

# **QUESTION BANK**

## **FINANCIAL ACCOUNTING**

## FILL UP THE BLANKS

1. Accounting is the\_\_\_\_\_ of monetary transactions.
2. Accounting is concerned with transactions involving\_\_\_\_\_. 3.
3. Form used to record accounting transactions contains \_\_\_\_\_columns.
4. First 4 columns of account sheet are used for recording \_\_\_\_\_.
5. Columns 5 to 8 of account sheet are used for recording\_\_\_\_\_ .
6. First column of debit/ credit form is used to record\_\_\_\_\_ of transaction.
7. Second column of debit/ credit transaction is used to record \_\_\_\_\_of transaction.
8. Third column of debit/ credit form is used to record\_\_\_\_\_ of transaction.
9. Fourth column of debit/ credit form is used to record\_\_\_\_\_ of transaction.
- 10.The method of recording debit and credit sides separated by a line is nicknamed \_\_\_\_\_ accounting.
- 11.Accounting system which considers assets, liabilities, revenue and expense is called\_\_\_\_\_ method of accounting.
- 12.Accounting system which considers personal account, real account and nominal account is called \_\_\_\_\_ method of accounting.
- 13.Recording of debits and credits of individuals, bank accounts or other business sources is called \_\_\_\_\_ account
- 14.Recording of debits and credits related to movable assets, immovable assets, inventory (stock needed for production) is called \_\_\_\_\_account.
- 15.Recording of debits and credits related to income, expense, Inflow of money and outflow of money is called \_\_\_\_\_ account.
- 16.\_\_\_\_\_ concept in accounting considers the business and its owner are different entities
- 17.\_\_\_\_concept in accounting considers that only transactions involving money should be recorded.
- 18.\_\_\_\_\_ concept in accounting considers that the business is a perpetual entity.
- 19.\_\_\_\_\_concept in accounting considers that each debit has a corresponding credit.
- 20.\_\_\_\_\_concept in accounting considers that only the actual cost of transaction should be recorded (not the market value of the transaction).
- 21.\_\_\_\_\_ concept in accounting considers that cost of manufacture should be matched against the proceeds of sales
- 22.\_\_\_\_\_ concept in accounting considers that an account should be closed on a periodic basis and reopened .
- 23.\_\_\_\_\_ concept in accounting considers that revenue is recorded on the date of transaction itself but expenditure is recorded only on the date of outflow of money (not the date of transaction, like encashing a cheque).
- 24.\_\_\_\_\_ concept in accounting considers that each transaction should be supported by evidence.
- 25.\_\_\_\_\_ account debits the receiver and credits the giver. (
- 26.\_\_\_\_\_account debits the incoming asset and credits the outgoing asset.
- 27.\_\_\_\_\_ account debits expense and credits the income.
- 28.\_\_\_\_\_ denotes increase in money.
- 29.\_\_\_\_\_ considers incoming money to be instantly available and reduction of cash to occur only on the date of actual outflow of money (instead of the date of transaction).
- 30.\_\_\_\_\_ denotes movable or immovable property and inventory
- 31.\_\_\_\_\_ considers that each debit has a corresponding credit.
- 32.The evidence/ proof of a financial transaction is called \_\_\_\_\_.
- 33.\_\_\_\_\_ is a format for recording financial transactions.
- 34.Voucher has \_\_\_\_\_ sides
- 35.The left side of a voucher is meant for \_\_\_\_\_ entries.
- 36.The right side of a voucher is meant for\_\_\_\_\_ entries

