

## FOUNDATION COURSE EXAMINATION

June 2013

## Accounting

Full Marks: 50

Answer all the questions. Each question carries 1 mark. Each question has four alternatives. You are required to indicate the most appropriate alternative by darkening the circle in the OMR sheet.

1. Primary packing materials are treated as
  - (a) Indirect materials and included in Factory Overhead.
  - (b) Indirect materials and included in Selling & Distribution Overhead
  - (c) Direct materials and included in Prime Cost
  - (d) Indirect materials and included in Administration Overhead
  
2. Which of the following is usually prepared daily by employees for each job worked on?
  - (a) Time card
  - (b) Labour job ticket
  - (c) Punch card
  - (d) Cost control card
  
3. Which of the following is a cost behavior oriented approach to production costing?
  - (a) Absorption costing
  - (b) Marginal costing
  - (c) Process costing
  - (d) Job order costing
  
4. Peso Ltd. has furnished the following data relating to a product for the year 2012-2013:
 

Units produced	2,000
Direct materials	₹ 80,000
Direct labour	₹ 90,000
Manufacturing overheads	₹ 60,000 (25% fixed)
Selling and administrative overheads	₹ 50,000 (40% fixed)

If the company manufactures 2,400 units in the next year, the cost per unit would be

  - (a) ₹ 122.50
  - (b) ₹ 122.00
  - (c) ₹ 137.08
  - (d) ₹ 142.50
  
5. In a situation involving alternate choices, the best alternative is the one that results in
  - (a) Minimum Total Cost
  - (b) Maximum Incremental Revenue
  - (c) Minimum Incremental Cost
  - (d) Maximum Incremental Income
  
6. Which of the following statements is not true?
  - (a) Fixed costs are fixed over a range of activity
  - (b) Variable costs are fixed per unit of production
  - (c) Fixed cost per unit is variable with a change in the production level
  - (d) Direct costs are always relevant for decision making
  
7. For a given period, profit under absorption costing is less than the profit under marginal costing, if
  - (a) Production is more than sales
  - (b) Production is equal to sales
  - (c) Opening stock is equal to sales
  - (d) Sales are more than production
  
8. The following data pertains to product X of Asian Ltd.:
 

Particulars	₹
Direct Materials	80
Direct labour	60
Variable overheads	45
Fixed overheads	25
Total cost	210

If selling price equals variable costs plus 25% markup, selling price of the product X is

  - (a) ₹ 162.25
  - (b) ₹ 206.25
  - (c) ₹ 175.00
  - (d) ₹ 231.25
  
9. Pick out the correct statement
  - (a) Increase in margin of safety means increase in BEP
  - (b) Increase in actual sales increases margin of safety
  - (c) Increase in variable cost increases margin of safety
  - (d) Decrease in variable cost decreases margin of safety
  
10. The contribution to sales ratio of a company is 20% and profit is ₹ 64,500. If the total sales of the company are ₹ 7,80,000, the fixed cost is
  - (a) ₹ 1,56,000
  - (b) ₹ 1,21,500
  - (c) ₹ 1,05,600
  - (d) ₹ 91,500

