

ACCOUNTANCY

Chapter 4: Recording of Transactions – II



Important Questions

Multiple Choice Questions-

Q1. Which account will be debited in case Life insurance premium is paid by proprietor from business cash?

- (a) Drawings A/c
- (b) Capital A/c
- (c) Insurance A/c
- (d) Cash A/c

Q2. While passing an opening entry, all the assets are while all the liabilities are

- (a) Debited , credited
- (b) Credited, Credited
- (c) None of the options
- (d) Credited, Debited

Q3. Which account will be debited in case wages are paid for installation of machinery?

- (a) Machinery A/c
- (b) Installation A/c
- (c) Wages A/c
- (d) Cash A/c

Q4. What are total number of subsidiary books available to record financial transactions?

- (a) 8
- (b) 7
- (c) 6
- (d) 12

Q5. Name the transaction that is recorded in both sides of Cash book simultaneously.

- (a) Contra Entry
- (b) Dual entry
- (c) Double entry
- (d) Single entry

Q6. All the indirect expenses are closed to

- (a) Profit and loss A/c
- (b) Cash Flow Statement

(c) Balance sheet

(d) Trading A/c

Q7. The Sales Return Book always has balance

(a) Debit

(b) Either debit or credit

(c) Credit

(d) None of the options

Q8. Journal proper includes entries related to

(a) Sale of asset on credit

(b) Sale of asset for cash

(c) Sale of goods for cash

(d) Sale of goods on credit

Q9. Purchase of machinery on credit is recorded in

(a) Journal proper

(b) Sales Book

(c) Cash book

(d) Purchase book

Q10. Income tax is treated as-

(a) Business Expense

(b) Direct Expense

(c) Personal Expense

(d) Indirect Expense.

Very Short-

1. Define day book in the process of recording transaction.

2. Which special purpose book records all type of cash receipt and cash payment.

3. What type of transactions does double column cash book records?

Short Questions-

1. Discuss all types of special purpose book or day book.

2. Differentiate between single and double column cash book.

3. Give names of four types of crossed cheques.

4. What is a purchase book.

5. What is the need of contra entry?

Long Questions-

1. What are the advantages of maintaining a petty cash book?
2. What do understand by petty cash book?
3. What do you mean by balancing of cash book?
4. Define the types of cash book. Explain

Case Study Based Question-

1. Read the following hypothetical text and answer the given questions: -

INCA Ltd. a manufacturing company has now expanded its operations. Its sales are increasing rapidly and the demand for its products is also rising. It is expanding geographically to different states. Initially when the operations were small, its accountant Mr.Dheeraj maintained only a journal. But as the business expands and the number of transactions becomes large, it become cumbersome to journalise each transaction. So now a need is felt to prepare special journals or subsidiary books. So accordingly, Mr. Dheeraj instructs his subordinates to prepare various subsidiary books.

Question:

1. If INCA Ltd. purchased furniture of ₹ 40,000 on credit, Mr. Dheeraj will record this transaction in:
 - (a) purchase book
 - (b) cash book
 - (c) journal proper
 - (d) None of the above
2. What reason will be a cash book prepared for?
 - (a) To record all cash receipts and cash payments
 - (b) To record cash purchases of merchandise
 - (c) To record cash sales
 - (d) None of the above
3. Which of the following about the purchase book is correct?
 - (a) It records purchases of all types
 - (b) It records all credit purchases of the goods, the enterprise deals in
 - (c) It records all cash purchases of the goods, the enterprise deals in
 - (d) None of the above
4. What will be the advantage of preparing these subsidiary books?
 - (a) Quick, efficient and accurate recording of business transactions

- (b) Time consuming
- (c) They prove economical and make division of labour possible in accounting work
- (d) Both (a) and (c)

5. Sales book does not record cash sales of merchandise.

- (a) True
- (b) False
- (c) Can't say
- (d) Partially true

2. Read the following hypothetical text and answer the given questions: -

Karim & Co., a saree dealer has the following transactions for the month of January.

Jan 4:	Returned to Mohan Mills, Kerala, 10 polyester sarees @ ₹ 1,600 each. (-) Trade discount @ 10% (Debit note no. 101).
Jan 8:	Srimala Mills, Kota accepted the returns of goods (which were purchased for cash) from us, 8 Kota sarees @ ₹ 640 each (Debit note no. 102).
Jan 12:	Returned to Sonica Mills, Bombay, 12 silk sarees @ ₹ 1,040 each. (-) Trade discount @ 10% (Debit note no. 103).
Jan 30:	Returned one typewriter (being defective) @ ₹ 7,200 to Vishaka & Co.