37. \_\_\_\_\_ voucher changes inventory position.
38. \_\_\_\_\_ voucher changes monetary position.
39. \_\_\_\_\_ voucher transfers money from one deposit/loan account to another
40. Vouchers are \_\_\_\_\_ before posting them in ledgers.
41. Transferring voucher entries to a ledger is called \_\_\_\_\_ in ledger.
42. Journal entries carry the name of \_\_\_\_\_ in which the transaction is to be posted.
43. The process of entering finalized financial transaction in a ledger is called \_\_\_\_\_.
44. Each ledger belongs to a specific \_\_\_\_\_.
45. A journal entry from the debit side is entered in \_\_\_\_\_ side of ledger.
46. A journal entry from the credit side is entered in \_\_\_\_\_ side of ledger.
47. The statement which shows the total debits and liabilities on the left side and credits and assets on the right side is called \_\_\_\_\_.
48. To finalize a balance sheet \_\_\_\_\_ is prepared with the aim of making corrections.
49. Balance sheet and profit & loss accounts are prepared according to schedule \_\_\_\_\_ of Companies Act.
50. Bank withdrawal, receipt of cash from investor, proceeds of sale, etc. are entered in \_\_\_\_\_ side of cash book.
51. Salary payment, rent payment, phone bill, electricity bill, etc. are entered in \_\_\_\_\_ side of cash book.
52. The reduction in value of an asset with passage of time is called \_\_\_\_\_.
53. The initial cost of an asset is called \_\_\_\_\_.
54. The present cost of an asset after allowing for depreciation is called \_\_\_\_\_.
55. The amount of money obtainable through the disposal of an asset after useful lifespan is called \_\_\_\_\_.
56. The duration of useful service period of an asset is called \_\_\_\_\_.
57. At the end of every year, the book value of an asset is recorded after allowing reduction for \_\_\_\_\_.
58. The safe stock level at which placing fresh order will just allow fresh stock to reach before old stock depletes is called \_\_\_\_\_ level.
59. Storing more stock than necessary for production/ sale, thus reducing cash availability is called \_\_\_\_\_ level.
60. Storing very low reserve stock resulting in disruption of production/sale is called \_\_\_\_\_ level.
61. The difference between sales value and purchase value of a product is called \_\_\_\_\_.
62. \_\_\_\_\_ accounting provides information about the financial information's, obligations and activities on the economic entity that is intended for use primarily by external decision makers
63. External reporting is the result of \_\_\_\_\_ accounting.
64. The controller's responsibilities are primarily in nature, while the treasurer's responsibilities are primarily related to \_\_\_\_\_
65. who uses accounting information is called \_\_\_\_\_.
66. \_\_\_\_\_ is the equation of accounting.
67. On January 1st, 2009 an entity's balance sheet showed total assets of Rs. 750 and liabilities of Rs. 250. Owners' equity at January 1st was \_\_\_\_\_.
68. If the assets of a business are Rs. 100,000 and equity is Rs. 20,000, the value of liability will be \_\_\_\_\_
69. During a reporting period, a company's assets increase by Rs. 80,000,000. Liabilities decrease by Rs. \_\_\_\_\_.
70. The liabilities of a business are Rs. 30,000; the capital of the proprietor is Rs. 70,000. The total assets = \_\_\_\_\_
71. Mr. "A" borrowed money from bank; this transaction involves \_\_\_\_\_g accounts.
72. The favorable balance of profit and loss account should be \_\_\_\_\_ with capital.
73. Revenue is generally recognized being earned at the point of time \_\_\_\_\_
74. The accounting system, in which accounting entries are made on the basis of amount having become due for payment or receipt, is known as \_\_\_\_\_

75. Bookkeeping is mainly concerned with \_\_\_\_\_.
76. The document relating to purchase of asset must be authorized by \_\_\_\_\_.
77. Bill payable book is a \_\_\_\_\_ book.
78. The return of goods by a customer should be debited to \_\_\_\_\_.
79. An alternative name for a sales journal is \_\_\_\_\_.
80. X sends back Rs. 80 of faulty goods to Y. In which book of prime entry would Y record this transaction \_\_\_\_\_ subsidiary book.
81. \_\_\_\_\_ basis is a record of all monetary transactions.
82. \_\_\_\_\_ considers outflow of money for the inflow of goods/ services.
83. Final accounts are prepared at \_\_\_\_\_.
84. All inflow and outflow of money is recorded in \_\_\_\_\_.
85. Purchase, storage and disposal of stock is called \_\_\_\_\_ management.
86. VAT stands for \_\_\_\_\_ in taxation.
87. Movement of money into and out of a business is called \_\_\_\_\_ flow.
88. Inflow of money the \_\_\_\_\_ strength of business.
89. Outflow of money \_\_\_\_\_ the strength of business.
90. Money held in the form of account balance and cash is generally called \_\_\_\_\_.
91. Inflow and outflow of funds in the form of currency and account balance is called \_\_\_\_\_.
92. Accounting is the language of \_\_\_\_\_.
93. The accounting equation should remain in balance because every transaction affects \_\_\_\_\_ accounts.
94. \_\_\_\_\_ document is prepared for documentary evidence by business.
95. Outstanding expenses considered as \_\_\_\_\_ for business.
96. Prepaid expenses considered \_\_\_\_\_ for business.
97. Interest on capital is \_\_\_\_\_ for business.
98. Interest on drawings is \_\_\_\_\_ for business.
99. Interest on investment is \_\_\_\_\_ for business.
100. Interest on loan is \_\_\_\_\_ for business.

