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EXPLANATIONS ACCOUNTANCY FULL-LENGTH TEST-01

1. (c) Prudence Concept (Conservatism Principle)
2. (c) ₹ 8,600
Hint Cash Paid by A $[70,000 - (70,000 \times 2\%)] - 60,000 = 68,600 - 60,000 = ₹ 8,600$
3. (b) ₹ 73,500
Hint Income for 2019 - 20 = $1,05,000 + 13,500 - 39,000(51,000 - 12,000) - 6,000 = 73,500$
4. (b) ₹ 11,340
Hint Depreciation for 2nd year = $(1,26,000 - 12,600) \times \frac{1}{10} = ₹ 11,340$
5. (c) Principle of revenue recognition
6. (c) AS 3
7. (c)

Rent A/c	Dr 40,000	
Prepaid Rent A/c	Dr 16,000	
To Bank A/c		56,000
8. (d) All of the above
9. (a) ₹ 1,00,000
Hint Since, half of the amount i.e. $(2,00,000 \times 1/2) = 1,00,000$ is paid incash thus, bill is raised for ₹ 1,00,000.
10. (c) the trial balance to agree
11. Decreasing
12. Suspense
13. Yes, trial balance essentially proves the arithmetical accuracy of the books of accounts. If total of both the sides of a trial balance are same, then it is proved that the books are atleast arithmetically correct.
14. **Characteristics/Attributes of accounting are**
 - (i) **Classifying** It can be defined as the process of grouping transactions or entries of one nature at one place, e.g. the transactions recorded in the journal or the subsidiary books are classified or posted to the main book of accounts known as the ledger. This book contains individual account heads under which all financial transactions of a similar nature are collected.
 - (ii) **Summarising** It involves presenting the classified data in a manner which is understandable and useful to various users of accounting statements.
This process leads to the preparation of the following statements
 - (a) Trial balance
 - (b) Trading and profit and loss account or statement of profit and loss
 - (c) Balance sheet
Trading account, profit and loss account or statement of profit and loss and balance sheet are collectively known as final accounts or financial statements.
 - (iii) **Analysis and Interpretation** Analysing and interpreting the financial data helps users to make a meaningful judgement of the profitability and financial position of the business. It also helps in planning for the future in a better manner.

Or

 - (i) **Prudence Principle** According to the prudence principle, all anticipated losses should be recorded in the books of accounts, but all anticipated or assumed gains will be ignored. As per prudence principle, provision should be made for all known liabilities and losses even though the amount can not be ascertained with accuracy.
 - (ii) **Dual Aspect Principle** Dual aspect is the foundation or basic principle of accounting. According to this principle, every transaction entered by a business has two aspects, i.e. debit and credit. There may be more than one debit or there may be more than one credit. However, the total of all debits and total of all credits will always be equal.

In other words, we can say that for every debit, there is always an equal credit.

Thus, we can say,

Assets = Liabilities + Capital

Or

Assets = Claim of Outsiders + Owner's Equity or Capital

Or

Total Assets = Total Equities

15.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Machine A/c (New) Dr		10,00,000	4,40,000
	Profit and Loss A/c Dr To Machine A/c (Old) To Machine Tools Ltd (Being a old machine having book value ₹ 4,40,000 valued at ₹ 1,50,000 by Machine Tools Ltd. for a new machine of ₹ 10,00,000)		2,90,000	8,50,000
(ii)	Customer (Cheque Dishonoured) Dr To Bank A/c (Being the cheque from customer amounting to ₹ 8,750 deposited into bank was returned dishonoured)		8,750	8,750
(iii)	Rent A/c (2/3rd of ₹ 45,000) Dr		30,000	45,000
	Drawings A/c Dr To Cash A/c (Being 45,000 rent paid to landlord, and 1 /3rd of the premises is occupied by the proprietor for personal residence)		15,000	
(iv)	Charity A/c Dr To Purchases A/c (Being the goods costing ₹ 19,150 given as charity)		19,150	19,150

16.

