# Introduction to Accounting

Standard difficulty · 20 questions · 40 marks · Time: 38 minutes

Name: _____ Date: _____ Score: ____ / 40

Show your working for Sections B and C. Answers are on the last page — try every question first!

## Section A — Choose the correct answer — 8 × 1 = 8 marks

**1.** The final function of accounting, passing information to its users, is called:
**(a)** recording **(b)** measurement **(c)** identification **(d)** communication

**2.** What do the employees mainly want to know from the accounts of a business?
**(a)** the stability of the business and fair wages and bonus
**(b)** whether the business will pay for goods on time
**(c)** whether the business will keep supplying goods
**(d)** the return they may earn and the risk involved

**3.** In accounting, “voucher” means:
**(a)** money or goods taken by the owner for personal use
**(b)** persons to whom the business owes money
**(c)** resources owned by the business that have money value
**(d)** a document that supports a transaction

**4.** Which of these is an asset?
**(a)** bank loan **(b)** outstanding salary
**(c)** machinery **(d)** creditors

**5.** Accounting information presented so that users can follow it has the quality of:
**(a)** relevance **(b)** comparability
**(c)** materiality **(d)** understandability

**6.** A business has assets: Cash ₹23,000, Furniture ₹34,000, Machinery ₹41,000, Debtors ₹46,000; and liabilities: Bills Payable ₹3,000, Bank Loan ₹25,000. What is the owner’s capital?
**(a)** ₹1,16,000 **(b)** ₹1,19,000 **(c)** ₹1,44,000 **(d)** ₹1,72,000

**7.** In a year a business earns revenue of ₹73,000 and has expenses of ₹45,000. What is its profit?
**(a)** ₹45,000 **(b)** ₹1,18,000 **(c)** ₹28,000 **(d)** ₹29,000

**8.** Goods with a list price of ₹74,000 are sold at 20% trade discount. What amount is recorded as the sale?
**(a)** ₹59,200 **(b)** ₹88,800 **(c)** ₹74,000 **(d)** ₹14,800

## Section B — Short answer — 8 × 2 = 16 marks

**9.** Define accounting.

**10.** Explain each term: (a) stock (b) loss

**11.** Is each an asset, a liability, an expense or a revenue? (a) machinery (b) bank loan

**12.** Is each a current or a non-current asset? (a) cash in hand (b) vehicles

**13.** Find the capital of a business whose assets are Machinery ₹1,25,000, Cash ₹14,000, Furniture ₹35,000, Stock ₹19,000 and whose liabilities are Creditors ₹45,000, Bank Loan ₹32,000.

**14.** Capital at the start of the year was ₹2,75,000. The profit for the year was ₹79,000 and drawings were ₹10,000. Find the capital at the end of the year.

**15.** Goods listed at ₹80,000 are sold at 20% trade discount, and the buyer pays at once and gets 5% cash discount. Find (a) the trade discount (b) the cash discount (c) the cash received.

**16.** Capital was ₹2,55,000 at the start of the year and ₹3,11,000 at the end. Drawings during the year were ₹18,000, and no capital was added. Find the profit.

## Section C — Word problems — 4 × 4 = 16 marks

**17.** Explain the meaning of accounting and its four main functions.

**18.** A business shows these balances: Machinery ₹56,000, Stock ₹23,000, Buildings ₹73,000, Furniture ₹5,000, Creditors ₹31,000, Bills Payable ₹35,000. (a) Find the total assets. (b) Find the total liabilities. (c) Find the capital. (d) Name one current and one non-current item among the assets.

**19.** A trader starts the year with capital of ₹2,05,000. During the year she brings in ₹25,000 more. Revenue for the year is ₹1,25,000 and expenses are ₹82,000. She withdraws ₹24,000 for personal use. (a) Find the profit. (b) Find the closing capital. (c) Why are drawings not an expense of the business?

**20.** Coral Crockery sells goods with a list price of ₹68,000 at 20% trade discount and 5% cash discount for payment within a week. The buyer pays within the week. (a) Find the invoice amount. (b) Find the amount paid. (c) Which discount is recorded in the books, and in which account?

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# Answer key

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| Q | Answer | Working |
|---|---|---|
| 1 | **(d) communication** | — |
| 2 | **(a) the stability of the business and fair wages and bonus** | — |
| 3 | **(d) a document that supports a transaction** | — |
| 4 | **(c) machinery** | — |
| 5 | **(d) understandability** | — |
| 6 | **(a) ₹1,16,000** | Capital = Assets − Liabilities = ₹1,44,000 − ₹28,000 = ₹1,16,000 |
| 7 | **(c) ₹28,000** | Profit = Revenue − Expenses = ₹73,000 − ₹45,000 = ₹28,000 |
| 8 | **(a) ₹59,200** | ₹74,000 − 20% of ₹74,000 (₹14,800) = ₹59,200 |
| 9 | **Identifying, measuring, recording and communicating the economic events of an organisation to interested users of the information.** | — |
| 10 | **(a) goods lying unsold on a date (b) money or value lost without any benefit, such as by theft** | — |
| 11 | **(a) asset (b) liability** | — |
| 12 | **(a) current (b) non-current** | — |
| 13 | **₹1,16,000** | Assets ₹1,93,000 − Liabilities ₹77,000 |
| 14 | **₹3,44,000** | ₹2,75,000 + ₹79,000 − ₹10,000 = ₹3,44,000 |
| 15 | **(a) ₹16,000; (b) ₹3,200; (c) ₹60,800** | Net ₹80,000 − ₹16,000 = ₹64,000; cash discount 5% of ₹64,000 |
| 16 | **₹74,000** | Profit = Closing capital − Opening capital + Drawings = ₹3,11,000 − ₹2,55,000 + ₹18,000 |
| 17 | **Accounting identifies the economic events of a business, measures them in money, records them in date order, and communicates the results to users through financial statements.** | — |
| 18 | **(a) ₹1,57,000 (b) ₹66,000 (c) ₹91,000 (d) Stock is current; Machinery is non-current** | Capital = ₹1,57,000 − ₹66,000 |
| 19 | **(a) ₹43,000 (b) ₹2,49,000 (c) They are for the owner's personal use, not for earning revenue; they reduce capital (business entity concept).** | ₹1,25,000 − ₹82,000 = ₹43,000; ₹2,05,000 + ₹25,000 + ₹43,000 − ₹24,000 |
| 20 | **(a) ₹54,400 (b) ₹51,680 (c) Only the cash discount of ₹2,720, in the** | ₹68,000 × 80% = ₹54,400; ₹54,400 × 95% = ₹51,680 |

| Q | Answer | Working |
|---|---|---|
| | **discount allowed account (trade discount is not recorded).** | |



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