

UP Board Class 10 Vanijya - 829 - 2025 Question Paper with Solutions

Time Allowed :3 Hours	Maximum Marks :70	Total Questions :10
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General Instructions

Read the following instructions very carefully and strictly follow them:

1. All questions are compulsory.
2. This question paper has two parts – Part-A and Part-B.
3. Part-A consists of 20 multiple choice questions of one mark each that have to be answered on OMR Answer Sheet by darkening completely the correct circle with blue or black ballpoint pen.
4. For Part-A read the question-wise instructions and mark your answer on the given OMR Answer Sheet only. Do not cut, use eraser or whitener on the OMR Answer Sheet after answering.
5. Marks of the questions are mentioned against them.
6. Part-B consists of descriptive type questions of 50 marks.
7. All the questions of Part-B are to be attempted all at a time.
8. Start from the first question and go up to the last question. Do not waste your time on the question you cannot solve.

Part - A

1. Short-term investment is

- (A) Current Assets
- (B) Fixed Assets
- (C) Both (A) and (B)
- (D) None of these

Correct Answer: (A) Current Assets

Solution:

Step 1: Understanding the Concept:

A short-term investment is a financial investment that is readily convertible to cash and is intended to be held for a short period, typically one year or less.

Step 2: Detailed Explanation:

- **Current Assets** are all the assets of a company that are expected to be sold, consumed, used, or exhausted through standard business operations within one year. Short-term investments fit this definition because they are liquid and held for less than a year. Examples include marketable securities.
- **Fixed Assets** (or Non-Current Assets) are long-term assets that a company has purchased and is using for the production of its goods and services. They are not expected to be converted into cash within a year. Examples include property, plant, and equipment.

Since short-term investments are held for a period of less than one year and are highly liquid, they are correctly classified under Current Assets on the balance sheet.

Step 3: Final Answer:

Based on the definition, a short-term investment is a type of Current Asset.

Quick Tip

Remember the key distinction between Current and Fixed Assets is the time horizon. Anything expected to be converted to cash or used up within one year is a Current Asset.

2. Discount received on payment from creditors is

- (A) income of the business
- (B) expenditure of the business
- (C) both (A) and (B)
- (D) none of these

Correct Answer: (A) income of the business

Solution:

Step 1: Understanding the Concept:

Discount received is a reduction in the amount of money that has to be paid to a creditor. This usually happens when a business pays its dues before the agreed-upon date (prompt payment discount).

Step 2: Detailed Explanation:

When a business receives a discount, it pays less than the actual amount it owed. This reduction in liability is a financial gain for the business.

According to the rules of accounting:

- Incomes and gains are credited.
- Expenses and losses are debited.

The journal entry for receiving a discount from a creditor is:

Creditor's A/c Dr.

To Cash/Bank A/c

To Discount Received A/c

Since the "Discount Received Account" is credited, it is treated as an indirect income and is shown on the credit side of the Profit and Loss Account.

Step 3: Final Answer:

Therefore, the discount received from creditors is an income for the business.

Quick Tip

Remember the golden rules of accounting for nominal accounts: "Debit all expenses and losses, Credit all incomes and gains." Discount received is a gain, hence it is credited and considered an income.

3. Signature of the writer on the cheque

- (A) is not necessary
- (B) is desirable
- (C) is a must
- (D) none of these

Correct Answer: (C) is a must

Solution:

Step 1: Understanding the Concept:

A cheque is a negotiable instrument governed by law. It is a written order from an account holder (the drawer or writer) to their bank, instructing the bank to pay a specified sum of money to the person named on the cheque (the payee).

Step 2: Detailed Explanation:

The signature of the writer (drawer) on the cheque is the most critical element for its validity. The signature serves as an authorization and authentication of the order. Without a valid signature:

- The bank has no authority to debit the writer's account.
- The cheque is considered incomplete and invalid.
- The bank will dishonor the cheque with the reason "Drawer's signature differs" or "Drawer's signature required."

Therefore, the signature is not merely desirable; it is an absolute requirement for the cheque to be a legally enforceable instrument.

Step 3: Final Answer:

The signature of the writer on a cheque is mandatory, making it a must.

Quick Tip

Think of a cheque as a legal contract. No contract is valid without the signature of the party making the promise or giving the order. The signature on a cheque makes it a valid instruction to the bank.

4. Bill of exchange is account.

- (A) Personal
- (B) Real
- (C) Unreal
- (D) None of these

Correct Answer: (A) Personal

Solution:**Step 1: Understanding the Concept:**

The question asks for the type of account associated with a Bill of Exchange. A Bill of Exchange gives rise to two main accounts: Bills Receivable Account and Bills Payable Account. We need to classify these accounts.

Step 2: Detailed Explanation:

Let's review the types of accounts:

- **Personal Accounts:** Related to individuals, firms, companies, or institutions. Bills Receivable represents a debtor (a person who owes money), and Bills Payable represents a creditor (a person to whom money is owed). Since they represent persons, they are classified as personal accounts.
- **Real Accounts:** Related to tangible and intangible assets of the business (e.g., Cash, Building, Goodwill).
- **Nominal Accounts:** Related to incomes, expenses, gains, and losses (e.g., Salary, Rent, Commission Received).

The 'Bills Receivable' account is an asset, but it specifically represents the amount to be received from a particular person (debtor). Similarly, the 'Bills Payable' account represents the amount payable to a specific person (creditor). Because these accounts are directly linked to persons, they fall under the category of Personal Accounts.

Step 3: Final Answer:

The accounts related to a Bill of Exchange (Bills Receivable and Bills Payable) are Personal

accounts.

Quick Tip

Always ask "who?" or "whom?". If the account answers this question, it's likely a Personal Account. Bills Receivable is money owed by someone (a person), and Bills Payable is money owed to someone (a person).

5. Token cards are used in

- (A) letter box index
- (B) phonetic index
- (C) card index
- (D) series index

Correct Answer: (C) card index

Solution:

Step 1: Understanding the Concept:

The question is about filing and indexing systems used in offices. A card index is a system for organizing information on individual cards, which are then filed in a specific order (e.g., alphabetically).

Step 2: Detailed Explanation:

Token cards, also known as guide cards or indicator cards, are essential components of a card index system.

- They are usually made of a different color or have a raised tab to stand out from the regular index cards.
- Their purpose is to divide the main set of cards into smaller, manageable sections. For example, in an alphabetical index, there would be a guide card for 'A', 'B', 'C', and so on.
- This makes locating a specific card much faster and more efficient.

Therefore, token cards are specifically used within a card index system to aid in organization and retrieval.

Step 3: Final Answer:

Token cards are used in a card index.

Quick Tip

Visualize a library's old card catalog drawer. The taller cards that separate the sections (e.g., by letter or topic) are the token/guide cards. They act as signposts within the filing system.

6. Typewriter was invented by

- (A) Henry Mil
- (B) Alexander Graham Bell
- (C) Alexander Ben
- (D) None of them

Correct Answer: (A) Henry Mil

Solution:

Step 1: Understanding the Concept:

This is a general knowledge question about the history of inventions, specifically the typewriter.

Step 2: Detailed Explanation:

The history of the typewriter involves many inventors, but the earliest recorded patent for a concept similar to a typewriter belongs to an English inventor.

- **Henry Mill (incorrectly spelled as Mil in the question):** He was granted a patent in Britain in 1714 for a machine that could impress letters on paper. While he never built a working model, he is credited with the first patent for the idea.
- **Alexander Graham Bell:** He is famous for inventing the telephone.
- **Alexander Bain (likely meant by Alexander Ben):** He was a Scottish inventor who worked on the electric clock and the first fax machine.
- **Christopher Latham Sholes:** He is often credited as the "Father of the Typewriter" for inventing the first commercially successful typewriter in the 1860s and patenting it in 1868.

Since Christopher Sholes is not an option, the question likely refers to the earliest patent holder for the concept. In this context, Henry Mill is the correct answer among the choices provided.

Step 3: Final Answer:

Based on the options, Henry Mill is the credited inventor of the typewriter concept.

Quick Tip

In questions about inventions, if the inventor of the first practical/commercial model isn't an option, look for the person who holds the earliest patent or developed the initial concept.

