

**E-7**  
**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.*

- | <p>1. A bill for ₹ 2,75,000 for building extension was treated as repair of building, which rectification entry is correct?</p> <table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left; width: 50%;">Debit</th> <th style="text-align: left; width: 50%;">Credit</th> </tr> </thead> <tbody> <tr> <td>(a) Building A/c</td> <td>Cash A/c</td> </tr> <tr> <td>(b) Building Repair A/c</td> <td>Cash A/c</td> </tr> <tr> <td>(c) Building A/c</td> <td>Building Repair A/c</td> </tr> <tr> <td>(d) Profit &amp; Loss A/c</td> <td>Building Repair A/c</td> </tr> </tbody> </table> <p>2. Donations received by Gymkhana club in the form of endowment are treated as</p> <p>(a) Revenue receipts<br/>(b) Deferred revenue receipts<br/>(c) Capital receipts<br/>(d) General income</p> <p>3. Conservatism concept does not require</p> <p>(a) Making provision for doubtful debts<br/>(b) Valuing stock at lower of cost or net realisable value<br/>(c) Creating provision for discount on creditors<br/>(d) Making provision for an unfavourable legal suit</p> <p>4. The objective of AS 1 is</p> <p>(a) To prohibit any change in the accounting policies<br/>(b) To ensure disclosure of accounting policies<br/>(c) To ensure that the effect of any change in accounting policy is adequately disclosed<br/>(d) Both (b) and (c) of the above</p> <p>5. Which of the following concepts, if violated, would make comparison of financial statements over a period of time difficult?</p> <p>(a) Cost concept<br/>(b) Consistency concept<br/>(c) Accounting period concept<br/>(d) Accrual concept</p> | Debit               | Credit | (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 | <p>6. As per AS-3, which of the following, should be classified as an investing activity?</p> <p>(a) Acquisition of Fixed Assets<br/>(b) Disposal of Fixed Assets<br/>(c) Interest Received<br/>(d) (a) to (c) of the above</p> <p>7. As per duality concept or accounting equivalence concept, which of the following is correct?</p> <p>(a) All increase in liabilities and increase in assets represent sources of funds<br/>(b) All decrease in liabilities and decrease in assets represent sources of funds<br/>(c) All increase in liabilities and decrease in assets represent sources of funds<br/>(d) All increase in liabilities and increase in assets represent uses of funds</p> <p>8. Which is the correct equation as per the double entry concept?</p> <p>(a) Liabilities = capital + assets<br/>(b) Assets + liabilities = capital<br/>(c) Capital = assets - liabilities<br/>(d) Assets = capital - liabilities</p> <p>9. Which of the following is not a personal account?</p> <p>(a) Capital account<br/>(b) Pre-paid rent account<br/>(c) Salary account<br/>(d) Interest outstanding account</p> <p>10. The accounts receivable are shown in the balance sheet at</p> <p>(a) Current market value<br/>(b) Estimated net realizable value<br/>(c) Original cost when the asset is recorded in the books of account<br/>(d) Amount receivable when due</p> |
|---|---------------------|--------|------------------|----------|-------------------------|----------|------------------|---------------------|-----------------------|---------------------|---|
| Debit   | Credit              |        |                  |          |                         |          |                  |                     |                       |                     |   |
| (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 |        |                  |          |                         |          |                  |                     |                       |                     |   |

11. 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
12. From the following, which is not considered as subsidiary book?
- Bills Receivable Book
  - Bills Payable Book
  - Journal Proper
  - Cash Book
13. 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
14. 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
15. 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
16. Identify the abnormal idle time from the following Preventive maintenance
- Preventive maintenance
  - Waiting for material
  - Training programmes
  - Lunch break
17. 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
18. Which of the following does not usually appear on a Goods Received Note?
- Date received
  - Quantity received
  - Price of goods
  - Description of goods
19. 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
20. 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
21. 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

22. While calculating E.O.Q, carrying cost would be  
 (a) Cost of carrying goods to warehouse  
 (b) Cost of carrying goods in inventory  
 (c) Cost of carrying goods to customers  
 (d) Cost of carrying goods back to suppliers
23. In inventory control, "Lead Time" denotes  
 (a) Time between ordering and replenishment.  
 (b) Time required for planning the replenishment of material for starting production  
 (c) The time taken for placing the order  
 (d) Maximum time to receive the goods from supplier
24. The benefit foregone as a result of taking a particular action is  
 (a) Sunk cost  
 (b) Conversion cost  
 (c) Opportunity cost  
 (d) Programmed cost
25. 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  
 (a) ₹ 69,000  
 (b) ₹ 49,000  
 (c) ₹ 77,000  
 (d) ₹ 85,000
26. An increase in fixed costs will result in which of the following?  
 (a) A decrease in the contribution : sales ratio  
 (b) A decrease in the contribution per unit  
 (c) An increase in the breakeven point sales level  
 (d) An increase in the margin of safety
27. 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?  
 (a) 10%  
 (b) 9%  
 (c) 8%  
 (d) 7%
28. If P/V ratio is 40% and Margin of safety is ₹ 30,000 the profit is  
 (a) ₹ 10,000  
 (b) ₹ 11,000  
 (c) ₹ 12,000  
 (d) ₹ 13,000
29. 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  
 (a) ₹ 16,20,000  
 (b) ₹ 3,80,000  
 (c) ₹ 5,40,000  
 (d) ₹ 7,20,000
30. 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  
 (a) ₹ 65,200  
 (b) ₹ 65,600  
 (c) ₹ 64,200  
 (d) ₹ 68,745
31. 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
32. 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
33. 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