Accounting Equation

Transaction	Assets							=	Liabilities	+	Capital
	Cash (₹)	+	Stock (₹)	+	Debtors (₹)	+	Furniture (₹)		Creditors (₹)	+	Capital (₹)
(i) Business started with cash and goods	80,000	+	40,000	+	0	+	0	=	0	+	1,20,000
(ii) Sold half goods at 25% profit	0	+	(20,000)	+	25,000	+	0	=	0	+	5,000
New Equation	80,000	+	20,000	+	25,000	+	0	=	0	+	1,25,000
(iii) Sold remaining goods at a loss at 10%	18,000	+	(20,000)	+	0	+	0	=	0	+	(2,000)
New Equation	98,000	+	0	+	25,000	+	0	=	0	+	1,23,000
(iv) Paid salary	(3,000)	+	0	+	0	+	0	=	0	+	(3,000)
New Equation	95,000	+	0	+	25,000	+	0	=	0	+	1,20,000

17. **Dr** **Cash Book** **Cr**

Date	Particulars	JF	Cash (₹)	Bank		Date	Particulars	JF	Cash (₹)	Bank	
				PNB (₹)	SBI (₹)					PNB (₹)	SBI (₹)
2019						2019					
Aug 1	To Balance b/d		1,70,000	5,00,000	—	Aug 1	By Balance b/d		—	—	3,50,000
Aug 3	To Sales A/c		1,40,000	—	—	Aug 5	By Salaries A/c		—	2,00,000	—
Aug 8	To Raj		—	—	1,80,000	Aug 10	By PNB	©	1,00,000	—	—
Aug 10	To Cash A/c	©	—	1,00,000	—	Aug 12	By SBI	©	—	60,000	—
Aug 12	To PNB	©	—	—	60,000	Aug 15	By Cash A/c	©	—	1,60,000	—
Aug 15	To PNB	©	1,60,000	—	—	Aug 15	By Balance c/d		3,70,000	1,80,000	—
Aug 15	To Balance c/d		—	—	1,10,000						
			4,70,000	6,00,000	3,50,000				4,70,000	6,00,000	3,50,000
Aug 16	To Balance b/d		3,70,000	1,80,000	—	Aug 16	By Balance b/d			—	1,10,000

18.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Depreciation A/c To Machinery A/c (Being depreciation charged on machinery ₹ 13,250 was not recorded, now rectified)	Dr	13,250	13,250
(ii)	Bad Debts A/c To Debtor's A/c (Being bad debts written-off ₹ 1,750 on debtors were not recorded, now rectified)	Dr	1,750	1,750
(iii)	Discount Allowed A/c To Debtor's A/c (Being discount allowed to debtor ₹ 63, on receiving cash was not recorded, now rectified)	Dr	63	63
(iv)	Bills Receivable A/c To Debtor's A/c (Being bills receivable ₹ 7,500 received from debtor not recorded, now rectified)	Dr	7,500	7,500

Or

In the Books of Rajeev
JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
2020 Mar 4	Bank A/c To Cash A/c (Being/ ₹ 80,000 deposited in SBI)	Dr	80,000	80,000
Mar 9	Furniture A/c Tools A/c To Cash A/c (Being furniture worth ₹ 1,60,000 and tools worth ₹ 32,000 purchased)	Dr Dr	1,60,000 32,000	1,92,000
Mar 10	Bank A/c To Cash A/c (Being cash sent to bank ₹ 4,00,000)	Dr	4,00,000	4,00,000
Mar 12	Investment A/c To Bank A/c (Being investment in shares of Arihant Ltd for ₹ 40,000 and brokerage paid @ 2%, payment being made by cheque)	Dr	40,800	40,800

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
Mar 15	Drawings A/c To Cash A/c (Being ₹ 64,000 paid for repairs of proprietor's residential house oift of business funds)	Dr	64,000	64,000
Mar 19	Rohan A/c To Sales A/c (Being goods worth ₹ 96,000 sold to Rohan at 10% above cost and allowed 5% discount)	Dr	1,00,320	1,00,320
	Total		8,77,120	8,77,120

Working Note

	Amt (₹)
Cost of Goods Sold	96,000
(+) 10% of ₹ 96,000	9,600
	<u>1,05,600</u>
(-) Trade Discount 5%	(5,280)
	<u>1,00,320</u>

19. (i) No, because as per the accrual concept, expenses should be accounted for at the time when they are incurred and not when they are paid.
(ii) Cash basis of accounting = 10,50,000 + 1,35,000 - 5,90,000 - 60,000 = ₹ 7,35,000
Accrual basis of accounting = 12,00,000 - 5,10,000 = ₹ 6,90,000
(iii) Transactions whose effects are applied on capital only are
(a) Interest on capital
(b) Interest on drawings
- 20.

