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BOARD OF INTERMEDIATE EDUCATION (TELANGANA)

JUNIOR INTER COMMERCE

MODEL PAPER

Time: 3 Hours **Marks: 100**

PART – I (50 Marks)

SECTION – A

Note: Answer any two of the following questions not exceeding 40 lines each. **$2 \times 10 = 20$**

1. Define Partnership. Discuss its Merits and Limitations.

2. Distinguish between a private company and a public company.

3. What is Memorandum of Association? Explain its clauses.

SECTION – B

Note: Answer any four of the following questions and not exceeding 20 lines each. **$4 \times 5 = 20$**

4. Define Business. What are its characteristics.

5. Explain the features of sole proprietor.

6. Define the cooperative society. Explain its Features.

7. Explain the advantages of a joint stock company.

8. Define the Debentures. Explain types of Debentures.

9. Define MNC and explain it's features.

SECTION – C

Note: Answer any FIVE of the following questions not exceeding 5 lines each. **$5 \times 2 = 10$**

10. What is employment?

11. Extractive Industry.

12. Entrepot trade

13. Dayabhaga Principle

14. Active Partners

15. What is Articles of Association

16. Define Micro Enterprises

17. What is E – banking

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PART – 2 (50 Marks)

SECTION – D

Note: Answer the following question. **1 × 20 = 20**

18. From the following Trial Balance of Giri Traders, Prepare the final accounts for the year ended 31.12.2013.

"Trial Balance"

Debit balance	**Amount ₹**	**Credit balance**	**Amount ₹**
Opening stock	1500	Capital	50000
Purchases	10000	Sales	20000
Wages	1200	Discount	1000
Returns	500	Creditors	3200
Land & Buildings	20000	Return outwards	500
Plant & Machinery	7000	Interest	1500
Bills Receivable	3000	Overdraft	2800
Debtors	15000		
Cash at Bank	11000		
Rent	3000		
Bad debts	1000		
Insurance	500		
Freight	800		
Furniture	2000		
Gas & Water	400		
Carriage	600		
Salaries	1500		
	79000		**79000**

Adjustments:

1. Closing stock value: 3500
2. Out standing wages: 800
3. Pre–paid Insurance: 100
4. Provide depreciation on furniture: 10% and on Land & Building: 10%
5. Interest received in advance: 500

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SECTION – E

Note: Answer any ONE of the following questions. **1 × 10 = 10**

19. Prepare a three column cash book from the following particulars:

2014		₹
Mar 1	Cash in Hand	11000
	Cash at Bank	20000
Mar 5	Cash Sales	1900
Mar 7	Issued cheque to Big Bazar	1800
	Discount received	200
Mar 8	Received cash from Sai Traders	1500
	Cheque	350
	Discount received	150
	(Cheque deposited into Bank)	
Mar 14	Cash with drawn from Bank for office use	550
Mar 18	Salaries paid by Cheque.	400
Mar 22	Cash purchases	600
Mar 29	Paid into bank	800

20. On comparing the bank pass book of Chandrashekhar Rao Ltd. with its cash book (bank column), the following differences were noticed. Prepare BRS with the help of cash book balance ₹ 15000

1. Cheques issued but not yet presented for payment ₹ 4200
2. Cheque sent for collection, not yet realised ₹ 5600
3. The receipt side of cash book has been overcast by ₹ 300
4. A Cheque drawn on firm's current A/c, wrongly debited in its saving A/c ₹ 2100
5. A Cheque of ₹ 900 deposited into bank, but forgot to enter in Cash Book.

SECTION – F

Note: Answer any TWO of the following questions.

21. Explain any five accounting concepts in detail.

22. Prepare Damayanthi account from the following particulars:

2014		₹
Mar 1	Amount due from Damayanthi	4000
Mar 7	Sold goods to Damayanthi	1500
Mar 10	Purchased goods from Damayanthi	1000
Mar 15	Paid cash to Damayanthi	800
Mar 23	Received cash from Damayanthi	500
Mar 25	Returned goods to Damayanthi	200
	(Damayanthi settled account with 10% Discount)	

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23. Enter the following transactions in the proper subsidiary books.

