Section A

1.1.Define Accounting.

2. What do you mean by sale on return basis or approval basis?

3.What is statement of affairs?

Statement of affairs means statement prepared under single entry system to find out the capital of the firm. Capital is ascertained deducting liabilities from assets.

4.Opening capital Rs.1,00,000 closing capital Rs. 1,20,000 , profit Rs. 40,000 find out drawings.

5.What is dead rent?

It is the minimum guaranteed amount payable by the lessee to the lessor when there is low production or no production.

6.What is recoupment of short working?

The right to recover short workings in a specific period in future out of the surplus royalties

7. What do you mean by account sales?

Account sales are the statement prepared and sent by the consignee periodically, either at the end of each financial year or after each consignment to the consignor stating the information like sales, advance amount remitted, expenses incurred on behalf of the consignor, commission earned and the balance due to the consignor etc.

8.Explain Del Credere commission?

It is the additional commission given by the consignor to consignee for bearing the loss on account of bad debts, arising out of the credit sales of consignment goods.

9.What are the items shown in the debit side of the poultry account?

10.What are the basic features of Farm Accounting?

11.What is Royalty?

12.What is loss of stock by fire?

Section B

13. Capital Expenditure

\* Any expenditure which is incurred in acquiring or increasing the value a fixed asset.

\* Any amount spent on the purchase of Land and Building, plant nd machinery etc is called as capital expenditure.

\*Written as fixed asset on the assets side of the B/s.

\*Expenditure incurred in connection with the purchase or installation of such an asset is also treated as capital expenditure, which should be added to the cost of such assets.

\*Eg : Wages paid to workers for installing the machine

Revenue Expenditure

\*Any expenditure, the benefit of which is received during the current year itself is termed as revenue expenditure.

\*As such , all revenue expenditures are debited to Trading and P & L a/c

\* Eg : payment for goods purchased for sale, wages, salaries, repairs, deprications etc

14. . The landlord permits the tenant to recoup the short workings in a specific period in future out of the surplus royalties. This right to recover short workings of previous year from surplus royalties of subsequent years, as per royalty agreement is known as " Recoupment of short workings"

Types include

1. Restricted Right of Recoupment

The lesse gets privilege to recoup short workings for a certain fixed number of years commencing from the date of royalty agreement. Any short working arising beyond the fixed period cannot be recouped. Example, short working can be recouped within the first 4 years. This means that short working of the first year can be recouped in the second, third or fourth years. Similarly short working of the 2nd year can be recouped in the third year and like that..

2.Unrestricted Right of Recoupment

In this type of recoupment , any particular year's short working may be allowed to be recouped in the subsequent two or three years.Example, if short workings are agreed to be recouped in subsequent years, then it can be recouped partly or fully in the next year. At the end of the second year, the unrecouped short workings will be written off, as it will be a loss to the lessee.

15.

|  |  |
| --- | --- |
| Balance Sheet | Statement of Affairs |
| A statement prepared with balances extracted from books maintained under double entry system | It is a statement prepared from incomplete records maintained under single entry system. |
| The amount of capital is taken from the ledger | Capital is the excess of assets over liabilities. |
| It is prepared for ascertaining the financial position of a business | It is prepared for ascertaining the capital of a business. |
| The values of assets and liabilities shown in the B/s are the actual values based on the ledger accounts. | The values of assets and liabilities shown in the statement of affairs are merely estimates based on physical inspection. |
| A balance sheet is more reliable because it is based on double entry system. | It is less reliable because it is based on estimates. |

16. . Financial accounting may be defined as the science and art of recording and classifying business transactions and preparing summaries of the same for determining the year end profit or loss and the financial position of the concern. It is the part of accounting which is employed to communicate the financial information of a business unit.

Objectives are :

· Recording business transactions systematically

· Calculation of profit earned or loss incurred

· Depiction of financial position of the firm.

· Assisting Management.

· Assessing the progress of the business.

· Detecting and preventing errors and frauds.

· To portray the liquidity position.

· To file tax returns.

· Communicating accounting information to various users.

17. . Consignment means a transfer of possession of goods from the owner called the consignor, to another person called consignee, for the purpose of selling the goods on commission basis.

Features are :

· The relation with consignor and consignee is that of principal and agent.

· Only the possession of goods and not the ownership of goods is transferred to the consignee.

· Risk of goods remains with the consignor because ownership of goods is with the consignor.

· Consignee is entitled to get a commission.

· Consignee is agreed to reimbursement of expenses incurred by him on behalf of the consignor.

· The sale proceeds belong to the consignor, and the consignee merely gets commission.

· The profit or loss sent on consignment belongs to the consignor.

· The unsold goods with the consignee is the stock of the consignor.

· Goods can be repossessed by the consignor from the consignee at any time.

