KENDRIYA VIDYALAYA SANGATHAN

(MUMBAI REGION)

BRIDGE COURSE

(21 Days)

For Classes 11th & 12th

(Commerce & Humanities)

(Academic Year 2022-2023)

Bridge Course for Classes 11th & 12th

(Commerce & Humanities)

INSPIRATION

Smt. Sona Seth, Deputy Commissioner, KVS RO Mumbai

MENTOR

Sh. S.V. Joglekar, Assistant Commissioner, KVS RO Mumbai

COORINATOR

Mr. S.V. Lawande, Principal, KV INS Shivaji, Lonavla

CONTENT TEAM

Mr. Pramod Parate, Principal, KV CRPF Nagpur

Dr. A.K. Mishra, Principal, KV No. 1, Dehuroad

Mr. MD. Nasimuddin, Principal, KV No. 3, 9BRD, Pune

Mr. Arvind Kumar, Principal, KV VSN Nagpur

Miss. Anju Krishnani, Vice Principal, KV Nashik Road No. 1, Army Cantt.

Mr. Ranjan Ingle, Vice Principal, KV CME Pune

Mr. Suresh Yadav, Vice Principal, KV DIAT Girinagar, Pune

Mr. H.R. Chaudhary, Vice Principal, KV Parbhani

Mr. Praveen Kumar, Vice Principal, KV AFS No. 2, Pune

BRIDGE COURSE

Class XI-XII

COORDINATOR: MR S.V LAWANDE, PRINCIPAL KV LONAVALA

Class	Economics	Accountancy	Buisness studies	GEOGRAPHY	History	Political Science	SOCIOLOGY
XI	ARVIND KUMAR, PRINCIPAL KV NAGPUR VSN	Mr. PRAVEEN KUMAR, VP KV PUNE NO. II AFS	Mr. MD. NASIMUDDIN, PRINCIPAL KV NO.3 (9 BRD)	DR A.K MISHRA,PRINCIPAL KV NO.1 DEHU	MR. SURESH YADAV, VICE-PRINCIPAL KV PUNE DIAT GIRINAGAR	MR. SURESH YADAV, PRINCIPAL KV PUNE DIAT GIRINAGAR	ARVIND KUMAR, PRINCIPAL KV NAGPUR VSN
XII	H R CHOUDHARY, VP, KV PARBHANI	MISS ANJU KRISHNANI, VP KV NASIK ROAD NO.1 ARMY CAMP	MR. PRAMOD PARATE, PRINCIPAL KV NAGPUR CRPF	ARVIND KUMAR, PRINCIPAL KV NAGPUR VSN	MR RANJAN INGLE,VP KV CME PUNE	H R CHOUDHARY, VP KV PARBHANI	H R CHOUDHARY, VP, KV PARBHANI

Instructions for Students

Dear students, due to pandemic situation in the last academic year, you continued your learning and education through online and in various digital modes. This Bridge Course has been prepared for you with the objective of reviewing the previous year's syllabus at the beginning of the present academic year and helping you to prepare for this year's syllabus.

1. The bridge course to lasts for a total of 21 days and consists of three tests after a certain period of time.
2. The bridge course will help you to understand exactly what you have learned in the previous academic year and to understand the curriculum for the next class.
3. This bridge course should be studied on a day-to-day basis.
4. It consists of day-to-day worksheets. You are expected to solve the worksheet on your own as per the given plan.
5. Seek the help of a teacher, parent or siblings if you have difficulty solving the worksheet.
6. Solve the tests provided along with as planned.
7. Get it checked with the teacher after completing the test.
8. Seek the help of teachers to understand the part that is not understood or seems difficult.

Instructions for Teachers

As we all are very well aware about the fact that due to pandemic situation, the schools were formally closed during the last academic year and the actual classroom teaching and learning could not take place. On this background various efforts have been made by the teachers in the last two academic year to impart education to the students through online mode. Accordingly, the Bridge Course has been prepared with the dual objective of reviewing the studies done by the students in the previous academic year and helping them to learn the curriculum of the present class in this academic year.

1. The bridge course to lasts for a total of 21 days and consists of three tests after a certain period of time.
2. The bridge course is based on the syllabus of previous class and is a link between the syllabi of previous and the current class.
3. This bridge course has to be prepared class wise and subject wise. It is related to the learning outcomes and basic competencies of the previous class' textbook and is based on its components.
4. The bridge course includes component and sub-component wise worksheets. These worksheets are generally based on learning outcomes and basic competencies.
5. The structure of the worksheet is generally as follows.

   Part One - Learning Outcomes/Competency Statements.

   Part Two - Instructions for teachers

   Part Three - Instructions for Students

   Part Four - Learning Activity

Part Five - Solved Activity

Part Six – Practice

Part Seven - Extension Activity/Parallel Activity/Reinforcement

Part Eight – Evaluation

6. This bridge course will be very important from the point of view to revise and reinforce the learning of the students from the previous class and pave the way to make their learning happen in the next class.
7. Teachers should help their children to complete this bridge course as per day wise plan.
8. Teachers should pay attention to the fact that the student will solve each worksheet on his/her own, help them wherever necessary.
9. The teacher should conduct the tests of the students after the stipulated time period, assess the test papers and keep a record of the same.
10. Having checked the test papers, teachers should provide additional supplementary help to the students who are lagged behind.

BRIDGE COURSE FOR CLASS XI & XII

SUBJECT: Economics/Accountancy/Bus.Std./Geography/History/Pol. Sci./Sociology

DESIGN & LAYOUT

The module will be prepared by taking into consideration the following parameters:

1) Identification of learning gaps – Student’s point of view
2) Identification of learning outcomes – Teacher’s point of view
3) Module will be prepared concept wise/skill wise/competency wise.
4) Core concepts from syllabus of previous class of each chapter will be taken and linked with the present class.
5) The module will be prepared for 3 weeks duration.
6) After every week one test will be taken to analyses the progress of the students.
7) Day to day worksheets can be prepared by the subject teachers and to get it solved.
8) Example of day to day work to be done by the teacher is given below:

KENDRIYA VIDYALAYA SANGATHAN MUMBAI REGION

BRIDGE COURSE – 2022-23

CLASS: XII

ACCOUNTANCY

The initiative started by KVS Mumbai region to bridge the learning gap of the students by launching the bridge course will prove to be very effective by the combined efforts of the administrators , teachers and students.

This Bridge course of Accountancy (Class XII) consists of 18 modules and 18 worksheets. Each Module is based on an Accounting concept. These concepts are finalized after thorough study of correlation of Concepts done in class XI with the chapters of class XII. Each Module is followed by a small exercise. The worksheets designed on each module will help in assessing the expected teaching learning outcome. It includes three weekly tests that are to be conducted after Module 6,12 and 18 respectively.

KV staff is well known for accepting the challenges and making every event a success. So let's make this Bridge course a true Bridge.

Contributors :

1. Mr Rajesh Patil- PGT Commerce KV ISP
2. Mrs Shivani Mishra -PGT Commerce KV AFS Ozhar
3. Mr Sandeep Kumar -PGT Commerce KV Nasik Road Camp.
4. Mr Mukesh Kumar -PGT Commerce KV No 1 Devlali.

Under Guidance and supervision of

Ms Anju Krishnani - Vice-Principal KV Nasik Road Camp.

Coordinator- Shri S. V Lawande -Principal KV Lonavala

Team leader : Shri S V Joglekar -Assistant Commissioner KVS ,Mumbai Region.

DIRECTOR : SMT SONA SETH , DEPUTY COMMISSIONER KVS MUMBAI REGION.

CONCEPTS TAKEN FOR BRIDGE COURSE (CLASS XII ACCOUNTANCY)

1. Basic terms of Accounting (Assets, liabilities, expenses ,loss, income, gain)
2. Basic terms of Accounting (Drawings, capital, purchases , sales, inventory , trade receivable , trade payable , financial year, bad debts, depreciation discount)
3. Steps of Accounting, objectives , Merits and demerits
4. GAAP (Business Entity , conservatism , historical cost , Matching Principle, Dual aspect)
5. GAAP (Accounting assumptions and principles)
6. Accounting standards
7. Rules of debit and credit and types of accounts .(Real, nominal ,personal)
8. Journal
9. Journal (contd)
10. Ledger
11. Ledger (contd)
12. Trial balance
13. Financial statements (without adjustments)
14. Financial statements (formula of cost of revenue from operations, Gross profit, Net profit, operating profit)
15. Financial statements (adjustments related to Sundry debtors, bad debts , provision for doubtful debts, depreciation)
16. Financial statements (Interest on loan, capital, drawings, investments)
17. Cash and Accrual basis of Accounting (adjustments related to outstanding expenses, prepaid expense , income received in advance, accrued income)
18. Depreciation , asset account and provision for depreciation account (short questions)

MODULE 1

ACCOUNTACY(XII)

CONCEPT: Basic Terms of Accounting (Assets, Liabilities, Expenses, loss, income, gain) and Other Term.

Instructions for Teachers: Teachers should focus on the meaning of basic terms of Accounting so that the students comprehend the meaning and do not go for rote learning. These basic terms are the foundation for the syllabus of class XII, along with the career of the students in Accounting. The reasoning of the students should be enhanced by making clear the concept of Accounting entity where the students should understand that accounts are prepared from firm's point of view and not from the owners point.

TEACHING LEARNING OUTCOME

a) Student understands the basic Terms of Accounting (Assets, Liabilities, Expenses, Loss, income, gain and Other Term
b) Is able to identify the types of assets, liabilities, expenses, losses and income

Teaching Learning Resources: Day to Day examples, examples of Assets and Liabilities of the business, assets present in the school, house etc.

Assets: Assets are the properties (Tangible Assets and intangible assets) owned by an entity or enterprises. They are the economic resources of the business.

Assets can be classified into (i) Non- Current Assets, (ii) Current Assets, and Fictitious Assets.

Fixed Assets: Fixed Assets are those non- current assets, not to resell but with the purpose to increase its earning capacity.

Fixed assets are further classified in to:

1. Tangible Assets
2. Intangible Assets

Current Assets: Current Assets are those assets which are held by an entity or enterprise with the purpose of converting them in to cash within a short time.

Fictitious Assets: Fictitious Assets are those assets which are neither tangible assets not intangible assets. They are losses not written off in the year in which they are incurred but in more than one accounting period.

Liabilities: Liabilities mean amount owed (Payable) by the business. Liability towards the owners (proprietor or Partners) of the business is termed as internal liability.
Expense Expense is the cost incurred for generating revenue like salary, Wages, rent etc.
Loss: Loss is excess of expenses of a period over its revenues. It decreases the owner's equity.
Gain: Gain is the increase in owner's equity resulting from something other than the day to day earning from irregular or non or non-recurring nature.

Exercise: (for homework)

1. Define the term 'Asset".
2. Define the term 'Liability".
3. What is meant by Tangible Assets? give any two examples.
4. Give two examples of losses.
5. Give two examples of Current assets.
6. Give two examples of non-current liabilities.
7. State the difference between profit and gain.
8. State two examples of fictitious assets.
9. Classify the following into current and non-current liabilities-
   a) Capital b) Bills payable c) Bank loan d) outstanding expenses
10. Classify the following assets into current assets and non-current assets-

    a) Livestock b) Goodwill c) Building d) Inventory

<u>Worksheet -1.</u> (15 marks)

BASIC TERMS OF ACCOUNTING

Q.1 State the meaning of the following. 4

A. Assets B. Liabilities C. Income D. expenses

Q.2 Amount paid or payable against purchase of goods is: 1
A. revenue expenditure
B. capital expenditure
C. Both (a) and (b)
D. None of these.

Q.3 Which of the following is not a business transaction? 1
A. Bought furniture of Rs 25,000 for business
B. Paid for salaries of employees Rs 20,000
C. Cash withdrawn from personal bank account, Rs 10,000 for personal use
D. All of the above

Q.4 Which of the following is not a fixed asset? 1
A. Building
B. Plant and Machinery
C. Balance with bank
d. Goodwill

Q.5 Which of the following is not a long-term liability? 1
A. Creditors
B. Term Loan
C. Debenture
D. Bank Loan (3 years)

Q.6 A Person to whom a firm owes money for purchase of goods is a --------- 1

Q.7 Amount invested by the owner in business is termed as------------ 1

Q.8 Bank overdraft is a ---------- liability (current/non-current) 1

Q 9. State whether the following statement are true or false

a. Machinery used in production is not a fixed asset. 1

b. Trade discount is recorded in the books 1

c. A person is not in a position to pay his debts is known as insolvent. 1

d. ‘Goods’ means physical item of trade. 1

Module 2

CLASS XII

ACCOUNTANCY

CONCEPT: BASIC TERMS OF ACCOUNTING (DRAWING, CAPITAL, PURCHASES, SALES, INVENTORY, TRADE RECEIVABLE, TRADE PAYABLE, FINANCIAL YEAR, BAD DEBTS, DEPRECIATION, DISCOUNT)

Instructions for Teachers: The basic terms in this module include such terms that are significant in XII class topic of "Ratio analysis ". The journal entries related to purchase of asset or sale of assets , treated by the students as purchases or sales of goods can also be a result of lack of clarity in the terms of purchases and sales. Thus if required, these terms are to be re-taught.

TEACHING LEARING OUTCOME

a) Student Understands the basic terms of Accounting.
b) Identifies these terms as asset, liability, expense and income

Teaching Learning Resources: Day to Day Examples of terms of accountancy in business, Examples of furniture and Machinery and other expenses incurred in school.

BASIC TERMS OF ACCOUNTING

Drawings: A Proprietor withdraw the money and goods from the business for personal use called is drawing.

Capital: Capital is the amount invested in an enterprise by the proprietor or by partners in partnership business.

Purchases: Purchases is used for an account to record purchases of goods or raw materials for resale or for producing products which are also to be sold.

Sales: Sales is associated with or used for sale of goods. These goods may be purchased for resale or manufactured by the enterprise. Sales includes both cash and credit sales.

Inventory: Stock or Inventory is a tangible asset held by an enterprise for the purpose of sale in the ordinary course of business or for the purpose of using it in production of goods meant for sale.

Trade Receivable: It is the amount receivable for sale of goods and services rendered in the ordinary course of business. Stating differently, it is the amount due from the customers of the enterprise. Trade Receivable is a sum total of debtors and bills receivable.

Trade Payable: It is the amount payable for purchase of goods and or services taken in the ordinary course of business. Stating differently, it is amount due to the seller of goods by the enterprise. Trade payables is the sum total of creditors and bills payable.

Bad- debts: Bad debts is the amount owed to business that is written off because it has become irrecoverable. It is a loss for the business and is, thus debited to profit and loss account.
Depreciation: It refers to permanent decrease or reduction in the value of fixed assets.
Discount: It is the reduction in the price of goods or form the amount to be paid to a customer by the enterprise. Discount allowed may be trade discount or cash discount.

Exercise: (Homework)

(1) State the types of Discount.
(2) Define the term Depreciation.
(3) State two elements of Trade receivable.
(4) State two examples of purchases which are not taken into purchases in accounting terms.
(5) What is depreciation for the firm, loss or expense?
(6) State the period of financial year.
(7) What are bad debts, loss or an expense. State the reason.
(8) The sum total of Bills payable and sundry creditors is called _______
(9) Define Merchandise.
(10) State two examples of Drawings.