### SHORT ANSWER TYPE QUESTIONS:

1. What is the difference between book keeping and accounting?
2. How accounting is useful to prospective investors?
3. What are different branches of accounting?
4. What are the golden rules of accounts?
5. What do you mean by IFRS?
6. Differentiate between concept and convention.
7. What do you mean by contingent liability?
8. Why the banks and financial institutions interested in accounting information?
9. What is classification of assets?
10. Write short note on Money measurement concept
11. Write short note on Dual aspect concept
12. Write short note on Periodic matching of cost and revenue concept
13. Write short note on Business entity concept
14. What is capital?
15. What do you mean by accounting equation?
16. Write a short note on accounting standards?
17. What is the difference between outstanding income and accrued income?

18. What is convention of materiality?
19. What is principle of full disclosure?
20. What is Financial Accounting?
21. What is IND AS?
22. What are different types of accounts?
23. What is Accounting?
24. Give three instances where business may adopt separate Accounting Policies.
25. Define GAAP.
26. Elaborate different users of accounting.
27. What are the limitations of accounting?
28. Make a list of users of accounting.
29. Distinguish between assets and liabilities.
30. Give total number of accounting standards issued by ICAI.
31. Differentiate between Cost accounting and financial accounting.
32. Differentiate between cash basis and accrual basis of accounting.
33. What are the advantages of accounting?
34. Differentiate between Cash and Mercantile systems of Accounting.
35. "Do not anticipate any profits but provide for all losses." Explain the statement in light of accounting convention by giving example.
36. "Accounting is an art of identifying, recording, classifying, summarizing, interpreting and communicating results thereof." Explain the statement.
37. What is Opening Entry? Give its example.
38. What is Personal, Real & Nominal Account.
39. What is Ledger Folio?
40. Briefly describe the functions of a Journal.
41. What is Compound Journal Entry?
42. What is Journal. State its significance.
43. Define Trail Balance.
44. State the three methods of preparing Trial Balance.
45. What are the objectives of preparing a Trail Balance?
46. What are Final Accounts? What purpose do they serve?
47. What is meant by Marshalling of Assets and Liabilities?
48. Differentiate between Trading and Profit & Loss Account.
49. Outstanding expense and Prepaid Expense
50. Outstanding Income and Prepaid Income
51. Interest on Capital and Interest on Drawings
52. Why adjustment entries are required to be made at the time of preparing Final Accounts? Give illustrative examples of any four such adjustment entries.
53. Write short note on Closing entries.
54. What is significance of preparing Trading Account?
55. What do you understand by the term 'grouping' and 'marshalling' used in connection with the balance sheet? Illustrate the different forms of marshalling.
56. Distinguish between Trial Balance and Balance Sheet.
57. What do you mean by deferred revenue expenditure?
58. What are implications of AS 26?
59. What are capital losses? Explain with the help of illustrations.
60. Illustrate deferred revenue expenditure.
61. 'Ledger is the principle book of business.' Explain.
62. What is the meaning of an account?
63. What is the purpose of making a ledger?
64. Explain the rules of debits and credits.

