

**KESHAV MEMORIAL INSTITUTE OF COMMERCE & SCIENCES
NARAYANGUDA HYDERABAD**

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Subject: Financial Accounting –II

Paper code:DSC201

Credits:5

Course: Bcom All Streams(Honours/ computer applications/Business Analytics/Generals)

SYLLABUS

Paper DSC 201:FINANCIAL ACCOUNTING-II

Objective: To acquire accounting knowledge of bills of exchange and other business accounting methods.

UNIT-I: BILLS OF EXCHANGE:

Bills of Exchange - Definition- Distinction between Promissory note and Bills of exchange- Accounting treatment of Trade bills: Books of Drawer and Acceptor- Honour and Dishonour of Bills- Renewal of bills- Retiring of bills under rebate- Accommodation bills.(Including problems)

UNIT-II: CONSIGNMENT ACCOUNTS:

Consignment – Meaning – Features– Proforma invoice - Account sales – Del credere commission-Accounting treatment in the books of the consignor and the consignee - Valuation of consignment stock –Treatment of Normal and abnormal Loss - Invoice of goods at a price higher than the cost price. (Including problems)

UNIT-III: JOINT VENTURE ACCOUNTS:

Joint Venture – Meaning –Features-Difference between Joint Venture and Consignment- Accounting Procedure-Methods of Keeping Records for Joint Venture Accounts-Method of Recording in co-ventures books-Separate Set of Books Method- Joint Bank Account-Memorandum Joint Venture Account (Including problems)

UNIT-IV: ACCOUNTS FROM INCOMPLETE RECORDS:

Single Entry System – Meaning -Features–Difference between Single Entry and Double Entry systems -Defects in Single Entry System - Books and accounts maintained - Ascertainment of Profit - Statement of Affairs and Conversion method (Including problems)

UNIT-V: ACCOUNTING FOR NON-PROFIT ORGANIZATIONS:

Non- Profit Organization – Meaning – Features – Receipts and Payments Account – Income and Expenditure Account – Balance Sheet(Including problems)

E-Material

Unit 1

BILLS OF EXCHANGE

Bills of exchange are financial instruments used in trade and finance to facilitate transactions between buyers and sellers. Here's a brief overview of their key aspects:

1. Definition and Purpose

- **Bill of Exchange:** A written, unconditional order from one party (the drawer) to another (the drawee) to pay a specific amount of money on demand or at a future date.
- **Purpose:** To provide a mechanism for trade credit and to ensure that payment will be made in the future. It's commonly used in international trade and finance.

2. Parties Involved

- **Drawer:** The person or entity who creates the bill and orders the payment.
- **Drawee:** The person or entity who is directed to pay the bill. Often, this is a bank or a buyer.
- **Payee:** The person or entity who will receive the payment. The payee is often the drawer, but not always.

3. Types of Bills of Exchange

- **Sight Bill:** Payable immediately upon presentation.
- **Time Bill:** Payable at a specified future date or after a certain period.

4. Key Components

- **Date of Issue:** When the bill was created.
- **Amount:** The sum of money to be paid.
- **Payment Terms:** When and how the payment is to be made.
- **Signature:** The drawer's signature is essential for validity.
- **Order:** An unconditional order to pay.

5. Legal Framework

- **Uniform Commercial Code (UCC):** In the U.S., the UCC governs the use of bills of exchange.
- **International Rules:** In international trade, conventions like the Geneva Convention on Bills of Exchange and Promissory Notes may apply.

6. Endorsement and Transfer

- **Endorsement:** The transfer of the bill to another party by signing the back of it. This can be done in full (transferring all rights) or in blank (transferring rights without specifying a new payee).
- **Negotiability:** Bills of exchange can be transferred to others, making them a negotiable instrument.

7. Payment and Dispute Resolution

- **Acceptance:** The drawee's formal agreement to pay the bill at maturity.
- **Dishonor:** Occurs if the drawee fails to pay upon acceptance or at maturity. Legal steps can be taken to recover the amount due.

8. Practical Use

- **Trade Credit:** Often used to extend credit between businesses.
- **International Trade:** Facilitates payments in cross-border transactions.

UNIT –II

CONSIGNMENT ACCOUNTS

Consignment accounts are used to record transactions related to goods sent by a consignor (the owner) to a consignee (the agent or distributor) for sale. The consignor retains ownership of the goods until they are sold by the consignee. This arrangement is common in various industries, including retail and manufacturing.

1. Consignment Agreement

- **Consignor:** The party sending goods for sale.
- **Consignee:** The party receiving and selling the goods on behalf of the consignor.

2. Consignment Account Entries

- **Consignor's Books:**
 - **Consignment Account:** This account records the transactions related to goods sent on consignment.
 - **Consignment Stock Account:** Tracks the value of unsold goods still held by the consignee.
 - **Consignment Profit and Loss Account:** Calculates the profit or loss from the consignment transaction.
- **Consignee's Books:**
 - **Consignment Account:** Shows the transactions of receiving, selling, and handling the consigned goods.

3. Key Accounts and Their Functions

- **Consignment Account (in Consignor's Books):**
 - **Debits:**
 - Cost of goods sent on consignment.
 - Freight, insurance, and other expenses incurred for sending the goods.
 - **Credits:**
 - Sales made by the consignee.
 - Any commission or expenses incurred by the consignee.
 - Closing stock value (unsold goods) transferred to the Consignment Stock Account.
- **Consignment Stock Account:**

- **Debits:**
 - Value of goods sent on consignment.
- **Credits:**
 - Value of unsold goods returned or remaining with the consignee.
- **Consignment Profit and Loss Account:**
 - **Debits:**
 - Cost of goods sent on consignment.
 - Expenses incurred (freight, insurance, etc.).
 - **Credits:**
 - Sales proceeds from the consignee.
 - Commission and other expenses deducted by the consignee.

4. Financial Statements

- **Consignor's Financial Statements:**
 - **Balance Sheet:** Consignment Stock Account balance is shown under current assets.
 - **Profit and Loss Account:** Profit or loss from the consignment transaction is shown.
- **Consignee's Financial Statements:**
 - **Balance Sheet:** Consignment goods are not listed as assets; instead, the consignee's commission and expenses are recognized.
 - **Profit and Loss Account:** Consignment commission and expenses are recorded.

5. Handling Transactions

- **Goods Sent on Consignment:**
 - Recorded at cost price in the Consignment Account (for the consignor).
- **Sales and Commission:**
 - Consignee deducts commission and any other agreed expenses from the sales proceeds before remitting the balance to the consignor.
- **Stock Valuation:**
 - Unsold stock at the consignee's premises is valued and transferred to the Consignment Stock Account in the consignor's books.

6. Profit Calculation

- **Gross Profit:** Calculated by subtracting the cost of goods sold and expenses from the total sales proceeds.
- **Net Profit:** Consider any additional expenses and adjustments to determine the final profit from the consignment.

Example

If a consignor sends goods worth \$10,000 to a consignee and the consignee sells them for \$15,000, with a 10% commission, the accounting entries would look like:

- **Consignor's Books:**
 - Debit Consignment Account with \$10,000 (cost of goods).
 - Debit Consignment Expenses (e.g., \$500 for freight).
 - Credit Sales Proceeds \$15,000.
 - Credit Commission (10% of \$15,000 = \$1,500).
- **Consignee's Books:**
 - No entry for consignment stock, but recognize commission income and any related expenses.

Consignment accounts help in effectively managing and tracking goods sent for sale, ensuring proper financial reporting and settlement between the consignor and consignee.

UNIT III

JOINT VENTURE ACCOUNTS

A joint venture is a business arrangement where two or more parties come together to work on a specific project or business activity. Each party contributes resources such as capital, expertise, or technology and shares in the risks and rewards associated with the venture.

