

Paper 2- Fundamentals of Accounting

Paper 2- Fundamentals of Accounting

Full Marks : 100

Time allowed: 3 hours

Section – A

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

- (i)** A trial balance shows
(a) Honesty of accountants
(b) Accuracy of account
(c) Only arithmetical accuracy of accounts
(d) none of these
- (ii)** Original cost is ₹ 1,50,000 residual value is 10,000, depreciation for 3rd year @ 10% p.a. under WDV method____
(a) 14,000
(b) 12,150
(c) 11,340
(d) 12,240
- (iii)** In an Account if Debit side > Credit side, the balance is known as the
(a) Negative balance
(b) Debit balance
(c) Positive balance
(d) Credit balance
- (iv)** Debtors are
(a) Included in the category of fixed assets
(b) An investment
(c) A part of current assets
(d) An intangible fixed asset
- (v)** 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
- (vi)** ₹ 500 paid as wages for erecting a machine should be debited to
(a) Repair account
(b) Machine account
(c) Capital account
(d) Furniture account
- (vii)** Which of these items are taken in to consideration for preparation of adjusted cash book
(a) Mistake in cash book
(b) mistake in pass book
(c) Cheque issued but not presented for payment
(d) cheques deposited but not cleared

- (viii)** The consignment accounting is made on the following basis
- (a) Realisation Basis
 - (b) Accrual basis
 - (c) cash basis
 - (d) All of above
- (ix)** 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
- (x)** Drawings will result in _____ in the owners capital.
- (a) Reduction
 - (b) Increase
 - (c) No change
 - (d) None of the above
- (xi)** Based on which of the following concepts, is share capital account shown on the liabilities side of a balance sheet?
- (a) business entity concept
 - (b) money measurement concept
 - (c) going concern concept
 - (d) matching concept
- (xii)** The capital of a non-profit organization is generally known as
- (a) Equity
 - (b) Accumulated Fund
 - (c) Finance Reserve
 - (d) Cash Fund
- (xiii)** 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
- (xiv)** Goods of the invoice value of ₹ 4,80,000 sent out to consignee at 20% profit on cost the loading amount will be
- (a) ₹ 80,000
 - (b) ₹ 96,000
 - (c) ₹ 1,00,000
 - (d) none
- (xv)** A cash book with discount and bank column is called
- (a) Single column cash book
 - (b) Two column cash book
 - (c) Three column cash book
 - (d) petty cash book
- (xvi)** Gross Profit is equal to
- (a) Sales – Cost of goods sold
 - (b) Sales – Closing Stock + Purchases

- (c) Opening Stock + Purchases – Closing Stock
- (d) None of the above

(xvii) The value of an asset after deducting depreciation from the historical cost is known as

- (a) Fair value
- (b) Market value
- (c) Net realizable value
- (d) Book value

(xviii) Goods worth ₹ 272 returned by Lala passed through the books as ₹ 722. In the rectification entry

- (a) Lala will be debited by ₹ 450
- (b) Lala will be debited by ₹ 272
- (c) Lala will be credited by ₹ 722
- (d) Lala will be credited by ₹ 272

(xix) If goods worth ₹ 1,750 returned to supplier is wrongly entered in sales returns book as ₹ 1,570, then

- (a) Net Profit will decrease by ₹ 3,140
- (b) Gross Profit will increase by ₹ 3,320
- (c) Gross Profit will decrease by ₹ 3,500
- (d) Gross Profit will decrease by ₹ 3,320

(xx) When preparing a bank reconciliation statement, if you start with debit balance as per cash book cheques sent to bank but not collected should be

- (a) Added
- (b) Deducted
- (c) Not required to be adjusted
- (d) None of the above

(xxi) Payment of Bills of Exchange is received

- (a) by drawer
- (b) by holder in due course of due date
- (c) by endorsee
- (d) by bank

(xxii) At the time of dishonour of an endorsed bill which one or these accounts would be credited by the drawee

- (a) Bill Payable Account
- (b) Drawer
- (c) Bank
- (d) Bill Dishonored Account

(xxiii) Which of these is/are recurring (indirect) expenses?