65. What are Financial Statements?
66. Differentiate between Trading Account and Profit & Loss Account.
67. Trial Balance helps in knowing the arithmetical accuracy of the accounting entries.
68. What is prepaid insurance.
69. Why is it necessary to pass the adjustment entries?
70. What do you understand by the term Outstanding expenses?
71. What is Depreciation?
72. What are the causes of depreciation?
73. What are different methods of depreciation?
74. Differentiate between straight line method and written down value method.
75. Briefly explain depreciation fund?
76. Explain amortization with example.
77. What is the importance of charging depreciation?
78. What factors should be kept in mind while charging depreciation?
79. Explain AS 6 (Revised).
80. Differentiate between provision and reserve.
81. Define net realizable value.
82. Explain accounting standard for depreciation accounting.
83. What is depreciation accounting?
84. What is the difference between provisions and reserves?
85. What are different types of reserves?
86. State briefly the need for providing depreciation.
87. Explain basic factors affecting the amount of depreciation.
88. Distinguish between SLM and WDV.
89. Differentiate between provision and reserve.
90. What are the effects of Depreciation on profit and loss account and balance sheet?
91. What are various causes of depreciation?
92. Depreciation accounting is a process of allocation and not of valuation. Explain.
93. Define depreciation, fluctuation, obsolescence and amortization.
94. "Accumulated depreciation is a sum of cash being accumulated for the replacement of fixed assets."  
Explain the statement giving reasons.
95. What are the advantages and limitations of Human Resource Accounting?
96. The first cost of a machine is Rs. 1,800,000 with a salvage value of Rs. 300,000 at the end of its six years of life. Determine the total depreciation after three years using the Straight-Line Method of Depreciation.
97. A commercial building has a salvage value of Rs. 1 million after 50 years. Annual depreciation is Rs. 2 M. Using the Straight-Line Method, how many years after should you sell the building for Rs.30 M?
98. The equipment bought at a price of Rs. 450,000 has an economic life of 5 years and a salvage value of Rs. 50, 000. The cost of money is 12% per year. Compute the first-year depreciation using Declining Balance Method.
99. An equipment costs Rs.1,500,000. At the end of its economic life of five years, its salvage value is Rs.500,000. Using Sum of the Years Digit Method of Depreciation, what will be its book value for the third year?
100. A machine costs Rs.2,000,000. It has a salvage value of Rs.500,000 at the end of its economic life. Using the Sum of the Years Digit Method, the book value at the end of two years is Rs. 800,000. What is the machine's economic life in years?

## LONG ANSWER TYPE QUESTIONS

1. What are the accounting concepts and conventions?
2. Name them and explain any four accounting concepts in detail?
3. Explain the role of IFRS in accounting.
4. What is difference between financial accounting and management accounting? What are the different users of accounting?
5. Define Accounting. State its functions. How does it differ from Book- keeping?
6. Why is Accounting regarded as an aid to Management?
7. Explain IFRS in detail.
8. Give the meaning and relevance of GAAP.
9. What are the limitations of accounting.
10. What are the objectives of accounting. Differentiate between Book Keeping and Accounting.
11. Explain the interrelationship of accounting with other disciplines.
12. What is financial accounting? What are the features of accounting?
13. What do you mean by “Dual Aspect Concept” of Accounting. Explain briefly.
14. What are accounting standards? What are the objectives of accounting standards?
15. Differentiate between the accounting convention of materiality and full disclosure.
16. Differentiate between Management Accounting and Cost Accounting. What are the functions of Accounting.
17. What are different branches of Accounting, Explain the significance of Financial and Management Accounting.
18. Differentiate between trade discount and cash discount.
19. Explain the interrelationship of accounting with other disciplines.
20. What is GAAP? Elaborate different accounting principles issued by ICAI.
21. What are accounting standards? Elaborate the meaning with reference to examples of certain accounting standards.
22. What are different branches of accounting? Examine limitations and objectives of accounting.
23. Give an account of different types of assets and liabilities.
24. Explain the convergence of accounting standards.
25. 26 What is convention of conservatism?
26. Explain convention of consistency.
27. What are the different functions of Accounting?
28. Differentiate between accounting concepts and conventions. Elaborate the four accounting conventions.
29. What is accounting? What are its various branches? How does financial accounting provide information for management accounting? Also make a distinction between these two forms of accounting.
30. What do you understand by Accounting Standards? What purpose do these standards serve? How does these standards help in bringing transparency and uniformity in accounting?
31. According to the principles of “Double entry system”, every debit has corresponding credit”. Explain clearly. Discuss the merits of double entry system also.
32. Explain the steps taken for convergence of Accounting Standards in India to International Financial Reporting Standards.
33. Differentiate between Accounting concepts and Accounting conventions.
34. Give the different terminologies in accounting.
35. Explain different types of journal books.
36. What is depreciation? What are different causes of depreciation? Also elaborate different methods of providing depreciation.
37. What are the objectives of providing depreciation? Compare the different methods of providing depreciation.
38. What are the financial statements? Elaborate the Performa of final accounts.
39. Distinguish between Capital Receipts and Revenue Receipts
40. When is business revenue considered as accrued? What are the exceptions to this rule?
41. What is the difference between expired cost and imputed cost?

