

Bihar Board Class 10, 2026 Commerce Question Paper with Solutions

Time Allowed :3 Hours	Maximum Marks :100	Total questions :24
------------------------------	---------------------------	----------------------------

General Instructions

Read the following instructions very carefully and strictly follow them:

1. The paper is divided into two sections – Section A (Compulsory) and Section B (Elective).
2. Section A is compulsory for all candidates and generally includes objective-type questions, short answer questions, and long answer questions from the prescribed syllabus.
3. In Section A, candidates are required to answer all questions. The questions will cover topics from ancient, medieval, and modern history as prescribed by the syllabus.
4. Section B consists of elective questions. Candidates are required to attempt questions from the chosen topic according to the provided options.
5. The questions in Section A will be in the form of multiple-choice, short answer, and essay-type questions.
6. Answers to all questions must be written in neat and legible handwriting. Candidates must adhere strictly to the word limit mentioned in the questions.
7. Use of unfair means or electronic devices during the examination is strictly prohibited.
8. Candidates must ensure that they write their answers in the correct format, following the instructions given for each section.

1. The trade between India and Russia is called

- (A) Home trade
- (B) Foreign trade
- (C) Local trade
- (D) Inter-state trade

Correct Answer: (B) Foreign trade

Solution:

We are asked to identify the type of trade between India and Russia.

Step 1: Understand the different types of trade based on geographical boundaries.

Trade can be classified into two main categories:

1. **Home Trade (Internal Trade):** Trade conducted within the geographical boundaries of a country.
 - Further classified into:
 - Local trade (within a city or local area)
 - Inter-state trade (between different states of the same country)
2. **Foreign Trade (External Trade / International Trade):** Trade conducted between two different countries.
 - Further classified into:
 - Import (buying goods from another country)
 - Export (selling goods to another country)
 - Entrepot (importing goods for re-export)

Step 2: Apply to the given situation.

India and Russia are two different countries:

- India is in South Asia
- Russia is in Eastern Europe and Northern Asia
- Trade between them crosses international boundaries

Therefore, trade between India and Russia is **Foreign Trade** (also called International Trade or External Trade).

Step 3: Analyze each option.

- **(A) Home trade:**

- Incorrect. Home trade occurs within the boundaries of a single country.
- Example: Trade between Mumbai and Delhi is home trade (inter-state trade).

- **(B) Foreign trade:**

- Correct. Trade between two different countries (India and Russia) is foreign trade.

- **(C) Local trade:**

- Incorrect. Local trade is within a small geographical area like a city or town.
- Example: Trade between two shops in the same market.

- **(D) Inter-state trade:**

- Incorrect. Inter-state trade is between different states of the same country.
- Example: Trade between Maharashtra and Karnataka.

Final Answer: (B) Foreign trade

Quick Tip

Remember the classification:

- Same country → Home Trade (Internal Trade)
- Different countries → Foreign Trade (International Trade)
- Same city → Local Trade
- Different states of same country → Inter-state Trade

Any trade crossing national borders is foreign trade.

2. Book-Keeping means -

- (A) Keeping Books (B) Writing Commercial letters
(C) Recording of business transactions in the books (D) All of these

Solution:

Book-keeping is the systematic recording of financial transactions and business activities in appropriate books of accounts. It involves identifying, measuring, and recording all monetary transactions of a business in chronological order.

Analysis of options:

- **(A) Keeping Books** - This is too vague and literal. Simply keeping books (physical notebooks) does not constitute book-keeping.
- **(B) Writing Commercial letters** - This is related to business correspondence, not book-keeping.
- **(C) Recording of business transactions in the books** - This is the correct definition. Book-keeping specifically refers to the art of recording business transactions in the books of accounts in a systematic manner.
- **(D) All of these** - Incorrect, as options A and B do not define book-keeping.

Therefore, the correct answer is option **(C)**.

Quick Tip

Book-keeping = Recording + Classifying financial transactions. It is the first step in the accounting process and forms the foundation for preparing financial statements.

3. The trade between India and Russia is called

- (A) Home trade
(B) Foreign trade
(C) Local trade

(D) Inter-state trade

Correct Answer: (B) Foreign trade

Solution:

We are asked to identify the type of trade between India and Russia.

Step 1: Understand the different types of trade based on geographical boundaries.

Trade can be classified into two main categories:

1. **Home Trade (Internal Trade):** Trade conducted within the geographical boundaries of a country.
 - Further classified into:
 - Local trade (within a city or local area)
 - Inter-state trade (between different states of the same country)
2. **Foreign Trade (External Trade / International Trade):** Trade conducted between two different countries.
 - Further classified into:
 - Import (buying goods from another country)
 - Export (selling goods to another country)
 - Entrepot (importing goods for re-export)

Step 2: Apply to the given situation.

India and Russia are two different countries:

- India is in South Asia
- Russia is in Eastern Europe and Northern Asia
- Trade between them crosses international boundaries

Therefore, trade between India and Russia is **Foreign Trade** (also called International Trade or External Trade).

Step 3: Analyze each option.

- **(A) Home trade:**

- Incorrect. Home trade occurs within the boundaries of a single country.
- Example: Trade between Mumbai and Delhi is home trade (inter-state trade).
- **(B) Foreign trade:**
 - Correct. Trade between two different countries (India and Russia) is foreign trade.
- **(C) Local trade:**
 - Incorrect. Local trade is within a small geographical area like a city or town.
 - Example: Trade between two shops in the same market.
- **(D) Inter-state trade:**
 - Incorrect. Inter-state trade is between different states of the same country.
 - Example: Trade between Maharashtra and Karnataka.

