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) Which of the following is an example of Personal Account?
(a) Machinery
(b) Rent
(c) Cash
(d) Mrs. Madhuri Sen

(ii) Purchase of computer for use in the business should be treated as a Capital Expenditure.
(a) Capital Expenditure
(b) Revenue Expenditure
(c) Capital Receipt
(d) Revenue Receipt

(iii) Under which of the following concepts shareholders are treated as creditors for the amount they paid on the shares they subscribed to?
(a) Cost Concept
(b) Duality Concept
(c) Entity Concept
(d) Since the shareholders own the business, they are not treated as creditors

(iv) Which of the following is a current asset?
(a) Sundry Creditors
(b) Provision for taxation
(c) Prepaid insurance
(d) Both (a) and (b)

(v) Rebate is given in case of ____ of a bill.
(a) Maturity
(b) Retirement
(c) Discounting
(d) None of the above

(vi) Which of the following statement is true?
(a) There is no difference between joint venture and partners
(b) Consignment and joint venture is same
(c) There is not separate act for joint venture
(d) None of the above

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

1. Capital receipts are shown in Assets side of balance sheet.
2. Debit is derived from the latin word ― debitum , which means "what we will have to pay".
3. Receipts are recorded on the credit side of cash book.
4. In straight line method physical wear and tear are more important than economic obsolescence.
5. It is easy to detect fraud than to error.
6. While preparing bank reconciliation statement from debit balance of cash book cheques paid into bank but not yet cleared are deducted.

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

1. Mr. Roy Opened a current account with Punjab National Bank by depositing ₹4,00,000.
2. Salary of one receptionist @ ₹7,000 per month and one officer @ ₹20,000 per month. The salary for the current month is payable to them by Mr. Roy.
3. Mr. Roy bought goods from Mr. Bose on credit for ₹ 5,000.

IV. Fill in the blanks: **[6×2=12]**

1. Balance in consignment account shows ___________ or _____________ on consignment
2. Cash Balance is shown in the _________ side of Balance Sheet.
3. When an asset is purchased ____________ account is debited.
4. Debts for which there is neither any possibility of becoming bad nor any doubt about its realization, will arise in future is called _______________.
5. Date on which the payment of the bill is to be made is known as _________ date.
6. __________ accounts are related to assets or properties or possessions.

V. Match the following: **[6×1=6]**

	Column 'A'		Column 'B'
1.	Live Stock	A.	Revenue Receipt
2.	Interest Received	B.	Asset
3.	Patent	C.	Credit side of pass book
4.	Debit balance of cash book is equal to	D.	Amortisation
5.	Renewal of bill	E.	total sales
6.	Del credere commission is calculated on	F.	includes interest

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

1. The total of debit side of Trial Balance of a larger boot and shoe repairing firm as on 31.12.2017 is ₹ 1,66,590 and that of the credit side is ₹ 42,470. After several checking and re-checking the mistakes are discovered: **[8]**

Items of Account	Correct Figure (as it would be) ₹	Figures as it appear in the Trial Balance ₹	
Opening Stock	14,900	14,800	
Repairs (outstanding)	61,780	61,780	(appear in the Debit side)
Rent & Taxes	2,160	2,400	
Sundry Creditors	6,070	5,900	
Sundry Debtors	8,060	8,310	

Ascertain the correct total of the Trial Balance.

2. Calculate the Rate of Depreciation under Straight Line Method (SLM) in each of the following:- **[8]**

Machine No.	Cost of Machine (₹)	Expenses incurred at the time of purchase to be capitalized (₹)	Estimated Residual Value (₹)	Expected Useful Life in years
1	1,80,000	20,000	40,000	8
2	24,000	7,000	3,100	6
3	1,05,000	20,000	12,500	5
4	2,50,000	30,000	56,000	10

3. Punit consigned 10,000 litres of Oil to Amrit at a cost of ₹55 per litre. The following further details are available -

- Punit incurred transportation and insurance cost of ₹7,500.

- During transit, 250 liters were expected to be lost by way of evaporation.
- Amrit received only 9,000 litres and incurred ₹9,900 towards taking delivery of goods, ₹12,500 towards advertising and selling expenses. It was found that 750 litres of oil were lost in transit due to accident.
- Amrit is entitled to a Commission of 10%. As per the Account Sales, Amrit had sold 7000 litres at ₹75 per litre.
- Amrit also reported that there was a loss of 500 litres of oil in his godown, due to leakage of packets. This loss was not covered by Insurance.

Compute the value of Closing Stock and Abnormal Loss. **[8]**

4. From the following Receipts and Payments Account and other details of Ummid Memorial Trust, which commences its working from 1st January, 2015 with a capital of ₹40,000 in cash and furniture ₹20,000, prepare Income & Expenditure Account.

