

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) Commission will be shared by
(a) consignor and consignee
(b) only consignee
(c) only consignor
(d) third party
- (ii) Retirement of bill means:
(a) making payment before the due date
(b) cancellation of the bill
(c) sending the bill for collection
(d) None of the above
- (iii) To compute the surplus or deficit for the year Non-trading concerns we prepare
(a) Income and Expenditure A/c
(b) Royalty A/c
(c) Non-Government A/c
(d) Charity A/c
- (iv) 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
- (v) Purchase of Fixed Asset by payment of Cash of ₹ 10,000 results in —
(e) Increase fixed asset by ₹ 10,000 Decrease Cash Balance by ₹ 10,000.
(f) Increase cash by ₹ 10,000 reduce capital by ₹ 10,000
(g) Reduce cash by ₹ 10,000 reduce other current liability by ₹ 10,000.
(h) Reduce fixed assets by ₹ 10,000 increase cash in hand by ₹ 10,000.
- (vi) The process of recording business transactions in a book of original entry is known as
(i) Journal
(j) Balance
(k) Posting
(l) None of the above

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

[6×1=6]

- (i) After preparation of ledgers, the next is the preparation of trial balance.
(ii) Bank pass book is also known as bank statement.
(iii) A person by whom the bill is endorsed is called endorser.
(iv) Account sales is a statement furnished by consignor to consignee.
(v) Trial balance is required to prepare the Bank Reconciliation.
(vi) Income earned but not received are called accrued incomes.

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

- (i) Sold goods for cash ₹ 50,000.
- (ii) Paid Advertisement Expenses ₹ 10,000 by cash.
- (iii) Goods Returned from Ravi ₹ 5,000.

IV. Fill in the blanks: **[6×2=12]**

- (i) Balance in consignment account shows _____ or _____ on consignment
- (ii) Cash Balance is shown in the _____ side of Balance Sheet.
- (iii) When an asset is purchased _____ account is debited.
- (iv) Debts for which there is neither any possibility of becoming bad nor any doubt about its realization, will arise in future is called _____.
- (v) Credit note is sent by _____.
- (vi) Date on which the payment of the bill is to be made is known as _____ date.

V. Match the following: **[6×1=6]**

	Column 'A'		Column 'B'
1.	Asset	A.	Revenue receipts
2.	Sale of goods	B.	Artificial personal account
3.	State Bank of India	C.	Real account
4.	Contra Transaction	D.	Personal account
5.	Harish Account	E.	Credit side of cash book
6.	Debit balance of pass book is	F.	Cash Book

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

1. Let us see an illustration for the following cash and bank transactions in the books of Mr. Abhishek
- January 1 Opening cash balance was ₹ 3,800 and bank balance was ₹ 27,500
January 4 Wages paid in cash ₹ 1,500
January 5 received cheque of ₹ 19,800 from KBK enterprises after allowing discount of ₹ 200
January 7 Paid to consultancy charges by cheque for ₹ 7,500
January 10 Cash of ₹ 2,500 withdrawn from bank
January 12 Received a cheque for ₹ 4,500 in full settlement of the account of Mr. X at a discount of 10% and deposited the same into the Bank.
January 15 X's cheque returned dishonoured by the Bank **[8]**
2. A machine is purchased for ₹ 14,00,000. Expenses incurred on its cartage and installation ₹ 6,00,000. Calculate the amount of depreciation @ 20% p.a. according to Straight Line Method for the first year ending on 31st March, 2015, if this machine is purchased on:
(a) 1st April, 2014 (b) 1st July, 2014 (c) 1st October, 2014 (d) 1st January, 2015 **[8]**
3. On 01.01.2015 Mita of Srinagar consigned goods value of ₹40,000 to Rita of Warangal. Mita paid cartage and other expenses ₹3,000. On 01.04.2015 Rita sent account sales with following information:
- a) 50% of goods sold for ₹ 30,000.
 - b) Rita incurred expenses amounting to ₹ 1,500.
 - c) Rita is entitled to receive commission @ 5% on sales.