11. The total cost of production of 1,650 units is ₹ 59,700, which includes variable cost of ₹ 29,700. If the company desires to manufacture 1,900 units, the total cost would be
- ₹ 65,200
  - ₹ 65,600
  - ₹ 64,200
  - ₹ 68,745
12. The total cost for manufacturing 54,000 units is ₹ 16,20,000 which goes up to ₹ 20,00,000, if 73,000 units are produced. The Fixed Cost is
- ₹ 16,20,000
  - ₹ 3,80,000
  - ₹ 5,40,000
  - ₹ 7,20,000
13. If P/V ratio is 40% and Margin of safety is ₹ 30,000 the profit is
- ₹ 10,000
  - ₹ 11,000
  - ₹ 12,000
  - ₹ 13,000
14. For a certain product, selling price per unit is ₹ 10, variable cost per unit ₹ 6 and fixed cost is ₹ 1,00,000. Due to inflation, variable costs increase by 10% while fixed costs increased by 5%. If breakeven point is to remain unchanged, by what percentage should sales price be raised?
- 10%
  - 9%
  - 8%
  - 7%
15. An increase in fixed costs will result in which of the following?
- A decrease in the contribution : sales ratio
  - A decrease in the contribution per unit
  - An increase in the breakeven point sales level
  - An increase in the margin of safety
16. Telra Company had ₹ 20,000 beginning inventory and ₹ 24,000 ending inventory. Net sales were ₹ 160,000; purchases, ₹ 80,000; purchases returns and allowances, ₹ 5,000 and freight-in, ₹ 6,000. Cost of goods sold for the period is
- ₹ 69,000
  - ₹ 49,000
  - ₹ 77,000
  - ₹ 85,000
17. The benefit foregone as a result of taking a particular action is
- Sunk cost
  - Conversion cost
  - Opportunity cost
  - Programmed cost
18. In inventory control, "Lead Time" denotes
- Time between ordering and replenishment.
  - Time required for planning the replenishment of material for starting production
  - The time taken for placing the order
  - Maximum time to receive the goods from supplier
19. While calculating E.O.Q, carrying cost would be
- Cost of carrying goods to warehouse
  - Cost of carrying goods in inventory
  - Cost of carrying goods to customers
  - Cost of carrying goods back to suppliers
20. A factory operates 310 days. It runs on 3 shifts of 7 hours each. Normally one hour is spent every day for normal repair work, the number of hours for computation of machine hour rate will be
- 6510
  - 6200
  - 7300
  - 6800
21. Which one of the following statement is correct?
- Reorder Level = Maximum Usage x Normal Lead Time
  - Minimum Stock = Reorder Level + (Normal Usage x Normal Lead Time)
  - Reorder Level = Maximum Usage x Maximum Lead Time
  - Maximum Stock = Reorder Level + Reorder Quantity
22. When the annual requirement of material is 5000 units, ordering cost is ₹ 60 per order, price per unit ₹ 100 and inventory carrying cost is 15% of average inventory, what will be the Economic Ordering Quantity?
- 220 units
  - 210 units
  - 200 units
  - 205 units

23. Which of the following does not usually appear on a Goods Received Note?
- Date received
  - Quantity received
  - Price of goods
  - Description of goods
24. A company wants to sell 1,00,000 units at ₹12 each. Fixed costs are ₹ 3,80,000. In order to earn a profit of ₹ 1,20,000, the variable cost per unit should be
- ₹ 7.00
  - ₹ 10.80
  - ₹ 8.20
  - ₹ 8.00
25. Identify the abnormal idle time from the following
- Preventive maintenance
  - Waiting for material
  - Training programmes
  - Lunch break
26. What will be effect on the net income for the current year, if the opening stock is understated by ₹ 10,000 and the closing stock is overstated by ₹ 5,000?
- ₹ 15,000 overstated
  - ₹ 15,000 understated
  - ₹ 5,000 overstated
  - ₹ 5,000 understated
27. The cash book shows a debit balance of ₹ 2370 but bank statement gives a different figure. The differences found are: a cheque for ₹ 700 paid to creditors is not entered in the bank passbook and bank charges of ₹ 67 being entered in the cash book as ₹ 76. The balance shown in the pass book is
- ₹ 3079/- credit
  - ₹ 3061/-credit
  - ₹ 1679/- credit
  - ₹ 1670/- credit
28. Which is the correct, if cash sales of ₹ 2000 is omitted to be recorded in cash sales account?
- Debit amount in trial balance has been increased by ₹ 2000
  - Debit amount in trial balance has been increased by ₹ 4000
  - Credit amount in trial balance has been increased by ₹ 2000
  - Credit amount in trial balance has been increased by ₹ 4000
29. From the following, which is not considered as subsidiary book?
- Bills Receivable Book
  - Bills Payable Book
  - Journal Proper
  - Cash Book
30. The basic objective of preparing Profit and Loss Account is
- To know the financial position of the organization on a particular period
  - To know the financial results of the organization for a particular period
  - To know the financial results of the organization on a particular date
  - To calculate the cost of goods sold during a particular period
31. The accounts receivable are shown in the balance sheet at
- Current market value
  - Estimated net realizable value
  - Original cost when the asset is recorded in the books of account
  - Amount receivable when due
32. Which of the following is not a personal account?
- Capital account
  - Pre-paid rent account
  - Salary account
  - Interest outstanding account
33. Which is the correct equation as per the double entry concept?
- Liabilities = capital + assets
  - Assets + liabilities = capital
  - Capital = assets - liabilities
  - Assets = capital - liabilities
34. As per duality concept or accounting equivalence concept, which of the following is correct?
- All increase in liabilities and increase in assets represent sources of funds
  - All decrease in liabilities and decrease in assets represent sources of funds
  - All increase in liabilities and decrease in assets represent sources of funds
  - All increase in liabilities and increase in assets represent uses of funds