2016		**₹**
July 1	Purchased goods from Mohan	8000
July 5	Purchased goods from Rajesh	6000
July 10	Purchased goods from Ravi	5000
July 12	Returned goods to Rajesh	600
July 15	Purchased goods from Hari	4000
July 20	Good returned to Ravi	300

24. Rectify the following errors with the help of a suspense A/c.

a. Purchases book over cost by ₹ 400

b. Purchases returns book under cost ₹ 26

c. Received ₹ 222 from Sandhya has been entered in her accounts ₹ 2222.

d. Sold goods to Renuka ₹ 296 in her account posted as ₹ 269.

e. Received ₹ 350 from Sharath was posted on the Debit side of his account.

SECTION – G

Note: Answer any FIVE of the following questions.

25. Capital

26. Double Entry System

27. Credit Note

28. Suspense A/c

29. Contra Entry

30. Journalize the following transactions.

2016		**₹**
May 1	Started business with cash	70000
May 3	purchases	18000
May 5	sold goods to Nandhana for cash	10000
May 8	Paid wages	8000

31. Write the opening Entry as on 1.04.2016 from the following:

	₹
Plant & Machinery	15000
Land & buildings	25000
Bank Loan	10000
Furniture	8000
Debtors	12000
Creditors	14000
Government Bonds	6000

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Cash in hand	4000

32. Prepare "Trial Balance" of Sowjanya from the following as on 31.03.2016.

	₹
Cash in hand	4000
Debtors	12000
Opening stock	8000
Purchases	15000
Buildings	36000
Sales	23000
Capital	45000
Bills payable	7000

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ANSWERS

PART – I

SECTION – A

1. **Define Partnership. Discuss its merits and limitations.**

A: **Introduction: Partnership** is an association of two or more persons who pool their financial and managerial resources and agree to carry on a business, and share its profit or loss. The persons who from a Partnership are individually known as **Partners** and collectively a **firm** or **Partnership firm**.

Definitions:

Section 4 of the Partnership Act, 1932 defines partnership as "the relation between persons who have agreed to share the profits of a business carried on by all or any one acting for all"

Advantages:

1. **Easy to form:** A Partnership can be formed easily without many legal formalities. Since it is not compulsory to get the firm registered, a simple agreement, either in oral, writing or implied is sufficient to create a partnership firm.
2. **Availability of larger resources:** Since two or more partners join hands to start partnership firm, it may be possible to pool more resources as compared to sole proprietorship form of business organisation.
3. **Better Decisions:** In Partnership firm each partner has a right to take part in the management of the business. All major decisions are taken in consultation with and with the consent of all partners. Thus, collective wisdom prevails and there is less scope for reckless and hasty decisions.
4. **Flexibility:** The partnership firm is a flexible organisation at any time the partners can decide to change the size or nature of business or area of its operation after taking the necessary consent of all the partners.
5. **Sharing of risks:** The losses of the firm are shared by all the partners equally or as per the agreed ratio.
6. **Keen interest:** Since partners share the profit and bear the losses they take keen interest in the affairs of the business.
7. **Benefits of specialisation:** All partners actively participate in the business as per their specialisation and knowledge. In a partnership firm providing legal consultancy to people, one partner may deal with civil cases, one in criminal cases, and another in labour cases and so on as per their area of specialisation similarly two or more doctors of different specialisation may start a clinic in partnership.

Limitations: A partnership firm suffers from the following limitations.

1. **Unlimited liability:** The most important drawback of partnership firm is that the liability of the partners is unlimited i.e, the partners are personally liable for the debts and obligations of the firm in other words, their personal property can also be utilised for payment of firm's liabilities.
2. **Instability:** Every partnership firm has uncertain life. The death, insolvency, in capacity or the retirement of any partner brings the firm to an end. Not only that any dissenting partner can give notice at any time for dissolution of partnership.
3. **Limited capital:** Since the total number of partners cannot exceed 20, the capacity to raise funds remains limited as compared to a joint stock company where there is no limit on the number of share holders.

4. **Non-transferability of share:** The share of interest of any partner cannot be transferred to other partners or to the outsiders. So it creates inconvenience for the partner who to transfer his share to others fully and partly. The only alternative is dissolution of the firm.

5. **Possibility of conflicts:** Every partner in the firm has an equal right to participate in the management. Every partner can place his or her opinion or viewpoint before the management regarding any matter at any time. Because of this, sometimes there in friction and quarrel among the partners. Difference of opinion may give rise to quarrels and lead to dissolution of the firm.

2. Distinguish between a private company and a public company.

A: Introduction:

A joint stock company or simply a company is a voluntary association of persons formed for undertaking some big business activity. It is established by law and can be dissolved by law. the company has a separate legal existence so that even if its members die, the company remains in existence.

