FOUNDATION COURSE EXAMINATION

June 2018

P–2(FOA)
Syllabus 2016

Fundamentals of Accounting

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.
This question paper has two parts. Both the sections are to be answered subject to instructions given against each.

SECTION – A

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

(i) Accounting does not record non-financial transactions because of
- (A) Entity concept
- (B) Accrual concept
- (C) Cost concept
- (D) Money measurement concept

(ii) Narration is given at the end of
- (A) Final accounts
- (B) Trial balance
- (C) Each ledger account
- (D) Each journal entry

(iii) Which one of the following is an example of Personal Account?
- (A) Machinery
- (B) Rent
- (C) Cash
- (D) Creditor

(iv) ₹ 5,000 incurred for up gradation of computer by installation of 128 MB Ram is
- (A) Revenue expenditure
- (B) Deferred revenue expenditure
- (C) Capital expenditure
- (D) None of the above

(v) Cost of goods purchased for resale is an example of
- (A) Revenue expenditure
- (B) Capital expenditure
- (C) Deferred revenue expenditure
- (D) None of the above

(vi) Insurance claim received on account of machinery damaged completely by fire is

(A) Capital receipt

(B) Revenue receipt

(C) Capital expenditure

(D) Revenue expenditure

(vii) An expenditure is capital in nature when

(A) The receiver of the amount is going to treat it for the purchase of fixed assets.

(B) It increases the quantity of fixed assets.

(C) It is paid as interest on loans for the business.

(D) It maintains of fixed asset.

(viii) A withdrawal of cash from business by the proprietor should be credited to

(A) Drawing Account

(B) Capital Account

(C) Cash Account

(D) Purchase Account

(ix) Which financial statement represent the accounting equation—— Asset = Liability + owner's equity:

(A) Income statement

(B) Cash flow statement

(C) Balance Sheet

(D) None of the above

(x) A debit note issued to a creditor for goods returned is to be recorded in the

(A) Bills receivable book

(B) Purchase book

(C) Purchase return book

(D) Journal proper

(xi) Cash book is a form of

(A) Ledger

(B) Journal

(C) Trial Balance

(D) All of the above

(xii) A sale of goods to Laxman for cash should be debited to

(A) Laxman A/c

(B) Cash A/c

(C) Sales A/c

(D) Capital A/c

(xiii) The debts written off earlier as bad, subsequently recovered are

(A) Debited to profit and loss A/c

(B) Credited to bad debt recovery A/c

(C) Credited to trade receivable A/c

(D) Credited to debtors A/c

(xiv) Which one of the following is an external cause for depreciation

(A) Over use

(B) Abnormal occurrence

(C) Time element

(D) Obsolescence

(xv) Original cost of a machine is ₹ 1,50,000, residual value ₹ 10,000, if depreciation is charged @ 105 per annum under WDV method then depreciation for 3rd year will be

(A) ₹ 12,240

(B) ₹ 11,340

(C) ₹ 12,150

(D) ₹ 14,000

(xvi) On which of the following asset, depreciation is charged on 'Depletion method'

(A) Goodwill

(B) Plant and Machinery

(C) Land and Building

(D) Wasting asset like mine and quarries

(xvii) If a sum of ₹ 1,500 received from Laxman (debtor) has not been recorded in the books, the

(A) Profit would show an increase of ₹ 1,500

(B) Profit would show a decrease of ₹ 1,500

(C) Assets would show a decrease of ₹ 1,500

(D) None of the above

(xviii) It goods worth ₹ 1,750 returned to suppler is wrongly entered in sales returned book as ₹ 1,570 then

(A) Gross profit will decrease by ₹ 3,320
(B) Gross profit will decrease by ₹ 3,500
(C) Gross profit will increase by ₹ 3,320
(D) Net profit will decrease by ₹ 3,140

(xix) Which of the following errors affects the agreement of a trial balance?