7. Means of quick messaging is/are

- (A) Telephone
- (B) Fax
- (C) Internet
- (D) All of these

Correct Answer: (D) All of these

Solution:

Step 1: Understanding the Concept:

The question asks to identify which of the given options are tools or methods for rapid (quick) messaging and communication.

Step 2: Detailed Explanation:

Let's evaluate each option:

- **(A) Telephone:** Allows for instantaneous voice communication over long distances, making it a very quick means of messaging.
- **(B) Fax (Facsimile):** Transmits a copy of a document over telephone lines in a matter of minutes. This is a quick way to send written or printed messages.
- **(C) Internet:** Provides numerous methods for instant messaging, such as email, instant messaging (IM) apps (like WhatsApp, Telegram), Voice over IP (VoIP), and video conferencing. These are all forms of very quick communication.

Since all three options are valid and widely used means of quick messaging, the most comprehensive answer is that all of them are correct.

Step 3: Final Answer:

Telephone, Fax, and the Internet are all means of quick messaging. Therefore, the correct option is (D) All of these.

Quick Tip

When you see an "All of these" or "All of the above" option, carefully check each preceding option. If you can confirm that at least two of them are correct, the "All" option is very likely the right answer.

8. Purchaser of large quantities of goods in cash from the producer is

- (A) Wholesaler
- (B) Retailer
- (C) Input trader
- (D) None of them

Correct Answer: (A) Wholesaler

Solution:

Step 1: Understanding the Concept:

This question concerns the roles of different intermediaries in a typical distribution channel, which describes how a product gets from the producer to the final consumer.

Step 2: Detailed Explanation:

The main roles are:

- **Producer/Manufacturer:** Creates the goods.
- **Wholesaler:** Buys goods in large quantities (bulk) directly from the producer. Their main function is to break down this bulk into smaller quantities for resale to retailers.
- **Retailer:** Buys smaller quantities of goods from wholesalers or sometimes directly from producers, and then sells them in very small quantities to the end consumers.

The question describes a purchaser who buys "large quantities of goods... from the producer." This is the exact definition of a wholesaler. "Input trader" is not a standard term for an intermediary in this context.

Step 3: Final Answer:

The entity that purchases large quantities of goods from the producer is the wholesaler.

Quick Tip

Remember the chain of distribution: Producer → Wholesaler (buys in bulk) → Retailer (buys in smaller lots) → Consumer (buys individual units).

9. Goods are directly sold to consumers by

- (A) Producer
- (B) Wholesaler
- (C) Retailer

(D) All of them

Correct Answer: (C) (Retailer)

Solution:

Step 1: Understanding the Concept:

The question asks to identify the primary entity in the supply chain whose main business is selling goods directly to the final consumers.

Step 2: Detailed Explanation:

Let's analyze the roles:

- **(A) Producer:** While some producers engage in direct-to-consumer (D2C) sales through factory outlets or websites, their primary role is manufacturing.
- **(B) Wholesaler:** The primary role of a wholesaler is to sell to other businesses, mainly retailers. Some wholesale clubs sell to consumers, but this is not their defining function.
- **(C) Retailer:** The very definition of a retailer is a business that sells goods in small quantities directly to the end consumer for personal use. This is their core function.

While it's possible for producers and wholesalers to sell to consumers, the most accurate and universally correct answer defining the primary channel for direct sales to consumers is the retailer. In the context of a multiple-choice question, we choose the best and most common answer.

Step 3: Final Answer:

The retailer's main purpose is to sell goods directly to consumers.

Quick Tip

For questions on business roles, focus on the primary, defining function of each entity. A retailer's defining characteristic is selling directly to the end-user.

10. Sent by agent after preparation to his principal is

- (A) Invoice
- (B) Account sale
- (C) Letter of debit
- (D) none of these

Correct Answer: (B) Account sale

Solution:

Step 1: Understanding the Concept:

This question relates to the business relationship of consignment, where one party (the principal or consignor) sends goods to another party (the agent or consignee) to be sold on their behalf. The question asks for the name of the statement sent by the agent back to the principal.

Step 2: Detailed Explanation:

Let's define the documents listed:

- **(A) Invoice:** A bill sent from a seller to a buyer, requesting payment for goods sold. This is used in a sale transaction, not a consignment.
- **(B) Account Sale:** This is a periodic statement prepared by the agent (consignee) and sent to the principal (consignor). It provides a summary of all transactions related to the consigned goods, including:
 - Gross sales proceeds.
 - Expenses incurred by the agent on behalf of the principal.
 - The agent's commission.
 - The net amount payable to the principal.

This perfectly matches the description in the question.

- **(C) Letter of debit (Debit Note):** A document sent to inform another party that their account has been debited.

The document prepared and sent by an agent to his principal summarizing sales and expenses is called an Account Sale.

Step 3: Final Answer:

The statement sent by the agent to the principal is the Account Sale.

Quick Tip

In consignment, the principal sends a "Pro-forma Invoice" with the goods, and the agent sends back an "Account Sale" after selling the goods. Do not confuse a pro-forma invoice with a regular sales invoice.

11. Invoice is mainly made in _____ copies.

- (A) Two
- (B) Three
- (C) Four
- (D) Five

Correct Answer: (B) Three

Solution:

Step 1: Understanding the Concept:

An invoice is a commercial document issued by a seller to a buyer, relating to a sale transaction and indicating the products, quantities, and agreed prices for products or services the seller had provided the buyer. The number of copies made depends on the needs of the parties involved and any legal or regulatory requirements.

Step 2: Detailed Explanation:

In a typical business transaction, especially involving the sale of goods, an invoice is prepared in triplicate (three copies). Each copy has a specific purpose:

- 1. Original Copy (Original for Buyer):** This is given to the purchaser. It serves as a formal request for payment and a record of the transaction for their accounting purposes.
- 2. Duplicate Copy (Duplicate for Transporter):** This copy is for the carrier or transporter of the goods. It acts as proof of shipment and is often required for logistical and verification purposes during transit.
- 3. Triplicate Copy (Triplicate for Assessee/Seller):** This copy is retained by the seller for their own accounting records, sales tracking, and for tax purposes (like GST).

While two copies (one for buyer, one for seller) are the bare minimum for services, the standard practice for goods involves three copies.

Step 3: Final Answer:

Based on standard business and tax practices (especially for goods), an invoice is mainly made in three copies. Therefore, option (B) is the correct answer.

Quick Tip

Remember the stakeholders in a typical sale of goods: the Seller, the Buyer, and the Transporter. Each one needs a copy of the invoice for their records, making three copies the standard practice.

12. 'The bank provides the facility of lockers.' This function is

- (A) Main function
- (B) General function
- (C) Agency related function
- (D) Other function

Correct Answer: (B) General function

Solution:

Step 1: Understanding the Concept:

Bank functions are broadly categorized into Primary (or Main) functions and Secondary func-

tions. Secondary functions can be further divided into Agency functions and General Utility (or General) functions.

Step 2: Detailed Explanation:

- **Main Functions:** These are the core activities of a bank, which include accepting deposits and advancing loans. These are the primary reasons for a bank's existence.

- **Agency Functions:** In these functions, the bank acts as an agent for its customers. Examples include collecting cheques, paying bills, and acting as a trustee.

- **General Functions (or Utility Functions):** These are ancillary services that a bank provides to its customers for a fee to add value and convenience. Providing safe deposit lockers is a classic example of a general or utility function. It is a service that provides security for customers' valuables. Other examples include issuing letters of credit and underwriting.

Since providing lockers is not a core deposit/lending activity and the bank is not acting as an agent, it falls under the category of a General function.

Step 3: Final Answer:

The facility of lockers is a secondary, general utility service provided by the bank. Thus, 'General function' is the most appropriate classification.

Quick Tip

To differentiate bank functions, ask: Is it about accepting or lending money (Main)? Is the bank acting on my behalf (Agency)? Or is it providing an extra service for convenience/security (General)? Locker facility is an extra service.

13. When was the State Bank of India established?

- (A) In 1955
- (B) In 1941
- (C) In 1949
- (D) None of these

Correct Answer: (A) In 1955

Solution:

Step 1: Understanding the Concept:

This question asks for the establishment year of the State Bank of India (SBI). This requires knowledge of the history of banking in India.