42. Illustrate revenue and capital loss with the help of examples.
43. What is the significance of distinction between capital and revenue items? Explain with examples.
44. Differentiate between Ex-ante income and Ex-post income.
45. What is the difference between revenue expenditure and capital expenditure?
46. Differentiate between Balance Sheet and Trial Balance.
47. Differentiate between capital and revenue.
48. Distinguish between expired and unexpired cost.
49. Explain the different classification of receipts.
50. What are different types of expenditures?
51. Differentiate between Deferred Revenue Expenditure and Revenue Expenditure with the help of examples.
52. Explain the need and significance of Depreciation.
53. What factors should be considered for determining the amount of Depreciation?
54. Distinguish between SLM and DBM of providing depreciation. Which one of the two methods would you recommend providing depreciation on plant and machinery?
55. Explain circumstances under which different methods of depreciation can be employed.
56. Explain elaborately depreciation fund.
57. What is depreciation? Discuss the merits and demerits of Sinking Fund Method of depreciation.
58. A firm purchased a plant for Rs. 10,000 on 01/01/2007. It was charging depreciation at 10% p.a. according to the fixed installment method. At the end of 2011, the firm decided to change the method of depreciation from the Fixed Installment Method to the Diminishing Balance Method w.e.f. 01/01/2008. The rate of depreciation was to be 12% p.a. You are required to prepare the Plant Account for the three years ending 31st December 2011 and also show how the depreciation item would appear in the Profit and Loss Account of the year 2011.
59. Special Services Ltd. bought a truck on January 1, 2010 for Rs. 60,000 and a sum of Rs. 20,000 was spent for various accessories. On July 1, 2011 another vehicle was purchased for Rs. 52,000. On July 1, 2012 the first truck was sold for Rs. 60,000. On the same date another truck was purchased for Rs. 50,000. On July, 2010 the second vehicle was sold for Rs. 46,000. Rate of depreciation was 10% on original cost annually on 31st December. In 2012, the company changed the method of charging depreciation to diminishing value method, the rate being 15%. Prepare truck account for year ending on 2010, 2011, 2012 and 2013.
60. On 1st July, 2004, a company purchased a plant for Rs. 20,000. Depreciation was provided at 10% p.a. on straight line method on 31st December every year. With effect from 1.1.2006, the company decided to change the method of depreciation to DBM @ 15% p.a. On 1.7.2007, the plant was sold for Rs. 12,000. Prepare plant account from 2004 to 2007, if the firm decides on 1.1.2006 to charge depreciation according to DBM w.e.f. 1.7.2004 and to make adjustments for arrears of depreciation in the year 2006.
61. A company provides depreciation under the SLM at the rate of 10% p.a. The balance in the Plant & Machinery Account on 31st Dec, 2005 after writing off depreciation for the year was Rs. 1,95,150 (total cost price of the plant was Rs 3,58,000). During Jan 2006, new plant was purchased at the cost of Rs 29,500 and one machinery which has cost Rs 5,500 in 2004 was sold as scrap for Rs 400. During Jan 2007, there were additions costing Rs 18,000 and a machine which had cost Rs 7,000 in 2002 was sold for Rs 3,500. On 1 Jan, 2002 Rahul & Co. purchased a machinery costing Rs 1,00,000. Its working life is 10 years. It has been decided to depreciate it at the rate of 12% on the DBM. Show the machinery account for first three years.
62. Discuss in detail the Straight-Line Method and Written Down Value Method of depreciation. Distinguish between the two and also give situations where they are useful.
63. What are different contemporary issues and challenges in accounting?
64. Name and explain different types of reserves in details
65. What are provisions? How are they created? Give accounting treatment in case.
66. What is depreciation? Does it depend on the market value of the asset? Why is it necessary to provide for depreciation of assets while preparing the balance sheet?
67. Differentiate between Human Resource Accounting and Green accounting.
68. What is Inflation Accounting? How is it different from Price Level Accounting? Also give the features of Social Responsibility of Accounting.
69. Explain the concept of change in method of depreciation. Also elaborate the change in method of depreciation with retrospective effect.
70. Differentiate between provisions and reserves.
71. What are reserves? Explain various types of reserves.



