

### **Important Topics Exposition:**

*[The important information of this chapter has been provided here at a glance.]*

1. Double entry system - the most reliable, scientific, complete and self-sufficient system of accounting.
2. Each transaction creates dual entity concept of - two opposite and equal result.
3.  $\text{Asset} = \text{Liability} + \text{Owner's Equity}$ .
4. In every transaction there are at least two accounts - dual entity.
5. Beneficial recipient is called - Debtor.
6. The total of debit side should equal to the total of credit side because of -  $\text{Total Liability} = \text{Total Asset}$ .
7. Principles or characteristics of Double Entry System are - dual entity, debtor and creditor, making debit and credit, exchanged equal amount and comprehensive result.
8. Advantage of Dual Entity System - checking / verifying arithmetic accuracy.
9. Dual Entity System has - easy application.
10. Dual Entity System is required in - ascertain financial result and financial condition of a firm.
11. Dual Entry System is vital for - easily obtaining firm's complete account, accurate result and control in expense.
12.  $\text{Total Owner's Equity} = \text{Asset} + \text{Net Income} + \text{General Reserve} - \text{Total Withdrawal}$ .
13.  $\text{Total Withdrawal} = \text{Cash Withdraw} + \text{Goods Withdraw} + \text{Income Tax} + \text{Life Insurance Premium}$ .
14. Income, Liability And Owner's Equity increase is - credit.
15. Owner's Equity - is a kind of liability to the business.
16. Firms income and capital - increase Owner's Equity.
17. Owner's Equity increase - when income increases and expenses decrease.
18. The continuous cycle of keeping accounts is known as - Accounting Cycle.
19. Identifying Transaction - is the first stage of Accounting Cycle.
20. Analyzing Transaction - is the second stage of Accounting Cycle.
21. Journalizing The Accounts - is the third stage of Accounting Cycle.
22. For preparing the financial statement easily, an optional multi column statement is prepared - is known as Worksheet.
23. Worksheet is made before - preparing financial statements.
24. Single Entry System is a faulty and incomplete system.
25. In Single Entry System - one or two accounts are recorded and some transactions are not recorded at all.
26. Preservation for the class of income and expenditure is never emphasized in - Single Entry System.
27. Some accounts related to Asset And Liability are kept in - Single Entry System.
28.  $\text{Profit / Loss} = (\text{Closing Capital} + \text{Drawing}) - (\text{Opening Capital} + \text{Additional Capital})$
29.  $\text{Opening Capital} = \text{Total Opening Assets} - \text{Total Opening Liability}$ .
30.  $\text{Closing Capital} = \text{Total Closing Assets} - \text{Total Closing Liability}$ .

### CQs for Self-assessment:

1. Mr. Anil does not keep his books of account properly. For 2018 the information of his business are as follows: -

Particulars	Opening balance	Closing balance
Furniture	2,00,000	3,00,000
Creditors	1,40,000	1,30,000
Bank balance	50,000	1,50,000
Debtors	1,50,000	1,75,000
Building	5,00,000	5,00,000
Bank Loan	50,000	30,000

Mr. Anil withdraws Tk. 8,000 per month. Besides he takes goods of Tk. 4,000, in that year he brought Tk. 1,00,000 as additional capital.

#### **Requirement:**

- Calculate the amount of total Drawings.
  - Determine the amount of opening capital.
  - Determine the amount of closing capital & profit/loss.
2. 'Ali Stores' is a stationery shop of English road 20/155. Assets and liabilities of the shop at 1<sup>st</sup> January 2018 are as below: -

Furniture	: Tk. 25,000
Computer	: Tk. 45,000
Cash In hand	: Tk. 30,000
Creditors	: Tk. 10,000
Debtors	: Tk. 21,000
Salary Due	: Tk. 7,000

#### **Requirement:**

- Calculate the amount of closing capital.
  - Calculate the amount of opening capital.
  - Calculate the net profit/loss of the company.
3. Mr. Fahim does not keep his books of accounts in scientific method. On 1<sup>st</sup> January 2018 his Total Assets And Liabilities were Tk. 2,90,000 and Tk. 1,10,000 consequently.

On 31<sup>st</sup> December 2018 his Assets and Liability are as follows:

Cash In hand Tk. 20,000; Debtors Tk. 70,000; Stock Tk. 70,000; Creditors Tk. 25,000; Bills Payable Tk. 15,000 & Furniture Tk. 1,40,000.

In that year he newly invested Tk. 50,000. Other than that, he withdrew Tk. 1,000 per month and goods withdrew Tk. 5,000.

#### **Requirement:**

- Determine the opening capital.
- Determine the closing capital
- Determine the profit/loss.

### Board MCQ:

- To prepare the financial statement, what is the easier an optional multicolumn work?
  - Ledger
  - Journal
  - Trial balance
  - Work sheet
- Which account is maintained if income and expenditure accounts are not considered in single entry system?
  - Liability
  - Loss
  - Capital
  - Profit

[Considering the following information, answer the question no. 3 & 4.]

