation for the foreseeable future. It is also assumed the enterprise has neither the intention nor the necessity of liquidation or of curtailing materially the scale of operations.

Consistency: The accounting policies followed are consistent from one accounting period to another.

Accrual: The revenues and expenses are accrued, that is, recognised as they are earned or incurred and recorded in the financial statements of the periods to which they relate.

2013 - Dec [2] (b) What are the steps or phases of 'Accounting Cycle'?
(4 marks)

Answer:

Steps/ Phases of Accounting Cycle:

(i) **Recording of Transaction:** As soon as a transaction happens it is at first recorded in subsidiary book.

(ii) **Journal:** The transactions are recorded in Journal chronologically.

(iii) **Ledger:** All journals are posted into ledger chronologically and in a classified manner.

(iv) **Trial Balance:** After taking all the ledger account's closing balances, a Trial Balance is prepared at the end of the period for the preparations of financial statements.

(v) **Adjustment Entries:** All the adjustments entries are to be recorded properly and adjusted accordingly before preparing financial statements.

(vi) **Adjusted Trial Balance:** An adjusted Trial Balance may also be prepared.

(vii) **Closing Entries:** All the nominal accounts are to be closed by the transferring to Trading Account and Profit and Loss Account.

(viii) **Financial Statements:** Financial statement can now be easily prepared which will exhibit the true financial position and operating results.

PRACTICAL QUESTIONS

2011 - June [3] (c) State with reasons whether the following items are Capital expenditure or Revenue expenditure:

(i) A factory building was constructed at a cost ₹ 15,00,000. A sum of

₹ 64,000 were incurred for the construction of the temporary huts for storing building materials.

(ii) ₹ 5,000 paid for removal of stock to a new site.

(iii) Expenses incurred in connection with obtaining a licence to start the business were ₹ 15,000. (4 marks)

Answer :

(i) Construction cost of factory building and temporary huts both are capital expenditure. Because factory building gives benefit more than one year and it can be used for production. Construction of temporary huts for storing building material is also capital expenditure because it helps to construct factory building.

(ii) Amount paid for removal of stock to a new site is a revenue expenditure because stock is revenue in nature and any amount spent on it is also revenue in nature.

(iii) Expenses incurred in connection with obtaining a license to start the business of ₹ 15,000 is a Capital Expenditure because without spending on it, we cannot start the business and it is a non recurring expenditure.

2011 - Dec [2] (a) For the year ending 31st December, 2011, the Sales, Purchases, Opening Stock and Closing Stock of a Trader was ₹ 5,00,000, ₹ 3,80,000, ₹ 65,000 and ₹ 52,000 respectively. Some goods were destroyed by fire (without realization of any value) during the year. If the Trader earned Gross Profit @ 25% on Sales for the year, calculate the value of goods destroyed by fire. (3 marks)

Answer :

Calculation of goods destroyed by fire

Opening Stock	65,000
(+) Purchases	3,80,000
	4,45,000
(-) Sales less Gross profit [5,00,000 –(25% of 5,00,000)]	3,75,000
(-) Closing Stock	52,000
Goods destroyed by fire	18,000

2012 - Dec [4] (c) Mr. X is owner of a Cinema Hall. He spent a heavy amount for complete renovation of the hall, for installation of air-condition machines and for sitting arrangement with cushion seats. As a result the revenue has been doubled. He also spent for few more doors for emergency exit.

State your opinion about the treatment of the entire expenditure.

(2 marks)

Answer :

As per AS 10 "Accounting for Fixed Assets" if due to any expenditure, the future benefits from the assets increases beyond its previously assessed standard of performance, then it should be capitalized. The size of the expenditure is not important for capitalizing the expenditure. In the present case, renovation expenses should be capitalized because it has enhanced the revenue generating capacity of the hall but expenditure for making more emergency exit does not enhance the revenue generating capacity of the hall, so it should be charged to revenue.

2012 - Dec [6] (b) The total of debit side of the Trial Balance of Lotus Stores as at 31.03.2012 is ₹ 3,65,000 and that of the credit side is ₹ 2,26,000. After checking, the following mistakes were discovered:

Items of account	Correct figures (as it should be) (₹)	Figures as it appears in the Trial Balance (₹)
Opening stock	15,000	10,000
Rent and rates	36,000	63,000
Sundry creditors	81,000	18,000
Sundry debtors	1,04,000	1,58,000

Ascertain the correct total of the Trial Balance. (5 marks)

Answer :

In the books of Lotus Stores calculation of correct Total of Trial Balance

Particulars	Dr.	Cr.
Total of Trial Balance as per on	3,65,000	2,26,000
Add: under statement of op. stock	5,000	—
Less: over statement of Rent & Rates	27,000	—
Add: under statement of sundry creditors	—	63,000
Less: over statement of sundry debtors	54,000	—
Correct Total	2,89,000	2,89,000

2013 - June [4] (a) State whether the following items are in the nature of Capital, Revenue and/or Deferred Revenue Expenditure:

(i) Expenditure on special advertising campaign ₹ 66,000; suppose the advantage will be received for six years.

