

FOUNDATION COURSE EXAMINATION

June 2017

*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) Quantitative transactions are not recorded in business account books according to

- (a) Accrual concept
- (b) Dual concept
- (c) Matching concept
- (d) Money measurement concept

(ii) Which one of the following is not the feature of a joint venture business?

- (a) Co-venturer may or may not contribute initial capital.
- (b) It has limited duration.
- (c) It is done for specific purpose.
- (d) Profit or loss on joint venture is shared as per their capital ratio.

(iii) General reserve is a

- (a) External Liability
- (b) Internal Liability
- (c) Fixed Asset
- (d) Current Asset

(iv) Bills Receivable endorsed to M/S Patel Industries will be recorded in

- (a) Bills Receivable Book
- (b) Bills Payable Book
- (c) Either Bills Receivable Book or Bills Payable Book
- (d) Journal Proper

Please Turn Over

(v) Bank account has _____ balance.

- (a) Debit
- (b) Credit
- (c) Either (a) or (b)
- (d) Both Debit and Credit

(vi) In single entry system

- (a) valuation of assets can be done properly.
- (b) it is easy to detect error or fraud.
- (c) it is economical, need not a comprehensive record keeping.
- (d) Balance sheet can be prepared without any further detail.

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

1×6=6

- (i) Live-stocks are an example of Intangible assets.
- (ii) All sales, cash as well as credit are recorded in the Sales Day Book.
- (iii) The trial balance is a statement of debit and credit balances.
- (iv) Provision for bad debts account generally has credit balance.
- (v) Accrued expenses are shown in liabilities side of the Balance Sheet.
- (vi) At the beginning of a new accounting year, the entry is passed to record the balances of the accounts transferred from the previous year, such entry is known as a transfer entry.

3. Journalise the following transactions:

2×3=6

- (i) Goods stolen ₹ 7,500.
- (ii) Started business with cash ₹ 65,000; Stock ₹ 2,20,000; Machinery ₹ 8,50,000
- (iii) In an Auto-Parts concern, furniture purchased for ₹ 1,35,000.

4. Fill in the blanks:

2×6=12

- (i) In a Bank Reconciliation Statement credit balance of Cash Book is taken as base, then interest debited in Pass Book only will be _____.
- (ii) Indian Accounting Standard (AS)-7 is related to _____.
- (iii) A bill drawn on 14th May, 2017 for 90 days, the date of maturity will be _____.
- (iv) Prepaid Insurance Premium is shown in the _____ side of the Balance Sheet.
- (v) The fixed asset is generally held for _____ period.
- (vi) Suspense Account is a _____ account in nature.

5. Match the following:

1×6=6

	Column 'A'		Column 'B'
(i)	Holder in due course	A	Subsidiary and Ledger
(ii)	SBI Bank A/c	B	Real Account
(iii)	Cash Book	C	Trading A/c and Balance Sheet
(iv)	Debit what comes in, credit what goes out	D	Negotiable Instrument Act
(v)	Closing Stock	E	Personal Account
(vi)	Outstanding Subscription	F	Assets side of Balance Sheet

6. Answer *any three* questions. Each question carries 8 marks:

8×3=24

- (i) Baidhnath Oil Company, Kishangarh consigned to his agent of Kolkata 1000 tins of oil, costing ₹ 1,300 each and incurred expenses of ₹ 30,000 on sending them. In transit 50 tins were stolen and ₹ 50,000 were received from Insurance Company by way of claim. The agent took delivery of rest of the goods and Paid ₹ 14,250 direct expenses and ₹ 14,500 as indirect expenses. He sold 800 tins at ₹ 1,700 per tin and charged 6% commission on sales. Prepare Consignment Account and show the valuation of abnormal loss and stock at the end of the year.
- (ii) The following information is obtained from the Trial Balance of a trader for the year ending 31st March, 2017:

	Dr. ₹	Cr. ₹
Bad Debts	1,40,000	—
Debtors	24,40,000	—
Provision for Bad debts (01-04-2016)	—	3,00,000

Adjustments :

- (a) Write off further Bad Debts ₹ 14,000.
- (b) Make a Provision for Bad and Doubtful Debts @ 5% on Debtors.

Pass Journal entries and make necessary Ledger Accounts. Show how these items will appear in the Final Accounts.

Please Turn Over

- (iii) The following is the summary of Cash Book of M/S Akash Enterprise for the month of March, 2017.

	₹		₹
Balance b/d	14,070	All payments	1,55,200
All receipts	1,50,730	Balance c/d	9,600
	1,64,800		1,64,800

On scrutiny the following was detected:

- The balance brought forward in March, 2017, should have been ₹ 14,700.
- Bank charges of ₹ 350 were not entered in the Cash Book.
- A cheque of ₹ 470 issued to a supplier was entered as a receipt in the Cash Book by mistake.
- Three cheques were issued to suppliers for ₹ 2,140; ₹ 3,700; ₹ 300 have not been presented to bank.
- One cheque for ₹ 15,420 was deposited on 31st March, 2017 was cleared by the bank on 3rd April, 2017.
- The bank charged a cheque wrongly to Akash Enterprise for ₹ 720.
- Bank statement shows overdraft of ₹ 1,060 as on 31st March, 2017.

Show what adjustment will you make in the Cash Book and prepare a Bank Reconciliation Statement as on 31.03.2017.

- (iv) Mr. Nikku keeps his accounts on Single Entry System. He has given the following information about the assets and liabilities:

Items	As on 31.03.2016 ₹	As on 31.03.2017 ₹
Machinery	66,200	78,000
Computer	18,000	17,000
Stock in Trade	31,000	47,300
Sundry Debtors	45,600	56,000
Bills Receivable	16,200	18,300
Cash in Hand	600	1500
Sundry Creditors	55,200	58,500
Bills Payable	26,400	28,200

During the year, Nikku brought in additional ₹ 7,500 cash in business. He withdraws goods of ₹ 2,100 and cash of ₹ 7,200 for his personal use.