Step 2: Detailed Explanation:

The State Bank of India (SBI) was established on July 1, 1955, through the State Bank of India Act, 1955. It was formed by the nationalization of the Imperial Bank of India. The Imperial Bank of India itself was formed in 1921 by the amalgamation of three presidency banks:

the Bank of Calcutta (later Bank of Bengal), the Bank of Bombay, and the Bank of Madras. However, the entity known as the "State Bank of India" came into existence in 1955.

Step 3: Final Answer:

The State Bank of India was officially established in the year 1955. Therefore, option (A) is correct.

Quick Tip

Associate the name "State Bank of India" with the post-independence era of nationalization. The Imperial Bank of India existed before, but it was renamed and reconstituted as SBI in 1955.

14. The prohibited function of State Bank of India is

- (A) Accepting deposits
- (B) Giving loan
- (C) Clearing house function
- (D) Taking loan for a period of more than six months on the surety of his own shares

Correct Answer: (D) Taking loan for a period of more than six months on the surety of his own shares

Solution:

Step 1: Understanding the Concept:

This question asks to identify a function that the State Bank of India (and commercial banks in general) is prohibited from performing according to banking regulations.

Step 2: Detailed Explanation:

Let's analyze the options:

- (A) **Accepting deposits:** This is a primary function of any commercial bank, including SBI.
- (B) **Giving loan:** This is another primary function of a commercial bank.
- (C) **Clearing house function:** SBI acts as an agent of the RBI and performs clearing house functions. This is an allowed function.
- (D) **Taking loan for a period of more than six months on the surety of his own shares:** The Banking Regulation Act, 1949, places restrictions on banks granting loans and advances on the security of their own shares. This is to prevent artificial manipulation of share prices and protect the bank's capital. While there are some exceptions for short periods, granting a loan for more than six months against its own shares is generally a prohibited activity. This is considered an unsound banking practice.

Step 3: Final Answer:

Functions (A), (B), and (C) are standard banking operations. Function (D) is a prohibited

activity under banking regulations. Therefore, (D) is the correct answer.

Quick Tip

A key principle of banking regulation is to protect the bank's capital. Lending money against its own shares is risky because if the borrower defaults, the bank has to sell its own shares, which can depress the share price and weaken its capital base. Hence, it is a prohibited function.

15. Which of the following is not a commercial bank?

- (A) Reserve Bank of India
- (B) Union Bank of India
- (C) Indian Bank
- (D) Canara Bank

Correct Answer: (A) Reserve Bank of India

Solution:

Step 1: Understanding the Concept:

The question requires differentiating between a commercial bank and a central bank. A commercial bank deals directly with the public for deposits and loans. A central bank is the apex financial institution that regulates the country's banking system.

Step 2: Detailed Explanation:

- **Commercial Banks:** Union Bank of India, Indian Bank, and Canara Bank are all examples of public sector commercial banks in India. Their primary function is to provide banking services to the general public and businesses.
- **Central Bank:** The Reserve Bank of India (RBI) is India's central bank. Its functions include issuing currency, managing monetary policy, regulating and supervising the financial system, and acting as a banker to the government and to other banks. It does not provide general banking services to the public.

Step 3: Final Answer:

The Reserve Bank of India is the central bank, not a commercial bank. Therefore, option (A) is the correct answer.

Quick Tip

Remember that the Reserve Bank of India (RBI) is the "banker's bank" and the "government's bank." It oversees all other banks but does not operate as a regular bank for individual customers.

17. Indigenous bankers are controlled by

- (A) Central Government
- (B) State Government
- (C) Reserve Bank of India
- (D) None of these

Correct Answer: (C) Reserve Bank of India

Solution:

Step 1: Understanding the Concept:

Indigenous bankers are individuals or private firms that have been part of India's traditional, unorganized banking system for centuries. The question is about which authority has regulatory control over them.

Step 2: Detailed Explanation:

The indigenous banking system is largely part of the unorganized money market in India. Historically, they operated with little to no formal regulation. However, as the formal banking sector developed, there have been efforts to bring them under a regulatory framework.

The Reserve Bank of India (RBI), as the country's central bank and primary regulator of the financial system, has the authority to control and regulate all banking-related activities. While indigenous bankers are not regulated as strictly as commercial banks, they are still under the purview of the RBI. The RBI has made several recommendations and has taken steps to link them with the organized banking sector to exercise indirect control and integrate them into the formal financial system. They are regulated by the RBI under the Banking Regulation Act, 1949 and Banking Laws (Application to Cooperative Societies) Act, 1965.

Step 3: Final Answer:

The Reserve Bank of India is the ultimate authority that controls and regulates banking activities in India, including those of indigenous bankers. Therefore, option (C) is the correct answer.

Quick Tip

When a question asks about the control or regulation of any banking or financial activity in India, the Reserve Bank of India (RBI) is almost always the correct answer as it is the apex monetary authority.

18. Which helps in capital formation?

- (A) Expenditure
- (B) Savings

- (C) Hoarding
- (D) All of these

Correct Answer: (B) Savings

Solution:

Step 1: Understanding the Concept:

Capital formation refers to the net addition to the stock of capital (like machinery, equipment, buildings) in an economy. It is the process of creating more capital goods, which are then used to produce other goods and services.

Step 2: Detailed Explanation:

The process of capital formation involves three main stages:

1. **Creation of Savings:** People, corporations, and governments save a part of their income. This saved money is the source of funds for investment.
2. **Mobilization of Savings:** The savings are transferred from savers to investors through financial intermediaries like banks and capital markets.
3. **Investment of Savings:** The mobilized savings are used by businesses and entrepreneurs to purchase capital goods.

Let's look at the options:

(A) Expenditure: This usually refers to consumption expenditure, which uses up resources rather than creating capital.

(B) Savings: Savings are the portion of income not consumed and are the primary source of funds for investment, which directly leads to capital formation.

(C) Hoarding: Hoarding means keeping money idle (e.g., cash at home). This money is withdrawn from circulation and is not available for investment, so it hinders capital formation. Therefore, savings are the crucial first step that helps in capital formation.

Step 3: Final Answer:

Savings are the foundation of capital formation. Hence, option (B) is the correct answer.

Quick Tip

Think of the economic cycle: Income $\rightarrow$ (Consumption + Savings) $\rightarrow$ Savings $\rightarrow$ Investment $\rightarrow$ Capital Formation $\rightarrow$ Higher Production $\rightarrow$ Higher Income. Savings are the essential link that fuels investment and growth.

19. Means of production is/are

- (A) Land
- (B) Labour
- (C) Capital

(D) All of these

Correct Answer: (D) All of these

Solution:

Step 1: Understanding the Concept:

In economics, the "means of production" or "factors of production" are the resources or inputs that are used in the production process to produce output—that is, finished goods and services.

Step 2: Detailed Explanation:

Classical and neoclassical economics identify four main factors of production:

1. **Land:** This includes not just the physical land but all natural resources available from it, like minerals, water, and forests.
2. **Labour:** This refers to the human effort—mental and physical—used in the production of goods and services.
3. **Capital:** This refers to man-made resources used in production, such as machinery, tools, buildings, and technology. It is distinct from financial capital.
4. **Entrepreneurship:** This is the ability to combine the other three factors to create a product or service, involving risk-taking and innovation.

The options provided—Land, Labour, and Capital—are all fundamental means (or factors) of production.

Step 3: Final Answer:

Since Land, Labour, and Capital are all considered means of production, the correct option is (D) All of these.

Quick Tip

Remember the acronym CELL: Capital, Entrepreneurship, Land, Labour. These are the four classic factors of production. The question lists three of them, making "All of these" the correct choice.

20. Changes in utility is

- (A) according to time
- (B) according to place
- (C) according to situation
- (D) all of these

Correct Answer: (D) all of these

Solution:

Step 1: Understanding the Concept:

Utility, in economics, refers to the satisfaction or benefit that a consumer derives from a good or service. This utility is not constant and can change based on various factors. The question asks what causes these changes.

Step 2: Detailed Explanation:

Utility can be created or changed in several ways, often referred to as types of utility:

1. **Time Utility:** The utility of a product can change with time. For example, a warm coat has more utility in winter than in summer. Storing goods until they are needed creates time utility.
2. **Place Utility:** The utility of a product changes with its location. For instance, water has more utility in a desert than near a river. Transporting goods to where they are demanded creates place utility.
3. **Form/Situation Utility:** The utility of a product changes when its form or state is altered. For example, wood has less utility than a chair made from that wood. This is also influenced by the consumer's "situation" or immediate need. A first aid kit has immense utility in an emergency situation. The term "according to situation" is a broad way to encompass form, possession, and the context of consumption.

