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Accountancy — Class 11

Chapter(s): Introduction to Accounting

Maximum Marks: 39

Time Allowed: 1 Hour 10 Minutes

Section A — MCQ & Assertion-Reason (1 mark each)

Q1. A firm purchased a high-speed printer for office work for ₹48,000. The same week, it also signed a 3-year supply contract with a government department (no money received/paid on signing). Which option correctly identifies what should be recorded in financial accounting at the time of occurrence? [1 mark]

- A) Record only the printer purchase because it is measurable in money; do not record the signing of the contract at that time.
- B) Record both events because both affect the firm's future cash flows.
- C) Record only the contract because it creates a long-term right; do not record the printer purchase until used.
- D) Do not record either event because accounting records only cash transactions.

Q2. A customer deposited ₹25,000 directly into the firm's bank account. The accountant got the bank message today, but the firm's cash book has not yet been updated. Which stage(s) of the accounting process is/are completed today if the accountant recognises it as a transaction but does not pass any entry? [1 mark]

- A) Identification only
- B) Identification and measurement
- C) Recording only
- D) Communication only

Q3. Which qualitative characteristic is most directly improved when a company uses the same reporting period and the same format of financial statements year after year, enabling trend analysis by investors? [1 mark]

- A) Reliability
- B) Relevance
- C) Comparability
- D) Faithfulness

Q4. A firm's monthly financial report is issued 45 days after month-end. Managers say it is less useful for controlling operations because corrective actions are delayed. Which sub-characteristic of relevance is primarily being violated? [1 mark]

- A) Timeliness
- B) Neutrality
- C) Verifiability
- D) Understandability

Q5. A trader bought chairs for ₹1,20,000 for resale and also bought office chairs for staff use for ₹60,000. Under the basic terms of accounting, how should these two purchases be classified? [1 mark]

- A) Both are goods because chairs are movable items.
- B) Resale chairs are goods; office chairs are an asset (furniture).
- C) Resale chairs are an expense; office chairs are goods.
- D) Both are assets because they will be sold later or used in business.

Q6. Assertion (A): Accounting is called an information system because it links economic activities with decision-makers by identifying, measuring, recording and communicating economic information.

Reason (R): Accounting information is generated only after the preparation of final accounts, so it does not influence decisions during the year. [1 mark]

- A) Both A and R are true and R is the correct explanation of A.
- B) Both A and R are true but R is not the correct explanation of A.
- C) A is true but R is false.
- D) A is false but R is true.

Q7. Assertion (A): Reliability of accounting information requires it to be free from error and bias and to faithfully represent what it is meant to represent.

Reason (R): Reliability is ensured when information has predictive value and is available in time to influence decisions. [1 mark]

- A) Both A and R are true and R is the correct explanation of A.
- B) Both A and R are true but R is not the correct explanation of A.
- C) A is true but R is false.
- D) A is false but R is true.

Q8. Assertion (A): Withdrawal of goods by the proprietor for personal use reduces the owner's equity.

Reason (R): Such withdrawal is treated as drawings and drawings reduce the investment of the owner in the business. [1 mark]

- A) Both A and R are true and R is the correct explanation of A.
- B) Both A and R are true but R is not the correct explanation of A.
- C) A is true but R is false.
- D) A is false but R is true.

Q9. Assertion (A): A business buying stationery for resale will treat it as 'goods', but another business buying stationery for office use will treat it as an expense.

Reason (R): 'Goods' refers only to items purchased for use in the business and not for resale. [1 mark]

- A) Both A and R are true and R is the correct explanation of A.
- B) Both A and R are true but R is not the correct explanation of A.
- C) A is true but R is false.
- D) A is false but R is true.

Q10. Assertion (A): Accounting does not record the value of human resources in financial accounts even though it may be important for management.

Reason (R): Measurement in accounting requires quantification in monetary terms; items that cannot be reliably quantified in money are not recorded in financial accounts. [1 mark]

- A) Both A and R are true and R is the correct explanation of A.
- B) Both A and R are true but R is not the correct explanation of A.
- C) A is true but R is false.
- D) A is false but R is true.

