



**CHUMEY HIGHER SECONDARY SCHOOL
CHUMEY: BUMTHANG
ANNUAL EXAMINATION, 2022**



Class: XI B & E

Time: 3 hours

Subject: Accountancy

Full marks: 100

Index No.....

*(The first 15 minutes of the examination is for reading the paper only. You must **Not** start writing during this time*

*Answer question 1 (compulsory) from SECTION A and **FIVE** questions from SECTION B.*

The intended marks for questions are given in []

SECTION A [50marks]

Attempt all the questions

Question 1

For each question there are four alternatives: A, B, C and D. Choose the correct alternative. Do not choose more than ONE alternative. [20 x 1=20]

- i. Petty cash system is designed
- A. to meet the needs of small business.
 - B. to cover small and miscellaneous income.
 - C. to cover the small expenditure to be paid in cash.
 - D. to cover both small incomes and expenditures.

- ii. The correct journal entry for purchase return to Mr. Pema is:

- A. Cash – Debit ; purchase – Credit
- B. Pema – Debit; purchase – Credit
- C. Pema – Debit ; purchase return – Credit
- D. Purchase return– Debit; Pema – Credit

- iii. Which of the following is the first step in accounting?
- A. Communicating to the interested parties.
 - B. Analyzing the transaction.
 - C. Measurement of transaction.
 - D. Identification and recording of financial transaction and events.
-

- iv. Which of the following is **NOT** the business transaction?
- A. Purchases inventories Nu.4000
 - B. Sold inventories Nu.2500 on credit
 - C. Purchase a car of Nu. 250,000 for his son.
 - D. Paid rent and salaries Nu.2000 and Nu. 12000 respectively
-

- v. XYZ company has donated Nu. 5000 in December 2020 for renovation of Lhakhang. In which year, should this be matched with income earned?
- A. 2019
 - B. 2020
 - C. 2021
 - D. 2022
-

- vi. Which of the following measures of accounting provides more relevant information on assets and liabilities of a business?
- A. Historical cost
 - B. Present value
 - C. Current cost
 - D. Net realizable value
-

- vii. The most important assumption we use when preparing financial statements of a business entity is
- A. Separate entity
 - B. Matching
 - C. Going concern
 - D. Money measurement
-

viii. A book which shows the summary of banking transactions which have occurred over a given period in a bank account held by a person, business or an agency with bank or financial institution is called

- A. Debit voucher
- B. Cash book
- C. Financial statement
- D. Bank statement

.....

ix. All the accounts related to income, gains, expenses and losses of the business are included in.....account.

- A. Real
- B. Nominal
- C. Personal
- D. Debit and credit

.....

x. The information users of business are often known as the.....

- A. Creditors
- B. Debtors
- C. Stakeholders
- D. Reporters

.....

xi. When the business transactions affect both cash and bank at the same time and are entered on both the sides of cash book, it is known as.....

- A. Compound entry
- B. Contra entry
- C. Bank overdraft
- D. Cash book

.....

xii. Name the method used in accounting to overcome the limitations of historical cost is

- A. Accrual method
- B. Matching method
- C. Revaluation method
- D. Historical method

.....

- xiii. Tangible and intangible assets are recognized as a..... asset in the financial position
- A. Current asset
 - B. Current liabilities
 - C. Non-current asset
 - D. Non-current liabilities
-

- xiv. Karma is an accountant of MART shop. He is going to prepare financial statements for the year 2021, he has calculated Nu.3000,000 as gross profit, but he forgot which method he should apply to prepare income statement. Choose one appropriate method for him.
- A. Nature of expenses method
 - B. Function of expenses method
 - C. Cost model method
 - D. Borrowing method
-

- xv. Overhead cost is the total of
- A. all indirect cost
 - B. all direct cost
 - C. indirect and direct cost
 - D. work costs.
-

- xvi. A worker at the construction development cooperation limited (CDCL) suffers an injury at work and the CDCL decides to pay him Nu.25000 as compensation. Should CDCL pass an entry even though it has not been paid?
- A. No, because it is not paid.
 - B. Yes, because of accrual concept.
 - C. No, because the employee has not accepted.
 - D. Yes, because the employee has demanded.
-

xvii. UT enterprise hired Kelsang as a sale girl. The business pays her monthly salaries, which rules would be the appropriate to journalize the salary payment?

- A. Increase in asset, increase a liability
- B. Decrease in income, decrease a liability
- C. Increase in asset, increase liability
- D. Decrease in asset, increase in expenses

.....

xviii. If total assets of a firm increases by Nu. 20000 and total liabilities increases by Nu. 12000 during a specific time, the owner's capital will

- A. Increase by Nu. 32000
- B. Increase by Nu. 8000
- C. Decrease by Nu.32000
- D. Decrease by Nu. 8000

.....

xix. Which of the following is **NOT** a source document in an accounting?