Definition:

According to Section 566 of the companies Act, 1956, "A company is an artificial person created by law, having a separate legal entity with a perpetual succession and a common seal".

Basics of comparison	Private Company	Public Company
1. Minimum number of members	Two (2) members	Seven (7) members
2. Maximum number of members.	50 members	No limit
3. Minimum paid up capital	₹ 1,00,000	₹ 5,00,000
4. Identification	Must suffix 'Private Limited' to its name	Must suffix 'Public Limited' to its name
5. Transfer of shares	It cannot transfer their shares	It can freely sell their shares to others
6. Public issue of capital	It cannot secure capital from the public	It can secure capital from the public
7. Commencement of business	It can start its business immediately upon its incorporation	It cannot start its business immediately after its incorporation. It has to obtain a certificate for starting.
8. Board of Directors	Minimum: Two (2) Maximum: No limit	Minimum: Three (3) Maximum: 20 Directors
9. Appointment and Retirement of Directors	Single resolution is enough to appoint or retire the directors	Separate resolution is required
10. Managerial remuneration	There are no restrictions on the remuneration of Directors and Managing Directors	There are restrictions

3. What is Memorandum of Association?

Explain its Clauses.

A: Introduction:

The Memorandum of Association is the constitution of the company. It is the charter of the company. It provides the foundation on which the company structure is built. It defines the scope of the company's activities as well as its relation with the outside world. The purpose of the memorandum is to enable the shareholders, creditors, and those who deal with the company to know what is the permitted range of activities of the enterprise.

Definition:

Section 2(28) of the companies Act defines a memorandum as "The Memorandum of Association of a company as originally framed or as altered from time to time in pursuance, of any previous company laws or of this Act."

Clauses of Memorandum of Association:

1. **Name Clause:** A company being a separate legal entity must have a name. A company may select any name which does not resemble the name of any other company. It should not contain the words like King, Queen, and the name of the Government bodies. The proposed name should not be objectionable under the provisions of Emblems and Names Act 1950. The word **Limited** must be used at the end of the name of a public company, and **Private Limited** is used by a private company.
2. **Registered Office or Situation Clause:** This clause states the place and address of the registered office of the company. This helps to have correspondence with the company. If the place is not decided at the time of incorporation, it can be intimated to the Registrar within 30 days from the date of incorporation or commencement of business whichever is earlier.
3. **Objects Clause:** This clause defines the sphere of activities of the company. It also determines the powers of the company. This clause may be considered as the core of Memorandum of Association because it sets out the objects for which a company is formed. This clause contains (a) Main Clause (b) Other Objects. This clause offers protection to the shareholders and creditors by ensuring that the funds are not going to be risked.
4. **Liability Clause:** This clause contains the nature of liability of its members. It states that the liability of the members is limited to the value of shares held by them. It means that the members are liable to pay only the unpaid balance of their shares and not further else.
5. **Capital Clause:** This clause contains the capital structure (total capital) of the company. The division of capital into equity shares, preference shares, and the no. of shares in each category, and their value should be given. It is also mentioned that any type of shareholders have some special rights and privileges.
6. **Association Clause:** This clause contains the names of the signatories to the Memorandum of Association. The full addresses and occupations of subscribers and witnesses are also given. The subscribers declare that they agree to incorporate the company and agree to take the shares stated against their names.

SECTION – B

4. Define Business. What are its characteristics?

A: Introduction: Business is an economic activity involving production, exchange, distribution and sale of goods and services with an objective of making profits.

Definition: L.H. Haney defined business as "a human activity directed towards producing or acquiring wealth through buying and selling of goods".

1. **Creation of Utilities:** Business makes goods more useful to satisfy human wants. It adds time, place, form and possession utilities to various types of goods. Business enables people to satisfy their wants more effectively and economically. It carries goods from place of production to the place of consumption (place utility). It make goods available for use in future through storage (time utility)

2. **Deals with goods and services:** Every business enterprise produces or buys goods and services for selling them to others for a profit. Goods may be consumer goods or producer goods. Services are known as intangible and invisible goods.

   Consumer goods are meant for direct use by the ultimate consumers. **e.g.:** bread, tea, shoes etc.

   Producer goods are used for the production of consumer or capital goods like raw materials, machinery etc.

3. **Continuity in dealings:** Dealings in goods and services become business only if undertaken on a regular basis. If a person sells his old scooter or a car it is not business though the seller gets money in exchange.