Question:

1. Which of the following statements regarding a debit note is correct?
 - (a) A debit note is a source document that is prepared when goods are returned to a supplier.
 - (b) On finding that goods supplied are not as per the terms of the order placed, the defective goods are returned to the supplier of the goods and a note is prepared to debit the supplier.
 - (c) When an additional sum is recoverable from a customer, such a note is prepared to debit the customer with the additional dues.
 - (d) All of the above
2. In which of the following books, will the return of Kota Sarees on 8th January be recorded?
 - (a) Purchase returns book
 - (b) Journal
 - (c) Cash book
 - (d) None of the above

3. In which of the following books, will the return of typewriter on 30th January be recorded?
 - (a) Purchase returns book
 - (b) Journal proper
 - (c) Cash book
 - (d) None of the above
4. What will the total amount recorded in the purchase returns book relating to the returns to Mohan Mills on 4th January?
 - (a) ₹ 16,000
 - (b) ₹ 14,400
 - (c) ₹ 17,600
 - (d) None of these
5. What will be the total amount reflected in purchase returns book as on 31st January?
 - (a) ₹ 25,632
 - (b) ₹ 14,400
 - (c) ₹ 11,232
 - (d) ₹ 28,480

MCQ Answers-

1. Answer: Drawings A/c
2. Answer: (a) Debited , credited
3. Answer: (a) Machinery A/c
4. Answer: (a) 8
5. Answer: (a) Contra Entry
6. Answer: (a) Profit and loss A/c
7. Answer: (a) Debit
8. Answer: (a) Sale of asset on credit
9. Answer: (a) Journal proper
10. Answer: (d) Indirect Expense.

Very Short Answers-

1. Ans. The day book contains all of the many types of transactions that are recorded in different books that are kept by the accountant.
2. Ans: The cash book is a special purpose book that keeps track of all types of cash receipts and payments.

3. Ans. Only cash and bank transactions are recorded in the double column cash book.

Short Answers-

1. Ans. The following are the special purpose books or special diaries that accountants keep

- Purchase book
- Sales return book(Return inwards)
- Journal paper
- Purchase return book (Return outwards)
- Sales book
- Cash book

2. Ans. The difference between single column cash book and double column cash book are as follow:

Single Column Cash Book	Double Column Cash Book
Only one amount column is prepared.	Two columns are prepared.
Transactions are recorded in chronological order.	Transactions need not to be recorded in chronological manner.

4. Ans. There are four different types of crossed checks:

Parallel crossed cheques

- Crossed cheques with company name
- Crossed cheques not negotiable
- Crossed cheques with bank name

5. It's a book that keeps track of all transactions involving the purchase of goods or services, whether cash or credit. It records all the operations purchases along with the discounts received treatments from the suppliers.

6. Ans. Contra entry refers to a single transaction that is entered on both sides of the cash book. A contra entry is required to to offset receivables and payables between 2 non identical legal entities/subsidiary of a firm so that one final amount remains used in intercompany netting.

Long Answers-

1. The following are some of the benefits of keeping a petty cash book:

i. The time of the chief cashier is spared because these small transactions are too

enormous for a single cashier to handle, thus a petty cashier is hired.

ii. Because the task is split between the chief cashier and the petty cashier, both of them are responsible for the proper distribution of petty cash and big sums.

iii. It is easier to handle such tiny transactions separately if you keep a separate cash book for them. Bulkiness is avoided, and the situation is more managed.

iv. It simplifies the production of the main cash book by reducing the number of small cash transactions.

v. It accurately and systematically tracks all of the business's minor costs and gives information immediately when needed.

2. Answer: Small transactions, such as postage, conveyance, cartage expenditures, and other expenses, are common in large corporations. Because all of these transactions are typically repetitious, the cashier is unable to record them in the main cash book. As a result, these transactions are kept in a separate book called the petty cash book.

As a result, the cashier keeps a petty cash book to keep track of these recurrent transactions in one area. Because the volume of small transactions is too much for a single cashier to handle, a petty cashier is hired.

3. Answer: All cash transactions relating to cash receipts and cash payments are recorded date-wise when they are recorded in cash books. When a cash book is kept, there is no need to open a separate cash book in the ledger. Because cash revenues cannot be less than cash payments, there is always a debit balance in the cash book.

The principal document for cash receipts is essentially a duplicate copy of the receipt that the cashier issues. Any invoice, bill, or other document used to make payments will be regarded as the source or principal document for documenting transactions.

4. Answer : There are four different kinds of cash books, They are explained below:

i. Single-column cash book: Each debit and credit side contains a single amount column.

ii. Double column cash book: On both the debit and credit sides, it has two columns of amounts.

iii. Three-column cash book: On both the debit and credit sides, it has three columns of amounts. One column is for cash, another is for discounts, and a third is for bank transactions.

iv. A nice cash book: Large corporations have a lot of little transactions. As a result, all little transactions are grouped together to produce a nice cash book.

Case Study Answer-

1. Answer:

1. (c) journal proper

2. (a) To record all cash receipts and cash payments

3. (b) It records all credit purchases of the goods, the enterprise deals in

4. (d) Both (a) and (c)

5. (a) True

2. Answer:

1. (d) All of the above

2. (c) Cash book

3. (b) Journal proper

4. (b) ₹ 14,400

5. (a) ₹ 25,632



Swotters