Since utility changes with time, place, and the specific situation, all the given options are correct.

Step 3: Final Answer:

Utility is a subjective concept that changes based on time, place, and the consumer's situation. Therefore, option (D) is the correct answer.

Quick Tip

Think of a simple example: An umbrella. It has high utility during a rainy day (time/situation), low utility on a sunny day. It has high utility if you are outside (place), but low utility if you are already inside a building. This shows that utility is dynamic and context-dependent.

Part - B

1. **Write two items written in the credit side of the Profit & Loss Account.**

Correct Answer: Two common items written on the credit side of a Profit & Loss Account are: 1. Gross Profit brought down (from the Trading Account).

2. Other incomes such as Interest Received, Commission Received, or Rent Received.

Solution:

Step 1: Understanding the Concept:

The Profit & Loss (P&L) Account is a nominal account prepared to ascertain the net profit or net loss of a business for a specific accounting period.

According to the rules of nominal accounts, all incomes and gains are credited, while all expenses and losses are debited.

The credit side of the P&L Account, therefore, records all the indirect incomes and gains earned by the business during the period.

Step 2: Detailed Explanation:

The P&L account begins with the Gross Profit or Gross Loss from the Trading Account.

- **Gross Profit b/d:** This is the first item on the credit side of the P&L account. It represents the profit earned from the primary trading activities of the business (i.e., buying and selling goods) and is transferred from the Trading Account.
- **Other Incomes and Gains:** Apart from the main business operations, a company can earn income from various other sources. These are indirect incomes and are credited to the P&L account. Examples include:
 - **Interest Received:** Income earned from investments, bank deposits, or loans given.
 - **Commission Received:** Income earned for providing services as an agent.
 - **Discount Received:** A gain from suppliers for early payment of dues.
 - **Rent Received:** Income from subletting a part of the business premises.
 - **Profit on Sale of Assets:** Any gain made from selling a fixed asset.

Quick Tip

To easily remember what goes on the credit side of the P&L Account, just think of the golden rule for nominal accounts: **"Credit all incomes and gains."** Any item that represents a financial gain or income for the business will be recorded on the credit side.

2. Define bills of exchange.

Correct Answer: A bill of exchange is a written, unconditional order signed by the maker (the drawer), directing a certain person (the drawee) to pay a certain sum of money only to, or to the order of, a certain person (the payee) or to the bearer of the instrument.

Solution:

Step 1: Understanding the Concept:

A bill of exchange is a negotiable instrument that serves as a formal IOU, facilitating credit transactions in trade. It is a key tool in commerce for settling debts and financing trade. In India, it is governed by the Negotiable Instruments Act, 1881.

Step 2: Detailed Explanation:

The key characteristics of a bill of exchange are as follows:

- **It must be in writing:** A verbal order to pay is not a bill of exchange.
- **It must be an order, not a request:** The language used must be a command to pay. For example, "Pay Rs. 5,000" is an order, while "Please pay Rs. 5,000" is a request.
- **The order must be unconditional:** The payment instruction cannot be dependent on the happening of some event (e.g., "Pay Rs. 5,000 on the arrival of the ship" is conditional and not a valid bill).
- **It must be signed by the maker (Drawer):** The person creating the bill and ordering the payment must sign it.
- **The amount must be certain:** The sum of money to be paid must be definite.
- **The parties must be certain:** The drawer (maker), drawee (person ordered to pay), and payee (person to whom payment is made) must be clearly identified.
- **Acceptance:** To be legally binding on the drawee, the drawee must 'accept' the bill, usually by signing across its face with the word "Accepted".

Quick Tip

Remember the three key parties in a bill of exchange: the **Drawer** (who draws the bill), the **Drawee** (on whom the bill is drawn and who pays), and the **Payee** (who receives the payment). Often, the Drawer and the Payee are the same person.

3. Write the names of any two methods of horizontal filing.

Correct Answer: Two methods of horizontal filing are:

1. Flat Filing

2. Shelf Filing

Solution:

Step 1: Understanding the Concept:

Horizontal filing is a method of storing documents in a flat or horizontal position, one on top of the other. It is one of the oldest and simplest methods of filing. This is in contrast to vertical filing, where documents are stored upright on their edges.

Step 2: Detailed Explanation:

- **Flat Filing:** In this method, documents are placed in file covers or folders and stacked horizontally. The files are often secured with a lever arch mechanism or a tag. This system is simple to implement and inexpensive. However, it can be difficult to retrieve a document from the bottom of the stack without disturbing the others, making it suitable for documents that are not frequently accessed.
- **Shelf Filing:** This method involves placing files or folders horizontally on open shelves. Each file is labeled on its spine for easy identification. While the documents inside the file are flat, the arrangement on shelves makes it slightly easier to access individual files compared to stacking them directly on top of each other in a deep drawer. This method is space-efficient as it utilizes vertical space with shelves.

Quick Tip

Horizontal filing is generally best suited for archival purposes or for documents that do not need to be retrieved frequently. For active and growing files, vertical filing systems are usually more efficient.

4. State two main successes of State Bank of India.

Correct Answer: Two main successes of the State Bank of India (SBI) are:

1. Pioneering rural banking and promoting financial inclusion across India.
2. Acting as a robust agent for the Reserve Bank of India (RBI) and stabilizing the national banking system.

Solution:

Step 1: Understanding the Concept:

The State Bank of India was formed in 1955 by nationalizing the Imperial Bank of India. Its

primary mandate was to support the country's economic development, particularly in rural areas. Its successes can be measured by how well it has fulfilled this mandate.

Step 2: Detailed Explanation:

- **Expansion of Rural Banking and Financial Inclusion:** One of SBI's greatest achievements has been its massive expansion into rural and semi-urban areas. Before SBI, banking was largely an urban phenomenon. SBI opened thousands of branches in previously unbanked regions, extending credit to agriculture and small-scale industries. This drive played a pivotal role in promoting financial inclusion, mobilizing rural savings, and supporting the Green Revolution.
- **Agent of RBI and Pillar of Stability:** SBI acts as an agent for the RBI in areas where the central bank does not have its own office. It handles government transactions (collecting taxes, making payments) and helps implement monetary policy. Due to its sheer size and government backing, SBI has often acted as a stabilizing force in the Indian banking sector, sometimes bailing out weaker banks and maintaining public confidence in the system. Its role as the largest commercial bank gives it a unique position in India's financial landscape.

Quick Tip

When discussing the successes of a public sector institution like SBI, always connect its achievements to its role in national development and its contribution to the welfare of the common people, not just its financial profits.

5. Define savings.

Correct Answer: Savings is the portion of disposable income (income after taxes) that is not spent on the consumption of goods and services. It is the act of setting aside money for future use rather than spending it immediately.

Solution:

Step 1: Understanding the Concept:

Savings is a fundamental concept in both personal finance and macroeconomics. It represents the surplus of income over expenditure. This surplus can then be used for future consumption, emergencies, or investment to generate further income.

Step 2: Key Formula or Approach:

The concept of savings can be represented by a simple formula:

$$\text{Savings} = \text{Disposable Income} - \text{Consumption Expenditure}$$

Step 3: Detailed Explanation:

- **From a Personal Finance Perspective:** For an individual or a household, saving means deferring consumption. Instead of spending money today, it is kept aside in various forms like cash, bank accounts, or other financial instruments. The motivation to save includes building an emergency fund, saving for a large purchase (like a house or car), planning for retirement, or accumulating capital for investment.
- **From a Macroeconomic Perspective:** In an economy, aggregate savings (the sum of all individual, corporate, and government savings) are crucial for capital formation. These saved funds are channeled through the financial system to businesses that borrow them for investment in new machinery, technology, and infrastructure. This investment, in turn, drives economic growth. Therefore, savings are the foundation of investment and long-term economic prosperity.

Quick Tip

It's important to distinguish between **savings** and **investment**. Savings is the act of setting money aside. Investment is the act of using those savings to purchase assets with the expectation of generating a return. Saving is a prerequisite for investment.

6. Write the difference between bills of exchange & hundi.

Correct Answer: A bill of exchange is a formal, legally defined negotiable instrument governed by the Negotiable Instruments Act, 1881, and written in English. A Hundi is an informal, traditional credit instrument based on local customs and practices, typically written in a vernacular language.