Dr. **Receipts and Payments Account** **Cr.**

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d	40,000	By Salaries	15,000
To Donations	60,000	By Conveyance	6,000
To Legacies	16,000	By Rent	12,000
To Subscriptions	14,000	By Subscriptions to Journals	5,400
To Furniture Sold (on 31.12.2014)	6,000	By Stationery	1,000
		By Books	4,000
		By Buildings (Purchased on 1.1.2014)	68,000
		By Balance	24,600
	1,36,000		**1,36,000**

Additional information:

a) Provide for depreciation on Furniture @10% and on Buildings @10% and on Books ₹1,000
b) Outstanding subscriptions at the end of the year 2014 ₹15,000 and subscriptions received in advance for 2015 were ₹5,000
c) Outstanding expenses: Rent ₹1,000; Salary ₹2,000 **[8]**

5. Sita and Gita entered into a Joint Venture for the production and sale of "Mahalaya" CDs during a festival season. Sita contributed ₹3,00,000 and Gita contributed ₹2,00,000 to the venture. They incurred the following expenses towards Joint Venture –

(a) Payment to Artists and Technicians - ₹2,80,000,
(b) Hire Charges for Equipment, Lab Fees, etc. - ₹1,20,000,
(c) CD Making, Packing and Promotion Expenses - ₹75,000.

They made 20,000 CDs and sold 16,000 CDs during the festival season at ₹45 per CD. Gita directly received the sale proceeds of 2,500 CDs out of the above 16,000 CDs.

Sita took over 3,000 CDs at an agreed cost of ₹25 per CD. 1,000 CDs were found defective at the end of the season and had to be scrapped.

Separate books were maintained for the Venture, and the profits were divided in the ratio 3:2. Give Journal Entries. **[8]**

Section - B

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

(i) Costs are classified into fixed costs, variable costs and semi-variable costs, it is known as
(a) functional classification
(b) behavioral classification
(c) element wise classification
(d) classification according to controllability

(ii) Prime cost may be correctly termed as
(a) the sum of direct material and labour cost with all other costs excluded
(b) the total of all cost items which can be directly charged to product units
(c) The total costs incurred in producing a finished unit
(d) the sum of the large cost there in a product cost

(iii) Prime cost plus factory overheads is known as
(a) Factory on cost
(b) Conversion cost
(c) Factory cost
(d) Marginal cost

(iv) Cost units of Hospital Industry is
(a) Tonne
(b) Student per year
(c) Kilowatt Hour
(d) Patient Day

(v) Statement showing break-up of costs is known as
(a) cost-sheet
(b) statement of profit
(c) production account
(d) Tender

(vi) CAS stands for…
(a) Cost Audit Statutory
(b) Cost Accounting Standard
(c) Cost Account Standard
(d) Cost Audit

II. Fill in the blanks: **[6×1=6]**

(i) ____________ cost is the cost of remuneration paid to the employees of the organization.
(ii) ___________ ___________ = Opening Stock + Purchases – Closing Stock.
(iii) ____________ = Sales – (Variable Cost + Fixed Cost).
(iv) Bin card Shows the ____________ information of the Inventory.
(v) Under ______________ employees receive a constant proportion of value added.
(vi) For identifying slow moving stocks, it is necessary to compute the ______________ ratio.

III. Match the following: **[6×1=6]**

	Column 'A'		Column 'B'
1.	CAS7	A	There is no over or under absorption of overhead
2.	Just in time	B	Vendor analysis
3.	Free Stock	C	It is expressed in days, weeks or month
4.	Lead Time	D	Stock freely available for use at any point of time.
5.	Procurement	E	Inventory is a waste
6.	Marginal Costing	F	Employee Cost

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

(i) Activity Based Costing is a traditional method of charging overhead.
(ii) Stores Ledger shows quantity and value of stores/materials.
(iii) Abnormal Costs are uncontrollable.
(iv) Royalty based on units produced is considered as direct expenses.
(v) An increase in variable cost increases contribution.
(vi) Under-absorption of overhead results in higher amount of profit.

V. Answer any two questions out of four questions **[8×2=16]**

1. From the following information for 2 items A and B, calculate inventory ratios.

Particulars	Material A (₹)	Material B (₹)
Opening Stock	10,000	9,000
Purchase during the Year	52,000	27,000
Closing Stock	6,000	11,000

Assume 365 in a year. **[8]**

2. A company maintains a margin of safety of 25% on its current sales and earns a profit of ₹ 30 lakhs per annum. If the company has a profit volume (P/V) ratio of 40%, find current sales amount. **[8]**

3. The following data pertains to a company for the month of March 2016:
(i) Direct Material used ₹8,470;
(ii) Opening Stock of Finished Goods?
(iii) Closing Stock of Finished Goods ₹940;
(iv) Direct Labour Cost ₹3,890;
(v) Manufacturing Overhead?
(vi) Cost of Goods Produced ₹18,780;
(vii) Cost of Goods Sold?
(viii) Cost of Goods available for sale ₹19,490.

Find out the missing items. **[8]**

4. Calculate the machine-hour rate to recover the overhead expenses indicted below: **[8]**

Particulars	Per hour	Per Annum
Electric Power	75 P	
Steam	10 P	
Water	2 P	
Repairs		₹530
Rent		₹270
Running Hours		2000
Original Cost	₹12,500	
Book Value	₹2,870	
Present Replacement Value	₹11,500	
Depreciation on Original Cost		7.5% p.a.