Bank Reconciliation Statement as on 31st March, 2020

Particulars	Plus (₹)	Minus (₹)
Debit/Favourable Balance as per Cash Book	1,40,960	—
(+) Cash deposit by debtor directly in bank account	12,000	—
Cheque issued but not presented for payment	12,980	—
(-) Bank charges not entered in cash book	—	100
Discount charges recorded in bank	—	800
Cash deposited in bank but not credited	—	13,520
Cheque of Bhanu dishonoured	—	650
Cash book overcasted (Bank column)	—	20,000
Credit/Favourable Balance as per Pass Book	—	<u>1,30,870</u>
	<u>1,65,940</u>	<u>1,65,940</u>

21.

Dr. Machinery Account (At original cost) Cr.

Date	Particulars	JF	Amt (₹)	Date	Particulars	JF	Amt (₹)
2017				2018			
Apr 1	To Bank A/c			Mar 31	By Balance c/d		
	A		11,20,000		A		11,20,000
	B		80,000		B		80,000
			<u>12,00,000</u>				<u>12,00,000</u>
2018				2016			
Apr 1	To Balance b/d			Mar 31	By Balance c/d		
	A		11,20,000		A		11,20,000
	B		80,000		B		80,000
			<u>12,00,000</u>				<u>12,00,000</u>
2019				2019			
Apr 1	To Balance b/d			Oct 1	By Machinery Disposal A/c		80,000
	A		11,20,000				
	B		80,000	2020			
			<u>12,00,000</u>	Mar 31	By Balance c/d		
Oct 1	To Bank A/c (c)		1,58,000		A		11,20,000
					C		1,58,000
			<u>13,58,000</u>				<u>12,78,000</u>
							<u>13,58,000</u>

Dr				Provision for Depreciation Account				Cr			
Date	Particulars		JF	Amt (₹)	Date	Particulars		JF	Amt (₹)		
2018 Mar 31	To Balance c/d				2018 Mar 31	By Depreciation A/c					
	A	1,12,000				A	1,12,000				
	B	<u>8,000</u>		1,20,000		B	<u>8,000</u>		1,20,000		
				<u>1,20,000</u>					1,20,000		
2019 Mar 31	To Balance c/d				2018 Apr 1	By Balance b/d					
	A	2,12,800				A	1,12,000				
	B	<u>15,200</u>		2,28,000		B	<u>8,000</u>		1,20,000		
					2019 Mar 31	By Depreciation A/c					
						A	1,00,800				
						B	<u>7,200</u>		1,08,000		
				<u>2,28,000</u>					<u>2,22,000</u>		

Date	Particulars		JF	Amt (₹)	Date	Particulars		JF	Amt (₹)
2019 Oct 1	To Machinery Disposal A/c B (15,200+3,240)			18,440	2019 Apr 1	By Balance b/d			
						A	2,12,800		
						B	15,200		2,28,000
2020 Mar 31	To Balance c/d				Oct 1	By Depreciation A/c (B) (WN)			3,240
	A	3,03,520			2020 Mar 31	By Depreciation A/c			
	C	7,900		3,11,420		A	90,720		
				<u>3,29,860</u>		C	7,900		98,620
									<u>3,29,860</u>

Dr				Machinery Disposal Account				Cr			
Date	Particulars		JF	Amt (₹)	Date	Particulars		JF	Amt (₹)		
2019 Oct 1	To Machinery A/c			80,000	2019 Oct 1	By Provision for Depreciation A/c			18,440		
						By Bank A/c			45,000		
						By Profit and Loss A/c (Loss on sale) (WN)			16,560		
				<u>80,000</u>					<u>80,000</u>		