ACCOUNTANCY – XII

Worksheet -2. **(15 marks)**

BASIC TERMS OF ACCOUNTING (contd)

Q.1 State the meaning of the following

A. Drawing B. Capital C. Purchase D. Sales E. Inventories 5

Q.2 Distinguish between Opening Stock and Closing Stock 1

Q.3 Give any two examples of Drawings 2

Q.4 The nature of capital is 1
A. an asset
B. Liabilities
C. an income
D. an expense.

Q.5 Stock is valued at 1
A. Cost or Net Realizable value, whichever is lower
B. Cost or Realizable value, whichever is higher
C. Cost
D. Net Realizable value

Q.6 The amount invested by the proprietor in a business is called 1
A. capital
B. Cash
C. revenue
D. Loan

Q.7 Goods taken by the proprietor for personal use is 1
A. Sale
B. Drawing
C. Purchase
D. None of these

Q.8 Purchase refers to the purchase of 1
A. Goods for resale
B. stationery for office use.
C. assets for the factory
D. None of these

Q.9 Sale is recognized as revenue 1
A. when the contract for sale is entered into.

B. at the point of sale or performance of service
C. after the expiry of credit period allowed to debtors.
D. after the money collected from the customers.

Q.10 What is meant by revenue from operation? 1

MODULE 3

CLASS XII

ACCOUNTANCY

CONCEPT: ACCOUNTING STEPS, OBJECTIVES, MERITS AND DEMERITS

Instructions for teachers : The teacher should present the steps of Accounting in a simple manner so that a chain of the process of Accounting is comprehended by the students. It will further help the students to recollect the types of subsidiary books, merits and limitations of Accounting .

TEACHING LEARNING OUTCOME

a) Student understands the steps of Accounting, objectives, merits and demerits
b) Understands the purpose of subsidiary books in the step of recording.
c) Can identify the transactions to be recorded in Accounting.

TEACHING LEARNING RESOURCES: Day to Day process of accounting, Objectives, merits and Demerits of accounting, example of school collecting fees, purchasing assets and maintaining records.

Accounting Steps

Based on the attributes of accounting. The steps of accounting process are as follows:

(i) Identification of Financial Transactions

(ii) Recording (into primary books of Accounts

a) Cash book: It records cash transactions
b) Purchase book: It records credit purchase of goods (not assets)
c) Sales book: It records credit sale of goods (not assets)
d) Purchase return: It records goods returned to creditors
e) Sales return: It records return of goods by Debtors.
f) Bills Receivable book: It records acceptances received from Sundry Debtors.
g) Bills payable book: It records acceptances given to Sundry Creditors
h) Journal proper: It records the transactions which are not recorded in any of the above books.

(iii) Classifying: Classifying the items into ledger.

(iv) Summarizing: into trial balance and financial statements.
(v) analyzing and Interpreting
(vi) Communicating – Accounting information to various users.

OBJECTIVES OF ACCOUNTING

(I) Maintaining Accounting Records
(II) Determining Profit or Loss
(III) Determining Financial Position
(IV) Facilitating Management
(V) Providing Accounting Information to users
(VI) Protecting Business Assets

ADVANTAGES OF ACCOUNTING

(I) Financial information about Business
(II) Assistance to Management
(III) Replace Memory
(IV) Facilitates Comparative Study
(V) Facilitates Settlement of Tax Liabilities
(VI) Facilitates Loans
(VII) Evidence in court
(VIII) Help in decision- making

DEMERITS OF ACCOUNTING

(I) Accounting is incomplete:
(II) Unrealistic information.
(III) Accounting ignores the Qualitative Elements
(IV) Accounting ignores the Effect of Price changes.
(V) Accounting May lead to window dressing.

QUALITATIVE REQUIREMENTS OF ACCOUNTING INFORMATION

RELIABILITY RELEVANCE UNDERSTANDING COMPARABILITY.

EXERCISE (Module 3) (HOMEWORK)

(I) What is meant by window dressing?
(II) State any two books of Accounting process.
(III) State two statements of Accounting prepared under the step of 'Summarization' in the process of Accounting.
(IV) State any two merits of accounting.
(V) State any two internal users of accounting.
(VI) Give any two examples of external users

(VII) Write any two books in which credit transactions are recorded
(VIII) State the Branches of accounting
(IX) List the objectives of Accounting.
(X) State two transactions that are not recorded in cash book.

ACCOUNTANCY – XII

Worksheet -3 15 marks)

STEPS, MERITS AND DEMERITS OF ACCOUNTING

Q.1 Explain the primary objective of Accounting 1

Q.2What will be the next step of accounting after Recording? 1

Q.3 Qualitative characteristic of Accounting includes 1
A. Reliability and Relevance
B. Understandability and Comparability
C. Both (a) and (b)
D. None of the above

Q.4 which of the following is not a characteristic of accounting? 1
A. Recording non-monetary transactions
B. Classifying
C. Analysis
D. Summarizing

Q.5 List the primary books of accounts. 1

Q.8 State the subsidiary books of Accounts in which the following transactions are recorded.
a) Depreciation on Machinery
b) Machinery purchased for cash
c) Goods purchased on credit
d) Acceptance given to Ram
e) Cash sales
f) Furniture sold on credit (3)

Q9. State two internal and two external users of Accounting information. (2)

Q10. State two transactions that are not recorded in Accounting. (1)

Q11. State the main purpose of summarizing the accounts. (1)

Q12. State three advantages and three limitations of Accounting. (3)

MODULE 4

CLASS XII

ACCOUNTANCY

CONCEPT: GAAP (BUSINESS ENTITY, CONSERVATISM, HISTORICAL COST, MATCHING PRINCIPLE, DUAL ASPECT)

Instructions for teachers : This module contains important conventions , assumptions and principles of Accounting that are the base of Accounting. Proper understanding of Business entity will avoid many errors, the principle of Conservatism , if made clear again will make task easy in the teaching of creation of provisions, issue of debentures, principle of historical cost will be a link to Reconstitution of partnership firm. Thus all these principles should be explained once more with its significance in Accounting.

TEACHING LEARNING OUTCOME

a) Students understands the GAAP (GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.)
b) Understands the significance of these principles.

TEACHING LEARNING RESOURCES: Black board and chalk.

Accounting principles, concepts and conventions commonly known as GAAP

ACCOUNTING PRINCIPLES:

1. **ACCOUNTING ENTITY**: According to the business entity principle business is considered to be separate and distinct from its owners. Business transactions, therefore are recorded in the books of account form the business point of view and not from that of the owners.

2. **CONVERTISM PRINCIPLE**: The prudence principle is many a time described using the phrase "Do not anticipate a profit, but provide for all possible losses."

3. **HISTORICAL COST**: According to the cost Concept, an asset is recorded in the books of account at the price paid to acquire it and the cost is the basis for all subsequent accounting of the asset. Asset is recorded at cost at the time of its purchase but is systematically reduced in value by charging depreciation.

4. **MATCHING PRINCIPLE**: This concept is based on the accounting period concept. An important objective of business is to determine profit periodically It is necessary to match 'revenue' of the period with the 'expenses' of that period to determine correct profit or loss for the accounting period. Profit earned by the business during a period can be correctly measured only when the revenue earned during the period is marched with the expenditure incurred to earn that revenue.

5**. DUAL ASPECT**: According to the dual Aspect Concept, every transaction entered in to by an enterprise has two aspects. A debit and a credit of equal amount in one or more accounts. It is also true vice versa.

EXERCISE: - (Homework)

1. Which accounting principle requires that personal expenses of proprietor or partners should be debited to Drawing account.
2. If one aspect of a transaction is not recorded, which accounting concept is not followed?
3. What is meant by accounting entity?
4. State the principle with which the following statements are related?

a) Inventory is recorded at cost price or market price whichever is lower.
b) Machinery is recorded at its cost of acquisition.
c) Drawings is an asset for the firm.
d) Provision for doubtful debts should be maintained.
e) Net Profit= Income-expenditure.

ACCOUNTANCY – XII

Worksheet -4. (Module 4) (15 marks)

Q.1 According to the Business Entity Concept (1)

A. transaction between the business and its owners are not recorded
B. Transactions between the business and its owners are recorded considering them to be one single entity.
C. transactions between the business and its owners are recorded from the business point of view.
D. None of the above.

Q.2 According to cost Concept (1)

A. assets are recorded at the value paid for acquiring them
B. assets are recorded by estimating the market value at the time of purchase
C. assets are recorded at lower of cost and market value.
D. None of the above.

Q.3 Valuation of stock at lower of cost or net realizable value is an example of (1)

A. Consistency convention
B. Conservatism Convention
C. Realization concept
D. Matching Concept

Q.4 The Convention of Conservatism considers (1)

A. all Prospective profits and prospective losses
B. all prospective profits and leaves out prospective losses,
C. all prospective losses but leaves out prospective profits
D None of the above.

Q.4 State the accounting concept/convention involved in each of the following cases. (4)

a) Assets are recorded in books at the cost incurred for acquisition of such assets.

b) Capital contributed by the proprietor is credited to his capital Account

c) Closing stock is valued at lower of cost or market value.

d) Provision for Tax is made by the firm.

Q.5 State the full form of GAAP. (1)

Q.6 State two cases in which Historical cost being followed by the firms is modified. (1)

Q.7 State the system of Accounting where Dual aspect concept of Accounting is not followed? (1)

Q.8 State the main purpose of the principle of Conservatism. (1)

Q.9 State three examples of transactions where Principle of Prudence is followed? (3)

MODULE 5

CLASS XII

ACCOUNTANCY

CONCEPT: GAAP (ACCOUNTING ASSUMPTIONS AND PRINCIPLES)

Instructions for teachers : This module contains remaining principles /assumptions of Accounting. If the theory base is made clear to the students , it will help into its practical implications.

TEACHING LEARNING OUTCOME

a) Students understands GAAP
b) Identifies the types of Accounting assumptions and principles used.

TEACHING LEARNING RESOURCES: Black board and chalk.

ACCOUNTING ASSUMPTIONS OR CONCEPTS

Fundamental Accounting Assumptions or Concepts are the assumptions which are presumed to have been followed in preparing the annual account. The entities which do not follow any of the fundamental Accounting assumptions are required to disclose.

1. GOING CONCERN ASSUMPTION: According to this assumption it is assumed that business shall continue for a foreseeable period and there is no intention to close the business or scale down its operations significantly. This implies that it will not be dissolved in the immediate future unless there is a clear evidence of closure. It is because of this concept that a distinction is made between a capital expenditure. It is because of this concept that a distinction is made between a capital expenditure.
2. CONSISTENCY ASSUMPTION: According to this consistency Assumption, accounting practices one selected and adopted, should be applied consistently year after year. The concept helps in better understanding of accounting of accounting information and makes it. Comparable with that of precious years.

PRINCIPLES:

1. Business Entity: Accounts are prepared from firm's point of view and not from the point of the proprietor.
2. Money Measurement principle: Only the transactions that can be converted into money will be recorded in the books of accounts.
3. Accounting period principle: The books of accounts are to be closed once in a year to calculate the profit or loss of the business.
4. Full disclosure principle: Firm should disclose all the accounting information to the users.
5. Materiality principle: Only the material facts should be disclosed that affects the decision making of the firm.

Exercise: (homework)

1. State the meaning of the following-
   a) Full disclosure
   b) Consistency
   c) Materiality
   d) Money measurement
   e) Going concern

2. Which is the modified principle of full disclosure.

3. If a firm follows LIFO method of stock valuation, it should not be shifted FIFO method. Which principle of accounting states the methods of accounting should not be shifted.

4. Which principle of Accounting states that Contingent liability should be disclosed in the books.

5. Which principle of Accounting states that Conflicts among employees is not recorded in the books of accounts.

ACCOUNTANCY – XII

Worksheet -5. **(15 marks)**

Q.1 Total of debit side and credit side of trial balance matches because of ---------- principle. 1

Q.2 Going concern is a ------------------- accounting assumption. 1

Q.3 withdrawal of money by the owner is not an expense but a reduction of ------------ and---------- 1

Q.4 Going concern concept assumes that business will be carried on for--------- period.1

Q.5 According to which of the following concepts, in determining the net income, all costs which are applicable to earn the revenue of the period should be charged against that revenue? 1

(a) Matching concept. (b) Money measurement concept (c) Cost concept (d) Dual Aspect Concept

Q.6 Z Ltd. follows the Written Down Value Method of depreciating machinery year after year due to

(a) Comparability. (b) Convenience (C) Consistency (d) All of these. 1

State whether the following statements are True or False.

Q.7Quality of Manpower is not shown in the financial statements because of Revenue Principle. 1

Q.8 According to Principle of Conservatism, closing stock is valued at Historical cost or net realizable value whichever is higher. 1

Q.9 Money measurement Concept considers changes in the value of monetary unit. 1

Q.10 Why should a business follow the consistency Principle? 2

Q.11 Explain the following accounting conventions: 3

(i) Full Disclosure. (ii) Consistency (iii) Materiality

Q.12 Explain Accounting period concept in brief 1

MODULE 6

CLASS XII

ACCOUNTANCY

CONCEPT: ACCOUNTING STANDARDS

Instructions for teachers : The teacher should give reference of AS 3 of cash flow statement , AS 16 related to writing off discount on issue of debentures as a link with class XII syllabus.

TEACHING LEARNING OUTCOME

a) Student understands the meaning of Accounting standard
b) Understands the purpose of Accounting Standards.

TEACHING LEARNING RESOURCES: DAY TO DAY, TOPIC OF ACCOUNTING STANDARD

MEANING OF ACCOUNTING STANDARD

Accounting standard are a set of guidelines, Generally Accepted Accounting Principles that are followed for preparation and presentation of Financial Statement. They are accounting rules and procedures relating to measurement, recognition, treatment, presentation and disclosure of accounting transactions in the financial statement s issued by the council of the institute of chartered Accountants of India.

NATURE OF ACCOUNTING STANDARD

1. Accounting Standards are guidelines providing the framework so that credible Financial statements can be produced.
2. The objective of setting Accounting Standards is to bring uniformity in accounting practices and to ensure transparency, consistency and comparability.
3. Accounting standards are mandatory in nature.
4. Accounting Standards have also been made flexible in the sense that where alternative accounting practices are acceptable an enterprise is free to adopt any of the practices with a suitable disclosure.
5. Accounting Standard are prepared keeping in view the business environment and laws of the country.

OBJECTIVES OF ACCOUNTAING STANDARDS:

1. Minimize the diverse accounting policies and practices with the aim to eliminate them to the extent possible.
2. Promote better understanding of financial statement.
3. Understand significant Accounting policies adopted and applied.
4. Facilitating meaningful comparison of financial statements of two or more entities.
5. Enhancing reliability of financial statement.

UTILITY of ACCOUNTING STANTDARDs

1. Accounting Standards provide the norms of the basis of which financial statements should be prepared.
2. Accounting standards ensure uniformity in the preparation and presentation of financial statement should be prepared.

3. Accounting standards ensure uniformity in the preparation and presentation of financial statements by removing the effect of diverse accounting more meaningful and comparable.

