

FOUNDATION COURSE EXAMINATION

December 2016

**P-2(FOA)
Syllabus 2012**

Fundamentals of Accounting

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

SECTION – A

1. Choose the correct answer from the given four alternatives:

1×6=6

(i) Overdraft as per cash book means _____.

- (a) credit balance in the pass-book
- (b) credit balance in the bank column of the cash book
- (c) debit balance in the pass-book
- (d) debit balance in the cash book

(ii) Amount set apart to meet losses due to bad debt is a _____.

- (a) Appropriation
- (b) Provision
- (c) Reserve
- (d) Depreciation

(iii) Goods bought for ₹ 25,000 passed through sales day book will result in _____.

- (a) decrease in Gross Profit
- (b) no effect on Gross Profit
- (c) increase in Gross Profit
- (d) decrease in Net Profit

(iv) Accounting does not record non-financial transactions because of _____.

- (a) Entity concept
- (b) Accrual concept
- (c) Measurement concept
- (d) Going concept

Please Turn Over

(v) _____ is a financial expense.

- (a) Foreman salary
- (b) Office building rent
- (c) Interest on debt
- (d) Warehouse charges

(vi) Sundry debtors ₹ 13,20,000; If provision is to be made for doubtful debts and discount on debtors @5% and 2% respectively, then the amount of provision for discount will be _____.

- (a) ₹ 26,400
- (b) ₹ 66,000
- (c) ₹ 25,080
- (d) ₹ 27,720

2. State whether the following statements are True or False:

1×6=6

- (i) "Going concern concept" means that the business is assumed to exist for an indefinite period.
- (ii) A sinking fund is created, to replace an asset of depreciable nature.
- (iii) Sale of an asset is recorded in the sales book.
- (iv) Interest on renewal of a bill is a gain to the drawer and loss to the drawee.
- (v) Investment in marketable securities is also known as non-trade investment.
- (vi) Cost of consumable stores is an example of revenue expenditure.

3. Journalise the following transactions:

2×3=6

- (i) Mr. X paid ₹ 2,000 on account and returned goods worth ₹ 500.
- (ii) Paid transportation charges of ₹ 1,000 and installation charges for ₹ 1,500 for a new Machine.
- (iii) At the end of the accounting year, closing stock has been valued at ₹ 2,65,000.

4. Fill in the blanks:

1×6=6

- (i) Cash discount is allowed to encourage prompt payment by the _____.
- (ii) Closing stock is valued at cost or net realisable value, whichever is less. This is based on _____ concept in accounting.
- (iii) Goodwill is an _____ asset.
- (iv) _____ is to be disclosed by way of a note to the financial statements.
- (v) Indian Accounting standard (AS)-3 is related to _____.
- (vi) A bill drawn on 23rd October, 2016 for three months, the date of maturity will be _____.

5. Match the following:

1×6=6

Column 'A'	Column 'B'
(1) Income & Expenditure Account	(a) Dishonour of bill
(2) Noting Charges	(b) Temporary Partnership
(3) Del Credre Commission	(c) Current Asset
(4) Joint Venture	(d) Dual aspect concept
(5) Assets = Liabilities + Capital	(e) Accrual Basis of Accounting
(6) Prepaid Expenses	(f) Taking over risk of bad debts

6. State the nature of expenditure (capital/revenue/deferred revenue):

1×6=6

- Legal expenses incurred for abuse of trade mark.
- Repair for a motor truck purchased second hand before using the same.
- Amount spent for painting a new factory.
- Amount spent against Research and development.
- Commission paid against collection from debtors.
- Salary paid to employees engaged in security job.

7. Answer any three questions:

8×3=24

- On 10th June, 2016, Kailash purchased goods worth ₹ 1,00,000 from Makkhu and accepted separately two bills of ₹ 50,000 each for 2 months and 3 months. First bill was discounted by Makkhu with the bank @12% per annum on 13th June, 2016 and he retained the second bill with him. Kailash met the first bill on due date by paying to the bank; but he showed his inability to pay full amount of second bill on the due date and paid ₹ 30,000 in cash. He requested Makkhu to write a fresh bill including interest @18% per annum for two months, which was accepted by Makkhu. On the due date, fresh bill was duly met.

Journalise the above transactions in the books of Makkhu.

- Prepare a bank reconciliation statement as on 30th November, 2016 from the following details and show the balance of Pass Book:
 - Credit balance as per bank column of Cash Book ₹ 4,65,600.
 - Cheques issued but not yet presented for payment ₹ 1,32,000.
 - Cheques deposited into bank but not yet collected ₹ 1,50,000.
 - Bank charges ₹ 2,000 not entered in Cash Book.
 - Interest on investment collected by bank which was not entered in Cash Book ₹ 15,000.
 - Electricity bills paid directly by bank ₹ 10,000.
 - Amount transferred from Fixed Deposit Account into the Current Account ₹ 1,25,000 appeared only in Pass Book.

- (iii) The Contractor Sumit and the Engineer Chandu entered into a Joint Venture for the sale of plots of land. Joint bank account was opened in which Sumit deposited ₹ 20 lakhs and Chandu deposited ₹ 5 lakhs. They share profits and losses in ratio of their capitals.