   But if he opens a shop and sells scooters or cars regularly, it will become business. Therefore, regularity of dealings is an essential feature of business.

4. **Sale, Transfer or Exchange:** All business activities involve transfer or exchange of goods and services for some consideration. The consideration, called price, is usually expressed in terms of money. Business delivers goods and services to those who need them and are able and willing to pay for them. For example, if a person cooks and serves food to his family, it is not business. But when he cooks food and sells it to others for a price, it becomes business.

5. **Profit Motive:** The primary objective of business is to earn profits. Profits are essential for the survival as well as growth of business. Profits must, however, be earned through legal and fair means. Business should never exploit society to make money.

6. **Risk and uncertainty:** Profit is the reward for assuming risk. Risk implies uncertainty of profit or the possibility of loss.

   Risk is a part and parcel of business. Business enterprises function in uncertain and uncontrollable environment.

7. **Economic Activity:** Business is primarily an economic activity as it involves production and distribution of goods and services for earning money. However, business is also a social institution because it helps to improve the living stands of people through effective utilisation of scare resources of the society.

5. Explain the features of Sole Proprietor?

A: **Introduction:** Sole Proprietorship is a form of business organisation in which a single individual introduces his own capital, skill and intelligence in the management of its affairs and is solely responsible for the result of its operations. The individual may run the business on his own or may obtain the assistance of employees. It is the first stage in the evolution of the forms of organisation and is, thus, the oldest among them.

Definition: J.L. Hanson "A type of business unit where one person is solely responsible for providing the capital and bearing the risk of the enterprise, and for the management of the business"

Features:

1. **Single Ownership:** The Sole Proprietorship form of business organisation has a single owner who himself/herself starts the business by bringing together all the resources.

2. **No separation of ownership and management:** The owner himself/herself manages the business as per his/her own skill and intelligence. There is no separation of ownership and management as is the case with company form of business organisation.

3. **Less Legal formalities:** The formation and operation of a sole proprietorship form of business organisation involves less legal formalities. Thus, its formation is quite easy and simple.

4. **No separate entity:** The business unit does not have an entity separate from the owner. The businessman and the business enterprise are one and the same, and the businessman is responsible for everything that happens in his business unit.

5. **No sharing of Profit and Loss:** The sole proprietor enjoys the profits alone. At the same time, the entire loss is also borne by him. No other person shares the profits and losses of the business. He alone bears the risks and reaps the profits.

6. **Unlimited Liability:** The liability of the sole proprietor is unlimited. In case of loss, if his business assets are not enough to pay the business liabilities, his personal property can also be utilised to pay off the liabilities of the business.

7. **One–man Control:** The controlling power of the sole proprietorship business always remains with the owner. He/she runs the business as per his/her own will.

6. Define the Cooperative society. Explain its Features.

A: Introduction:

The term **Cooperation** is derived from the Latin word **co-operari**. The Word **co** means 'with and **Operari** means **to work**; Thus; the term cooperation means working together. So, those who want to work together with some common economic objective can form a society, which is termed as **cooperative society**.

Definition:

The Indian cooperative society Act 1912, Section (4) defines cooperative society as "society, which has its objectives for the promotion of economic interests of its members in accordance with cooperative principles"

Features:

Based on the above definition the following characteristics of cooperative society form of business organisation can be identified.

1. **Voluntary Association:** Members join the cooperative society voluntarily i.e, by their own choice. Persons having common economic objective can join the society as and when they like, continue as long as they like and leave the society as and when they want.

2. **Open Membership:** The membership is open to all those having a common economic interest. Any person can become a member irrespective of his/her caste, creed, religion, colour, sex etc.

3. **Number of Members:** A minimum of 10 members are required to form a cooperative society. In case of multi-state cooperative society, the minimum number of members should be 50 from each state in case the members are individuals. The cooperative society Act does not specify the maximum number of members for any cooperative society. However, after the formation of the society, the member may specify the maximum number of members.

4. **State Control:** Since the registration of cooperative societies is compulsory, every cooperative society comes under the control and supervision of the Government. The cooperative department keeps a watch on the functioning of the societies. Every society has to get its accounts audited from the cooperative Department of the government.

5. **Capital:** The capital of the cooperative society is contributed by its members. Since the members' contribution is very limited, it often depends on the loan from Government, and apex cooperative institution or on the grants and assistance from state and central Government.