(A) Mistake in balancing an account
(B) Omitting to record a transaction entirely in the subsidiary books
(C) Recording of a wrong entry in the subsidiary book
(D) Posting an entry on the correct side but in the wrong account

(xx) Which one of the following is an error of principle?

(A) ₹ 500 being purchase of raw material debited to purchase account as ₹ 50.
(B) ₹ 500 being paid for wages but debited to Stationary account.
(C) ₹ 5,000 received from Ram but credited to Shyam.
(D) ₹ 5,000 incurred on installation of a new plant but debited to salary a/c.

(xxi) Difference in Bank Balance as per Pass book and Cash book may arise on account of

(A) Cheque issued but not presented
(B) Cheque issued but dishonoured
(C) Cheque deposited not credited by bank
(D) All of the above

(xxii) Which of these items are taken into 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) Cheque deposited but not cleared by bank

(xxiii) Kasi draws a bill on Shyam for ₹ 5,000 and Kasi endorsed it to Ram. Ram endorese it to Rahul. The payee of the bill will be

(A) Kasi
(B) Ram
(C) Shyam
(D) Rahul

(xxiv) A bill drawn on 3rd July 2017 for 40 days, payment must be made on

(A) 16th August, 2017

(B) 15th August, 2017

(C) 12th August, 2017

(D) 14th August, 2017

(xxv) On receipt of goods from the consignor the consignee debits which of these accounts?

(A) Purchase account

(B) Goods account

(C) Consignor account

(D) None of the above

(xxvi) The Consignment Accounting is made on the following basis

(A) Cash basis

(B) Realisation basis

(C) Accrual basis

(D) None of the above

(xxvii) Joint venture account is of the nature of

(A) Personal account

(B) Nominal account

(C) Real account

(D) Suspense account

(xxviii) If unsold goods costing ₹ 20,000 is taken over by venturer at ₹ 15,000, the joint venture account will be credited by

(A) ₹ 20,000

(B) ₹ 15,000

(C) ₹ 5,000

(D) Nil

(xxix) Which one of the following is not a financial statement?

(A) Trial Balance

(B) Profit and Loss Account

(C) Balance Sheet

(D) Fund flow Statement

(xxx) 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

(b) State whether the following statements are *True* or *False*: 1×12=12

(i) Accounting is an art of record keeping.

(ii) Window dressing of accounts means showing more profits to attract more investment.

(iii) Cost of extension of building occupied on lease for five years is deferred revenue expenditure.

(iv) Freight paid on purchase of machinery is to be treated as revenue expenditure.

(v) It is generally assumed that the business will not liquidate in near forcible future because of business entity concept.

(vi) Gratuity and pension paid to employees after retirement is deferred revenue expenditure

(vii) Trade discount is allowed for prompt payment.

(viii) The balance in the petty cash book is an asset.

(ix) Profit or Loss has no effect on net worth.

(x) Trial Balance Document is required for bank reconciliation.

(xi) A person by whom the bill is endorsed is called endorser.

(xii) Account sales is a statement furnished by consignor to consignee.

(c) Match the following: 1×6=6

	Column A		Column B
1.	Concept relating to Profit & Loss A/c	a.	Gross profit
2.	Salary outstanding	b.	Total sale
3.	Sales minus cost of goods sold	c.	Memorandum statement
4.	Del Credre commission	d.	Matching concept
5.	Honour before due date	e.	Retirement of bill
6.	Bank reconciliation statement	f.	Current liabilities

Answer *any four* questions out of six questions: 8×4=32

2. Following information have been obtained from the trial balance of Shive & Co.:

Trial Balance as on March 31, 2018

Sl. No.	Name of Accounts	L.F.	Dr. (₹)	Cr (₹)
1.	Wages		1,54,000	
2.	Salaries		2,52,000	
3.	Rent Received			1,80,000
4.	Repairs		16,000	
5.	Insurance Premium		24,000	
6.	8% Investments		15,00,000	
7.	Interest on Investments			90,000

Adjustments:

(1) Wages for March, 2018 is outstanding.

(2) Salaries include prepaid salaries for two months.