Interest on opening capital is to be given at 10% and interest on drawings is to be charged at 5%.

Prepare Statement of Profit or Loss for the year ended 31.03.2017.

- (v) Prepare Total Debtors Account, Total Creditors Account, Bills Receivable Account and Bills Payable Account from the information given below in the Books of Puva & Co.:

On 01.04.2016: Sundry Debtors ₹ 3,66,000, Sundry Creditors ₹ 1,24,000, total Bills Receivables ₹ 1,63,500 and total Bills Payables ₹ 66,500.

Transaction during the Year: Cash received from debtors ₹ 2,24,000, discount allowed to debtors ₹ 42,000, bad debts written off ₹ 24,000, returns inwards ₹ 35,000, cash sales ₹ 1,55,000, cash purchases ₹ 75,000, bills receivable received for ₹ 76,500, cash received against bills receivable ₹ 85,000, cash paid to suppliers ₹ 78,000 including a payment of ₹ 6,000 for purchasing a machine, bills payable accepted ₹ 52,500, cash paid against bills payable ₹ 28,000, discount received from suppliers ₹ 4,500, returns outward ₹ 10,000 and bills payable dishonoured ₹ 6,000.

SECTION – B

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

1×6=6

- (i) CAS-6 is related to
- Overheads
 - Material Cost
 - Employee Cost
 - Direct Expenses
- (ii) In case of Last In First Out Method, Inventories are valued at
- Latest market prices
 - Oldest market prices
 - Standard price
 - Average price
- (iii) Sales over marginal cost is
- P/V Ratio
 - BEP
 - Margin of Safety
 - Contribution

- (iv) A percentage portion of wages of time saved is given to worker as bonus under the
- (a) Halsey Plan
 - (b) Rowan Plan
 - (c) Emerson Plan
 - (d) Merrick Plan
- (v) Period cost means
- (a) Variable cost
 - (b) Fixed cost
 - (c) Prime cost
 - (d) Factory cost
- (vi) Classification of overheads as Fixed, Variable and Semi-variable overheads is based on
- (a) Nature of Expenses
 - (b) Functions
 - (c) Behaviour
 - (d) Traceability of object

2. Fill in the blanks:

1×6=6

- (i) Factory cost plus administrative overhead is known as _____.
- (ii) The card is attached to the place where the material is actually stored, known as _____.
- (iii) The time for which workers are present on the work location, but no work is carried out, it is known as _____.
- (iv) The Direct Labour Hour Rate is a method of _____ of production overheads.
- (v) P/V Ratio = Profit/_____.
- (vi) The formula, Reorder Level – (Normal Usage × Normal Lead Time) is applicable for calculating _____.

3. Match the following:

1×6=6

	Column 'A'		Column 'B'
(i)	Just in Time Approach	A	Low Inventory Holding Cost
(ii)	Gas Industry	B	Variable Cost
(iii)	Secondary Packing	C	CAS-14
(iv)	Pollution Control Cost	D	Method of Wages Payment
(v)	Marginal Cost	E	Cubic Foot Cost Unit
(vi)	Piece Rate System	F	Distribution Overhead

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

1×6=6

- (i) At the level of EOQ total ordering cost and total carrying cost would be same.
- (ii) CAS-11 is related to Repairs and Maintenance.
- (iii) Taylor Plan is an incentive system for workers.
- (iv) Per unit fixed cost does not change with change in the level of activity.
- (v) Stores Ledger shows the quantitative as well as cost record.
- (vi) Contribution on sales at margin of safety equals to profit.

5. Answer *any two* questions (Each question carries 8 marks):

8×2=16

- (i) Chandu Limited, a manufacturer of Baby Toy. The details of its operations for the year ended 31st March, 2017 are as follows:

Ordering cost	₹ 2,000 per order
Inventory carrying cost	10% per annum
Material cost per unit	₹ 130
Minimum usage	500 units per week
Maximum usage	1500 units per week
Normal usage	1000 units per week
Lead time to supply	2 to 4 weeks

You are required to calculate:

- (a) Economic Order Quantity
 - (b) Re-order Level
 - (c) Maximum Stock Level
 - (d) Minimum Stock Level
 - (e) Average Stock Level
- (ii) From the following information, calculate P/V Ratio, Fixed Cost, Break-even Point and Profit at sales of ₹ 125,00,000:

Year	Sales ₹	Total Cost ₹
2015-16	78,00,000	69,60,000
2016-17	86,00,000	75,20,000

- (iii) The following information is collected from the personnel department of Roshan Limited for the year ending 31st March, 2017:

Number of workers at the beginning of the year	: 3800
Number of workers left the company during the year	: 200
Number of workers discharged during the year	: 50
Number of workers replaced due to left and discharged	: 300
Additional workers employed for expansion during the year	: 800

You are required to calculate labour turnover rate by using separation method, replacement method and flux method.

- (iv) The following information relates to the activities of a production department of Mahi Offsets Limited for the month of April, 2017:

Raw Materials Consumed	₹ 7,50,000
Direct Wages	₹ 3,36,000
Direct Expenses	₹ 21,000
Production Overheads	₹ 4,20,000
Direct Labour hours	5250 hours

On one order carried out in the department during April, 2017 the relevant data were:

Material used ₹ 15,000, Direct wages ₹ 12,500 and Labour hours worked 81 hours.

You are required to prepare a statement showing factory cost of the order by four commonly used methods of absorption of factory overheads.