Working notes

Calculation of Profit/Loss on Sale of Machinery

Original cost as on 1 st April, 2017	80,000
(-) Depreciation (a) 10% p.a. for 2017-18	<u>(8,000)</u>
Book value as on 1 st April, 2018	72,000
(-) Depreciation @ 10% p.a. for 2018-19	<u>(7,200)</u>
Book value as on 1 st April, 2019	64,800
(-) Depreciation @ 10% p.a. upto date of sale (₹ 64,800 × 10/100 × 6/12)	<u>(3,240)</u>
Book value as on 1 st October, 2019	61,560
(-) Sale proceeds	<u>(45,000)</u>
Loss on sale of machinery	16,560

Or

Dr				Machinery Account				Cr	
Date	Particulars	JF	Amt (₹)	Date	Particulars	JF	AMT(₹)		
2014				2015					
Apr 1	To Bank A/c (M1)		1,00,000	Mar 31	By Depreciation A/c (M1)		15,000		
				Mar 31	By Balance c/d (M1)		85,000		
2015			1,00,000				1,00,000		
Apr 1	To Balance b/d (M1)			2016					
				Mar 31	By Depreciation A/c				
			85,000		M1	15,000			
			2,50,000		M2	28125	43,125		
Jul 1	To Bank A/c (M2)			Mar 31	By Balance c/d				
					M1	70,000			
					M2	2,21,875	2,91,875		
			3,35,000				3,35,000		

Date	Particulars	JF	Amt (₹)	Date	Particulars	JF	Amt (₹)
2016				2017			
Apr 1	To Balance b/d			Mar 31 I	By Depreciation A/c		
	M1		70,000		M1	15,000	
	M2		2,21,875		M2	37,500	52,500
			2,91,875	Mar 31	By Balance c/d		
					M1	55,000	
					M2	1,84,375	2,39,375
			2,91,875				2,91,875
2Q17				2018			
Apr 1	To Balance b/d			Mar 31	By Depreciation A/c		
	M1		55,000		M1	15,000	
	M2		1,84,375		M2	37,500	52,500
			2,39,375	Mar 31	By Balance c/d		
					M1	40,000	
					M2	1,45,875	1,86,875
			2,39,375				2,39,375
2018				2018			
Apr 1	To Balance b/d			Oct 1	By Depreciation A/c (M1)		7,500
	M1		40,000	Oct 1	By Machinery Disposal A/c (M1)		32,500
	M2		1,46,875	I 2019			
			1,86,875	Mar 31	By Depreciation A/c (M2)		37,500
				Mar 31	By Balance c/d (M2)		1,09,375
			1,86,875				1,86,875

Dr				Machinery Disposal Account				Cr	
Date	Particulars	JF	Amt (₹)	Date	Particulars	JF	Amt (₹)		
2018				2018					
Oct 1	To Machinery A/c (M1)		32,500	Oct 1	By Bank A/c (M1)		25,000		
				Oct 1	By Profit and Loss A/c (M1)		7,500		
			32,500				32,500		

22. (c) decision-making
 23. (b) Data
 24. (b) ₹ 1,000
 Hint Manager's commission = 21,000 x – = ₹ 1,000
 25. (a) 7,37,500

Hint Net profit = Operating Profit + Non-operating Incomes - Non-operating Expenses
 = 850,000 + 75,000 - 1,87,500 = ₹ 7,37,500

26. (b) Closing stock A/c Dr 100
 To Trading A/c 100
27. Based
28. Terabyte(TB)
29. Total Sales = Cash Sales + Credit Sales = 2,40,000 + 1,60,000 = ₹ 4,00,000
 Let Cost = ₹ 100, Gross Profit = $33\frac{1}{3}\%$ on cost \therefore Sales = $100 + 33\frac{1}{3}$
 Gross Profit on Sales = $33\frac{1}{3} \times \frac{1}{133\frac{1}{3}} = \frac{1}{4}$
 Gross Profit = 4,00,000 $\times \frac{1}{4}$ = ₹ 1,00,000
 Cost of Goods Sold = Sales - Gross Profit = 4,00,000 - 1,00,000 = ₹ 3,00,000
 Cost of Goods Sold = Opening Stock + Purchases + Direct Expenses - Closing Stock
 3,00,000 = 80,000 + 2,80,000 + 0 - Closing Stock
 Closing Stock = 80,000 + 2,80,000 - 3,00,000 = ₹ 60,000