Final Answer: (B) Foreign trade

Quick Tip

Remember the classification:

- Same country → Home Trade (Internal Trade)
- Different countries → Foreign Trade (International Trade)
- Same city → Local Trade
- Different states of same country → Inter-state Trade

Any trade crossing national borders is foreign trade.

4. The functions of a commercial bank include(s)

- (A) Accepting deposits
- (B) Granting of loans
- (C) Locker facility

(D) All of these

Correct Answer: (D) All of these

Solution:

We are asked to identify the functions of a commercial bank.

Step 1: Understand what a commercial bank is.

A commercial bank is a financial institution that accepts deposits from the public and provides loans and other financial services to earn profit. Commercial banks play a vital role in the economy by mobilizing savings and channeling them into productive investments.

Step 2: Classify the functions of a commercial bank.

The functions of commercial banks are broadly classified into two categories:

1. Primary Functions:

- Accepting deposits (savings, current, fixed, recurring deposits)
- Granting loans and advances (overdraft, cash credit, term loans, bill discounting)

2. Secondary Functions (Agency and General Utility Services):

- Agency Functions: Collection of cheques, payment of bills, transfer of funds, etc.
- General Utility Functions: Locker facility, issuing letters of credit, foreign exchange services, merchant banking, etc.

Step 3: Analyze each option.

• **(A) Accepting deposits:**

- This is a primary function of commercial banks.
- Banks accept various types of deposits from the public.
- Hence, it is a function.

• **(B) Granting of loans:**

- This is also a primary function of commercial banks.
- Banks provide loans and advances to individuals and businesses.
- Hence, it is a function.

- **(C) Locker facility:**

- This is a secondary/general utility function.
- Banks provide safe deposit lockers to customers for keeping valuables.
- Hence, it is a function.

Step 4: Conclusion.

All three options (Accepting deposits, Granting of loans, and Locker facility) are functions performed by commercial banks. Therefore, the correct answer is "All of these."

Final Answer: (D) All of these

Quick Tip

Commercial bank functions can be remembered as:

- Primary: Accept deposits + Give loans (core banking functions)
- Secondary: Agency services (collection, payment) + General utility (locker, foreign exchange, etc.)

All options given are valid functions of a commercial bank.

5. Book-Keeping means -

- (A) Keeping Books
- (B) Writing Commercial letters
- (C) Recording of business transactions in the books
- (D) All of these

Correct Answer: (C) Recording of business transactions in the books

Solution:

We are asked to define what Book-Keeping means.

Step 1: Understand the term Book-Keeping.

Book-keeping is a specific term used in commerce and accounting. It refers to the systematic recording of financial transactions and business activities in appropriate books of accounts.

Step 2: Analyze each option.

- **(A) Keeping Books:**

- This is too literal and vague. "Keeping books" could mean physically maintaining books, but doesn't capture the essence of recording financial transactions.

- **(B) Writing Commercial letters:**

- This is related to business correspondence, not book-keeping. Writing commercial letters is part of office management or communication, not accounting.

- **(C) Recording of business transactions in the books:**

- Correct. Book-keeping is precisely the process of recording all business transactions systematically in the books of accounts (journal, ledger, etc.).

- **(D) All of these:**

- Incorrect because options (A) and (B) do not correctly define book-keeping.

Step 3: Confirm the definition.

According to standard commerce terminology:

- **Book-keeping** is the art of recording business transactions in a systematic manner.
- It is the first stage of accounting.
- It involves identifying, measuring, and recording financial transactions.

Final Answer: (C) Recording of business transactions in the books

Quick Tip

Book-keeping is the foundation of accounting. It involves:

- Recording transactions in journal
- Posting to ledger accounts
- Preparing trial balance

Remember: Book-keeping = Recording; Accounting = Recording + Classifying + Summarizing + Interpreting.

6. Accounting works starts

- (A) Where Book-Keeping works begins.
- (B) Where Book-Keeping works ends.
- (C) Where Books are not maintained at all.
- (D) None of these

Correct Answer: (B) Where Book-Keeping works ends.

Solution:

We are asked to identify the relationship between Book-Keeping and Accounting, specifically where Accounting work starts.

Step 1: Understand the difference between Book-Keeping and Accounting.

- **Book-Keeping:**

- It is the process of recording business transactions systematically in the books of original entry (journal) and then posting them to ledger accounts.
- It is the **first stage** of the accounting process.
- It is routine and mechanical in nature.
- Objective: To maintain permanent records of each transaction.

- **Accounting:**

- It starts where Book-Keeping ends.
- It includes summarizing, classifying, analyzing, and interpreting the recorded data.
- It involves preparation of financial statements (Trading Account, Profit & Loss Account, Balance Sheet).
- It is analytical and interpretive in nature.
- Objective: To ascertain financial results and position of the business.

Step 2: Analyze the sequence.

The complete accounting process:

Book-Keeping $\xrightarrow{\text{ends here}}$ **Accounting** $\xrightarrow{\text{starts here}}$

Book-keeping provides the raw data (recorded transactions). Accounting takes this data and processes it to generate meaningful financial information.

Step 3: Evaluate each option.

- **(A) Where Book-Keeping works begins:**
 - Incorrect. Accounting starts after recording is done, not at the beginning of recording.
- **(B) Where Book-Keeping works ends:**
 - Correct. Accounting takes over from where Book-Keeping leaves off.
- **(C) Where Books are not maintained at all:**
 - Incorrect. Accounting cannot be done without proper books of accounts.
- **(D) None of these:**
 - Incorrect because option (B) is correct.

Final Answer: (B) Where Book-Keeping works ends.

Quick Tip

Remember the relationship:

- Book-Keeping = Recording phase
- Accounting = Processing + Analyzing + Interpreting phase

Accounting begins where Book-Keeping ends. Book-Keeping is the foundation; Accounting is the superstructure built upon it.