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Bank draft was enclosed for the balance due. Prepare the necessary ledger accounts in the books of Mita. [8]

4. From the following particulars, prepare Income and Expenditure Account.

	₹
Fees Collected (including ₹3,000 on account of last year)	28,000
Meeting Expenses	2,000
Travelling & Conveyance	800
Fees for the year outstanding	5,000
Salary paid (including ₹300 on account of last year)	2,400
Salary outstanding	400
Entertainment Expenses	500
Tournament Expenses	1,000
Purchase of Books and Periodicals (includes ₹2,000 for purchase of books)	3,000
Rent	1,200
Postage, Telephone and Telegram charges	1,700
Printing & Stationery	500
Donations received	800

[8]

5. A and B enter into joint venture sharing profit $\frac{3}{5}$ ths and $\frac{2}{5}$ ths. A is to purchase timber in Madhya Pradesh and forward it to B in Delhi. A purchases timber worth ₹ 10,000 and pays ₹ 1,000 as expenses. B received the consigned and immediately accepted A's draft for ₹ 8,000. A gets discounted for ₹ 7,850. B sold the timber for ₹ 16,000. He had to spend ₹ 350 for fire insurance and ₹ 300 for other expenses. Under the agreement he is entitled to a commission of 5% sales. Give ledger accounts in the books of A and B. [8]

Section - B

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

[6×1=6]

- (i) Fixed Costs are also known as

- (a) Period Costs
- (b) Direct Costs
- (c) Marginal Costs
- (d) Semi Fixed Costs

- (ii) Average inventory is :

- (a) Opening inventory
- (b) Closing inventory
- (c) Opening inventory + closing inventory
- (d) None of the above

- (iii) In Prime Cost factory overhead is added to calculate....

- (a) Cost of goods sold
- (b) Work Cost
- (c) Prime Cost
- (d) Profit

- (iv) "(Actual hours worked x ₹Rate per hour) + (Time saved ₹50% rate per hour)". Out of the following in which system the amount of wages is calculated?

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- (a) Halsey plan
- (b) Rowan plan
- (c) Piece Rate System
- (d) Taylor's plan

(v) CAS stands for...

- (a) Cost Audit Statutory
- (b) Cost Accounting Standard
- (c) Cost Account Standard
- (d) Cost Audit

(vi) Contribution is ₹ 300,000 and sales is ₹ 1,500,000. Compute P/V ratio.

- (a) 15%
- (b) 20%
- (c) 22%
- (d) 17.5%

II. Fill in the blanks:

[6×1=6]

- (i) Bin card Shows the _____ information of the Inventory.
- (ii) Under _____ employees receive a constant proportion of value added.
- (iii) For identifying slow moving stocks, it is necessary to compute the _____ ratio.
- (iv) Contribution earned on Break-even sales equals to _____ of the firm.
- (v) When time saved is equal to time taken then earnings of a worker under Halsey Plan and Rowan Plan are the _____.
- (vi) To ascertain the Cost per Unit of a Product, we should prepare the statement of _____.

III. Match the following:

[6×1=6]

	Column 'A'		Column 'B'
1.	Angle of Incidence	A	Material, Labour & Overheads
2.	Conversion Cost	B	Profit Volume Ratio
3.	Store Ledger	C	BEP Chart
4.	Elements of Cost	D	accounting record
5.	F W Taylor	E	Labour cost plus Factory overhead
6.	Break – even Analysis	F	Labour Incentive Plan

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.

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- (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. A company had 500 workers on its roll on 1st April 2016 and 600 on 30th June 2016. During the quarter, 5 workers left, 20 were discharged and 75 workers were recruited. Of these 10 workers were recruited as replacements for people leaving, while the rest were for expansion. Calculate the labour turnover rate under (a) Flux Method, (b) Replacement Method and (c) Separation Method. **[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. Cost of Sales = ₹37,416. Advertisement Expenses = ₹600. Discount on sales = 50% of Advertisement Expenses. Find Cost of Goods Sold. **[8]**

4. Consider the following data pertaining to the production of a company for a particular month :

Opening stock of raw material	₹ 11,570
Closing stock of raw material	₹ 10,380
Purchase of raw material during the month	₹ 1,28,450
Total manufacturing cost charged to product	₹ 3,39,165
Factory overheads are applied at the rate of 45% of direct labour cost.	
What is the amount of factory overheads applied to production?	

[8]