Solution:

Step 1: Understanding the Concept:

Both bills of exchange and hundis are financial instruments used to transfer money and extend credit. However, a bill of exchange is a modern, standardized instrument recognized under formal law, while a hundi is an indigenous instrument that has been used in India for centuries and operates based on trust and local custom.

Step 2: Detailed Explanation:

The key differences are outlined below:

Basis of Difference	Bill of Exchange	Hundi
Governing Law	Governed by the Negotiable Instruments Act, 1881.	Governed by local customs, usage, and traditions. It is not defined in the Act.
Formality	It is a formal instrument with a legally defined format and structure.	It is an informal instrument. Its form and content can vary by region.
Language	Always written in the English language.	Usually written in vernacular or local languages (e.g., Hindi, Gujarati).
Stamp Duty	Requires stamping as per the Indian Stamp Act to be valid.	Stamping is not always necessary, depending on local practice.
Acceptance	Formal acceptance by the drawee is required.	Acceptance is often verbal and based on the honor system.
Dishonor	In case of dishonor, a formal process of noting and protesting is followed for legal action.	Dishonor is handled through local trade bodies or panchayats, not necessarily through formal courts.

Quick Tip

The easiest way to remember the difference is to associate **Bills of Exchange** with the formal, modern banking system and legal framework, and **Hundi** with the traditional, informal system of Indian traders and merchants.

7. Explain four advantages of Card Indexing.

Correct Answer: Four key advantages of card indexing are:

1. **Flexibility:** It is easy to add, remove, or rearrange cards without disturbing the entire system.
2. **Ease of Reference:** Information can be located quickly due to alphabetical or numerical arrangement.
3. **Simplicity:** The system is easy to understand and operate, requiring minimal training.
4. **Compactness:** It can store a large amount of information in a relatively small physical space.

Solution:

Step 1: Understanding the Concept:

Card indexing is a manual system for storing and retrieving information. It involves recording individual pieces of information on separate index cards, which are then arranged in a specific order (e.g., alphabetical, numerical, or chronological) in a drawer or cabinet. It was a precursor to modern digital databases.

Step 2: Detailed Explanation:

- **Flexibility and Elasticity:** The system is highly flexible. New cards with updated information can be inserted at any point in the sequence, and old or obsolete cards can be removed easily. This allows the index to grow and change with the needs of the business without requiring a complete overhaul of the system.
- **Ease and Speed of Reference:** Because the cards are arranged in a logical sequence, finding a specific piece of information is fast and straightforward. Guide cards can be used to divide sections, further speeding up the location process. One person can refer to a card without holding up others who may need to access different information in the same system.
- **Simplicity and Low Cost:** The principle of card indexing is very simple to grasp, and staff can be trained to use it quickly. The initial setup cost is relatively low, as it only requires cards, cabinets, and guide cards. It does not depend on electricity or complex software.
- **Compactness and Space Saving:** Compared to keeping records in large bound registers or ledgers, a card index system is very compact. A small cabinet can hold thousands of cards, each containing concise information, thus saving valuable office space.

Quick Tip

Think of a library's old card catalog system. Its advantages—ease of finding a book (speed), adding new book cards (flexibility), and removing old ones—are the classic benefits of card indexing.

8. Describe four main functions of the Reserve Bank of India.

Correct Answer: Four main functions of the Reserve Bank of India (RBI) are:

1. **Issuer of Currency:** It has the sole right to issue banknotes in India.
2. **Banker to the Government:** It manages the banking needs of the central and state governments.

3. **Banker's Bank and Supervisor:** It acts as the bank for all commercial banks and regulates the banking system.
4. **Controller of Credit:** It manages the money supply and credit in the economy to control inflation and promote growth.

Solution:

Step 1: Understanding the Concept:

The Reserve Bank of India is the country's central bank. Established in 1935, its primary role is to manage the country's currency and credit systems to foster monetary stability and economic growth.

Step 2: Detailed Explanation:

- **Issuer of Currency (Issue Function):** The RBI has the sole authority to issue currency notes except for the one-rupee note (which is issued by the Ministry of Finance). This ensures uniformity in the notes issued and helps the RBI control the money supply. It is also responsible for the distribution of notes and coins and for removing unfit currency from circulation.
- **Banker to the Government:** The RBI acts as the government's banker, agent, and advisor. It maintains the government's accounts, receives payments into these accounts, and makes payments on behalf of the government. It also manages public debt and advises the government on financial and economic matters.
- **Banker's Bank and Supervisor:** The RBI serves as the bank for all scheduled commercial banks. Banks are required to maintain a certain percentage of their deposits (Cash Reserve Ratio or CRR) with the RBI. The RBI also acts as the "lender of last resort," providing loans to banks when they face a liquidity crisis. As a supervisor, it sets regulations and conducts inspections to ensure banks operate soundly and protect depositors' interests.
- **Controller of Credit (Monetary Policy):** This is one of the most crucial functions. The RBI controls the supply of money and credit in the economy to achieve objectives like price stability (controlling inflation) and economic growth. It uses various tools for this, including quantitative tools (like Bank Rate, Repo Rate, Reverse Repo Rate, CRR, and Open Market Operations) and qualitative tools (like moral suasion and credit rationing).

Quick Tip

To remember RBI's functions, think of it as the ultimate authority in the financial system. It prints money for the public, manages money for the government, oversees all other banks, and controls the overall flow of money in the country.

9. What are the methods of saving?

Correct Answer: Common methods of saving include:

- Depositing money in Bank Accounts (Savings, Fixed Deposits, Recurring Deposits).
- Investing in Post Office Schemes (e.g., Public Provident Fund, National Savings Certificate).
- Investing in Mutual Funds or the Stock Market.
- Purchasing Government Bonds or Corporate Debentures.

Solution:

Step 1: Understanding the Concept:

Methods of saving refer to the various avenues or financial instruments available to individuals and households to set aside their surplus income for future needs. These methods vary in terms of risk, return, liquidity (ease of converting to cash), and tax implications.

Step 2: Detailed Explanation:

Here are some of the principal methods of saving:

- **Bank Deposits:** This is the most common and safest method.
 - **Savings Account:** Highly liquid, allowing for easy deposits and withdrawals. Offers low interest rates.
 - **Fixed Deposit (FD):** Money is deposited for a fixed period (e.g., 1-5 years) at a fixed, higher interest rate than a savings account. Premature withdrawal usually incurs a penalty.
 - **Recurring Deposit (RD):** A fixed amount is deposited every month for a predetermined period, earning a fixed rate of interest. It encourages disciplined saving.
- **Post Office Schemes:** These are government-backed, making them very safe.
 - **Public Provident Fund (PPF):** A long-term savings scheme (15 years) with tax benefits and attractive interest rates.
 - **National Savings Certificate (NSC):** A fixed-income investment with a fixed tenure and interest rate, also offering tax deductions.
- **Mutual Funds:** This involves pooling money from many investors to invest in a diversified portfolio of stocks, bonds, or other assets. They offer the potential for higher returns but also come with market risks. Systematic Investment Plans (SIPs) in mutual funds are a popular method for disciplined saving.

- **Direct Equity (Stock Market):** This involves buying shares of publicly listed companies. It offers the highest potential for returns but also carries the highest risk. It is more of an investment than a simple saving method.
- **Insurance Policies:** Certain life insurance policies, like endowment plans or ULIPs, combine insurance cover with a savings component.

Quick Tip

The choice of a saving method should align with your financial goals. For short-term goals and emergency funds, high-liquidity options like Savings Accounts or FDs are suitable. For long-term goals like retirement, instruments like PPF and Equity Mutual Funds are often recommended.

10. Prepare Trading and Profit & Loss Account for the year ending on 31st March, 2024 and Balance Sheet of the same date from the following Trial Balance:

Trial Balance as on 31st March, 2024

Name of the Accounts	Amount (Rs.)	Name of the Accounts	Amount (Rs.)
Opening stock	15,000	Capital	19,000
Furniture	4,000	Sales	20,000
Purchase	12,000	Reserve for Bad and Doubtful Debts	800
Discount	1,200	Bills Payable	6,700
Sales Return	200		
Debtors	8,000		
Bad debts	500		
Salary	2,000		
Carriage	1,000		
Machine	2,000		
Cash	600		
Total	46,500	Total	46,500

Adjustments:

- Closing stock Rs. 1,500.
- Depreciate Machinery by 5% p.a.
- Create Reserve for bad and doubtful debts on debtors @ 5%.
- Create Reserve for discount on debtors @ 2%.
- Outstanding Salary is Rs. 200.