The key aspects of a joint venture typically include:

1. **Shared Investment:** All parties contribute resources, which can be financial, intellectual, or operational.
2. **Shared Risk and Reward:** Profits and losses are shared according to the terms agreed upon.
3. **Defined Duration:** Many joint ventures are set up for a specific project or for a defined period, though some may be ongoing.
4. **Separate Entity:** Often, a new entity is created for the venture, distinct from the individual parties involved.
5. **Legal Agreement:** A formal contract outlines each party's contributions, responsibilities, and the governance of the joint venture.

Examples of joint ventures include partnerships between companies to enter new markets, collaborate on research and development, or combine resources for a large-scale project. They are a common way to leverage complementary strengths and mitigate risks.

e material on joint venture
ChatGPT

If you're looking to dive deeper into the concept of joint ventures, here's a structured overview of key topics and materials you might find useful:

1. Introduction to Joint Ventures

- **Definition and Overview:** Learn the basics of what a joint venture is and how it operates.
- **Types of Joint Ventures:**
 - **Equity Joint Ventures:** Where each party contributes capital and holds an equity stake in a new entity.
 - **Contractual Joint Ventures:** Where parties collaborate based on a contract without forming a new entity.

2. Formation and Structure

- **Parties Involved:** Typical stakeholders, including corporations, governments, or individual entrepreneurs.

- **Legal Structure:** Options such as partnerships, corporations, or limited liability companies.
- **Agreements:** Key documents include joint venture agreements, shareholder agreements, and operating agreements.

3. Key Components of a Joint Venture Agreement

- **Purpose and Scope:** The goals and objectives of the joint venture.
- **Contributions and Responsibilities:** What each party is bringing to the table and their roles.
- **Governance and Management:** How decisions will be made and who will manage the joint venture.
- **Profit and Loss Distribution:** How financial results will be shared.
- **Duration and Termination:** The length of the joint venture and conditions for ending it.

4. Financial and Operational Considerations

- **Funding and Investment:** How the joint venture will be financed.
- **Cost Sharing:** How operational costs are split.
- **Risk Management:** Identifying and managing potential risks.

5. Legal and Regulatory Issues

- **Compliance:** Ensuring the joint venture adheres to relevant laws and regulations.
- **Intellectual Property:** Handling IP rights and sharing of technology.
- **Dispute Resolution:** Mechanisms for resolving conflicts between parties.

6. Benefits and Challenges

- **Advantages:** Access to new markets, shared risk, combined expertise.
- **Disadvantages:** Potential for conflicts, management complexities, and dependence on partners.

7. Case Studies and Examples

- **Successful Joint Ventures:** Explore well-known examples like Sony Ericsson (Sony and Ericsson) or Starbucks and PepsiCo.
- **Challenges Faced:** Lessons from joint ventures that encountered difficulties.

8. Practical Guides and Resources

- **Books:**
 - *Joint Ventures: Law, Practice, and Procedure* by Robert J. Giuffra Jr.
 - *The Joint Venture Guidebook* by Mark A. McCormack.
- **Articles and Journals:**
 - Harvard Business Review articles on joint ventures.

- Journal of Business Venturing for academic research.
- **Online Resources:**
 - Websites of legal and consulting firms often have detailed guides and articles on joint ventures.
 - Online courses and webinars from business schools or professional organizations.

9. Legal and Professional Advice

- **Consulting with Experts:** Engage legal and business professionals to draft and review agreements.
- **Negotiation Strategies:** Tips for negotiating terms that are favorable and fair to all parties.

UNIT-IV

ACCOUNTS FROM INCOMPLETE RECORDS

Dealing with accounts from incomplete records often involves reconstructing financial statements when comprehensive documentation isn't available. This situation commonly arises in small businesses, sole proprietorships, or when records have been lost or are missing. Here's a structured guide to help you navigate this area:

1. Introduction to Incomplete Records

- **Definition:** Incomplete records refer to situations where the financial records of a business are not complete or systematically maintained.
- **Challenges:** Difficulty in preparing accurate financial statements and tax returns.

2. Methods of Accounting for Incomplete Records

1. Single Entry System:

- **Characteristics:** Records only one side of each transaction (e.g., cash receipts and payments).
- **Reconstruction:** Use bank statements, invoices, and receipts to estimate missing figures.

2. Double Entry System Reconstruction:

- **Characteristics:** Requires both debit and credit entries for each transaction.
- **Reconstruction Steps:**
 - **Cash Book Analysis:** Use bank statements and cash records.
 - **Ledger Accounts:** Reconstruct ledgers based on available data.

3. Steps to Prepare Accounts from Incomplete Records

1. Collect Available Information:

- **Sources:** Bank statements, invoices, receipts, and any available documentation.

2. Reconstruct Missing Transactions:

- **Estimate Figures:** Use historical data and trends to estimate missing information.
- **Cross-Verification:** Compare with bank statements and other external records.

3. Prepare a Trial Balance:

- **Listing Accounts:** Create a trial balance with available and estimated figures.

- **Adjustments:** Make necessary adjustments to balance the trial balance.
- 4. **Prepare Financial Statements:**
 - **Profit and Loss Account:** Estimate income and expenses.
 - **Balance Sheet:** Estimate assets and liabilities.

4. Common Techniques for Reconstructing Accounts

1. **Use of Bank Statements:**
 - **Bank Reconciliation:** Reconcile bank statements with your incomplete records to determine missing entries.
2. **Inventory Estimation:**
 - **Physical Count:** If possible, conduct a physical inventory count and estimate cost of goods sold.
3. **Sales and Purchase Records:**
 - **Review Transactions:** Use sales receipts and purchase records to estimate revenues and expenses.

5. Handling Specific Situations

- **Bad Debts:** Estimate bad debts based on past experience or industry norms.
- **Depreciation:** Estimate depreciation based on asset purchase dates and useful life.

6. Legal and Tax Considerations

- **Compliance:** Ensure reconstructed accounts comply with legal and tax requirements.
- **Documentation:** Maintain records of how estimates were made to support tax filings.

7. Tools and Resources

- **Accounting Software:** Some software can assist with reconstruction by importing and categorizing available data.
- **Books and Guides:**
 - *Principles of Accounting* by Belverd E. Needles Jr., Marian Powers, and Susan V. Crosson.
 - *Accounting for Non-Accountants* by Wayne Label.
- **Online Resources:**
 - Websites like Investopedia and AccountingCoach offer articles and tutorials.
 - Online courses and webinars on accounting fundamentals.

8. Professional Assistance

- **Accountants and Auditors:** Consult with professionals for accurate reconstruction and compliance.
- **Legal Advice:** For complex situations or legal issues, seek advice from legal professionals.

9. Practical Example

Scenario: Suppose you have bank statements and some receipts but no detailed ledger. Here's a simplified approach:

1. **Analyze Bank Statements:** Identify deposits and withdrawals. Reconcile these with receipts.
2. **Estimate Missing Entries:** Use past patterns to estimate typical expenses and revenues.
3. **Prepare Financial Statements:** Use the reconstructed data to prepare a profit and loss account and balance sheet.