Section B — Very Short Answer (2 marks each)

Q11. A firm's monthly report was prepared with correct figures but presented using inconsistent headings and a different format than last month, confusing users. Identify (i) the qualitative characteristic mainly affected and (ii) one concrete step (in one line) to improve it. Answer in exactly 2 sentences, and include the term(s) precisely as used in accounting. [2 marks]

Q12. A trading firm has Opening Stock ₹1,50,000 and Closing Stock ₹2,10,000; due to a fire, goods worth ₹30,000 (at cost) were destroyed during the year and not insured. State whether this loss is an expense or an asset, and quantify the adjusted Closing Stock to be shown in financial position. Answer in exactly 2 sentences and include ₹ as unit. [2 marks]

Q13. From the following mini-data, classify each as Asset, Liability, Revenue, Expense, Gain, or Drawings: (a) Owner withdrew cash ₹12,000 for personal use; (b) Rent received ₹8,000; (c) Sold old equipment for ₹55,000 that cost ₹50,000. Answer in exactly 2 sentences and include ₹ as unit. [2 marks]

Section C — Short Answer (3 marks each)
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Q14. Prepare Journal entries (with narration) for the following transactions of [M] / [s] Arnav Traders for April 2026: (i) Started business with cash ₹3,00,000. (ii) Purchased

goods for cash ₹80,000. (iii) Purchased furniture for office use ₹35,000 on credit from [M] / [s] Decor Furnishers. (iv) Withdrew cash for personal use ₹12,000. Answer in exactly 3 numbered points: Point 1 = Journal for (i); Point 2 = Journal for (ii); Point 3 = combined Journal for (iii) and (iv). [3 marks]

Journal Entries in the Books of M/s Arnav Traders (April 2026)

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
2026 Apr 01	Cash A/c Dr.		3,00,000	
	To Capital A/c			3,00,000
	(Being business started with cash)			
2026 Apr 02	Purchases A/c Dr.		80,000	
	To Cash A/c			80,000
	(Being goods purchased for cash)			
2026 Apr 05	Furniture A/c Dr.		35,000	
	To M/s Decor Furnishers A/c			35,000
	(Being furniture purchased on credit)			
2026 Apr 10	Drawings A/c Dr.		12,000	
	To Cash A/c			12,000
	(Being cash withdrawn by proprietor for personal use)			
Total			4,27,000	4,27,000

Q15. Prepare a Bank Reconciliation Statement (BRS) as on 31 March 2026 starting from Cash Book balance. Cash Book shows a favourable (debit) bank balance of ₹25,000. (a) Cheques issued ₹8,000 not yet presented. (b) Cheques deposited ₹6,500 not yet collected. (c) Bank charges ₹200 debited by bank not yet recorded in Cash

Book. (d) Interest on deposits ₹1,000 credited by bank not yet recorded in Cash Book. Find the balance as per Pass Book. Answer in exactly 3 numbered points: Point 1 = rule summary (add/deduct); Point 2 = computation; Point 3 = final balance with ₹ and nature (favourable/overdraft). [3 marks]

Bank Reconciliation Statement as on 31 March 2026 (Starting with Cash Book Balance)

Particulars	Amount (₹)
Balance as per Cash Book (favourable)	25,000
Add: Cheques issued but not presented	8,000
Add: Interest credited by bank	1,000
Less: Cheques deposited but not yet collected	6,500
Less: Bank charges debited by bank	200
Balance as per Pass Book (favourable)	27,300

Q16. From the following balances as at 31 March 2026, prepare a Balance Sheet (T-format): Capital ₹5,00,000; Cash ₹1,20,000; Furniture ₹80,000; Closing Stock ₹2,10,000; Creditors ₹30,000; Debtors ₹2,20,000. If the Balance Sheet does not tally, compute the missing figure and show it explicitly as the balancing figure under the correct head. Answer in exactly 3 numbered points: Point 1 = totals of assets; Point 2 = totals of liabilities; Point 3 = Balance Sheet table with totals. [3 marks]

