**Essentials of Financial Accounting**

**September 2023 Examination**

**1) Drashti is learning about Accounting as one of the course in her graduation year. She wants to relate it business organization. She wants to know about the advantages and limitations of accounting an organization can have if they adopt accounting. List down five advantages and five limitations of accounting. (10 marks)**

**Ans:**

**Introduction**

Accounting is a fundamental aspect of any business organization, serving as the language of financial information. It provides a scientific framework for recording, summarizing, and analyzing economic transactions and sports. Drashti's decision to learn about accounting as a part of her graduation yr is commendable because it equips her with crucial expertise and skills that will advantage her in various professional settings.

Accounting is crucial in business organizations, serving as the spine of financial control and selection-making processes. By adopting accounting practices, organizations can gain several

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**2) From the following balances you are required to prepare trial balance. (10marks)**

 **Capital 18200**

 **Debtors 5400**

 **Creditors 2800**

**Machinery 7000**

**Wages 10000**

**Purchases 19000**

**Opening Stock 4000**

**Bank Balance 3000**

**Carriage Outwards 300**

**Salaries 400**

**Rent and taxes 900**

**Sales 29000**

**Break up**

**Define the term trial balance and limitations of a trial balance. (2+2marks)**

**Preparing the correct trial balance taking the above mentioned details (6marks)**

**Ans:**

**Trial Balance:**

A trial balance is a statement that lists all the ledger account balances of a business at a particular point in time. It is prepared to check the accounting records' accuracy and ensure that the debits and credits are identical. The trial balance includes all debts, such as property, liabilities, equity, sales, and costs. It serves as the foundation for the training of monetary statements.

**Concept of Trial balance:**

The trial stability concept is based on the fundamental principle of double-access bookkeeping,

**3) Following are the particulars for Pradeep tyres Ltd**

|  |  |  |
| --- | --- | --- |
| **date**  | **Particulars**  | **Amount Rs**  |
| **1-Jan**  | **capital introduced in the business via transfer from personal saving bank account**  | **200000**  |
| **2-Jan**  | **paid from bank account the commission charges for giving business leads**  | **1500**  |
| **3-Jan**  | **municipal taxes paid for the business property**  | **3000**  |
| **4-Jan**  | **Service revenue received in the bank account directly from the customer**  | **150000**  |

**a. Define the term journal. Discuss the necessary steps of journalizing (2+3 marks)**

**Ans:**

**Introduction:**

A journal is a chronological report of all economic transactions of a business. It is the initial step in the accounting process, where transactions are recorded systematically and organized. The journal offers a whole audit path and forms the muse for preparing financial statements.

**Concept & Application:**

**b. Define the term accounting equation and pass journal entries for the below mentioned. (1+4 marks)**

**Ans:**

**Introduction to Accounting Equation:**

Accounting is the language of business. It allows us to file, examine, and communicate financial records approximately a company's economic sports. The accounting equation is at the heart of accounting, which serves as the fundamental framework for recording and balancing financial transactions.