UNIT V

ACCOUNTING FOR NON PROFIT ORGANISATION

Our financial reports are designed to provide comprehensive insights into our financial health and operational efficiency. Here's what you can expect to find:

1. **Financial Statements**
 - **Statement of Financial Position (Balance Sheet):** Snapshot of our assets, liabilities, and net assets at a specific point in time.
 - **Statement of Activities (Income Statement):** Summary of our revenue, expenses, and changes in net assets over a period.
 - **Statement of Cash Flows:** Overview of cash inflows and outflows, illustrating how funds are utilized.
2. **Annual Report**
 - **Overview:** A detailed report covering our financial performance, program impacts, and strategic goals.
 - **Highlights:** Key achievements, financial summaries, and personal messages from our leadership.
3. **Budget Reports**
 - **Budget vs. Actuals:** Comparison of our budgeted figures against actual performance to assess financial planning accuracy and execution.
4. **Audit Reports**
 - **External Audit:** Independent review of our financial statements to validate accuracy and adherence to accounting standards.
5. **Tax Filings and Compliance**
 - **Tax Summaries:** Key information from our tax filings to ensure compliance with regulatory requirements and provide transparency.
6. **Financial Policies and Procedures**
 - **Internal Controls:** Documentation of our financial policies and procedures, including how we manage funds and ensure accountability.
7. **Fundraising and Donor Reports**
 - **Performance Metrics:** Analysis of our fundraising activities and their effectiveness in supporting our mission.

- **Impact Reports:** Detailed accounts of how donor contributions have been utilized and the resulting impact.
8. **Program and Impact Reports**
- **Program Financials:** Financial summaries of specific programs, demonstrating how funds are allocated and the outcomes achieved.

Navigating This Material

We aim to make our financial information as accessible and informative as possible. Our e-materials include interactive features, such as clickable sections and dynamic charts, to help you easily explore and understand our financial data.

The Receipts and Payments Account is a key financial document for nonprofit organizations, providing a straightforward record of all cash transactions during a specific period. This account helps in tracking the flow of cash in and out of the organization, offering a clear snapshot of financial activity.

Receipts and Payments Account Overview

Purpose:

- To record all cash inflows and outflows.
- To provide a summary of the organization's cash transactions for a specific period, typically a financial year.

Characteristics:

- **Simple Format:** Unlike more detailed financial statements, it does not follow any specific accounting standards and is more straightforward.
- **Cash-Based:** Only includes cash transactions, not accounting for non-cash transactions or accruals.

Structure of the Receipts and Payments Account

The Receipts and Payments Account is divided into two main sections: Receipts and Payments.

1. Receipts

Definition: This section lists all the sources of cash inflows during the period.

Common Items:

- **Donations:** Cash received from individuals, corporations, or other entities.
- **Grants:** Funds received from government bodies or private foundations.
- **Membership Fees:** Payments made by members for joining or renewing their membership.
- **Fundraising Income:** Proceeds from fundraising events or campaigns.
- **Investment Income:** Interest earned on investments or bank deposits.
- **Other Income:** Any other sources of cash inflows such as sale of assets or service fees.

Example:

Receipts	Amount
Donations	\$50,000
Grants	\$20,000
Membership Fees	\$5,000
Fundraising Income	\$15,000
Investment Income	\$1,000
Total Receipts	\$91,000

2. Payments

Definition: This section lists all the cash outflows during the period.

Common Items:

- **Program Expenses:** Costs related to the direct delivery of the organization's programs and services.
- **Administrative Expenses:** Operational costs such as salaries, rent, utilities, and office supplies.
- **Fundraising Expenses:** Costs incurred to organize fundraising events or campaigns.
- **Grants Given:** Cash payments made to other organizations or individuals in line with the mission.
- **Capital Expenditures:** Purchases of fixed assets like equipment or property.
- **Other Payments:** Any other cash expenditures not categorized above.

Example:

Payments	Amount
Program Expenses	\$40,000
Administrative Costs	\$25,000
Fundraising Expenses	\$10,000
Grants Given	\$8,000
Capital Expenditures	\$7,000
Total Payments	\$90,000

How to Prepare a Receipts and Payments Account

1. **Collect Data:** Gather all records of cash inflows and outflows for the period, including bank statements, receipts, and payment vouchers.
2. **Categorize Transactions:** Sort transactions into appropriate categories for receipts and payments.
3. **Enter Data:** Record each item in the respective section of the account.
4. **Total Up:** Calculate the total receipts and total payments.
5. **Calculate Closing Balance:** The closing balance of the Receipts and Payments Account is derived from the opening balance plus total receipts minus total payments.

Example:

Receipts and Payments Account for the Year Ended [Date]

Opening Balance

Receipts

Total Receipts

Payments

Total Payments

Closing Balance

Significance

- **Cash Flow Insight:** Provides a clear picture of cash flow for the period, helping to manage liquidity.
- **Financial Monitoring:** Helps in tracking actual cash management against budgets or financial plans.
- **Transparency:** Facilitates transparency by showing the actual cash transactions of the organization, aiding in financial accountability.

Limitations

- **Excludes Non-Cash Transactions:** Does not account for non-cash items such as accruals, depreciation, or unpaid invoices.
- **Limited Detail:** Offers a summary of cash movements without detailed insights into the nature of transactions.

The Receipts and Payments Account is essential for nonprofits to manage their cash flows effectively, ensure proper financial tracking, and maintain transparency with stakeholders.

The Income and Expenditure Account is a crucial financial statement for nonprofit organizations. Unlike the Receipts and Payments Account, which focuses solely on cash

transactions, the Income and Expenditure Account provides a detailed summary of the organization's income and expenses, reflecting its financial performance over a specific period. This account follows the accrual basis of accounting, meaning it includes all income earned and expenses incurred, regardless of whether cash has actually changed hands.

Income and Expenditure Account Overview

Purpose:

- To show the surplus or deficit of income over expenses for a specific period.
- To provide a comprehensive view of the organization's financial performance, beyond just cash transactions.

Structure of the Income and Expenditure Account

The Income and Expenditure Account is typically divided into two main sections: Income and Expenditure.

1. Income

Definition: This section lists all sources of revenue earned by the organization during the period.

Common Items:

- **Donations:** Contributions received from individuals, businesses, or other entities.
- **Grants:** Funds awarded by government agencies or private foundations for specific purposes.
- **Membership Fees:** Revenue from individuals or entities paying to become members of the organization.
- **Fundraising Income:** Earnings from fundraising events, campaigns, or activities.
- **Investment Income:** Interest, dividends, or other returns on investments held by the organization.
- **Service Fees:** Revenue from services provided by the organization.

Example:

Income	Amount
Donations	\$50,000
Grants	\$20,000
Membership Fees	\$5,000
Fundraising Income	\$15,000
Investment Income	\$1,000

Income	Amount
Service Fees	\$2,000
Total Income	\$93,000

2. Expenditure

Definition: This section lists all expenses incurred by the organization during the period.

Common Items:

- **Program Expenses:** Costs related to the direct execution of the organization's programs and services.
- **Administrative Expenses:** General operational costs, including salaries, rent, utilities, and office supplies.
- **Fundraising Expenses:** Costs associated with organizing fundraising events or campaigns.
- **Grants Paid:** Payments made to other organizations or individuals as part of the organization's mission.
- **Depreciation:** Allocation of the cost of tangible fixed assets over their useful lives.
- **Interest Expense:** Costs associated with borrowing or financing.

Example:

Expenditure	Amount
Program Expenses	\$40,000
Administrative Costs	\$25,000
Fundraising Expenses	\$10,000
Grants Paid	\$8,000
Depreciation	\$2,000
Interest Expense	\$1,000
Total Expenditure	\$86,000

How to Prepare an Income and Expenditure Account

1. **Gather Data:** Collect all records related to income and expenses for the reporting period. This includes bank statements, invoices, receipts, and financial reports.
2. **Categorize Transactions:** Sort income and expenditures into appropriate categories based on the nature of the transaction.

3. **Record Transactions:** Enter income and expenditure figures into the respective sections of the account.
4. **Calculate Totals:** Sum up the totals for both income and expenditure.
5. **Determine Surplus or Deficit:** Subtract total expenditure from total income to find the surplus (if income exceeds expenditure) or deficit (if expenditure exceeds income).

