

## **Paper 2- Fundamentals of Accounting**

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Full Marks : 100

Time allowed: 3 hours

**Section – A**

1. (a) Choose the correct answer from the given four alternatives: [30 × 1 = 30]

- (i) The direct advantages of accounting do not include —
- (a) Preparation of financial statements
  - (b) Ascertainment of profit on loss
  - (c) Competitive advantage
  - (d) Information to interested groups
- (ii) \_\_\_\_\_ is the record making phase of accounting.
- (a) Analyzing
  - (b) Summarising
  - (c) Book keeping
  - (d) Classifying
- (iii) The essential feature of accrual basis are —
- (a) Revenue is recognized as it is earned irrespective of whether cash is received or not.
  - (b) Costs are matched against revenues on the basis of relevant time period to determine period income.
  - (c) Costs which are not charged to income are carried forward and are kept under continuous review.
  - (d) All of the above
- (iv) Revenue Matching Concept is based on —
- (a) Accounting period Concept
  - (b) Accrual Concept
  - (c) Going Concern Concept
  - (d) Cost Concept
- (v) The determination of expense for an accounting period is based upon the principle of —
- (a) Objectivity
  - (b) Materiality
  - (c) Matching
  - (d) Periodicity
- (vi) Fundamental Accounting Assumptions are —
- (a) Going Concern, Consistency and Accrual
  - (b) Going Concern, Money measurement and Prudence
  - (c) Going Concern, Business Entity and Accounting Period
  - (d) Going Concern, Matching and Consistency

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- (vii) The fundamental accounting equation 'Assets = Liabilities' is related to which concept —
- (a) Dual Aspect Concept
  - (b) Matching Concept
  - (c) Accrual
  - (d) Money Measurement Concept
- (viii) The \_\_\_\_\_ concept states that a matter is material if its misstatement would reasonably influence the decision of a user of accounts.
- (a) Prudence
  - (b) Materiality
  - (c) Consistency
  - (d) Accruals
- (ix) The accounting standards are mandatory for
- (a) Charitable Organization
  - (b) Government Departments
  - (c) Companies
  - (d) Central Govt.
- (x) Which of the following statements is correct?
- (a) A business enterprise cannot change its accounting policies
  - (b) Significant accounting policies should be disclosed
  - (c) All the Business enterprises generally follow the same accounting policies
  - (d) Changes in accounting policies require approval of Company Law board
- (xi) A Journal entry which contains only one debit entry and one credit entry is called a —
- (a) Compound Journal entry
  - (b) Simple Journal entry
  - (c) Multiple Journal entry
  - (d) None of the above.
- (xii) Purchase of machinery for cash —
- (a) Decreases total assets
  - (b) Increases total assets
  - (c) Total assets remain unchanged
  - (d) Decrease total liability
- (xiii) All accounts of credit customers are kept in the \_\_\_\_\_ ledger.
- (a) General
  - (b) Debtors'
  - (c) Creditors'
  - (d) Private

- (xiv) Subsidiary Books are \_\_\_\_\_ books of transaction which are subsequently entered the ledger.
- (a) Record
  - (b) Memorandum
  - (c) Primary
  - (d) Secondary
- (xv) Which of the following statement is/are true?
- (i) Cash book records all cash receipts and cash payments
  - (ii) Cash book records all sale and purchase transactions of goods both in cash and on credit
  - (iii) Cash book records discount on cash payments
- (a) Only (i) above
  - (b) Only (ii) above
  - (c) Only (iii) above
  - (d) Both (i) and (ii) above
- (xvi) Sales return book is prepared from —
- (a) Inward invoice
  - (b) Credit note
  - (c) Debit note
  - (d) Outward invoice
- (xvii) If a bearer cheque is encashed over the counter, \_\_\_\_\_ account is detailed.
- (a) Bank
  - (b) Cash
  - (c) Discount allowed
  - (d) Customer
- (xviii) Sale of old furniture on credit is originally recorded in the —
- (a) Sales day book
  - (b) Purchases day book
  - (c) Cash book
  - (d) Journal proper
- (xix) Which of the following affects the equality of the trial balance?
- (a) Payment of ₹ 800 to a creditor is debited to the creditor's account with ₹ 80 and credited to the cash account with ₹ 80.
  - (b) Purchase of furniture ₹ 900 is debited to the cash account and credited to the furniture account.
  - (c) Payment of ₹ 1,000 for wages is debited to the wages account with no corresponding credit entry in the cash account.
  - (d) Drawings of goods by owner are completely omitted from the accounts.

