

Paper 2- Fundamentals of Accounting

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Full Marks : 100

Time allowed: 3 hours

Section – A

1. (a) Choose the correct answer from the given four alternatives: [30 × 1 = 30]

- (i)** Current Assets means
(a) Assets which are receivable within 12 months
(b) Assets which are receivable immediately
(c) Assets which are receivable after one accounting year
(d) Assets which are receivable within 3 months
- (ii)** Increase in the amount of creditors results in
(a) Increase in cash
(b) Decrease in cash
(c) Decrease in assets
(d) No change in assets
- (iii)** A Purchase of goods from Ram in credit should be credited to:
(a) Ram
(b) Cash
(c) Sales
(d) Capital
- (iv)** Bank Overdraft as per bank pass book means _____
(a) Surplus cash
(b) Debit Balance
(c) Terms deposits with bank
(d) None of these
- (v)** Cost of goods purchased for resale is an example of –
(a) Capital expenditure
(b) Revenue expenditure
(c) Deferred revenue expenditure
(d) none of these
- (vi)** A bad debt recovered during the year will be
(a) Capital expenditure
(b) Revenue expenditure
(c) Capital Receipt
(d) Revenue Receipt
- (vii)** Outstanding rent is a
(a) Nominal A/c
(b) Representative personal A/c
(c) Tangible assets account
(d) None
- (viii)** Which financial statement represents the accounting equation-
Assets = Liabilities + Owner's equity:
(a) Income Statement
(b) Statement of Cash flows

- (c) Balance Sheet
(d) None
- (ix)** Liabilities A/c has _____ balance.
(a) Debit
(b) Credit
(c) No
(d) Either (a) or (b)
- (x)** The balance of _____ account will be shown in the debit column of trail balance.
(a) Liabilities
(b) Expenses
(c) Assets
(d) Both (b) and (c)
- (xi)** The cash book records
(a) All cash receipts
(b) All cash payments
(c) All cash receipts and payments
(d) None of the above
- (xii)** The periodical total of the Sales Return Book is posted to the
(a) Debit of Sales Account
(b) Debit of Return Account
(c) Credit of Sales Return Account
(d) Debit of Debtors Account
- (xiii)** Which of the following is a revenue expenditure?
(a) Installation charges of a Machinery
(b) Cost of saleable goods
(c) Bad debts
(d) Both (b) and (c)
- (xiv)** From the following details estimate the capital as on 31.03.2017, Capital as on 01.04.2016 ₹ 4,10,000. Drawings ₹ 40,000, Profit during the year ₹ 50,000
(a) ₹ 4,10,000
(b) ₹ 4,50,000
(c) ₹ 4,20,000
(d) ₹ 4,00,000
- (xv)** The process of transfer of entries from day book to ledgers is called ____
(a) Simple posting
(b) Journal posting
(c) Transaction
(d) Ledger posting
- (xvi)** A trial balance shows
(a) Honesty of accountants
(b) Accuracy of account
(c) Only arithmetical accuracy of accounts
(d) none of these
- (xvii)** Original cost is ₹ 1,50,000 residual value is 10,000, depreciation for 3rd year @ 10% p.a. under WDV method ____
(a) 14,000

- (b) 12,150
- (c) 11,340
- (d) 12,240

(xviii) In an Account if Debit side > Credit side, the balance is known as the

- (a) Negative balance
- (b) Debit balance
- (c) Positive balance
- (d) Credit balance

(xix) Debtors are

- (a) Included in the category of fixed assets
- (b) An investment
- (c) A part of current assets
- (d) An intangible fixed asset

(xx) A credit purchase of ₹850 from Sudhir was recorded in purchases book as ₹580. The rectification entry is __

- (a) purchases account will be debited by ₹270
- (b) sudhir will be credited by ₹580
- (c) purchases account will be debited by ₹850
- (d) sudhir will be credited by ₹850

(xxi) ₹ 500 paid as wages for erecting a machine should be debited to

- (a) Repair account
- (b) Machine account
- (c) Capital account
- (d) Furniture account

(xxii) Which of these items are taken in to consideration for preparation of adjusted cash book

- (a) Mistake in cash book
- (b) mistake in pass book
- (c) Cheque issued but not presented for payment
- (d) cheques deposited but not cleared

(xxiii) The consignment accounting is made on the following basis

- (a) Realisation Basis
- (b) Accrual basis
- (c) cash basis
- (d) All of above

(xxiv) A and B purchased a piece of land for ₹ 40,000 and sold it for ₹ 90,000 in 2015. Originally A had contributed ₹ 24,000 and B ₹ 16,000. The profit on venture will be :

- (a) ₹ 50,000
- (b) ₹ 66,000
- (c) ₹ 74,000
- (d) Nil

(xxv) Drawings will result in _____ in the owners capital.

