**Accountancy (Class XII)**

**Practice Paper – 01**

Instructions:

1. This paper has 33 questions, carrying 1 mark each
2. All questions are compulsory.
3. Answer the questions as per the given instructions

**Multiple Choice Questions**

1. Which qualitative characteristic of accounting information is reflected when accounting information is clearly presented?
2. Understand ability
3. Relevance
4. Comparability
5. Reliability
6. Ritesh starts business with Rs.10,00,000. The amount introduced by him is known as
7. Asset
8. Capital
9. Liabilities
10. None of the above
11. \_\_\_\_\_\_\_\_\_\_\_\_ is an event involving some value between two or more entities.
12. Profit
13. Sale
14. Transaction
15. Capital
16. Creditors are persons and or other entities who owe to an enterprise an amount for buying goods and services on credit.
17. True
18. False
19. Can’t say
20. Partially true
21. Single entry system is not a complete system of maintaining records of financial transactions.
22. True
23. False
24. Can’t say
25. Partially true
26. Damon started his cloth business on 1st April 2020 with a capital of Rs.60,000. On 31st March 2021 his assets were Rs.1,00,000 and liabilities were Rs.20,000. What will be his profit during the year?
27. Rs.80000
28. Rs.20000
29. Rs.40000
30. Rs.50000
31. Calculate the amount of external equities from the following information on 1st April 2015 Shyam started a business with a capital of Rs.20000 and a loan of Rs.10000 borrowed from a friend. During 2015-16, he earned a profit of Rs.10000 introduced an additional capital of Rs.12000 and had withdrawn Rs.6000 for his personal use. On 31st March 2016 the total assets were Rs.10,000.
32. Rs.36000
33. Rs.64000
34. Rs.28000
35. Rs.72000
36. All ledger accounts can be classified as permanent accounts and temporary accounts.
37. True
38. False
39. Can’t say
40. Partially true
41. What will be the journal entry for adjustment of advanced commission. If commission of Rs.600 is received, one-third of which is in advance?
42. Commission A/c Dr 600

To com. Received in advance A/c 600

1. Com. A/c Dr 200

To com. Received in advance A/c 200

1. Cash A/c Dr 600

To com. A/c 600

1. None of the above
2. If goods worth Rs.25000 were lost in a fire, then while passing a journal entry which of the following accounting is debited?
3. Loss by fire account
4. Drawings account
5. Sales account
6. Purchases account
7. Goods taken away by the proprietor from business for his personal use will be recorded in
8. Purchase book
9. Sale book
10. Purchases return book
11. Journal proper
12. A cheque for Rs.21,000 is received from P on 7th August 2021 and it is endorsed to M on 9th August 2021. What will be the journal entry to be passed on 9th August?
13. Cheques in hand A/c Dr 21,000

To M A/c 21,000

1. M A/c Dr 21,000

To cheques in hand A/c 21,000

1. Cheques in hand A/c Dr 21,000

To P 21,000

1. None of the above
2. If XYZ Electronics Ltd. Purchase 10 TV @ Rs.2000 per piece and 15 tape recorders @ Rs.12500 per piece and there was a trade discount of 20%, then what will be the amount to be recorded in purchase book?
3. Rs.20,000
4. Rs.1,66,000
5. Rs.2,07,500
6. Rs.1,87,500
7. Amount directly deposited by debtors to bank of Rs.20,000. How will it be treated for the purpose of bank reconciliation statement?
8. Rs.20,000 will be deducted from the balance as per cash book
9. Rs.20,000 will be added to the balance as per pass book
10. Rs.20,000 will be added to the balance as per cash book
11. None of the above
12. The bank pass book of Ryan had an overdraft of Rs.30000. Interest on overdraft was Rs.1000. Insurance premium paid by the bank was Rs.200. What will be the balance as per cash book?
13. Rs.31200 overdraft
14. Rs.31200 favourable balance
15. Rs.28800 overdraft
16. Rs.28800 favourable balance
17. A wrong entry on debit side of the pass book will be deducted from the balance as per pass book to reconcile the statements.
18. True
19. False
20. Can’t say
21. Partially true
22. A machinery was purchased on 1st April 2019 for Rs.5,00,000 and on 1st October 2019, a new machine is added for Rs.2,00,000. Calculate the balance of machine account, if depreciation is charged at 20% p. a. on written down value method for the year ending 31st March 2020.
23. Rs.6,00,000
24. Rs.5,60,000
25. Rs.5,60,000
26. Rs.5,80,000
27. Purchase price of a machine is Rs.1,50,000. Installation charge of Rs.50,000 residual value Rs.81,920. The annual depreciation under straight line method is Rs.29,520. The useful life of the machine is
28. 6 years
29. 5 years
30. 4 years
31. None of these
32. Which of the following does not correctly differentiate between revenue reserve and capital reserve?
33. Revenue reserve is created out of revenue profits whereas capital reserve is created primarily out of capital profit
34. Revenue reserve is created for compliance of legal requirements or accounting practices whereas capital reserve is created to strengthen to financial position, to meet unforeseen contingencies or for some specific purposes
35. Revenue reserve can be utilised only for a specific purpose whereas capital reserve can be utilised for any purpose
36. Both (b) & (c)
37. The amount set aside for the purpose of providing any known liability, the amount of which cannot be ascertained with reasonable accuracy is known as\_\_\_\_\_\_\_\_\_\_ .
38. Reserve
39. Provision
40. Contingency fund
41. None of these