LIMITATION OF ACCOUNTING STANDARDS

1. Accounting standards are man-made so it does not pass the verification test.
2. Accounting standard are based on business environment and laws of the country. Hence, they change often to meet the changes.

EXERCISE: - Homework

1. Define Accounting standard and explain three objectives.
2. Give any three limitations of Accounting standards
3. Differences any two between IFRS and GAAP

WORKSHEET 6
ACCOUNTING STANDARDS
MAX MKS: 15

A) What are Accounting standards? (2)
b) State two purposes of preparing accounting standards. (2)
c) What is meant by IFSR? (1)
d) What is the difference between Accounting standard and GAAP. (1)
e) How many accounting standards are there? (1)
f) State any five Accounting standards along with its heading. (2)
g) State two consequences if Accounting standards are not followed. (2)
h) Is it compulsory to follow Accounting standards.? (1)
i) State two limitations of Accounting standards. (2)
j) How does Accounting standards lead to reliability of Accounting information (1)

WEEKLY TEST FOR BRIDGE COURSE(Module 1 to 6)

CLASS- XII

SUBJECT—ACCOUNTANCY

TIME 1:00 HOUR M.M. 25

GENERAL INSTRATIONS:

1. All questions are compulsory
2. Marks are indication against the questions

---

1. A person who owes money against sale of goods to a firm is known as 1x10
   (i) Creditors (ii) Debtors (iii) Both (a) and (b) (iv) None of these
2. Define Drawing
3. Give any two examples of currents Assets.
4. Give the meaning of capital.
5. Give the full form of GAAP
6. Give two examples of intangible assets.
7. The amount is invested by in business by proprietor is called…………………
8. Give the meaning of Accounting standard.
9. Give any two Objectives of accounting.
10. What is meant by non- current liabilities.

Give the following answer from the questions 2x5

11. Briefly explain the principle of Business Entity
12. Briefly explain of objectives of accounting
    (i) Determination of Profit and Loss
    (ii) Determination of Financial Position
13. Explain two Advantages of accounting
14. What is meant by Non- current Assets and current Assets.
15. State the meaning of voucher and Discount
16. State the meaning of accounting and explain three limitations . 5

MARKING SCHEME

BRIDGE COUIRSE- 1st weekly test

CLASS XII

M.M. 25

1. ONE MARK FOR CORRECT ANS (II) DEBTORS

2. ONE MARK FOR CORRECT DEFINITION

3. ½ MARK FOR EACH CORRECT ANS , CLOSING STOCK , CASH ,B/R

4. ONE MARK FOR COORECT MEANING

5. ONE MARK FOR CORRECT ANS.GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

6.1/2 MARK FOR EACH CORRECT ANS GOODWILL , PATENT, TRADE MARK

7. ONE MARK FOR CORRECT ANS ….. CAPITAL

8. ONE MARK FOR CORRECT ANS

9. ½ MARK FOR EACH CORRECT OBJECTIVES OF ACCOUNTING

10. ONE MARK FOR CORRECT ANS.

11. TWO MARKS FOR CORRECT MEANING

12. ONE MARK OF EACH COORECT ANS

13. ONE MARK FOR EACH CORRECT ANS

14. ONE MARK FOR EACH CORRECT MEANING

15. ONE MARK FOR EACH MEANING

16. ONE MARK FORCORRECT MEANING AND ONE MARK FOR EACH LIMMITATION.

MODULE 07
CLASS: XII
ACCOUNTANCY

CLASS: XII

Concept: - Rules of Debit and credit and types of accounts (Real, Personal and Nominal)

Instructions for teachers : All the journal entries throughout the syllabus of class XII are based on the rules of debit and credit. Many times, students learn the entries without knowing its rule, so are unable to journalise new transactions. The types of accounts have a lot of reference to Revaluation account, realization account, journal entries in company accounts etc. Concept clarity to be focused.

Expected Learning Outcomes: -
*To enable the students to understand the concept of rules of debit and credit and facilitates in its application while solving practical problems
* To enable the students to understand the types of accounts (real, personal and nominal)
*Helps in identification of different types of accounts.

Teaching Learning Resources: Examples of resources available in school, illustrations from daily walks of life, Power point presentation, etc.

(I) Traditional or English Approach: This approach is based on the main principle of double entry system i.e. every debit has a credit and every credit has a debit. According to this system we should record both the aspects of a transaction whereas one aspect of a transaction will be debited and other aspect of a transaction will be credited.

(1) Personal account

Debit the receiver and credit the giver.

a) **Natural person** – Ram, Shyam, Mohan

b) **Artificial person**: KVS, RBI, Reliance Co, SBI, etc

c**)** **Representative personal account**: Outstanding expenses, Prepaid expenses, Income accrued, income received in advance, Capital, Drawings etc

(2) Real Account: **Debit what comes in and credit what goes out**
Example -Tangible and intangible assets. (Land and building, Machinery, Furniture, Goodwill, Patents, Trademarks, Copyright etc)

(Nominal Account: .
3 Example – Interest paid, Insurance, rent received, Wages Salaries, Purchases, Sales, Depreciation, Loss by fire, Loss on sale of Fixed assets etc

Debit all expenses and losses credit all incomes and gains

(2) Modern or American Approach: This approach is based on the accounting equation or balance sheet. In this approach accounts are debited or credited according to the nature of an account. In a summarized way the five rules of modern approach are as follows:

1. Increase in asset will be debited and decrease will be credited.
2. Increase in the liabilities will be credited and decrease will be debited.
3. Increase in the capital will be credited and decrease will be debited.
4. Increase in the revenue or income will be credited and decrease will be debited.
5. Increase in expenses and losses will be debited and decrease will be

credited.	
	EXERCISE – Homework 1 Classify the following into types of accounts (Real, Personal and Nominal). a) Wages b) Outstanding wages c) Drawings d) Partners Capital e) Prepaid insurance f) Rent received in advance g) Goodwill h) Purchases i) Sales j) Discount received k) Goods loss by theft l) Depreciation m) Bad debts n) Sundry Debtors o) Live stock 2. State by using rule of debit and credit which account in the following transactions will be debited and which account will be credited. a) Deposited Rs 20,000 into bank b) Purchased Machinery for cash Rs 45000 c) Sold furniture for cash Rs 5000 d) Purchased goods from Rajesh Rs 4000 e) Sold goods to Raman Rs 1000.

ACCOUNTANCY – XII

Worksheet -7. **(15 marks)**

Q.1 Nominal Accounts are related to: 1

(a) Assets and Liabilities (b) Expenses and Revenue (c) Debtors and Creditors (d) None of these

Q.2 Outstanding salary is a 1

(a) Real Account (b) Personal Account (c) Nominal Account (d)

Q.3 An increase in which of the following account will be recorded on the debit side?

(a) Building Account (b) Capital Account (c) Bills payable Account (d) Rent Received Account

Q.4 Salaried account is 1

(a) An Expenses Account (b) an Assets Account (c) a Liabilities Account (d) None of these

Q.5 What is the rule of Expense Account? 1

Q.6 Debit the receiver, Credit the----------- is the rule of personal Account. 1

Q.7 Debit what comes in and credit what goes out is the rule of ------------ Account1

Q.8 Debit all expense and losses and credit all incomes and gains is the rule of----------- Accounts. 1

State whether following statements are True or False from Q.9 to Q.12

Q.9 Debit means an increase in liabilities 1

Q.10 Credit means an increase in asset. 1

Q.11Drawing account is a personal account 1

Q.12Goodwill account is a real account 1

Q.13 from the following transactions, state the nature of accounts. 3

a. Purchase goods for cash

b. Sold goods for cash c. Purchase furniture for cash

MODULE 08
CLASS: XII
ACCOUNTANCY

Concept – Journal

Instructions for teachers : The teacher should revise all the basic journal entries done in class XI in this module. Two modules are devoted for the topic journal so that the basics of entries is made clear. It will boost their confidence and will lead to clarity as to why a particular account is debited or credited . Without any confusion the students will be able to solve the questions related to journal entries in the chapter of Dissolution of partnership firm and issue of debentures. Try to cover simple journal entries in first module and compound journal entries in the second module.

Expected Learning Outcomes: -

*To enable the students to understand the concept of journal
* To enable the students to understand the rules of Journalising
*To enable the students to state the entries quickly by reasoning.

Teaching Learning Resources: Examples of transactions experienced in daily walks of life, Power point presentation etc.

Teaching learning activities: -

· Meaning of a Journal:
A Journal is a chronological record of financial transactions of a business. It is book of prime entry or original entry in which all the business transactions are recorded the first in the sequence in which the transactions had actually occurred.
Understanding the steps in Journalising, Casting, Carry Forward and some Important Considerations:
· Steps in Journalising:
The process of analysing all the business transactions of debit and credit and recording them in the journal is called Journalising.
Following are the steps to be followed in Journalising the transactions
i. Determine the two accounts involved in the transaction.

ii. Classify the accounts into assets, liabilities, capital, expenses and incomes.
iii. Apply the rules of debit and credit for the above two accounts and identify which account is to be debited and credited.
iv. Record the date of transaction, particulars of transaction and mention the respective debit and credit amounts against each item.
v. Write a brief description of the transaction recorded within brackets in the next line in the particulars column. Such description is termed as narration.
vi. Draw a line across the particulars column to divide one journal entry from the other.

Accounting treatment: -

Business started with cash of Rs. 50000
Cash Account Dr. 50000
To Capital Account 50000

Goods purchased from Raman for Rs. 8000
Purchases Account Dr. 8000
To Raman 8000

Paid to Raman Rs. 7800 in full settlement.
Raman Account Dr. 8000
To Cash Account 7800
To Discount Received Account 200

Sold goods in Cash of Rs. 5000
Cash Account Dr. 5000
To Sales Account 5000

Sold goods to Mohit for Rs. 7000
Mohit's Account Dr. 7000
To Sales Account 7000

Received from Mohit Rs. 6700 in full settlement
Cash Account Dr. 6700
Discount allowed account Dr 300
To Mohit's account 700

Entries for some Specific Transactions

Bad Debts: The amount that was receivable but could not be realized (partially or fully), such amount that is not recovered is a loss to the business and recorded as Bad Debt. i. If amount is not recoverable:

Bad Debts A/c …Dr. (amount not received)
To Debtor’s Personal A/c
(Being the amount not recoverable written off as bad debt)
Cash for Personal Use: Such amount is termed as Drawing by the proprietor.
Drawings A/c …Dr.
To Cash A/c
(Being cash withdrawn for personal use)
Goods given as charity: It reduces the purchases as the goods are not sold. Charity/Donation A/c …Dr
To Purchases A/c
Goods given as free Samples: Such distribution of goods encourages sales but is not the actual sales and therefore debited to the Advertisement Account. Also, since such distribution reduces the stock of goods, it is reduced from the purchases
Advertisement A/c …Dr.
To Purchases A/c (purchase cost).

Exercise – Homework

1.What do you meant by journal entry and why it is known as prime entry. (2)
2.Mention the steps in Journalising. (3)
3. Journalise the following transactions:
(i)Started business with cash of Rs. 25000
(ii)Received Rs. 5900 from Ajay in full settlement of Rs. 6000.
(iii)Paid Income tax of Rs. 2500.
(iv)Goods withdrawn for personal use Rs. 1000.
(v)Amount due but not realized worth Rs. 600
(5) Sold goods to Ram Rs 9000

ACCOUNTANCY – XII

Worksheet -8. **(Journal)** **(15 marks)**

Q.1 Journalise the following transactions in the books of Amit. 4

a. Amit started business with Rs 60,000 as Capital. In cash

b. Amit introduced further capital of Rs 1,00,000 by cheque

c. Deposited Rs 12,000 in bank

d. Purchased goods of Rs 16,000 in cash

Q.2 Journalise the following transaction in the books of Ravi 4

a. Purchase goods Rs 75,000 from Ramesh

b. Goods costing Rs 7,000 returned to Ramesh

c. Sold goods for Rs 25,000 in cash.

d. Paid salaries Rs 20,000 in cash

Q.3 Journalise the following 4

a. Goods Purchased for Rs 2,000 were used by the proprietor for personal purposes

b. Rs 200 due from Hari are bad debts.

c. Paid in cash for installation of machinery Rs 3,000

d. Salaries due to staff Rs 14,000

Q.4 Pass journal entry for the following 3

a. Interest due but not received Rs 4,000

b. Provide 10% depreciation on furniture costing Rs 5,000

c. Received commission of Rs 10,000 by cheque.

MODULE 09
CLASS: XII
ACCOUNTANCY

Concept - Journal (Continued)

Expected Learning Outcomes: -
*To enable the students to understand the concept of recording of transactions in the books of Accounts and its application while solving practical problems
* To enable the students to understand the rules of Journalising
*Accounting treatment of various transactions.

Teaching Learning Resources: Examples of transactions experienced in daily walks of life, Power point presentation, etc.

Teaching learning activities: -

Depreciate Machinery @ 10% on Rs. 500000 and patents @ 20% on @ 150000 (It is the fall in the value of fixed assets which decreases the asset value in the books every year)

Depreciation Account Dr.80000

To Machinery Account 50000

To Patent Account 30000

(Depreciation charged on Machinery. @ 10% and patents @ 20%)

Salaries for the month of March 2021 amounting to Rs.1,500 were outstanding. (It is that expense which related to current year but have not been paid till the end of the year)

Salaries Account Dr. 1500

To Outstanding Salaries Account 1500

(Salaries due but not paid)

Unexpired Insurance premium of Rs.170 paid. (It is that expense which is paid during the current year but relate to the following accounting year)

Unexpired Insurance Account Dr. 170

To Insurance Account 170

(Prepaid Insurance premium of Rs.170)

Rs. 1000 due from Aman are now bad Debts

Bad Debts Account Dr. 1000

To Aman Account 1000

(Amount not recoverable written off as bad debt)

Rent receivable of Rs.500. (It is the income which has been earned but has not been received or has not become due)

Rent receivable Account Dr. 500

To Rent Account 500

Commission received in advance of Rs. 200: It is the income received but not earned.

Commission A/c … Dr. 200

To Commission received in advance A/c 200

Interest charged by Bank of Rs. 100

: Interest A/c …Dr. 100

To Bank A/c 100

Bank loan repaid in cash of Rs. 1500

: Bank Loan A/c …Dr. 1500

To Cash A/c 1500

Interest on drawings of Rs. 300
Drawings Account Dr. 300
To Interest on drawings 300
Interest charged on capital of Rs. 200000 @ 7%.
Interest on capital Dr. 14000
To Capital Account 14000
Received Rs. 600 of bad debts written off last year
Cash Account Dr. 600
To Bad debts recovered Account 600

Exercise-- HOMEWORK

Journalise the following transactions in the books of Uday Enterprises: -

i. Rent due to landlord of Rs. 500.

ii. Depreciate Building of Rs. 800000 @ 6% pa

iii. Goods lost by fire Rs. 400.

iv. Received Rs. 300 of bad debts written off previous year.

v) Interest on drawings Rs.100.

vi. Rent received in advance of Rs. 1500.

vii. Commission due but not received of Rs. 3000.

viii. Unexpired Insurance of Rs.200.

ix. . Interest charged on capital of Rs. 350000 @ 6%.

x. Wages paid for installation of machinery.