Correct Answer: The final solution results in a **Gross Loss of Rs. 6,700**, a **Net Loss of Rs. 10,452**, and the **Balance Sheet balancing at Rs. 15,448**.

Solution:

Step 1: Understanding the Concept:

The objective is to prepare the final accounts of a business, which include the Trading Account, Profit & Loss (P&L) Account, and the Balance Sheet.

- The **Trading Account** is prepared to ascertain the Gross Profit or Gross Loss from the core business operations (buying and selling goods).
- The **P&L Account** is prepared to determine the Net Profit or Net Loss by considering all indirect revenues and expenses.
- The **Balance Sheet** is a statement of the financial position of the business, showing its assets and liabilities on a specific date.

Adjustments are transactions that have occurred but are not yet recorded in the books, which need to be accounted for to present a true and fair view.

Step 2: Key Formula or Approach:

The preparation of final accounts involves the following steps:

1. Create Working Notes for all adjustments to calculate the correct amounts to be shown in the financial statements. Each adjustment has two effects.
2. Prepare the Trading Account.
3. Transfer the Gross Profit/Loss to the P&L Account and prepare it.
4. Prepare the Balance Sheet by listing all assets and liabilities, ensuring it balances.

Step 3: Detailed Explanation:

Working Notes:

1. Depreciation on Machinery:

Depreciation = 5% of the value of Machinery

$$\text{Depreciation} = \frac{5}{100} \times 2,000 = \text{Rs. } 100$$

This will be debited to the P&L Account and deducted from Machinery in the Balance Sheet.

2. Reserve for Bad and Doubtful Debts (New Provision):

New Provision = 5% on Sundry Debtors

$$\text{New Provision} = \frac{5}{100} \times 8,000 = \text{Rs. } 400$$

Total amount for P&L A/c = (Bad Debts from Trial Balance + New Provision) - Old Provision

$$\text{Amount for P\&L A/c} = (500 + 400) - 800 = 900 - 800 = \text{Rs. } 100$$

In the Balance Sheet, the new provision of Rs. 400 will be deducted from Debtors.

3. Reserve for Discount on Debtors:

This reserve is calculated on 'good debtors' (Total Debtors - New Provision for Bad Debts).

$$\text{Good Debtors} = 8,000 - 400 = \text{Rs. } 7,600$$

$$\text{Provision for Discount} = \frac{2}{100} \times 7,600 = \text{Rs. } 152$$

This will be debited to the P&L Account and deducted from Debtors in the Balance Sheet.

4. Outstanding Salary:

Salary to be debited to P&L Account = Salary paid + Outstanding Salary

$$\text{Total Salary} = 2,000 + 200 = \text{Rs. } 2,200$$

Outstanding Salary of Rs. 200 will be shown as a current liability in the Balance Sheet.

Trading and Profit & Loss Account for the year ended 31st March, 2024

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Trading Account			
To Opening Stock	15,000	By Sales	20,000
To Purchases	12,000	Less: Sales Return	(200)
To Carriage	1,000		19,800
		By Closing Stock	1,500
		By Gross Loss c/d	6,700
Total	28,000	Total	28,000
Profit & Loss Account			
To Gross Loss b/d	6,700		
To Salary	2,000		
Add: Outstanding	200		
	2,200		
To Discount Allowed	1,200		
To Bad Debts	500		
Add: New Provision	400		
	900		
Less: Old Provision	(800)		
	100		
To Depreciation on Machine	100		
To Provision for Discount on Debtors	152	By Net Loss	10,452
		(Transferred to Capital A/c)	
Total	10,452	Total	10,452

Balance Sheet as on 31st March, 2024

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Bills Payable	6,700	Cash	600
Outstanding Salary	200	Furniture	4,000
Capital	19,000	Machine	2,000
Less: Net Loss	(10,452)	Less: Depreciation	(100)
	8,548		1,900
		Debtors	8,000
		Less: New Provision	(400)
			7,600
		Less: Provision for Discount	(152)
			7,448
		Closing Stock	1,500
Total	15,448	Total	15,448

Step 4: Final Answer

Based on the calculations and preparation of the accounts:

- The **Gross Loss** is **Rs. 6,700**.
- The **Net Loss** is **Rs. 10,452**.
- The **Balance Sheet** totals match at **Rs. 15,448**, confirming the arithmetical accuracy of the solution.

Quick Tip

When solving final accounts problems, always create structured working notes for each adjustment. This minimizes errors. Remember that every adjustment has a dual effect - it impacts both the Trading/P&L Account and the Balance Sheet. Systematically tick off items from the trial balance as you post them to prevent omissions.

OR. What is meant by adjusting entries? Write Journal entries with the imaginary figures for the following adjustments:

- (i) Closing stock Rs. 1,500.
- (ii) Depreciate Machinery by 5% p.a.
- (iii) Create Reserve for bad and doubtful debts on debtors @ 5%.
- (iv) Create Reserve for discount on debtors @ 2%.
- (v) Outstanding Salary is Rs. 200.

Correct Answer: Adjusting entries are journal entries made at the end of an accounting period to record revenues and expenses in the period in which they are earned or incurred, respectively. The journal entries for the given adjustments are provided in the solution below.

Solution:

Step 1: Understanding the Concept: Meaning of Adjusting Entries

Adjusting entries are journal entries recorded at the end of an accounting period to bring the

balances of certain accounts up to date. The primary purpose of adjusting entries is to ensure that the financial statements reflect the revenues earned and expenses incurred during the accounting period, in accordance with the accrual basis of accounting and the matching principle.

Key reasons for passing adjusting entries include:

- **Accrued Expenses (Outstanding Expenses):** To record expenses that have been incurred but not yet paid.
- **Accrued Incomes (Income Receivable):** To record incomes that have been earned but not yet received.
- **Prepaid Expenses (Unexpired Expenses):** To account for the portion of an expense paid in advance that has been consumed or expired.
- **Unearned Income (Income Received in Advance):** To record the portion of revenue that has been earned from advance payments received from customers.
- **Non-Cash Items:** To account for expenses like depreciation, and provisions for bad debts or discounts.

These entries ensure that both the Income Statement and the Balance Sheet present a true and fair view of the company's performance and financial position.

Step 2: Detailed Explanation: Journal Entries for the Adjustments

The journal entries for the given adjustments are passed as follows, using the imaginary figures from the Trial Balance provided in the original problem.

(i) For Closing Stock of Rs. 1,500

Date	Particulars	L.F.	Debit (Rs.)
Mar 31	Closing Stock A/c Dr.		1,500
	To Trading A/c		
1,500	<i>(Being the value of unsold stock recorded)</i>		

(ii) For Depreciation on Machinery @ 5% p.a.

Calculation: Depreciation = 5% of Machinery value (Rs. 2,000) = Rs. 100.

Date	Particulars	L.F.	Debit (Rs.)
Mar 31	Depreciation A/c Dr.		100
	To Machinery A/c		
100	<i>(Being depreciation charged on machinery @ 5%)</i>		

(iii) For Reserve for Bad and Doubtful Debts @ 5%

Calculation:

- Bad Debts (from Trial Balance): Rs. 500
- New Provision Required: 5% of Debtors (Rs. 8,000) = Rs. 400
- Old Provision (from Trial Balance): Rs. 800
- Net amount to be charged to P&L A/c = (Bad Debts + New Provision) - Old Provision

$$= (500 + 400) - 800 = \text{Rs. } 100$$

The adjusting journal entry to reflect this net charge is:

Date	Particulars	L.F.	Debit (Rs.)
Credit (Rs.)			
Mar 31	Profit & Loss A/c Dr.		100
100	To Provision for Doubtful Debts A/c		
	<i>(Being the net charge for bad and doubtful debts transferred to P&L account)</i>		

(iv) For Reserve for Discount on Debtors @ 2%

Calculation:

- Good Debtors = Total Debtors - New Provision for Doubtful Debts = Rs. 8,000 - Rs. 400 = Rs. 7,600.
- Provision for Discount = 2% of Good Debtors (Rs. 7,600) = Rs. 152.