- A. Cheques
- B. Receipts
- C. Draft
- D. Invoices

.....

xx. Pema is a manager of Bhutan Telecom limited, he used different methods to compare the performance of the organizations and he started to prepare management accounting by using following techniques. Which of the following tool is **INAPPROPRIATE**?

- A. Ratio Analysis
- B. Cash flow statements
- C. Bank Reconciliation statement
- D. Comparative statement

.....

- a. **Fill in the blanks with appropriate word/s.** [5]
- i. Unearned income means income received in
 - ii. Prepaid expenses are treated as.....while preparing financial statement.
 - iii. An expenditure which benefits current period is calledexpenditure.
 - iv. An amount spent on painting a new factory building is expenditure.
 - v. Bank overdraft areof the company.

- b. **Match the items of column A with the most appropriate items in column B. Rewrite the correct pairs by writing the alphabets against the numbers in the answer sheet provided to you.** [5]

Column A	Column B
1. Drawings	i. State the profit or loss of the year
2. Current asset	ii. Management tool
3. Revenue	iii. Cash/good taken for personal use
4. Ratio analysis	iv. Acquired and used within accounting year
5. Income statement	v. Management accounting
	vi. Transactions related increase in income
	vii. Expenses incurred

.....

.....

.....

.....

.....

.....

.....

.....

.....

c. State TRUE or FALSE for each statement. [5]

- i. Financial accounting refers to accounting information that is used by management for decision-making purposes.....
- ii. As per the Accounting convention, financial year always starts from 1st January and ends on 31st December annually.....
- iii. Depreciation arises because of physical wear and tear.....
- iv. Under the straight line of charging depreciation, the amount of depreciation increases every year.....
- v. Cash book is both journal and ledger.....

d. Answer the following questions

- i. "Management accounting measures, analyses and prepares reports that provide accurate and timely financial and nonfinancial information". State how management Accounting helps managers in making decision. [2]

.....

.....

.....

.....

.....

.....

- ii. Can we record the following transactions in the book of accounts? Justify each.

- i. Quality of medical staff in a hospital [1]

.....

.....

.....

.....

.....

- ii. Profit of Nu. 26,000 on sale of plant and equipment. [1]

.....

.....

.....

iii. Happiness Engineering Private Company Ltd. purchased a plant and machinery costing Nu. 800,000 on 1.1.2019 and incurs extra costs of Nu. 75,000 on import duties and installation charges. All PPE are initially measured at cost and Company uses straight-line method. The expected residual value after 5 years is Nu. 10,000. Calculate the amount of depreciation of plant and machinery for each year for the next 3 years. [3]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

iv. Cash Nu.950 received from Mr. Dorji in full settlement of his account of Nu. 1000. How would you record this transaction in journal? [2]

.....

.....

.....

.....

.....

.....

v. Explain ledger in your own words. [2]

.....

.....

.....

.....

.....

vi. Denka commence a grocery shop with cash Nu 200,000 of which 50,000 was borrowed from BOBL. Purchased goods for Nu 40,000 (Nu. 10,000 on credit). Paid commission to sale girl Nu 1500. Post the transactions in an accounting equation. [2]

.....
.....
.....
.....
.....
.....

vii. Explain the nature of Bhutanese Accounting Standard. [2]

.....
.....
.....
.....
.....

SECTION B [50 Marks]

Answer any FIVE questions

Question 2

a. The manager of a car dealer found out that the sales has decreased drastically. In order to encourage the salespersons, the manager has decided to pay a monthly bonus when sales exceed a specified target. However, the salespersons see that the current month's sales would not reach the target. Therefore, they discouraged the customers to take the purchase in the current month stating that the company may offer discount in the upcoming month to increase the likely sales volume in the next month. Answer the following questions in reference to the above statement:

i. Do you think the decision taken by the manager was right in the interest of the company? [1]

.....
.....

ii. If you were the manager, what could be your decision in the interest of the company? [4]

.....

.....

.....

.....

.....

.....

.....

.....

b. Deki Tshongkhang in Thimphu supplies the following information for the month of July, 2019: In Ngultrum.

- 1-July Cash in hand 100,000
 - 2-July Purchased goods 75,000
 - 7-July Sold goods 96,000
 - 10-July Received from Dawa 50,000
 - 15-July Paid to Jigme at Phuntsholing 65,000
 - 25-July Purchased Computer 35,000
 - 27-July Bought goods on credit 25,000
 - 31-July Paid Rent 18,000
 - 31-July Paid salaries 30,000
- Prepare a Simple Column Cash Book. [5]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Question 3

- a. A company purchases a land that is to be used for the construction of a building for the company office. There is an old building on the land that will need to be demolished. The following costs were incurred related to the purchase of the land.