Balance Sheet as at 31 March 2026

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital	5,00,000	Cash	1,20,000
Creditors	30,000	Furniture	80,000
Loan/Outstanding Liability (Balancing Figure)	1,00,000	Closing Stock	2,10,000
		Debtors	2,20,000
Total	6,30,000	Total	6,30,000

Section D — Long Answer (5 marks each)

Q17. A start-up founder claims: "Accounting is basically book-keeping; once entries are recorded, decision-making is the manager's job, not accounting's." Evaluate this claim strictly from the chapter perspective by writing an answer in the following structure: Introduction (1 sentence) + 5 numbered headed points (2 sentences each) + Conclusion (1 sentence). Your points must (a) separate 'book-keeping' style recording from the full accounting process, (b) use the 'accounting as an information system' idea, (c) link identification-measurement-recording-communication to users' decisions, and (d) cite at least one limitation mentioned/implicit in the chapter. [5 marks]

Q18. You are asked to design an 'accounting information note' for a bank loan committee and the business owner of the same enterprise, using only the chapter ideas. Given the following summary figures for the year ended 31 March 2026: Total revenue = ₹ 8,75,000; Total expenses = ₹ 7,96,000. Assets as at 31 March 2026: Cash and cash equivalents ₹ 1,10,000; Trade receivables ₹ 1,65,000; Inventories ₹ 1,25,000; Non-current assets ₹ 4,00,000. Liabilities as at 31 March 2026: Trade payables ₹ 1,20,000; Short-term borrowings ₹ 60,000; Long-term borrowings ₹ 2,10,000. Required: In the required long-answer structure (Intro + 5 numbered headed points + conclusion), (a) compute profit/loss for the year in ₹, (b) compute capital (owner's claim) as at 31 March 2026 in ₹ by using the accounting equation approach, and (c) explain-by relating to qualitative characteristics-how the same figures become 'decision useful' differently for the owner (return/health) and the bank (liquidity/creditworthiness). Write all computations step-wise and include ₹ as the unit. [5 marks]

Section E — Case Study (4 marks each)

Q19. Read the following passage and answer the questions that follow: [4 marks]

[M] / [s] NovaKart is a small online seller. During May 2026, the founder kept detailed notes of events but was unsure what should enter the financial books. The following happened: (a) NovaKart sold goods for ₹ 2,40,000, of which ₹ 1,50,000 was received immediately and ₹ 90,000 was on credit. (b) It purchased packaging material for ₹ 35,000 cash. (c) A customer emailed appreciation saying the service quality is "excellent". (d) The platform automatically charged service fees of ₹ 12,000 and deducted it from NovaKart's online collections, informing NovaKart after 10 days. (e) The founder withdrew goods costing ₹ 8,000 for personal use. (f) A bank manager asked for information to judge whether NovaKart can repay a short-term loan within the next 3 months.

The accountant must decide what to record, how to measure it, and how to communicate it so that both internal and external users can make informed decisions.

(i) Identify any TWO items from (a)-(e) that should NOT be recorded in financial accounts for May 2026 and give one reason for each based on identification/measurement. (1 mark)

(ii) Compute the amount of Trade receivables arising in May 2026 and state the unit. (1 mark)

(iii) For the bank manager's 3-month loan decision in (f), state TWO specific pieces of accounting information from the passage that are relevant, and justify each in one sentence by linking to a user need/qualitative characteristic. (2 marks)

Accountancy — Class 11
Chapter(s): Introduction to Accounting

Section A — MCQ & Assertion-Reason (1 mark each)

A1.

Answer:

Correct option: (A)

Record only the printer purchase because it is measurable in money; do not record the signing of the contract at that time.

Explanation:

Accounting records events that can be identified and measured in monetary terms; purchase of printer is a monetary transaction of financial character. A contract signing without monetary measurement/transaction at that time is not recorded in financial accounts. Hence, option (A) is correct.

A2.

Answer:

Correct option: (B)

Identification and measurement

Explanation:

Recognising the direct deposit as a business transaction completes identification, and ₹25,000 provides monetary measurement. Since no entry is passed, recording is not completed, and communication via reports is also not completed. Hence, option (B) is correct.