- (xx) Errors of commission is a type of —
- (a) Error of omission
  - (b) Complete omission
  - (c) Clerical errors
  - (d) Accounting errors
- (xxi) Purchase of office furniture ₹1,200 has been debited to General Expenses Account. It is —
- (a) A Clerical error
  - (b) An error of principle
  - (c) An error of omission
  - (d) Compensating error
- (xxii) Cost of goods purchased for resale is an example of —
- (a) Capital expenditure
  - (b) Revenue expenditure
  - (c) Deferred revenue expenditure
  - (d) None of the above
- (xxiii) Contingent liability is shown due to—
- (a) Convention of full disclosure
  - (b) Convention of Realisation
  - (c) Convention of matching
  - (d) Convention of materiality
- (xxiv) Which one of these will require adjustment of cash book balance?
- (a) Overcasting bank column of cash book.
  - (b) Cheque issued but not presented for payment.
  - (c) Cheque deposited but not cleared
  - (d) Errors in pass book
- (xxv) Bank balance as per pass book (Cr.) ₹ 1,000. Cheque issued worth ₹ 3,000 recorded twice in PASS BOOK.
- Find the bank balance as per PASS BOOK.
- (a) PASS BOOK (Dr) ₹ 4,000
  - (b) PASS BOOK (Cr) ₹ 4,000
  - (c) PASS BOOK (Cr) ₹ 8,000
  - (d) PASS BOOK (Dr) ₹ 8,000
- (xxvi) The depreciation is an expense accruing —
- (a) From the consumption of some readily consumable assets.
  - (b) From the use of fixed assets
  - (c) From the use of various services
  - (d) From use of current assets.

- (xxvii) Depreciation fund method is designed to —
- (a) Only provide for depreciation of an asset.
  - (b) Provide for depreciation and also to accumulate the amount for its replacement.
  - (c) Provide for the payment of some liability.
  - (d) To accumulate the amount of its replacement.
- (xxviii) Which of the following statement is true?
- (a) If a trial balance tallies, it always means that none of the transactions has been completely omitted
  - (b) A customer to whom goods have been sold on credit cannot avail himself of a cash discount.
  - (c) A credit balance in the passbook indicates excess of deposits over withdrawals.
  - (d) Over-casting of the receipts side increases the over-draft balance in the cash book.
- (xxix) The adjustment to be made for provision for doubtful debt is —
- (a) Debit profit and loss account and deduct the provision from debtors
  - (b) Credit profit and loss account and add the provision to debtors
  - (c) Debit profit and loss account and add the provision to debtors
  - (d) None of the above
- (xxx) The capital of a non-profit organization is generally known as
- (a) Equity
  - (b) Accumulated Fund
  - (c) Finance Reserve
  - (d) Cash Fund

**Answer:**

- (i) (c) Competitive advantage
- (ii) (c) Book keeping
- (iii) (d) All of the above
- (iv) (a) Accounting period Concept
- (v) (c) Matching
- (vi) (a) Going Concern, Consistency and Accrual
- (vii) (a) Dual Aspect Concept
- (viii) (b) Materiality
- (ix) (c) Companies
- (x) (b) Significant accounting policies should be disclosed
- (xi) (b) Simple Journal entry
- (xii) (c) Total assets remain unchanged
- (xiii) (b) Debtors
- (xiv) (b) Memorandum
- (xv) (a) Only (i) above
- (xvi) (b) Credit note
- (xvii) (b) Cash
- (xviii) (d) Journal proper

