

Paper 2- Fundamentals of Accounting

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Full Marks :100

Time allowed: 3 hours

Section A

I. Choose the correct answer from the given four alternatives: [6 × 1 = 6]

1. Ravi A/c is _____
 - (a) Personal A/c
 - (b) Real A/c
 - (c) Nominal A/c
 - (d) None of the above
2. GAAP stands for _____
 - (a) Generally Adopted Accounting Process
 - (b) Generally Accepted Accounting Principles
 - (c) Generally Accepted Auditing principles
 - (d) None of the above
3. Which one of the equation is correct?
 - (a) Total Assets – Liabilities = Capital – Profit
 - (b) Total Assets – Liabilities = Capital + Profit
 - (c) Total Assets + Liabilities = Capital + Liabilities
 - (d) Total Assets + Liabilities = Capital – Profit
4. Which of the following is deferred revenue expenditure?
 - (a) Repairs and Maintenance
 - (b) Free samples of a new product
 - (c) Office equipment
 - (d) Rent paid in advance
5. Accounting does not record non-financial transactions because of ____
 - (a) Entity concept
 - (b) Accrual concept
 - (c) Cost concept
 - (d) Money Measurement concept
6. Liability A/c has _____ balance
 - (a) Debit
 - (b) Credit
 - (c) No balance
 - (d) Either (a) or (b)

II. State whether the following statements are True (or) False. [6 × 1 = 6]

1. Land is a depreciable asset.
2. Debit side of the bank pass book corresponds to credit side of the cash book.
3. Error of omission arises when a particular transaction is completely or partly omitted to be recorded in books of accounts.
4. The cost of asset is spread over in equal proportions during its useful economic life under straight line method of depreciation.
5. Insurance prepaid is shown as fixed asset.
6. The balance of goods A/c shows the value of stock in hand.

III. Journalise the following transactions: [3 × 2 = 6]

1. 'X' invested ` 20,000 in a firm.
2. Wages paid ` 5,000.
3. Rent received by Mr. X ` 5,000.

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IV. Fill in the blanks:

[6 × 2 = 12]

1. Trade mark is an _____ asset.
2. Error of principle will have _____ effect on trial balance.
3. Income received in advance is a _____ A/c.
4. The withdrawal of money by the owner from business is called _____.
5. _____ commission is given by consignee for bearing the bad debts at his end.
6. The person on whom bill is drawn is called _____.

V. Match the following

[6 × 1 = 6]

	Column 'A'		Column 'B'
1.	Sales Book	A	3 days
2.	Bills of Exchange	B	Receipts & Payments A/c
3.	Royalties	C	Co-venturer
4.	Grace days	D	Subsidiary book
5.	Memorandum Joint Venture	E	Revenue expenditure
6.	Donations	F	Negotiable Instrument

VI. Answer any three questions. Each question carries 8 marks.

[3 × 8 = 24]

1. Prepare Three Columnar Cash Book.

Date	Particulars	Amount (₹)
2012	Cash in hand	12,000
Dec 01	Cash at bank	
03	Cash Sales	6,000
08	Received cash from Madhu	5,800
	Discount allowed	200
14	Issued cheques to Hari	9,600
	Discount Received	400
20	Paid commission	500
23	A cheque received from Govind allowed his discount	3,500
25	Govind cheque deposited into bank	500
26	Bought furniture	2,000
28	Withdraw from bank for office use	5,000
30	Salaries paid by cheque	1,000

2. Arun of Meerat consigned 100 sewing machines to Sanjay of Ranchi to be sold on his risk. The cost of one sewing machine was ₹150 but the invoice price was ₹200. Arun paid freight ₹600 and insurance in transit ₹200.

Sanjay sent a bank draft to Arun for ₹10,000 as advance payment and later sent an Account Sales showing that 80 sewing machines were sold at ₹220 each. Expenses incurred by Sanjay were: Carriage Inward ₹25, Octroi ₹75, godown rent ₹500 and advertisement ₹300. Sanjay is entitled to a commission of 5% on sales. Prepare consignment account and find profit.

3. Prepare Bank Reconciliation Statement of M/s. Madhavi Traders and find out the balance as per pass book as on 31-12-2013.

