

CHAPTER 5

Every alternative has been answered for you benefit. You are expected to go through the answers & solve the alternate answers. This will help you to have a clear understanding of the concepts mentioned in this chapter.

Multiple Choice Questions

1. (c) and (f)
2. -----
3. (b)
4. -----
5. (c)
6. (a), (b), and (c)
7. -----
8. (a)
9. -----
10. (a)
11. -----
12. (c)
13. -----
14. (d)
15. -----
16. (d)
17. (a), (c) and (d)
18. -----

19. -----

20. (b)

21. -----

22. (d)

23. -----

24. (a)

25. -----

26. (c)

27. -----

28. (d)

29. -----

CHAPTER 5
Exercise

1. Generally through journal entries & posting them into ledger, produces either credit or debit balance. But some of the postings have been made wrongly. So, trial balance is not matched. You should have the concepts of credit balance & debit balance before solving this exercise. Classify these items based on your understanding & come up with a tallied trial balance. The solution has been provided for your convenience.

Trial Balance Exercise

Accounts	Debits (in Rs.)	Credits (in Rs.)
Cash	7,500	
Salaries Payable		900
Taxes Payable		3,000
Accounts Receivable	16,500	
Inventory	21,000	
Capital Stock		60,000
Long-term Debt		34,000
Land	6,000	
Buildings (net)	60,000	
Other Assets	2,000	
Accounts Payable		7,000
Dividends Payable		2,500
Retained Earnings		-17,400
Totals	84,500	84,500

2. Match The Following

- a. V
- b. -----
- c. IV
- d. -----
- e. II

3. Uday Consultancy Services

This question will help you to understand how an entrepreneur maintains his/her books of accounts to come up with financial statements. The scale may be different, but the basic principle is one or the same. Make the necessary journal entries (based on the way you have learned in this chapter), post them into ledger & come up with necessary financial statements.

CHAPTER 5

Review Questions

All of these questions are very easy & it requires basic understanding on journal entries, posting them into ledger & come up with trial balance. Reader should remember, balancing the trial balance is half way winning the battle. From trial balance, you will get a tallied balance sheet if you know the items relevant for profit & loss account and balance sheet. Moreover you should carry the profit/loss from P&L a/c to the liability side of the balance sheet.

All of these exercises is similar in nature which require you to make the current journal entries. 3 out of these 8 cases have been solved for better understanding & having introspection on your concepts.

Please refer the FAM_Chap5_Exercise_Solution.RR.xls for working & complete solution of these 8 review questions. The sheets in the excel file have been named as follows:

1. Debjit
- 2.
- 3.
4. Peddamma
- 5.
- 6.
7. Zareen Tech
- 8.

Just like eating habits differ similarly there can be different ways of solving problems also. Hence, we are also attaching a solution prepared by a FCA for the **Ani Initiatives** (solved problem in the chapter). This will help you to understand the approach taken to solve these problems in a different style and format. Please note that the solution will not change (since the basic principles remain same).