Or
Statement of Profit and Loss
 for the year ending 31st December, 2019

Particulars	Amt (₹)
Closing Capital as on 31st December, 2019	1,10,000
(+) Drawings during the year	
(i) Loan to his brother	40,000
(ii) Personal Expenses	
(a) Drawings	7,000
(b) Rent @ ₹ 1,500 per month (1,500 x 12)	18,000
(c) Electricity @ ₹ 500 per month (500 x 12)	6,000
	1,81,000
(-) Fresh Capital Introduced p 5,000 x l-j	(15,600)
Adjusted Capital at the end	1,65,400
(-) Opening Capital on 1st January, 2019	(1,20,000)
Profit for the year	45,400

30. (i) **Real Time User Interface** In a computerised accounting system, information can be made available to various users at the same time on a real time basis as most of the automated accounting systems are interlinked through a network of computers.
- (ii) **Automated Document Production** In a computerised accounting systems, various accounting reports such as cash book, trial balance and statements of accounts can be easily obtained as most of the computerised accounting systems have standardised, user defined format of accounting reports.
- (iii) **Quality Reports** The inbuilt checks and untouchable features of data handling facilitates hygienic and true accounting reports that are highly objective and can be relied upon.
- (iv) **Queries** Various queries can be replied very quickly in computerised accounting system.
 For instance, information about the creditors can be taken out immediately.

Or

The above said statement is correct. The characteristics/capabilities of a computer system are as follows (any four)

- (i) **Speed** The amount of time, a computer takes to accomplish a task or an operation refers to its speed. In comparison to human beings, computers require far less time to perform a task. Generally, human beings take into account a second or minute as unit of time. But computers have such a fast operating capability that the relevant unit of time is fraction of a second.
 Modern computers are capable of performing a 100 million calculations per second and that is why the industry has developed Million Instructions Per Second (MIPS) as the criterion to classify different computers according to speed.
- (ii) **Accuracy** The degree of exactness with which computations are made and operations are performed is referred to as its accuracy. Most of the errors in Computer Based Information System (CBIS) occurs because of bad programming, erroneous data and deviation from procedures, which are caused by human beings. Errors attributable to hardware are normally detected and corrected by the computer system itself.
- (iii) **Reliability** It refers to the ability with which the computers remain functional to serve the user. Computer systems are more reliable than human beings as they are well-adapted to perform repetitive operations and are immune to tiredness, boredom or fatigue. However, there can be failures of computer system due to various internal and external reasons.

- (iv) **Versatility** The ability of computers to perform a variety of tasks is referred to as versatility. Task can be simple as well as complex. Computers are usually versatile unless designed for a specific application. A general purpose computer is capable of being used in any area of applications such as business, industry, scientific, statistical, technological, communications and so on and when installed in an organisation, can take over the jobs of several specialists because of its versatility.
- (v) **Storage and Retrieval** It refers to the amount of data, which a computer system can store and access. The computer systems, besides having instant access to data, have huge capacity to store such data in a very small physical space, e.g. CD-ROM. A typical mainframe computer system is capable of storing and providing one billion of characters and thousands of graphic images.

31.

Statement of Affairs
as on 31st December, 2019

Liabilities	Amt (₹)	Assets	Amt (₹)
Loan from Susheel	45,000	Cash	99,000
Capital (Balancing figure)	4,07,000	Bills Receivable	75,000
		Plant	48,000
		Land and Building	1,80,000
		Furniture	50,000
	4,52,000		4,52,000

Statement of Profit and Loss
for the year ending 31st December, 2019

Particulars	Amt (₹)
Capital at the End of the Year, i.e. 31st December, 2019	4,07,000
(+) Drawings During the Year (8,000 x 12)	96,000
Adjusted Capital at the End	5,03,000
(-) Capital at the Beginning of the Year, i.e. 1st July, 2019	(4,50,000)
Profit made During the Year	53,000

32.