Example:

Income and Expenditure Account for the Year Ended [Date]

Income

Expenditure

Surplus (Income - Expenditure)

Significance

- **Financial Performance:** Shows the financial performance of the organization, indicating whether it has a surplus or deficit for the period.
- **Accrual Basis Reporting:** Provides a more accurate picture of financial health by including all earned income and incurred expenses, regardless of cash transactions.
- **Budgeting and Planning:** Helps in financial planning and budgeting by showing actual income and expenses compared to what was budgeted.

Limitations

- **Non-Cash Items:** Includes non-cash items such as depreciation, which do not affect cash flow but are important for understanding the overall financial position.
- **Lack of Detail on Cash Flow:** Unlike the Receipts and Payments Account, it does not provide detailed information on cash flow.

The Income and Expenditure Account is essential for nonprofit organizations to assess their financial performance, manage resources effectively, and ensure transparency to stakeholders.

QUESTION BANK

Subject :Financial Accounting-II

UNIT-1

BILLS OF EXCHANGE

1. MULTIPLE CHOICE QUESTIONS

1. A Promissory Note is _____ []
(a) a conditional promise to pay
(b) an unconditional promise to pay
(c) a conditional order to pay
(d) an unconditional order to pay

2. In case of a promissory note, there are _____ []
(a) Two parties
(b) Three parties
(c) Four parties
(d) Five parties

3. A Bill of Exchange is _____ []
(a) a conditional promise to pay
(b) an unconditional promise to pay
(c) a conditional order to pay
(d) an unconditional order to pay

4. In case of a Bill of Exchange there are _____ []
(a) Two parties
(b) Three parties
(c) Four parties
(d) Five parties

5. A cheque is _____ []
(a) a promissory note
(b) a bill of sight
(c) a bill after date
(d) None

6. Acceptance is necessary in case of _____ []
(a) a promissory note
(b) a cheque
(c) a Bill
(d) None

7. When the bill is honoured at the maturity date the drawee debits__ []

- (a) Drawer's account
- (b) Bills payable account
- (c) Cash /Bank account
- (d) Holder of Bill account

8. In case of dishonour of a discounted bill, noting charges are initially paid by []

- (a) Drawer
- (b) Drawee
- (c) Banker
- (d) None

9. In case of dishonour of a bill sent to Bank for collection to Banker noting charges are initially paid by _____ []

- (a) Drawer
- (b) Drawee
- (c) Banker
- (d) None

10. In case of dishonour of endorsed bill, noting charges are initially paid by []

- (a) Drawer
- (b) Drawee
- (c) Endorser
- (d) Endorsee

11. A discounted bill is treated as dishonoured in case of insolvency of the ____ []

- (a) Drawer
- (b) Drawee
- (c) Banker
- (d) Endorsee

12. Days of grace are added to _____ []

- (a) the date of maturity of the bill
- (b) to arrive at due data
- (c) the date of drawing to arrive at the date of maturity
- (d) the date of acceptance to arrive at the date of maturity

13. A bill given to a creditor is called _____ []

- (a) Bills Receivable
- (b) Bills payable
- (c) Purchase Invoice
- (d) Sales Invoice

14. A bill received from a debtor is called _____ []

- (a) Bills receivable
- (b) Bills Payable
- (c) Purchase Invoice
- (d) Sales Invoice

15. A bill of Exchange cannot be made payable to _____ []

- (a) Bearer
- (b) Bearer on demand

- (c) Bearer or order
- (d) None

16. An Accommodation bill is ____ []
(a) Held till due date
(b) Discounted with the bank
(c) Sent to bank for collection
(d) All

17. A person holding a bill incurs loss when ____ []
(a) He holds the bill till the due date
(b) he discounts the bill with a bank
(c) He endorses the bill
(d) He sends the bill for collection

18. Renewal of a bill is requested when ____ []
(a) The acceptor likely to dishonour the bill
(b) the acceptor wishes to prepay the bill
(c) The payee wants the payment to be preponed
(d) any of the above situations

19. A bill drawn for Rs. 1,00,000 was renewed for 2 months at an interest rate of 12% p.a. The amount of interest will be ____ []
(a) Rs. 12000
(b) Rs. 2000
(c) Rs. 1,12,000
(d) Rs. 1,02,000

20. Which of the following is NOT a negotiable instrument ____ []
(a) Bill of exchange
(b) promissory note
(c) Crossed account payee cheque
(d) Bearer cheque

FILL IN THE BLANKS

1. When the bill is dishonoured, _____ Account is debited in the books of the drawee.
2. When the bill is dishonoured, _____ Account is debited in the books of the drawer.
3. When the endorsed bill is dishonoured, _____ Account is credited in the books of drawer.
4. The drawer always debits _____ Account for noting charges paid on the dishonour of a bill.
5. When a bill sent for collection is dishonoured, the drawer gives debit to _____ Account and credits to _____ Account.
6. At the time of renewal of a bill, Interest account is _____ in the books of the drawer.
7. When the drawee becomes insolvent, the bill accepted by him is treated as _____
8. When the bill is met on the due date _____ account is debited in the books of the drawee.
9. When the discounted bill dishonoured, _____ account is debited and _____ account is credited in the books of drawer.
10. A four Months bill drawn on 1st January 2020 will mature for payment on _____ 2020.
11. Bills receivable account is a _____ Account.

12. Sandeep pays ` 6000 to Saideep on maturity of the bill he had accepted. The amount of ` 6000 will be credited to cash account and debited to _____ account.
13. A bill of exchange is drawn by _____.
14. A promissory note is made by _____.
15. The drawer always debits _____ account and credits _____ account for noting charges paid on dishonour of a bill.
16. Bills drawn and accepted without consideration , to help one of the parties to the bill , are called _____.
17. The words _____ in the body of the bill indicates that the bill is drawn as consideration for the goods sold or amount paid by the drawer to the acceptor.
18. When a bill is being paid off before maturity date ,the holder allows _____ to the acceptor.
19. When a bill is renewed , the difference in amounts of a new bill and old bill is on account of _____.
20. Fees charged by the notary public is called _____.

ANSWERS

Multiple Choice Questions :

- | | | | | | |
|---------|---------|---------|---------|---------|---------|
| 1. (b) | 2. (a) | 3. (d) | 4. (b) | 5. (b) | 6. (c) |
| 7. (b) | 8. (c) | 9. (c) | 10. (d) | 11. (b) | 12. (b) |
| 13. (b) | 14. (a) | 15. (b) | 16.(b) | 17.(b) | 18(c) |
| 19.(b) | 20.(c) | | | | |

Fill in the Blanks :

- | | |
|------------------------------------------|------------------------------|
| 1. Bills payable | 11. Real |
| 2. Acceptor's | 12. Bills payable |
| 3. Creditor's | 13. Creditor |
| 4. Acceptor's | 14. Debtor |
| 5. Acceptor's ; Bill sent for collection | 15. Noting Charges; Drawer's |
| 6. Credited | 16. Accommodation |
| 7. Dishonoured | 17. For Value |
| 8. Bills payable | 18. Discount |
| 9. Acceptors; Bank | 19. Interest |
| 10. May | 20. Noting Charges |

VERY SHORT QUESTION AND ANSWERS

1. What are Noting Charges.

Answer : The Noting charges refers to the charge as on the bills of exchange that was dishonour.

2. Explain the term “ rebate on bills” ?

Answer : If a bill is paid before its due date and some rebate or discount is allowed by the holder to the acceptor, is called as “rebate on bills”

3. What are “Grace days” in a Bills of Exchange.

Answer : Every instrument payable other than on demand is entitled to three days of Grace days.

4. What do you mean by discounting of bill.

Answer : When a bill is discounted at bank the bill is transferred to the bank and cash is received after deducting discount for the period of the bill which is yet to mature.

5. What is Bills of exchange.

Answer : It is an instrument in writing containing an unconditional order signed by the maker directing a certain person to pay a certain sum of money only to or to the order of a certain person or to the bearer of the Instrument.