7. Who among the following is an internal user of accounting information?

- (A) Creditor
- (B) Manager
- (C) Lenders
- (D) Public

Correct Answer: (B) Manager

Solution:

We are asked to identify which of the given options is an internal user of accounting information.

Step 1: Understand the difference between internal and external users.

Internal users are those who are part of the organization and directly manage or operate the business. They need accounting information for decision-making, planning, and controlling day-to-day operations.

External users are those who are outside the organization but have an interest in the business. They need accounting information to make decisions about their relationship with the business.

Step 2: Classify each option.

- **(A) Creditor:**
 - Creditors are suppliers who have extended credit to the business.
 - They are **external users** as they are not part of the organization.

- They need accounting information to assess the business’s ability to pay debts.
- **(B) Manager:**
 - Managers are part of the organization and run the business operations.
 - They are **internal users** as they work within the business.
 - They need accounting information for planning, controlling, and decision-making.
- **(C) Lenders:**
 - Lenders (banks, financial institutions) provide loans to the business.
 - They are **external users** as they are outside the organization.
 - They need accounting information to evaluate the business’s ability to repay loans.
- **(D) Public:**
 - The general public includes customers, researchers, and community members.
 - They are **external users** as they are not part of the organization.
 - They may need accounting information for various reasons like employment prospects or social responsibility.

Step 3: List of internal and external users.

Internal Users:

- Owners/Partners
- Managers
- Employees
- Directors

External Users:

- Creditors
- Lenders (Banks, Financial Institutions)
- Investors

- Government (Tax authorities)
- Customers
- Public
- Researchers

Final Answer: (B) Manager

Quick Tip

Remember: Internal users = Inside the organization (Managers, Employees, Owners).
External users = Outside the organization (Creditors, Lenders, Investors, Government, Public). Managers need accounting information for day-to-day operational decisions.

8. The term fixed assets include

- (A) Closing Stock
- (B) Debtors
- (C) Furniture
- (D) Bills Receivable

Correct Answer: (C) Furniture

Solution:

We are asked to identify which item is classified as a fixed asset.

Step 1: Understand the definition of fixed assets.

Fixed assets (also called non-current assets or long-term assets) are assets that:

- Are purchased for long-term use in the business
- Are not meant for resale in the normal course of business
- Have a useful life of more than one accounting period
- Help in generating revenue for the business

- Are subject to depreciation (except land)

Examples: Land, Building, Plant Machinery, Furniture, Vehicles, Computers, etc.

Step 2: Analyze each option.

- **(A) Closing Stock:**

- Closing stock is unsold goods at the end of an accounting period.
- It is a **current asset** because it is meant for sale within the next accounting period.
- It gets converted into cash within the operating cycle.

- **(B) Debtors:**

- Debtors are customers who owe money to the business for goods sold on credit.
- It is a **current asset** because it will be converted into cash within a short period (usually within the operating cycle).

- **(C) Furniture:**

- Furniture is purchased for long-term use in the office or business premises.
- It is not meant for resale.
- It has a useful life of several years and is subject to depreciation.
- Hence, it is a **fixed asset**.

- **(D) Bills Receivable:**

- Bills receivable are written promises from customers to pay a certain amount on a specified date.
- They are **current assets** because they will be converted into cash within a short period (usually within the operating cycle).

Step 3: Classification of assets.

Fixed Assets (Non-Current)	Current Assets
Land	Cash in Hand/at Bank
Building	Debtors
Plant & Machinery	Bills Receivable
Furniture & Fixtures	Closing Stock
Vehicles	Prepaid Expenses
Computers & Equipment	Accrued Income

Final Answer: (C) Furniture

Quick Tip

Fixed assets = Long-term use + Not for resale + Subject to depreciation. Current assets = Short-term + Converted to cash within one year/operating cycle. Furniture is always a fixed asset, while stock, debtors, and bills receivable are current assets.

9. Intangible Asset is

- (A) Cash
- (B) Goodwill
- (C) Stock
- (D) Land

Correct Answer: (B) Goodwill

Solution:

We are asked to identify which item is classified as an intangible asset.

Step 1: Understand the definition of intangible assets.

Intangible assets are assets that:

- Have no physical substance (cannot be seen or touched)
- Provide economic benefits to the business over a long period
- Are non-current in nature

- Include items like patents, trademarks, copyrights, and goodwill

Step 2: Differentiate between tangible and intangible assets.

Tangible Assets (have physical substance):

- Land
- Building
- Plant & Machinery
- Furniture
- Cash
- Stock/Inventory

Intangible Assets (no physical substance):

- Goodwill
- Patents
- Trademarks
- Copyrights
- Franchises
- Computer Software (in some cases)

Step 3: Analyze each option.

- **(A) Cash:**
 - Cash has physical substance (coins, currency notes) and can be touched.
 - It is a **tangible current asset**.
- **(B) Goodwill:**
 - Goodwill has no physical substance; it cannot be seen or touched.
 - It represents the reputation, brand value, and customer loyalty of a business.

- It is a **intangible asset** and appears on the balance sheet when acquired through purchase of a business.

- **(C) Stock:**

- Stock (inventory) consists of physical goods held for sale.
- It has physical substance and can be touched.
- It is a **tangible current asset**.

- **(D) Land:**

- Land is a physical property with definite location and boundaries.
- It has physical substance and can be touched.
- It is a **tangible fixed asset**.

Step 4: Characteristics of Goodwill as an intangible asset.

