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INDIAN SCHOOL SALALAH
FIRST TERM EXAMINATION – SEPTEMBER 2026



ACCOUNTANCY (055)

Class : XI

DATE: 20/09/2026

Time : 3 Hrs

Maximum Marks: 80

GENERAL INSTRUCTIONS:

1. This question paper contains 34 questions. All questions are compulsory.
2. The question paper has only one part.
3. Questions 1 to 20 carry 1 mark each.
4. Questions 21 to 26 carry 3 marks each.
5. Questions 27 to 29 carry 4 marks each.
6. Questions 30 to 34 carry 6 marks each

1.	Amount due from Rocky (Debtor) ₹1,50,000 and received a cheque from him in full and final settlement of his account after discount of 2%. Identify the correct entry from the following: (a) Rocky's A/c — Dr. ₹1,50,000 To Discount Received A/c — ₹3,000 To Bank A/c — ₹1,47,000 (b) Bank A/c — Dr. ₹1,48,500 Discount Allowed A/c — Dr. ₹1,500 To Rocky — ₹1,50,000 (c) Bank A/c — Dr. ₹1,47,000 Discount Allowed — Dr. ₹3,000 To Rocky — ₹1,50,000 (d) Rocky's A/c — Dr. ₹1,50,000 To Discount Received A/c — ₹1,500 To Bank A/c — ₹1,48,500	1
2.	A debtor who owed ₹6,000 became insolvent and nothing could be recovered from him. How is this recorded in the accounting equation? (a) Debtors decrease by ₹6,000; Capital decreases by ₹6,000 (b) Cash decreases by ₹ 6,000; Debtors decrease by ₹6,000 (c) Debtors decrease by ₹6,000; Liabilities increase by ₹6,000 (d) Debtors decrease by ₹6,000; Capital increases by ₹6,000	1
3.	Assertion (A) : Accounting records only the transactions of financial nature.	1

	Reason (R) : Goods taken from the business by the proprietor for his personal use is not of financial nature and hence will not be recorded. (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.	
4.	Mr. Rana Singh dealing in electronic goods sold 20 TV sets costing ₹30,000 each at ₹40,000 each. Out of this ₹5,00,000 were received in cash and the balance is not yet received. State the amount of revenue to be recorded in the books.	1
5.	Insurance premium of ₹36,000 was paid on 1st July for a full year up to 30th June of the next accounting year. Financial year ends on 31st March. What is the debit entry for "Prepaid Insurance Account" in the year-end adjustment entry? (a) Debit Prepaid Insurance A/c by ₹9,000 (b) Debit Prepaid Insurance A/c by ₹36,000 (c) Debit Prepaid Insurance A/c by ₹27,000 (d) Debit Insurance Premium A/c by ₹9,000	1
6.	Which qualitative characteristic of accounting information ensures that financial statements provide timely information that helps users predict future outcomes or confirm prior expectations? (a) Relevance (b) Reliability (c) Understandability (d) Comparability	1
7.	Income tax of ₹18,000 paid by a sole proprietor using the firm's bank account is recorded by debiting which account? (a) Income Tax Account (b) Drawings Account (c) General Expenses Account (d) Bank Account	1
8.	Machine worth ₹2,00,000 was purchased on 1st October. Depreciation is charged @ 10% per annum at the end of the financial year. What is the debit entry in the Journal for depreciation? (a) Debit Depreciation A/c by ₹10,000 (b) Debit Machinery A/c by ₹10,000 (c) Debit Depreciation A/c by ₹20,000 (d) Debit Profit & Loss A/c by ₹20,000	1
9.	Assertion (A): Cash withdrawn by the owner from the business bank account for personal use is debited to the Drawings Account, reducing the owner's capital. Reason (R): Every business transaction affects at least two accounts in the accounting system to keep the accounting equation balanced. (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).	1

