SUGGESTED SOLUTION

FYJC 2020

SUBJECT- BOOK KEEPING AND ACCOUNTANCY

Test Code - FYJ 6078

BRANCH - () (Date :)

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ANSWER : 1

(1) **Capital :** The total amount invested into the business by the owner is called capital. Excess of assets over the liabilities is also called as capital. The equation for this is :

Capital = Assets – Liabilities

Capital is a liability of the business as this amount is payable by the business enterprise to the owner at the time of closure of the business. **(01)**

(2) **Goodwill :** Goodwill may be described as the aggregate of those intangible attributes of a business which contributes to its superior earning capacity over a normal return on investment. It may arise from such attributes as favourable locations, the ability and skill of its employees and management, quality of its products and services, customer satisfaction etc.

- Goodwill is the reputation of business expressed in terms of money.
- Goodwill is an intangible asset **(01)**

(3) **Contingent Liabilities :** A liability which may arise in future depends on happening or non – happening of certain event is called as contingent liability. As it is not confirmed or perfect liability, it does not affect the financial position of the business and therefore, it is not shown on the liability side of the Balance Sheet. But it is shown by way of foot not to Balance Sheet simply as information.

e.g. A worker makes a claim for compensation of Rs. 5,000/- against the business and the decision is pending in the court. It may be a future liability for business on happening of an event i.e. "Court verdict". **(01)**

(4) **Book – Keeping :** In simple words, the 'Book – keeping' means recording of the business transactions in the books of accounts in a systematic way. All the monetary transactions are recorded date wise for accurate business results from such records at the end of accounting year.

Book – keeping is an art or science of systematic recording, classifying and summarizing the financial transactions of business for a particular period, generally one year. **(01)**

(5)

Goods : the term 'goods' refers to merchandise, commodities, articles or things in which a trader trades. These are purchased or manufactured for the purpose of sale and to earn profit.

e.g. (i) Medicines are goods for the chemist.
(ii) Vegetables are goods for the vegetable vendor.
(iii) Parts like tyres, engine gearbox, cables are produced by a vehicle manufacturer like Bajaj Auto, Hero Motors.

(01)

(6) **Drawings :** The amount of cash or value of goods, assets, etc. withdrawn from the business by the owner for personal use called as drawings.
E.g. : A proprietor pays colleges fees of his son, or pays for his medical expenses, mobile bills etc., for the business.

(01)

(7) **Net Worth or Owners Equity or Capital :** The amount or funds provided by the proprietor in the business is called as “Capital” as well as the excess of assets over liabilities of the business is also known as “Capital” or “Net Worth”. Net worth includes Capital and Reserves. Capital can be in the form of cash or in kind.

(01)

(8) **Fictitious Assets :** These assets are not represented by tangible possession or property. They are imaginary assets but do not have any realizable value. e.g. Deferred revenue expense like advertisement paid for 4 years.

(01)

(9) **Solvent :** If a person’s assets are more than his liabilities, or equal to his liabilities, he is called as a solvent person. Solvent person is financially sound and is in a position to pay off all his debts.

(01)

(10) **Trade Discount :** If is an allowance given on catalogue price or list price of goods. The discount is allowed at the time of purchase/ sale of goods. Value of goods purchased / sold recorded is net value payable i.e. after deduction of amount of trade discount allowed. If goods of Rs. 1000/- are sold at 5% trade discount, the value of goods that will be recorded will be Rs. 950/- both by the purchaser and the seller and not Rs. 1000/-. Hence, trade discount does not appear in the books of accounts separately.

(01)

(11) **Capital Expenditure:** This expenditure is incurred to acquire fixed asset or to increase the value of fixed asset. It gives the benefit for a long period of time and it is non – recurring in nature.

(01)

(12) **Bad Debts :** An irrecoverable amount from a debtor is known as “Bad Debts”. It is a revenue loss to the business.

(01)

(13) **Non monetary transactions** :The transaction whixh does not involve an exchange of money or money’s worth directly or indirectly are called Non monetary transactions.

(01)

ANSWER : 2 **(09)**

1. Capital
2. Loss
3. Current assets
4. Creditor
5. Solvent
6. Transaction
7. Trade discount
8. Income
9. Deferred revenue expenditure

ANSWER : 3 **(06)**

1. D
2. A
3. C
4. A
5. B
6. A

ANSWER : 4 **(07)**

1. True
2. False
3. True
4. False
5. True
6. False
7. True