18. . Opening Capital : 41650 /-

 Closing Capital : 49950 /-

 Profit : 9090

19. Profit from Cattle division : 78200 /-

20.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Year | output | royalty | Minimum rent | Short working | Surplus | Short working recopued | Short working c/f | Written off | amount |
| 2012 | 2000 | 20000 | 30000 | 10000 |  |  | 10000 | 10000 | 30000 |
| 2013 | 2500 | 25000 | 30000 | 5000 |  |  | 5000 | 5000 | 30000 |
| 2014 | 3500 | 35000 | 30000 |  | 5000 |  |  |  | 35000 |
| 2015 | 4000 | 40000 | 30000 |  | 10000 |  |  |  | 40000 |

In the books of lessee

 Royalty a/c

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  | Particulars  | Amount  | Date  | Particulars  | date |
| 2012201320142015 | To minimum rentTo minimum rentTo coal synd.To coal synd. | 2000020000 250002500035000350004000040000 | 2012201320142015 | By productionBy productionBy productionBy production | 2000020000 250002500035000350004000040000 |

 Short working a/c

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  | Particulars  | Amount  | Date  | Particulars  | date |
| 20122013 | To minimum rentTo minimum rent | 1000010000 50005000 | 20122013 | By p&lBy p&l | 1000010000 50005000 |

 Minimum rent a/c

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  | Particulars  | Amount  | Date  | Particulars  | date |
| 20122013 | To coal syn.To coal syn | 3000030000 3000030000 | 20122013 | By royaltyBy royalty | 3000030000 3000030000 |

 Coal syndicate a/c

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  | Particulars  | Amount  | Date  | Particulars  | date |
| 2012201320142015 | To bankTo bankTo bank.To bank | 3000030000 300003000035000350004000040000 | 2012201320142015 | By minimum rentBy minimum entBy royaltyBy royalty | 3000030000 300003000035000350004000040000 |

In the books of lessor

Ramlal colliery company a/c

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date  | Particulars  | Amount  | Date  | Particulars  | date |
| 2012201320142015 | To royalty receivble.To royalty suspenseTo royalty rece.To royalty susp.To royalty rece.To royalty rec. | 2000010000 3000025000500035000350004000040000 | 2012201320142015 | By bankBy bankBy bankBy bank | 3000030000 300003000035000350004000040000 |

21.. Bad Debts A/c

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | Particulars | Amount | Date | Particulars | Amount |
|   | To balance b/d | 4000 4000 |   | By balance c/d | 4000 4000 |

Provision for Bad Debts A/c

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | Particulars | Amount | Date | Particulars | Amount |
|   | To bad debtsNew provision | 4000750011500 |   | By balance b/dBy P & L A/c | 6000550011500 |

22.Accounting standards are the written statements consisting of rules and guidelines, issued by the accounting institutions, for the preparation of uniform and consistent financial statements and also for other disclosures affecting the different users of accounting information.

Accounting standards lay down the terms and conditions of accounting policies and practices by way of codes, guidelines and adjustments for making the interpretation of the items appearing in the financial statements easy and even their treatment in the books of account.

Accounting principles involve both accounting concepts and accounting conventions. Here are brief explanations.

## Accounting Concepts

1. **Business entity concept:** A business and its owner should be treated separately as far as their financial transactions are concerned.
2. **Money measurement concept:** Only business transactions that can be expressed in terms of money are recorded in accounting, though records of other types of transactions may be kept separately.
3. **Dual aspect concept:** For every credit, a corresponding debit is made. The recording of a transaction is complete only with this dual aspect.
4. **Going concern concept:** In accounting, a business is expected to continue for a fairly long time and carry out its commitments and obligations. This assumes that the business will not be forced to stop functioning and liquidate its assets at “fire-sale” prices.
5. **Cost concept:** The fixed assets of a business are recorded on the basis of their original cost in the first year of accounting. Subsequently, these assets are recorded minus depreciation. No rise or fall in market price is taken into account. The concept applies only to fixed assets.
6. **Accounting year concept:** Each business chooses a specific time period to complete a cycle of the accounting process—for example, monthly, quarterly, or annually—as per a fiscal or a calendar year.
7. **Matching concept:** This principle dictates that for every entry of revenue recorded in a given accounting period, an equal expense entry has to be recorded for correctly calculating profit or loss in a given period.
8. **Realisation concept:** According to this concept, profit is recognised only when it is earned. An advance or fee paid is not considered a profit until the goods or services have been delivered to the buyer.

## Accounting Conventions

There are four main conventions in practice in accounting: conservatism; consistency; full disclosure; and materiality.

**Conservatism** is the convention by which, when two values of a transaction are available, the lower-value transaction is recorded. By this convention, profit should never be overestimated, and there should always be a provision for losses.

**Consistency** prescribes the use of the same accounting principles from one period of an accounting cycle to the next, so that the same standards are applied to calculate profit and loss.

**Materiality** means that all material facts should be recorded in accounting. Accountants should record important data and leave out insignificant information.

**Full disclosure** entails the revelation of all information, both favourable and detrimental to a business enterprise, and which are of material value to creditors and debtors.

23. Value of Abnormal loss- 120800

Value of stock- 366400

In the books of consignor:

1.Profit balance of consignment account- 340200

2.Consignee account(balance)- 1061000

Goods sent on consignment- 12,00,000

In the books of Consignee:

Consignor(balance)- 1061000

24.Gross Profit- 8,000

Net Profit -1,100

Balance sheet Total- 81500

25.Gross Profit- 1,09,000

Net Profit - 36900

Balance sheet Total- 187000