Trading and Profit and Loss Account
as at 31st December, 2018

Dr			Cr		
Particulars	Amt (₹)	Particulars	Amt (₹)		
To Opening Stock	50,000	By Sales	1,80,000		
To Purchases	1,75,000	(-) Sales Return	(3,000)		
(-) Purchases Return	(2,000)	By Closing Stock	32,000		
To Wages	3,000	By Gross Loss (Transferred to profit and loss account)	17,000		
	2,26,000		2,26,000		
To Gross Loss b/d	17,000	By Discount Received	500		
To Salary	8,000	By Commission Received	4,000		
(+) Outstanding Salary	1,000	(-) Advance	(1,000)		
	9,000		3,000		

Particulars	Amt (₹)	Particulars	Amt (₹)
To Discount Allowed	1,000	By Rent Received	6,000
To Insurance	3,200	(+) Accrued Rent	2,000
(-) Prepaid Insurance	(800)	By Net Loss (Transferred to capital account)	43,189
To Rent, Rates and Taxes	4,300		
To Trade Expenses	1,500		
To Bad Debts	2,000		
(+) Further Bad Debts	1,000		
(+) New Provision	4,050		
(+) Discount	1,539		
(-) Old Provision	(2,500)		
	6,089		
To Postage	300		
To Telegram Expenses	200		
To Repair and Renewals	1,600		
To Travelling Expenses	4,200		
To Legal Fees	500		
To Depreciation on Building	6,600		
	54,689		54,689

Balance Sheet
as at 31st December, 2018

Liabilities		Amt (₹)	Assets		Amt (₹)
Capital	3,00,000		Sundry Debtors (WN)		75,411
(-) Net Loss	(43,189)		Bills Receivable		50,000
	2,56,811		Fixture and Fitting		20,000
(-) Drawings	(32,000)	2,24,811	Prepaid Insurance		800
Bills Payable		22,000	Building	1,10,000	
Loan		34,800	(-) Depreciation @ 6%	(6,600)	1,03,400
Advance Commission		1,000	Rent (Accrued)		2,000
Outstanding Salary		1,000	Closing Stock		32,000
		2,83,611			2,83,611

Working Note	Amt (₹)
Sundry Debtors	82,000
(-) Further Bad Debts	(1,000)
	81,000
(-) Provision (5%)	(4,050)
	76,950
(-) Discount (2%)	(1,539)
	75,411

Or
Trading and Profit and Loss Account
for the year ending 31 st March, 2019

Dr		Cr	
Particulars	Amt (₹)	Particulars	Amt (₹)
To Stock on 1st April, 2018		By Sales (Less returns)	2,20,000
To Purchases (Less returns)	32,000	By Closing Stock	46,000
To Wages	76,000		
To Carriage Inwards	15,400		
To Gross Profit (Transferred to profit and loss account)	2,600		
	1,40,000		
	2,66,000		2,66,000

Particulars	Amt (₹)	Particulars	Amt (₹)
To Carriage Outwards	1,500	By Gross Profit b/d	1,40,000
To Salaries	40,000		
(+) Salary to Rajeev Khandelwal	3,000		
	43,000		
To Advertisements (1/3 of 9,000)	3,000		
To Trade Expenses	4,800		
To Rent	12,000		
To Establishment	5,400		
To Stable Expenses	2,100		
To Mortgage Interest	600		
To Provision for Doubtful Debts	2,000		
To Provision for Discount on Debtors	760		
To Stationery	200		
To Outstanding Interest (WN) (On Kailash's loan)	700		
To Net Profit (Transferred to capital account)	63,940		
	1,40,000		1,40,000

Balance Sheet
As at 31st March, 2019

Liabilities	Amt (₹)	Assets	Amt (₹)
Sundry Creditors	30,000	Cash in Hand	2,500
(-) Loan from Kailash	(10,000)	Sundry Debtors	40,000
Outstanding Rent	1,000	(-) Provision for Doubtful Debts	(2,000)
Outstanding Stationery	200		38,000
Mortgage and Interest	15,600	(-) Provision for Discount	(760)
Loan from Kailash	10,000	Closing Stock	46,000
(+) Outstanding Interest	700	Machinery	87,500
Capital	67,800	Advertisement Expenses (2/3)	6,000
(+) Net Profit	63,940		
	1,31,740		
	1,79,240		1,79,240

Working Note

Interest on Kailash's loan is outstanding for 7 months.

$$\text{Outstanding interest} = 10,000 \times \frac{12}{100} \times \frac{7}{12} = ₹ 700$$