

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) Narration are given at the end of
(a) Final accounts
(b) trial balance each ledger account
(c) each ledger accounts
(d) **Each journal entry**
- (ii) Life membership fees received by a club
(a) Revenue expenditure
(b) capital expenditure
(c) deferred revenue expenditure
(d) **capital receipt**
- (iii) Ledger contains various ____ in it
(a) Transactions
(b) Entries
(c) **Accounts**
(d) None
- (iv) A sale of goods to Ram for cash should be debited to:
(a) Ram
(b) **Cash**
(c) Sales
(d) Capital
- (v) Which of these errors affect only one account
(a) errors of casting
(b) errors of carry forward
(c) errors of posting
(d) **All the three**
- (vi) Debit balance as per bank pass book means _____
(a) Surplus cash
(b) **Bank overdraft**
(c) Terms deposits with bank
(d) None of these
- (vii) The party who is ordered to pay the amount is known as
(a) payee
(b) drawer
(c) **drawee**
(d) endorsee
- (viii) Joint venture account is of the nature of
(a) Personal A/c
(b) **Nominal A/c**
(c) Real A/c
(d) Suspense A/c

Answer to MTP_Foundation_Syllabus 2016_Jun2017_Set 1

- (ix) Decrease in the amount of creditors results in
- (a) Increase in cash
 - (b) **Decrease in cash**
 - (c) Increase in assets
 - (d) No change in assets
- (x) A cash book with discount and bank column is called
- (a) Single column cash book
 - (b) Two column cash book
 - (c) **Three column cash book**
 - (d) Petty cash book
- (xi) Assets A/c has _____
- (a) **Debit balance**
 - (b) Credit balance
 - (c) No balance
 - (d) Either (a) or (b)
- (xii) Natural, artificial and representative these three are the three types of _____ Account.
- (a) **Personal**
 - (b) Real
 - (c) Nominal
 - (d) Cash
- (xiii) Which of the following is not a revenue expenditure?
- (a) **Installation charges of a Machinery**
 - (b) Cost of saleable goods
 - (c) Bad debts
 - (d) Premium given on lease
- (xiv) Depreciation is not provided for which of the following asset?
- (a) goodwill
 - (b) land
 - (c) inventory of goods
 - (d) **both b & c**
- (xv) Carriage on goods purchased is shown in —
- (a) Profit and Loss A/c
 - (b) Capitalized with work in progress
 - (c) **Trading A/c**
 - (d) Shown in Balance Sheet
- (xvi) A sent some goods to B, to be sold on consignment basis. 1/10 of the goods valued ₹ 25,000 were lost in transit. Find the value of goods sent of consignment basis —
- (a) **₹ 2,50,000**
 - (b) ₹ 25,000
 - (c) ₹ 2,500
 - (d) None
- (xvii) The determination of expenses for an accounting period is based on the concept of
- (a) Objectivity
 - (b) Materiality
 - (c) Matching
 - (d) **Periodicity**

Answer to MTP_Foundation_Syllabus 2016_Jun2017_Set 1

- (xviii) Goodwill is —
- (a) **an intangible asset**
 - (b) a current asset
 - (c) a tangible asset
 - (d) None of the above
- (xix) In an Account if Credit side > Debit side, the balance is known as the
- (a) Negative balance
 - (b) Debit balance
 - (c) Positive balance
 - (d) **Credit balance**
- (xx) Cash book is a
- (a) Subsidiary book
 - (b) **Journal and Ledger**
 - (c) Ledger Account
 - (d) All of these
- (xxi) A trial balance shows
- (a) Accuracy of account
 - (b) **Only arithmetical accuracy of accounts**
 - (c) None of these
 - (d) All of these
- (xxii) Which of the following is an external cause for depreciation
- (a) **Obsolescence**
 - (b) Wear and Tear
 - (c) Depletion
 - (d) All of the above
- (xxiii) ₹ 800 paid as wages for erecting a machine should be debited to
- (a) Repair Account
 - (b) **Machine Account**
 - (c) Capital Account
 - (d) Furniture Account
- (xxiv) X Sold goods to Y for ₹30,00,00. 1/3 of the amount will be received in cash and the balance through a Bills Receivable for what amount X should draw a bill Y
- (a) ₹1,50,000
 - (b) ₹3,00,000
 - (c) **₹2,00,000**
 - (d) ₹1,20,000
- (xxv) Date on which the payment of the bill is to be made
- (a) public holiday
 - (b) date of grace
 - (c) **due date**
 - (d) date of bill+ 3 days
- (xxvi) Which of these documents is not required for bank reconciliation
- (a) bank column of cash book
 - (b) bank pass book
 - (c) bank statement
 - (d) **trial balance**