	(c) (A) is true, but (R) is false. (d) (A) is false, but (R) is true.	
10.	Paid ₹15,000 to creditors in full settlement of their claim of ₹16,000. What is the effect on Liabilities and Capital? (a) Liabilities decrease by ₹15,000, Capital increases by ₹1,000 (b) Liabilities decrease by ₹16,000, Capital increases by ₹1,000 (c) Liabilities decrease by ₹16,000, Capital decreases by ₹1,000 (d) Liabilities decrease by ₹15,000, Capital decreases by ₹1,000	1
11.	On 12th March, a firm received a cheque of ₹18,000 from a customer, Amit, which was not deposited into the bank on the same day. On 15th March, this cheque was finally deposited into the firm's bank account. How will the transaction on 15th March be recorded in the Two-Column Cash Book? (a) Debited to the Bank column (To Cheque-in-Hand A/c) (b) Debited to the Cash column (To Amit) (c) Recorded as a Contra Entry (Debit Bank column, Credit Cash column) (d) Credited to the Bank column (By Cheque-in-Hand A/c)	1
12.	The accounting convention which requires that once an accounting method (such as a method of depreciation) is adopted, it should not be changed frequently from one year to another is: (a) Principle of Consistency (b) Principle of Materiality (c) Principle of Full Disclosure (d) Realisation Concept	1
13.	Goods costing ₹20,000 (sold at a profit of 25% on cost) were sold to Rohan, subject to a 10% trade discount and CGST @ 6% and SGST @ 6%. What amount will be credited to the "Sales Account" in the Journal? (a) ₹25,000 (b) ₹20,000 (c) ₹25,200 (d) ₹22,500	1
14.	Which of the following statements regarding accounting users is CORRECT? (a) External users have unlimited access to daily internal accounting vouchers. (b) Internal users use management accounting reports to plan, execute, and control business activities. (c) Tax authorities use internal management accounts to fix product selling prices. (d) Creditors rely strictly on verbal assurances from management rather than financial statements.	1
15.	What will be the amount of capital in opening entry, if the following balances appear in the books of Malik Sons? Cash in Hand ₹430; Cash at Bank ₹2,675; Sundry Debtors ₹7,495; Closing Stock ₹9,000; Machinery and Equipment ₹6,000. Creditors, ₹5,600 (a) ₹20,000 (b) ₹10,600	1

	(c) ₹25,600 (d) ₹15,000	
16.	In a Two-Column Cash Book, a firm withdrew ₹5,000 from the bank for office use and ₹2,000 for the personal use of the proprietor. How will these transactions affect the Cash column? (a) Cash column will be debited with ₹7,000 (b) Cash column will be debited with ₹5,000 (c) Cash column will be credited with ₹2,000 (d) Cash column will be credited with ₹5,000	1
17.	Which of the following is a liability of a business enterprise? (a) Machinery (b) Debtors (c) Bank Overdraft (d) Prepaid Expenses	1
18.	When determining the net profit of a business, figures such as the provision for doubtful debts and useful life of fixed assets depend on the judgment of the accountant. Which limitation of accounting does this indicate? (a) Accounting is affected by personal bias and estimates (b) Accounting ignores qualitative information (c) Accounting is based on historical cost (d) Accounting suffers from window dressing	1
19.	Aarav and Kabir recently launched their respective wholesale electronics ventures in Bengaluru. Aarav follows a structured accounting process. Every business event is recorded by analyzing both its receiving (debit) and giving (credit) impacts. He maintains a complete ledger containing personal, real, and nominal accounts, and extracts a summary statement at the end of the year to ensure mathematical accuracy before preparing his final financial statements. Kabir, seeking to reduce record-keeping effort, keeps a minimal set of books. He maintains only a log of cash movements along with personal records of customers and suppliers. He does not maintain separate records for expenses, revenues, or fixed assets, relying instead on rough estimates at the end of the accounting period. Identify the accounting system followed by Kabir.	1
20.	Assertion (A): A sole proprietor can increase the recorded value of building in the account books if they personally feel the property's location has become prime. Reason (R): The Objectivity Principle requires accounting information to be free from personal bias, subjective judgments, and management whims. (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.	1
21.	Enter the following transactions in the Single Column Cash Book of M/s. Horizon Traders for the month of August 2026. (CGST and SGST @ 6% each):	3