72. Explain the need and significance of depreciation. What factors should be considered in determining amount of depreciation?
73. Distinguish between SLM and DBM of providing depreciation. Which one of the above two methods would you recommend providing depreciation on plant and machinery?
74. Explain the circumstances under which different methods of depreciation can be employed.
75. What is depreciation? Discuss the merits and demerits of Sinking Fund Method of depreciation.
76. Write short note on Depreciation Fund and WDV.
77. Elaborate Social Responsibility accounting with the help of example.
78. What are the causes and objectives of providing depreciation.
79. Differentiate between Green accounting and Inflation accounting.
80. Distinguish between provisions and reserves.
81. Explain the need and significance of depreciation? What factors should be considered for determining amount of depreciation?
82. Distinguish between straight line method and diminishing balance method of providing depreciation. Which one of the above two methods would you recommend providing depreciation on Plant & Machinery?
83. What is "Green Accounting"? How it can be used as a mean for discharge social responsibility by a company? Discuss.
84. Suresh bought a plant on 1.1.2003 for a sum of Rs. 1,00,000, having a useful life of 5 years. It is estimated that the plant will have a scrap value of Rs. 16,000 at the end of its useful life. Suresh decides to charge depreciation according to depreciation fund method. The depreciation fund investment is expected to earn interest at 5% p.a. Sinking fund table shows that Rs. 0.180975 if invested yearly at 5% p.a. produces Rs. 1 at the end of 5 years. The investments are sold at the end of 5th year for a sum of Rs. 65,000. A new plant is purchased for Rs. 1,20,000 on 1.1.2008. The scrap of the old plant realizes Rs. 17,000. You are required to prepare the necessary accounts in the book of Suresh.
85. On 1st April 2017, a limited company purchased a Machine for ₹ 1,90,000 and spent ₹ 10,000 on its installation. At the date of purchase, it was estimated that the scrap value of the machine would be ₹ 50,000 at the end of sixth year. Give Machine Account and Depreciation A/c in the books of the Company for 4 years after providing depreciation by Fixed Installment Method. The books are closed on 31st March every year.
86. On 1st April 2009, a Company bought Plant and Machinery costing ₹ 68,000. It is estimated that its working life is 10 years, at the end of which it will fetch ₹ 8,000. Additions are made on 1st April 2010 to the value of ₹ 40,000 (Residual value ₹ 4,000). More additions are made on Oct. 1, 2011 to the value of ₹ 9,800 (Break-up value ₹ 800). The working life of both the additional Plant and machinery is 20 years. Show the Plant and Machinery account for the first four years, if depreciation is written off according to Straight Line Method. The accounts are closed on 31st March every year.
87. Chandra Ltd. purchased a second-hand machine for ₹ 8,000 plus CGST and SGST @ 6% each on 1st July 2015. They spent ₹ 3,500 on its overhaul and installation. Depreciation is written off 10% p.a. on the original cost. On 30th September 2018, the machine was found to be unsuitable and sold for ₹ 6,500. Prepare the Machinery A/c for four years assuming that accounts are closed on 31st March.
88. A Ltd. purchased a machine for ₹ 5,00,000 on 1st April 2012. Further addition was made on 1st October 2012 and on 1st July 2013 for ₹ 4,00,000 and ₹ 3,00,000 respectively. On 1st January 2015, 1st machine was sold for ₹ 2,85,000 and new machine was purchased for ₹ 6,00,000. Prepare Machine A/c for three years ending 31st March 2015 if depreciation is to be charged @ 10% p.a. on straight line basis.
89. On 1st January 2016, A Ltd. Purchased a machine for ₹ 2,40,000 and spent ₹ 10,000 on its erection. On 1st July 2006 an additional machinery costing ₹ 1,00,000 was purchased. 86 On 1st July 2018 the machine purchased on 1st January 2006 was sold for ₹ 1,43,000 and on the same date, a new machine was purchased at a cost of ₹ 2,00,000. Show the Machinery Account for the first three calendar years after charging depreciation at 5% by the Straight-Line Method.
90. On 1 Jan 2007, Neha Ltd. Issued 2500 10% debentures of Rs. 100 each at Rs. 95. Holders of these debentures have an opinion to convert their holdings into 14% preference shares of Rs. 100 each at a premium of Rs. 25 per share at any time within three years. On 31st December 2007 holders of 500 debentures notified their intention to exercise the option. Show the journal entries in relation to the issue and conversion of debentures in the books of the company.