Journal

Max mks : 15

1. What is a compound journal entry? Give two examples of such transactions. (3)

2. Journalise the following transactions. (4)
    A) Sold goods to Ramesh Rs 50,000 at 10% trade discount and 5% cash discount
    B) Received cash Rs 9000 from Manish in full settlement of his account of Rs 9200.
    C) Paid cash Rs 4500 to Raghav in full settlement of his account Rs 4800.
    D) Started business with cash Rs 40,000, Furniture Rs 10,000 and stock Rs 5000

3. Journalise the following transactions (4)
    A) Discounted a bill of exchange of Rs 30000 at a discount of Rs 200.
    B) Honoured a bill of exchange of Rs 60000 at a rebate of Rs 1000
    C) Interest on capital Rs 5000
    D) Interest on drawings Rs 6800
4. Journalise the following transactions. (4)
    A) Unexpired insurance Rs 4000
    B) Outstanding salaries Rs 2000
    C) Commission received in advance Rs 5000
    D) Interest accrued Rs 2100

MODULE 10

CLASS: XII

ACCOUNTANCY

Topic: -Preparation of Ledger

Instructions for teachers: Students commonly make errors in the Ledger posting. Two days are devoted for this module. In the first module simple journal entry posting can be done and in the second module, Ledger from subsidiary books and Ledger of compound journal entries can be done.

Expected Learning Outcomes: -

*To enable the students to understand the term Ledger and understand the process of transferring of entries from Journal to Ledger

* To correlate previous knowledge of students about Journal with the current topic (Ledger) and develop the skill to prepare ledger

* To apply the knowledge of Ledger and its application while solving practical problem.

Teaching Learning Resources: -Display of subsidiary books, Journal Proper and Ledger of Accounts, Power point presentation, etc.

Teaching learning activities: -

A ledger in accounting refers to a book that contains different accounts where records of transactions pertaining to a specific account is stored. It is also known as the book of final entry or principal book of accounts. It is a book where all transactions either debited or credited are stored.

Ledger Format

The ledger consists of two columns prepared in a T format. The two sides of debit and credit contain date, particulars, folio number and amount columns. The ledger format is as follows.

Name of the Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹

Ledger Posting

The process of transferring entries from a journal to the respective ledger accounts is known as ledger posting. For this process, first, the entries are recorded in journals and then transferred to their respective ledger accounts.

Enter the following transactions in proper Subsidiary Books, post them into Ledger Accounts, balance the accounts and prepare a Trial Balance.

2021

April1. **Assets:** Cash in hand Rs. 20,000;

Debtors: Amit and Co. Rs. 15,000, Sumit Bros. Rs. 30,000, Stock Rs. 1,75,000, Machinery Rs. 1,20,000, Furniture Rs. 40,000.

Liabilities: BankoverdraftRs.33,000, **Creditors:** Viratand Co.Rs.24,000, Vishal Rs. 16,000.

April 2 Purchased from Ramesh and Sons goods of the list price of Rs. 20,000 at 10% trade discount.

April 5 Returned to Ramesh &Sons goods of the list price of Rs. 2,000.

April10 Issued a cheque to Ramesh and Sons in full settlement of their account.

April 12 Sold to Amit and Co., goods worth Rs. 25,000.

April 15. Received cash Rs. 10,000 and a cheque for Rs. 8,000 from Amit and Co. The cheque was immediately deposited into the bank.

April 16 Withdrawn for personal use cash Rs. 5,000 and goods of Rs. 3,000.

April 17 Accepted a billfor45 days drawn by Virat and Co. for the amount due to him.

April18 Acceptance received from Sumit Bros. for the amount due from them payable after 30 days.

April19 Sold to Mohit Bros., goods for Rs. 16,000. April20 Cash purchases Rs. 15,000.

April 22 Withdrawn From bank for office use Rs. 10,000.

April 23 Purchased from Vishal goods valued at Rs. 24,000.

April 24 Amit and Co. returned goods worth Rs. 2,000.

April25 Received from Mohit Bros. Rs. 10,000

April 27 Accepted a bill for Rs. 25,000 for1 month draw by Vishal.

April27. Rent paid by cheque of Rs. 2,800

April 27 Received Commission in Cash Rs.800

April 30 Paid salaries Rs. 5,000.

SOLUTION:

Cash Book (with cash and Bank Columns)

Date	Receipt	L.F.	Cash Rs.	Bank Rs.	Date	Payments	Cash Rs.	Bank Rs.
April 2021 1	*To Balance b/d		20000	--	April 2021 1	*By Balance b/d	--	33000
15	To Amit &Co.	C	10000	8000	10	By Ramesh Son.	--	16200
22	*To Banka/c		10000	--	16	By Drawings a/c	5000	--
25	To Mohit Bro.		10000	--	20	By Purchases a/c	15000	--
27	To Commission A/c		800	--	22	*By Cash a/c	--	10000
30	To Balance C/d		--	54000	27	By Rent a/c	--	2800
					30	By Salary a/c	5000	--
					30	By Balance c/d	25800	--
	Total		50800	62000		Total	50800	62000
May1	To Balance b/d		25800		May 1	*By Balance b/d (Bank Overdraft)	--	54000

Notes. :-

1. Extras marked with will* not be posted anywhere in the ledger.
2. Closing Balances of Cash and Bank will be shown in the Trial Balance.
3. All other A/cs shown in the **Debit** side will be **credited** & All other A/cs shown in the Credit side will be debited.

Purchases Book

Date	Name of the Supplier (Accountto be Credited)	Inv. No.	L. F	Details Rs.	Total (Rs)
2021 April 2	Ramesh &Sons Less Trade Discount10%			20,000 2,000	18,000
April23	Vishal				24,000
April30	Purchases A/c Dr				42,000

Sales Book

Date	Name of the Supplier Account to be Debited)	In. No.	L. F	Details Rs.	Total Amount (Rs.
2021 April12 April19	Amit &Co. Mohit Bros.				25,000 16,000
April30	Sales A/c Cr				41,000

Sales Return Book

Date	Name of the Customer (Accountto be Credited)	Credit Note No.	L. F	Detail Rs.	Total Amount Rs.
2021 April 24	Amit &Co.				2,000
April 30	Sales Return A/c Dr				2,000

Purchases Return Book

Date	Name of the Supplier (Account to be Debited)	Debit Note No.	L. F	Details Rs.	Total Amount Rs.

2021 April 5	Ramesh &Sons. Less Trade Discount10%			2,000 200	1,800
April 30	Purchases Return A/c Cr				1,800

Bills Receivable Book

Date of Receipt	From whom received	Period of the bill	Due Date	L.F	Amount Rs.	How Disposed
2021 April18	SumitBros.	30 days	July21		30,000	
April30	Bill ReceivableA/cDr				30,000	

Bills Payable Book

Date of Acceptance	To Whom Given	Period of the Bill	Due Date	L.F	Amount Rs.	How Disposed
2021						
April 17	Virat &Co.	45 days	August 4		24,000	
April 27	Vishal	1 month	July30		25,000	
April 30	Bills Payable A/c Cr				49,000	

Posting of opening Entries:

(1) First of all, opening Journal Entry is done in the Journal proper.

(2) All Assets A/cs are Debited and Liabilities A/cs are Credited. Difference between the totals of the two sides is the Capital.

Important: Besides opening Journal entries, any transaction which is not covered under any of the Subsidiary Book is done in Journal proper.

Journal Proper

Date	Particulars	L.F	Amount Dr.	Amount Cr.
2021 April1			Rs.	Rs.
	Cash A/c Dr		20,000	
	Amit &Co. Dr		15,000	
	Sumit Brothers Dr		30,000	
	Stock A/c Dr		1,75,000	
	Machinery A/c Dr		1,20,000	
	Furniture A/c Dr		40,000	
	To Bank (Overdraft) A/c			33,000
	To Virat &Co.			24,000
	To Vishal			16,000
	To Capital A/c (Balancing fig) (opening Balances, brought forward from the previous year's books)			3,27,000
April16	Drawings A/c Dr		3,000	
	To Purchases A/c			3,000
	(Goods withdrawn for personal use)			

Preparation of Ledger (To be Continued in next module)

Exercise

Enter the following transactions prepare Ledger Accounts, balance the accounts and prepare a Trial Balance.

2021

April 1Purchased goods from Rohit of the list price of Rs. 10,000 at 5 % trade discount.

April 4 Issued a cheque to Rohit in full settlement of their account.

April 5 Received cash Rs. 8,000 and a cheque for Rs. 2,000 from Anand.

April 8 Withdrawn for personal use cash Rs. 5,000 and goods of Rs. 3,000.

April 12 Sold to Mohit Bros., goods forRs.16,000.

April 16 Withdrawn from bank for office use Rs.10,000.

April 23 Purchased from Vishal goods valued at Rs24,000.

April 25 Received from Mohit Rs. 15200 in cash in full settlement.

April26 Amit and Co. returned goods worth Rs. 2,000.

April28 Received Rent in Cash Rs.800

April 30 Paid Wages and Salaries Rs 5,000.

Day-10

Worksheet-10

LEDGER

Q.1 Ledger is called a book of 1

(a) primary entry (b) secondary entry (c) final entry (d) None of these

Q.2 Ledger Account is prepared from 1

(a) events (b) transactions (c) Journal (d) None of these

Q.3 Business transaction are recorded 1

(a) in chronological order (b) weekly (c) at the end of the month (d) Any of these

Q.4 When total of debit side of an account exceeds the total of its credit side, the account is said to have. 1

(a) Credit balance (b) Debit Balance (c)Debit as well as credit balance (d) None of these

Q.5 When total of credit side on an account exceeds the total of its debit side, the account is paid to have. 1

(a) Debit balance (b) Credit balance (c) credit as well as debit balance (d) None of these

Q.6What are the two sides of an account called? 1

Q.7 What do you mean by posting? 1

Q.8 Journalise the following transactions and post them into the Ledger. 5

2020	Particulars	Amount (Rs)
April 1	Mukesh started business with cash	1,00,000
April2	Paid into Bank	70,000
April3	Bought goods for cash	5,000
April 4	Drew cash from bank for office	1,000
April 13	Sold to Hari goods on credit	1,500
April 20	Bought goods from Ganesh on credit	2250
April 24	Received from Hari	1500
April 28	Paid cash to Ganesh	2150
	Discount allowed by him	100
April 30	Cash sales for the month	7000
April 30	Paid Rent	800
April 30	Paid salary to Ram	2600

Q.9 Differentiate between Journal and ledger on the basis of 3

(a) Nature of Books (b) Object (c) Basis of preparation

CLASS: XII

ACCOUNTANCY

Module 11

Topic: -Preparation of Ledger (Continued)

Expected Learning Outcomes: -

*To enable the students to understand the term Ledger and understand the process of transferring of entries from Journal to Ledger

* To correlate previous knowledge of students about Journal with the current topic (Ledger) and develop the skill to prepare ledger

* To apply the knowledge of Ledger in solving practical problem.

Teaching Learning Resources: -Display of books of Accounts, Power point presentation, etc.

Teaching learning activities: -

Continuation of topic on second day

Display of balances of Subsidiary books and the balances of Assets and Expenses are having Debit balances whereas Capital, Liabilities and Income have credit balances.

Ledger Accounts

Amit &Co.

Dr. Cr.

Date	Particulars	J.F	Amount (Rs)	Date	Particulars	J.F	mount (Rs)
2021				2021			
April 1	To Balance b/d		15,000	April 15	By Cash A/c		10,000
April 12	To Sales A/c		25,000	April 15	By Bank A/c		8,000
				April 24	By Sale Return A/c		2,000
				April 30	By Balance c/d		20,000
			40,000				40,000
July1	To Balance b/d*		20,000				

Sumit Bros. A/c

Dr. Cr.

Date	Particular	J.F	Amount (Rs)	Date	Particular	J.F	Amount (Rs)
2021				2021			
April 1	To Balance b/d*		30,000	April18	By B/R. A/c		30,000

Stock Account

Dr. Cr.

Date	Particular	J.F	Amount (Rs)	Date	Particular	J.F	Amount (Rs)
2021				2021			
Apri	To Balance		1,75,000				

l1	b/d*						

Machinery A/c

Dr. Cr.

Date	Particular	J.F	Amount (Rs)	Date	Particular	J.F	Amount (Rs)
2021 April 1	To Balance b/d		1,20,000	2021 April 30	By Balance /d		1,20,000
			1,20,000				1,20,000
July 1	To Balance b/d*		1,20,000				

Furniture A/c

Dr. Cr.

Date	Particular	J.F	Amount (Rs)	Date	Particular	J.F	Amount (Rs)
2021 April 1 July 1	To Balance b/d To Balance b/d		40,000	2021 April 30	By Balance c/d		40,000
			40,000				

Virat & Co.

Dr. Cr.

Date	Particular	J.F	**Instructions for teache**	Date	Particular	J.F	Amount

			rs : Instructions for teachers :				(Rs)
2021 April 17	 To Bills Payable A/c		Instructions for teachers : Instructions for teachers : Instructions for teachers :	2021 April 1	 By Balance b/d		 24,000

Balance on April 30th is Nil in this A/c

Vishal's A/c

Dr. Cr.

Date	Particular	J.F	Amount (Rs)	Date		Particular	J.F	Amount (Rs)
2021			2021					
April 27	To Bills Payable A/c		25,000	April 1		By Balance b/d		16,000
April	To Balance		15,000	A		By Purchases		

30	c/d			pri l 23		A/c		24,000
			40,000					40,000
				July 1		ByBalanceb/d*		15,000

Dr Capital A/c Cr.

Date	Particular	J.F	Amount (Rs)	Date	Particular	Amount (Rs)	
2021 April 30	To Balance c/d		3,27,000	2021 April 1 July1	By Balance b/d ByBalance b/d	3,27,000 3,27,000	

Drawings A/c

Dr. Cr.

Date	Particular	J.F	Amount (Rs)	Date	Particular	J.F	Amount (Rs)
2021 April 16	To Cash A/c		5,000	2021 April 30	By Balance c/d		8,000
April 16	To Purchases A/c		3,000				
			8,000				8,000
July1	To Balance b/d*		8,000				

Ramesh & Sons

Dr. Cr.

Date	Particular	J.F	Amount	Dat		Particular	J.F	Amount

				e				
			(Rs)					(Rs)
2021				2021				
April 5	To Purchase Return A/c		1,800	April 2		By Purchase A/c		18,000
April 10	To Bank A/c		16,200					
			18,000					18,000

Dr Purchases A/c cr

Dr.Date	Particular	J. F	Amount (Rs)		Particular	J. F	Amount (Rs)
2021							
April 20	To Cash A/c		15,000		By Drawings A/c		3,000
April 30	To Sundries as per asper Purchases Book		42,000		By Balance		54,000

				[illegible]	c/d		
			57,000				57,000
July 1	To Balance b/d*		54,000				

Mohit Brothers A/c

Dr. Cr.

Date	Particular	J.F	Amount (Rs)	Date	Particular	J.F	Amount (Rs)
2021				2021			
April 19	To Sales A/c		16,000	April 25	By Cash A/c		10,000
				April 30	By Balance c/d		6,000
			16,000				16,000
July1	To Balance b/d*		6,000				

Rent A/c

Dr. Cr.