Answer to MTP_Foundation_Syllabus 2016_Jun2017_Set 1

(xxvii) Trade discount allowed at the time of sale of goods

- (a) Is recorded in Sales Book
- (b) Is recorded in Cash Book
- (c) Is recorded in Journal
- (d) **Is not recorded in Books of Accounts**

(xxviii) Inventory is

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

(xxix) The balance of liabilities account will be shown in the ___ of the trial balance.

- (a) **Credit side**
- (b) Debit side
- (c) Left side
- (d) None of the above

(xxx) Salary Account

- (a) Personal
- (b) Real
- (c) **Nominal**
- (d) None

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

[12 × 1 = 12]

- (i) **Accounting is an art of recording keeping.**
- (ii) **Receipts and payments account is a real account.**
- (iii) **For a shirt factory, cotton is finished goods.**
- (iv) **Joint bank account is a nominal account.**
- (v) **Oral bill of exchange is also valid.**
- (vi) **The balance of cash book shows cash in hand.**
- (vii) **Full omission does not affect trial balance.**
- (viii) **Under diminishing balance method, depreciation decrease every year.**
- (ix) **If del credere commission is paid to the consignee profit and loss on consignment is retained /borne by consignor.**
- (x) **Receipts are recorded on the credit side of each cash book.**
- (xi) **Depreciation is a charge against profit.**
- (xii) **Capital account is a real account.**

Answer:

- (i) True;
- (ii) True;
- (iii) False;
- (iv) False;
- (v) False;
- (vi) True;
- (vii) True;
- (viii) True;
- (ix) False;
- (x) False;
- (xi) True;
- (xii) False.

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(c) Match the following:

[6 × 1 = 6]

	Column 'A'		Column 'B'
1.	Fixed Asset	A.	Nominal account
2.	Modern Academy	B.	No depreciation
3.	Salary account	C.	Plant and Machinery
4.	Land	D.	Artificial personal account
5.	Building	E.	Accountant
6.	Cash book is prepared by	F.	Depreciation

Answer:

	Column 'A'		Column 'B'
1.	Fixed Asset	C.	Plant and Machinery
2.	Modern Academy	D.	Artificial personal account
3.	Salary account		Nominal account
4.	Land	B.	No depreciation
5.	Building	F.	Depreciation
6.	Cash book is prepared by	E.	Accountant

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

2. Journalise the following transactions:

[4×2=8]

- (i) Paid rent out of personal cash by the proprietor for ₹ 8,000;
- (ii) Bought furniture for resale ₹ 21,000;
- (iii) Sold Goods for Cash ₹16,000 and to Ms. Roy for ₹20,000, Mr. Roy settled her account less discount ₹ 1,200.

Answer:

Journal

Date	Particulars	L.F.	Debit ₹	Credit ₹
	Rent A/c Dr. To, Capital A/c [Being, rent paid out of personal cash]		8,000	8,000
	Purchase A/c Dr. To, Bank A/c [Being, furniture purchased for resale]		21,000	21,000
	Cash A/c Dr. Mr. Roy's A/c Dr. To Sales A/c [Being, goods sold for cash ₹ 16,000 and on credit ₹ 20,000]		16,000 20,000	36,000
	Cash A/c Dr. Discount Allowed A/c Dr. To Mr. Roy A/c [Being, cash received as final settlement and discount allowed]		18,800 1,200	20,000

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3. One lathe machine whose original value was ₹2,40,000 on 1.4.2013, being the date of installation was sold on 30.9.2015 for ₹2,00,000. Depreciation is charged at the rate of 10% on reducing balance. Show machinery account.