**Assertion- Reasoning MCQs**

Direction: There are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the appropriate option from the options given below.

1. Both assertion and reason are true and reason is the correct explanation of assertion
2. Both assertion and reason are true but reason is not the correct explanation of assertion
3. Assertion is true but reason is false
4. Assertion is false but reason is true
5. Assertion- Cost accounting helps in controlling the costs.

Reason- Cost accounting assists in analysing the expenditure for ascertaining the cost of various products manufactured or services rendered by the firm.

1. Assertion- Efforts should not be wasted in recording and presenting facts, which are immaterial in the determination of income.

Reason- The concept of materiality requires that accounting should focus on material facts.

1. Assertion- If goods are withdrawn for personal use by the proprietor, drawings account is debited.

Reason- As per the rules of accounting, decrease in capital is debited.

1. Assertion- When direct debit is made by the bank on behalf of the customer, favourable balance as per the cash book is less than that of the pass book.

Reason- If an entry of payment has been recorded in the pass book but not in the cash book, then the balance of pass book will be less than that of cash book.

1. Assertion- Straight line method of charging depreciation makes comparison of profits for different years easy.

Reason- Under straight line method different amount of depreciation is charged every year to profit and loss account.

**Case Based MCQs**

**Direction: Read the following case study and answer the questions**.

Shiv is the owner of shiva enterprises which produces chemicals. He maintains the books of accounts himself. On 1st June 2015 an old plant was purchased for Rs.50 lakh by shiva enterprise. An amount of Rs.10,000 was spent on transporting the plant to the factory site. In addition, Rs.15,000 was spent on repairs for bringing the plant into running position and Rs.25,000 on its installation. Shiv has recorded it in the books of accounts at Rs.50,00,000. Shiva enterprises also own a building worth Rs.75 lakh whose market value stands at Rs.95 lakh now. Shiv has recorded the building at the market value. In the year 2021, he changed the method of valuation of stock and depreciation for no concrete reason. His closing stock for year ended March 2021, stood at Rs.7 lakh at cost price and had a market value of Rs.10 lakh. Shiv recorded it at market value. He had also purchased stationery of Rs.1000 during the year and stock worth Rs.200 is left which he has recorded as a current asset.

Shiv’s friend Ritesh, who is a Chartered Accountant, happens to visit him when he was finalising the accounts of his enterprise. Ritesh points out that there are lot of flaws in recording of transactions by Shiv.

1. According to you, which of the following accounting treatments were incorrect?
2. Valuation of plant
3. Valuation of building
4. Valuation of stock
5. All of these
6. “A building worth Rs.75 lakh whose market value stands at Rs95 lakh now. Shiv has recorded the building at the market value.” What is the correct accounting concept that should have been used?
7. Historical cost concept
8. Matching concept
9. Business entity concept
10. All of the above
11. “In the year 2021, he changed the method of valuation of stock and depreciation for no concrete reason.” Which accounting concept has been violated in the givenlines?
12. Revenue recognition concept
13. Conservatism concept
14. Materiality concept
15. Consistency concept
16. Recording of stock at market price by Shiv is wrong because
17. It violates conservatism concept
18. It violates materiality concept
19. It violates consistency concept
20. It violates full disclosure concept
21. “Purchased stationery of Rs.1000 during the year and stock worth Rs.200 is left which he has recorded as a current asset.” Which of the following concepts has been violated in the given lines?
22. It violates conservatism concept
23. It violates materiality concept
24. It violates consistency concept
25. It violates full disclosure concept