Date	Particulars	L.F.	Debit (Rs.)
Credit (Rs.)			
Mar 31	Profit & Loss A/c Dr.		152
152	To Reserve for Discount on Debtors A/c		
	<i>(Being provision for discount on debtors created)</i>		

(v) For Outstanding Salary of Rs. 200

Date	Particulars	L.F.	Debit (Rs.)
Credit (Rs.)			
Mar 31	Salary A/c Dr.		200
200	To Outstanding Salary A/c		
	<i>(Being salary due but not yet paid)</i>		

Step 3: Final Answer

Adjusting entries are necessary to correctly state revenues and expenses in the period they occur. The journal entries for the given adjustments have been calculated and presented above, adhering to the principles of accrual accounting.

Quick Tip

Remember that every adjusting entry has a dual effect: one impact on the Income Statement (Trading or P&L Account) and one impact on the Balance Sheet. For example, recording outstanding salary increases the salary expense in the P&L Account and creates a liability (Outstanding Salary) in the Balance Sheet. Understanding this dual impact is key to correctly preparing final accounts.

11(a). M/s Shiv Brothers, Lucknow sells goods to M/s Ganapati & Company, Prayagraj:

10 dozen, Umbrellas @ Rs. 600 per dozen.

2 dozen, Felt Hat @ Rs. 500 per dozen.

10 dozen, Rain Coat @ Rs. 1,200 per dozen.

Conditions: 2% cash discount and 10% trade discount if payment is made within one month.

Expenditure: Packing Rs. 70, Carriage Rs. 80.

Prepare an invoice on the basis of above.

Correct Answer: The total invoice amount is Rs. 17,250.

Solution:

Step 1: Understanding the Concept:

An invoice is a commercial document issued by a seller to a buyer, relating to a sale transaction and indicating the products, quantities, and agreed prices for products or services the seller had provided the buyer. This question requires the preparation of a standard invoice, calculating the value of goods, applying a trade discount, and adding other expenses.

Step 2: Key Formula or Approach:

1. Calculate the gross value of all goods sold.

$$\text{Gross Value} = \sum (\text{Quantity} \times \text{Rate per unit})$$

2. Deduct the trade discount from the gross value. Trade discount is always calculated on the list/catalogue price of the goods.

$$\text{Net Value} = \text{Gross Value} - (\text{Gross Value} \times \text{Trade Discount \%})$$

3. Add any additional expenses like packing and carriage to the net value to get the final invoice amount.

$$\text{Invoice Amount} = \text{Net Value} + \text{Expenses}$$

4. The cash discount condition is mentioned as a note on the invoice but is not deducted in the invoice itself, as it is conditional upon payment within a specified period.

Step 3: Detailed Explanation:

Calculation of Invoice Amount

1. Calculate the Gross Value of Goods:

- Umbrellas: 10 dozen $\times$ Rs. 600/dozen = Rs. 6,000
- Felt Hat: 2 dozen $\times$ Rs. 500/dozen = Rs. 1,000
- Rain Coat: 10 dozen $\times$ Rs. 1,200/dozen = Rs. 12,000

$$\text{Total Gross Value} = 6,000 + 1,000 + 12,000 = \text{Rs. } 19,000$$

2. Calculate Trade Discount:

$$\text{Trade Discount} = 10\% \text{ of } 19,000 = \frac{10}{100} \times 19,000 = \text{Rs. } 1,900$$

3. Calculate Net Value after Trade Discount:

$$\text{Net Value} = 19,000 - 1,900 = \text{Rs. } 17,100$$

4. Add Expenses:

- Packing Charges = Rs. 70
- Carriage Charges = Rs. 80

$$\text{Total Expenses} = 70 + 80 = \text{Rs. } 150$$

5. Calculate Total Invoice Amount:

$$\text{Final Invoice Amount} = \text{Net Value} + \text{Total Expenses} = 17,100 + 150 = \text{Rs. } 17,250$$

Step 4: Final Answer

The invoice would be prepared as follows:

INVOICE

Seller: M/s Shiv Brothers, Lucknow

Buyer: M/s Ganapati & Company, Prayagraj

Invoice No.: [Imaginary No.]

Date: [Current Date]

S.No.	Particulars	Quantity	Rate (per dozen)	Amount (Rs.)
1.	Umbrellas	10 dozen	600.00	6,000.00
2.	Felt Hat	2 dozen	500.00	1,000.00
3.	Rain Coat	10 dozen	1,200.00	12,000.00
Total				19,000.00
Less: 10% Trade Discount				(1,900.00)
Net Amount				17,100.00
Add: Packing Charges				70.00
Add: Carriage Charges				80.00
Grand Total				17,250.00

Amount in Words: Rupees Seventeen Thousand Two Hundred Fifty Only.

Terms & Conditions:

1. E. & O.E.
2. A cash discount of 2% will be allowed if payment is made within one month.

For M/s Shiv Brothers

(Authorized Signatory)

Quick Tip

Always remember the key difference: **Trade Discount** is a reduction in the list price, given at the time of sale, and is *not* recorded in the books of accounts (the sale is recorded at the net value). **Cash Discount** is an incentive for prompt payment, given at the time of payment, and *is* recorded in the books as an expense (for the seller) or income (for the buyer).

11(b). What were the objectives of establishing the Reserve Bank of India? Describe its success.

Correct Answer: The primary objectives for establishing the Reserve Bank of India (RBI) were to regulate the issue of currency, secure monetary stability, and operate the country's currency and credit system to its advantage. It has largely succeeded in these objectives by maintaining financial stability, modernizing the banking sector, managing inflation, and promoting economic growth.

Solution:**Step 1: Understanding the Concept:**

The Reserve Bank of India (RBI) is India's central bank and regulatory body responsible for the regulation of the Indian banking system. It was established on April 1, 1935, in accordance with the provisions of the Reserve Bank of India Act, 1934. Its primary role is to manage the country's currency and credit systems to foster economic growth and stability.

Step 2: Detailed Explanation:**A. Objectives of Establishing the RBI**

The Preamble to the RBI Act, 1934, outlines its main objectives:

1. **To Regulate the Issue of Banknotes:** The RBI has the sole authority to issue currency notes in India. This ensures uniformity in the currency and helps control its supply in the economy.
2. **To Secure Monetary Stability:** A key objective is to maintain monetary stability by controlling inflation and ensuring confidence in the currency. This involves managing the supply of money and credit to suit the needs of the economy.

3. **To Operate the Currency and Credit System:** The RBI is responsible for operating the nation's currency and credit system effectively to promote economic growth and development. This includes ensuring an adequate flow of credit to productive sectors of the economy.
4. **To Supervise the Financial System:** The RBI regulates and supervises commercial banks and other financial institutions to maintain public confidence in the system, protect depositors' interests, and provide cost-effective banking services.
5. **To Manage Foreign Exchange:** The RBI manages India's foreign exchange reserves and maintains a stable exchange rate, facilitating external trade and payments.
6. **Developmental Role:** The RBI plays a crucial role in supporting national economic objectives by promoting and developing financial institutions and markets.

B. Success of the RBI

The RBI has achieved considerable success in meeting its objectives over the decades:

1. **Building a Modern Banking Structure:** The RBI has successfully created a sound and modern banking and credit structure in the country. Its supervisory role has guided the development of banking on robust lines.
2. **Maintaining Financial and Monetary Stability:** Despite various domestic and global challenges, the RBI has been largely successful in maintaining financial stability. It has adopted a flexible monetary policy to manage seasonal fluctuations and inflationary pressures.
3. **Successful Management of Public Debt:** The RBI has efficiently managed the public debt, floating loans for the government at reasonable interest rates and helping raise funds for the public sector.
4. **Promoting Economic Development:** The RBI has played an active role in India's economic development by helping establish specialized financial institutions for agriculture (NABARD), industry (IDBI, SIDBI), and exports.
5. **Facilitating Digital Payments:** A major recent achievement is the revolution in digital payments, primarily through the introduction and popularization of the Unified Payments Interface (UPI), making India a global leader in this domain.
6. **Financial Inclusion:** Through initiatives like the Lead Bank Scheme and the Pradhan Mantri Jan Dhan Yojana, the RBI has significantly contributed to expanding banking services to unbanked and rural areas.
7. **Effective Crisis Management:** The RBI has demonstrated resilience and adaptability in managing economic crises, including the liberalization phase in the 1990s and the recent COVID-19 pandemic, ensuring the stability of the financial system.