Goodwill arises when one company acquires another for a price higher than the fair market value of its net identifiable assets. It represents:

- Brand reputation
- Customer loyalty
- Good employee relations
- Superior location
- Technical expertise

Final Answer: (B) Goodwill

Quick Tip

Remember: Intangible assets = No physical existence but have value. Examples: Goodwill, Patents, Copyrights, Trademarks. Tangible assets = Physical existence (can be seen/touched). Examples: Cash, Stock, Land, Building, Furniture.

10. Current liabilities include

- (A) Creditors
- (B) Outstanding expenses
- (C) Bills Payable
- (D) All of these

Correct Answer: (D) All of these

Solution:

We are asked to identify which items are classified as current liabilities.

Step 1: Understand the definition of current liabilities.

Current liabilities are obligations or debts that:

- Are payable within a short period (usually within one year or the operating cycle of the business)
- Are settled using current assets or by creating other current liabilities
- Include amounts owed to creditors, expenses due but not yet paid, and short-term borrowings

Step 2: Analyze each option.

- **(A) Creditors:**
 - Creditors are suppliers from whom goods have been purchased on credit.
 - The amount payable to them is due within a short period (usually 30-90 days).
 - Hence, creditors are **current liabilities**.
- **(B) Outstanding expenses:**
 - Outstanding expenses are expenses that have been incurred but not yet paid (e.g., salaries payable, rent payable).
 - These are due and payable within a short period.
 - Hence, outstanding expenses are **current liabilities**.
- **(C) Bills Payable:**

- Bills payable are written promises to pay a certain amount on a specified date (similar to creditors but with a formal document).
- These are generally short-term and payable within the operating cycle.
- Hence, bills payable are **current liabilities**.

Step 3: Verify if all options are current liabilities.

All three items (Creditors, Outstanding expenses, Bills Payable) share the common characteristics:

- They represent amounts owed by the business
- They are payable within a short period (usually less than one year)
- They are settled using current assets

Therefore, all of these are current liabilities.

Step 4: Common examples of current liabilities.

Current Liabilities	Description
Creditors (Accounts Payable)	Amount due to suppliers for credit purchases
Bills Payable	Written promises to pay (promissory notes)
Outstanding Expenses	Expenses incurred but not yet paid (salary, rent, etc.)
Bank Overdraft	Short-term borrowing from bank
Short-term Loans	Loans repayable within one year
Advance Income	Payment received before delivering goods/services

Final Answer: (D) All of these

Quick Tip

Current liabilities = Short-term obligations (payable within 1 year). Common examples: Creditors, Bills Payable, Outstanding Expenses, Bank Overdraft. All of these appear on the liabilities side of the Balance Sheet under "Current Liabilities".

11. Maruti Car is

(A) Current asset

- (B) Tangible asset
- (C) Intangible asset
- (D) None of these

Correct Answer: (B) Tangible asset

Solution:

We are asked to classify a Maruti Car (a vehicle) in terms of asset types.

Step 1: Understand the nature of a car as an asset.

A Maruti Car is a vehicle that:

- Has physical substance (can be seen and touched)
- Is used for transportation purposes in the business
- Has a useful life of several years
- Is subject to depreciation over its useful life
- Is not meant for resale in the normal course of business (if held as a fixed asset)

Step 2: Analyze each option.

- **(A) Current asset:**
 - Current assets are those that are expected to be converted into cash within one year or the operating cycle (e.g., stock, debtors, cash).
 - A car is a long-term asset, not meant to be sold within a year.
 - Hence, a Maruti Car is **not a current asset**.
- **(B) Tangible asset:**
 - Tangible assets have physical substance; they can be seen and touched.
 - A car has a physical form, occupies space, and can be touched.
 - Hence, a Maruti Car is a **tangible asset**.
- **(C) Intangible asset:**
 - Intangible assets have no physical substance (e.g., goodwill, patents, trademarks).

- A car clearly has physical existence.
- Hence, a Maruti Car is **not an intangible asset**.

- **(D) None of these:**

- Since option (B) is correct, this option is incorrect.

Step 3: Classification of a car in accounting.

In accounting, a car owned by a business is typically classified as:

- **Tangible Fixed Asset** (or Tangible Non-Current Asset)
- Recorded under "Plant, Property & Equipment" or specifically "Vehicles"
- Subject to depreciation each year

It is **tangible** because it has physical existence, and it is a **fixed asset** (not current) because it is used for business operations over multiple years.

Final Answer: (B) Tangible asset

Quick Tip

All assets with physical existence are tangible assets. Examples: Land, Building, Furniture, Vehicles (like Maruti Car), Machinery, Stock, Cash. Tangible assets can be further classified as fixed (long-term use) or current (short-term).

12. Any expenditure whose entire benefit is received in one accounting period itself is called

- (A) Current asset
- (B) Current liability
- (C) Revenue expenditure
- (D) Capital expenditure

Correct Answer: (C) Revenue expenditure

Solution:

We are asked to identify the type of expenditure whose entire benefit is received within one accounting period.

Step 1: Understand the difference between Revenue and Capital Expenditure.

Revenue Expenditure:

- Benefit is consumed within the current accounting period (usually one year)
- Recurring in nature
- Does not create or add to an asset
- Shown in the Income Statement (Profit & Loss Account)
- Examples: Salaries, Rent, Repairs, Office expenses, Purchases

Capital Expenditure:

- Benefit is received over multiple accounting periods (more than one year)
- Non-recurring in nature
- Creates or acquires a fixed asset or improves its earning capacity
- Shown in the Balance Sheet as an asset
- Examples: Purchase of machinery, Building construction, Computer equipment

Step 2: Analyze the given options.

