

FOUNDATION COURSE EXAMINATION

December 2019

P-2(FOA)
Syllabus 2016

Fundamentals of Accounting

Time Allowed : 3 Hours

Full Marks : 100

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

This question paper has two Sections.

Both the Sections are to be answered subject to instructions given against each.

Section-A

1. (a) Choose the correct answer from the given four alternatives :

1×30=30

- (i) Which of the following item is shown in the Receipt and Payment account?
 - (A) Only items of capital nature
 - (B) Only items of revenue nature which are received during the period of accounts
 - (C) Only items of revenue nature pertaining to the period of accounts
 - (D) Both the items of capital and revenue nature which are received during the period of accounts
- (ii) Any income arising from special fund will be credited to
 - (A) General fund in the Balance sheet.
 - (B) Receipt and Payment account.
 - (C) Income and Expenditure account.
 - (D) Special fund in the Balance sheet.
- (iii) There are 100 members each paying an annual subscription of ₹ 500. The Receipt and Payment account shows arrear subscription of ₹ 4,500, advance subscriptions ₹ 6,000 and current ₹ 44,500. How much amount to be credited in the Income and Expenditure account?
 - (A) ₹ 55,000
 - (B) ₹ 49,000
 - (C) ₹ 44,500
 - (D) ₹ 50,000
- (iv) When opening stock ₹ 50,000, closing stock ₹ 40,000, purchases ₹ 1,90,000, profit margin is 16.67% on sales, the sales are
 - (A) ₹ 2,40,000
 - (B) ₹ 2,36,000
 - (C) ₹ 2,00,000
 - (D) ₹ 2,44,000

- (v) Goods bought for ₹ 25,000 passed through sales day book will result in
- (A) No effect on gross profit
 - (B) Decrease in gross profit
 - (C) Decrease in net profit
 - (D) Increase in gross profit
- (vi) Which of the following will result in disagreement of Trial balance?
- (A) Sales return treated as purchase.
 - (B) Purchase return treated as sales.
 - (C) Ram A/c wrongly credited instead of Sham A/c.
 - (D) Under casting cash book by ₹ 1,100
- (vii) In a joint venture X and Y sharing profit and loss equally. X purchased goods costing of ₹ 40,000 and Y sold the goods for ₹ 50,000. X is entitled to get 1% commission on purchase and Y is entitled to get 5% commission on sales, the profit will be
- (A) ₹ 7,200
 - (B) ₹ 7,100
 - (C) ₹ 6,800
 - (D) ₹ 7,600
- (viii) What is the nature of joint venture with co-venture account?
- (A) Nominal Account
 - (B) Personal Account
 - (C) Real Account
 - (D) Memorandum Account
- (ix) Which of the following term is applicable about consignment?
- (A) Sale of goods
 - (B) Hypothecation of goods
 - (C) Shipment of goods
 - (D) Mortgage of goods
- (x) Retirement of bill means
- (A) sending the bill for collection.
 - (B) cancellation of the bill.
 - (C) endorsing the bill in favour of third party.
 - (D) making payment before the due date.
- (xi) Which one of these documents is not required for bank reconciliation?
- (A) Bank column of cash book
 - (B) Bank pass book
 - (C) Previous year's balance sheet
 - (D) Bank statement

- (xii) In a overdraft balance as per cash book, a cheque of ₹ 1,250 deposited into bank but not recorded in cash book will be
- (A) deducted by ₹ 1,250.
 - (B) added by ₹ 1,250.
 - (C) added by ₹ 2,500.
 - (D) deducted by ₹ 2,500.
- (xiii) Which of these errors affects only one account?
- (A) Error of casting
 - (B) Error of posting
 - (C) Error of carry forward
 - (D) All of the above
- (xiv) Which of the following error is an error of principle?
- (A) ₹ 4,000 received from Sham credited to Shamu a/c
 - (B) ₹ 5,000 incurred on installation of new plant debited to salary a/c
 - (C) ₹ 6,000 paid for wages debited to salary a/c
 - (D) ₹ 7,000 being purchase of raw material debited to purchase a/c
- (xv) In case the depreciable assets are revalued, the provision for depreciation is based on
- (A) Market value of the assets.
 - (B) Historical cost of the asset.
 - (C) Written down value of the asset.
 - (D) the revalued amount over the estimate of the remaining useful life of such asset.
- (xvi) Trade discount is allowed at the time of sale of goods
- (A) is recorded in sales book.
 - (B) is recorded in cash book.
 - (C) is not recorded in books of accounts.
 - (D) is recorded in journal.
- (xvii) A debit note issued to a creditor for goods returned is to be recorded in the
- (A) Purchase return book
 - (B) Journal proper
 - (C) Purchase book
 - (D) Bill receivable book