**Opening capital Tk. 2,00,000; Net profit Tk. 60,000; General reserve Tk. 12,000; Income tax Tk. 32,000 and Withdrawn goods Tk. 5,000.**

- What is the amount of owner's equity at the end of the year?
  - Tk. 2,75,000
  - Tk. 2,72,000
  - Tk. 2,45,000
  - Tk. 2,35,000

4. What is the amount of total drawings at the end of the year?
  - a) Tk. 5,000
  - b) Tk. 37,000
  - c) Tk. 32,000
  - d) Tk. 44,000
5. Which one is the benefit of double entry system?
  - a) Verifying arithmetic accuracy
  - b) Dual entry
  - c) Total result
  - d) Debit & credit
6. For the enterprise owner's equity is a kind of -
  - a) Asset
  - b) Revenue
  - c) Expense
  - d) Liability
7. Which account maintain is not important for single entry system?
  - a) Capital & drawing
  - b) Asset & liability
  - c) Income & expenditure
  - d) Liabilities of owner's equity
8. Owner's equity is -
  - i) Right of owner
  - ii) Right of outsider
  - iii) One kind of account
 Which one is correct?
  - a) i & ii
  - b) ii & iii
  - c) i & iii
  - d) i, ii & iii
9. What is the cause of total amount of credit side is equal to total amount of credit side?
  - a) Total liabilities = total assets
  - b) Total assets = total assets
  - c) Total profit = total loss
  - d) Total liabilities = total equity
10. Each transaction creates a result of -
  - i) Two same way result
  - ii) Two retro result
  - iii) Two retro and same way result
 Which one is correct?
  - a) I & ii
  - b) Ii & iii
  - c) I & iii
  - d) I, ii & iii
11. The third step of accounting circle -
  - a) Adjustment entry
  - b) Preparing trial balance
  - c) Recording in journal
  - d) Preparing worksheet
12. How many advantages of double entry system are there?
  - a) 4
  - b) 8
  - c) 6
  - d) 10
13. Profit / loss =?
  - a) (Closing Capital - Opening Capital + Drawings)
  - b) (Closing Capital + Drawing) - (Opening Capital + Additional Capital)
  - c) (Closing Capital + Drawings + Additional Capital)
  - d) (Opening Capital - Closing Capital - Drawing)
14. Which one is the characteristic of double entry system?
  - a) Verifying arithmetic accuracy
  - b) Ascertain financial position
  - c) Complete account
  - d) Indication of debit and credit
15. Which one is the characteristic of double entry system?
  - a) To determine financial condition
  - b) To control of expenditure
  - c) To determine comprehensive result
  - d) To ascertain actual tax
16. Prepaid expenditure will be --- what?
  - a) Asset
  - b) Ownership
  - c) Liability
  - d) Income
17. Under single entry system -
  - i) One party is recorded
  - ii) Two parties are recorded
  - iii) Some transactions are not recorded at all
 Which one is correct?
  - a) i & ii
  - b) ii & iii
  - c) i & iii
  - d) i, ii & iii

### Extra MCQ:

18. Decrease of --- is debit.

- i) Equity
- ii) Liability
- iii) Revenue

Which one is correct?

- a) i& ii
- b) ii & iii
- c) i& iii
- d) i, ii & iii

*[Considering the following information, answer the question no. 19 & 20.]*

**The asset and liabilities of the business of Mr. Mahadi on 1-1-2018 was Tk. 5,00,000 and Tk. 3,00,000 and on 31-12-2018 was Tk. 7,00,000 and Tk. 3,50,000 respectively.**

19. What is the amount of opening capital of Mr. Mahdi?

- a) Tk. 2,00,000
- b) Tk. 5,00,000
- c) Tk. 3,00,000
- d) Tk. 8,00,000

20. How much more closing capital is then opening capital?

- a) Tk. 50,000
- b) Tk. 1,50,000
- c) Tk. 2,00,000
- d) Tk. 1,00,000

*[Considering the following information, answer the question no. 21, 22 & 23.]*

**Opening and closing assets of Salam Motors are Tk. 2,20,000 & 1,70,000 respectively. its opening & closing liabilities are Tk. 55,000 & 65,000.**

21. What is the amount of opening capital?

- a) Tk. 2,20,000
- b) Tk. 1,65,000
- c) Tk. 1,55,000
- d) Tk. 55,000

22. What is the amount of profit / loss of Salam Motors?

- a) Profit 90,000
- b) Loss 30,000
- c) Profit 75,000
- d) Loss 60,000

23. What is the amount of closing capital?

- a) Tk. 2,20,000
- b) Tk. 1,65,000
- c) Tk. 1,55,000
- d) Tk. 55,000

24. How many types of account as per accounting equation?

- a) 3
- b) 4
- c) 5
- d) 6

25. Which one are seven steps of accounting cycle?

- a) Journal
- b) Trial Balance
- c) Ledger
- d) Worksheet

26. Which entry is used for closing the incomes and expenses account?

- a) Opening
- b) Closing
- c) Adjusting
- d) Reversing

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