- **(A) Current asset:**
 - Current assets (like stock, debtors, cash) are resources, not expenditures.
 - Expenditure is the amount spent; an asset is what is owned.
 - Hence, not correct.
- **(B) Current liability:**
 - Current liabilities (like creditors, outstanding expenses) are obligations, not expenditures.
 - Hence, not correct.
- **(C) Revenue expenditure:**

- Correct. Revenue expenditure is exactly defined as expenditure where the benefit is consumed within the same accounting period.
- It is incurred for day-to-day operations and maintenance.

• **(D) Capital expenditure:**

- Incorrect. Capital expenditure provides benefit over multiple accounting periods, not just one.

Step 3: Key distinguishing features.

Feature	Revenue Expenditure	Capital Expenditure
Benefit period	One accounting period	Multiple accounting periods
Nature	Recurring	Non-recurring
Treatment	Debited to P&L Account	Shown in Balance Sheet
Purpose	Maintain earning capacity	Improve/Create earning capacity
Examples	Salary, Rent, Repairs	Purchase of machinery, Building

Final Answer: (C) Revenue expenditure

Quick Tip

Remember the key test: If the benefit of expenditure lasts for more than one year → Capital Expenditure. If the benefit is exhausted within the current year → Revenue Expenditure. Revenue expenditure is shown in the Profit & Loss Account; Capital expenditure appears in the Balance Sheet.

13. Which of the following will be treated as drawings?

- (A) Withdrawing money for payment of salary, to employees
- (B) Withdrawing money for payment to creditors
- (C) Withdrawing money from business for private expenses
- (D) None of these

Correct Answer: (C) Withdrawing money from business for private expenses

Solution:

We are asked to identify which transaction will be treated as drawings.

Step 1: Understand the meaning of drawings.

Drawings refer to the withdrawal of cash or goods from the business by the owner (proprietor or partner) for personal or private use. Key points:

- Drawings reduce the owner's capital in the business
- They are not business expenses
- They can be in the form of cash, goods, or other assets taken for personal use
- Drawings are deducted from capital in the Balance Sheet

Step 2: Analyze each option.

- **(A) Withdrawing money for payment of salary to employees:**
 - Salary to employees is a legitimate business expense.
 - The money is withdrawn to pay employees for their services to the business.
 - This is a **business expense**, not drawings.
- **(B) Withdrawing money for payment to creditors:**
 - Payment to creditors is for settling business liabilities (for goods purchased on credit).
 - This is a **business payment**, not drawings.
- **(C) Withdrawing money from business for private expenses:**
 - This is the classic example of drawings.
 - When the owner takes money for personal use (household expenses, personal shopping, etc.), it is treated as drawings.
 - It reduces the owner's capital and is not a business expense.
- **(D) None of these:**
 - Incorrect because option (C) is correct.

Step 3: Examples of drawings.

Common examples of drawings:

- Cash withdrawn by owner for personal use
- Goods taken from business for personal consumption
- Assets of the business used for personal purposes
- Payment of owner's personal expenses from business funds

Step 4: Accounting treatment of drawings.

- Drawings are recorded in a separate "Drawings Account"
- At the end of the accounting period, the drawings account balance is transferred to the Capital Account (deducted from capital)
- Journal entry for drawings:

Drawings A/c Dr.

To Cash/Bank A/c

Final Answer: (C) Withdrawing money from business for private expenses

Quick Tip

Drawings = Owner's personal withdrawals from the business. Always remember: If the withdrawal is for business purposes (salary, creditors, rent, purchases), it's a business expense or payment. If it's for the owner's personal use, it's drawings.

14. Adopting of Accounting standards is mandatory for

- (A) Sole Traders
- (B) Partnership Firms
- (C) Companies
- (D) All of these

Correct Answer: (C) Companies

Solution:

We are asked to identify for whom adopting Accounting Standards is mandatory.

Step 1: Understand what Accounting Standards are.

Accounting Standards are written policies, rules, and guidelines issued by accounting bodies (like ICAI - Institute of Chartered Accountants of India) to ensure uniformity, consistency, and transparency in financial reporting. They prescribe the accounting treatment for various transactions and events.

Step 2: Know the applicability of Accounting Standards.

In India, Accounting Standards are issued by the Institute of Chartered Accountants of India (ICAI). The applicability varies based on the type of entity:

- **Companies:**

- Adoption of Accounting Standards is **mandatory** for all companies as per the Companies Act, 2013.
- Companies are required to comply with Accounting Standards notified under the Companies (Accounting Standards) Rules.
- Failure to comply can result in penalties and legal consequences.

- **Sole Traders and Partnership Firms:**

- For sole proprietorships and partnership firms, Accounting Standards are **not mandatory** by law.
- However, they may voluntarily adopt them for better financial reporting, especially if they need loans from banks or have large-scale operations.
- But legally, they are not required to follow Accounting Standards.

Step 3: Analyze each option.

- **(A) Sole Traders:**

- Not mandatory. Sole traders can maintain accounts as per their convenience.

- **(B) Partnership Firms:**

- Not mandatory unless specified in the partnership deed or required by specific regulations.
- **(C) Companies:**
 - Correct. Mandatory for all companies registered under the Companies Act.
- **(D) All of these:**
 - Incorrect because it's not mandatory for sole traders and partnership firms.

Step 4: Why are Accounting Standards mandatory for companies?

Companies have:

- Separate legal entity distinct from owners
- Large number of stakeholders (shareholders, investors, creditors, public)
- Requirement to file financial statements with regulatory authorities (ROC)
- Need for transparency and comparability
- Public accountability

Final Answer: (C) Companies

Quick Tip

Accounting Standards are mandatory for companies under the Companies Act. For sole traders and partnership firms, they are recommended but not legally required. However, if these entities want loans from banks or need to present reliable financial information, they may voluntarily follow Accounting Standards.