- (xviii) The determination of expenses for an accounting period is based on the concept of
- (A) Consistency concept
 - (B) Periodicity concept
 - (C) Timeliness concept
 - (D) Industry practice
- (xix) Decrease in the amount of creditors results in
- (A) Increase in assets
 - (B) Increase in cash
 - (C) Decrease in cash
 - (D) No change in assets
- (xx) Subscription received in advance to be shown in
- (A) Liability side of the balance sheet
 - (B) Asset side of the balance sheet
 - (C) Income and Expenditure account
 - (D) Journal
- (xxi) Which of the following is an accounting equation?
- (A) $\text{Capital} = \text{Assets} + \text{Liabilities}$
 - (B) $\text{Capital} = \text{Assets} - \text{Liabilities}$
 - (C) $\text{Assets} = \text{Liabilities} - \text{Capital}$
 - (D) $\text{Liabilities} = \text{Assets} + \text{Capital}$
- (xxii) AS-09 deals with
- (A) Inventory Valuation
 - (B) Depreciation Accounting
 - (C) Revenue Recognition
 - (D) Cash Flow Statement
- (xxiii) Y-draws a trade bill of ₹ 12,000 for 6 months on X. After holding the bill for 2.5 months, Y discount the bill with bank @ 10% p.a. The amount of discount on bill is
- (A) ₹ 100
 - (B) ₹ 350
 - (C) ₹ 600
 - (D) ₹ 250
- (xxiv) Bills Receivable books is part of the
- (A) Journal
 - (B) Ledger
 - (C) Profit & Loss Account
 - (D) Balance Sheet

- (xxv) X of Delhi send out certain goods at cost +25% of cost. Invoice value of goods is ₹ 1,20,000. 4/5th of the goods were sold by consignee at ₹ 1,00,000. Commission @ 2% up to invoice value and 10% of any surplus above invoice. The amount of commission will be
- (A) ₹ 1,920
(B) ₹ 2,320
(C) ₹ 1,820
(D) ₹ 2,020
- (xxvi) If X co-venture takes away goods under memorandum Joint Venture Method then he will debit these goods in his books to
- (A) Sales Account
(B) Purchase Account
(C) Personal Account
(D) Joint Venture Account
- (xxvii) At the end of the year Bad Debts Recovered Account is
- (A) Debited to Debtors Account
(B) Credited to Debtors Account
(C) Credited to Profit & Loss Account
(D) Debited to Profit & Loss Account
- (xxviii) As regards the accounting treatment, Legacy should be
- (A) treated as loss.
(B) capitalized.
(C) treated Revenue Expenses.
(D) treated Deferred Revenue.
- (xxix) Sales of ₹ 6,570 is recorded in the sales book as ₹ 6,750. Such Error is known as
- (A) Error of Principle
(B) Error of Omission
(C) Error of Commission
(D) Compensating Error
- (xxx) Which of the following is correct?
- (A) Cost of Goods Sold – Opening Stock + Purchases = Closing Stock
(B) Purchase + Cost of Goods Sold – Opening Stock = Closing Stock
(C) Cost of Goods Sold + Closing Stock – Opening Stock = Purchase
(D) Opening Stock + Closing Stock – Purchase = Cost of Goods Sold

(b) State whether the following statements are 'True' or 'False': 1×12=12

- (i) The policy of 'anticipate no profit and provide for all probable losses' arises due to the convention of conservatism.
- (ii) Single entry system records only one aspect either debit or credit.
- (iii) Rent outstanding is real account and shown in asset side of the balance sheet.
- (iv) Demand bills are payable on a date calculated after adding three days of grace to the period of the bill.
- (v) Bills receivable A/c is debited by the acceptor on discounting of a bill.
- (vi) Noting charges are related to dishonour of bill.
- (vii) Delcredere commission is extra commission which is given to the consignee for making him responsibility for extra sales.
- (viii) Joint venture does not follow accrual basis of accounting.
- (ix) Closing stock, when it appears in the trial balance is taken only in the trading account.
- (x) Fixed assets are shown in the balance sheet at their market value less depreciation.
- (xi) The capital receipts and payments in receipts and payment account are to be taken to the Balance sheet.
- (xii) When Credit sales is wrongly posted to the purchase book, it is an error of commission.

(c) Match the following :

1×6=6

| | Column A | | Column B |
|---|--|---|-----------------------------|
| 1 | Consignment stock Account is a | A | Credit balance of pass book |
| 2 | Debit balance of cash book is equal to | B | No depreciation |
| 3 | Error of omission | C | Debit note |
| 4 | Land | D | Capital expenditure |
| 5 | Purchase return book | E | Real Account |
| 6 | Cost of copyrights | F | Transaction recorded partly |
| | | G | Nominal Account |
| | | H | Transaction recorded twice |

Answer any four questions out of the following.