6. **Democratic Set Up:** The cooperative societies are managed in a democratic manner, Every member has a right to take part in the management of the society, however, the society elects a managing committee are elected on the basis of 'one-man one-vote' irrespective of the number of shares held by any member. It is the general body of the society which lays down the broad frame work within which the managing committee functions.

7. **Service Motive:** The primary objective of all cooperative society is to provide service to its members.

8. **Return On Capital Investment:** The members get returns on their capital investment in the form of dividend.

9. **Distribution Of Surplus:** After giving a limited dividend to the members of the society, the surplus profit is distributed in the form of bonus, keeping aside a certain percentage as reserve and for general welfare of the society.

7. Explain the advantages of a Joint Stock Company.

A: Introduction:

A joint stock company or simply a company is a voluntary association of persons formed for undertaking some big business activity. It is established by law and can be dissolved by law. The company has a separate legal existence so that even if its members die, the company remains in existence.

Definition:

According to section 566 of the companies Act, 1956, "A company is an artificial person created by law, having a separate legal entity with a perpetual succession and a common seal.

Advantages:

The following are the advantages of Joint stock company.

1. **Limited liability:** Share holders of a company are liable only to the extent of the face value of shares held by them. Their private property can not be attached to pay the debts of the company. Thus, the risk is limited and know. This encourages people to invest their money in corporate securities. Thus, company form of organisation contributes to the growth of economy.

2. **Large financial resources:** Company form of organisation enables to mobilise huge financial resources because of principles of limited liabilities and diffusion of ownership. It collects funds in the form of shares of small denominations so that people with small means can also buy them. Benefits of limited liability and transferability of shares attract investors.

3. **Continuity of existence:** A company is an artificial person created by law and possess independent legal status. It is not affected by the death, insolvency etc., of its members. Thus, it has a perpetual existence.

4. **Benefits of large - scale operation:** The joint stock company is the only form of business organisation which can provide capital for large - scale operations. It results in large-scale production consequently lead to increase in efficiency and reduction in the cost of operation. It further opens the scope for expansion.

5. **Liquidity:** The transferability of shares acts as an added incentive to investors. The shares of a public company can be traded easily in the stock exchange. The public can buy shares when they have money. The prospective investors can invest and convert shares into cash whenever they need money.

6. **Professional management:** Companies, because of their complex nature of activities and large volume of business, require professional managers at every level of their operation. This leads to efficiency in management of their business affairs.

7. **Research and development:** A company generally invests a lot of money on research and development for improved processes of production designing and innovating new products, improving quality of product, new ways of training its staff etc.

8. **Tax benefits:** Although the companies are required to pay tax at a high rate, in effect, their tax burden is low as they enjoy many tax exemptions under income tax act.

8. Define the Debentures. Explain types of Debentures.

A: Introduction:

Debentures are an important instrument for raising long term debt capital. a company can raise funds through issue of debentures. It bears a fixed rate of interest. The debenture issued by a company is an acknowledgment that the company has borrowed a certain amount of money, which it promises to repay on a future date. **Debenture holders** are, therefore, termed as **Creditors of the company**.

Types of Debentures:

Debentures may be of various types. Some important types of debentures are as follows...

1. **Mortgage Debentures:** They are also known as **Secured debentures**, i.e, the payment of interest and principle is secured by some change on any part or the whole of the company.
2. **Simple Debentures:** These debentures have no change on the assets of the company they are also known as naked or unsecured debentures. They are not secured by any charge or security on any asset of the company.
3. **Redeemable Debentures:** Those debentures which are issued for a particular fixed the period and after expiry of that period the principal amount is returned. For example: 5 years, 10 years, 15 years maturity period, after that the amount of debenture is paid back to their holders.
4. **Irredeemable Debentures:** They are to be paid back at the time of winding up of the company. They are not refundable, i.e. perpetual in nature. A company can, however, redeem such debentures whenever at deems fit.
5. **Registered Debentures:** The names of the holders are recorded in the books of the company. If such debentures are transferred, the name of the transferee is entered in the register and the name of the original holders is cancelled.
6. **Bearer Debentures:** The debentures which are not recorded in the register of debenture holders are known as bearer debentures. These debentures are transferable by mere delivery.
7. **Convertible Debentures:** They carry the option of getting a part or the full value of their investment converted into equity shares on a fixed date.
8. **Non−convertible Debentures:** They do not enjoy any such right to get themselves converted into equity shares.

