**Essentials of Financial Accounting**

**September 2022 Examination**

**Q1. XYZ Enterprise purchased a Machine for Rs 100000 on 1st April, 2010 and spent Rs 15000 on its freight and Rs 7000 on installation. The estimated useful life of Machine is 10 years and the scrap value is Rs 12000. The Enterprise closes the account on 31st March every year.**

**a) Calculate the depreciation using the straight-line method.**

**b) Discuss & prepare accounts for 3 years**

**c) After 20 Years the Machine is sold for Rs 10000. State whether is a gain or loss. If the Machine is sold for Rs 15000 will there be a gain or loss & interpret it. (10 Marks)**

**Ans 1.**

**Introduction:**

Depreciation is the process of accounting for the regular damage occurring to the fixed properties because of their use in the normal course of the organization.

Depreciation can be defined as the continual decline in the property's quality, quantity, and worth. Billing depreciation in the books of accounts reflects-

**a.** The actual profit or loss incurred from company operations.

**b.** The fixed possessions' value declines depending on the balance sheet.

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**Q2. ABC company is operating in Bangalore. Trial Balance still does not agree.**

**Following errors are made by an Accountant. Identify the type of error and give steps to rectify it and pass Journal entries**

**a) Rent paid Rs 10000 was not recorded**

**b) Salary paid Rs 7800 was recorded as Rs 7500**

**c) Wages payable Rs 15000 in last year not recorded in Books of Accounts.**

**d) Commission paid Rs 5000 by cheque was recorded as commission received in cash**

**Ans 2.**

**Introduction:**

Accounting errors are the mistakes that may occur in the accounting documents while passing the accounting entrances. Such errors might be unintentional and are not planned to trick any person. Nevertheless, the accounting records have to be removed to make the statements error-free.

The appropriate accounting records are needed to mirror the appropriate standing of a company. However, other factors for maintaining the proper accounting documents, like

**Q3a. If Moon Ltd has assets worth Rs 100000 and Liabilities Rs 100000. Moon Ltd sold goods worth Rs 50000 to Sun Ltd on credit. Moon Ltd withdrawn cash Rs 10000 for personal use. Discuss the procedure and frame the accounting equation for above transaction and find out effect on Business and interprete it (5 Marks)**

**Ans 3a.**

**Introduction:**

The accounting process helps maintain the books of accounts of service. The accounting process helps and analyze the financial results of business operations.

The accounting transactions recorded in the books of accounts affect either of the five accounts, an income ledger, a cost ledger, a possession ledger, liability, or the share capital

**Q3b. If Moon Ltd has assets worth Rs 50000 and Liabilities Rs 50000. Moon Ltd paid salaries Rs 10000. Moon Ltd sold furniture for Rs 10000. Discuss the procedure and frame the accounting equation for above transaction and find out effect on Business and Interprete it. (5 Marks)**

**Ans 3b.**

**Introduction:**

Proper accounting helps in running a service successfully. It tracks the expenditures and revenues, makes sure that information required for all required legal conformities is available, and gives the crucial business data and information to the capitalists, board of supervisors,