15. Which of the following is feature of Double Entry System?

- (A) Double Aspect
- (B) One Aspect
- (C) Two Posting in only one book

(D) None of these

Correct Answer: (A) Double Aspect

Solution:

We are asked to identify the feature of the Double Entry System of book-keeping.

Step 1: Understand the Double Entry System.

The Double Entry System is a system of book-keeping where every transaction has two aspects:

- **Debit aspect** (Receiver/Benefit/Expense)
- **Credit aspect** (Giver/Source/Income)

For every transaction, equal debit and credit entries are recorded. This is based on the fundamental accounting equation:

$$\text{Assets} = \text{Liabilities} + \text{Capital}$$

Step 2: Key features of Double Entry System.

Main features include:

- **Double Aspect:** Every transaction affects at least two accounts
- Both debit and credit aspects are recorded
- Total debits always equal total credits
- Provides complete and accurate financial records
- Helps in preparing Trial Balance
- Ensures arithmetic accuracy of accounts

Step 3: Analyze each option.

- **(A) Double Aspect:**
 - Correct. This is the fundamental feature of the Double Entry System.
 - Every transaction has two aspects - debit and credit.
 - Hence, it is also known as the "Dual Aspect Concept".

- **(B) One Aspect:**

- Incorrect. This would be the Single Entry System, where only one aspect is recorded (either debit or credit, not both).
- Single Entry System is incomplete and not accurate.

- **(C) Two Posting in only one book:**

- Incorrect. Postings are made in different books (Journal and then Ledger).
- The two aspects are recorded in different accounts, not necessarily in one book.

- **(D) None of these:**

- Incorrect because option (A) is correct.

Step 4: Comparison: Double Entry vs Single Entry.

Feature	Double Entry System	Single Entry System
Recording	Both aspects recorded	Incomplete recording
Accuracy	High	Low
Trial Balance	Can be prepared	Cannot be prepared
Reliability	More reliable	Less reliable
Suitability	All types of businesses	Small businesses only

Final Answer: (A) Double Aspect

Quick Tip

The Double Entry System is based on the Dual Aspect Concept: Every transaction has two effects - Debit and Credit. Remember the accounting equation: Assets = Liabilities + Capital. For every debit, there must be an equal credit. This is the "Double Aspect" feature!

16. Accounting process is

- (A) Accounting cycle
- (B) Accounting mirror

(C) Accounting cash

(D) None of these

Correct Answer: (A) Accounting cycle

Solution:

We are asked to identify what the accounting process is also known as.

Step 1: Understand the accounting process.

The accounting process refers to the series of steps involved in recording, classifying, summarizing, and interpreting financial transactions. These steps are performed in a specific sequence and are repeated in every accounting period.

Step 2: Identify the term for the accounting process.

The accounting process is commonly known as the **Accounting Cycle** because:

- It consists of a sequence of steps that are repeated in each accounting period
- The steps form a complete circle (cycle) from the beginning to the end of the period
- The cycle starts with recording transactions and ends with preparing financial statements and closing entries

Step 3: Steps in the Accounting Cycle.

The main steps in the accounting cycle are:

1. Identifying and analyzing business transactions
2. Recording transactions in the Journal (Journalizing)
3. Posting entries to the Ledger
4. Preparing Trial Balance
5. Making adjusting entries
6. Preparing Adjusted Trial Balance
7. Preparing Financial Statements (Trading A/c, Profit & Loss A/c, Balance Sheet)
8. Making closing entries

9. Preparing Post-Closing Trial Balance

Step 4: Analyze each option.

- **(A) Accounting cycle:**
 - Correct. The accounting process is called the accounting cycle because it is a repetitive sequence of steps completed each accounting period.
- **(B) Accounting mirror:**
 - Incorrect. This is not a standard accounting term.
- **(C) Accounting cash:**
 - Incorrect. This is not a standard accounting term. Cash is just one element in accounting.
- **(D) None of these:**
 - Incorrect because option (A) is correct.

Final Answer: (A) Accounting cycle

Quick Tip

The accounting process is called the "Accounting Cycle" because it follows a circular pattern: starting with transactions, passing through various stages (journal, ledger, trial balance, adjustments, financial statements), and then beginning again for the next period. Remember the sequence: Journal → Ledger → Trial Balance → Adjustments → Financial Statements → Closing Entries.

17. Voucher is

- (A) Written evidence
- (B) Oral evidence
- (C) Both (A) and (B)

(D) None of these

Correct Answer: (A) Written evidence

Solution:

We are asked to define what a voucher is in accounting.

Step 1: Understand the meaning of a voucher.

A **voucher** is a documentary evidence that supports a transaction recorded in the books of accounts. It serves as proof that a transaction has actually occurred.

Step 2: Characteristics of a voucher.

- It is a **written document** (not oral)
- It contains details like date, amount, parties involved, and nature of transaction
- It authorizes the recording of a transaction in the accounting books
- It can be in physical or electronic form
- Examples: Cash memos, invoices, receipts, pay slips, debit/credit notes, bank statements

Step 3: Analyze each option.

- **(A) Written evidence:**
 - Correct. A voucher is always a written document that provides evidence of a transaction.
 - Oral statements or verbal assurances cannot serve as vouchers in accounting.
- **(B) Oral evidence:**
 - Incorrect. Oral evidence is not acceptable as a voucher in accounting.
 - Accounting requires documented proof for reliability and audit purposes.
- **(C) Both (A) and (B):**
 - Incorrect because a voucher cannot be oral evidence.
- **(D) None of these:**
 - Incorrect because option (A) is correct.

Step 4: Types of vouchers.

Type of Voucher	Example
Cash Voucher	Receipt for cash received, Pay slip for cash paid
Purchase Voucher	Invoice from supplier
Sales Voucher	Invoice issued to customer
Journal Voucher	For non-cash transactions (adjustments, transfers)
Debit/Credit Note	For returns and allowances
Bank Voucher	Cheque, Bank statement, Deposit slip

Step 5: Importance of vouchers.