9. Define MNC and explain it features.

A: Introduction:

The term **Multinational** is made out of two words **Multi and National**. So, multinationals means a company which operates in more than one country or which has access to International Markets. Multinational corporations are called by different names such as transactional corporation, global enterprise or international enterprise, Example of MNCs are: Pepsi, Hyundai, Nike, Reebok, LG, Samsung and many more.

Definition:

The term **multinational corporation** is variedly defined. In a board sense, Multinational Corporation refers to a corporate gainst business firm having extended its productive activity in many nations beside its home country.

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Features of MNCs:

1. **Giant Size:** The assets and sale of Multinational Corporations are quite large. These companies operate on large scale as they trade in more than one companies. These companies generate large wealth their operations are so huge that some times their sales turnover exceeds the gross National product of a developing countries. By this we can imagine about the powers and calibre of a multinational company. For example; the physical assets of IBM exceeds 8 billion dollars.
2. **International Operation:** A multinational corporation operates in more than one country. It has branches, factories, offices in several countries. It operates through a network of branches and subsidiaries in host countries. They sell their products in different countries. **e.g.:** Coca Cola, apple etc. Also there are MNCs having Indian Origin. For **e.g.:** Infosys, Airtel, Dr. Reddys Lab etc.
3. **Professional Management:** A Multinational Corporation employees professional experts specialised people. MNCs try to keep their employees updated by imparting them training from time. It employs professionals to handle the advance in technology effectively.
4. **Centralised Control:** The branches of Multinational Companies spread in different countries are controlled and managed from the head quarters situated in the home country. All branches operate within the policy frame work formed by head quarters.
5. **Oligopolistic Powers:** Oligopoly means power in the hands of few companies only. Due to their gaint size, the multinational companies occupy dominating position in the market. They join hands with big business houses and give rise to monopoly. They also take over other firms to acquire huge power and improve market share.
6. **Sophisticated Technology:** Multinational companies make use of latest and advanced technology to supply world class products. They use capital intensive technology and innovative techniques of production.

SECTION – C

10. What is employment?

A: An employment is a contract of service. A person who works under the contract for a salary is called an employee and the person who has given the job to the employee is called employer. An employee works under an agreement as per the rules of service and performs tasks assigned to him by the employer. The relationship between the employer and the employee is that of a **Master** and **Servant**.

11. Extractive Industry

A: Extractive Industry is concerned with extraction or drawing out goods from the soil, air or water. Generally products of extractive industries come in raw form and they are used by manufacturing and construction industries for producing finished products. **e.g.:** Mining industry, Coal, Mineral, Oil industry, Iron ore, extraction of timber and rubber from forests etc.

12. Entrepot trade

A: Trade which is concerned with the "Importing of goods with the objective of exporting the same to other country is called as **Entrepot Trade**.

e.g.: England imports, Tea from India and Exports it to entire Europe.

13. Dayabhaga Principle

A: This School of Hindu law prevails only in Assam and West Bengal states. All the provisions of Mitakshara hold good except some features. Under this the right of property comes to coparcener by succession and not by birth. Share/claim on a joint family, does not fluctuates, on the basis of birth and death of a member.

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14. Active Partners

A: 'Active Partners' or working partners'. The partners who actively participate in the day-to-day operations of the business are known as active partners or working partners.

15. What is Articles of Association?

A: The rules and regulations framed for the internal management of the company, which are set out in a document is named as Articles of Association. It gives the bye-laws which govern the conduct of the company. It also helps in achieving the objectives specified in Memorandum of Association. The Articles play a very important role in the affairs of the company. It is a supplementary document to the Memorandum of Association.

16. Define Micro Enterprises

A: **Manufacturing enterprise:** A micro-enterprise is an enterprise where investment in plant and machinery does not exceed ₹ 25 Lakhs

Service Enterprises: A micro-enterprise is an enterprise where the investment in equipment does not exceed more than ₹ 10 Lakhs

17. What is E−banking?

A: **E−banking**

Electronic banking is one of the most successful online business. E-banking allows customers to access their accounts and execute orders through use of website. Online banking allows the customers to get their money from an Automated Teller Machine (ATM) instead of walking upto the cash desk in the bank, can view their accounts, transfer funds and can pay bills. **e.g.:** Net Banking.