A3.

Answer:

Correct option: (C)

Comparability

Explanation:

Using a common period and common format across time allows users to compare an entity's performance and position over different periods, which is comparability. This is distinct from relevance (timeliness/predictive value) and reliability

(verifiable/neutral/faithful). Hence, option (C) is correct.

A4.

Answer:

Correct option: (A)

Timeliness

Explanation:

Relevance requires information to be available in time to influence decisions; a 45-day delay reduces its ability to support control and corrective action. Neutrality and verifiability relate to reliability, while understandability relates to presentation. Hence, option (A) is correct.

A5.

Answer:

Correct option: (B)

Resale chairs are goods; office chairs are an asset (furniture).

Explanation:

'Goods' refers to items in which the business deals for buying and selling; chairs meant for resale are goods for a trader. Chairs purchased for use in business operations are furniture (an asset) and not treated as goods. Hence, option (B) is correct.

A6.

Answer:

Correct option: (C)

A is true but R is false.

Explanation:

The assertion is true because accounting is defined as a process that identifies, measures, records and communicates economic information to users for decisions. The reason is false because information is generated at every step (e.g., daily/weekly/monthly reports) and can influence decisions during the year, not only after final accounts. Hence, option (C) is correct.

A7.

Answer:

Correct option: (C)

A is true but R is false.

Explanation:

The assertion correctly states reliability attributes: error-free, unbiased, and faithful representation (also linked to verifiability and neutrality). The reason describes relevance (predictive value and timeliness), not reliability, so it is false as an explanation of reliability. Hence, option (C) is correct.

A8.

Answer:

Correct option: (A)

Both A and R are true and R is the correct explanation of A.

Explanation:

Drawings are defined as withdrawal of money and/or goods by the owner for personal use, and they reduce the investment of the owners. Therefore, the assertion that owner's equity decreases is true, and the reason correctly explains why. Hence, option (A) is correct.

A9.

Answer:

Correct option: (C)

A is true but R is false.

Explanation:

The assertion is true because classification of 'goods' depends on the nature of business: items dealt in for sale are goods, otherwise they may be expense/asset. The reason is false because goods are items in which the business deals for buying and selling; items purchased for use are not called goods. Hence, option (C) is correct.

A10.

Answer:

Correct option: (A)

Both A and R are true and R is the correct explanation of A.

Explanation:

Human resources and policy changes may be important but are not recorded in financial accounts due to the monetary measurement requirement. The reason correctly explains that unless an event can be quantified in monetary terms, it is not considered for recording in financial accounts. Hence, option (A) is correct.

Section B — Very Short Answer (2 marks each)

A11.

Answer:

The qualitative characteristic mainly affected is Understandability (and it also weakens Comparability across months due to format change). One concrete step is to use a common unit of measurement and a consistent reporting format/standard headings each month so the message is interpreted in the same sense by users.

A12.

Answer:

Goods destroyed by fire is a Loss (expense without benefit) and not an asset because the business receives no future benefit from those goods. Adjusted Closing Stock = ₹2,10,000 - ₹30,000 = ₹1,80,000 to be shown as stock in hand in the financial position.

A13.

(b) Rent received ₹8,000;

Answer:

₹8,000 is Revenue (rent received);

(c) Sold old equipment for ₹55,000 that cost ₹50,000. Answer in exactly 2 sentences and include ₹ as unit.

Answer:

Difference of ₹5,000 (₹55,000 - ₹50,000) is a Gain on sale of fixed asset. Verification: ₹55,000 - ₹50,000 = ₹5,000, and gain is incidental profit while drawings reduce owner's investment.

Section C — Short Answer (3 marks each)
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A14.

