

Paper 2- Fundamentals of Accounting

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Full Marks : 100

Time allowed: 3 hours

Section – A
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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
- (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 furnitures 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

(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.

(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 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 :

Sundry Creditors	
Anand	₹ 5,000

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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 Bbarat 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]

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]

4. From the following information given by Ganapathy, prepare a BRS as on 31st 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

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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 st December and Noting Charges paid by the Bank.	100

[8]

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.
- (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]**

6. From the following Receipts and Payments Account of Shyam Club for the year ended 31st 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

	14,850		14,850
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Subscriptions due on 31st 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 31st December 2014 was ₹1,100. The value placed on his equipment in hand on 31st December 2015 was ₹1,300. The mowing machine was purchased on 1st 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]

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]

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

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]

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 (₹)
Stock of finished goods	6,000	Stock of finished goods	15,000
Stock of raw materials	40,000	Stock of raw material	50,000

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Work-in-progress	15,000	Work-in-progress	10,000
Purchase of raw materials	4,75,000	General expenses	32,500
Carriage inward	12,500	Sales for the year	8,60,000
Wages	1,75,000	Income tax	500
Works manager's salary	30,000	Dividend	1,000
Factory employees salaries	60,000	Debenture interest	5,000
Factory rent, taxes and Insurance	7,250	transfer to sinking fund for	
Replacement of machinery	10,000		
Power expenses	9,500	goodwill written off	10,000
Other production expenses	43,000	payment of sales tax	
		Selling expenses	9,250