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18. A: Trading & Profit & Loss A/c. of "Giri Traders" for the year Ended 31.3.2013

Dr. **Cr.**

Particulars		**Amount ₹**	**Particulars**		**Amount ₹**
To Opening stock		1500	By Sales	20000	
To purchases	10000		(–) Returns	500	
					19500
Less: Return	500		By Closing stock		3500
		9500			
To wages	1200				
(+) Outstanding wages	800				
		2000			
To Freight		800			
To gas & Water		400			
To Carriage		600			
To Gross Profit		8200			
		23000			23000
To Salaries		1500	By Gross Profit		8200
To Insurance	500		By Discount		1000
(–) Pre-paid insurance	100		By Interest	1500	
		400	(–) Interest received	500	
To Rent		3000	in advance		1000
To Bad debts		1000			
To Depreciation on Furniture $\left[2000 \times \frac{10}{100} = 200\right]$		200			
To Depreciation on land & building $\left[20000 \times \frac{10}{100} = 2000\right]$		2000			
To Net profit		2100			
		10200			**10,200**

Balance Sheet of Giri Traders as on 31.03.2013

Liabilities	**Amount ₹**	**Amount ₹**	**Assets**	**Amount ₹**	**Amount ₹**
Capital	50,000		Cash in hand		11000
(+) Net profit	2100		Bills receivable		3000
		52100			
Creditors		3200	Debtors		15000
Overdraft		2800	Land & buildings	20,000	
Outstanding wages		800	(+) Depreciation	2000	
					18000
Interest received in advance		500	Plant & Machinery		7000
			Furniture	2000	
			Less: Depreciation	200	
					1800
			Pre-paid Insurance		100
			Closing stock		3500
		59,400			**59,400**

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19. A:

Three Column Cash Book

Dr. **Cr.**

Date	Particulars	L.F. No.	Discount Allowed	Cash ₹	Bank ₹	Date	Particulars	L.F. No.	Discount Received	Cash ₹	Bank ₹
2014						**2014**					
Mar 1	To Balance b/d			11,000	20,000	Mar 7	By Big Bazar A/c		200		1,800
Mar 5	To Sales A/c			1,900		Mar 14	By Cash A/c	"C"			550
Mar 8	To Sai Traders A/c		150	1,500	350	Mar 18	By Salaries A/c				400
Mar 14	To Bank A/c	"C"		550		Mar 22	By Purchases A/c			600	
Mar 29	To Cash A/c	"C"			800	Mar 29	By Bank A/c	"C"		800	
						Mar 31	By Balance C/d			13,550	18,400
			150	**14,950**	**21,150**					**14,950**	**21,150**
2014											
April 1	To Balance b/d			13,550	18,400						

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(Opp)		
Dr+	C.B.	–Cr

Same		
Dr–	P.B.	+Cr

20.

A: **Bank Reconciliation Statement of Chandrashekhar Rao**

Particulars	**Amount ₹**	**Amount ₹**
Bank Balance as per Cash Book		15,000
Add:		
1. Cheques issued but not yet present for payment	4,200	
2. Cheques issued firm's Current A/c, but wrongly debited in its Savings A/c	2,100	
3. A Cheque deposited into Bank, but forgot to enter in Cash Book	900	
		7,200
		22,200
Less:		
1. Cheque sent for collection, not yet realised	5,600	
2. The receipt side of Cash book has been overcast	300	
		5,900
Bank Balance as per Pass Book		16,300

SECTION – F

21. **Explain any FIVE accounting concepts in Detail.**

A:

1. **Business Entity Concept:** As per this concept, Business organisations are treated as a separate entity which can be distinguished from the **Owners** or stakeholders who provide capital to it. This concept helps in keeping private affairs of the owners and stakeholders separate from the business affairs.

2. **Dual Aspect Concept:** Dual aspect principle is the basis for Double Entry System of book-keeping. All business transactions recorded in accounts have two aspects. 1) Receiving Benefit 2) Giving Benefit.

3. **Going Concern Concept:** As per this concept it is assumed that the organisations will continue for a long time, unless and until it has entered into a state of liquidation. The financial statements are prepared at defined period end to measure the performance of the entity during that period and not on the closure or liquidation of the entity.

4. **Money Measurement Concept:** In accounting all the transactions are recorded in terms of money in other words, events or transactions that cannot be expressed in terms of money are not recorded in the book of accounts. Receipt of income, payment of expenses, purchase and sale of assets etc., are Monetary transactions that are recorded in the books of accounts.

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5. **Cost Concept:** As per this concept, an asset is ordinarily recorded at the price paid to acquire it, i.e, at its cost and this cost is the basis for all subsequent accounting for the asset. The assets recorded at cost at the time of purchase may systematically be reduced through depreciation.