- (a) Transit Insurance and Freight
- (b) Octroi
- (c) Loading and Unloading
- (d) Godown Rent and Insurance

(xxiv) Goods of the invoice value of ₹ 2,40,000 sent out to consignee at 20% profit on cost, the loading amount will be

- (a) ₹ 40,000
- (b) ₹ 48,000
- (c) ₹ 50,000
- (d) None of the above

(xxv) Memorandum joint venture account is

- (a) Personal Account
- (b) Real Account
- (c) Nominal Account
- (d) None of the above

(xxvi) The balance of the Petty Cash is a/an

- (a) expense
- (b) income
- (c) asset
- (d) liability

(xxvii) The manufacturing account is prepared

- (a) to ascertain the profit or loss on the goods produced.
- (b) to ascertain the cost of the manufactured goods.
- (c) to show the sale proceeds from the goods produced during the year.
- (d) both (b) and (c)

(xxviii) Closing stock appearing in the Trial Balance is shown in

- (a) Trading A/c and Balance Sheet
- (b) Profit and Loss A/c
- (c) Balance Sheet only
- (d) Trading A/c only

(xxix) Endowment fund receipt is treated as

- (a) Capital Receipt
- (b) Revenue Receipt
- (c) Loss
- (d) Expenses

(xxx) Income and Expenditure Account shows subscriptions at ₹10,000. Subscriptions accrued in the beginning of the year and at the end of the year were ₹1,000 and ₹1,500 respectively. The figure of subscriptions received appearing in receipts and payments account will be

- (a) ₹ 9,500
- (b) ₹ 11,000
- (c) ₹ 10,000
- (d) None of the above

(b) State whether the following statements are True (or) False. (Answer any twelve) [12×1=12]

- (i)** Receipts are recorded on the credit side of cash book.
- (ii)** In straight line method physical wear and tear are more important than economic obsolescence.
- (iii)** It is easy to detect fraud than to error.
- (iv)** While preparing bank reconciliation statement from debit balance of cash book cheques paid into bank but not yet cleared are deducted.
- (v)** A person by whom the bill is endorsed is called endorsee.
- (vi)** Balance in consignment account shows profit and loss on consignment.
- (vii)** Trial Balance is a part of Final Accounts.
- (viii)** Under W.D.V. method, the depreciation of an asset decreases every year.
- (ix)** Payment of Tax is a Capital Expenditure.
- (x)** Oral bill of exchange is also valid.
- (xi)** Joint bank account is a nominal account.
- (xii)** Income earned but not received are called accrued income.

MTP_Foundation_Syllabus 2016_June2018_Set 1

(c) Match the following:

[6 × 1 = 6]

	Column 'A'		Column 'B'
1.	Account sales indicate	A.	No Depreciation
2.	Uma's Account	B.	Includes interest
3.	Credit side of cash book is equal to	C.	Personal Account
4.	Land	D.	The net amount due by consignee
5.	Renewal of bill	E.	Definite life
6.	Joint Venture	F.	Debit balance of pass book

Answer any four questions out of six questions [4×8=32]

2. Journalise the following transactions:

[4×2=8]

- Goods stolen ₹ 7,000.
- Started business with cash ₹ 65,000; Stock ₹ 2,20,000; Machinery ₹ 8,50,000
- In an Auto-Parts concern, furniture purchased for ₹ 1,35,000.
- Bought furniture for resale ₹ 75,000;

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. Prepare a bank reconciliation statement as on 30th November, 2016 from the following details and show the balance of Pass Book:

- Credit balance as per bank column of Cash Book ₹ 4,65,600.
- Cheques issued but not yet presented for payment ₹ 1,32,000.
- Cheques deposited into bank but not yet collected ₹ 1,50,000.
- Bank charges ₹ 2,000 not entered in Cash Book.
- Interest on investment collected by bank which was not entered in Cash Book ₹ 15,000.
- Electricity bills paid directly by bank ₹ 10,000.
- Amount transferred from Fixed Deposit Account into the Current Account ₹ 1,25,000 appeared only in Pass Book. [8]

5. Write out the Journal Entries to rectify the following errors, using a Suspense Account.

- Goods of the value of ₹500 returned by Mr. Gupta were entered in the Sales Day Book and posted there from to the credit of his account;
- A sale of ₹ 400 made to Mr. Mitra was correctly entered in the Sales Day Book but wrongly posted to the debit of Mr. Maitra as ₹40;
- The total of "Discount Allowed" column in the Cash Book for the month of November, 2016 amounting to ₹600 was not posted. [3+3+2=8]

6. From the following particulars presented by Sri Tirlhankar for the year ended 31st March 2016, Prepare Profit and Loss Account.