91. Company issues 15% 1,000 debentures of Rs.100 each at 10% discount redeemable after a period of 5 years. According to the terms and conditions of issue these debentures were redeemable at a premium of 5%. The debenture holders had also the option at the time of redemption to get converted 20% of their holdings into equity shares of Rs. 10 each at a predetermined price of Rs. 20 per share and the balance in cash. Holders of debentures of Rs. 80,000 preferred to get their debentures redeemed in cash only while the rest opted for getting debentures converted into equity shares as per terms of issue. Pass the necessary journal entries.
92. On 1 January 2005 a limited company issued 10,000 14% debentures of Rs. 10 each repayable after 3 years. It has been decided to establish a sinking fund for their redemption. The annuity table shows that the annuity of Re.1 for 3 years at 10% interest amounts to Rs. 3.3100. The investment yields 10% interest. The investment is to be made in nearest ten rupees. Prepare necessary accounts for 3 years.
93. What are securities? Explain the process of issue of securities and listing of securities on Stock exchange.
94. Explain SEBI. Enumerate the features of SEBI. How SEBI control stock exchanges?
95. 7. Karan commenced business as on January 01, 2001. Given below are his transactions for the month of Jan. 2001. Pass Journal entry & Prepare Ledger & Trial Balance.
  - i. Jan. 1 Business commenced with a capital 20,000
  - ii. Jan. 2 Bank account opened by depositing cash 10,000
  - iii. Jan. 3 Goods purchased from Rohan on credit 5,000
  - iv. Jan. 5 Goods sold to Piyush on credit 4,000
  - v. Jan. 7 Goods purchased from Jyoti on credit 6,000
  - vi. Jan. 8 Wages paid to employees 200
  - vii. Jan. 9 Goods sold to Mayank on credit 5,000
  - viii. Jan.10 Debt paid for the months of January to March 2001 3,000
  - ix. Jan.10 Cheque received from Piyush 4,000
  - x. Jan.12 Paid for office expenses 1,000
  - xi. Jan.12 Sold Goods to Jagdish on cash 2,000
  - xii. Jan.13 Cheque issued in favor of Jyoti 6,000
  - xiii. Jan.15 Cash withdrawn for personal use 2,000
96. From the following transactions relating to Mr. Abhay Kumar. Show the effect on his assets, liabilities and capital by using the accounting equation:
  - i. Started business with cash 1,0000
  - ii. Purchased goods on credit 8,000
  - iii. Plant purchased for cash 2,000
  - iv. Sold goods costing 1,000
  - v. Sold goods costing for cash 2,000
  - vi. Drew for personal use 500
  - vii. Paid for salaries 300
  - viii. Sold goods on credit to Manan costing Rs800 for 1500
  - ix. Received cash from Mayank 70
97. Journalize the following transactions:
  - i. Shweta commenced business with Cash Rs. 10,00,000 and Furniture Rs. 20,000
  - ii. Paid into Bank Rs. 10,000
  - iii. Purchased goods from Raman at a list price of Rs. 10,000 at 10% trade discount.
  - iv. Paid to Raman 7,800 by cheque in full settlement
  - v. Rs. 2,600 payable by Karan was written off as bad debts.
  - vi. Goods destroyed by fire Rs.3000
  - vii. Karan was declared as insolvent and received from his official receiver a first and final dividend of 75 paise in a rupee against the debt of Rs. 2,600
  - viii. Received Commission Rs. 5,000
  - ix. Goods worth Rs. 30,000 distributed as free samples