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- (xix) (c) Payment of ₹1,000 for wages is debited to the wages account with no corresponding credit entry in the cash account.
- (xx) (c) Clerical errors
- (xxi) (b) An error of principle
- (xxii) (b) Revenue expenditure
- (xxiii) (a) Convention of full disclosure
- (xxiv) (a) Overcasting bank column of cash book.
- (xxv) (a) PASS BOOK (Dr) ₹4,000
- (xxvi) (b) From the use of fixed assets
- (xxvii) (d) To accumulate the amount of its replacement.
- (xxviii) (c) A credit balance in the passbook indicates excess of deposits over withdrawals.
- (xxix) (a) Debit profit and loss account and deduct the provision from debtors
- (xxx) (b) Accumulated Fund

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

**[12×1=12]**

- (i) Double entry principle means writing twice the same entry.**
- (ii) A bad debt recovered during the year is revenue receipt.**
- (iii) Journal is the book of final entry.**
- (iv) The main objective of cash book is to know the cash and bank balance of the business.**
- (v) Trial balance contains the balances of only personal and real accounts.**
- (vi) Depreciation is charged on tangible fixed assets and it is not charged on any current asset.**
- (vii) The mistake of treating a liability as on income or vice versa will affect the trial balance.**
- (viii) Cheque deposited and cleared on the same date will not affect bank and cash balance.**
- (ix) When a bill is retired under rebate the holder of a bill debits B/R account.**
- (x) Expense incurred by co-venture are debited in joint venture account.**
- (xi) The Balance Sheet will not give the information regarding the financial position as on particular date.**
- (xii) Income and expenditure relating to special funds should not be dealt with in the income and expenditure account.**

**Answer:**

- (i) False
- (ii) True
- (iii) False
- (iv) True
- (v) False
- (vi) True
- (vii) False
- (viii) True
- (ix) False
- (x) True

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- (xi) False  
(xii) True

(c) Match the following:

[6×1=6]

	Column 'A'		Column 'B'
1.	Credit balance in the bank column of the cash book	A.	Representative personal account
2.	Rebate of bill	B.	is overdraft as per cash book
3.	Retaining a bill	C.	to find out profit or loss
4.	Memorandum joint venture business	D.	loss of interest for drawer
5.	Salary outstanding	E.	Income & expenditure account
6.	Revenue incomes and expenditures are shown	F.	holder credits B/R account

Answer:

1. B.  
2. D.  
3. F.  
4. C.  
5. A.  
6. E.

Answer any four questions out of six questions:

[4×8=32]

2. Prepare the trial balance according to total and balance method of the following transaction.

Debit Balances on Jan. 1, 2011:

1. Jan. 01 Cash in hand	₹ 8,000
Cash at Bank	₹ 25,000
Stock of Goods	₹ 20,000
Furniture	₹ 2,000
Building	₹ 10,000
Sundry Debtors :	
Vijay	₹ 2,000
Anil	₹ 1,000
Madhu	₹ 2,000

Credit Balances on Jan. 1, 2011 :

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### Sundry Creditors

Anand	₹ 5,000
Loan from Bablu	₹ 10,000

Following were further transactions in the month of January, 2011:

2. Jan. 01 Purchased goods worth 5,000 for cash less 20% trade discount and 5% cash discount.
3. Jan. 04 Received 1,980 from Vijay and allowed him 20 as discount.
4. Jan. 06 Purchased goods from Bharat 5,000.
5. Jan. 08 Purchased plant from Mukesh for 5,000 and paid 100 as cartage for bringing the plant to the factory and another 200 as installation charges.
6. Jan. 12 Sold goods to Rahim on credit 600.
7. Jan. 15 Rahim became an insolvent and could pay only 50 paise in a rupee.
8. Jan. 18 Sold goods to Ram for cash 1,000.
9. Jan. 20 Paid salary to Ratan ₹ 2,000.
10. Jan. 21 Paid Anand 4,800 in full settlement.
11. Jan. 26 Interest received from Madhu 200.
12. Jan. 28 Paid to Bablu interest on loan 500.
13. Jan. 31 Sold Goods for cash 500.
14. Jan. 31 Withdrew goods from business for personal use 200. [8]