8×4=32

2. Enter the following transactions of Ram Prakash & Sons in appropriate books of original entry.

2019

| | |
|--|------------|
| April 1 : Started business with cash ₹ 2,00,000 and goods | ₹ 1,50,000 |
| April 2 : Opened a current account in Punjab National Bank | ₹ 1,00,000 |
| April 4 : Purchased goods from Hari | ₹ 90,000 |
| April 6 : Sold goods to Mukesh for cash | ₹ 1,25,000 |
| April 8 : Sold goods to Ramesh | ₹ 15,000 |
| April 10 : Purchased furniture for shop from National Furniture, he allowed 10% trade discount | ₹ 80,000 |
| April 15 : Paid to National Furniture | ₹ 72,000 |
| April 24 : Sold goods to Vikram, trade discount 5% | ₹ 70,000 |
| April 29 : Ramesh was declared insolvent and a dividend of 40 paise in rupee could be received from him. | |
| April 30 : Withdraw from Bank for office expenses | ₹ 10,000 |

3. A manufacturing company closes its books of accounts on 31st March every year, purchased a machine for ₹ 3,00,000 on 1st April, 2015. Additional machine was purchased for ₹ 2,00,000 on 30th September, 2016 and for ₹ 1,00,000 on 1st April, 2018. One machine which was purchased on 30th September, 2016 was sold for ₹ 1,36,000 on 30th September, 2018.

Prepare the Machinery account for the year ending 31st March, 2019 taking into account depreciation at 10% per annum on the written down value.

4. The bank pass book of Mr. Sunil showed an overdraft of ₹ 15,000 on 31.03.2019. Prepare the bank reconciliation statement based on the following information :

- Cheques for ₹ 2,500, ₹ 3,800 and ₹ 5,500 were issued during the month but only the cheque for ₹ 3,800 were presented.
- Five cheques amounting to ₹ 16,500 were deposited, out of that one cheque for ₹ 3,700 was credited on 4th April, 2019.
- A cheque for an amount of ₹ 2,400 were dishonoured by bank not recorded in cash book.
- A bank charge of ₹ 100 for dishonoured cheque was also not recorded in cash book.
- A cheque for ₹ 6,500 issued in settlement of a debt was encashed on 30.03.2019 but entered in cash book as ₹ 8,500.
- A customer deposited a cheque of ₹ 6,700 directly to bank but not recorded in cash book.
- Interest on overdraft ₹ 500 were charged by bank not entered in cash book.
- One fixed deposit certificate with matured value of ₹ 12,000 due to be credited within 31st March but credited by bank on 2nd April, 2019.

Please Turn Over

5. Pass necessary journal entries to rectify the following errors :

- (i) Purchase of goods of ₹ 3,000 from Nail was wrongly entered in sales book.
- (ii) Goods returned of ₹ 1,500 by Mr. Sethi were taken into stock but return was not posted.
- (iii) One page of sales book was under cast ₹ 1,000.
- (iv) Pre-paid rent of ₹ 450 was omitted to be brought forward from last year.
- (v) A builder's bill of ₹ 10,700 for erection of a factory shed was debited to repair account.
- (vi) A cheque for ₹ 975 received from Ramlila was credited to the account of Ramlata and debited to cash account.
- (vii) A credit sale of ₹ 2,500 has been credited to the sales and also to the trade receivable account.

6. The following is the Trial Balance of Shree Mahesh on 31st March, 2019.

| Items/Account | Debit (₹) | Credit (₹) |
|------------------------------------|------------------|------------------|
| Capital | | 2,00,000 |
| Stock on 01.04.2018 | 2,40,000 | |
| Plant and Machinery | 2,50,000 | |
| Office Furniture and Fittings | 13,000 | |
| Sundry Debtors and Creditors | 2,28,500 | 2,60,000 |
| Purchases and Sales | 10,67,500 | 24,00,000 |
| Bills Receivable and Bills Payable | 36,000 | 28,000 |
| Return inwards and return outwards | 46,500 | 27,500 |
| Discount | 32,500 | 18,500 |
| Bad debts | 12,500 | — |
| General Expenses | 5,000 | — |
| Insurance | 31,500 | — |
| Factory Lighting | 4,000 | — |
| Rent | 30,000 | — |
| Drawings | 35,000 | — |
| Provision for Doubtful Debts | — | 12,500 |
| Salaries | 70,000 | — |
| Wages | 7,50,000 | — |
| Cash at bank | 32,500 | — |
| Cash in hand | 2,000 | — |
| Motor Vehicle | 60,000 | — |
| Total | 29,46,500 | 29,46,500 |

The following adjustment are to be made :

- (i) Stock on 31st March, 2019 was ₹ 2,60,000
- (ii) Furniture to be depreciated by 5%
- (iii) Depreciation to be charged @ 15% on Plant & Machinery and on Motor Vehicle
- (iv) Factory lighting is due for 3 months, but not paid ₹ 1,500.
- (v) Write off Further bad debts ₹ 3,500
- (vi) The provision for doubtful debts to be increased to ₹ 15,000 and provision for discount on debts @ 2% to be made
- (vii) During the year machinery was purchased for ₹ 1,00,000 but it was debited to purchase account.