[8]

Answer:

Machinery Account

Dr.			Cr.		
Date	Particulars	Amt. (₹)	Date	Particular	Amt.(₹)
2013 Apr. 1	To Balance b/d	2,40,000	2014 Mar 31	By Depreciation A/c (2,40,000×10%)	24,000
			Mar 31	By Balance c/d	2,16,000
		2,40,000			2,40,000
2014 Apr.1	To Balance b/d	2,16,000	2015 Mar 31	By Depreciation A/c (2,16,000×10%)	21,600
			Mar 31	By Balance c/d	1,94,400
		2,16,000			2,16,000
2015 Apr.1	To Balance b/d	1,94,400	Sep 30	By Machinery disposal A/c	1,94,400
		1,94,400			1,94,400

4. The Bank Pass Book of Miss Geeta showed an overdraft of ₹9,000 on 31.12.2016. Prepare the Bank Reconciliation Statement based on the following details:
- Cheques issued but not presented upto 31.12.2016, ₹ 7,250
 - Bank commission ₹ 50 was entered only in the Pass Book.
 - A cheque for ₹5,500 issued in settlement of a debt was encashed on 28.12.2016 but entered in the Cash Book as ₹7,500.

[8]

Answer:

Bank Reconciliation Statement as on 31st December, 2015

Particulars	Amount (₹)	Amount (₹)
Overdraft as per Pass Book		9,000
Add:		
(i) Cheques issued but not presented for payment	7,250	
(ii) Cheque for ₹5,500 issued and encashed but entered in the Cash Book at ₹7,500 (7,500 - 5,500)	2,000	9,250
		18,250
Less:		
(i) Bank commission entered in the Pass Book only Overdraft as per Cash Book	50	50
Over Draft as per Cash Book (Cr.)		18,200

5. Write out the Journal Entries to rectify the following errors, using a Suspense Account.
- Goods of the value of ₹500 returned by Mr. Gupta were entered in the Sales Day Book and posted there from to the credit of his account;
 - A sale of ₹ 400 made to Mr. Mitra was correctly entered in the Sales Day Book but wrongly posted to the debit of Mr. Maitra as ₹40;
 - The total of "Discount Allowed" column in the Cash Book for the month of November, 2016 amounting to ₹600 was not posted.

[3+3+2=8]

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Answer:

JOURNAL

	Particulars	L. F.	Dr. ₹	Cr. ₹
(1)	Sales A/c Sales Returns A/c To Suspense A/c (Being, value of goods returned by Mr. Gupta wrongly posted to Sales, omission of debt to Sales Returns Account, now rectified)	Dr. Dr.	500 500	1,000
(2)	Mr. Mitra A/c To Mr. Maitra A/c To Suspense A/c (Being, omission of debit to Mr. Mitra and wrong credit to Mr. Maitra for sale of ₹400, now rectified)	Dr.	400	40 360
(3)	Discount Allowed A/c To Suspense A/c (Being, the amount of Discount allowed during November, 2016 not posted from the Cash Book; error now rectified)	Dr.	600	600

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
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]

Answer:

Trading and Profit and Loss Accounts of M/s Udayan and Sons

For the year ending 31st December, 2016

	₹		₹
To Stock (1-1-2016)	4,00,000	By Sales	11,50,000
To Purchases	5,10,500	Less: Sales returns	<u>20,000</u>
Less: Purchases Return	<u>26,500</u>	By Stock (31-12-2016)	6,00,000
To Wages	2,01,000		
To Carriage	10,000		
To Coal and coke	50,000		

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To Gas and water	3,000		
To Factory lighting	5,000		
To Gross profit c/d	5,77,000		
	17,30,000		17,30,000
To Salaries	67,000	By Gross profit b/d	5,77,000
To Rent, rates & taxes	24,000		
To Printing & stationery	4,500		
To Depreciation	6,000		
To Repairs	12,000		
To Export duty	18,000		
To Discount allowed	25,000		
To Bad Debts	18,000		
To Advertisement	5,000		
To General expenses	8,000		
To Net profit transferred to capital account	3,89,500		
	5,77,000		5,77,000

7. On 1st January, 2016, Anu sells goods for ₹20,000 to Balu and draws a bill at three months for the amount. Balu accepts it and returns it to Anu. On 1st March, 2016, Balu retires his acceptance under rebate of 12% per annum. Record these transactions in the journals of Balu. [8]

Answer:

Journal Entries in the books of Balu

Date 2016	Particulars		Dr. ₹	Cr. ₹
1 st Jan.	Purchases A/c To Anu's A/c (Being the goods purchased from Anu on credit)	Dr.	20,000	20,000
	Anu's A/c To Bills payable A/c (Being the acceptance of bill given to Anu)	Dr.	20,000	20,000
March 1	Bills payable A/c To Bank A/c To Rebate on bills A/c (Being the bill discharged under rebate @ 12% p.a.)	Dr.	20,000	19,800 200

Working Note:

Calculation of rebate:

$$20,000 \times \frac{12}{100} \times \frac{1}{12} = ₹200$$

Section – B

8. Choose the correct answer:

[12×1=12]

- (i) 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
- (ii) Variable costs are fixed
- (a) for a period
 - (b) **per unit**
 - (c) depends upon the entity
 - (d) for a particular process of production
- (iii) Which of the following items is excluded from cost Accounts?
- (a) Income tax
 - (b) interest on debentures
 - (c) cash discount
 - (d) **All of these**
- (iv) Opportunity cost is the best example of:
- (a) Sunk cost
 - (b) Standard cost
 - (c) **Relevant cost**
 - (d) Irrelevant cost
- (v) Which method of costing is used for determination of costs for printing industry?
- (a) process costing
 - (b) operating costing
 - (c) batch costing
 - (d) **job costing**
- (vi) Which of the following is a part of both Prime cost and conversion cost
- (a) Direct Material
 - (b) Indirect Labour
 - (c) Indirect Material
 - (d) **Direct Labour**
- (vii) Factory Cost is ₹3,95,000. Office and Administration overheads is 7.25% of factory cost. Hence, Office and Administration overheads is —
- (a) **₹28,637.50**
 - (b) ₹28,894.25
 - (c) ₹26,701.63
 - (d) None of the above
- (viii) Period costs are incurred on the basis of time such as _____
- (a) **Rent**
 - (b) Material cost

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- (c) Postage
- (d) None of the above

(ix) One of the functions of cost accounting is proper matching of _____

- (a) **Cost**
- (b) Behaviour
- (c) Statement
- (d) Expenditure

(x) A cost centre is a _____

- (a) **Location for which cost is incurred**
- (b) An organization
- (c) A unit of cost
- (d) Profit centre

(xi) From the following information, find out Purchases.

Raw material consumed = ₹26,500

Closing Stock = ₹4,500

Opening Stock = ₹3,000

- (a) ₹26,500
- (b) ₹25,000
- (c) **₹28,000**
- (d) ₹34,000

(xii) Indirect material cost is a part of

- (a) Prime cost
- (b) **Factory overhead**
- (c) chargeable expenses
- (d) None of these

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

9. Direct materials cost is ₹ 80,000. Direct labour cost is ₹ 60,000. Factory overhead is ₹90,000. Beginning goods in process were ₹ 15,000. The cost of goods manufactured is ₹ 245,000. What is the cost assigned to the ending goods in process? [8]

Answer:

Particulars	₹
Direct Material	80,000
Direct Labour	60,000
Prime Cost	1,40,000
Add: Factory Overhead	90,000
Add: Opening WIP	15,000
Less: Closing WIP	-
Cost of goods manufactured (given)	2,45,000

As cost of goods manufactured is given as ₹2,45,000 so there will be no closing goods in process.

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

	1-1-2016(₹)	31-12-2016(₹)
Raw material	1,50,000	1,25,000
Work-in-progress	60,000	75,000
Finished goods	3,00,000	2,75,000
Purchase of materials during the year		22,50,000
Wages paid		12,50,000
Factory overheads		5,00,000
Administration overheads		1,25,000
Selling and distribution overheads		75,000
Sales		50,00,000

[8]

Answer:

Statement of cost and profit

Particulars	₹	₹
Opening stock of raw materials	1,50,000	
Add: purchase of raw materials	22,50,000	
	24,00,000	
Less: Closing stock of raw materials	1,25,000	
Materials consumed		22,75,000
Wages paid		12,50,000
Prime cost		35,25,000
Factory overheads		5,00,000
Add: opening stock or WIP		60,000
		40,85,000
Less: closing stock of WIP		75,000
Factory cost		40,10,000
Administrative overheads		1,25,000
Add: opening stock of finished goods		3,00,000
		44,35,000
Less: closing stock of finished goods		2,75,000
Cost of goods sold		41,60,000
Selling and distribution overheads		75,000
Cost of sales		42,35,000
Profit		7,65,000
Sales		50,00,000