- (a) Reduction
- (b) Increase
- (c) No change
- (d) None of the above

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(xxvi) Based on which of the following concepts, is share capital account shown on the liabilities side of a balance sheet?

- (a) business entity concept
- (b) money measurement concept
- (c) going concern concept
- (d) matching concept

(xxvii) The capital of a non-profit organization is generally known as

- (a) Equity
- (b) Accumulated Fund
- (c) Finance Reserve
- (d) Cash Fund

(xxviii) Kuntal draws a bill on shyam for ₹ 7,000 kuntal endorsed it to Ram. Ram endorsed it to Rahim. The payee of the bill will be:

- (a) Kuntal
- (b) Ram
- (c) Shyam
- (d) Rahim

(xxix) Goods of the invoice value of ₹ 4,80,000 sent out to consignee at 20% profit on cost the loading amount will be

- (a) ₹ 80,000
- (b) ₹ 96,000
- (c) ₹ 1,00,000
- (d) none

(xxx) Memorandum joint venture account is a

- (a) personal account
- (b) real account
- (c) nominal account
- (d) none of the above

(b) State whether the following statements are True (or) False.

[12 × 1 = 12]

- (i) Double entry principle means writing twice the same entry.
- (ii) It is easy to detect error than to fraud.
- (iii) Revenue receipts are shown in Trading and P & L Account.
- (iv) Payment of Tax is a Capital Expenditure.
- (v) Oral bill of exchange is also valid.
- (vi) Rent Account is a Nominal Account.
- (vii) Full omission does not affect trial balance.
- (viii) Journal is the book of final entry.
- (ix) The balance in the petty cash book is not an asset.
- (x) If del credere commission is paid to the consignee, profit and loss on consignment is retained /borne by consignor.
- (xi) Salaries due for the month will appear nowhere in cash book.
- (xii) Depreciation is a process of allocation and not of valuation.

(c) Match the following:

[6 × 1 = 6]

	Column 'A'		Column 'B'
1.	Expenses incurred by co-venture are debited to	A.	Honour before due date

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2.	Retirement	B.	The net amount due by consignee
3.	Account sales indicate	C.	Joint Venture Account
4.	Bank reconciliation statement is a	D.	Charging a revenue item to capital
5.	Error of principle	E.	Depletion
6.	Mineral deposit	F.	Memorandum statement

Answer any four questions out of six questions [4×8=32]

2. Journalise the following transactions: **[4×2=8]**

- (i) Goods stolen ₹ 7,000.
- (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.
- (iv) Bought furniture for resale ₹ 75,000;

3. A company purchased some machineries for ₹1,00,000 on 1st April, 2011. It charges depreciation @ 10% p.a. on reducing balance method every year. On 30th September, 2015 a part of machinery was sold for ₹14,000, the original cost of the machine was ₹20,000. Calculate the profit or loss on sale of machinery. **[8]**

4. From the following information given by Mr. J, prepare a Bank Reconciliation Statement as on 31st December, 2016: **[8]**

Particulars	₹
Bank Overdraft balance as per Pass Book	33,000
Cheques issued but not presented for payment	8,750
Cheques recorded in Cash Book but not sent to the Bank for collection	4,000
Bank charges debited in the Pass Book	300
Premium on Life Policy of Mr. J paid by the Bank on standing instruction of Mr. J	3,960
Amount transferred from fixed deposit A/c into the current A/c, appeared only in Pass Book	3,000

5. Write out the Journal Entries to rectify the following errors, using a Suspense Account.

- (1) Credit sales of ₹3,60,000 made to Munmun is correctly recorded in Sales Book, but posted as ₹3,00,000 in Munmun's Account.
- (2) Rent paid by cash ₹20,000, posted to the debit side of Rent Received A/c as ₹2,00,000
- (3) Sale of old machinery ₹50,000 has been recorded in Sales Book.
- (4) Return Inward Book has been overcast by ₹75,000. **[4×2=8]**

6. Prepare Trading and Profit and Loss Account of M/s Udayan & Sons for the year ending 31st December, 2016 from following information:

	₹		₹
Stock (1-1-2016)	4,00,000	Salaries	67,000
Purchases	5,10,500	Rent, rates & taxes	24,000
Wages	2,01,000	Depreciation	6,000
Carriage	10,000	Repairs	12,000
Purchases returns	26,500	Discount allowed	25,000
Export duty	18,000	Bad debts	18,000
Sales	11,50,000	Advertisement	5,000