Gross Profit ₹ 1,01,000, Rent ₹ 22,000; Salaries, ₹ 10,000; Commission (Cr.) ₹ 14,000; Insurance ₹ 8,000; Interest (Cr.) ₹ 6,000; Bad Debts ₹ 2,000; Provision for Bad Debts (1.4.2015) ₹ 4,000; Sundry Debtors ₹ 40,000; Discount Received ₹ 2,000; Plant & Machinery ₹ 80,000.

Adjustments:

- (a) Outstanding salaries amounted to ₹ 4,000;
 - (b) Rent paid for 11 months;
 - (c) Interest due but not received amounted to ₹ 2,000
 - (d) Prepaid Insurance amounted to ₹ 2,000;
 - (e) Depreciate Plant and Machinery by 10% p.a.
 - (f) Further Bad Debts amounted to ₹ 2,000 and make a provision for Bad Debts @5% on Sundry Debtors.
 - (g) Commissions received in advance amounted to ₹ 2,000. **[8]**
7. On 10th June, 2016, Kapil purchased goods worth ₹ 2,00,000 from Mitul and accepted separately two bills of ₹ 1,00,000 each for 2 months and 3 months. First bill was discounted by Mitul with the bank @ 12% per annum on 13th June, 2016 and he retained the second bill with him. Kapil met the first bill on due date by paying to the bank; but he showed his inability to pay full amount of second bill on the due date and paid ₹ 60,000 in cash. He requested Mitul to write a fresh bill including interest @ 18% per annum for two months, which was accepted by Mitul. On the due date, fresh bill was duly met. Journalise the above transactions in the books of Mitul. **[8]**

Section – B

8. Choose the correct answer:

[12×1=12]

- (i) Which of the following is an element of cost
- (a) Material
 - (b) Labour
 - (c) Other expenses
 - (d) All of the above
- (ii) _____ costs are the result of inevitable consequences of commitments previously made or are incurred to maintain certain facilities and cannot be quickly eliminated.
- (a) Committed
 - (b) Discretionary
 - (c) Step
 - (d) None of the above
- (iii) 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
- (iv) Indirect material cost is a part of
- (a) Prime cost
 - (b) Factory overhead
 - (c) chargeable expenses
 - (d) None of these
- (v) The main purpose of cost accounting is to:
- (a) maximize profits
 - (b) help in inventory valuation
 - (c) provide information to management for decision making

- (d) aid in the fixation of selling price
- (vi)** Variable costs are fixed
- (a) for a period
 - (b) per unit
 - (c) depends upon the entity
 - (d) for a particular process of production
- (vii)** 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.
- (viii)** The guidance and regulation by executive action of the cost of operating an undertaking is said to be
- (a) Budgetary control
 - (b) cost control
 - (c) cost analysis
 - (d) None
- (ix)** The method of costing used in a foundries is _____
- (a) Process costing
 - (b) Job costing
 - (c) Batch costing
 - (d) Operating costing
- (x)** Fixed cost per unit _____ with increasing output.
- (a) decreases
 - (b) increases
 - (c) remains constant
- (xi)** Statement showing break-up of costs is known as
- (a) cost-sheet
 - (b) statement of profit
 - (c) production account
 - (d) Tender
- (xii)** Prime cost plus factory overheads is known as
- (a) Factory on cost
 - (b) Administration cost
 - (c) Factory cost
 - (d) Marginal cost

Answer any one question out of two questions [8×1=8]

9. Mr. Prasad furnishes the following data relating to the manufacture of a standard product during the month of April, 2015:

Raw materials consumed	₹ 15,000
Direct labour charges	₹ 9,000
Machine hours worked	900
Machine hour rate	5
Administrative overheads	20% on works cost

MTP_Foundation_Syllabus 2016_June2018_Set 1

Selling overheads	₹ 0.50 per unit
Units produced	17,100
Units sold	16,000 at ₹ 4 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]**

10. Direct Material Cost is ₹ 1,60,000. Direct Labour Cost is ₹ 1,20,000. Factory Overhead is ₹1,80,000. Opening goods in process were ₹ 30,000. Sale of scrap is ₹ 4,400. Cost assigned to the closing goods in process was ₹ 44,000. What is the cost of goods manufactured? **[8]**