(3) Rent received for 18 months.

(4) Outstanding repairs ₹ 6,000.

(5) Only 2/3 of insurance premium is related to current year.

(6) Interest on investments is accrued for 3 months.

Give necessary entries for above adjustments. 8

3. N. R. & Sons purchased a second hand machine on 1st April, 2015 and paid ₹ 1,40,000 for it. On its repairs and installations he spent ₹ 20,000. On 1st October, 2015 another machine costing ₹ 80,000 was purchased. On 1st October, 2017 the machine purchased on 1st April, 2015 was disposed off for ₹ 1,04,000 and a new machine costing ₹ 2,00,000 was purchased. Depreciation was provided @ 15% per annum by Straight Line Method on year ending 31st March. Prepare Machinery Account for 3 years. 8

4. From the following particulars of M/s AB Enterprises, prepare Bank Reconciliation Statement as on 31st March, 2018 when there was overdraft balance of ₹ 17,600 as per Pass Book:

(i) Three cheques were issued for ₹ 5,000, ₹ 7,600 and ₹ 4,000 during March, 2018. The cheques of ₹ 11,600 are still with the supplier.

(ii) ₹ 4,000 transferred from fixed deposit A/c into current A/c, appeared only in the Pass Book.

(iii) Cheques deposited in bank for ₹ 11,600 but only ₹ 4,000 were cleared till 31st March, 2018.

(iv) Dividend collected by bank ₹ 2,500 was wrongly entered as ₹ 5,200 in Cash Book.

(v) Interest on overdraft ₹ 1,860 was debited by bank in Pass Book and the information was received only on 4th April, 2018.

(vi) Direct deposit by M/s CD Trading ₹ 800 not entered in Cash Book.

(vii) Electricity bill ₹ 2,400 paid by bank as per standing instruction appear only in Pass Book. 8

5. Mr. X closed his books of accounts on 31st March, 2018 in spite of a difference in the trial balance. The difference was carried forward in a suspense account. The following errors were detected subsequently.

(i) The total of return inward book for July, 2017 ₹ 1,240 was not posted in the ledger.

(ii) Freight paid on a machine ₹ 5,600 was posted to the freight account as ₹ 6,500.

(iii) While carrying forward the total of purchase account to the next page ₹ 65,590 was written as ₹ 56,950.

(iv) A sale of machine on credit to Mr. Sun for ₹ 9,000 at the beginning of the year was not entered in the books at all. The book value of the machine was ₹ 7,500. The firm has the practice of writing off depreciation @ 10% on the balance at the end of the year.

(v) A credit sale of ₹ 760 was wrongly posted as ₹ 670 to the customer account in the sales ledger.

(vi) Closing stock was over casted by ₹ 10,000 in the schedule of inventory.

Pass the rectification Journal Entries with proper Narration in the books of Mr. X. 8

6. From the following particulars, prepare a Balance Sheet of XYZ Enterprise as on 31st March, 2018.

Particulars	Amount (₹)
Capital	2,00,000
Drawings	40,000
Cash in hand	15,000
Loan from Bank	40,000
Sundry creditors	40,000
Bills payable	20,000
Bank overdraft	20,000
Goodwill	80,000
Sundry debtors	80,000
Land & Building	50,000
Plant & Machinery	80,000
Investments	20,000
Bills receivables	10,000
Cash at Bank	25,000

The following adjustments are made at the time of preparing the Trading and Profit & Loss account:

(a) Outstanding Liabilities for

(i) Salaries ₹ 10,000

(ii) Wages ₹ 20,000

(iii) Interest on bank overdraft ₹ 3,000

(iv) Interest on Bank loan ₹ 6,000

(b) Provide interest on capital @ 10% per annum.

(c) Depreciation on Plant and Machinery by 10% per annum.

(d) Bad debt amounted to ₹10,000 and makes a provision for bad debt @ 10% on Sundry debtors.

