**Accounting Managers**

**Q1 Mr. X wanted to prepare the book of prime entry. As an expert in accounting, you advised to guide Mr. X to the classification of accounts and the rules of debit and credit for those respective accounts.**

**Ans 1.**

**Guiding Mr. X on the Classification of Accounts and Rules of Debit and Credit**

**Introduction to Book of Prime Entry**

Mr. X’s intention to prepare the book of prime entry is a critical step in establishing an organized and accurate accounting system. The book of prime entry serves as the initial place where all financial transactions are recorded before being posted to the ledger accounts. It captures details such as date, narration, debit, and credit, and acts as the foundation of a reliable accounting process. However, before Mr. X begins journalizing entries, he must thoroughly understand the classification of accounts and the rules of debit and credit. These two principles

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**Q2 “Managers need to have an understanding to accounting.” Discuss the statement concerning users to accounting information.**

**Ans 2.**

**Why Managers Need to Understand Accounting**

Managers play a pivotal role in planning, controlling, and evaluating business operations. In today’s dynamic and data-driven business environment, understanding accounting is essential for effective decision-making. Accounting provides managers with a systematic approach to collect, analyze, and interpret financial information. This information enables them to allocate resources efficiently, control costs, and evaluate performance across departments. Without this

**Q3 What is the treatment of trade and cash discounts while journalizing the transactions in the accounting book?**

**Ans 3.**

**Treatment of Trade and Cash Discounts in Journal Entries**

**Discounts in Accounting**

In accounting, trade and cash discounts are two common types of reductions applied during transactions. Though both result in a reduction of the amount payable, their treatment in the accounting books is significantly different. Understanding their nature and the way they are handled during journalizing transactions is essential for accurate financial reporting. Trade discounts are reductions offered on the catalog price of goods, whereas cash discounts are

**Q. 4 Classify the following accounts under the traditional approach.**

|  |  |
| --- | --- |
| **Building** | **Capital** |
| **Purchases** | **Drawings** |
| **Sales** | **Personal income-tax account** |
| **Rent** | **Interest Receivable account** |
| **Cash** | **Dividend received** |
| **Trade receivables** | **Discount allowed** |

**Ans 4.**

**Classification of Accounts under the Traditional Approach**

**Traditional Classification of Accounts**

In traditional accounting, all accounts are classified into three main types: **Real**, **Personal**, and **Nominal** accounts. This classification helps determine how each account is to be treated in terms of debit and credit rules. Correct classification also ensures that financial transactions are recorded systematically and without error. The classification is rooted in the double-entry system of bookkeeping and provides the framework for journalizing and ledger posting.

**Real Accounts**

Real accounts represent assets and properties, both tangible and intangible, that are owned by

**Q. 5 Identify and mention Accounting Concepts and Conventions for the below statements.**

1. **There is neither the intention nor the necessity to liquidate the particular business venture in the foreseeable future.**
2. **The personal assets of the owners or shareholders are not considered while recording and reporting the assets of the business entity.**
3. **The fixed asset will be recorded at cost at the time of its purchase but may systematically reduce its value by charging depreciation.**
4. **The principle of valuing the stock at cost or market price whichever is lower should be followed year after year to get comparable results.**
5. **The accountant should not anticipate income and should provide for all possible losses.**
6. **The decision of whether the transaction is material or not should be made by the accountant on the basis of professional experience and judgment.**

**Ans 5.**

**Identification of Accounting Concepts and Conventions**

**Going Concern Concept**

The first statement, “There is neither the intention nor the necessity to liquidate the particular business venture in the foreseeable future,” reflects the Going Concern Concept. This concept assumes that a business will continue to operate for the foreseeable future and not be forced to halt operations or liquidate its assets. It forms the basis for many accounting treatments such as the depreciation of fixed assets over their useful life, deferral of expenses, and preparation

**Q. 6 Journalize the following transactions:**

**i. Closing stock is Rs. 50,000**

**ii. Depreciation is to be charged at 10% on the furniture, which is valued at Rs. 80,000**

**iii. Interest on capital is to be provided at 15% on the opening balance of Rs. 1,00,000**

**iv. There is a bad debt amounting to Rs. 2000**

**v. Interest received in advance Rs. 1500**

**vi. The proprietor withdrew goods of Rs. 10,000 for personal use**

**vii. Interest on drawings is to be charged Rs. 1000**

**viii. Prepaid telephone charges Rs. 8000**

**Ans 6.**

In accounting, journal entries are the first step in the recording process, where all financial transactions are recorded in a chronological manner. For the given transactions, each entry is classified and recorded based on the type of account and the rules of debit and credit.

The closing stock, if not already adjusted, is recorded by debiting the Closing Stock Account and crediting the Trading Account. Depreciation on fixed assets like furniture is treated as an expense and reduces the asset’s value, thus it is debited to the Depreciation Account and