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Coal & coke	50,000	Gas & water	3,000
Sales returns	20,000	Factory lighting	5,000
Printing & stationery	4,500	General expenses	8,000
Stock (31-12-2016)	6,00,000		

[8]

7. Sonu owed Anu ₹ 80,000. Anu draws a bill on Sonu for that amount for 3 months on 1st April 2016. Sonu accepts it and returns it to Anu. On 15th April 2016, Anu discounts it with CD Bank at a discount of 12% p.a. On the due date the bill was dishonoured, the bank paid noting charges of ₹ 100. Anu settles the bank's claim along with noting charges in cash. Sonu accepted another bill for 3 months for the amount due plus interest of ₹ 3,000 on 1st July 2016. Before the new bill became due, Sonu retires the bill with a rebate of ₹ 500. Show journal entries in books of Anu. **[8]**

Section – B

8. Choose the correct answer:

[12×1=12]

- (i) Statement showing break-up of costs is known as
(a) cost-sheet
(b) statement of profit
(c) production account
(d) Tender
- (ii) The main purpose of cost accounting is to:
(a) maximize profits
(b) help in inventory valuation
(c) provide information to management for decision making
(d) aid in the fixation of selling price
- (iii) Variable costs are fixed
(a) for a period
(b) per unit
(c) depends upon the entity
(d) for a particular process of production
- (iv) Which of the following items is excluded from cost Accounts?
(a) Income tax
(b) interest on debentures
(c) cash discount
(d) All of these
- (v) Raw material consumed = ₹26,500.
Closing Stock = ₹4,500
Opening Stock = ₹3,000
Purchase is _____
(a) ₹28,000
(b) ₹22,000
(c) ₹29,500
(d) None of the above

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- (vi) Which cost system description applies to the manufacture of 20 engraved doors for the new club house at a golf course?
(a) contract
(b) process
(c) Batch
(d) service
- (vii) Chargeable expenses are an example ___ cost.
(a) Indirect
(b) Direct
(c) Both (a) and (b)
(d) None of the above
- (viii) Wages of delivery van driver is a _____.
(a) Administration Overhead
(b) Manufacturing Overhead
(c) Distribution Overhead
(d) None of the above
- (ix) Cost reduction is
(a) Long term phenomena
(b) It challenges the standards
(c) It is carried out without compromising the quality
(d) All of the above
- (x) Directors remuneration and expenses form a part of
(a) Production overhead
(b) Administration overhead
(c) Selling overhead
(d) Distribution overhead
- (xi) Which of the following is an element of cost
(a) Material
(b) Labour
(c) Other expenses
(d) All of the above
- (xii) _____ costs are the result of inevitable consequences of commitments previously made or are incurred to maintain certain facilities and cannot be quickly eliminated.
(a) Committed Cost
(b) Discretionary Cost
(c) Step Cost
(d) None of the above

Answer any one question out of two questions [8×1=8]

9. Mr. Krishna furnishes the following data relating to the manufacture of a standard product during the month of April, 2017:

Raw materials consumed	₹ 80,000
Direct labour charges	₹ 48,000
Machine hours worked	8,000
Machine hour rate	4
Administrative overheads	10% on works cost

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Selling overheads	₹1.50 per unit
Units produced	4,000
Units sold	3,600 at ₹ 50 per unit.

You are required to prepare a cost sheet from the above, showing: (a) the cost per unit
(b) profit per unit sold and profit for the period. **[8]**

10. From the following particulars, prepare cost statement showing the component of total cost and the profit for the year ended 31st December, 2017. **[8]**

Particulars	(₹)	Particulars	(₹)
Stock of finished goods as on 1-1-2017	6,000	Stock of finished goods as on 31-12-2017	15,000
Stock of raw materials as on 1-1-2017	25,000	Stock of raw material as on 31-12-2017	50,000
Work-in-progress as on 1-1-2017	15,000	Work-in-progress as on 31-12-2017	10,000
Purchase of raw materials	4,75,000	General expenses	32,500
Carriage inward	12,000	sales for the year	8,60,000
Wages	1,73,000	Income tax	500
Works manager's salary	30,000	Dividend	1,000
Factory employees salaries	60,000	Debenture interest	5,000
Factory rent, taxes and Insurance	7,250	Transfer to sinking fund for replacement of machinery	10,000
Power expenses	9,500	Goodwill written off	10,000
Other production expenses	43,000	Selling expenses	9,250