Answer:

### Journal

Total and Balance Method:

### Trial Balance

(as on 31st January 2011)

Particulars	Total Method		Balance Method	
	Debit (₹)	Credit (₹)	Debit (₹)	Credit (₹)
Cash Account	11,980	11,400	580	
Interest Account		200		200
Bank Account	25,000		25,000	
Stock Account	20,000		20,000	
Furniture Account	2,000	2,000	2,000	
Building Account	10,000		10,000	
Vijay	2,000			

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Anil	1,000		1,000	
Madhu	2,000		2,000	
Anand	5,000	5,000		
Capital Account		55,000		55,000
Babu's Loan Account		10,000		10,000
Purchases Account	9,000	200	8,800	
Discount Account	20	400		380
Bharat		5,000		5,000
Plant Account	5,300		5,300	
Interest of Loan Account	500		500	
Mukesh		5,000		5,000
Sales Account		2,100		2,100
Rahim	600	600		
Bad Debts Account	300		300	
Salary Account	2,000		2,000	
Drawings Account	200		200	
<b>Total</b>	<b>96,900</b>	<b>96,900</b>	<b>77,680</b>	<b>77,680</b>

3. From the following data, you are required to show the Fixed Asset and Depreciation Account for 5 years.

- Cost of Machine = ₹ 5 Lakhs.
- Assume WDV Method of Depreciation and WDV Rate = 16%
- At the end of the fifth year, the asset is sold for ₹1,80,000.

[8]

**Answer:**

1. Computation of Depreciation for each of the first 5 years is given below -

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5
Cost / Opg WDV	5,00,000	4,20,000	3,52,800	2,96,352	2,48,936
(-)Depreciation	5,00,000 × 16% = 80,000	4,20,000 × 16% = 67,200	3,52,800 × 16% = 56,448	2,96,352 × 16% = 47,416	2,48,936 × 16% = 39,830
Closing WDV	4,20,000	3,52,800	2,96,352	2,48,936	2,09,105

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### Dr. 2. Machinery Account Cr.

Date	Particulars	₹	Date	Particulars	₹
Year 1 Beginning	To Bank/Asset Vendor A/c	5,00,000	Year 1 End	By Depreciation A/c	80,000
				By balance c/d	4,20,000
	<b>Total</b>	<b>5,00,000</b>		<b>Total</b>	<b>5,00,000</b>
Year 2 Beginning	To balance b/d	4,20,000	Year 2 End	By Depreciation A/c	67,200
				By balance c/d	3,52,800
	<b>Total</b>	<b>4,20,000</b>		<b>Total</b>	<b>4,20,000</b>
Year 3 Beginning	To balance b/d	3,52,800	Year 3 End	By Depreciation A/c	56,448
				By balance c/d	2,96,352
	<b>Total</b>	<b>3,52,800</b>		<b>Total</b>	<b>3,52,800</b>
Year 4 Beginning	To balance b/d	2,96,352	Year 4 End	By Depreciation A/c	47,416
				By balance c/d	2,48,936
	<b>Total</b>	<b>2,96,352</b>		<b>Total</b>	<b>2,96,352</b>
Year 5 Beginning	To balance b/d	2,48,936	Year 5 End	By Depreciation A/c (full yr)	39,830
				By Bank (Sale Proceeds)	1,80,000
				By P&L A/c (Loss on Sale)	29,106
	<b>Total</b>	<b>2,48,936</b>		<b>Total</b>	<b>2,48,936</b>

### Dr. 3. Depreciation Account Cr.

Date	Particulars	₹	Date	Particulars	₹
Year 1 End	To Machinery A/c	80,000	Year 1 End	By Profit & Loss A/c	80,000
Year 2 End	To Machinery A/c	67,200	Year 2 End	By Profit & Loss A/c	67,200
Year 3 End	To Machinery A/c	56,448	Year 3 End	By Profit & Loss A/c	56,448
Year 4 End	To Machinery A/c	47,416	Year 4 End	By Profit & Loss A/c	47,416
Year 5 End	To Machinery A/c	39,830	Year 5 End	By Profit & Loss A/c	39,830