Step 3: Final Answer

The Reserve Bank of India was established with core objectives focused on monetary control, financial stability, and the systematic development of the country's credit system. Over its 90-year history, it has been remarkably successful, evolving from a currency issuer to a robust institution that has modernized India's banking sector, managed public debt, fostered economic

growth, and spearheaded a world-leading digital payments revolution, thereby earning significant public trust.

Quick Tip

When answering questions about institutions like the RBI, structure your answer with clear headings for 'Objectives' and 'Success/Achievements'. Use bullet points to list distinct functions and accomplishments. Quoting the Preamble or key functions from the RBI Act adds significant weight to your answer.

12(a). Explain the main characteristics & importance of savings.

Correct Answer: Savings refers to the portion of income not spent on current consumption. Its main characteristics are that it is a function of income, requires a conscious decision to defer consumption, and is influenced by both the ability and willingness to save. Its importance lies in providing individual financial security, enabling the achievement of personal goals, and fueling national economic growth through capital formation and investment.

Solution:

Step 1: Understanding the Concept:

Savings is the portion of income that is not spent on immediate consumption but is instead set aside for future use. It represents the difference between a person's disposable income and their expenditure. It is a fundamental concept in personal finance and macroeconomics, forming the basis for wealth creation and capital formation.

Step 2: Detailed Explanation:

A. Main Characteristics of Savings

1. **A Part of Income:** Savings is fundamentally derived from income. Without income, there can be no savings. It is the residual amount left after all consumption expenditures are met.
2. **Deferred Consumption:** Saving is an act of postponing consumption. Instead of using the money for immediate wants, an individual chooses to keep it for future needs or goals.
3. **Element of Sacrifice:** It involves forgoing present enjoyment for future security and benefits. This requires discipline and a forward-looking perspective.
4. **Depends on Ability and Willingness:** The amount of savings depends on two key factors:
 - **Ability to Save:** This is determined by the level of income, tax policies, and the general price level (inflation). Higher income and lower inflation generally lead to a higher ability to save.

- **Willingness to Save:** This is a psychological factor influenced by foresight, family affection, social status, and economic security. Interest rates also play a role; higher rates can incentivize saving.
5. **Purpose-Driven:** Savings are often goal-oriented, such as for an emergency fund, a down payment on a house, education, retirement, or investment.

B. Importance of Savings

The importance of savings can be viewed at both the individual (micro) and national (macro) levels.

Importance for an Individual:

1. **Financial Security and Emergencies:** Savings provide a crucial safety net to handle unexpected events like medical emergencies, job loss, or urgent repairs, preventing individuals from falling into debt.
2. **Achievement of Financial Goals:** Savings are essential for achieving short-term and long-term goals such as buying a car or house, funding education, planning a vacation, or starting a business.
3. **Retirement Planning:** Consistent saving throughout one's working life is necessary to build a corpus that can provide financial independence and security during retirement.
4. **Wealth Building:** Savings are the foundation for investment. The money saved can be invested in assets like stocks, bonds, or real estate to generate returns and build wealth over time through compounding.
5. **Reduces Debt Dependence:** Having adequate savings reduces the need to take out loans for major purchases or emergencies, thereby saving on interest costs and avoiding debt traps.
6. **Provides Peace of Mind:** Financial security significantly reduces stress and anxiety related to money, contributing to better mental and overall well-being.

Importance for the Economy:

1. **Capital Formation:** At a national level, the savings of individuals are pooled together by financial institutions (like banks) and channeled into productive investments by businesses. This process is known as capital formation.
2. **Drives Economic Growth:** Higher savings lead to higher investment in new machinery, technology, and infrastructure. This boosts production, creates jobs, and leads to long-run economic growth.
3. **Economic Stability:** A high national savings rate makes an economy more resilient to financial shocks and reduces its dependence on foreign capital. It also provides a cushion during economic downturns.

Step 3: Final Answer

Savings, characterized as the act of deferring consumption, is a crucial economic habit. For individuals, it is the cornerstone of financial security, enabling them to handle emergencies, achieve life goals, and build wealth. For the economy as a whole, a high rate of savings is vital

as it fuels the capital formation and investment necessary for sustained economic growth and stability.

Quick Tip

When asked to explain 'characteristics' and 'importance', always separate the two concepts clearly using headings. For 'importance', consider the impact on different stakeholders, such as individuals and the overall economy, to provide a more comprehensive and well-rounded answer.

12(b). Describe time and labour saving devices in commercial office.

Correct Answer: Time and labour-saving devices in a commercial office are tools, machines, and software that automate or simplify repetitive tasks to increase speed, accuracy, and overall efficiency. Examples include computers with office software, printers/scanners, communication tools like email and video conferencing, and specialized equipment like time recorders and franking machines.

Solution:

Step 1: Understanding the Concept:

Time and labour-saving devices, also known as office automation tools, refer to a range of equipment, machinery, and software designed to perform or assist in routine office tasks more efficiently. The primary goals of using these devices are to reduce the manual effort required, increase the speed of operations, improve accuracy by minimizing human error, and lower operational costs.

Step 2: Detailed Explanation:

Various time and labour-saving devices used in a modern commercial office can be categorized as follows:

1. For Document Creation and Management:

- **Computers and Software:** The most fundamental device. Paired with office suites (e.g., Microsoft Office, Google Workspace), they automate tasks like writing, calculation, presentation creation, and data management.
- **Printers, Scanners, and Photocopiers (Multifunction Devices):** These devices allow for the quick reproduction and digitization of documents. Modern multifunction devices can print, copy, scan, and fax from a single unit, saving space and time.
- **Document Shredders:** Automate the process of securely destroying sensitive documents, which is much faster and more secure than manual tearing.

2. For Communication:

- **Email and Instant Messaging Platforms (e.g., Slack, Microsoft Teams):** These tools have replaced traditional memos and letters, enabling instant communication and collaboration among employees, regardless of their location.
- **Telephone Systems (including VoIP and Video Conferencing):** Modern phone systems and video conferencing tools (e.g., Zoom) save enormous time and travel costs by allowing for instant voice and face-to-face communication with clients and colleagues globally.

3. For Accounting and Calculations:

- **Calculating Machines/Software:** While physical calculators are still used, accounting software (e.g., Tally, QuickBooks) and spreadsheets are the primary tools. They automate complex calculations, ledger posting, payroll preparation, and financial report generation, ensuring high accuracy and speed.
- **Cash Counting Machines:** Used in businesses with high cash transactions, these machines count currency notes and detect counterfeits much faster and more accurately than a human can.

4. For Mailing and Dispatch:

- **Franking Machine:** This machine prints a postage mark (franking) directly onto envelopes or labels, eliminating the need to manually affix stamps. It also records postage expenses automatically, saving significant time in a busy mailroom.
- **Addressing Machine:** Used for mass mailings, this machine can quickly print addresses onto a large number of envelopes or wrappers.

5. For General Office Administration:

- **Time Recorders/Biometric Systems:** These devices automatically record the arrival and departure times of employees, simplifying attendance tracking and payroll processing. This is far more efficient than manual sign-in sheets.
- **Dictation Machines (Dictaphones):** Allow executives to record letters, memos, and notes, which can then be transcribed by a typist at a later time. This saves the time of the executive and the stenographer, who do not need to be present at the same time.
- **Workflow and Project Management Software (e.g., Asana, Trello):** These tools automate task assignment, tracking, and progress reporting, enhancing collaboration and ensuring projects stay on schedule.

Step 3: Final Answer

Time and labour-saving devices are essential components of a modern commercial office, designed to enhance productivity and efficiency. They range from general-purpose tools like computers and communication platforms to specialized equipment like franking machines and time recorders. By automating repetitive and manual processes, these devices allow employees to save valuable time and effort, reduce errors, and focus on more strategic and high-value tasks, ultimately leading to lower operational costs and improved business performance.

Quick Tip

When describing these devices, categorize them by function (e.g., communication, document handling, accounting). This provides a structured and logical flow to your answer. Also, try to include both traditional examples (like typewriters, which are historically important) and modern examples (like workflow automation software) to show a comprehensive understanding.