6 What is term of a Bill.

Answer: Term of Bill or Period of Bill. It is the time period between the date on which a bill is drawn and the date on which it is payable

7 What do you understand by Retiring of bill?

Answer: When the drawee of the bill has funds at his disposal and makes a request to the drawer or holder to accept the payment of the bill before its maturity with some discount and if the holder agrees to do so, it is called the retiring of a bill .

8 What is Bills Receivable?

Answer: A bill of exchange can be either bills receivable . When a drawee accepts a bill and sends it back to the drawer, it becomes a bills receivable to the drawer as money is receivable on the bill.

9 What is the difference between trade bills and accommodation bills.

Answer: Trade Bill:

1. It is a real bill.
2. Rightly used for financing trade
3. Drawer is a creditor

Accommodation Bill:

1. It is an imaginary bill
2. Misused for raising a loan.
3. Drawer is pretended creditor

10 Who is a Notary public?

Answer: A notary, also called a notary public, is a person authorized to witness the signing of legal documents, usually concerned with deeds, estates. The inheritance may be in, licenses, power of attorney, affidavits, and trusts

UNIT-2

CONSIGNMENT ACCOUNTS

1. MULTIPLE CHOICE QUESTIONS

1. The relationship between the consignee and the consignor is that of. []
(a) Employer and Employee
(b) Bailor and Bailee
(c) Principal and agent
(d) None of these
2. In consignment the goods are despatched on the basis that the goods will be sold on behalf of, at the expense and at the risk of
[]
(a) Consignor
(b) Consignee
(c) Employer
(d) None of these
3. With reference to consignment which of the following is correct? []
(a) Only ownership of goods is transferred.
(b) Only possession of goods is transferred.
(c) Both the ownership and possession of goods are transferred.
(d) None of these.
4. Consignee sends to consignor. []
(a) Proforma invoice
(b) Sales account
(c) Account sales
(d) Invoice
5. Consignor sends to consignee _____ []
(a) Proforma invoice
(b) Sales account
(c) Account sales
(d) Invoice
6. Overriding commission is allowed []

- (a) To effect sales in the normal course of business.
- (b) To bear the bad debts on account of credit sales.
- (c) To effect sales at price higher than the price fixed.
- (d) None of these.

7. Delcredere Commission is allowed []

- (a) To effect sales in the normal course of business.
- (b) To bear the bad debts on account of credit sales.
- (c) To effect sales at price higher than the price fixed.
- (d) None of these.

8. If delcredere Commission is not allowed for bad debt, consignee will debit the bad debt amount to []

- (a) Commission earned A/c
- (b) Consignor A/c
- (c) Debtors A/c
- (d) General Profit and Loss A/c

9. Over riding commission is a commission payable to consignee by consignor for []

- (a) For protecting himself from bad debt
- (b) For making sales above specific price
- (c) As good friend
- (d) As loyalty payment.

10. Consignee account is a []

- (a) Real account
- (b) Personal account
- (c) Nominal account
- (d) None of these

11. The nature of consignment account is []

- (a) Capital in nature
- (b) Revenue in nature
- (c) Realization account in nature
- (d) Bank account in nature

12. Consignee account is prepared in the books of []

- (a) Consignor
- (b) Consignee
- (c) Third party
- (d) None

13. Goods sent on consignment account is prepared in the books of []

- (a) Consignor
- (b) Consignee

- (c) Third party
- (d) None

14. The balance of goods sent on consignment will be transferred to []

- (a) General P/L
- (b) General trading A/c
- (c) Balance sheet
- (d) Capital A/c

15. The owner of the consignment stock is : []

- (a) Consignor
- (b) Consignee
- (c) Debtor
- (d) None

16. In a consignment the ownership of the goods consigned is with the []

- (a)The consignor
- (b)The consignee
- (c)The commission agent
- (d)Depends on the contract between them

17 The relationship of consignor consignee is that of []

- (a)Seller- buyer
- (b)debtor- creditor
- (c)principle- agent
- (d) lender -borrower

18 The income for a consignee is []

- (a)Salary paid by consignor
- (b) share in profits on good sold by consignor
- (c)commission on goods is sold by consignor
- (d) discount offered by consignor

19 The statement sent by consignee to consignor is called []

- (a)Invoice
- (b)Proforma invoice
- (c) Account sales
- (d)commission statement

20 which of the following items listed in account sales is not an expense []

- (a)Freight and cartage
- (b) insurance
- (c) amount remitted
- (d)All of the above are expenses

FILL IN THE BLANKS

1. To Consign means to _____

2. The person who sends the goods is called _____
3. The consignee is a/an _____ of the consignor.
4. In a consignment, consignee has _____ of goods but consignor has _____ of goods
5. The statement sent by consignor to consignee is called _____
6. The statement sent by consignee to consignor is called _____
7. In a consignment transaction risk is borne by _____
8. In a consignment transaction sales expenses are borne by _____
9. Commission received from consignor is credited to _____ account by the consignee in his books.
10. Sales made by the consignee are credited to _____ account.
11. Commission given to consignee for taking responsibility of bad debts is called _____
12. _____ expenses are not included in valuation of consignment stock.
13. The difference between invoice price and cost of the goods sent on consignment is called _____
14. Loss arising due to nature of goods is called _____
15. Loss due to pilferage is an example of _____
16. _____ is a special form of trading under which one person sends goods to another to be sold by him on behalf of and at the risk of the person who sent them
17. Goods sent by one person to another to be sold by him on behalf of and at the risk of the person who sent them are called _____
18. To consign means to _____
19. The person who sends the goods is called _____
20. The person to whom the goods are sent is called _____

ANSWERS

Multiple Choice Questions :

- | | | | | | |
|---------|---------|---------|---------|---------|---------|
| 1. (d) | 2. (a) | 3. (b) | 4. (c) | 5. (a) | 6. (c) |
| 7. (b) | 8. (b) | 9. (b) | 10. (c) | 11. (b) | 12. (a) |
| 13. (a) | 14. (b) | 15. (a) | 16. (a) | 17. (c) | 18. (c) |
| 19. (b) | 20. (c) | | | | |

Fill in the Blanks :

- | | |
|--------------------------|-------------------------------|
| 1. Send | 11. Delcredere commission |
| 2. Consignor | 12. Indirect |
| 3. Agent | 13. Loading |
| 4. Possession, ownership | 14. Normal Loss |
| 5. Proforma Invoice | 15. Abnormal Loss |
| 6. Account sales | 16. consignment |
| 7. Consignor | 17. goods sent on consignment |
| 8. Consignor | 18. send |
| 9. Consignor account | 19. consignor |
| 10. Consignment account | 20. consignee |

VERY SHORT QUESTION AND ANSWERS

1. What is consignment

Answer : A shipment of goods by a manufacturer or wholesale dealer to an agent to be sold by him on commission basis. On the risk and account of the former is known as consignment.

2. What is loading.

Answer : The difference between Invoice Price and cost price is called as loading.

3. What is "Invoice Price".

Answer : Goods Invoiced at a higher price than cost price such price is known as Invoice Price.

4. Who is a consignor?

Answer : The person who sends the goods to the agent to be sold by him on commission basis is called a 'Consignor'.

5. What is overriding commission?

Answer : Over riding commission is an extra commission allowed over and above the normal commission.

6. What is the difference between recurring and non recurring expenses?

Answer: Non-recurring expenses or non-repeating costs are those expenses that don't emerge out of schedule, everyday business activities yet rather are owing to one-off or exceptional occasions. Non-repeating costs are consequently rare in nature and not expected to be repeated in nature. Recurring expenses or repeating costs are those expenses that are brought about as a component of ordinary, daily practice, and continuous business tasks. To guarantee proceeds with business activities, these costs are hence brought about oftentimes on a periodic premise.