	<table><tr><th>Date</th><th>Transactions</th></tr><tr><td>2026 Aug 1</td><td>Cash balance in hand ₹15,000</td></tr><tr><td>Aug 4</td><td>Purchased goods for ₹ 4,000 plus CGST and SGST @ 6% each</td></tr><tr><td>Aug 8</td><td>Sold goods for ₹ 6,000 plus CGST and SGST @ 6% each</td></tr><tr><td>Aug 12</td><td>Paid trade expenses ₹ 1,200</td></tr><tr><td>Aug 16</td><td>Received cash from Rahul ₹ 3,500</td></tr><tr><td>Aug 20</td><td>Paid rent ₹ 2,000 plus CGST and SGST @ 6% each</td></tr><tr><td>Aug 24</td><td>Paid cash to supplier Suresh ₹ 2,800</td></tr><tr><td>Aug 28</td><td>Withdrew cash for personal use ₹ 1,500</td></tr></table>	Date	Transactions	2026 Aug 1	Cash balance in hand ₹15,000	Aug 4	Purchased goods for ₹ 4,000 plus CGST and SGST @ 6% each	Aug 8	Sold goods for ₹ 6,000 plus CGST and SGST @ 6% each	Aug 12	Paid trade expenses ₹ 1,200	Aug 16	Received cash from Rahul ₹ 3,500	Aug 20	Paid rent ₹ 2,000 plus CGST and SGST @ 6% each	Aug 24	Paid cash to supplier Suresh ₹ 2,800	Aug 28	Withdrew cash for personal use ₹ 1,500	
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22.	Saloni runs a school canteen service. During the month of March, she provided food items worth ₹25,000 to teachers on credit, which they promised to pay in April. In the same month, she consumed ₹3,000 worth of cooking gas, but the bill will be paid in April. While calculating her income for March, Saloni included the entire ₹25,000 as her sales revenue and recorded the unpaid gas bill of ₹3,000 as an expense for March. Questions: - Identify the basis of accounting followed by Saloni. - State two reasons with the support of appropriate accounting principles why Saloni's approach of recording income and expenses before receiving or paying cash is considered correct.	3																		
23.	- State any two points of difference between cash discount and trade discount. - Journalise the following transaction: Sold goods costing ₹1,00,000 to Sharma & Sons at a profit of 20% on cost, subject to a Trade Discount of 15% and a Cash Discount of 4%. Sharma & Sons settled 50% of the payment immediately by cheque.	3																		
24.	State and explain any three advantages of accounting.	3																		
25.	What is capital expenditure? How it is different from Revenue expenditure? Classify the following expenditures as Capital expenditure or Revenue Expenditure. - Spent ₹12,000 on freight and carriage for bringing a new machine to the factory. ₹3,500 paid for the monthly electricity consumption of the office.	3																		

	c. Paid ₹5,000 for whitewashing and routine maintenance of the existing factory building. d. ₹10,000 paid to a lawyer to defend a lawsuit regarding ownership of the business's current office building.	
26.	State and explain any three advantages of GST	3
27.	Journalise the following transactions in the books of M/s BlueWave Premier Traders for the year ended 31st March 2026: a. Goods worth ₹50,000 were destroyed by fire and the business lodged an insurance claim for ₹40,000. b. Purchased a second-hand delivery van for ₹4,00,000 and immediately spent ₹60,000 on overhauling its engine before putting it on the road. c. Provide interest on capital @ 10% per annum on the proprietor's capital of ₹10,00,000. d. Accrued Commission ₹16,000.	4
28.	State and explain the objectives of accounting.	4
29.	From the following transactions of M/s. Oasis Electronics, Delhi, prepare the Purchases Book for the month of May 2026. CGST @ 6% and SGST @ 6%. IGST @ 12% Transactions during May 2026: May 04: Purchased on credit from M/s. Gupta Traders, Delhi (Invoice No. 102): 5 Refrigerators @ ₹20,000 each Less: Trade Discount @ 10% May 09: Purchased on credit from M/s. Metro Stationers, Delhi: Office furniture worth ₹15,000 for store use. May 15: Purchased on credit from M/s. Sunrise Enterprises, Jaipur (Rajasthan) (Invoice No. 340): 10 Laptops @ ₹40,000 each Less: Trade Discount @ 5% May 22: Purchased for cash from M/s. City Electricals, Delhi: 4 Air Conditioners @ ₹30,000 each less Trade Discount @ 10%. May 27: Purchased on credit from M/s. Star Appliances, Delhi (Invoice No. 512): 8 Microwave Ovens @ ₹10,000 each Less: Trade Discount @ 15%	4
30.	Read the following business case of M/s The Paper Muse and answer the questions that follow: On 1st April 2025, Ms. Tiara started a boutique stationery and gift store by depositing ₹8,00,000 from her personal savings into the business bank account and transferring her personal delivery scooter worth ₹3,00,000 to the firm. To set up her storefront, she spent ₹2,00,000 on handcrafted wooden display shelves and billing counters.	6

