CBT AUGUST 2024
KENDRIYA VIDYALAYA SANGTHAN BHOPAL REGION
SUBJECT - ACCOUNTANCY
CLASS XI
THEORY BASE OF ACCOUNTING AND ACCOUNTING EQUATION

Q.1	Which concept states, “For every debit, there is a credit”? (a) Money Measurement Concept (b) Accounting Period Concept (c) Separate Entity Concept (d) Dual Aspect Concept	1
ANS	**(d)Dual Aspect Concept** Explanation-It is the basis for the double entry system of book-keeping that means all business transactions recorded in accounts have two aspects- debit and credit. The value of benefit received is equal to benefit given.	1
Q.2	Assertion: Accounting standards provide a structured framework within which credible financial statements cannot be produced. Reasoning: Accounting standards standardize diverse accounting policies and practices and eliminate the non-comparability of financial statements. (A) Both A and R are correct, and R is the correct explanation of A. (B) Both A and R are correct, but R is not the correct explanation of A. (C) A is correct, but R is incorrect. (D) A is incorrect, but R is correct	1
ANS	**(D) A is incorrect, but R is correct.** Explanation- **Accounting standards** are a set of rules and guidelines that are used to prepare financial statements. They provide guidance for the accounting process, which helps ensure the reliability of the information reported on these statements. The main objectives are to ensure that financial statements are accurate, reliable, and comparable	1
Q.3	Accounting standards in India are issued by A. Central govt B. State govt C. Institute of Chartered Accountants of India D. Reservation bank of India	1
ANS	**C. Institute of Chartered Accountants of India** Explanation- Accounting standards are those written statements, which are issued from time to time by the accounting professionals’ body, specifying uniform rules or practices for the preparation of the financial statements, issued by ICAI.	1
Q.4	As per revenue recognition principle, sales/revenues should be recognized at	1

	the time when? (a) Order is taken for merchandise (b) Ownership of goods gets transferred from the seller to the buyer (c) Cash is received (d) All of the above	
ANS	**(b) Ownership of goods gets transferred from the seller to the buyer** Explanation- As per this concept, revenue should be accounted for only when it is actually realized or it has become certain that the revenue will be realized.	1
Q.5	M/s Future Ltd. Has invested Rs. 10,000 in the shares of Relicam Industries Ltd. Current market value of these shares is Rs. 10,500. Accountant of Future Ltd. wants to show Rs. 10,500 as value of investment in the books of accounts, which accounting convention restricts him from doing so? (a) Full disclosure (b) Consistency (c) Conservatism (d) Materiality	1
ANS	**(c) Conservatism** Explanation- The essence of this principle is 'anticipate no profit and provide for all possible losses'. This means that all prospective losses are taken into consideration and profit should be ignored that's why Rs. 10,500 cannot be shown as value of investment. The value of investment will be shown as Rs. 10,000 as value can be shown at lower value of cost and market price	1
Q.6	Assertion: The financial statements fail to show real worth of the business. Reasoning: Assets are recorded at their market prices. (A) Both A and R are correct, and R is the correct explanation of A. (B) Both A and R are correct, but R is not the correct explanation of A. (C) A is correct, but R is incorrect. (D) A is incorrect, but R is correct	
ANS	**C) A is correct, but R is incorrect.** Explanation: Assets are recorded at their costs and not at their market prices according to Historical cost concept. Hence, financial statements fail to show real worth of the business.	
Q.7	The correct form of accounting equation is (a) Assets – Receivable = Equity (b) Assets + Receivable = Equity (c) Assets – Liabilities = Equity (d) Assets + Liabilities = Equity	1
ANS	**(c) Assets – Liabilities = Equity**	1

	Explanation- Accounting equation shows the relationship between the assets, liabilities and owner's capital of a person or business A=L+C Where A= assets L= liabilities C= capital	
Q.8	Consider the following statements with regard to the advantages of cash basis of Accounting: (i) It is simple as adjustments for outstanding expenses, prepaid expenses are not required. (ii) It is more objective as use of personal judgments and estimates are minimized. (iii) It is suitable for non-profit organizations and other organizations that mainly deal in cash transactions. Identify the correct statement/statements: (A) (i), (ii) and (iii) (B) (i) and (ii) (C) (i) only (D) (ii) and (iii)	1
ANS	(A) **(i), (ii) and (iii)** Explanation- Cash-basis accounting documents earnings when you receive them and expenses when you pay them. However, the accrual method accounts for earnings the moment they are owed to you and expenses the moment you owe them; it does not matter when your money enters or leaves your account.	1
Q.9	Consider the following statements with regard to the accounting treatment of various accounts: (i) Increase in asset is debited and decrease in asset is credited. (ii) Increase in expenses/losses is debited and decrease in expenses/ losses is credited. (iii) Increase in liabilities is credited and decrease in liabilities is debited. (iv) Increase in capital is credited and decrease in capital is debited. Identify the correct statement/statements: (A) (I) and (ii) (B) (ii) and (iii) (C) (i), (iii) and (iv) (D) (i), (ii), (iii) and (iv)	1
ANS	**(D) (i), (ii), (iii) and (iv)**	1

	Explanation- All accounts are divided into five categories for the purposes of recording the transactions (i) Asset (ii) Liability (iii) Capital (iv)Expenses/Losses (v) Revenues/Gains Two fundamental rules are the followed to record the changes in these accounts (i) For recording changes in Assets/Expenses (losses) (a) "Increase in asset is debited and decrease in asset is created." (b) " Increase in expenses/losses is debited and decrease in expenses/losses is credited." (ii) For recording changes in liabilities and Capital/Revenues (Gains) (a) " Increase in liabilities is created and decrease in liabilities is debited.' (b) " increase in capital is created and decreases in capital is debited.' (iii)" Increase in revenue/gain is credited and decrease in revenue /gain is debited."	
Q.10	Liabilities and assets amount to Rs. 50,000 and Rs. 78,000 respectively. The difference Amount shall represent _______. (a) Creditors Rs. 28,000 (b) Debentures Rs.1**,** 28,000 (c) Profit Rs. 28,000 (d) Capital Rs. 28,000	1
ANS	**(d)Capital Rs. 28,000** Explanation- Accounting equation shows the relationship between the assets, liabilities and owner's capital of a person or business A=L+C 78,000=50,000+C 78,000-50,000= Capital= 28,000	1