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4. From the following information given by Ganapathy, prepare a BRS as on 31<sup>st</sup> December -

Transaction	₹
Bank Overdraft as per Pass Book	16,500
Cheques issued but not presented for payment	8,750
Cheques deposited with the Bank but not collected	10,500
Cheques recorded in the Cash Book but not sent to the Bank for collection	2,000
Payments received from customers directly by the Bank	3,500
Bank Charges debited in the Pass Book	200
Premium on Life Policy of Ganapathy paid by the Bank on standing advice	1,980
A Bill for ₹3,000 (discounted with the Bank in November) dishonoured on 31 <sup>st</sup> December and Noting Charges paid by the Bank.	100

[8]

Answer:

### Bank Reconciliation Statement as on 31<sup>st</sup> December

Particulars	Action	₹
Overdraft Balance as per Pass Book (Given)	<b>Start</b>	16,500
Cheques issued but not presented for payment	<b>Add</b>	+ 8,750
Cheques deposited with the Bank but not collected	<b>Less</b>	- 10,500
Cheques recorded in the Cash Book but not sent to the Bank for collection	<b>Less</b>	- 2,000
Payments received from customers directly by the Bank	<b>Add</b>	+ 3,500
Bank Charges debited in the Pass Book	<b>Less</b>	- 200
Premium on Life Policy of Ganapathy paid by the Bank on standing advice	<b>Less</b>	- 1,980
Bill discounted dishonoured and Noting Charges paid by Bank (3,000 + 100)	<b>Less</b>	- 3,100
<b>Overdraft as per Cash Book</b>	<b>Result</b>	<b>10,970</b>

5. A trader has tallied the trial balance by putting the difference of ₹ 310 to the debit of suspense account and has prepared a trading and profit and loss account and the balance sheet. On subsequent scrutiny the books disclosed several errors as detailed below. Rectify these errors and prepare suspense account:

(i) A sale of goods to X for ₹ 350 has been credited to his account.

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- (ii) Goods purchased from Y amounting to ₹ 750 were entered in the Purchases Day Book but were omitted from Y's Account in the Creditors' Ledger.
  - (iii) An Office Typewriter purchased for ₹ 500 has been passed through the Purchases Account.
  - (iv) Goods returned to S. Sen. valued ₹ 75 were debited to P. Sen's Account.
  - (v) Repairs to Office Car valued ₹ 750 were debited to the Office Car Account.
  - (vi) Goods sold to R. Banerjee valued ₹ 730 have been posted in his account as ₹ 370.
- [8]

**Answer:**

### Journal

S. No.	Particulars	Dr. (₹)	Cr. (₹)
(i)	X A/c To Suspense A/c (Being amount of sale of ₹350 wrongly credited to Mr X error now rectified)	Dr. 700	700
(ii)	Suspense A/c To Y A/c (Being amount of goods purchased from Mr Y not credited to his account now recorded)	Dr. 750	750
(iii)	Office Equipment A/c To Profit and Loss Adjustment A/c (Being cost of typewriter purchased wrongly debited to purchases account, error now rectified)	Dr. 500	500
(iv)	S Sen A/c To P Sen A/c (Being amount of goods returned to S Sen wrongly debit to P Sen, now rectified)	Dr. 75	75
(v)	Profit and Loss Adjustment A/c To Office Car A/c (Being amount of repairs of office car wrongly capitalized, now rectified)	Dr. 750	750
(vi)	R. Banerjee A/c To Suspense A/c (Being goods sold to R Banerjee for ₹730 debited to him as ₹ 370, now rectified)	Dr. 360	360
	Capital A/c To Profit and Loss Adjustment A/c (Being balance of Profit and Loss Adjustment Account transferred)	Dr. 250	250

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Dr.	Suspense Account		Cr.
Particulars	(₹)	Particulars	(₹)
To Balance b/d	310	By X A/c	700
To Y A/c	750	By R. Banerjee	360
	<b>1,060</b>		<b>1,060</b>

