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

Q.1	Sumit has a computer business. He purchased computers costing Rs 1,80,000 and sold at a profit of 10%. He also sold his son's computer for Rs 5000 as it become obsolete. He gave a new laptop to his son from his business worth Rs 28,000. Which statement is incorrect in above case- (a) The revenue of sumit's business is Rs. 1,98,000 (b) The profit of the firm is Rs. 18,000 (c) Rs. 5,000 received from sale of computer is an income for business (d) The drawing for business is Rs. 28,000	1
ANS	(c) Rs. 5,000 received from sale of computer is an income for business Explanation- Amount received from sale of son's computer is not a business transaction hence will not be recorded in books of business	1
Q.2	Consider the following statements with respect to the advantages of double entry system: (i) It focuses where incomplete record of transactions are maintained. (ii) It is a scientific method of recording transactions. (iii) It establishes the arithmetical accuracy of recording transactions. (iv) It helps in preparing financial statements without delay. Identify the correct statement/statements: a) (i), (iii) and (iv) b) (i), (ii) and (iii) c) (ii), (iii) and (iv) d) (i), (ii), (iii) and (iv)	1
ANS	**(C) (ii), (iii) and (iv)** Explanation- As both the personal and impersonal accounts are maintained under the double entry system, both the effects of the transactions are recorded. It assures arithmetical accuracy of the books of accounts, for every debit, there is a corresponding and equal credit. Errors can be checked and rectified easily. Helps to justify the standing of business on the valuation date in comparison with the previous years' purchase, sales, and stocks, incomes, and expenses with that of the current year figures.	1

Q.3	Long term assets without any physical existence but, possessing a value are called A) Intangible assets B) Fixed assets C) Current assets D) Investments	1
ANS	**A) Intangible assets** Explanation- Intangible assets are non-physical assets that can't be seen or touched, and can't be categorized as financial or physical assets. They can be created or acquired by businesses and can increase in value over time	1
Q.4	Rent of Rs. 6,000 has been paid for one year. Beginning 1st July 2023. The financial year ends on 31st March 2024. It means paid in advance for 3 months. i.e. 1st April,2024 to 30th June 2024. What are these type of expenses called? (a) Outstanding Expenses (b) General Expenses (c) Prepaid Expenses (d) None of these	1
ANS	(c) Prepaid Expenses Explanation- The expenses that are paid in current year for next/ subsequent year , are called Prepaid Expenses. Prepaid Expense is a Representative Personal account and is shown as an Asset in balance-sheet.	1
Q.5	The person, firm, or institution who does not pay the price in cash for the goods purchased or the services received is called _______. (a) Creditor (b) Proprietor (c) Debtor (d) None of these	1
ANS	**(c) Debtor** Explanation- It refers to those persons to whom business has sold goods on credit and payment has not been received yet.	1
Q.6	Assertion: Only financial transactions are recorded in Accounting. Reasoning: Events or transactions, which can be expressed in terms of money, are recorded in the books of accounts.	1

	(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	B) Both A and R are correct, but R is not the correct explanation of A. Explanation: One of the important attributes of accounting is that only those transactions and events are recorded in accounting, which are of financial character. It means that events or transactions, which can be expressed in terms of money, are recorded in the books of accounts. Consequently, those events or transactions that cannot be expressed in terms of money, do not find a place in the books of accounts though they may be very useful for the business.	1
Q.7	Which accounting principle requires that life of a business be broken into smaller parts? (a) Conservation. (b) Matching (c) Accounting period (d) None of the above	1
ANS	**(c) Accounting period** Explanation- An accounting period is the interval of time, at the end of which the financial statements are prepared to ascertain the financial performance of business. The accounting period is normally considered to be a period of 12 months.	1
Q.8	Assertion: The financial statements do not reflect the true position of a business. Reasoning: Accounting information is sometimes based on estimates. (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	**(A) Both A and R are correct, and R is the correct explanation of A.** Explanation: Among other factors, accounting information is sometimes based on estimates. Hence, the financial statements do not reflect the true position of the business.	1

Q.9	Which accounting principle states that companies and owners should be treated as separate entities? (a) Monetary Unit Assumption (b) Business Entity Concept (c) Periodicity Assumption (d) Going Concern Concept	1
ANS	**(B)Business Entity Concept** Explanation- As per this concept, business organisations are treated as separate entities and owners and persons are separate entities.	1
Q.10	The primary qualities that make accounting information useful for decision-making are ________. (a) Relevance and freedom from bias (b) Reliability and comparability (c) Comparability and consistency (d) None of the above	
ANS	**(b) Reliability and comparability** Explanation- **Reliability:** It implies that information must be factual and verifiable. And free from errors. **Comparability:** It is a very useful quality of accounting information. Financial statements should contain previous year data so that it can be compared with current year so that current performance be compared with past performance.	