Answer:

Journal Entries in the Books of M/s Arnav Traders (April 2026) — Answer Key

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
2026 Apr 01	Cash A/c Dr.		3,00,000	
	To Capital A/c			3,00,000
	(Being business started with cash)			
2026 Apr 02	Purchases A/c Dr.		80,000	

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
	To Cash A/c			80,000
	(Being goods purchased for cash)			
2026 Apr 05	Furniture A/c Dr.		35,000	
	To M/s Decor Furnishers A/c			35,000
	(Being furniture purchased on credit)			
2026 Apr 10	Drawings A/c Dr.		12,000	
	To Cash A/c			12,000
	(Being cash withdrawn by proprietor for personal use)			
Total			4,27,000	4,27,000

L.F. left blank as ledger folios are not provided in the question.

1. (i) Capital introduced:

Cash A/c Dr. ₹3,00,000

To Capital A/c ₹3,00,000

(Being business started with cash)

2. (ii) Cash purchase of goods:

Purchases A/c Dr. ₹80,000

To Cash A/c ₹80,000

(Being goods purchased for cash)

3. (iii) Credit purchase of furniture and (iv) drawings:

Furniture A/c Dr. ₹35,000

To M/s Decor Furnishers A/c ₹35,000

(Being furniture purchased on credit)

Drawings A/c Dr. ₹12,000

To Cash A/c ₹12,000

(Being cash withdrawn by proprietor for personal use)

A15.

Answer:

Bank Reconciliation Statement as on 31 March 2026 (Starting with Cash Book Balance) — Answer Key

Particulars	Amount (₹)
Balance as per Cash Book (favourable)	25,000
Add: Cheques issued but not presented	8,000
Add: Interest credited by bank	1,000
Less: Cheques deposited but not yet collected	6,500
Less: Bank charges debited by bank	200
Balance as per Pass Book (favourable)	27,300

Sign convention: favourable Cash Book bank balance is a debit balance; corresponding Pass Book balance is credit/favourable.

1. Starting from Cash Book (debit/favourable): Add items that increase Pass Book vs Cash Book (cheques issued not presented; bank interest credited) and deduct items that decrease Pass Book vs Cash Book (cheques deposited not collected; bank charges debited).
2. Balance as per Pass Book = ₹25,000 + ₹8,000 + ₹1,000 - ₹6,500 - ₹200 = ₹27,300.
3. Balance as per Pass Book is ₹27,300 favourable (credit balance in Pass Book corresponding to debit balance in Cash Book).

A16.

Answer:

Balance Sheet as at 31 March 2026 — Answer Key

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital	5,00,000	Cash	1,20,000
Creditors	30,000	Furniture	80,000
Loan/Outstanding Liability (Balancing Figure)	1,00,000	Closing Stock	2,10,000

Liabilities	Amount (₹)	Assets	Amount (₹)
		Debtors	2,20,000
Total	6,30,000	Total	6,30,000

Balancing figure shown explicitly because provided balances do not satisfy equality otherwise.

1. Total of

Given: assets = Cash ₹1,20,000 + Furniture ₹80,000 + Closing Stock ₹2,10,000 + Debtors ₹2,20,000 = ₹6,30,000.

2. Total of

Given: liabilities = Capital ₹5,00,000 + Creditors ₹30,000 = ₹5,30,000, so missing liability/capital = ₹6,30,000 - ₹5,30,000 = ₹1,00,000 (Balancing Figure).

3. Balance Sheet prepared by adding 'Outstanding Liability/Loan (Balancing Figure)' ₹1,00,000 on liabilities side to make totals equal at ₹6,30,000.

Balance Sheet depicts financial position by listing assets (resources) and liabilities/capital (claims) and must satisfy the accounting equation so both sides match. Verification step: assets computed as ₹6,30,000 and liabilities+capital computed as ₹5,30,000, so adding a balancing figure of ₹1,00,000 makes ₹5,30,000 + ₹1,00,000 = ₹6,30,000. The balancing figure represents an unlisted claim (e.g., loan/outstanding liability) needed for arithmetical equality.

Section D — Long Answer (5 marks each)

A17.

Answer:

Accounting is broader than book-keeping because it is a complete information process that supports economic decisions by different user groups.

1. Meaning vs. narrow recording: Book-keeping mainly covers recording transactions, but accounting also includes identifying, measuring, classifying, summarising and interpreting results. Therefore, treating accounting as only "entries in books" ignores the purpose of converting data into useful information.