35. As per AS-3, which of the following, should be classified as an investing activity?
- Acquisition of Fixed Assets
  - Disposal of Fixed Assets
  - Interest Received
  - (a) to (c) of the above
36. Which of the following concepts, if violated, would make comparison of financial statements over a period of time difficult?
- Cost concept
  - Consistency concept
  - Accounting period concept
  - Accrual concept
37. The objective of AS 1 is
- To prohibit any change in the accounting policies
  - To ensure disclosure of accounting policies
  - To ensure that the effect of any change in accounting policy is adequately disclosed
  - Both (b) and (c) of the above
38. Conservatism concept does not require
- Making provision for doubtful debts
  - Valuing stock at lower of cost or net realisable value
  - Creating provision for discount on creditors
  - Making provision for an unfavourable legal suit
39. Donations received by Gymkhana club in the form of endowment are treated as
- Revenue receipts
  - Deferred revenue receipts
  - Capital receipts
  - General income
40. A bill for ₹ 2,75,000 for building extension was treated as repair of building, which rectification entry is correct?
- | <i>Debit</i>            | <i>Credit</i>       |
|-------------------------|---------------------|
| (a) Building A/c        | Cash A/c            |
| (b) Building Repair A/c | Cash A/c            |
| (c) Building A/c        | Building Repair A/c |
| (d) Profit & Loss A/c   | Building Repair A/c |
41. Which one of the following balance will not be carried to the next accounting period?
- Rent paid in advance
  - Salary outstanding
  - Closing cash balance
  - Consultancy fees paid
42. Pre-paid expenses will not be reflected in
- Profit & Loss Account
  - Cash Book
  - Balance Sheet
  - Cash Flow Statement
43. Which one of the following financial statements is not prepared by a Non-profit organization?
- Balance Sheet
  - Income and Expenditure Account
  - Cash Flow Statement
  - Receipt and Payment Account
44. On 31st December 2011, a club had subscription in arrears of ₹ 16,000 and in advance ₹ 4,000 respectively. During the year ended 31.12.2012, the club received subscription of ₹ 2,08,000 which includes ₹ 10,400 relating to 2013. What amount of subscription will be recognized as income for the year 2012?
- 2,12,000
  - 1,96,000
  - 1,81,600
  - 1,85,600
45. Net worth is excess of
- Fixed Assets over Current Liabilities
  - Total Assets over Total Liabilities
  - Fixed Assets over Current Assets
  - Long Term Loan over Short Term Loan
46. When profit is 25% on cost price, such profit on sale price will be
- 25%
  - 10%
  - $33\frac{1}{3}\%$
  - 20%

47. Accounting Standards on "the effect of changes in foreign exchange rate" is
- (a) AS-9
  - (b) AS-10
  - (c) AS-11
  - (d) AS-12

48. How is the "distribution of goods as free sample" recorded in the Journal?
- | <i>Debit</i>              | <i>Credit</i>           |
|---------------------------|-------------------------|
| (a) Trading Account       | Sales Account           |
| (b) Advertisement Account | Profit and Loss Account |
| (c) Purchase Account      | Advertisement Account   |
| (d) Advertisement Account | Purchase Account        |

49. Journal is a
- (a) Memorandum Record
  - (b) Primary Record
  - (c) Secondary Record
  - (d) All of the above

50. Which one of the following is considered as a depreciable asset?
- (a) Land
  - (b) Live stock
  - (c) Building
  - (d) Forest and Plantation