(ii) An amount of ₹ 8,000 spent as legal charges for abuse of Trade Mark.

(iii) Legal charges of ₹ 15,000 incurred for raising loan.

(iv) Share issue expenses ₹ 5,000.

(v) Freight charges on a new machine ₹ 1,500 and erection charges ₹ 1,800 for that machine. (1 × 5 = 5 marks)

Answer:

(i) (As per Para 56 of AS 26, the expenditure incurred on intangible items would have to expense off when they are incurred. So, the Advertisement Expenses is not carried forward to the next year and the full amount is shown in the Profit & Loss A/c. So, ₹ 66,000 consider for revenue expenditure.

(ii) Revenue expenditure ₹ 8,000

(iii) Capital expenditure ₹ 15,000

(iv) Capital expenditure ₹ 5,000

(v) Capital expenditure = 1500 + 1800 = ₹ 3,300.

2013 - Dec [1] {C} Answer the following questions (give workings wherever required):

(i) A trader acquired furniture & fittings for ₹ 10,000 but included the same in purchase account. He paid ₹ 5,000 to a supplier which was omitted to be recorded in the books. State the types of errors and pass journal entries to rectify the errors.

(iii) The company maintains 10% of debtors as provision towards bad debts. It has routed all bad debts through the provision account. The opening balance of provision as on 01.04.2012 was ₹ 68,000. The closing provision i.e. on 31st March, 2013 was ₹ 92,000. Bad debts written off debited to provision account was ₹ 28,000. How much should be debited to Profit & Loss Account towards provision for doubtful debts for the year ended 31st March, 2013?

(2 marks each)

Answer:

(i) The first error is **error of principle**. The capital expenditure has been claimed as revenue expenditure. The second one is, **error of omission**.

The Journal Entries are:

Particulars		₹	₹
Furniture Fittings A/c	Dr.	10,000	
To Purchase A/c			10,000
[Being error in purchase A/c being rectified]			
Sundry Creditors A/c	Dr.	5,000	
To Cash A/c			5,000
[Being the omission to record the transaction now being recorded]			

(iii) Provision for bad and doubtful debts account

Date	Particulars	₹	Date	Particulars	₹
31.03.2013	To Sundry Debtors	28,000	01.04.2012	By Balance B/d	68,000
31.03.2013	To Balance c/d	92,000	31.03.2013	By P & L A/c	52,000
		1,20,000			1,20,000

2013 - Dec [6] (b) State with reason whether the following are capital or revenue expenditure:

(i) Freight charges of ₹ 12,000 incurred for machinery purchased for ₹ 2,00,000.

(ii) ₹ 90,000 being expenditure incurred for well equipped labour welfare centre.

(iii) Compensation of ₹ 1,50,000 each paid to three employees who were retrenched.

(iv) Purchase of TV set for ₹ 30,000 to be installed in the reception hall.

(1 x 4 = 4 marks)

Answer:

(i) Expenditure incurred towards freight charges for bringing the machinery to the location and till regular production is capital expenditure. Hence, the freight charge is to be capitalized.

(ii) Labour welfare centre is a permanent addition and therefore a capital expenditure.

(iii) Compensation to retrenched employees will not bring any permanent benefit and hence is revenue expenditure.

(iv) Television set purchased is a capital expenditure unless the person acquiring the same is a dealer of television sets.

2014 - Dec [2] Answer the question:

(b) Pass necessary journal entries to rectify the following errors assuming that the errors were detected after the preparation of final accounts:

(i) Return inward book was undercast by ₹ 18,000.

(ii) Goods purchased for proprietor's use for ₹ 10,000 debited to purchase account.

(iii) ₹ 5,200 paid for freight on machinery was debited to freight account.

(iv) No adjustment entry was passed for an amount of ₹ 15,000 relating to outstanding rent.

(v) Furniture of ₹ 13,000 purchased from Chandra Furniture House was entered in purchase book.

(vi) ₹ 10,000 received from Mohan has been credited to Sohan.

(4 marks)

Answer:

			₹	₹
(i)	Profit & Loss Adjustment A/c	Dr.	18,000	
	To Suspense A/c			18,000
(ii)	Capital A/c	Dr.	10,000	
	To Profit & Loss Adjustment A/c			10,000
(iii)	Machinery A/c	Dr.	5,200	
	To Profit & Loss Adjustment A/c			5,200
(iv)	Profit & Loss Adjustment A/c	Dr.	15,000	
	To Outstanding Rent A/c			15,000
(v)	Furniture A/c	Dr.	13,000	
	To Profit & Loss Adjustment A/c			13,000
(vi)	Sohan's A/c	Dr.	10,000	
	To Mohan's A/c			10,000

2015 - June [2] Answer the question:

(a) Journalise the following transactions in the books of SHIVA.