Sharan has a trading business in Delhi. All his transactions occur within the limits of Delhi. Sharan bought goods for Rs.2,00,000 on credit. He sold them for Rs.2,70,000 in the same state on credit. He paid for railway transport Rs.16000. He bought computer printer for Rs.20000. He paid postal charges Rs.4000.

Assuming CGST @ 5% and SGST @ 5%, you are required to answer the following questions.

1. By what amount will creditors account be credited for the purchase of Rs.2,00,000?
2. Rs.2,00,000
3. Rs.2,10,000
4. Rs.2,20,000
5. None of these
6. “He sold them for Rs.2,70,000 in the same state on credit.” By what amount will debtors be debited while passing journal entry?
7. Rs.2,70,000
8. Rs.2,83,000
9. Rs.2,97,000
10. None of these
11. GST is a/an\_\_\_\_\_\_\_\_\_ tax.
12. Direct
13. Indirect
14. Late fee
15. None of these
16. What journal entry would have been passed by Sharan in case he had resorted to inter-state purchase of goods on which GST is levied?
17. Purchases A/c Dr

Input CGST A/c Dr

Input SGST A/c Dr

To cash

1. Purchases A/c Dr

Input IGST A/c Dr

To cash

1. Purchase return A/c Dr

Input SGST A/c Dr

To cash

1. None of the above
2. What is the journal entry passed for return of intra-state purchase of goods on which GST is levied assuming that Sharan returned the goods?
3. Creditors A/c Dr

To purchases return A/c

To input CGST A/c

To input SGST A/c

1. Purchases return A/c Dr

Input IGST A/c Dr

To cash

1. Purchases return A/c Dr

Input IGST A/c Dr

To cash

1. None of the above

**Read the following case study and answer the questions**.

Sudhir has started a new business recently. The following transactions take place

1. Started business with cash Rs.1,00,000 and goods Rs.40,000.
2. Bought goods on cash Rs.30,000 and on credit for Rs.20,000.
3. Goods costing Rs.48,000 sold at a profit of 33-1/3% to Pranav. Half of the payment received in cash.
4. Purchased furniture for office use Rs.12,000 and for household use Rs.8,000.
5. Received cash from Pranav (customer) Rs.22,500 and allowed him a discount Rs.500.
6. Creditors of Rs.5,000 accepted Rs.4,000 and allowed a discount of Rs.1,000.

Keeping in mind the concept of accounting equation, you are required to answer the following questions.

1. Accounting equations signifies that the assets of a business are always greater than the total of its liabilities and capital.
2. True
3. False
4. Can’t say
5. Partially true
6. Which of the following accounts will be affected by the statement ‘Started business with cash Rs.1,00,000 and goods Rs.40,000’?
7. Cash and capital
8. Cash, stock and capital
9. Cash, stock, liabilities and capital
10. Cash and stock
11. “Bought goods on cash Rs.30000 and on credit for Rs.20000”. Which account will be impacted on the assets side of the equation?
12. Cash and capital
13. Cash, stock and capital
14. Cash, stock, liabilities and capital
15. Cash and stock
16. How will the purchase of furniture be recorded?
17. On assets side cash will be reduced by Rs.20000 and furniture will increase by Rs.12000 and on the liabilities and capital side capital will reduce by Rs.8000
18. On assets side cash will be reduced by Rs.20000 and furniture will increase by Rs.20000 and on the liabilities and capital side there will be no impact
19. On assets side cash will be reduced by Rs.20000 and furniture will increase by Rs.12000 and on the liabilities and capital side capital will reduce by Rs.20000
20. None of the above
21. How is the liabilities and capital side reflected in the final equation?
22. Liabilities + capital = 20000 + 1,47,500
23. Liabilities + capital = 15000 + 1,48,500
24. Liabilities + capital = 15000 + 1,56,000
25. None of the above