	On 5th April, she purchased handmade journals and art inventory on credit worth ₹4,00,000 from M/s Little Acorn Wholesalers to sell to customers. On 15th April, she sold a batch of these items (cost price: ₹2,50,000) for ₹3,20,000 on credit to Mr. Kabir, who runs a local café. On 20th April, the store sold an old vintage typewriter (book value: ₹15,000) for ₹ 22,000 in cash to an antique collector. During the month, she paid shop rent of ₹30,000 and assistant salaries of ₹20,000. On 28th April, Ms. Tiara withdrew ₹25,000 in cash from the business account for her personal travel expenses and took home a designer fountain pen costing ₹14,000 from the store stock for her personal collection. Based on the above passage, answer the following: 1. Calculate the total initial Capital introduced by Ms. Tiara. 2. List and state the monetary value of Non-Current (Fixed) Assets brought into or acquired by the firm. 3. Identify the Debtor and state the amount of debtors. 4. Identify the transaction that resulted in a Gain for the business and state its monetary value. 5. Calculate the total Revenue Expenditure incurred during the month. 6. Calculate the value of Drawings made by the proprietor during the month.	
31.	Journalise the following transactions in the books of M/s Silverline Traders for the month of April 2026, assuming all are intra-state transactions and are subject to CGST and SGST @ 6% each: April 05: Purchased goods from Ramesh & Co. for ₹50,000. April 10: Returned defective goods to Ramesh & Co. costing ₹5,000 April 15: Sold goods to Priya & Sons for ₹80,000 each on credit. April 18: Distributed goods costing ₹2,000 as free samples for business promotion April 22: Paid printing and stationery charges of ₹4,000 by cheque. April 30: Set off and paid the net GST liability to the Government through bank.	6
32.	Prepare an Accounting Equation from the following transactions: 1. Started business with Cash ₹1,00,000 and Machinery ₹50,000. 2. Purchased goods for ₹40,000, paid ₹15,000 in cash and the balance on credit from Suresh. 3. Sold goods to Vijay on credit costing ₹20,000 for ₹25,000. 4. Received cash from Vijay ₹24,200 in full settlement of his account. 5. Received Commission ₹3,000 in cash. 6. Charged depreciation on Machinery @ 10%.	6
33.	Read the following scenario regarding M/s Miranda Traders for the financial year 2025–26 and answer the questions that follow: During the annual audit of M/s Miranda Traders, the auditor pointed out the following accounting practices followed by the firm: Scenario 1: The proprietor, Mr. Pawan, paid his personal residential electricity bill of ₹8,000 using the business bank account. The accountant	6

	recorded this under "Drawings A/c" rather than debiting the Electricity Expense account of the business. Scenario 2: The firm hired a new, highly qualified Marketing Head whose strong negotiation skills significantly increased sales during the year. The manager requested that the value of this high employee morale and managerial expertise be added as an asset in the Balance Sheet, but the accountant refused to record it. Scenario 3: The firm purchased land for ₹10,00,000 in 2020. Even though the current market value of land in that area has increased substantially to ₹25,00,000, the accountant continues to show the land in the Balance Sheet at its original purchase price of ₹10,00,000. Scenario 4: While valuing closing stock at the end of the year, the cost price was ₹1,00,000, but its market value (net realizable value) dropped to ₹80,000 due to changes in demand. The accountant recorded the closing stock at ₹80,000 in the final accounts. Identify and briefly explain the specific accounting principle applied in each scenario.																																					
34.	Enter the following transactions in the Two-Column Cash Book (with Cash and Bank Columns) of M/s. Zenith Traders for the month of July 2026: <table border="1"> <thead> <tr> <th>Date</th><th>Transactions</th><th>Amount (₹)</th></tr> </thead> <tbody> <tr> <td>2026 July 1</td><td>Cash in hand</td><td>10,000</td></tr> <tr> <td></td><td>Bank Overdraft</td><td>12,000</td></tr> <tr> <td>July 4</td><td>Sold goods for cash</td><td>6,000</td></tr> <tr> <td>July 8</td><td>Received a cheque from Suresh and deposited it into the bank on the same day</td><td>8,500</td></tr> <tr> <td>July 12</td><td>Paid office rent by cheque</td><td>3,000</td></tr> <tr> <td>July 16</td><td>Suresh's cheque was returned dishonoured by the bank</td><td>8,500</td></tr> <tr> <td>July 20</td><td>Cash deposited into bank</td><td>4,000</td></tr> <tr> <td>July 23</td><td>Received a cheque from Kaviraj and endorsed it to Nitesh</td><td>3,500</td></tr> <tr> <td>July 25</td><td>Purchased goods from Samuel at 10% trade discount.</td><td>50,000 (list price)</td></tr> <tr> <td>July 27</td><td>Withdrew cash from bank for office use</td><td>2,000</td></tr> <tr> <td>July 30</td><td>Bank charges debited by bank</td><td>300</td></tr> </tbody> </table>	Date	Transactions	Amount (₹)	2026 July 1	Cash in hand	10,000		Bank Overdraft	12,000	July 4	Sold goods for cash	6,000	July 8	Received a cheque from Suresh and deposited it into the bank on the same day	8,500	July 12	Paid office rent by cheque	3,000	July 16	Suresh's cheque was returned dishonoured by the bank	8,500	July 20	Cash deposited into bank	4,000	July 23	Received a cheque from Kaviraj and endorsed it to Nitesh	3,500	July 25	Purchased goods from Samuel at 10% trade discount.	50,000 (list price)	July 27	Withdrew cash from bank for office use	2,000	July 30	Bank charges debited by bank	300	6
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