- Provide authenticity to transactions
- Help in audit and verification
- Serve as legal evidence in case of disputes
- Ensure transparency and accountability

Final Answer: (A) Written evidence

Quick Tip

Remember: In accounting, "No voucher, no entry!" A voucher is always a written document that serves as proof of a transaction. Oral evidence is not acceptable. Always keep vouchers safely for future reference and audit purposes.

18. Which of the following is/are source document(s)?

- (A) Cash Memo
- (B) Invoice
- (C) Pay-in Slip
- (D) All of these

Correct Answer: (D) All of these

Solution:

We are asked to identify which of the given options are source documents.

Step 1: Understand what source documents are.

Source documents are the original records that provide evidence that a business transaction has occurred. They are the foundation upon which accounting entries are made. Key points:

- They are the first written evidence of a transaction
- They contain details like date, amount, parties involved, and nature of transaction
- They serve as proof for auditing and verification purposes
- They form the basis for recording entries in the books of accounts

Step 2: Analyze each option.

- **(A) Cash Memo:**

- A cash memo is a document issued when a cash transaction occurs (cash sales or cash purchases).
- It contains details of items sold, quantity, price, and total amount.
- It is a **source document** for cash transactions.

- **(B) Invoice:**

- An invoice (or bill) is a document issued by a seller to a buyer for goods or services provided on credit.
- It contains details like description of goods, quantity, rate, amount, and terms of payment.
- It is a **source document** for credit sales and credit purchases.

- **(C) Pay-in Slip:**

- A pay-in slip is a document used when depositing cash or cheques into a bank account.
- It contains details like account number, amount deposited, and date.
- The bank returns a counterfoil or acknowledgment as proof of deposit.
- It is a **source document** for bank transactions.

Step 3: Conclusion.

All three options (Cash Memo, Invoice, Pay-in Slip) are valid source documents used in accounting to record different types of transactions. Therefore, the correct answer is "All of these".

Final Answer: (D) All of these

Quick Tip

Source documents = Original evidence of transactions. Common examples: Cash Memo (cash transactions), Invoice (credit transactions), Pay-in Slip (bank deposits), Receipt, Debit/Credit Notes, Vouchers. Always keep source documents safe for audit and verification!

19. Rule of "Debit all expenses and losses and Credit all incomes and gains" applies to

- (A) Personal Accounts
- (B) Real Accounts
- (C) Nominal Accounts
- (D) All of these

Correct Answer: (C) Nominal Accounts

Solution:

We are asked to identify which type of accounts the rule "Debit all expenses and losses and Credit all incomes and gains" applies to.

Step 1: Recall the three types of accounts and their rules.

In accounting, accounts are classified into three categories:

1. **Personal Accounts:** Accounts related to persons, firms, companies, or representatives.
 - Rule: Debit the receiver, Credit the giver.
2. **Real Accounts:** Accounts related to assets and properties (tangible and intangible).
 - Rule: Debit what comes in, Credit what goes out.

3. **Nominal Accounts:** Accounts related to expenses, losses, incomes, and gains.

- Rule: Debit all expenses and losses, Credit all incomes and gains.

Step 2: Apply the given rule to each type.

- **Personal Accounts:** The rule “Debit the receiver, Credit the giver” applies, not the rule about expenses and incomes.
- **Real Accounts:** The rule “Debit what comes in, Credit what goes out” applies, not the rule about expenses and incomes.
- **Nominal Accounts:** The rule “Debit all expenses and losses, Credit all incomes and gains” directly applies because nominal accounts deal with expenses, losses, incomes, and gains.

Step 3: Examples of Nominal Accounts.

- **Expenses and Losses (Debited):** Salary A/c, Rent A/c, Wages A/c, Interest Paid A/c, Depreciation A/c, Loss on Sale of Asset A/c.
- **Incomes and Gains (Credited):** Sales A/c, Commission Received A/c, Interest Received A/c, Discount Received A/c, Profit on Sale of Asset A/c.

Step 4: Analyze the given options.

- **(A) Personal Accounts:** Incorrect. Personal accounts follow the rule of “Debit the receiver, Credit the giver.”
- **(B) Real Accounts:** Incorrect. Real accounts follow the rule of “Debit what comes in, Credit what goes out.”
- **(C) Nominal Accounts:** Correct. Nominal accounts follow the rule of “Debit all expenses and losses, Credit all incomes and gains.”
- **(D) All of these:** Incorrect because personal and real accounts do not follow this rule.

Final Answer: (C) Nominal Accounts

Quick Tip

Remember the golden rules of accounting:

- Personal A/c: Debit the receiver, Credit the giver
- Real A/c: Debit what comes in, Credit what goes out
- Nominal A/c: Debit all expenses and losses, Credit all incomes and gains

Nominal accounts are temporary accounts closed at the end of each accounting period.

20. Purchase of goods from Ravi for cash will be credited to -

- (A) Purchase A/c
- (B) Ravi's A/c
- (C) Cash A/c
- (D) Goods A/c

Correct Answer: (C) Cash A/c

Solution:

We are asked to identify which account will be credited when goods are purchased from Ravi for cash.

Step 1: Analyze the transaction.

The transaction is: "Purchase of goods from Ravi for cash."

- Goods are coming into the business (asset increases)
- Cash is going out of the business (asset decreases)
- Since it's a cash purchase, no credit is involved from Ravi

Step 2: Identify the accounts affected.