6. From the following Receipts and Payments Account of Shyam Club for the year ended 31<sup>st</sup> December, 2015:

Dr.	Receipts and Payments Account		Cr.
Receipts	Amount (₹)	Payments	Amount (₹)
Cash in hand	150	Mowing Machine	1,100
Cash at Bank	2,100	Ground men's fee	1,500
Subscription	5,800	Rent	500
Rent of the Hall	3,000	Salaries to coaches	4,500
Life Membership fee	2,000	Office Exp	2,400
Entrance fee (income)	200	Sports equipment purchased	1,200
Donations (Gen)	1,500	Cash in hand	350
Sale of Grass	100	Cash at Bank	3,300
	<b>14,850</b>		<b>14,850</b>

Subscriptions due on 31<sup>st</sup> December, 2014 and December, 2015 were ₹ 900 and ₹ 800 respectively. Subscriptions received also included subscriptions for the year 2015 ₹ 200. Sports equipment in hand on 31<sup>st</sup> December 2014 was ₹ 1,100. The value placed on his equipment in hand on 31<sup>st</sup> December 2015 was ₹ 1,300. The mowing machine was purchased on 1<sup>st</sup> January, 2015 and is to be depreciated @ 20% per annum. Office expenses include ₹ 300 for 2014 and ₹ 400 are still due for payment.

Prepare Income and Expenditure account and Balance Sheet relating to the year 2015. [8]

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Answer:

### Shyam Club

#### Income and Expenditure Account for the year ended 31.12.2015

Dr.

Cr.

Expenditure	Amount (₹)	Amount (₹)	Income	Amount (₹)	Amount (₹)
To Ground Men's Fees		1,500	By Subscriptions	5,800	
To Rent		500	Less: Outstanding Last Year	900	
To Salaries to Coaches		4,500		4,900	
To Office Expenses	2,400		Add: Outstanding this year	800	
Add: Outstanding this year	400			5,700	
	2,800		Less: for 2015	200	
Less: Outstanding Last Year	300				5,500
		2,500	By Rent of Hall		3,000
To Depreciation:			By Entrance fees		200
-Mowing Machine	220		By Donations		1,500
-Sports Equipments	1,000		By Sales of Grass		100
(1,100+1,200-1,300)		1,220			
To Surplus- Excess of Income over Expenditure		80			
		<b>10,300</b>			<b>10,300</b>

#### Balance Sheet As on 31st December, 2015

Liabilities	(₹)	Assets	(₹)
Outstanding Office Exp	400	Cash in hand	350
Subscription received in adv.	200	Cash at Bank	3,300
Life membership Fee.	2,000	Subscription Outstanding	800
Capital Fund (1)	3,950	Mowing Machine	1,100
Add: Surplus	80	Less: Depreciation	220
	<b>4,030</b>		<b>880</b>

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		Sports equipment	1,100	
		Add:-Purchase	<u>1,200</u>	
			2,300	
		Less:- Depreciation	<u>1,000</u>	1,300
	<b>6,630</b>			<b>6,630</b>

### Working Note:

1) Calculation of Beginning Capital Fund:

#### Balance Sheet as on 31st December, 2014

Liabilities	(₹)	Assets	(₹)
Outstanding Office Exp	300	Cash in hand	150
Capital fund (Bal. Fig)	3,950	Cash at Bank	2,100
		Subscription Outstanding	900
		Sports equipment	1,100
	<b>4,250</b>		<b>4,250</b>

7. X bought goods from Y for ₹ 4,000. Y draws a bill on 1.1.2015 for 3 months which was accepted by X for this purpose. On 1.3.2015, X arranged to retire the bill at a rebate of 12% p.a. Show the entries in the books of X and Y. [8]

Answer :

#### In the books of Y Journal

Date	Particular	L.F.	Dr. (₹)	Cr. (₹)
2015 Jan 1	X A/c <span style="float: right;">Dr.</span> To, Sales A/c (Goods sold to X)		4,000	4,000
Jan 1	Bills Receivable A/c <span style="float: right;">Dr.</span> To, X A/c (Bills drawn for 3 months)		4,000	4,000
March 1	Cash A/c <span style="float: right;">Dr.</span> Rebate Allowed A/c <span style="float: right;">Dr.</span> To, Bills Receivable A/c (Bills retired under a rebate of 12% p.a.)		3,954 46	4,000

Rebate = ₹4,000 x 12/100 x 35/365 (1st March to 4th April) = ₹46.