Date	Particular	J.F	Amount (Rs)	Date	Particular	J.F	Amount (Rs)
2021				2021			

April 27	To Bank A/c		2,800	April 30	By Balance c/d		2,800
April 30	To Balance b/d*		2,800				

Commission A/c

Dr. Cr.

Date	Particulars	J.F	Amount (Rs)	Date	Particulars	J.F	Amount (Rs)
2021				2021 April 27	By Cash A/c		800

Salaries A/c

Dr. Cr.

Date	Particular	J.F	Amount (Rs)	Date	Particular	J.F	Amount (Rs)
2021 April 30	To Cash A/c		5,000	2021			

Sales A/c

Cr.

Dr.

Date	Particular	J.F	Amount (Rs)	Date	Particular	J.F	Amount (Rs)
				2021 April30	By Sundries as per Sales Book		41,000

Sales Return A/c

Dr. Cr.

Date	Particular	J.F	Amount (Rs)	Date		J.F	Amount (Rs)
2021 April 30	To Sundries as per Sales Return Book		2,000				

Purchase Return A/c

Dr. Cr.

Date	Particular	J.F	Amount (Rs)	Date	Particular	J.F	Amount (Rs)
				2021 April 30	By Sundries as per Purchase Return Book		1,800

Date	Particular	J.F	Amount	Date	Particular	J.F	Amount

			(Rs)				
April 30	To Sundries as Per B/R Book		30,000	April 30	By Balance c/d		30,000
May1	ToBalanceb/d*		30,000				

Dr. Bills Receivable A/c Cr.

Dr. Bills Payable A/c Cr.

Date	Particular	J.F	Amount (Rs)	Date	Particular	J.F	Amount (Rs)
April 30	To Balance c/d		49,000	April 30	By Sundries as Per B/P Book		49,000
			49,000				49,000
				May 1	By Balance b/d*		49000

Exercise

Enter the following transactions, prepare Capital Account, Cash Account, Purchases Account, Sales Account, Drawings Account and Anil Kumar's Account in the books of Mr. Sunil & Sons:

2021	Rs.
Dec 1 Started business with cash	95,100
Dec 2 Paid into Bank	40,000
Dec 3 Bought goods for cash	13,200
Dec 5 Bought goods and payment made by cheque	12,000
Dec 6 Honoured their own acceptance by cheque.	2,100
Dec 8 Withdraw from bank for personal use	22,000
Dec 13 Sold goods costing Rs 1800 for	2,250
Dec 15 Fresh capital introduced in business	21,000
Dec 18 Commission received and deposited into bank same day	12,000
Dec 20 Goods sold to Anil Kumar	11,210
Dec 22 Received cheque from Anil Kumar	11,000

WORKSHEET 11

LEDGER

MAX MKS = 15

1. Following are the totals of subsidiary books. Post them into ledger accounts. (5)
   a) Sales book = Rs 40,000
   b) Purchase return book = Rs 4000
   c) Bills payable account = Rs 9000
   d) Purchase book = Rs 20000
   e) Sales return book = Rs 1000
   f) Bills receivable book Rs 8000

2. Pass entries and post them into ledger account- (8)

a) Sold goods to Raman Rs 46000, less 5% trade discount and 10% cash discount.

b) Received cash from Rajesh Rs 3500 in full settlement of his account Rs 5000

c) Paid cash Rs 2500 in full settlement of account to Mahesh Rs 3000

d) Suresh, one of the debtors became insolvent who owed Rs 8000 paid only 50% of the amount.

3. State two purposes of preparing a ledger. (2)

MODULE 12

CLASS: XII

ACCOUNTANCY

Concept: Trial Balance

Instructions for teachers : The ledger can be continued towards making of a trial balance. The types of errors committed , that can be detected/cannot be detected by a trial balance should also be discussed. The purpose of trial balance,with reasons for debit and credit balances should be discussed.

Expected Learning Outcomes: -

*To enable the students to understand the term Trial Balance from the balances of Ledger

* To correlate previous knowledge of students about Balancing of transactions and develop the skill to prepare Trial Balance

* To apply the knowledge of preparing Trial Balance and its application while solving practical problem.

Teaching Learning Activities: -

STATE THE CONCEPT, NEED AND OBJECTIVES OF PREPARING TRIAL BALANCE AND DEVELOP THE SKILL OF PREPARING TRIAL BALANCE.

*STUDENTS WILL BE ASKED TO WRITE DOWN BALANCES OF LEDGER ACCOUNTS AND THEN TOTAL IT WITH DR. AND CR. SIDE TOTAL.

*THE TOPIC WILL BE EXPLAINED WITH THE HELP OF PPT AND STUDENTS INVOLVEMENT.

Practical Problem-

Prepare a Trial Balance from the following information of Ankit Ltd. for the year ended 31st March, 2021

Particulars	Amount (₹)	Particulars	Amount (₹)
Drawings	45,000	Sales	16,00,000
Plant and Machinery	80,000	Opening Stock	60,000
Salaries	1,00,000	Purchases	11,00,000
Rent and Taxes	20,000	Carriage Inwards	20,000
Debtors	3,00,000	Returns Inward	40,000
Cash in hand		Advertisement	12,000
Cash at bank	30,000	Investments	1,50,000
Capital	1,60,000	Discount	5,000
Creditors	4,00,000	Printing and Stationary	8,000
Wages	1,20,000	Bills payable	90,000

	80,000		

solution: -

Trial Balance as on 31st March, 2021

Particulars	LF	Debit balances (₹)	Credit balances (₹)
Drawings		45,000	
Plant and Machinery		80,000	
Salaries		1,00,000	
Rent and Taxes		20,000	
Debtors		3,00,000	
Cash in hand		30,000	
Cash at bank		1,60,000	
Capital		------	
Creditors		-------	
Wages		80,000	
Sales			
Purchases		11,00,000	
Carriage Inwards		20,000	
Returns Inward		40,000	
Advertisement		12,000	
Investments		1,50,000	
Discount		5,000	
Printing and Stationary		8,000	
Opening Stock		60,000	
Bills payable			
		22,10,000	22,10,000

Exercise -Homework

1. "Cash Book is both a journal and a ledger" Explain the statement.

2.What do you mean by Trial Balance? Write two reasons for its preparation.

3. Prepare a Trial Balance from the following information of Pawan Ltd. for the year ended 31s March,2021

Name of Accounts	Amount (₹)
Opening Stock	20,000
Drawings	16,000
Capital	170,000
Purchases	75,000
Sales	245,000
Sales Returns	8,000
Cash in hand	5,700
Carriage	7,500

Wages	36,500
Salaries	12,000
Repair	1200
Trade Expanses	4,000
Rent and Taxes	24000
Purchases Returns	3000
Bills Receivable	4,000
Debtors	50,000
Plant and Machinery	160,000
Bank deposit	20,000
Sundry creditors	15000
Commission	3,300
Bills Payable	5600
Interest received	2000

Worksheet-12

TRIAL BALANCE

Q.1 Trial balance shows 1

(a) both debit and credit balance

(b) only debit balance

(c) only credit balance

(d) None of these

Q.2 A Trial Balance is 1

(a) a statement

b) a summary

(c) an account

(d) None of these

Q.3 Preparation of a Trial balance is 1

(a) compulsory

(b) optional

(c) Compulsory or optional

(d) None of these

Q.4 Trial balance is a list of the balance of 1

(a) All Accounts

(b) Only Personal and Real Accounts

(c) Only Real and Nominal Account

(d) None of these

Q.5 The preparation of Trial balance helps in 1

(a) judging the Financial Position

(b) Locating Errors of All Types

(c) Preparation of Final Accounts

(d) None of these

Q. 6 Suspense Account is opened when: 1

(a) Balance Sheet does not match

b) Trial balance does not match

(c) Total of Sales Account does not agree

(d) None of these.

Q.7 Prepare a Trial Balance with the following information 3

Name of Account	Balance (Rs)
Capital Cash	2,00,000 1,80,000

Creditors	1,00,000
Sales	3,00,000
Stock	70,000
Debtors	3,00,000
Bank Loan	1,50,000
Purchases	2,00,000

Q.8 Prepare the Trial Balance of Raju as on 31st March, 2020. He has omitted to pen a Capital Account 3

Name of Accounts	Amount (Rs)
Bank overdraft	85,000
Sales	8,10,000
Purchase Return	22,500
Debtors	4,00,500
Wages	96,000
Capital	?
Purchases	4,45,000
Cash in hand	8,500
Creditors	2,15,000
Sales Return	15,750
Equipment	25,000
Opening Stock	3,00,500

Q.9 Following Trial balance is given but it is not correct. Prepare correct Trial Balance 3

Debit Balance	Amount	Credit Balance	Amount
Building	3,00,000	Capital	3,68,000
Machinery	85,000	Furniture	28,000
Return outward	13,000	Sales	5,20,000
Bad Debts	14,000	Debtors	3,00,000
Cash	2,000	Interest Received	13,000
Discount Allowed	15,000		
Bank overdraft	50,000		
Creditors	2,50,000		
Purchase	5,00,000		

Weekly Test(Module 7-12)

Sub:-Accountancy **Max. Marks :- 25**

General Instructions –

Q. No. 1 to Q. No. 10 carry 1 marks each.

Q. No. 11 to Q. No. 15 carry 2 marks each.

Q. No. 16 carry 5 mark

1`. Ram withdrew ` 50,000 from the bank for private use. Which account will be debited while passing journal entry?
(a) Ram
(b) Cash
(c) Drawings
(d) None of these

2. What is the journal entry if goods of Rs. 20,000 are sold on credit to S?
(a) S A/c Dr 20,000
To Sales A/c 20,000
(b) Cash A/c Dr 20,000
To Sales A/c 20,000
(c) S A/c Dr 20,000
To Goods A/c 20,000

3. The process of transferring the debit and credit items from a journal to their respective account in the ledger is termed as?

(a) Balancing (b) Posting
(c) Arithmetic (d) Entry

4. The book in which the transaction is recorded for the first time is called ……… .
(a) Ledger
(b) Journal
(c) Trial Balance
(d) None of these

5. If INCA Ltd. purchased furniture of` 40,000 on credit, Mr. Dheeraj will record this transaction in
(a) purchase book
(b) cash book
(c) journal proper
(d) None of the above

6. Sales a/c will have a (1)

(a) Debit balance (b) Credit balance

(c) Nil (d) Debit or Credit balance

7.The statement that records all transactions at one place relating to a particular item is known as:-

(a) Ledger (b) Journal
(c) Trial Balance (d) None of these
8.Which of the following account balance is increased by debit balances ?

(a) Capital Account (b) Sales Account
(c) Commission Received Account (d) Machinery Account

9. Rs.1,600 received from Harish which were written off last year should be credited to

(a) Bad Debts Account (b) Bad Debts Recovered Account
(c) Cash Account (d) Harish's Account

10. Which of the following is not real account ?

(a) Land (b) Cash
(c) Rent (d) Goodwill

11..Name the books of original entry where the following transactions will be recorded -
a) Furniture purchased on credit from Ratan Singh
b) Defective goods sold to Babita on credit returned by her.

12. " Cash Book is both a journal and a ledger" Explain the statement. (2)

13.. Write any two reasons for the preparation of Trial Balance (2)

14. Prepare a Trial balance from the given information as on 31st March 2014-

Opening stock	1,02,600	Return Inward	9,000
Salaries	36,000	Building	78,000
Bank	1,35,000	Debtors	60,000
Carriage inward	24,000	Rent received	9000
Sales	4,20,000	Bills payable	60,000
Creditors	84,000	Capital	1,65,600
Machinery	54,000	Return outward	48,000
Discount received	12,000	Purchases	3,00,000

(2)

15. State, by giving reason, to which type of account do the following relate :

(i) Trade Mark (ii) Commission received

(iii) Loan taken (iv) Rent received in advance (2)

16. Journalise the following transactions in the books of Abhishek & Sons:

(i).Income Tax paid Rs. 2000
(ii).Provide 8% interest on capital amounting to Rs. 600000.
(iii).Rent due to landlord of Rs. 500
(iv).Goods given as sample of Rs. 4000.
(v).Depreciation charged on Machinery worth Rs. 20,000 @ 5 % pa for 8 months.

===

Answer Key(Weekly Test) Max.Marks -25

1. (c) Drawings
2. (a) S A/c Dr 20,000
   To Sales A/c 20,000
3. (b) Posting
4. (b) Journal
5. (c) journal proper

6. (b) Credit balance

7. (a) Ledger
8. (d) Machinery Account

9. (b) Bad Debts Recovered Account

10. (c) Rent

11. A) Journal Proper (as it is a credit transaction related to an asset which is not recorded in any other subsidiary book)
b) Sales return book (Return inwards book) (2)

12.Cash book is a journal as all the cash transactions are recorded in it for the first time from the source documents and from there these are posted to the respective account in the ledger.

Cash book is also a ledger as it serves the purpose of a cash account, also. No separate cash A/c is opened in the ledger when a cash book has been made.

Thus , cash is a journal as well as a ledger (2)

13.Two reasons for preparing Trial balance 1 x 2 = 2 marks

14. Total of Trial Balance- Rs 7,98,600 (2)

15.

Item	Type of Account	Reason
(i) Trade Mark	Real A/c	Asset
(ii) Commission received	Nominal A/c	Income
(iii) Loan taken	Liability	
(iv) Rent received in advance	Representative Personal A/cOr Liability A/c	

(2)

16. Abhishek & Sons

Journal Entries

S.No.	Particulars		LF	Dr.Amount Rs.	Cr.Amount Rs.
(i).	Drawings Account	Dr.		2000	
	To Cash Account				2000
(ii).	Interest on Capital Account	Dr.		48000	
	To Capital Account				48000
(iii).	Rent Account	Dr.		500	
	To Outstanding Rent				500
(iv).	Advertisement Account	Dr.		4000	
	To Purchases Account				4000
(v).	Depreciation Account	Dr.		667	
	To Machinery Account				667

<u>MODULE 13</u>

<u>CLASS: XII</u>

<u>ACCOUNTANCY</u>

Concept (Topic): Financial statements (without adjustments)

Instructions for teachers : The purpose of financial statements should be focused so that they can link it with revaluation account and balance sheet while doing the chapter of Reconstitution of partnership firm. The difference between trading account and profit and loss account to be revised so that the concept of ratio analysis in class XII will be easy to teach.

<u>Teaching learning Outcome</u>

(a) Is able to give the meaning and purpose of financial statements.
(b) Develops the skill for preparing the financial statements.

<u>Teaching learning resources :</u> Power Point Presentation, Chalkboard.

A trader is anxious to know the operating results in terms of profit or loss during a specified period of time and his financial position on a particular date. For this purpose, he prepares a summary of statements of accounting data at the end of the period. This summary is prepared in the form of a Trading and Profit and Loss A/c (Income Statement) and a Balance Sheet (Position Statement). These two statements are financial statements or final accounts.

Trading and Profit and Loss Account – Trading and Profit and Loss account is prepared to determine the profit earned or loss suffered by the business enterprise during the accounting period.

Trading account is an account which is prepared to ascertain the result from basic operations of a business, which involves the manufacturing, purchasing and selling of goods or providing services. Profit arising out of these basic activities is called gross profit. All Direct Expenses are debited to this account and all Direct incomes are credited.