- (a) Cash book balance as on 31-12-2013 is ₹58,000.
- (b) Cheques amounting to ₹25,000 issued on 25-12-2013 were presented for payment as on 05-01-2014.
- (c) A cheque for ₹20,000 deposited on 21-12-2013 was returned dishonoured on 08-01-2014.
- (d) Interest on investments ₹1,500 was collected and credited by bank but no entry is in the cash book.

(e) Bank charges debited in pass book only ` 120.

4. Radha and Krishna were partners in a Joint Venture sharing profits and losses in the ratio of 3 : 2. Radha supplies goods to the value of `7,500 and incurs expenses of `500. Krishna supplies goods to the value of `6,000 and his expenses amounted to `400. Krishna sells goods on behalf of venture and realizes `18,000. Krishna is entitled to a commission of 5% on sales. Krishna settles his account by bank draft. Give ledger accounts in the books of Radha.

Section B

I. Choose the correct answer from the given four alternatives: [6 × 1 = 6]

1. The segment of business that generates both revenue and cost is called as ____
 - (a) Cost centre
 - (b) Profit centre
 - (c) Cost drain
 - (d) All of the above
2. Net Income before Interest and tax is called ____
 - (a) Operating Profit
 - (b) Gross Profit
 - (c) Marginal Income
 - (d) Other Incomes
3. Stores ledger card is similar to ____
 - (a) Stock ledger
 - (b) Bin card
 - (c) Material card
 - (d) Purchase requisition card
4. While transporting petrol a little quantity will be evaporate and such kind of loss is called ____
 - (a) Normal loss
 - (b) Abnormal loss
 - (c) Incurable loss
 - (d) None of the above
5. Overtime worked at the request of the customer is charged to ____
 - (a) Profit and Loss A/c
 - (b) Overheads
 - (c) Jobs (Direct wages)
 - (d) None of the above
6. Working hours of labour can be calculated with the help of all except ____
 - (a) Smart card
 - (b) Time sheet
 - (c) Clock card
 - (d) Store card

II. Fill in the blanks: [6 × 1 = 6]

1. B.E.P stands for _____
2. Minimum level formula = _____
3. Variable cost is also known as _____
4. The total of direct costs is called as _____ cost.
5. Formula for P/V ratio = _____
6. Bin card is maintained by _____ department.

III. Match the following [6 × 1 = 6]

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	Column 'A'		Column 'B'
1.	FIFO	A	Distribution overhead
2.	Power expenses	B	Two
3.	Margin of safety ratio	C	Bin card
4.	Secondary packing expenses	D	First in First Out
5.	Quantity of stock	E	Horse Power
6.	Taylor's Differential piece rate uses ___ piece rates.	F	Profit ÷ P/V ratio

IV. State whether the following statements are True (or) False. [6 × 1 = 6]

1. LIFO stands for Least in First Out.
2. Generally the danger level of stock is fixed above the minimum level.
3. Sales commissions are classified as periodic cost.
4. At break-even sales fixed cost is not equal to contribution.
5. The formula for Rowan System = $TR + \left(\frac{S-T}{S}\right) \times TR$
6. Interest on capital is a direct cost.

V. Answer any two questions. Each question carries 8 marks. [2 × 8 = 16]

1. Prepare a statement of cost from the following data to show material consumed, prime cost, factory cost, cost of goods sold and profit.

	1-1-2009 (₹)	31-12-2009 (₹)
Raw Material	60,000	50,000
Work-in-progress	24,000	30,000
Finished goods	1,20,000	1,10,000

Purchase of materials during the year ₹ 9,00,000.

Wages paid ₹ 5,00,000.

Factory overheads ₹ 2,00,000.

Administration overheads ₹ 50,000

Selling and distribution overheads ₹ 30,000.

Sales ₹ 2,00,000.

2. Calculate the minimum stock level, maximum stock level, re-ordering level and average stock level from the following information:
 - (i) Minimum consumption = 100 units per day.
 - (ii) Maximum consumption = 150 units per day.
 - (iii) Normal consumption = 120 units per day.
 - (iv) Re-order period = 10 – 15 days
 - (v) Re-order quantity = 1500 units
 - (vi) Normal re-order period = 12 days
3. On the basis of the following information, calculate the earnings of A and B under Taylor's differential piece rate system.

Standard production – 8 units per hour.
Normal time rate – 0.40 per hour.

Differentials to be applied:

80% of piece rate below standard

120% of piece rate at or above standard.

In a nine hour day 'A' produces 54 units and 'B' produces 75 units.