**In the books of X  
Journal**

<b>Date</b>	<b>Particular</b>	<b>L.F.</b>	<b>Dr. (₹)</b>	<b>Cr. (₹)</b>
2015 Jan 1	Purchase A/c <span style="float: right;">Dr.</span> To, Y A/c (Goods purchased from Y)		4,000	4,000
Jan 1	Y A/c <span style="float: right;">Dr.</span> To, Bills Payable A/c (Bills accepted for 3 months)		4,000	4,000
March 1	Bills Payable A/c <span style="float: right;">Dr.</span> To, Cash A/c To, Rebate Received A/c (Bills retired under a rebate of 12% p.a.)		4,000	3,954 46

**Section – B**

**8. Choose the correct answer:**

**[12×1=12]**

- (i) The branch of accounting dealing with the classification, recording, allocation, summarizing and reporting of current and prospective costs.”
- (a) financial accounting
  - (b) management accounting
  - (c) cost accounting
  - (d) cost accountancy
- (ii) A cost centre is a \_\_\_\_\_
- (a) Location for which cost is incurred
  - (b) An organization
  - (c) A unit of cost
  - (d) Profit centre
- (iii) Direct expenses are also known as
- (a) Overhead expenses
  - (b) process expenses
  - (c) chargeable expenses
  - (d) None
- (iv) From the following information, find out Purchases. Raw material consumed = ₹26,500  
Closing Stock = ₹ 4,500 Opening Stock = ₹3,000
- (a) ₹26,500
  - (b) ₹25,000
  - (c) ₹28,000
  - (d) ₹34,000

- (v) Period costs are incurred on the basis of time such as \_\_\_\_\_
- (a) Rent
  - (b) Material cost
  - (c) Postage
  - (d) None of the above
- (vi) The Cost of Opportunity foregone is called
- (a) Historical Cost
  - (b) Sunk Cost
  - (c) Avoidable Cost
  - (d) Opportunity Cost
- (vii) Cost units of Hospital Industry is
- (a) Tonne
  - (b) Student per year
  - (c) Kilowatt Hour
  - (d) Patient per Day
- (viii) Depreciation is an example of
- (a) Fixed Cost
  - (b) Variable Cost
  - (c) Semi Variable Cost
  - (d) None of these
- (ix) Cost which can be identified easily is called as
- (a) Indirect cost
  - (b) Direct cost
  - (c) variable cost
  - (d) fixed cost
- (x) Costs are classified between direct and indirect costs according to method of classification by
- (a) nature or element
  - (b) functions
  - (c) degree of traceability to product
  - (d) change in activity or volume
- (xi) CAS-17 is related to
- (a) Cost Accounting Standard on Quality Control
  - (b) Cost Accounting Standard on Interest and Financing Charges
  - (c) Cost Accounting Standard on Research and Development Costs
  - (d) Cost Accounting Standard on Manufacturing Cost
- (xii) Those costs which do not vary with the change in the volume of production up to a given range, is called\_\_\_\_\_

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- (a) Opportunity Cost
- (b) Fixed Cost
- (c) Variable Cost
- (d) Semi-Variable Cost

**Answer:**

(i)	(c)	(v)	(a)	(ix)	(b)
(ii)	(a)	(vi)	(d)	(x)	(c)
(iii)	(c)	(vii)	(d)	(xi)	(b)
(iv)	(c)	(viii)	(a)	(xii)	(b)

**Answer any one question out of two questions: [8x1=8]**

9. A manufacturer has shown an amount of ₹15,670 in his books as 'Custom' which really includes the following expenses:

Agents commission ₹8,550; warehouse wages ₹2,775; warehouse repairs ₹825; lighting of office ₹105; office salaries ₹1,725; directors' remuneration ₹ 2,250; travelling expenses ₹1140; rent, rates and insurance of warehouse ₹480; rent, rates and insurance of office ₹495; lighting of warehouse ₹450; printing and stationery ₹3,750; trade magazines ₹135; donations ₹ 825.

