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| **SESSION** | **july-AUGUST 2024** |
| **PROGRAM** | **BACHELOR of COMMERCE (B.COM)** |
| **SEMESTER** | **I**  |
| **course CODE & NAME** | **DCM1103 fundamentals of accounting I** |
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|  |  |

**Set – 1**

**1. Define accounting. Elaborate on the uses of accounting for the various stakeholders like investors etc.**

**Ans 1.**

**Definition of Accounting**

Accounting is the systematic process of identifying, recording, classifying, summarizing, analyzing, and interpreting financial transactions and information. It serves as the language of business, enabling organizations to communicate their financial status effectively. Accounting ensures transparency and accountability, making it a cornerstone of sound financial management. By adhering to established principles and standards, it provides a reliable

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**2. AJournalize the following transactions in the books of Tarun Enterprises.**

**i.Tarun introduced Capital by cheque Rs 25,00,000.**

**ii.Purchased goods on credit from PR Enterprises worth Rs 3,00,000**

**iii.Sold goods for cash Rs 500,000**

**iv.Paid salaries to office staff; Rs 400,000**

**v.Took a loan from HDFC bank Rs 10,00,000.**

**Ans 2.**

**B. Write a double column cash book with cash and bank columns from the following transactions**

**Date 2022 Transaction**

**March 1 Balance of cash in hand Rs 15,000 Cash at bank 50,000.**

**March 3 Purchased goods for cash Rs 6000**

**March 8 Cash deposited in bank Rs 4000**

**March 20 Sold goods on credit to Mr. Ashok Rs 4000**

**March 31 Bank charges Rs 250**

**Ans 2.**

**A. Journal Entries for Tarun Enterprises**

Below are the journal entries for the given transactions:

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Particulars** | **Debit (Rs)** | **Credit (Rs)** |
| i. | Bank A/c Dr. | 25,00,000 |  |
|  | To Capital A/c |  | 25,00,000 |
|  | (Being capital introduced by cheque) |  |  |
| ii. | Purchases A/c Dr. | 3,00,000 |  |
|  | To PR Enterprises A/c |  | 3,00,000 |
|  | (Being goods purchased on credit) |  |  |
| iii. | Cash A/c Dr. | 5,00,000 |  |
|  | To Sales A/c |  | 5,00,000 |

* **Bank Balance**: Rs 53,750

**3. Explain the meaning of Trial Balance. Analyze its purpose and limitations, if any.**

**Ans 3.**

**Trial Balance: Meaning, Purpose, and Limitations**

**Meaning of Trial Balance**

A trial balance is a statement that lists the balances of all ledger accounts at a specific date. It is prepared to verify the arithmetical accuracy of bookkeeping. In a double-entry accounting system, every transaction affects two accounts: one is debited, and the other is credited with an equal amount. The trial balance summarizes these balances, with the total of the debit side equaling the total of the credit side if the accounts are recorded correctly. The trial balance is not a financial statement but a tool used in the accounting process to ensure accuracy and

**Set – 2**

**4. Explain the terms capital expenditure and revenue expenditure with relevant examples. Also explain the meaning of the term contingent liability.**

**Ans 4.**

**Capital Expenditure**

Capital expenditure refers to the expenses incurred to acquire or enhance long-term assets, such as property, machinery, or equipment. These expenditures benefit the business for an extended period and are recorded as assets in the balance sheet. For example, the purchase of a factory building or the cost of installing machinery are capital expenditures. Such expenses are not charged entirely to the income statement in the year they are incurred; instead, they are

**5. On 1st April 2019, Mumbai Enterprises purchased machinery worth Rs.36,000 and spent Rs 4000 on its installation.**

**On 1st October 2019, another machinery costing Rs 20,000 was purchased. On 1st October 2021 machinery bought on 1st April 2019 was sold for Rs 12,000 and new machinery purchased for Rs 64,000 on the same date.**

**Depreciation is provided annually on 31st March @10% per annum on the written down value method.**

**Show the machinery account from the year 2020 to 2022.**

**Ans 5.**

### Machinery Account: From the Year 2020 to 2022

The machinery account is maintained to record all purchases, sales, and depreciation charges on machinery over time. The **Written Down Value (WDV) Method** calculates depreciation as a percentage of the book value (cost minus accumulated depreciation).

Here is the **Machinery Account** with step-by-step calculations:

### Key Transactions Overview

**6a) Differentiate between the trading account and the profit and loss account.**

**b) Prepare Trading account for the year ended 31st March 2024 from the following balances-**

|  |  |  |
| --- | --- | --- |
|  | **Particulars** | **Amount in Rs.** |
| **i** | **Stock (1st April 2023** |  **10,000** |
| **ii** | **Sales** | **2,50,000** |
| **iii** | **Purchases** | **2,00,000** |
| **iv** | **Carriage inwards** |  **1,500** |
| **v** | **Factory cleaning expenes** |  **2,500** |
| **vi** | **Sales return** |  **5,000** |
| **vii** | **Purchases returns** |  **2,500** |
| **viii** | **Carriage outwards** |  **3,000** |
| **ix** | **Factory electricity**  |  **11,000** |

**Note- The closing stock as on 31st March 2024 is Rs 20,000.**

**6(a) Difference between Trading Account and Profit and Loss Account**

**Trading Account**

The **trading account** is a financial statement prepared to calculate the **gross profit or gross loss** for a specific accounting period. It focuses on the direct revenues (sales) and direct costs (cost of goods sold and other production-related expenses). The result of the trading account shows the efficiency of core business operations before accounting for indirect expenses.

**Profit and Loss Account**

The **profit and loss account**, also known as the income statement, is prepared to calculate the