



	Business Started means capital introduce in the business so capital is a liability & it is increases in the business so, it is credited.	
Q.4	<p><b>Prepare Accounting Equation from the following:</b></p> <p><b>(i) Started business with Cash 2,00,000.</b></p> <p><b>(ii) Purchased goods for Cash 60,000 and on Credit 1,50,000.</b></p> <p>(a) Cash Rs. 2,00,000 (+) Stock Rs. 2,10,000 (=) Capital Rs. 2,00,000 (+) Creditors Rs. 2,10,000.</p> <p><b>(b) Cash Rs. 1,40,000 (+) Stock Rs. 2,10,000 (=) Capital Rs. 2,00,000 (+) Creditors Rs. 1,50,000.</b></p> <p>(c) Cash Rs. 1,60,000 (+) Stock Rs. 2,10,000 (=) Capital Rs. 1,60,000 (+) Creditors Rs. 2,10,000.</p> <p>(d) Cash Rs. 3,10,000 (+) Stock Rs. 2,10,000 (=) Capital Rs. 2,00,000 (+) Creditors Rs. 3,20,000.</p>	1
ANS.4	<p><b>(b) Cash Rs. 1,40,000 (+) Stock Rs. 2,10,000 (=) Capital Rs. 2,00,000 (+) Creditors Rs. 1,50,000.</b></p> <p>Explanation- Basic accounting Equation is Capital (+) Liabilities = Assets  <b>Cash (Rs.2,00,000 – purchased goods in cash Rs.60,000) Rs. 1,40,000 (+) Stock Rs. 2,10,000 (Goods purchased in cash Rs.60,000 &amp; Credit purchase Rs.1,50,000) (=) Capital Rs. 2,00,000 (Brought cash ti start business) (+) Creditors Rs. 1,50,000 (Goods purchased on Credit).</b>  Cash &amp; Stock are Assets  Capital &amp; Creditors are Liabilities.</p>	1
Q.5	<p><b>Qualitative characteristics of accounting information are:</b></p> <p>(a) Reliability  (b) Relevance  (c) Understandable  (d) <b>All of these</b></p>	1
ANS.5	<p><b>(d)All of these</b></p> <p>Explanation – Reliability, Relevance, Understandable these are the basic qualitative characteristics of accounting information.</p>	1
	<p><b>Read the following case study and answer Questions No.6&amp;7 on the basis of the same.</b></p> <p>Golu Plastic Ltd (GPL) is a leading plastic article manufacturing company. It was listed on Indian stock market in 1999. The founders and promoters of the company hold the highest number of shares of the company, approximately around 55%. All these founders belong to a single family. Unfortunately, all of them died in a car accident recently. However, the company continued to exist and grow. In the year 2004, the company imported multiple machines for producing low-cost plastic sheets. The machines were recorded at the price prevailing in 2004 and have been subjected to depreciation year on year based on written down value method. The depreciation is treated as a non-cash expense while preparing the cash flow statement. When GST was implemented in 2017, it benefitted the company by</p>	

	streaming the processes. A single rate of GST was charged on the supply of the goods and the process of filing was very simple.	
Q.6	<b>Which principle is highlighted in the fact that the company continued even after death of the founders?</b> <b>(a) Business entity principle</b> (b) Money measurement principle (c) Duality principle (d) Historical cost principle	1
ANS.6	<b>(a) Business entity principle</b>  <b>Explanation- Business entity principle</b> According to this principle, business is treated as a unit or entity separate from its owners, creditors and others. In other words, the proprietor of a business concern is always considered to be separate and distinct from the business which he controls. All the business transactions are recorded in the books of accounts from the view point of the business. Even the proprietor is treated as a creditor to the extent of his capital.	1
Q.7	<b>Which principle is highlighted in the line, “The machines were recorded at the price prevailing in 2004”?</b> (a) Full disclosure principle (b) Conservatism principle (c) Duality principle <b>(d) Historical cost principle</b>	1
ANS.7	<b>(d) Historical cost principle</b>  Explanation-According to this principle, all assets should be recorded in the books of accounts at their acquisition cost. The cost of acquisition refers to the cost of purchasing the asset and expenses incurred on its installation or to put the asset in working order. This cost forms the basis for all subsequent accounting transactions of the asset. It means the market value of an asset may change with the passage of time but no adjustment is made for any change in the market value of such assets in the books of account. For example, if a building is purchased for Rs.5,00,000, it would be recorded in the books at this price. Subsequent increase or decrease in the market value of the building would not be recorded in the books of accounts	1
Q.8	<b>Those assets which have physical existence and can be seen and touched are:</b> (a) Current assets <b>(b) Tangible assets</b> (c) Intangible assets (d) None of these	1
ANS.8	<b>(b) Tangible assets</b> Explanation-Intangible Assets: Intangible assets are those assets having no physical existence but their possession gives rise to some rights and benefits to the owner. They cannot be seen and touched. Goodwill, patents, trademarks, mining rights, copyrights are some of the examples of intangible assets.	1

Q.9	<p><b>The capital of a business is Rs 2,00,000 and liabilities are Rs 40,000 .The asset of business is:-</b></p> <p><b>(a) Rs 2,40,000</b>  (b)Rs 1,60,000  (c)Rs 2,80,000  (d)Rs 2,10,000</p>	1
ANS.9	<p><b>(a) Rs 2,40,000</b></p> <p>Explanation- Basic accounting Equation is Capital (+) Liabilities = Assets  Capital (Rs.2,00,000) + Liabilities (Rs.40,000) = Assets  Assets = Rs.2,40,000</p>	1
Q.10	<p><b>Voucher which records a transaction that entails multiple debits / credits and one credit / debit is called:</b></p> <p>(a)Debit voucher  (b)Credit voucher  <b>(c)Compound voucher</b>  (d)Journal voucher</p>	1
ANS.10	<p><b>(c)Compound voucher</b></p> <p>Explanation - A voucher displaying several transactions of debits along with one credit and vice versa is called a compound voucher. Considering this definition of a compound voucher, it can be divided into two types—a debit voucher and a credit voucher</p>	1