From the above information, prepare a statement showing in separate totals : (a) selling expenses; (b) distribution expenses; (c) administration expenses; and (d) expenses which you would exclude from total costs. [8]

**Answer:**

### Statement of Cost

	(₹)	(₹)
<b>(a) Selling expenses:</b>		
Agents' commission	8,550	
Travelling expenses (see note)	1,140	9,690
<b>(b) Distribution expenses:</b>		
Warehouse wages	2,775	
Warehouse repairs	825	
Rent, Rates and insurance of warehouse	480	
Lighting of warehouse	450	4530

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<b>(c) Administration expenses:</b>		
Lighting of office	105	
Office salaries	1,725	
Directors' remuneration	2,250	
Rent, rates and insurance of office	495	
Printing and stationery	3,750	
Trade magazine	135	8,460
Total expenses to be considered in estimating costs		22,680
<b>(d) Expenses to be excluded from costs</b>		
Donations	825	825
Total cost		23,505

**Note:** It has been assumed that travelling expenses have been incurred in connection with sales.

10. From the following particulars, prepare cost statement showing the component of total cost and the profit for the year ended 31st December, 2015. [8]

	1-1-2001 (₹)		31-12-2001 (₹)
<b>Stock of finished goods</b>	<b>6,000</b>	<b>Stock of finished goods</b>	<b>15,000</b>
<b>Stock of raw materials</b>	<b>40,000</b>	<b>Stock of raw material</b>	<b>50,000</b>
<b>Work-in-progress</b>	<b>15,000</b>	<b>Work-in-progress</b>	<b>10,000</b>
<b>Purchase of raw materials</b>	<b>4,75,000</b>	<b>General expenses</b>	<b>32,500</b>
<b>Carriage inward</b>	<b>12,500</b>	<b>Sales for the year</b>	<b>8,60,000</b>
<b>Wages</b>	<b>1,75,000</b>	<b>Income tax</b>	<b>500</b>
<b>Works manager's salary</b>	<b>30,000</b>	<b>Dividend</b>	<b>1,000</b>
<b>Factory employees salaries</b>	<b>60,000</b>	<b>Debenture interest</b>	<b>5,000</b>
<b>Factory rent, taxes and Insurance</b>	<b>7,250</b>	<b>Transfer to sinking fund for replacement of machinery</b>	<b>10,000</b>
<b>Power expenses</b>	<b>9,500</b>	<b>Goodwill written off</b>	<b>10,000</b>
<b>Other production expenses</b>	<b>43,000</b>	<b>Selling expenses</b>	<b>9,250</b>

**Answer:**

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### Statement of Cost and Profit

	₹	₹
Opening stock of raw materials	40,000	
Add: purchase of raw materials	4,75,000	
	5,15,000	
Less: closing stock of raw materials	50,000	
	4,65,000	
Add: Carriage inward	12,500	
Materials consumed		4,77,500
Wages		1,75,000
Prime cost		6,52,500
Factory expenses:		
Works manager's salary	30,000	
Factory employees salaries	60,000	
Factory rent, taxes and insurance	7,250	
Power expenses	9,500	
Other production expenses	43,000	
Opening work-in-progress	15,000	1,64,750
		8,17,250
Less: closing work-in-progress		10,000
Works cost		8,07,250
General expenses		32,500
Cost of production		8,39,750
Add: opening stock of finished goods		6,000
		8,45,750
Less: closing stock of finished goods		15,000
Cost of goods sold		8,30,750
Selling expenses		9,250
Cost of sales		8,40,000
Profit		20,000
Sales		8,60,000