2. Accounting as an information system: The chapter presents accounting as a system that links economic activities with decision-makers through communication of reports. Hence, accounting is not a back-office ritual; it is a structured channel that enables decisions by management and outsiders.

3. Identification and measurement are decision filters: Identification decides what events are financial and should be recorded (e.g., sales, purchases), while excluding non-monetary items (e.g., changes in managerial policy). Measurement converts selected events into ₹ terms, making them comparable and analysable.

4. Communication completes the cycle: Recording alone does not help users until information is summarised and communicated via reports (daily/weekly/monthly etc.) to the right person at the right time. This communication supports planning, control, evaluation and informed judgments by internal and external users.

5. Users and objectives show decision orientation: Objectives include maintaining records, calculating profit/loss, depicting financial position and providing information to users such as investors, lenders, regulators and managers. Each group uses accounting outputs to decide on return, liquidity/solvency, compliance and resource allocation.

In

Conclusion: , accounting cannot be reduced to book-keeping because its core role is to generate and communicate reliable, relevant and understandable information for decision-making, while recognising that it is mainly past, monetary and financial in nature.

A18.

Answer:

Accounting converts summary data into decision-useful information by computing results and presenting them reliably and relevantly to different users.

1. Profit/Loss computation (₹):

Formula: Profit = Total revenue - Total expenses.

Substitution: ₹ 8,75,000 - ₹ 7,96,000 = ₹ 79,000, so the enterprise earned Profit = ₹ 79,000.

2. Total assets computation (₹):

Formula: Total Assets = Cash + Trade receivables + Inventories + Non-current assets.

Substitution: ₹ 1,10,000 + ₹ 1,65,000 + ₹ 1,25,000 + ₹ 4,00,000 = ₹ 8,00,000, so Total Assets = ₹ 8,00,000.

3. Total liabilities computation (₹):

Formula: Total Liabilities = Trade payables + Short-term borrowings + Long-term borrowings.

Substitution: ₹ 1,20,000 + ₹ 60,000 + ₹ 2,10,000 = ₹ 3,90,000, so Total Liabilities = ₹

3,90,000.

4. Capital (owner's claim) via accounting equation (₹): Accounting equation: Assets = Liabilities + Capital, so Capital = Assets - Liabilities.

Substitution: ₹ 8,00,000 - ₹ 3,90,000 = ₹ 4,10,000, hence Capital as at 31 March 2026 = ₹ 4,10,000.

5. Decision usefulness for owner vs bank (qualitative characteristics): For the owner, profit ₹ 79,000 and capital ₹ 4,10,000 help assess return and financial health, so relevance (predictive/feedback value) is critical. For the bank, emphasis shifts to liquidity/ability to repay, so reliability (verifiable, neutral, faithful) and comparability across periods/entities make the same numbers credible for creditworthiness judgments.

In

Conclusion: , the computed profit and capital in ₹ become meaningful only when communicated as relevant, reliable, understandable and comparable information tailored to the user's decision context.

Section E — Case Study (4 marks each)
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A19.

(i) Identify any TWO items from (a)-(e) that should NOT be recorded in financial accounts for May 2026 and give one reason for each based on identification/measurement.

Answer:

Item (c) customer appreciation is not recorded because it is qualitative and not measurable in monetary terms (fails measurement). Also, the statement "service quality is excellent" is not a transaction/event of financial character to be recorded in books (fails identification).

(ii) Compute the amount of Trade receivables arising in May 2026 and state the unit.

Answer:

Trade receivables = Credit sales = ₹ 90,000.

(iii) For the bank manager's 3-month loan decision in (f), state TWO specific pieces of accounting information from the passage that are relevant, and justify each in one sentence by linking to a user need/qualitative characteristic.

Answer:

1) Credit sales creating receivables of ₹ 90,000 are relevant because they indicate expected near-term cash inflows, supporting liquidity assessment (relevance: predictive value).

2) Platform service fee expense of ₹ 12,000 is relevant because it reduces net collections/cash available to repay the loan, and reporting it promptly improves timeliness for the lender's decision (relevance: timeliness).