Profit and Loss account is a continuation of Trading Account and is prepared to find out the net profit earned or net loss incurred by a business during an accounting period. It is debited with all revenue expenses and losses which are not taken in the trading account and credited with all revenue incomes and gains. If the incomes credited in the account exceed the expenses on the debit side, it shows a net profit, otherwise, it shows a net loss.

Proforma of a Trading and Profit and Account

Particulars	Amount Rs.	Particulars	Amount Rs.
Opening Stock	XXX	Sales XXXX	
Purchases XXXX		Less: Sales returns XXX	XXX
Less: Purchase returns XXX	XXX	Closing stock	XXX
Direct Expenses:			
Carriage	XXX	**Gross loss c/d** (transferred to P&L a/c)*	XXX
Wages	XXX		
Fuel	XXX		
Royalty	XXX		
Consumable stores	XXX		
Other manufacturing expenses	XXX		
Import duty	XXX		
Excise duty	XXX		
Octroi	XXX		
Clearing charges	XXX		
Dock dues	XXX		
Primary Packing Materials	XXX		
Gross Profit c/d (transferred to P&L a/c)*	XXX		
	XXXX		XXXX
Gross loss b/d *(Gross loss transferred from Trading a/c, if any)*	XXX	Gross Profit b/d *(Transferred from Trading account, if any)*	XXX
Administration expenses	XXX		
Selling expenses	XXX	Other incomes (Rent received, Commission received, Discount received, Dividend received, Interest received etc.)	XXX
Distribution expenses	XXX		
Interest	XXX		
Tax	XXX		
Loss on sale of fixed assets	XXX		
Loss on sale of investment	XXX		
Depreciation	XXX		
Net Profit** transferred to Capital a/c	XXX	***Net Loss** transferred to Capital a/c***	XXX
	XXXX		XXXX

*Either Gross Profit or Gross Loss (any one) will be appeared in the Trading A/c.

**Either Net Profit or Net Loss (any one) will be appeared in the Profit & Loss A/c

Relevant terms/items in Trading and Profit and Loss Account Items on the debit side

1. **Opening Stock** – It is the balance of stock brought forward from the previous year. It consists of raw materials, semi- finished goods and finished goods. It is the first item on the debit side of the trading a/c because it forms part of the cost of sales.

2. **Purchase less Returns** – It refers to goods purchased for resale in business. It is shown on the debit side of trading a/c as it is a major expense. Net purchase = Purchase – Purchase returns.

3. **Wages** – It is the remuneration paid to the workers who are directly engaged in production. As it is a direct expense, it will be shown on the debit side of trading account.

4. **Carriage/Cartage/Freight –** It is the transport expenses incurred for bringing the goods to the place of production or sales. It is also a direct expense and hence debited to trading account.

5. **Fuel/Power/Gas/Water** – These expenses are incurred for production and hence debited to trading account.

6. **Packing materials and Packing charges** – Packing materials and packing charges necessary to make the goods in saleable conditions have to be treated as direct expense and debited to trading account. However, big containers for transporting are treated indirect expense, and debited to profit and loss account.

7. **Salaries –** It is the remuneration paid to the employees in administrative, selling and distribution sections fall under this category. It is debited to P&L A/c as it is having an indirect nature.

8. **Rent, Rates and Taxes** – These include office and godown rent, municipal rates and taxes etc. are indirect expenses and so debited to Profit and Loss a/c. While, factory rent, rates and taxes will be debited to trading account.

9. **Interest** – Interest paid on loans, overdraft, renewal of bills of exchange etc. are indirect expenses, hence debited to P&L Account.

10.**Commission** – Commission paid or payable on business transactions undertaken through agents is an item of indirect expense and is debited to profit and loss a/c.

11.**Repairs** – All repairs and small renewal charges other than factory repairs are of indirect nature and hence debited to Profit and Loss account.

12.**Depreciation** – Any decline in the value of fixed assets duet to wear and tear or other reasons is called depreciation. It is an indirect expense and debited to Profit and Loss account.

13.**Miscellaneous expenses** – All other expenses having different nature will be grouped under this head and debited to P&L A/c.

Items on the credit side

1. **Sales less Returns** – Sales less returns (net sales) is the direct income for any business and is credited to trading account.
2. **Closing stock** – It is the value of goods unsold at the end of accounting year. It is shown on the credit side of trading account as it reduces the cost of sales.
3. **Other Incomes** – All other indirect incomes of the business such as Rent received, Commission received, Discount received, Dividend received, Interest received etc. are credited to the Profit and loss account.

Balance Sheet:

Balance sheet is a **statement** prepared to ascertain the true position of assets and liabilities on a particular date. It is prepared at the end of accounting period, immediately after the preparation of trading and profit and loss account. Items of liabilities and capital are shown on the left and side, known as “Liabilities” side and the items of assets are shown on the right and side, known as “Assets” side of the balance sheet.

Relevant Items in the Balance Sheet

1. **Current Assets**: Current assets are those which are either in the form of cash or can be converted into cash within a year. e.g. cash in hand/bank,

bills receivable, stock of raw materials, semi-finished goods and finished goods, sundry debtors, short term investments, prepaid expenses, etc.

2. **Current Liabilities**: Current liabilities are those liabilities which are expected to be paid within a year and which are usually to be paid out of current assets. Eg: bank overdraft, bills payable, sundry creditors, short-term loans, outstanding expenses, etc.

3. **Fixed Assets**: Fixed assets are those assets, which are held on a long-term basis in the business. Such assets are not acquired for the purpose of resale, e.g. land, building, plant and machinery, furniture and fixtures, etc.

4. **Intangible Assets**: These are such assets which cannot be seen or touched. Goodwill, Patents, Trademarks are some of the examples of intangible assets.

5. **Investments**: Investments represent the funds invested in government securities, shares of a company, etc

6.**Long-term Liabilities**: All liabilities other than the current liabilities are known as long-term liabilities. Such liabilities are usually payable after one year of the date of the balance sheet. eg: long-term loans from bank and other financial institutions.

7. **Capital**: It is the excess of assets over liabilities due to outsiders (owners). It represents the amount originally contributed by the proprietor/ partners. Net profit and interest on capital are added with capital and net losses, drawings and interest on drawings deducted from the capital in balance sheet.

8. **Drawings**: Amount withdrawn by the proprietor is termed as drawings and has the effect of reducing the balance on his capital account.

****

EXERCISE: (to be given as homework)

Q.1	What are financial statements? What information do they provide	2

Q.2	Prepare Trading Account and Profit and Loss Account as on 31st March 2021. <table><tr><td>Account Title</td><td>Amount ₹</td><td>Account Title</td><td>Amount ₹</td></tr><tr><td>Machinery</td><td>27,000</td><td>Capital</td><td>60,000</td></tr><tr><td>Sundry debtors</td><td>21,600</td><td>Bills payable</td><td>2,800</td></tr><tr><td>Drawings</td><td>2,700</td><td>Sundry creditors</td><td>1,400</td></tr><tr><td>Purchases</td><td>58,500</td><td>Sales</td><td>73,500</td></tr><tr><td>Wages</td><td>15,000</td><td></td><td></td></tr><tr><td>Sundry expenses</td><td>600</td><td></td><td></td></tr><tr><td>Rent & Taxes</td><td>1,350</td><td></td><td></td></tr><tr><td>Carriage inwards</td><td>450</td><td></td><td></td></tr><tr><td>Bank</td><td>4,500</td><td></td><td></td></tr><tr><td>Opening stock</td><td>6,000</td><td></td><td></td></tr></table> Closing stock as on March 31st 2021 ₹ 22,400	3
Q.3	Distinguish between: a) Trading and Profit and Loss A/c b) Tangible assets and intangible assets c) Fixed assets and current assets d) Trial balance and Balance sheet e) Capital expenditure and revenue expenditure.	5

ACCOUNTANCY – XII

FINANCIAL STATEMENTS (WITHOUT ADJUSTMENTS)

Worksheet -13. (15 marks)

1. State the following: (4)

a) Two items credited to trading account.

b) Two items debited to profit and loss account.

c) Two direct expenses

d) Two accounts prepared under financial statements

2. State two differences between Profit and loss a/c and Balance sheet (2)

3. State true or false. If false, correct the statement (4)

a) Salaries and wages is debited to Trading account.

b) Livestock is a fixed asset.

c) Depreciation on a fixed asset is credited to Profit and loss account.

d) Balance sheet is an account.

4. Correct the following Balance sheet (3)

Liabilities	Rs	Assets	Rs
Capital	4,00,000	Outstanding Insurance	5000
Prepaid salary	5000	Bank overdraft	10000
Creditors	70,000	Furniture	15000
Debtors	60,000	Machinery	2,50,000
Investments	25000	Bank loan	15000
Bills payable	10000	Bills Receivable	25000
Income received in advance	5000	Rent receivable	5000
Goodwill	60000	Closing stock	70,000

5. State two purposes of preparing financial statements. (2)

MODULE 14
CLASS : XII
ACCOUNTANCY

Concept: Financial statements (formula of cost of revenue from operations, Gross profit, Net profit, operating profit)

Instructions for teachers : Focus is to be given on the formula of cost of revenue from operations, Gross profit/loss, net profit/net loss , operating profit . It will be very useful in solving ratio analysis questions and while doing cash flow statement.

Teaching learning Outcome

(a) Understands the formula of cost of revenue from operations, Gross profit operating profit and Net profit

(b) Calculates the Cost of revenue from operation, gross profit, operating profit and net profit

Teaching learning resources:

Power Point Presentation, Chalkboard.

CONTENT:

Calculation of Gross Profit based on Cost of Goods Sold and Closing Stock
Gross Profit = Net revenue from operations (Net sales) – Cost of revenue from operations (cost of goods sold)
Net Sales = Sales – Sales Returns
Cost of Revenue from operations = (Opening stock + Net Purchases + Direct Expenses) – Closing stock
Net Purchase = Purchase – Purchase Returns
Gross Loss = Cost of Goods Sold – Net sales
Operating profit (EBIT) – It is the profit earned by the trader during a particular period which has resulted from his routine business activities. It is the excess of operating revenue over expenses. While calculating operating profit, the incomes and expenses of purely financial nature are not taken into account. Thus, operating profit is profit/earnings before interest and tax (EBIT).
Operating profit = Gross profit – Operating expenses + operating income

OR

Operating profit = Gross profit – (Administration expenses + Selling and distribution expenses)

OR

Operating profit = Net profit + Non -operating expenses – Non -operating incomes
EXERCISE: (Homework)
Q.1 Operating expenses are recorded in: 1M
(i) Trading Account
(ii) Profit & Loss Account
(iii) Balance sheet only
(iv) none of these
Q.2 Expenses relating to sale of goods are shown in:
(i) Trading Account
(ii) Profit & Loss Account
(iii) Trading and Profit and Loss Account 1M
(iv) none of these
Q.3 carriage outwards in an example of:
(i) direct expense
(ii) indirect expense
(iii) indirect income
(iv) direct income 1M
Q.4 Which are indirect expenses of the following:
(i) salaries expenses
(ii) insurance expenses
(iii) rent income
(iv) all of these 1M
Q.5 Gross Profit is Rs. 50,000, Operating expenses are Rs.15,000.

Calculate the amount of operating profit. 1M

Q.6 Opening stock- Rs. 5,000; sales- Rs. 16,000; carriage inward- Rs.1,000; sales return- Rs.1,000; gross profit- Rs.6,000; purchases- Rs.10,000; purchase returns- Rs.900. Calculate the closing stock and the cost of goods sold. 5

ACCOUNTANCY – XII

(COST OF REVENUE FROM OPERATIONS, GROSS PROFIT, NET PROFIT, OPERATING PROFIT

Worksheet -14 **(15 marks)**

1. State whether the following statements are true or false. If false, correct them. (3)

a) Operating profit = Net profit +operating income- operating expenses

b) Gross profit + cost of revenue from operations = net sales

c) Net profit = Gross profit – indirect expenses + indirect income.

2. Calculate Cost of revenue from operations from the following information:

Revenue from operations = Rs 4,00,000, Gross profit on revenue from operations = 20% (1)

3. Calculate cost of revenue from operations. (1)

Opening stock = Rs 40,000 Net purchases= Rs 50,000

Wages = 10,000 Salaries = 20,000 closing stock = Rs 60,000 (1)

4. Net sales = Rs 5,00,000, Gross Loss 20% on sales. Calculate cost of goods sold (1)

5. Calculate Gross profit:

Net revenue from operations = Rs 8,00,000

Gross profit = 20% of cost of revenue from operations. (2)

6. Calculate Gross profit =

Cost of Net revenue from operations = Rs 6,40,000

Gross profit = 25% of revenue from operations. (2)

7. Calculate Gross profit and operating Net profit

Opening stock = Rs 60,000 Purchases = Rs 3,00,000 Direct expenses = Rs 50,000

Closing stock = Rs 40,000 Net revenue from operations = 5,00,000

Operating expenses = Rs 70,000 Non – operating expenses = Rs 20,000 (4)

MODULE 15

CLASS: XII

ACCOUNTANCY

Concept: Financial statements (adjustments related to Sundry debtors, bad debts, provision for doubtful debts, depreciation)

Instructions for teachers : This concept if made more clear in bridge course will benefit the students a lot in the entire chapter of Reconstitution of partnership firm as correct effect in Revaluation account and balance sheet will increase their score. Provision for depreciation will be useful in cash flow statement. Thus a reference of short questions from cash flow statement can also be taken.

Teaching learning Outcome

Develop the understanding and skill to do adjustments for items and their presentation in financial statements like bad debts, provisions for doubtful debts, depreciation.

Teaching learning resources:

Power Point Presentation, Chalkboard, Real life objects etc.

Depreciation – Depreciation is the decrease in the value of an asset due to wear and tear, passage of time etc. This is an operating expense to the business. And to arrive at the correct profit or loss made by the business, it should be charged (debited) to profit and loss a/c.

Adjustment entry:

Depreciation A/c Dr.
To Concerned Assets A/c

The effect of the above adjustment will be:

a. Depreciation is shown on the debit side of profit and loss account.

b. It is shown on the assets side of the Balance Sheet by way of deduction from the concerned asset.

Bad debts – Any irrecoverable portion of sundry debtors is terms as bad debts. If bad debt is given outside the trial balance (given as adjustment), it is termed as further bad debt. It may so happen that a debt becomes bad after the preparation of Trial Balance.

Adjustment entry:

Bad debts A/c Dr.
To Debtors A/c

The effect of the above adjustment will be:

a. It should be shown on the debit side of the profit and loss account as it is a loss to the business.

b. It should be deducted from Sundry debtors on the assets side of the Balance Sheet as it is irrecoverable.

Note: If the bad debt is given in the trial balance, it means that it has already been adjusted with the sundry debtors and hence, need not be deducted from sundry debtors again while preparing the balance sheet, but it should be shown on the debit side of profit and loss account only.

Provision for bad and doubtful debts - When it is feared that some of the amounts owed by customers are not likely to be collected, it is prudent to recognize the expected loss by reducing the current year's profit and placing the amount in a special account called "Provision for bad and doubtful debts a/c". This provision is created out of profit and hence, the Adjustment entry will be:

Profit & Loss A/c Dr.
To Provision for bad and doubtful debt A/c

The effect of the above adjustment will be:

a. It will be shown as an addition to Bad debt on the debit side of Profit and loss a/c.

b. It should be deducted from sundry debtors on the assets side of the Balance Sheet.

