

**SET - II**

**Paper 2-Fundamentals of Accounting**

Full Marks: 100

Time allowed: 3 Hours

**PART - A**

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

1. To compute the surplus or deficit for the year Non trading concerns we prepare
  - (a) Income and Expenditure A/C
  - (b) Royalty Account
  - (c) Non-Government Account
  - (d) Charity Account
2. Identify the Example to Capital Expenditure
  - (a) Purchase of Raw material for Production
  - (b) Salesmen Salary
  - (c) Purchase of Furniture
  - (d) Payment of Electricity Bill
3. Purchase of Fixed Asset by payment of Cash of ₹ 10,000 results in .
  - (a) Increase fixed asset by ₹ 10,000 Decrease Cash Balance by ₹ 10,000.
  - (b) Increase cash by ₹ 10,000 reduce capital by ₹ 10000
  - (c) Reduce cash by ₹ 10,000 reduce other current liability by ₹ 10,000.
  - (d) Reduce fixed assets by ₹ 10,000 increase cash in hand by ₹ 10,000.
4. The process of recording business transactions in a book of original entry is known as
  - (a) Journal
  - (b) Balance
  - (c) Posting
  - (d) None of the above
5. Sales Returns Book is used to record
  - (a) Returns of Fixed Asset sold on credit
  - (b) Return of Inventory to Supplier.
  - (c) Sale of goods on credit
  - (d) Return of goods received from Customers
6. A Debit balance in the Bank column of the Cash Book indicates
  - (a) Debit balance in the Pass Book.
  - (b) Credit balance in the Pass Book.
  - (c) An overdrawn balance on Bank Statement.
  - (d) None of the above

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

1. Trial balance is required to prepare the Bank Reconciliation.
2. Owner of the goods sent on consignment is Consignor.
3. Bill of exchange is accepted by the drawer.
4. Incomplete records system of accounting is known as Single Entry system also
5. In a Partnership firm only one partner is the owner, remaining partners are employees.
6. Fixed Assets are kept in the business for use over a longer period.

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

1. Sold goods for cash ₹ 25,000
2. Paid Advertisement Expenses ₹ 8,000 by cash
3. Goods Returned from Ravi ₹ 5,000.

**IV. Fill in the blanks: [6 × 2 = 12]**

1. Discount given to Customers account will have \_\_\_\_\_ balance.
2. Excess of income over the expenditure is called \_\_\_\_\_
3. Cash Balance is shown in the \_\_\_\_\_ side of Balance Sheet
4. \_\_\_\_\_ method is used as charging depreciation for mines, oil wells, quarries and other wasting assets.
5. When An Asset is Purchased \_\_\_\_\_ account is Debited.
6. When the consignor sends goods to consignee he prepares a \_\_\_\_\_.

**V. Match the following [6 × 1 = 6]**

	Column 'A'		Column 'B'
1.	Purchases	A	Personal Account
2.	Co-Owners	B	Trading Account
3.	Customer Mr.X Account	C	Income and Expenditure Account
4.	Subscriptions of a Club	D	Joint Ventures
5.	Goodwill	E	Depreciation
6.	Written Down Value Method	F	Intangible Asset

**VI. Answer any three questions. Each question carries 8 marks. [3 × 8 = 24]**

1. On 31.12.13, P. Roy's Bank Balance as shown by the Cash Book was ₹ 75,000. On receipt of Bank Statement it was found that:-
  - (i) Three cheques of ₹ 3,000, ₹ 4,000 and ₹ 1,500 drawn in favour of suppliers respectively on 28th, 29th and 30th December, 2013 had been debited in the Bank Statement on 2nd January 2014.
  - (ii) The Bank had credited ₹ 8,000 on 30th December, 2013, in respect of collection made by Bank directly from a customer, the intimation not having yet been received.

- (iii) Two cheques of ₹ 5,000 and ₹ 6,000 were deposited into Bank on 30th December, 2013 had been credited in the Bank statement on 4th January, 2014.
- (iv) The Bank had debited ₹ 30 as incidental charges on 30th December, 2013 but not entered in the Cash Book.  
Show the reconciliation of the Bank Balance as per Cash Book with the Bank Balance as per Bank Statement as on 31st December, 2013.
2. On 1-1-2009 Sudha of Srinagar consigned goods value of ₹ 20,000 to Indira of Warangal. Sudha paid cartage and other expenses ₹ 1,500. On 1-4-2009 Indira sent account sales with following information:
- 50% of goods sold for ₹ 15,000.
  - Indira incurred expenses amounting to ₹ 750.
  - Indira is entitled to receive commission @ 5% on sales.
- Bank draft was enclosed for the balance due. Prepare the necessary ledger accounts in the books of Sudha.
3. Madan & Company purchased machinery on 1-1-2011 for ₹ 80,000 and spent ₹ 4,000 for its installation. The estimated life of the machinery is 10 years with a scrap value of ₹ 4,000. Books are closed on 31<sup>st</sup> December every year. Calculate the amount of annual depreciation under the straight line method and prepare machinery account for first 3 years.
4. Sunil owed Anil ₹ 80,000. Anil draws a bill on Sunil for that amount for 3 months on 1st April 2013. Sunil accepts it and returns it to Anil. On 15th April 2013, Anil discounts it with Citi Bank at a discount of 12% p.a. On the due date the bill was dishonoured, the bank paid noting charges of ₹ 100. Anil settles the bank's claim along with noting charges in cash. Sunil accepted another bill for 3 months for the amount due plus interest of ₹ 3,000 on 1st July 2013. Before the new bill became due, Sunil retires the bill with a rebate of ₹ 500. Show journal entries in books of Anil.
5. From the following information Prepare Trading and Profit & Loss Account of Mr.ABC for the year ended 31-Dec-2016
- Sales for the year ₹ 5,00,000
  - Closing Stock value ₹ 1,00,000
  - Purchases during the year ₹ 1,75,000
  - Opening Stock ₹ 1,25,000
  - Direct Wages ₹ 100,000
  - Salaries ₹ 50,000
  - Administrative Expenses ₹ 12,000

