

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]

- (i) Cost of goods purchased for resale is an example of –
(a) Capital expenditure
(b) Revenue expenditure
(c) Deferred revenue expenditure
(d) none of these
- (ii) 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
- (iii) 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
- (iv) 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
- (v) Drawings will result in _____ in the owners capital.
(a) Reduction
(b) Increase
(c) No change
(d) None of the above
- (vi) 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

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

- (i) Oral bill of exchange is also valid.
(ii) Double entry principle means writing twice the same entry.
(iii) Rent Account is a Nominal Account.

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- (iv) Journal is the book of final entry.
- (v) Salaries due for the month will appear nowhere in cash book.
- (vi) Depreciation is a process of allocation and not of valuation.

III. Journalise the following transactions:

[3×2=6]

1. Bought Machinery for ₹ 1,60,000 with Cash.
2. Rent received ₹ 10,000.
3. Cash drawn by the Proprietor for personal use ₹ 20,000.

IV. Fill in the Blanks:

[6×2=12]

- (i) The _____ discount is never entered in the books of accounts.
- (ii) In a credit transaction, the buyer is given a _____ facility.
- (iii) ₹ 2,400 paid as wages for erecting a machine should be debited to _____ A/c.
- (iv) _____ means a state of deterioration due to old age or long use to a building or other property during tenancy.
- (v) A _____ bill is drawn to settle a trade transaction.
- (vi) In case of Consignment _____ is the agent to whom goods are sent for selling.
- (vii) _____ helps to identify the mistakes in the Cash Book and the Pass Book.

V. Match the following:

[6×1=6]

	Column 'A'		Column 'B'
1.	Expenses incurred by co-venture are	A.	Honour before due date
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.	No depreciation
6.	Land	F.	Memorandum statement

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

[3×8=24]

1. 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

2. 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

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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]

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. 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]
5. 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	25,500	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	19,000	Factory lighting	5,000
Printing & stationery	4,500	General expenses	8,000
Stock (31-12-2016)	6,00,000		

[8]

Section – B

- I. Choose the correct answer from the given four alternatives:

[6×1=6]

- (i) Fixed cost per unit ____ with increasing output.
- (a) Decreases
 - (b) Increases
 - (c) Remains same
 - (d) None of the above
- (ii) Directors fees is a —
- (a) Fixed Expense
 - (b) Variable Expense
 - (c) Semi-Fixed Expense
 - (d) None of the above
- (iii) Which method of costing is followed in Insurance Industries?
- (a) Job Costing
 - (b) Operations Costing
 - (c) Batch Costing

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(d) None of the above

(iv) _____ is the process of booking costs against a particular cost account code under a particular cost centre or directly under a cost unit

- (a) Cost Collection
- (b) Cost Accumulation
- (c) Cost Cutting
- (d) None of the above

(v) _____ indicates the gap between the Sales and the Break-even Point.

- (a) Margin of safety
- (b) Variable Cost
- (c) Fixed Cost
- (d) P/V Ratio

(vi) The cost of overtime worked for a specific jobs at the request of the customer is a part of _____.

- (a) Direct labour cost
- (b) Over head
- (c) Both (a) and (b)
- (d) None of the above

II. Fill in the blanks:

[6×1=6]

- (i) Fixed Cost of a Company are ₹ 20,000 and Contribution per unit is ₹2 then the Break even no. of units are _____.
- (ii) _____ = Normal Usage × Lead Time for Emergency Purchases.
- (iii) _____ lists all material items required for making a complete product unit inclusive of all components or sub-assemblies.
- (iv) _____ costing is used in the service industries and the costs are ascertained for generating services.
- (v) Profit = Contribution - _____.
- (vi) Cost of special design or layout is an example of _____ expenses.

III. Match the following:

[6×1=6]

	Column 'A'		Column 'B'
1.	Flux Method	A	is a very powerful tool which suggests the ordering quantity which will minimize the overall inventory management costs.
2.	Basis of Allocation of Office Building Rent	B	This is the cost of commodities and materials used by the organization.
3.	EOQ	C	Labour Turnover
4.	CAS - 18	D	Direct (Material+Labour+Expenses)
5.	Prime Cost	E	Floor space occupied by each department
6.	Material Cost	F	Research and Development Costs

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

[6×1=6]

- (i) For decision making, absorption costing is more suitable than marginal costing.
- (ii) Overhead and conversion cost are inter-changeable terms.
- (iii) Financial accounts provide information for determination of profit or loss.
- (iv) Profit Volume Ratio is the ratio of Contributions to sales.
- (v) Secondary packing is the minimum necessary without which a product cannot be handled.
- (vi) Repeated Distribution Method is a continuous distribution of overhead costs over all departments.

V. Answer any two questions out of four questions:

[8×2=16]

1. Rare engineering manufactures a product called as 'The Best'. The following data is collected for the year:

- (a) Monthly demand for Unique – 1000 units
- (b) Cost of placing order – ₹ 100
- (c) Annual carrying cost – ₹ 15 per unit
- (b) Normal usage per week – 50 units
- (c) Minimum usage per week – 25 units
- (d) Maximum usage per week – 75 units
- (e) Reorder period is 4 to 6 weeks. Calculate various stock levels.

[8]

2. State which product you would recommend to manufacture where labour time is the key factor.

Particulars	Product A ₹	Product B ₹
Direct Material	30	15
Direct labour @ ₹3 per hour	9	13.5
Direct Overhead @₹4 per hour	12	18
Selling Price	135	150
Standard Time	2 hrs	3 hrs

[8]

3. From the following data, compute margin of safety:

[8]

Sales	₹50,00,000
Fixed Cost	₹15,00,000
Profit	₹10,00,000

4. 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]**