98. Record the following transactions in Accounting Equation and prepare the Balance Sheet: 2013

- i. 1 May Sachin started business with cash Rs. 5,00,000, Bank balance Rs. 4,00,000, Furniture Rs. 60,000, Stock Rs. 50,000
- ii. 3 May Purchased goods in Cash Rs. 20,000
- iii. 5 May Goods worth Rs. 2000 destroyed by fire
- iv. 8 May Withdrawn Cash for personal use Rs. 4000
- v. 10 May Sold goods (costing Rs. 2000) for Rs. 3000
- vi. 12 May Purchased Machinery Rs. 40,000 from Rohit
- vii. 15 May Paid rent Rs. 6000
- viii. 18 May Received Commission Rs. 6000
- ix. 25 May Goods distributed as free samples worth Rs. 4000
- x. 28 May Depreciation on Furniture @ 10% p.a

99. 25 From the following particulars given below, write the Sales Book of M/S Abhiranjan. 2008

**Jan 1 Sold to Virmani Stores**

100 Bulbs of 100 watts @ Rs. 40 each.

50 Tubelights @ Rs. 25 each net.

100 Switches 5 AMP' 2 @ Rs. 10 each.

**Jan 11 Sold to from Narayan Sons**

50 Electric Heaters @ Rs. 40 each.

10 toasters @ Rs. 150 each.

15 Electric Irons Philips Rs. 200 each. Trade Discount 10%.

Packing & Forwarding Charges Rs. 250.

**Jan 17 Sold to Ram Electrical Co.**

10 Desert Coolers @ Rs. 2500 each, Less: 20% Trade Discount

100 Toasters @ Rs. 175 each, Less: 15% Trade Discount

10 Electrical Kettles @ Rs. 150 each, Less: 10% Trade Discount

100. Enter the following hypothetical transaction in the appropriate type of the cash books and post the same to the relevant ledger account:

- i. July 1 Started business with an investment of Rs. 9,000
- ii. July 2 Deposited in bank of India, Rs. 7,000
- iii. July 4 Acquired a building by issuing a cheque of Rs. 5,000
- iv. July 10 Paid the bill of the furniture by cheque Rs. 1,000
- v. July 15 Purchased Rs. 800 of merchandise by cheque
- vi. July 18 Withdrew Rs. 100 from the bank July 20 Sold merchandise for Rs. 1,200
- vii. July 22 Deposited Rs. 2,000 into the bank
- viii. July 25 Bought Rs. 1,000 merchandise
- ix. July 26 Sold Rs. 1,500 merchandise by crossed cheque
- x. July 27 Paid Rs. 100 by cheque as the premium for insuring building against fire
- xi. July 28 Paid freight Rs. 50
- xii. July 30 Withdraw from bank for personal use Rs. 500
- xiii. July 31 Cleared electricity bill Rs. 90
- xiv. July 31 Paid to Mahesh Rs. 1,080 in full satisfaction by cheque. We owed to Mahesh Rs. 1,100 for goods purchased.
- xv. July 31 Received from Suresh a cheque for Rs. 1,480, in full satisfaction of the debt of Rs. 1,510.