- Purchase price Nu. 900,000
- Legal fees Nu. 15,000
- Transfer prices Nu. 10,000
- Costs of demolition of old building Nu. 8,000
- Costs of clearing, grading and filling Nu. 20,000
- Assumption of unpaid property taxes Nu.5, 000
- Proceeds from the sale of materials salvaged from the old building Nu. 11,000

Required: Calculate the acquisition cost of the land at which it will be recognized in the books of the company. Provide journal entry to record the transaction. [5]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

- b. Differentiate capital expenditure from revenue Expenditure [5]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Question 4

- a. From the following particulars extracted from the books of Mr. Tshering Trading, prepare the Income Statement and Financial Statement Position as at 31st December 2017 after making necessary adjustments: [10]

Trial Balance of Tshering Trading as of 31st December 2017.

Particulars	Amount(Nu) Dr.	Amount (Nu) Cr.
Owner's Equity		150,000
Inventories of materials on 1st January 2017	30,000	
Cash in Hand	10,000	
Cash at Bank	5000	
Machinery	1,00,000	
Furniture	13000	
Purchase of materials	2,00,000	
Wages	50,000	
Carriage	33,000	
Salaries	70,000	
Discount allowed	4000	
Discount received		5000
Advertising expenses	50,000	
Office expenses	40,000	
Sales Revenue		5,00,000
Trade Receivables	90,000	
Trade payables		40,000
Total	695,000	695,000

Additional information: Inventories of materials on 31st December 2017 Nu. 50,000

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

Question 5

- a. On December 31st, 2019, bank statement of Karma dairy firm maintained with Bhutan National Bank showed credit balance of Nu. 15650 whereas cash book showed debit balance of Nu. 15,200. The accounts executive knew that several cash transactions that took place at different timing had actually caused these differences. Further analysis of transactions and queries reveal the following.
 - ✓ Cheques issued to suppliers Pema and Choki for Nu. 6,000 and Nu. 3,840 were not presented for payment.
 - ✓ Bank debited Nu. 350 as their charge for bills collection.
 - ✓ A customer directly deposited Nu. 8,160 into the bank account using mobile application (transaction code BNM23232).
 - ✓ Cheques issued by customers Karma for Nu. 5,150 and Jamtsho Nu. 12,500 were collected by bank in the first week of January, 2020 although they were banked on 25th December 2019.
 - ✓ Bank credited interest amount of Nu. 450.

You are requested to prepare bank reconciliation statement of the company which would be reviewed by the account officer later. [5]

.....
.....
.....
.....
.....

Question 6

a. Read the information given in the table and prepare comparative income statement [5]

Particular	2016	2017
Sales	120% of cost of goods sold	150% of cost of goods sold
Cost of goods sold	20,00,000	25,00,000
Indirect Expenses	10% of Gross Profit	
Rate of income tax	50% of Net Profit before tax	

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

- b. Prepare a cost sheet from the data relating to the manufacture of incense sticks. Number of incense stick manufactured during the month of March 2018 is 1000 rolls. [5]

Direct material consumed	Nu. 20,000
Direct labour	Nu. 8000
Indirect labour (in factory)	Nu. 2,500
Supervision cost (in factory)	Nu. 1,000
Factory premises rent	Nu. 1,600
Factory lighting	Nu. 600
Oil for machines	Nu. 100
Depreciation of machine	Nu. 500
Office overheads	Nu. 8,000
Office salaries	Nu. 2,000
Miscellaneous office expenses	Nu. 1,000
Selling and Distribution overheads	Nu. 6,000

A profit margin of 20 % on the cost of goods is expected on the sale of incense stick.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Question 7

- a. A company on 1 January 2019 acquired an item of property, plant and equipment worth Nu. 220,000. Following the past trend, company management estimated five years useful life of the asset. It was also estimated that the asset on its disposal after its useful life would fetch a residual value of Nu. 20,000. All property, plant and equipment at the company are depreciated on a straight line basis. On 31 December 2019 company management reviewed useful life of the asset to three years, with an estimated residual value of Nu. 12,000.

Required: Calculate the amount of depreciation expense for 2020, 2021 and 2022. [5]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Question 8

a. Mr.Kinley, Petty Cashier of Leki Traders, maintains his book on Imprest System. You are required to prepare a Petty Cash Book from the transactions given below: [5]

- 1/1/18 Received imprest amount from the main cashier 10,000
- 2/1/18 Paid for stationeries 200
- 4/1/18 Paid freight 350
- 5/1/18 Bought postage stamp 65
- 7/1/18 Paid wages 450
- 9/1/18 Paid sundry expenses 260
- 11/1/18 Paid taxi fare 1200
- 12/1/18 Paid for note book 320
- 14/1/18 Paid wages 300
- 16/1/18 Bought curtains for office use 1250
- 19/1/18 Paid for freight 500
- 21/1/18 Paid for bus fare 235
- 22/1/18 Bought postage stamps 70
- 25/1/18 Refreshment served to customers 170
- 27/1/18 Bought envelopes 200
- 28/1/18 Electric charges paid 1400
- 31/1/18 Paid cleaning charges 500
- 31/1/18 Electric charges paid 1400
- 31/1/18 Paid cleaning charges 500

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