"Damayanthi A/c"

22. A: Dr **Cr**

Date	Particulars	L.F. No.	Amount ₹	Date	Particulars	L.F. No.	Amount ₹
2014				**2014**			
Mar 1	To Balance b/d		4,000	Mar 10	By Purchases A/c		1,000
Mar 7	To Sale A/c		1,500	Mar 23	By Cash A/c		500
Mar 15	To Cash A/c		800	Mar 31	By Discount A/c		500
Mar 25	To Purchase Returns A/c		200	Mar 31	By Bank A/c		4,500
			6,500				**6,500**

23. A: **"Purchases Book"**

Date	Particulars	Inward Invoice No.	L.F. No.	Amount ₹
2016				
July 1	Mohan	1		8,000
July 5	Rajesh	2		6,000
July 10	Ravi	3		5,000
July 15	Hari	4		4,000
	Total			23,000

"Purchasers Returns Book"

Date	Particulars	Debit Note No.	L.F. No.	Amount ₹
2016				
July 12	Rajesh	1		600
July 20	Ravi	2		300
	Total			900

24. A: **"Rectification Entries"**

Sl. No.	Particulars	L.F. No.	Debit ₹	Credit ₹
a.	Suspense A/c Dr		400	–
	To Purchases A/c		–	400
	(Being the correction over casting of purchase book)			
b.	Suspense A/c Dr		26	
	To Purchasers returns A/c			26
	(Being the correction of under casting of purchases returns book)			
c.	Sandhya A/c Dr.		2,000	–
	To Suspense A/c		–	2,000
	(Being receipt from Sandhya 222, posted as 2222 is rectified)			
d.	Renuka A/c Dr.		27	–
	To Suspense A/c		–	27
	(Being the Credit Sale of Renuka 296, posted 269 is rectified)			
e.	Suspense A/c Dr		700	–
	To Sharath A/c		–	700
	(Being the entry to rectify the wrong debit given to Sharath's account)			

SECTION – G

25. Capital

A: This is the amount invested by the owner in the business. It can be invested in the form of cash or kind.

26. Double Entry System

A: Double Entry system is a scientific accounting system which records the received benefit **debit** and given benefit **credit** of a given business transaction, it is based on approved accounting principle.

27. Credit Note:

A: It is a note (document) prepared and sent to the customer to inform that his account his credited with the amount of goods returned by him. it is common practice to make it in Red ink.

28. Suspense A/c

A: It is prepared to transfer the difference in Trial Balance, which is rectified in future. It is used to rectify one side errors. It is a time being account, it will get closed soon after rectifying the errors.

29. Contra–Entry

A: An entry which appears on both the side of the three column cash book is called contra entry. It affects two accounts on the opposite side of cash book. For contra entry letter "C" is written in L.F. column on each side of the Cash Book.

30. A: "Journal Entries"

Date	Particulars	L.F. No.	Debit ₹	Credit ₹
2016				
May 1	Cash A/c Dr		70,000	–
	To Capital A/c		–	70,000
	(Being the capital brought into the business)			
May 3	Purchases A/c Dr		18,000	–
	To Cash A/c		–	18,000
	(Being goods purchased for cash)			
May 5	Cash A/c Dr		10,000	–
	To Sales A/c		–	10,000
	(Being goods sold for cash)			
8.	Wages A/c Dr		8,000	–
	To Cash A/c		–	8,000
	(Being Wages paid)			

31. A: "Opening Entry"

Date	Particulars	L.F. No.	Debit ₹	Credit ₹
2016				
April 1	Cash A/c Dr		4,000	
	Plants Machinery A/c Dr		15,000	
	Land & Buildings A/c Dr		25,000	
	Debtors A/c Dr		12,000	
	Furniture A/c Dr		8,000	
	Government Bonds A/c Dr		6,000	
	To Creditor A/c			14,000
	To Bank Loan A/c			10,000
	To Capital A/c			46,000
	(Being the balance of the previous year brought to the current year).			

32. **Prepare Tribal Balance of Sowjanya from the following balances:**

A: **Trial Balance of Sowjanya as on 31.03.2016**

Name of Account	₹	Name of Account	₹
Cash in Hand	4,000	Sales	23,000
Debtors	12,000	Capital	45,000
Opening Stock	8,000	Bills Payable	7,000
Purchases	15,000		
Buildings	36,000		
	75,000		**75,000**

Writer: A. Chandra Shekar