Two accounts are affected in this transaction:

1. **Purchases Account** (Goods purchased)
2. **Cash Account** (Cash paid)

21. Goods taken by proprietor for personal use from business is called

- (A) Capital
- (B) Drawings
- (C) Asset
- (D) Liability

Correct Answer: (B) Drawings

Solution:

We are asked to identify the term used when the proprietor takes goods from the business for personal use.

Step 1: Understand the meaning of drawings.

Drawings refer to the withdrawal of cash or goods from the business by the owner (proprietor or partner) for personal or private use. Key characteristics:

- It reduces the owner's capital in the business
- It is not a business expense
- It can be in the form of cash, goods, or other assets taken for personal use
- It is recorded in a separate "Drawings Account"
- At the end of the accounting period, the drawings account balance is transferred to the Capital Account (deducted from capital)

Step 2: Analyze each option.

- **(A) Capital:**
 - Capital is the amount invested by the owner into the business.
 - When goods are taken out, capital decreases, but the transaction itself is not called "capital".
 - Hence, incorrect.
- **(B) Drawings:**

- Correct. When the proprietor takes goods for personal use, it is termed as "drawings".
- Example: If the owner takes goods worth 5,000 for personal use, it is recorded as drawings.
- **(C) Asset:**
 - Assets are resources owned by the business (like cash, stock, furniture, etc.).
 - Goods taken out are being removed from the business, so they are not an asset for the business anymore.
 - Hence, incorrect.
- **(D) Liability:**
 - Liabilities are obligations of the business to outsiders (creditors, loans, etc.).
 - Drawings have nothing to do with liabilities.
 - Hence, incorrect.

Step 3: Journal entry for goods taken as drawings.

When goods are taken by the proprietor for personal use:

Drawings A/c	Dr.
To Purchases A/c	

Note: Sometimes "Goods A/c" or "Stock A/c" is credited instead of Purchases A/c, depending on the accounting treatment.

Step 4: Effect of drawings on accounts.

- Drawings reduce the owner's capital
- Drawings reduce the assets of the business (cash or stock)
- Drawings are not business expenses, so they don't appear in the Profit & Loss Account
- Drawings are shown as a deduction from Capital in the Balance Sheet

Final Answer: (B) Drawings

Quick Tip

Drawings = Owner's personal withdrawals from the business (cash or goods). Remember: Drawings reduce capital and are not business expenses. Journal entry: Debit Drawings A/c, Credit Cash A/c (for cash) or Credit Purchases A/c (for goods).

22. State the main functions of commercial banks.

Solution:

The main functions of commercial banks are:

1. Accepting Deposits:

Banks accept various types of deposits from the public such as savings account, current account, and fixed deposits.

2. Advancing Loans and Advances:

Banks provide loans, cash credits, and advances to needy individuals and businesses.

3. Discounting of Bills:

Banks provide immediate funds by discounting bills of exchange and promissory notes.

4. Transfer of Money:

Banks facilitate money transfer from one place to another through bank drafts, cheques, and electronic transfers.

5. Other Facilities:

- Locker facility
- Debit/Credit cards
- Internet banking
- Foreign currency exchange

23. Name different postal services.

Solution:

Major services provided by Indian Postal Department are:

1. Mail Services:

- Ordinary letters
- Registered post
- Speed post
- Value payable post

2. Money Transfer Services:

- Money order
- Electronic money order
- India Post Payments Bank

3. Savings Services:

- Post office savings account
- National savings certificate
- Time deposits

4. Parcel Services:

- Ordinary parcel
- V.P. parcel

5. Other Services:

- Postal life insurance
- Aadhaar services
- Voter registration

24. State two advantages of transport.**Solution:**

Two main advantages of transport are:

1. Movement of goods and services:

Transport helps in moving raw materials to production sites and finished goods to markets.

This promotes trade and commerce.

2. Mobility of people:

Transport enables people to travel from one place to another - whether for work, education, or tourism.

Other benefits (for reference):

- Creates employment opportunities
- Connects different regions of the country
- Provides relief during emergencies

Note: Mentioning any two of the above advantages is sufficient.

Quick Tip

Transport is the backbone of economy - it connects production and consumption.

25. State the main functions of commercial banks.

Solution:

The main functions of commercial banks are:

1. Accepting Deposits:

Banks accept various types of deposits from the public such as savings account, current account, and fixed deposits.

2. Advancing Loans and Advances:

Banks provide loans, cash credits, and advances to needy individuals and businesses.

3. Discounting of Bills:

Banks provide immediate funds by discounting bills of exchange and promissory notes.

4. Transfer of Money:

Banks facilitate money transfer from one place to another through bank drafts, cheques, and electronic transfers.

5. Other Facilities:

- Locker facility
- Debit/Credit cards

- Internet banking
 - Foreign currency exchange
-

26. Name different postal services.

Solution:

Major services provided by Indian Postal Department are:

1. Mail Services:

- Ordinary letters
- Registered post
- Speed post
- Value payable post

2. Money Transfer Services:

- Money order
- Electronic money order
- India Post Payments Bank

3. Savings Services:

- Post office savings account
- National savings certificate
- Time deposits

4. Parcel Services:

- Ordinary parcel
- V.P. parcel

5. Other Services:

- Postal life insurance
 - Aadhaar services
 - Voter registration
-

27. State two advantages of transport.

Solution:

Two main advantages of transport are:

1. Movement of goods and services:

Transport helps in moving raw materials to production sites and finished goods to markets. This promotes trade and commerce.

2. Mobility of people:

Transport enables people to travel from one place to another - whether for work, education, or tourism.

Other benefits (for reference):

- Creates employment opportunities
- Connects different regions of the country
- Provides relief during emergencies

Note: Mentioning any two of the above advantages is sufficient.

Quick Tip

Transport is the backbone of economy - it connects production and consumption.
