Complete Solutions for Accounting Exam Paper (Q1–Q19)

# Question 1

* What is business entity concept of accounting?

It treats the business and its owner as two different entities. Transactions are recorded from the business’s point of view.

# Question 2

* Write about the cash basis of accounting.

Revenue and expenses are recorded only when cash is received or paid.

# Question 3

* What are the importance of internal control to a business?

Helps prevent fraud, ensures accuracy, compliance, asset protection, and efficient operations.

# Question 4

* Write down the meaning of contingent liabilities.

Potential liabilities based on future events, such as lawsuits, not recorded unless probable.

# Question 5

* What is long lived assets?

Assets that are used for more than one accounting period like land, machinery, equipment.

# Question 6

* Simran Company Notes Payable - Journal Entries

Journal Entries:

|  |  |  |  |
| --- | --- | --- | --- |
| Date | Particulars | Debit (Rs.) | Credit (Rs.) |
| Jan 1 | Bank A/C Dr. To Notes Payable A/C | 100,000 | 100,000 |
| Apr 1 | Notes Payable A/C Dr.Interest Expense A/C Dr. To Bank A/C | 100,0003,000 | 103,000 |

# Question 7

* Value Added Calculation

Value Added = Sales + Interest + Closing Stock - Opening Stock - Cost - Wages - Tax

|  |  |
| --- | --- |
| Item | Amount (Rs.) |
| Sales | 300000 |
| Interest Received | 10000 |
| Closing Stock | 30000 |
| Less: Opening Stock | -20000 |
| Less: Materials/Services | -180000 |
| Less: Wages | -50000 |
| Less: Income Tax | -5000 |
| Value Added | 85000 |

# Question 8

* Accounting Equation

Assets = Liabilities + Equity based on transactions.

|  |  |
| --- | --- |
| Particulars | Amount (Rs.) |
| Cash (80,000 - 13,000 - 16,000) | 51000 |
| Prepaid Rent | 1000 |
| Outstanding Salary (Liability) | 2000 |
| Capital (Equity) | 51000 |

# Question 9

* Return Inward Book

Calculate total inward return.

|  |  |  |
| --- | --- | --- |
| Date | Particulars | Amount (Rs.) |
| Jestha 5 | Rama Lights | 28,944 |
| Jestha 17 | KK Lights | 20,000 |
| Total |  | 48,944 |

# Question 10

* Provision for Doubtful Debts Account

Debtors = 220,000
Less: Additional Bad Debts = 10,000
Provision @10% = 21,000

|  |  |  |
| --- | --- | --- |
| Date | Particulars | Amount (Rs.) |
| Dr: To Bad Debts Exp. |  | 1,000 |
| Cr: By Balance b/d | 30,000 |  |
| Cr: By Balance c/d | 21,000 |  |