You are required to prepare Trading and Profit & Loss Account for the year ended on 31st March, 2019 and the Balance sheet as on 31st March, 2019.

7. X sent goods costing ₹ 37,75,000 on consignment basis to Y on 1st January, 2019 @ 9% commission. ₹ 4,12,500 was spent on transportation by X. Y spent ₹ 2,62,500 on unloading. 85% of the goods received were sold for ₹ 45,00,000, 10% of the goods for ₹ 5,00,000 and the balance were taken over by Y @ 20% below the cost price. Y has sent a demand draft to X for the amount due shows in X's book.

Show :

- (i) Consignment Account
- (ii) Y's Account

Section-B

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

1×12=12

- (i) Carriage outward is a part of
 - (A) Office and Administrative overhead
 - (B) Factory overhead
 - (C) Selling and Distribution overhead
 - (D) Prime cost

- (ii) Notional cost is also known as

- (A) Variable cost
- (B) Imputed cost
- (C) Opportunity cost
- (D) Out of Pocket cost

- (iii) Which one of the following is not a cost unit?
- (A) Kilo watt hour
 - (B) Credit division
 - (C) Patient day
 - (D) Tonne-mile
- (iv) Cost reduction—
- (A) Long-term phenomena
 - (B) It challenges the standards.
 - (C) It is carried out without compromising the quality.
 - (D) All of the above
- (v) Statement showing break up of costs is known as
- (A) Cost sheet
 - (B) Tender
 - (C) Production account
 - (D) Statement of profit
- (vi) Prime cost may be correctly termed as
- (A) the total of all cost items which can be directly charged to product units.
 - (B) the sums of all direct materials and labour cost excluding all other cost.
 - (C) the total costs incurred in producing a finished unit.
 - (D) the sum of the large cost there in product cost.
- (vii) Which one is included in financial accounts but not in cost accounts?
- (A) Royalty
 - (B) Dividend paid
 - (C) Excise duty
 - (D) Carriage and freight
- (viii) Which of the following term is excluded from the cost accounts?
- (A) Income tax
 - (B) Interest on debenture
 - (C) Cash discount
 - (D) All of the above

- (ix) Variable costs are fixed
- (A) depend upon the entity.
 - (B) for a period.
 - (C) per unit.
 - (D) for a particular process of production.
- (x) Costs are classified into fixed costs, variable costs and semi-variable costs, it is known as
- (A) Behavioural classification
 - (B) Classification according to controllability
 - (C) Functional classification
 - (D) Element-wise classification
- (xi) The main purpose of cost accounting is to
- (A) maximise profit.
 - (B) inventory valuation.
 - (C) provide information for decision making.
 - (D) fixation of selling price.
- (xii) Process cost is very much applicable in
- (A) Construction industry
 - (B) Pharmaceutical industry
 - (C) Airline company
 - (D) Printing industry

Answer *any one* question out of the following.

1×8=8

9. Classify the following items of expenses into prime cost factory overhead, office & administrative overhead, selling and distribution overhead and non-cost items.
- (i) Custom duty on material
 - (ii) Cost of Tenders
 - (iii) Drawing office salaries
 - (iv) Director's Fee
 - (v) Cost of catalogues
 - (vi) Cash discount
 - (vii) Fuel and Power
 - (viii) Transfer Fee

Please Turn Over

- (ix) Goodwill written off
- (x) Donation
- (xi) Salaries of watchmen and cleaners (General)
- (xii) Packing material e.g. boxes, bardanas, tin, drums, rope etc.
- (xiii) Repairs of delivery van
- (xiv) Carriages inward
- (xv) Works Telephone Expenses
- (xvi) Legal charges

10. A factory produces a standard product. The following information is given to you from which you are required to prepare cost sheet for the period ended 31st March, 2019 :

| | |
|--|--------------------------|
| Consumable materials : | ₹ |
| Opening stock | 24,000 |
| Purchases | 2,04,000 |
| Closing stock | 9,600 |
| Finished product : | |
| Opening stock 1000 units | 38,400 |
| Production during the period 10000 units | |
| Closing stock 2000 units | |
| Productive wages | 48,000 |
| Other direct expenses | 24,000 |
| Factory overheads | 100% of productive wages |
| Office overheads | 10% of works cost |
| Selling and distribution overhead | ₹ 4 per unit sold |

There was no Work-in-progress either at the beginning or at the end of the period. Find out the selling price per unit to earn a profit of 20% of the selling price.