34. For a given period, profit under absorption costing is less than the profit under marginal costing, if
- Production is more than sales
  - Production is equal to sales
  - Opening stock is equal to sales
  - Sales are more than production
35. Which of the following statements is not true?
- Fixed costs are fixed over a range of activity
  - Variable costs are fixed per unit of production
  - Fixed cost per unit is variable with a change in the production level
  - Direct costs are always relevant for decision making
36. In a situation involving alternate choices, the best alternative is the one that results in
- Minimum Total Cost
  - Maximum Incremental Revenue
  - Minimum Incremental Cost
  - Maximum Incremental Income
37. 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 | ₹ 50,000 (40% fixed) overheads |
- If the company manufactures 2,400 units in the next year, the cost per unit would be
- ₹ 122.50
  - ₹ 122.00
  - ₹ 137.08
  - ₹ 142.50
38. Which of the following is a cost behavior oriented approach to production costing?
- Absorption costing
  - Marginal costing
  - Process costing
  - Job order costing
39. Which of the following is usually prepared daily by employees for each job worked on?
- Time card
  - Labour job ticket
  - Punch card
  - Cost control card
40. Primary packing materials are treated as
- Indirect materials and included in Factory Overhead.
  - Indirect materials and included in Selling & Distribution Overhead
  - Direct materials and included in Prime Cost
  - Indirect materials and included in Administration Overhead
41. Which one of the following is considered as a depreciable asset?
- Land
  - Live stock
  - Building
  - Forest and Plantation
42. Journal is a
- Memorandum Record
  - Primary Record
  - Secondary Record
  - All of the above
43. How is the "distribution of goods as free sample" recorded in the Journal?
- | Debit                     | Credit                  |
|---------------------------|-------------------------|
| (a) Trading Account       | Sales Account           |
| (b) Advertisement Account | Profit and Loss Account |
| (c) Purchase Account      | Advertisement Account   |
| (d) Advertisement Account | Purchase Account        |
44. Accounting Standards on 'the effect of changes in foreign exchange rate' is
- AS-9
  - AS-10
  - AS-11
  - AS-12
45. When profit is 25% on cost price, such profit sale price will be
- 25%
  - 10%
  - $33 \frac{1}{2}$  %
  - 20%

46. Net worth is excess of
- (a) Fixed Assets over Current Liabilities
  - (b) Total Assets over Total Liabilities
  - (c) Fixed Assets over Current Assets
  - (d) Long Term Loan over Short Term Loan
47. 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?
- (a) 2,12,000
  - (b) 1,96,000
  - (c) 1,81,600
  - (d) 1,85,600
48. Which one of the following financial statements is not prepared by a Non-profit organization?
- (a) Balance Sheet
  - (b) Income and Expenditure Account
  - (c) Cash Flow Statement
  - (d) Receipt and Payment Account
49. Pre-paid expenses will not be reflected in
- (a) Profit & Loss Account
  - (b) Cash Book
  - (c) Balance Sheet
  - (d) Cash Flow Statement
50. Which one of the following balance will not be carried to the next accounting period?
- (a) Rent paid in advance
  - (b) Salary outstanding
  - (c) Closing cash balance
  - (d) Consultancy fees paid

**Answer.**

1. c - Building A/c                      Building Repair A/c
2. c - Capital receipts
3. c - Creating provision for discount on creditors
4. d - Both (b) and (c) of the above
5. b - Consistency concept
6. d - (a) to (c) of the above
7. c - All increase in liabilities and decrease in assets represent sources of funds
8. d - Assets = capital - liabilities
9. c - Salary account
10. b - Estimated net realizable value
11. b - To know the financial results of the organization for a particular period
12. d - Cash book
13. a - Debit amount in trial balance has been increased by ₹ 2,000
14. a - ₹ 3,079/- credit
15. a - ₹ 15,000 overstated
16. b - Waiting for material
17. a - ₹ 7.00
18. c - Price of goods
19. c - 200 units
20. c - Reorder level = Maximum Usage x Maximum Lead Time
21. b - 6200
22. b - Cost of carrying goods in inventory
23. a - Time between ordering and replenishment
24. c - Opportunity cost
25. c - ₹ 77,000
26. c - An increase in the break even point sales level
27. c - 8%
28. c - ₹ 12,000
29. c - ₹ 5,40,000
30. c - ₹ 64,200
31. d - ₹ 91,500
32. b - Increase in actual sales increase margin of safety
33. d - ₹ 231.25
34. d - Sales are more than production
35. d - Direct costs are always relevant for decision-making
36. d - Maximum Incremental Income
37. c - ₹ 137.08
38. b - Marginal Costing
39. b - Labour job ticket
40. c - Direct materials and included in Prime Cost
41. c - Building
42. b - Primary Record
43. d - Advertisement Account    Purchase Account
44. c - AS-11
45. d - 20%
46. b - Total Asset over Total Liabilities
47. d - 1,85,600
48. c - Cash Flow Statement
49. d - Cash Flow Statement
50. d - Consultancy fees paid