01.05.2015 — Started business with ₹ 5,00,000 of which 50% amount was borrowed from SBI and 20% amount was borrowed from his sister Patta.

05.05.2015 — Purchased goods from Chinu Mart worth ₹ 1,60,000 at 25% trade discount and 40% amount paid in cash.

08.05.2015 — Sold goods to Satish ₹ 60,000 at 20% trade discount and received $\frac{1}{4}$ amount in cash.

15.05.2015 — Paid to Chinu Mart ₹ 69,500 in full settlement of A/c.

(4 marks)

Answer:

Journal of SHIVA

Date	Particulars	L.F.	Amount ₹	Amount ₹
1.5.15	Cash A/c Dr.		5,00,000	
	To Capital A/c			1,50,000
	To Loan from Patta A/c			1,00,000
	To Loan from SBI A/c			2,50,000
	(Being business started)			
5.5.15	Purchases A/c Dr.		1,20,000	
	To Cash A/c			48,000
	To Chinu Mart A/c			72,000
	(Being goods purchased and trade discount received)			
8.5.15	Satish A/c Dr.		36,000	
	Cash A/c Dr.		12,000	
	To Sales			48,000
	(Being goods sold and trade discount allowed)			
15.5.15	Chinu Mart A/c Dr.		72,000	
	To Cash A/c			69,500
	To Discount A/c			2,500
	(Being payment made to Chinu Mart in full settlement of his account)			

2015 - Dec [2] Answer the question.

(a) Trial Balance of ANKIT LTD. failed to agree and the difference was put into Suspense Account pending investigation which discovered the following:

(i) Discount received ₹ 1,320 had been debited to Discount allowed as ₹ 132.

(ii) Goods of the value of ₹ 200 returned by Kishan were entered in the Sales Day Book and posted therefrom to the credit of Krishan as ₹ 20.

(iii) A credit purchase of ₹ 500 from N. Kumar was recorded as sale to M. Kumar for ₹ 50.

(iv) A credit sale of machine of P. Dass for ₹ 600 recorded through Sales Day Book as sale to C. Dass for ₹ 60.

Required:

Pass the Rectifying Entries in the Book of Ankit Ltd. (4 marks)

Answer:

In the books of ANKIT LTD.
Journal Entries

(i)	Suspense A/c Dr. To Discount received To Discount allowed (Being wrong debit to discount allowed commission of recording discount received, now rectified)	1,452	 1,320 132
(ii)	Krishan A/c Dr. Sales A/c Dr. Sales Return A/c Dr. To Kishan A/c To Sales A/c (Being sales returns recorded as sale with wrong amount and wrong posting therefrom, now rectified)	20 200 200	 200 220
(iii)	Sales A/c Dr. Purchase A/c Dr. To N. Kumar To M. Kumar (Being the credit purchase recorded as sale, now rectified)	50 500	 500 50

(iv)	Sales A/c Dr. P. Dass A/c Dr. To Machinery To C. Dass (Being the credit sale of machine recorded as sale, now rectified)	60 600	 600 60

2015 - Dec [5] Answer the question.

(a) MILTON LTD. sold goods worth ₹ 1,00,000 to NARMADA LTD. Narmada Ltd. asked for discount of ₹ 16,000 which was agreed by Milton Ltd. The sale was effected and Goods despatched. After receiving, Goods Worth ₹ 14,000 was found defective, which they returned immediately. They made the payment of ₹ 70,000 to Milton Ltd. The accountant of Milton Ltd. booked the Sales for ₹ 70,000.

Discuss whether the accounting entry passed by the accountant of the company is correct? (4 marks)

Answer:

The accounting entry passed by the accountant of the company is incorrect as it does not depict the original transactions sales should be shown at the gross amount and thereafter, entry of sales return should be passed.

The goods returned cost 14,000 on which discount was availed which needs to be reversed.

$$\text{Discount} = \frac{14,000 \times 16,000}{1,00,000}$$
$$= 2,240$$

2016 - June [3] (a) The trial balance of M/s SEWADA & CO., on 31st March, 2016 did not agree. In order to close the books, the accountant placed the difference for ₹ 12,385 (Dr.) to Suspense Account for necessary adjustments in the next period. On 30th April, 2016 the following errors, arising in 2015-16 were detected:

(i) ₹ 1,000 allowed as cash discount to a trade debtor was not debited to the discount account.

(ii) Credit sale of ₹ 4,850 was posted to the credit of the customer's account as ₹ 4,535.

(iii) Machinery purchased for ₹ 50,000 in cash was posted to the Purchases Account in the ledger.

(iv) Sales Book was overcast by ₹ 2,000 in February, 2016.

Required:

(a) Pass the necessary Journal Entries to rectify these errors.

(b) Prepare suspense account in the book of SEWADA & CO.

(5+2 = 7 marks)

Table Showing Marks of Compulsory Questions

Year	11 D	12 J	12 D	13 J	13 D	14 J	14 D	15 J	15 D	16 J
Descriptive					2					
Practical					4					
Total					6					