Provision for discount on debtors – Cash discount may be granted to customers to ensure prompt payment of their dues. A provision for this purpose is created out of the profits and it is calculated as certain percentage on good debtors. Therefore,

Good debtors = Sundry debtors – Further bad debt – provision for doubtful debts

Adjustment entries:

Profit & Loss A/c Dr.

To Provision for discount on debtor's A/c

The effect of the above adjustment will be:

a. The amount of provision for discount on debtors should be debited to Profit and Loss a/c.

b. It should be shown by way of deduction from sundry debtors in the Balance Sheet after deducting further bad debt and new provision for debtors.

EXERCISE: 10 MARKS- Homework

Q.1 In the Trial balance Machinery shows as Rs.1,00,000. During the year depreciation charge on the machinery is 10% p.a.

(a) Pass the journal entries for this. 2M

(b) Prepare the final accounts and show the treatment of depreciation? 3M

Q.2 Following is the extract of a trial balance on 31^{st} March, 2021

Sundry debtors:	Rs.	32,000
Bad debts:	Rs.	2,000
Provision for doubtful debts:	Rs.	3,500

Additional information:

Write off further bad debts Rs.1,000 and create a provision for doubtful debts @5% on debtors.

Show the treatment in the books of accounts. 5M

WORKSHEET-15

ACCOUNTANCY – XII

Concept: Debtors, Bad debts and provision for doubtful debts, depreciation)

(15 marks)

1. Choose the correct answer: (4)

a) Bad debts is a ________for the firm (expense, loss)

b) Provision for doubtful debts is _______for the firm (Asset, Liability)

c) Book Debts is a ________for the firm (Asset, Liability)

d) Provisions are created _________ (out of profits, irrespective of profits)

e) Reserves are created ________ (out of profits, irrespective of profits)

f) Depreciation is a ________ for the firm (Expense, Loss)

g) Creation of Provisions is a result of ____________ principle of Accounting (Consistency, conservatism)

h) Provisions are created out of __________ account (Profit and loss account, Profit and loss appropriation account)

2. Show the following items in the financial statements of a firm

Trial balance as on 31/03/2022

Particulars	Dr	Cr
Sundry debtors	80,000	
Bad debts	5000	
Provision for doubtful debts		7000

Further bad debts Rs 8000. Create a provision of 5% for doubtful debts on debtors (3)

3. A machinery of Rs 90,000 is purchased on 01/10/2021. It is to be depreciated by 10% on straight line method. The firm closes its books on 31^{st} March each year.

Pass journal entries for purchase of machinery, depreciation provided on it and transfer depreciation to statement of profit and loss. (3)

4. Give journal entries in the books of X ltd.

a) Bad debts written off Rs 4000

b) Bad debts earlier written off earlier now recovered Rs 2000.

c) Creation of Rs 6000 as provision for doubtful debts. (3)

5. State the reason as to why the items in the trial balance are disclosed only in one of the financial statements whereas the adjustments given are disclosed at minimum two places of financial statements. (2)

MODULE 16
CLASS: XII
ACCOUNTANCY

Concept: Financial statements (Interest on loan, capital, drawings, investments)

Instructions for teachers: The teacher should focus on interest on capital or loan with dates mentioned. This base would help the students in the chapter of NPO and Cash flow statement. The concept of accrual basis should be revised again.

Teaching learning Outcome

Develop the understanding and skill to do adjustments for items and their presentation in financial statements Interest on loan, interest on capital, interest on drawings, interest on investments)

Teaching learning resources :

Power Point Presentation, Chalkboard.

Interest on capital –
In case the interest on capital is paid to the proprietor, it is to be treated as an expense to the business and hence debited to profit and loss account.
This interest on capital is shown on the liability side of the balance sheet by adding the same to capital account.
Adjustment entry:

Interest on capital Dr.
To Capital A/c

The effect of the above adjustment will be:
a. It will be debited to profit and loss account as a separate item.
b. It will be added to capital on the liability side of the balance sheet.
Interest on Drawing –
It is to be treated as an Income to the business and hence credited to profit and loss account.
This interest on Drawing is shown on the liability side of the balance sheet by deducting the same to capital account.
Interest on loan: It is to be treated as an expense to the business and hence debited to profit and loss account.

Interest on investments: It is to be treated as an Income to the business and hence credited to profit and loss account.

EXERCISE: - Homework

Q.1 TRUE OR FALSE?

(a) Interest on Drawing is to be treated as expense to the business and hence credited to profit and loss account. 1M

(b) Interest on investments is to be treated as an Income to the business and hence debited to profit and loss account. 1M

(c) Interest on loan is to be treated as an expense to the business and hence debited to profit and loss account. 1M

(d) Interest on capital is shown on the liability side of the balance sheet by adding the same to capital account. 1M

Q.2 If the capital is Rs.50,000 as on 1st April, 2020 and additional introduced Rs.10,000 on January 1st, 2021. Interest charge on capital 10% p.a. Calculate the amount of interest on capital. 3M

Q.3 Opening capital is Rs.12,000. Interest on capital is provided @6% p.a. Pass the journal entries for "Interest on capital", also state on which side of profit and loss account interest on capital will be shown and why? 3M

ACCOUNTANCY – XII

Worksheet -16. **(15 marks)**

Concept : Interest on capital, drawings, loan, Investments

1. classify the following into Asset, liability, Expense and Income. (4)

Interest on Drawings
Capital
Drawings
Interest on capital
Interest on Bank loan
Bank overdraft
Interest on bank overdraft
Loan advanced

2. Show the following items in the financial statements of a company. (4)

Trial balance as on 31/03/2021

Particulars	Dr (Rs)	Cr (Rs)
Capital		90,000
Drawings	30,000	

Interest on bank loan	1000	
10% Bank Loan (1/10/20)		40,000
Loan to Mohan (01/01/21)	20,000	

Additional information

a) Interest on capital @10% p.a

b) Interest on Drawings @ 5% p.a

3. Journalise the following transactions (3)

a) Interest on capital @ 5% p.a (Opening capital Rs 95,000)

b) Interest on Drawings @ 2% p.a(Drawings Rs 5000)

c) Interest on loan payable Rs 5000

4. Show the following items in the financial statements of a company. (2)

Trial balance as on 31/03/2021

Particulars	Dr (Rs)	Cr (Rs)
12% Investments (01/07/2021)	1,00,000	
Interest on Investments		4000

5. State true or false. If false, correct the statement: (2)

a) Interest on capital is debited to profit and loss account as it is the loss for the firm.

b) Interest on Drawings is credited to profit and loss account as it is the income for the firm.

MODULE 17
CLASS: XII
ACCOUNTANCY

Concept: Cash and Accrual basis of Accounting (adjustments related to outstanding expenses, prepaid expense, income received in advance, accrued income)

Instructions for teachers: The revision and clearing the doubts in the journal entries and its treatment in profit and loss account and balance sheet will be very useful in the chapter of NPO. The concept of accrual basis will again be made clear.

Teaching learning Outcome

(a) **State the meaning of cash and accrual basis of Accounting.**

(b) Develop the understanding and skill to do adjustments for items and their presentation in financial statements outstanding expenses, prepaid expense, income received in advance, accrued income.

Teaching learning resources:

Power Point Presentation, Chalkboard.

Basis of accounting –
On the basis of timing of recognition of revenue and costs, there can be two approaches to accounting, they are:

i) **Cash Basis** – in this method, entries in books of accounts are made when cash is received or paid and not when the receipt or payment becomes due. E.g., If office rent for the month of December 2019 is paid in January 2020, it would be recorded in the books of account only January 2020. This system is incompatible with the matching principle, which states that costs or expenses of a period are matched with the revenues of the same period.

ii) **Accrual Basis** – In this method, costs and revenues are recognized in the period in which they occur rather than they are paid or received. This is more appropriate for the ascertainment of profit or loss as expanses are matched against revenue.

Outstanding expenses –
Expenses which have been incurred and are due for payment, but have not yet been paid during the accounting period is called outstanding expenses. (Due but not paid) E.g., Rs.1000 per month is paid salary to an employee, but altogether only Rs.11000 has been paid during this year, here one-month salary Rs.1000 is due but not paid and is called outstanding salary.
In order to find the true profit for the year this outstanding amount is to be brought into accounts. This is actually an expense for the year as well as a liability too.
Adjustment entry regarding this item is as follows:

Concerned expenses a/c (Salary a/c) Dr
To Outstanding expenses a/c (O/s salary A/c)

The effect of the above adjustment will be:
a. Outstanding expenses will be debited to trading and profit and loss a/c by way of addition to the concerned expense.
b. Outstanding expenses will be shown on the liability side of the Balance Sheet.

Prepaid expenses – Those expenses which have been paid in advance, whose benefit will be available in future are called unexpired or prepaid expenses. (Paid but not due). E.g., Prepaid insurance, Prepaid rent etc.
Adjustment entry:

Prepaid expense A/c Dr
To Concerned expense A/c

The effect of the above adjustment will be:
a. It will be deducted from the respective expense on the debit side of trading and profit and loss account.

b. It is shown as an asset in the Balance sheet

Accrued Income or outstanding income –

Income which have become due during the accounting period but the same has not been received are called accrued income. (Income due but not received). E.g., Accrued Interest on bank deposit, Accrued commission etc.

Adjustment entry:

Accrued/Outstanding Income A/c Dr
To Concerned Income A/c

The effect of the above adjustment will be:

a. It will be shown on the credit side of the profit and loss a/c by way of addition to the income.

b. It will be shown on the asset side of the Balance Sheet as Accrued Income.

Income received in advance –

A portion of the income received during the current year may relate to the future period is called Unearned income or income received in advance. (Received but not due). E.g., Rent received in advance, commission received in advance.

Adjustment entry:

Concerned Income A/c Dr
To Income received in advance A/c

The effect of the above adjustment will be:

a. It will be deducted from concerned income on the credit side of T&P/L A/c.

b. It is shown as a liability in the Balance Sheet.

EXERCISE: - homework

1. In which basis of Accounting, Outstanding expenses are not recorded? 1M

2. Which basis of Accounting is recognized under the Companies Act, 2013. 1M

3. If the Salary Paid during the Accounting Period is Rs. 10,000 and Rs.2000 is paid for the next year than how you will show this in the final account (following accrual basis of accounting)? 2M

4. Define the following: a. Cash basis of Accounting b. Accrual basis of Accounting. 3M

5. Mr. Roy, a businessman, during the financial year 2020-21 earned Rs.3,00,000. Out of which he received Rs.2,50,000. He incurred an expense of Rs.1,00,000, out of which Rs.30,000 are outstanding. He also received income relating to previous year Rs.25,000 and paid Rs.10,000 expense of last year. You are required to calculate his income for the year if

a.He follows cash basis of Accounting

b.He follows accrual basis of Accounting. 3M

ACCOUNTANCY – XII

Worksheet -17. (15 marks)

Concept: Cash basis and accrual basis of accounting

1. Which concept is followed while preparing cash account? (cash basis/accrual basis. (1)

2. Which concept is used while preparing profit and loss account? (cash basis/accrual basis).(1)

3. A trader purchases goods worth Rs 40,000 for cash and Rs 60,000 on credit. How much is his revenue from sales as per accrual basis? (1)

a) Rs 40,000

b)60,000

c) Rs20,000

d)1,00,000

4. A trader purchases furniture for Rs 45000 on cash and Rs 35,000 on credit. How much is disclosed in his books if he follows cash basis of accounting. (1)

a)45,000

b Rs 35,000

c) Rs 10,000,

d) Rs 80,000

5. Outstanding expenses are considered/not considered while calculating profit on the basis of accrual basis. (1)

6. Which basis of Accounting is accepted by Companies Act 2013? (1)

7. Give journal entry for the following –

a) Outstanding salary Rs 4000.

b) Prepaid Insurance Rs 9000

c) Commission received in advance Rs 4000. (3)

8. State the reason for the following –

a) Outstanding salary is added to salary while preparing profit and loss account.

b) Prepaid Insurance is deducted from Insurance paid. (2)

9. State two drawbacks of following cash basis of Accounting. (1)

10. State the reason of the following –

a) Outstanding salary is shown on the liability side of the Balance sheet.

b) Accrued income is credited to profit and loss account. (1)

11. Where will you show the following items if they appear in the trial balance of the company:

a) Outstanding salary b) Prepaid Insurance c) Income received in advance

d) Commission receivable. (2)

MODULE 18

CLASS : XII
ACCOUNTANCY

Concept: Depreciation = asset account and provision for depreciation account (short questions)

Instructions for teachers : The concept and purpose of creation of provision should be made clear. It should be linked with the principle of conservatism. A short question from cash flow statement can be linked with the above unit.

Teaching learning Outcome

Understand the accounting treatment of providing depreciation directly to the concerned asset account or by creating Provision for depreciation account.

Teaching learning resources :

Power Point Presentation, Chalkboard.

Depreciation – Business is established for an indefinite period. Fixed assets are, therefore, acquired for its use. Fixed assets increase the earning capacity of business. These are constantly used in business. The assets lose their value gradually due to constant use. This decrease in value of asset is known as depreciation.

"**Depreciation is defined as the gradual and permanent diminution in the value of assets due to wear and tear, use or abuse or efflux of time"**

Depletion/Exhaustion – Some assets are of wasting nature due to constant extraction of raw materials. By extraction of natural resources, their deposits are depleted. Decrease in such mineral wealth due to extraction is termed as depletion. Mines, quarries, oil wells etc. come under this category.

Amortization – Decrease in the value of intangible assets like patents, copyright, trademark etc.

Methods of calculating depreciation

1. **Straight line method / Fixed installment method** – Under this method, a fixed percentage on the original cost of the asset is written off every year so that the value of the asset becomes zero at the end of its life period. The amount of depreciation charged annually will be constant. This

method is useful when the service rendered by the asset is uniform from year to year.

$$\text{Depreciation} = \frac{\text{Total cost} - \text{scrap value}}{\text{Estimated value}}$$

2. **Diminishing or written down value method** – Under this method, a fixed percentage is written off every year on the book value of asset at the beginning of the year, i.e., original cost less depreciation provided till date. As the book value or written down value is diminishing each year, the amount of depreciation in each installment will also be diminishing. In other words, rate of depreciation remains fixed, while the amount of depreciation charged goes on diminishing with the passage of time.

Methods of Recording Depreciation

1. Charging depreciation to asset account – Under this method depreciation is deducted from the cost of asset (credited to asset a/c) and charged (debited) to profit and loss account.

Accounting Treatments:

a. For recording purchase of asset (only in the year of purchase)

 Asset A/c Dr (Cost of asset including installation, freight, etc.)
  To Bank/Vendor A/c

b. Following two entries are recorded at the end of every year:

(i) For deducting depreciation amount from the cost of the asset.

 Depreciation A/c Dr (with the amount of depreciation)
  To Asset A/c

(ii) For charging depreciation to profit and loss account.

 Profit & Loss A/c Dr (with the amount of depreciation)
  To Depreciation A/c

Balance Sheet Treatment - When this method is used, the fixed asset appears at its net book value (i.e. cost less depreciation charged till date) on the asset side of the balance sheet and not at its original cost (also known as historical cost).