Compute the Gross Profit and Net Profit of Mr.ABC

**PART – B**

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

1. Maximum Consumption X Maximum lead time is the formula for
  - (a) Lead time
  - (b) Re-order level
  - (c) Maximum Consumption
  - (d) Danger Level
2. Fixed Costs are also known as
  - (a) Period Costs
  - (b) Direct Costs
  - (c) Marginal Costs
  - (d) Semi Fixed Costs
3. Which of the following is not a Inventory issue valuation method?
  - (a) FIFO
  - (b) LIFO
  - (c) Weighted Average
  - (d) Bin card
4. Which of the following item is not included in Factory Overheads?
  - (a) Indirect material cost
  - (b) Indirect labour cost
  - (c) Power and fuel
  - (d) Direct material cost
5. BEP is found by the following formula:
  - (a) Fixed cost per unit divided by the total contribution.
  - (b) Total fixed cost divided by the contribution per unit
  - (c) Total sales divided by the contribution per unit.
  - (d) None of the above
6. The main purpose of cost accounting is to
  - (a) Recording costs
  - (b) Help in inventory valuation
  - (c) Provide information to management for decision making
  - (d) All of the above.

**II. Fill in the blanks: [6 x 1 = 6]**

1. All the indirect costs related to indirect material, indirect labour and indirect expenses are termed as \_\_\_\_\_
2. Fixed Cost of a Company are ₹ 10,000 and Contribution per unit is Rs 2 then the Break even no of units are \_\_\_\_\_
3. Bincard Shows the \_\_\_\_\_ information of the Inventory
4. Change in Labour force of an organization during a period is known as \_\_\_\_\_
5. The combination of direct material and direct labour is \_\_\_\_\_

6. Cost is amount of \_\_\_\_\_ incurred upon a given thing.

**III. Match the following**

[6 × 1 = 6]

	Column 'A'		Column 'B'
1.	ABC Analysis	A	Labour Incentive Plan
2.	F W Taylor	B	Charge to Costing P & L
3.	Abnormal Loss	C	Selling & Distribution Overheads
4.	Advertisement Expense	D	Inventory Control
5.	Canteen Expenditure Apportionment	E	Job under Process
6.	Work in Progress	F	Number of Employees in each department

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

[6 × 1 = 6]

1. Total Contribution is a sum of Fixed Cost and Profit.
2. Cost Accounting and Financial Accounting are one and the same
3. Merrick plan is used to monitor the Inventory in an organization
4. Machine hour rate indicates the time spent on a machine by the worker
5. Direct labour cost is a part of Factory overhead expenses.
6. FIFO and LIFO are used to value the issue of Materials

**V. Answer any two questions. Each question carries 8 marks.**

[2 × 8 = 16]

1. Following transactions are given in the books of a company for the month of March 2014. Write up a stores ledger using FIFO method and show the break-up of value of closing stock.

March 1	Opening balance 500 units @ ₹ 6 per unit
March 5	Purchased 100 units @ ₹ 7 per unit
March 7	Issued 400 units
March 15	Purchased 200 Units @ ₹ 6.5 per unit

2. A company imported mechanical seals and the following information is available:  
1000 pieces were received at the CIF Mumbai price of \$30 per piece. Customs duty was paid @ 12% on invoice value after converting it at ₹ 38 to a dollar. Clearing charges were ₹1800. Freight of ₹ 1400 was paid by the company for transporting the material from Mumbai port to the factory site. Find the total landed cost of 1000 seals.
3. Direct materials cost is ₹ 80,000. Direct labour cost is ₹ 60,000. Factory overhead is ₹ 90,000. Beginning goods in process were ₹ 15,000. Compute the Cost of Goods Manufactured?
4. 2 hours allowed to a worker to produce 5 units and wages has been paid @ ₹ 25 per hour. In a 48 hours week the worker produced 170 units. You are required to calculate the total earnings and effective hourly rate of earnings of the worker under the following incentive wage systems:
  - (i) Emerson's efficiency system
  - (ii) Barth system