(e) Closing stock amounted to ₹ 1,20,000

(f) Net profit for the year amounted to ₹ 1,16,000 after considering all the above adjustments. 8

7. For mutual accommodation of Jaggu and Makkhu, the former draws on the latter a bill on 15th June, 2017 for three months after date for ₹ 6,00,000 which Jaggu discounts on 18th June at 10% per annum and hands over half the proceeds to Makkhu. On the same day and for a similar purpose Makkhu draws on Jaggu for ₹ 9,00,000 for three months after date which discounts on 18th June at 10% per annum and hands over half the proceeds to Jaggu. On 18th September Makkhu becomes insolvent and pays a first and final dividend of 75 paise in a rupee to his creditors on 15th December, 2017.

Prepare Jaggu's Account in Makkhu's books and Makkhu's Account in Jaggu's books. 8

SECTION – B

8. Choose the correct answer from the given *four* alternatives: 1×12=12

(i) The works cost plus administration expenses represents
- (A) Total cost
- (B) Cost of production
- (C) Cost of sales
- (D) Factory cost

(ii) Prime cost may be correctly termed as
- (A) The sum of direct material and labour cost with all other cost excluede.
- (B) The total of all cost items which can be directly charged to production units.
- (C) The total costs incurred in producing a finished unit.
- (D) The sum of the large costs there in a product cost.

(iii) The main purpose of cost accounting is to
- (A) Minimise cost
- (B) Help in valuation of inventory
- (C) Provide information to management for decision making
- (D) Aid in the fixation of selling price

(iv) Opportunity cost is the best example of
- (A) Sunk cost
- (B) Standard cost
- (C) Relevant cost
- (D) Irrelevant cost

(v) Which method of costing is used for determination of costs for printing industry?
- (A) Process costing
- (B) Operating costing
- (C) Batch costing
- (D) Job costing

(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 plus factory overheads is known as
- (A) Marginal Costing
- (B) Conversion Cost
- (C) Commercial Cost
- (D) Factory Cost

(viii) Which one of the following item is excluded from cost accounts?
- (A) Income tax
- (B) Interest on debenture
- (C) Cash discount
- (D) All of the above

(ix) Advertisement expenses are treated as
- (A) Selling overhead
- (B) Distribution overhead
- (C) Cost of production
- (D) Direct expenses

(x) Interest on own capital is
- (A) Cash cost
- (B) Notional cost
- (C) Sunk cost
- (D) Part of prime cost

(xi) From the following information, find out purchases when raw material consumed is ₹ 26,500, closing stock ₹ 4,500 and opening stock ₹ 3,000:

(A) ₹ 26,500
(B) ₹ 25,000
(C) ₹ 28,000
(D) ₹ 34,000

(xii) Bad debts are included as

(A) Direct expenses
(B) Distribution overhead
(C) Cost of production
(D) Selling overhead

Answer *any one* question out of the following two questions: 8×1=8

9. Mr. Anand, the Factory Manager of A. B. Enterprises furnishes the following data relating to the manufacture of a product during the month of December, 2017, wherefrom you are required to prepare a cost sheet showing

(i) The cost per unit
(ii) Profit per unit sold
(iii) Profit for December, 2017.

Particulars	Amount (₹)
Opening Stock	4,000
Raw Material Purchased	42,000
Closing stock	1,000
Direct labour charges	26,500
Machine hours worked	900
Machine Hour Rate	15
Administrative overheads	20% on works cost
Selling overheads	0.60 per unit
Units produced	34,000
Units Sold	32,000 at @ ₹ 5 per unit

8

10. Classify the following expenses items in their respective groups, such as Production; Administrative; Selling and Distribution and costs excluded from Cost Accounts:

Fuel and Power; Office Salaries; Foreman's Wages; Drawing Office Expenses; Depreciation of Plant; Donations; Hospital and Dispensary Expenses of Workers; Bank Charges; Holiday and Leave pay of Workers; Market Research Expenses; Dividend Paid; Technical Director's Fees; Wages of Idle Time; Cash Discount Allowed; Stores Expenses; and Carriage Outwards. 8