A piece of land was purchased for ₹ 17,40,000. Legal and registration fees of ₹ 1,80,000 were paid and ₹ 4,80,000 were incurred for the development of land. The land was divided into 40 plots out of which 30 plots were sold @ ₹ 90,000 each and 6 plots were sold @ ₹ 72,000 each. The brokerage of ₹ 1,32,000 was paid for selling the plots. The remaining plots were taken over by Sumit and Chandu at the cost price in the proportion of 3:1.

Prepare Joint Venture Account and Joint Bank Account.

- (iv) The following errors were detected while checking the books of accounts of N. Ram & Sons. Give necessary journal entries with proper narration to rectify them:

- (a) The proprietor withdrew ₹ 20,000 for his personal use, but they were debited to travelling expenses account.
- (b) Received ₹ 5,000 from Dilip, but the same was wrongly credited to Deepak.
- (c) Paid ₹ 20,000 as salaries to Sunil, but that amount was debited to his personal account.
- (d) Goods worth ₹ 15,000 returned by M/s. Ramesh Bros., but no entry was made in the account books.
- (e) ₹ 15,000 spent on repairs of machinery were debited to the machinery account.
- (f) ₹ 55,000 paid for wages for erection of a plant were entered into wages account.
- (g) An item of ₹ 15,000 written off as bad in Dinesh's account has not been debited to bad debts account.
- (h) The year end total of Sales Book was undercast by ₹ 5,000.

SECTION - B

1. Choose the correct answer from the given four alternatives:

1×6=6

- (i) In the situation of increasing prices, the valuation of closing stock is more under _____.
 - (a) Simple average
 - (b) Weighted average
 - (c) FIFO
 - (d) LIFO
- (ii) Which one of the following is not usually included in a Good. Received Note?
 - (a) Description of goods
 - (b) Price of goods
 - (c) Quantity received
 - (d) Date of receipt

- (iii) Bad debts are included as _____ .
- (a) Direct expenses
 - (b) Distribution overhead
 - (c) Cost of production
 - (d) Selling overhead
- (iv) In behavioural analysis, costs are divided into _____ .
- (a) Production and Non-production costs
 - (b) Direct and Indirect costs
 - (c) Fixed and Variable costs
 - (d) Controllable and Non-controllable costs
- (v) Payment of Royalties is _____ .
- (a) Direct Expenses
 - (b) Administrative Cost
 - (c) Charged to Profit & Loss A/C
 - (d) Factory Overheads
- (vi) An increase in Fixed Cost will result into _____ .
- (a) Increase in P/V Ratio
 - (b) Decrease in P/V Ratio
 - (c) Increase in Break Even Level
 - (d) Decrease in contribution per unit

2. Fill in the blanks:

1×6=6

- (i) Bin card gives a _____ record of material movement to and from store.
- (ii) Difference between time keeping and time booking is called _____.
- (iii) Sales (-) _____ = Fixed cost + profit.
- (iv) The total cost of all items which can be directly charged to product units, is _____.
- (v) Fixed cost tends to be unaffected by fluctuation in the level of _____.
- (vi) The composite cost unit for a goods transport company will be _____.

3. Match the following:

1×6=6

Column 'A'	Column 'B'
(1) Margin of safety	(a) Economic Ordering Quantity
(2) Ordering cost	(b) Degree of control required
(3) Rucker plan	(c) Administration overhead
(4) Primary Packing cost	(d) Marginal costing
(5) Printing and stationary	(e) Direct expenses
(6) ABC analysis	(f) Group Bonus Scheme

4. State whether the following statements are True or False:

1×6=6

- (i) Objective of cost accounting is to link the cost to cost centre.
- (ii) Lead time means, time taken for preparation of order.
- (iii) Overstocking of materials may result into locking of working capital.
- (iv) An increase in fixed cost will result in decrease in contribution per unit.
- (v) Profit/Loss can be derived from Cost sheet.
- (vi) During calculation of E.O.Q., the carrying cost means "Cost of carrying goods to warehouse".

5. Answer any two questions:

8×2=16

- (i) Bhaloo Limited manufactures a special product which requires a component 'Kachari'. The following particulars are collected for the year ending 31st March, 2016:

Weekly requirement of Kachari : 2,000 Units

Cost of placing an order : ₹ 2,000 per order

Cost per unit of Kachari : ₹ 130

Annual carrying cost : 20% on cost of average inventory

The company has been offered a quantity discount of 4% on the purchase of "Kachari", provided the order size is 26,000 units at a time.

You are required to :

- (a) Compute the Economic Order Quantity (EOQ).
- (b) Advise whether the quantity discount offer can be accepted.

(ii) You have been given the following information of a worker:

Worker's name	:	Beeru
Ticket No.	:	201
Work started	:	01.11.2016
Work finished	:	05.11.2016
Work allotted	:	Production of 2160 units
Work done and approved	:	2700 units
Time allowed & taken	:	8 hours in a day
Wage rate	:	₹ 75 per hour

You are required to calculate the remuneration of the worker on the following basis:

(a) Halsey 50% Premium Plan

(b) Rowan Premium Plan

(iii) The cost of producing 5,000 units of a commodity consists of:

		(₹)
Material	:	3,30,000
Wages	:	2,20,000
Overhead Charges (Fixed and Variable)	:	2,62,000

The company produces 20,000 units, sells it at ₹ 180 each and makes profit of ₹ 7,18,000.

Find out the amount of fixed and variable overheads respectively.