2. **Creating Provision for depreciation/Accumulated depreciation account –**

Under this method, the asset is shown in the balance sheet at its original cost throughout its useful life and depreciation is accumulated on a separate account called 'Provision for depreciation or Accumulated depreciation' account.

Accounting Treatments:

a) For recording purchase of asset (only in the year of purchase)

Asset A/c Dr (Cost of asset including installation, expenses etc.)

To Bank/Vendor A/c (cash/credit purchase)

b) Following two journal entries are recorded at the end of each year:

(ii) For crediting depreciation amount to provision for depreciation account

Depreciation A/c Dr (with the amount of depreciation)

To Provision for depreciation A/c

(ii)For charging depreciation to profit and loss account

Profit & Loss A/c Dr (with the amount of depreciation)

To Depreciation A/c

Balance sheet treatment –

In the balance sheet, the fixed asset continues to appear at its original cost on the asset side. The depreciation charged till that date appears in the provision for depreciation account, which is shown on the "liabilities side" of the balance sheet.

Disposal of Asset

1. Sale of asset as scrap

Bank A/c Dr

To Asset A/c

Transfer of balance in asset account

(a)In case of profit

Asset A/c Dr

To Profit and Loss A/c

(b)In case of loss

Profit and Loss A/c Dr

To Asset A/c

In case, the provision for depreciation account has been made, transfer the balance of the provision for depreciation account to the asset account before passing the above entries by recording the following journal entry:

Provision for depreciation A/c Dr

To Asset A/c

EXERCISE: Homework

1. State briefly the need for providing depreciation. 2M
2. Explain the following terms:

a) Depletion b) Obsolescence c) Amortisation 3M

3. On April 01, 2010, Bajrang Marbles purchased a Machine for Rs 1,80,000 and spent Rs 10,000 on its carriage and Rs 10,000 on its installation. It is estimated that its working life is 10 years and after 10 years its scrap value will be Rs 20,000.

Prepare Machine account and Depreciation account for the first four years by providing depreciation on straight line method. Accounts are closed on March 31st every year. 5M

ACCOUNTANCY – XII

Worksheet -18. **(15 marks)**

Concept: Depreciation, Provision for Depreciation account

1. State the meaning of:

a) Depreciation b) Obsolescence c) Amortization. (3)

2. State two differences between straight line method and written down value method of depreciation. (2)

3. A machinery is purchased on 1/10/2021 costing Rs 45000. Depreciation is charged at 10% p.a. on straight line method. The books of accounts are closed on 31st March each year.

Prepare Machinery account. Pass necessary journal entries. (4)

4. A machinery costing Rs 90,000 is purchased on 01/04/2021. Another machinery is purchased on 01/01/2022 costing Rs 40,000.

The books of accounts are closed on 31st March each year. Depreciation is charged at 10% p.a. on straight line method. Prepare Machinery account and Provision for Depreciation account. (6)

KENDRIYA VIDYALAYA SANGATHAN, MUMBAI REGION

BRIDGE COURSE (Module 13 to 18)

WEEKLY TEST – 3

ACCOUNTANCY

90 min. **25 Marks**

1	What is Depreciation?	**1**
2	Choose the correct chronological order of ascertainment of the following profits from the Profit and Loss account. (i) Operating Profit, Net Profit, Gross Profit (ii) Operating Profit, Gross Profit, Net Profit (iii) Gross Profit , Operating Profit, Net Profit, (iv) Gross Profit , Net Profit, Operating Profit,	**1**
3	Financial statement consist of: (i) Trial balance (ii) Profit & Loss Account (iii) Balance Sheet (iv) (i) & (iii) (v) (ii) & (iii)	**1**
4	If the Rent received in advance Rs.2,000. The adjustment entry will be: (i) Debit profit and loss Account and credit rent account (ii) Debit Rent Account, credit rent received in advance account (iii) Debit rent received in advance account and credit rent account (iv) None of these.	**1**
5	If the opening capital is Rs.50,000 as on April 01, 2020 and additional capital introduced Rs.10,000 on January 1, 2021, Interest charge on capital 10% p.a. The amount of interest on capital shown in Profit & Loss account as on March 31, 2021 will be: (i) Rs. 5,250 (ii) Rs. 6,000	**1**

	(iii) Rs. 4,000 (iv) Rs. 3,000	
6	If the rent of one month is still to be paid the adjustment entry will be: (i) Debit outstanding rent account and Credit rent account (ii) Debit P & L A/c and credit rent account (iii) Debit rent account and credit P &L A/c (iv) Debit rent account and credit outstanding rent account.	**1**
7	carriage outwards in an example of : (i) direct expense (ii) indirect expense (iii) indirect income (iv) direct income	**1**
8	Which are indirect expenses of the following: (i) salaries expenses (ii) insurance expenses (iii) rent income (iv) all of these	**1**
9	TRUE OR FALSE? Interest on Drawing is to be treated as an income to the business and hence credited to profit and loss account.	**1**
10	What is an operating profit?	**1**
11	From the following balances taken from the books of SV Ltd. for the year ending March 31, 2021, calculate the gross profit. Rs Closing stock 2,50,000 Net sales during the year 40,00,000 Net purchases during the year 15,00,000 Opening stock 15,00,000 Direct expenses 80,000	**2**

<table>
<tr><td>12</td><td>Operating profit earned by M/s Arora and Sachdeva in 2016-17 was Rs 17,00,000. Its non-operating incomes were Rs 1,50,000 and non-operating expenses were Rs 3,75,000. Calculate the amount of net profit earned by the firm.</td><td>2</td></tr>
<tr><td>13</td><td>State the meaning of: (a) Outstanding expenses and (b) Prepaid rent</td><td>2</td></tr>
<tr><td>14</td><td>The following balances appeared in the trial balance of M/s Kapil Traders as on March 31, 2017

Sundry debtors : Rs. 30,500

Bad Debts Rs.500

Provision for Doubtful Debts: Rs.2,000

The partners of the firm agreed to records the following adjustments in the books of the Firm: Further bad debts Rs.300. Maintain provision for bad debts 10%. Show the following adjustments in the Profit and Loss account.</td><td>2</td></tr>
<tr><td>15</td><td>What are financial statements? What information do they provide?</td><td>2</td></tr>
<tr><td>16</td><td>Prepare the Trading and Profit and loss A/c of Seema Kapoor from the following balance as on March 31, 2020.
<table><tr><td>Particular</td><td>Dr. Amount (Rs.)</td><td>Particulars</td><td>Cr. Amount (Rs.)</td></tr></table></td><td>5</td></tr>
</table>

Land and building	40,000	Capital	70,000
Furniture	6,000	Sales	60,000
Car	30,000	Returns outward	4,000
Returns inward	2,000	Creditors	23,600
Stock on 1-4-2019	6,000	Provision for doubtful debts	2,100
Purchases	35,000	Commission	1,900
Bad debts	500		
Carriage inward	1,200	Bank loan @ 10 % p.a.	10,000
Miscellaneous expenses	2,500	(loan taken on 1.04.2019)	
Interest on bank loan	800		
Rent & taxes	5,000		
Car expenses	3,600		
Salaries	6,000		
Cash in hand	3,000		
Debtors	30,000		
Total	171600	Total	171600

Adjustments:

1. Closing stock on March 31st, 2020 was Rs.5, 200.
2. Commission includes an advance commission of Rs.1, 000.
3. Depreciate buildings at 5 % and car at 10 %.
4. Write off Rs.1, 000 as further additional bad debts and maintain a bad and doubtful debts provision for 2 % on debtors.
5. Salaries have been paid only for ten months.

BRIDGE COURSE (Module 13 to 18)

WEEKLY TEST – 3

ACCOUNTANCY

MARKING SCHEME

1	What is Depreciation?	1

	Every business acquires fixed assets for its use in the business over a period of time. As the benefits of these assets can be availed over a long period of time, thus, due to their regular use, there occurs continuous wear and tear and consequently fall in their value. This fall in the value of fixed assets, due to their regular use or expiry of time is termed as depreciation.	
2	Choose the correct chronological order of ascertainment of the following profits from the Profit and Loss account. (v) Operating Profit, Net Profit, Gross Profit (vi) Operating Profit, Gross Profit, Net Profit (vii) Gross Profit , Operating Profit, Net Profit, (viii) Gross Profit , Net Profit, Operating Profit,	1
	(III)	
3	Financial statement consist of: (vi) Trial balance (vii) Profit & Loss Account (viii) Balance Sheet (ix) (i) & (iii) (x) (ii) & (iii)	1
	(V)	
4	If the Rent received in advance Rs.2,000. The adjustment entry will be: (v) Debit profit and loss Account and credit rent account (vi) Debit Rent Account, credit rent received in advance account (vii) Debit rent received in advance account and credit rent account (viii) None of these.	1
	(II) Debit Rent Account, credit rent received in advance account	
5	If the opening capital is Rs.50,000 as on April 01, 2020 and additional capital introduced Rs.10,000 on January 1, 2021, Interest charge on capital 10% p.a. The amount of interest on capital shown in Profit & Loss account as on March 31, 2021 will be: (v) Rs. 5,250 (vi) Rs. 6,000 (vii) Rs. 4,000 (viii) Rs. 3,000	1
	(I) Rs. 5250	
6	If the rent of one month is still to be paid the adjustment entry will be: (v) Debit outstanding rent account and Credit rent account (vi) Debit P & L A/c and credit rent account (vii) Debit rent account and credit P &L A/c (viii) Debit rent account and credit outstanding rent account.	1
	(I V) Debit rent account and credit outstanding rent account	
7	carriage outwards in an example of : (i) direct expense (ii) indirect expense (iii) indirect income (iv) direct income	1
	(ii) indirect expense	
8	Which are indirect expenses of the following:	1

	(i) salaries expenses (ii) insurance expenses (iii) rent income (iv) all of these	
	(iv) all of these	
9	TRUE OR FALSE? Interest on Drawing is to be treated as an income to the business and hence credited to profit and loss account.	1
	True	
10	What is an operating profit?	1
	Operating profit is a profit earned though normal activities of a business. It is the excess of gross profit over operating expenses. In other words, it is the excess of operating revenue over operating cost. It is also termed as earning before interest and tax (EBTI). It does not include incomes and expenses that are not related to main course of the business. It is calculated by following formulae: Operating Profit = Gross Profit − Operating Expenses Or, Operating Profit = Sales − Operating Cost Operating Profit = Sales − COGS − Operating Expenses Operating expenses include office and administrative expenses, selling and distribution expenses, discount, bad debts, etc.	
11	From the following balances taken from the books of SV Ltd. for the year ending March 31, 2017, calculate the gross profit. Rs Closing stock 2,50,000 Net sales during the year 40,00,000 Net purchases during the year 15,00,000 Opening stock 15,00,000 Direct expenses 80,000	2

Particulars	Amount Rs	Particulars	Amount Rs
Opening Stock	15,00,000	Net Sales	40,00,000
Net Purchases	15,00,000	Closing Stock	2,50,000
Direct Expenses	80,000		
Gross Profit	11,70,000		
	42,50,000		42,50,000

12	Operating profit earned by M/s Arora and Sachdeva in 2016-17 was Rs 17,00,000. Its non-operating incomes were Rs 1,50,000 and non-operating expenses were Rs 3,75,000. Calculate the amount of net profit earned by the firm.	2
	Net Profit = Operating Profit + Non-operating Income – Non-operating Expenses = 17,00,000 + 1,50,000 – 3,75,000 = Rs 14,75,000 Net profit earned by M/S Arora and Sachdeva in 2016–17 is Rs 14,75,000.	
13	State the meaning of: Outstanding expenses Prepaid Rent	2
	Outstanding Expenses: These refer to those expenses which belong to and are incurred in the current accounting period but are left unpaid. In other words, we can say that the services in exchange of these payments have been realised but the payments are not made. For example, if Rs 1000 wages are outstanding, then this means that labour worth Rs 1,000 has been used but has not been paid for till the end of the year. Prepaid Expenses: These refer to those expenses for which the benefits have not been realised but the payments have already been made in advance. These are basically the advance payments for the next year, which are made in the current accounting period. Example: Prepaid rent of Rs 1,000 means that the payment of Rs 1,000 is made in advance for the next accounting period.	
14	The following balances appeared in the trial balance of M/s Kapil Traders as on March 31, 2017 *Rs* Sundry debtors 30,500 Bad debts 500 Provision for doubtful 2,000	

debts

The partners of the firm agreed to records the following adjustments in the books of the Firm: Further bad debts Rs.300. Maintain provision for bad debts 10%. Show the following adjustments in the bad debts account, provision account, debtors account, profit and loss account and balance sheet.

Profit and Loss Account

Dr. **Cr.**

Particulars		Amount Rs	Particulars	Amount Rs
Bad Debts	500			
Add: Further Bad Debts	300			
Add: New Provision	3,020			
Less: Old Provision	2,000	1,820		

15 What are financial statements? What information do they provide? 2

Financial statement is a written record of monetary transactions of a business, it includes

Balance sheet, Income statement and cash flow statement.

Trading and Profit and loss Account, provides information regarding profit earned or loss suffered by the business during the accounting period, Balance sheet provides information regarding financial position of the business , it shows what business owns and what it owes at a fixed point of time.

16 Prepare the Trading and Profit and loss A/c of Seema Kapoor from the following balance as on March 31, 2020. 5

Particular	Dr. Amount (Rs.)	Particulars	Cr. Amount (Rs.)

Land and building	40,000	Capital	70,000
Furniture	6,000	Sales	60,000
Car	30,000	Returns outward	4,000
Returns inward	2,000	Creditors	23,600
Stock on 1-4-2019	6,000	Provision for doubtful debts	2,100
Purchases	35,000	Commission	1,900
Bad debts	500		
Carriage inward	1,200	Bank loan @ 10 % p.a.	10,000
Miscellaneous expenses	2,500	(loan taken on 1.04.2019)	
Interest on bank loan	800		
Rent & taxes	5,000		
Car expenses	3,600		
Salaries	6,000		
Cash in hand	3,000		
Debtors	30,000		
Total	171600	Total	171600

Adjustments:

6. Closing stock on March 31st, 2020 was Rs.5, 200.
7. Commission includes an advance commission of Rs.1, 000.
8. Depreciate buildings at 5 % and car at 10 %.
9. Write off Rs.1, 000 as further additional bad debts and maintain a bad and doubtful debts provision for 2 % on debtors.
10. Salaries have been paid only for ten months.

TRADING AND PROFIT AND LOSS ACCOUNT

For the year ended 31st March,2020

Particulars	Rs.	Particulars	Rs.

To opening stock	6000	By sales A/c 60,000	
To purchases 35000		Less: return 2000	58000
Less: return 4000	31000	By closing stock	5200
To carriage inwards	1200		
To Gross profit	25000		
	63200		63200
To depreciation		By Gross profit	25000
Building 2000		By commission 1900	
Car 3000	5000	Less: advance 1000	900
To salaries 6000			
add: o/s 1200	7200	By provision of doubtful	
To interest on loan		debts	20
800	1000	(500+1000-2100+580)	
Add: o/s	2500		
200	5000		
To misce exp	3600		
To rent and taxes	1620		
To car exp	25920		25920
To Net profit			