7 What is the difference between normal loss and abnormal loss?

Answer: Normal Loss is a loss that takes place due to the inherent nature of the raw materials and process of production under ordinary circumstances. Abnormal Loss refers to a loss that arises due to unexpected events like defective material, carelessness, machinery breakdown, etc.

8 what is account sales?

Answer: It is the statement forwarded by the consignee to consignor showing details of goods sold, amounts received, expenses incurred, a commission charged, advance payment and balance due and stock in hand, etc.

9 What is delcredere commission?

Answer: A del crede commission is a commission which is paid as direct commission instead of paying through someone else. Del Crede commission is that of a surety who is liable to the principal should the purchaser make default.

10 What are goods sent on consignment?

Answer: Consignment is an arrangement in which goods are left with a third party to sell. The party that sells the goods on consignment receives a portion of the profits, either as a flat rate fee or commission. Selling via a consignment arrangement can be a low-commission, low-time-investment way of selling items or services.

UNIT-3

JOINT VENTURE ACCOUNTS

Multiple Choice Questions

1. Which of the following is not a feature of Joint Ventures? []
- (a) It is a permanent partnership agreement
 - (b) It does not have a firm name.
 - (c) It comes to an end on completion of the contract
 - (d) Profits and losses are shared in agreed proportion
2. Which of the following is not an example of a Joint Venture? []
- (a) Underwriting of shares
 - (b) construction of building
 - (c) opening of supermarket
 - (d) consignment of goods
- 3 The duration of a Joint venture is usually []
- (a) Perpetual
 - (b) Long term (more than 10 years)
 - (c) Medium term (two to ten years)
 - (d) Short term (one year or less)

4. The source of income for a co-venturer is []
(a) Commission
(b) Share in profit
(c) A fixed Salary
(d) Interest

5. Which of the following statements is not true in case of a Joint Venture transaction? []
(a) A JV is a temporary partnership
(b) Co-Venturers share profits and losses in an agreed proportion
(c) The Co-venturers have a Principal Agent relationship with one another
(d) All of the above statements are true.

6. Which of the following accounts is opened when separate set of books are kept for the joint Venture? []
(a) Joint Bank A/c
(b) Joint Venture A/c
(c) Personal a/c of Co-Venturer
(d) All the above accounts are opened

7. Joint Venture a/c is []
(a) A Real account
(b) A Personal account
(c) A Nominal Account
(d) A representative personal A/c

8. Balance in Joint Bank A/c is used to []
(a) Calculate profit/ loss on Joint Venture
(b) Calculate amount due to outsiders
(c) Calculate amount due to Co Venturers
(d) Calculate amount due from coventurers

9. A joint Bank account is opened []
(a) When no separate books for the JV are maintained
(b) When separate books for the JV are maintained
(c) Under all methods of accounting for JV transactions
(d) No such account is opened.

10. Memorandum Joint Venture A/c is []
(a) A Real account
(b) A Personal account
(c) A Nominal Account representative personal A/c
(d) A representative personal A/c

11. Which of the following statements is true? []
(a) Memorandum Joint Venture is not a part of Double entry system

- (b) Memorandum Joint Venture a/c is same as Joint Venture A/c
- (c) Memorandum Joint Venture a/c is debited with all payments made by all venturers
- (d) None of the above statements is true.

12. Separate Books of Account are maintained for a Joint Venture []

- (a) When the venture is sufficiently large
- (b) When all co-venturers are at the same place
- (c) Both a and b
- (d) None of above

13. Purchases made by a Joint Venture are debited to []

- (a) Purchases A/c
- (b) Co-Venturer Alc
- (c) Joint Venture A/c
- (d) Joint Bank Alc

14. When one of the Venturers is maintaining accounts for transactions done, which of the following accounts will not be opened? []

- (a) Joint Venture A/c
- (b) Personal A/c of other Co-venturer A/C
- (c) Joint Bank A/c
- (d) All the above accounts are opened

15. Joint Venture with Coventurer A/c is a []

- (a) A Real account
- (b) A Personal account
- (C) A Nominal Account
- (d) A representative personal A/C

16. Which of the following is not a feature of joint venture []

- (a) It is a permanent partnership agreement
- (b) it does not have a firm name
- (c) it comes to and on completion of the contract
- (d) profits and losses are share In agreed proportion

17. Which of the following is not an example of joint venture []

- (a) Underwriting of shares
- (b) construction of building
- (c) opening of supermarket
- (d) consignment of goods

18. The duration of a joint venture is usually []

- (a) Perpetual
- (b) long term more than 10 years
- (c) medium term 2 to 10 years
- (d) short term one year or less

19. The source of income for Coventurer is []

- (a) Commission

- (b) share in profit
- (c) a fixed salary
- (d) interest

20. which of the following statements is not true in case of joint venture transaction []

- (a) A joint venture is a temporary partnership
- (b) Co-venturer share profits and losses in an agreed proportion
- (c) The co-venturers have a principal agent relationship with one another
- (d) All of the above statements are true

Fill in the Blanks

- 1 A Joint Venture is a _____ partnership
- 2 A Joint Venture does not have a _____
- 3 A Joint Venture comes to an end as soon as _____
4. After the completion of a particular venture, the joint Venture _____
5. The persons who enter into a Joint Venture are called _____
6. In the absence of a specific agreement, profits and losses are shared between the co-venturers _____
7. The source of income for a co-venturer is _____
8. A joint Bank A/c is just like _____
9. Joint Bank A/c is closed by making _____ to Co-venturers.
10. The balance in Joint Venture a/c represents _____
11. When one of the Venturers is maintaining accounts for transactions done, the personal account of the co-venturer reveals _____
- 12 The nature of a Memorandum Joint Venture A/c is _____
13. _____ a/c does not form part of double Joint Venture but reveals profit or loss from joint venture
14. Joint Venture with Co-venturer A/c is a _____ account.
15. Under Memorandum Joint Venture method, each Co-venturer opens only one account, which is _____
16. A joint venture is a _____ partnership
17. A joint venture does not have a _____
18. A joint venture comes to an end as soon as _____
19. After the completion of a particular when venture the joint venture _____
20. The persons who enter into a joint venture are called _____

Answers:

Multiple choice questions

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

19(B)

20.(C)

Fill in the blanks

1. Temporary
2. Firm name
3. Venture is completed
4. Comes to an end
5. Co-venturers
6. Equally
7. Profit from the joint venture
8. Cash Book
9. Final payments
10. Profit/ loss on Joint Venture
11. Amount due to/from the co-venturer
12. Nominal
13. Memorandum Joint Venture
14. Personal
15. Joint Venture with Co-Venturer A/c
16. temporary
17. Firm name
18. venture is completed
19. comes to an end
20. co-venturers

Short Answers

1. What is a Joint Venture?

Answer: Joint Venture may be described as a temporary partnership between two or more persons, without the use of firm's name, for a limited purpose.

2. State any 2 features of a Joint Venture?

Answer: 1. It is an agreement between two or more persons.

2. It is a temporary partnership and comes to an end after the completion of a particular venture

3. How is a Joint Venture different from a Partnership? State 2 differences.

Answer:

Basis of distinction	Partnership	Joint Venture
1. Scope	It has unlimited scope	It is limited to a specific venture
2. Persons involved	The persons carrying on business are individually called 'Partners'.	The persons carrying on business are called 'Co Venturers'

4 What are Co-venturers' A/c?

Answer: Co-Venturer's Accounts: These are the personal accounts of co-venturers. These accounts are credited with the capital contributed, goods supplied or expenses incurred by the venturer. Goods taken over by the co-venturers, are debited to these accounts. The profit or loss made on Venturer is transferred to these accounts. These accounts are closed when final payments are made from Joint Bank Account.

5 . How is a Joint Venture different from a consignment? State 2 differences.

Answer: 1 In case of Joint Venture co-venturers are partners in share profits or losses of the venture. In case of consignment the consignee is only an agent. He is not a partner, he gets only commission.

(2) In case of joint venture each co-venturer is principal and agent of the co-venture whereas is case of consignment, consignee is only an agent of the consignor.

6. What is memorandum joint venture account?

Answer: The memorandum of joint venture account is an agreement when two or more parties who are called co-ventures join together to execute a business for a limited period of time. A Joint venture memorandum account is managed jointly by all the parties to the joint venture.

7.What is done to unsold goods in joint venture?

Answer: If unsold stock is taken, then goods account will be debited by crediting Joint venture account. On the other hand, if unsold stock is taken by any other co-venturer, then personal account of the co-venturer will be debited.

8.What is joint bank account?

Answer: The co venturers will operate this account jointly.This account is just like cash book

9 What are the methods of keeping accounts in joint venture.

Answer:Joint venture accounts can be kept in the manner that will suit the co venturers in any particular case .

1 When a separate sets of books is kept for the joint venture

2. When no separate sets of books is kept for the joint venture

10. What is joint venture account?

Answer: Joint venture account is a nominal account in nature and it is prepared to ascertain the profit or loss in joint venture

Unit 4

Accounts from incomplete records

Multiple choice questions

- 1 The opening capital is ascertained by preparing []
(a) Cash book
(b) Creditors account
(c) Debtors account
(d) Opening statement of affairs
- 2 A single entry system is []
(a) Complete and scientific system

- (b) Incomplete and unscientific
- (c) Incomplete and scientific
- (d) Complete and scientific

3 Single entry system has effect []

- (a) One effect
- (b) Two effect
- (c) Three effect
- (d) None of the above

4 in single entry system it is not possible to prepare []

- (a) Receipts and payments account
- (b) Trial balance
- (c) Balance sheet
- (d) Account sales

5 a single entry system is usually adopted by []

- (a) Company
- (b) Partnership
- (c) Government
- (d) None of the above

6 Single entry system is most suited where []

- (a) Cash transactions are many
- (b) Credit transactions are many
- (c) Cash and credit transactions or more
- (d) None of the above

7 Capital can be obtained by preparing []

- (a) Cash book
- (b) Statement of affairs
- (c) Debtors account
- (d) Creditors account

8 Credit sales can be obtained by preparing []

- (a) Cash book
- (b) Statement of affairs
- (c) Debtors account
- (d) Creditors account

9 Credit purchases can be calculated by preparing []

- (a) Cash book
- (b) Statement of affairs
- (c) Debtors account
- (d) Creditors account

10 cash in hand can be obtained by preparing []

- (a)Cash book
- (b)Statement of affairs
- (c)Debtors account
- (d)Creditors account

11 In single entry system profit is calculated as follows. []

- (a)Opening capital+ drawing+ fresh capital- ending capital
- (b)Capital at the end- drawing - fresh capital- opening capital
- (c)Capital at the end + drawing- fresh capital -opening capital
- (d)None of the above

12 In single entry system only accounts are opened []

- (a)Personal account
- (b)Real account
- (c)Nominal account
- (d)Real and nominal account

13 Single entry system cannot be maintained by []

- (a)Joint stock company
- (b)Partnership
- (c)Sole proprietorship
- (d)All of the above

14 Single entry system of bookkeeping is generally followed by []

- (a)Small business
- (b)Non trading
- (c)Large business
- (d)None of the above

15 statement of assets and liabilities prepared under the single entry system is called[]

- (a)Balance sheet
- (b)Financial statement
- (c)Cash statement
- (d)Statement of affairs

16. Which of the following accounts are generally not maintained in single entry system []

- (a)Cash
- (b)real accounts
- (c) personal accounts
- (d)all accounts are maintained

17. The treatment of which of the following transactions is different in single entry system versus double entry system []

- (a)Cash received from debtors
- (b) cash paid to creditors
- (c)salary is paid to employees
- (d) all the above transactions are recorded in both books

18. Which of the following transactions is not recorded in single entry system []

- (a) Bad debts
- (b) cash paid to creditors
- (c) salary paid to employees
- (d) none of the above transactions are recorded

19. Which of the statements is true []

- (a) Single entry assures arithmetical accuracy of books as trial balance can be prepared
- (b) real and nominal accounts are not maintained in single entry system
- (c) accounts of debtors and creditors are not maintained in single entry
- (d) all of the above statements are true

20. Single entry is almost suitable to []

- (a) Small firms
- (b) joint stock companies
- (c) limited liability partnership
- (d) all of the above

Fill the blanks

1 _____ system of bookkeeping is the only scientific method to record transaction

2 In single entry system it is difficult to detect _____

3 single entry constitutes incomplete records rather than double entry _____

4 under pure single entry system only _____ account are kept

5 under the _____ entry system personal accounts cash book and other subsidiary books are kept separately

6 _____ accounting is mainly concerned with the future management planning

7 In _____ entry system no records are kept for real or nominal

8 most of the transactions are on _____ basis

9 in single entry system it is difficult to operate _____ system

10 In single entry system it's difficult to exercise control over _____

11 under _____ entry system personal accounts and cash book are kept separately

12 statement of a face method is also termed as _____

13 if the closing capital is more than the opening capital it shows an increase in capital which means a _____

14 _____ account is prepared to ascertain missing information regarding credit sales

15 bills receivable endorsed to credit task will appear on the debit side of _____ account

16. The term single entry is used to define the method of maintaining accounts which does not follow the principle of _____

17. Accounts from incomplete records are also termed as _____

18. In a single entry system generally only records of _____ and _____ are maintained

19. In a single entry system generally records of _____ and _____ are not maintained

20. A profit of 20% on sales implies _____ percent on cost

Answers:

Multiple choice questions:

1.(D)	2.(B)	3.(A)	4.(B)	5.(C)	6.(A)
7.(B)	8.(C)	9.(D)	10.(A)	11.(C)	12.(A)
13.(A)	14.(A)	15.(D)	16.(B)	17.(C)	18.(A)
19.(B)	20.(A)				

1.Double entry	11.quasi single
2.fraud	12. comparison method
3. accounting	13.profit
4. personal	14 .total debtors account
5.single	15. total creditors account
6.management	16.double entry
7. pure single	17.Single entry
8. cash	18.Cash, personal
9.internal control	19.real, nominal
10. asset	20.25%

Very short question and answers

1.Explain single entry.

Answer.The term single entry is used to define the method of accounts which does not follow the principal of double entry system it is also termed accounts from incomplete records

2. State any two features of single entry system.

Answer 1 Cash book and personal accounts are maintained

2 It is suitable to only soul trading and partnership firms and not to the joint stock companies as they follow double entry system

3. What do you mean by statement of affairs

Answer It is that statement which show all the transactions related to various assets and liabilities the main objective behind the preparation of statement of is to calculate the amount of capital in the beginning and at the end of the financial year

4. State any two limitations of single entry system

Answer 1 Trial balance cannot be prepared so arithmetical accuracy of the accounts cannot be ascertain

2 In the absence of real and nominal accounts trading and profit and loss account and balance sheet cannot be prepared

5. What is the difference between single entry and double entry?

Answer: A single Entry System is a bookkeeping system in which only one part of a transaction is recorded, such as debit or credit. A double entry system is a method of recording transactions in which both sides of a transaction are recorded

6. To which type of business can single entry system be used?

Answer: A single entry system of accounting is a form of bookkeeping in which each of a company's financial transactions are recorded as a single entry in a log. This process does not require formal training and is usually used by new small businesses because of its simplicity and cost effectiveness

7. What type of accounts are normally maintained in single entry system ?

Answer: Under the single entry system of bookkeeping, the cash book and personal accounts of creditors and debtors are maintained, and no other ledger is maintained. Every transaction of the business is recorded in the cash book without applying the principles of the double-entry system of bookkeeping.

8 What type of accounts are normally not maintained in single entry system ?

Answer: Real and nominal accounts are not maintained under single-entry system. Only personal and cash accounts and the cash and credit transactions (related to personal accounts) are recorded under this system.

9 What is conversion method?

Answer: The conversion method involves converting your accounting from a single-entry system to a double-entry system. Small businesses usually start out by using single-entry bookkeeping. This method is a simpler way to track their income and expenses.

10. To which type of business single entry system cannot be used?

Answer:It is not desirable to adopt this system for large business firms completing numerous transactions.

UNIT -5
ACCOUNTS FROM NON PROFIT ORGANISATION

MULTIPLE CHOICE QUESTIONS

1. Income and Expenditure account is a []
(a) Real account
(b) nominal account
(c) Personal account
(d) None
2. Any donation received for a specific purpose will appear on the []
(a) Liabilities side of the balance sheet.
(b) Asset side of balance sheet
(c) Dr side of income and expenditure a/c
(d) none
3. Income and Expenditure account records all losses and expenses on its -----side []
(a) Debit side
(b) Credit side
(c) sometimes debit some times credit
(d) none
4. Income and Expenditure Account records all incomes and gains on itsside. []
(a) Debit side
(b) credit side
(c) Sometimes debit sometimes credit
(d) none of these
5. Life membership fees must be shown on the side of the balance sheet of balance sheet []
(a) Liabilities side of the balance sheet.
(b) Asset side of balance sheet
(c) Dr side of income and expenditure account
(d) None

6. Legacies must be shown on the []
(a) Liabilities side of the balance sheet.
(b) Asset side of balance sheet
(c) dr side of income and expenditure account
(d) All

7. Entrance fees must be shown on the []
(a) Liabilities side of the balance sheet.
(b) Asset side of balance sheet
(c) dr side of income and expenditure account
(d) none

8. Receipt and payment account is a []
(a) Real account
(b) nominal account
(c) Personal account
(d) none of these

9. Closing balance of income and Expenditure Account represents deficit if expenses are []
(a) more than income
(b) equal to income
(c) less than income
(d) expenditure

10. Closing balance of Income and Expenditure Account is added to the []
(a) Capital fund
(b) tournament fund
(c) Sundry creditors
(d) fixed asset

11. Receipts and Payments A/c shows []
(a) Assets and Liabilities
(b) Profit & losses
(c) Cash received and paid
(d) None

12. If Receipts and Payments A/c has an opening credit balance. []
(a) The accountant has committed a mistake
(b) The entity holds so much of cash balance
(c) There is a bank overdraft to that extent

(d) insufficient information to arrive at any conclusion

13. Outstanding expenses at the end of accounting period should be shown as a []

- (a) Asset
- (b) income
- (c) Expense
- (d) liability

14. Income received in advance at the end of accounting period should be shown as a []

- (a) Asset
- (b) income
- (c) Expense
- (d) liability

15. Expenses outstanding are not recorded in. []

- (a) Income and expenditure account
- (b) balance sheet
- (c) Receipts and Payments Account
- (d) All

16. Which of the following can be classified as a non trading concern []

- (a) Educational institutions
- (b) charitable trust
- (c) hospital
- (d) All

17. Which of the following statement is true about a non trading concern []

- (a) they never earn any profit
- (b) they are engaged in charitable activities
- (c) only these organisations are managed by a group of elected members or trust
- (d) they only earn profit

18. Which of the following is a non trading concern []

- (a) Apollo hospitals a corporate hospital
- (b) NDTV a private television channel
- (c) city central library government run library
- (d) Hyderabad Central shopping mall

19. which of the following is not a feature of a non trading concern []

- (a) They are volunteer associations
- (b) they are always started and operated by government
- (c) they collect donations and contributions from the members and outsiders
- (d) they help people

20. The final accounts of a non trading concern do not include []
- (a) reception payments account
 - (b) income and expenditure account
 - (c) profit and loss account
 - (d) balance sheet

FILL IN THE BLANKS

1. Receipts and Payments Account shows totals of _____ transactions under different heads.
2. Receipts and Payments Account is not a part of _____ system of book keeping
3. Expenses _____ and incomes due but not received are not recorded in Receipts and Payments Account.
4. Receipts and Payments Account records not only the expenses but also the incomes of the _____ year
5. _____ can't be prepared from Receipts and Payments Account
6. Income and Expenditure Account is a _____ account.
7. Income and Expenditure Account records items of _____ nature only
8. Income and Expenditure Account records all losses and expenses on its _____ side
9. Income and Expenditure Account records all incomes and gains on its _____ side.
10. Closing balance of Income and Expenditure Account represents _____ if incomes are more than expenses
11. Closing balance of Income and Expenditure Account represents deficit if expenses are _____
12. Closing balance of Income and Expenditure Account is added to the _____ in balance sheet.
13. Life membership fees, legacies and entrance fees (when capitalised) must be shown on the _____ side of the balance sheet.
14. Receipt and payment account is a _____ account in nature.
15. Outstanding expenses and Income received in advance at the end of accounting period should be shown as a _____ in the closing balance sheet.
16. Non trading concern are known as _____
17. The main objective of a non trading concern is to _____
18. Profit earned by non trading concerns is called _____
19. The excess of assets over liabilities of a non trading concern is called _____
20. The summary of cash book prepared by a non trading concern is called _____

Answer:

Multiple choice questions

- | | | | | | |
|--------|---------|---------|---------|---------|---------|
| 1. (b) | 2. (a) | 3. (a) | 4. (b) | 5. (a) | 6. (a) |
| 7 (a) | 8. (a) | 9. (a) | 10. (a) | 11. (C) | 12.(c) |
| 13.(d) | 14 (d) | 15. (c) | 16.(d) | 17.(c) | 18.(c) |
| 19.(b) | 20.(c) | | | | |

Fill in the blanks

- | | |
|------------------|----------------------------------|
| 1. Cash | 11. less than income |
| 2. double entry | 12. Capital fund |
| 3. Outstanding | 13. Liabilities |
| 4. Current | 14. Real |
| 5. Balance Sheet | 15. Liability |
| 6. Nominal | 16.non profit |
| 7. Revenue | 17.Rendering service |
| 8. debit | 18.Surplus |
| 9. Credit | 19.capital fund |
| 10. Surplus | 20.receipts and payments account |

SHORT QUESTIONS

1 What are non trading concern?

Answer Organisations whose main objective is to provide services to their members or to the society and not earning of profit.

2 What are subscriptions?

Answer A non-profit organisation receives subscriptions from its members every year regularly. Receipts and Payments Account shows the amount of subscriptions received during the accounting year

3 Entrance fee.

Answer When a person intends to become a member of non-profit organisation, he has to pay an initial amount at the time of his admission

4 legacy.

Answer Legacy is a gift received by a non-profit organisation as per the will of a deceased person

5 Honorarium.

Answer Honorarium is the amount paid to a person who is not an employee of the organisation for rendering services

6. List any 2 features of income & expenditure a/c.

Answer: . 1 It is prepared at the end of an accounting period. 2. It contains revenue items only

7. What is special fund

Answer: Special Fund means a fund or amount which is utilised for particular purpose only.

8. What is life membership fee?

Answer: Life Membership Fees is a capital receipt and we add it to the Capital Fund on the liabilities side of the Balance Sheet. We do not account it as an income because a life member makes one time payment and avails services all through his life.

9 What is main objective of non trading concern?

Answer: The main objective of non-trading concerns is to provide services that fulfill a social need. There is neither a profit motive nor an expectation of earning net income.

10 Give two examples of non trading concern.

Answer: 1 Educational institutes 2 Charitable trust.

