

FOUNDATION COURSE EXAMINATION

December 2017

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) Which one of the following character is not related to Financial Accounting?

- (A) Evaluates the financial strength of the whole business.
- (B) Based on monetary transactions of the enterprise.
- (C) Reports are always subject to statutory audit.
- (D) Reports are as per requirement of management.

(ii) Which one of the following equation is correct?

- (A) Owner's Equity = Liability + Asset
- (B) Owner's Equity = Asset – Liability
- (C) Liability = Owner's Equity + Asset
- (D) Asset = Owner's Equity – Liability

(iii) Identify the 'Personal Account' from the following.

- (A) Salary Payable Account
- (B) Taxes Paid Account
- (C) Investment Account
- (D) Trademark Account

(iv) Which of the following is a transaction of contra entry?

- (A) Sale goods to Y ₹ 12,500.
- (B) Godown rent ₹ 7,000 paid by cheque.
- (C) Received ₹ 12,000 in full settlement of ₹ 12,500.
- (D) Cash deposited to bank ₹ 9,000.

(v) When Trial Balance will not tally/mismatch?

- (A) Two errors those are compensating each other.
- (B) A transaction recorded twice.
- (C) Taking balance to the wrong side in the Trial Balance.
- (D) If an entry is totally missed.

Please Turn Over

- (vi) An entry of ₹ 1,560 has been debited to a Debtor's Personal Account at ₹ 1,650. It is an error of
- (A) Omission
 - (B) Commission
 - (C) Principle
 - (D) Compensating
- (vii) Amount set apart to meet loss due to bad debt is a
- (A) Provision
 - (B) Appropriation
 - (C) Reserve
 - (D) Commission
- (viii) Reduction in value of asset due to its continuous use is treated as
- (A) Appreciation
 - (B) Depreciation
 - (C) Loss
 - (D) Profit
- (ix) What happens when a bad debt is recovered?
- (A) Current asset decreases
 - (B) Debtor's balance decreases
 - (C) Profit increases
 - (D) Owner's fund decreases
- (x) Which balance is not considered for closing entries on the basis of trial balance for transferring to Trading and Profit & Loss Account?
- (A) Salary and Wages
 - (B) Discount Received
 - (C) Commission Paid
 - (D) Cash in Hand
- (xi) Select correct journal entry to rectify an error "An amount of ₹ 10,000, withdrawn by owner for personal use debited to Trade Expenses Account".

Debit	Credit
-------	--------

- | | |
|-------------------------|---------------------|
| (A) Drawing Account | Trade Expenses A/c. |
| (B) Trade Expenses A/c. | Drawing Account |
| (C) Drawing Account | Cash Account |
| (D) Trade Expenses A/c. | Cash Account |

- (xii) M/s. A.B. Enterprises has bank balance ₹ 8,800 as per cash book and the followings were found:
- (a) Three cheques deposited in bank for ₹ 5,800 but only one cheque for ₹ 2,000 was cleared.
 - (b) Dividend collected by bank ₹ 1,250 was wrongly entered in cash book as ₹ 1,520. What is balance as per pass book?
- (A) ₹ 3,480
(B) ₹ 4,730
(C) ₹ 2,730
(D) ₹ 3,750
- (xiii) House Building Advance of ₹ 2.00 lakh paid to employees. It is a
- (A) Asset
 - (B) Revenue Expenditure
 - (C) Capital Expenditure
 - (D) Deferred Revenue Expenditure
- (xiv) Claims against company pending in court case. It is a
- (A) Current Liability
 - (B) Current Asset
 - (C) Contingent Liability
 - (D) Un-secured Loan
- (xv) Which one of the following is not a negotiable instrument?
- (A) Currency Note
 - (B) Promissory Note
 - (C) Bill of Exchange
 - (D) Crossed Cheque
- (xvi) Which one of the following is not the feature of a joint venture business?
- (A) Co-venture may or may not contribute initial capital.
 - (B) It has limited duration.
 - (C) It is done for specific purpose.
 - (D) Profit or loss on joint venture is shared as per their capital ratio.
- (xvii) Del Credere Commission in consignment business is generally payable on
- (A) total sales.
 - (B) only on credit sales.
 - (C) other than credit sales.
 - (D) % on recovery of bad debt.

- (xviii) Subscription received in advance is shown in
- (A) Liability side of the Balance Sheet.
 - (B) Asset side of the Balance Sheet.
 - (C) Income & Expenditure Account as expenditure.
 - (D) Income & Expenditure Account as income.
- (xix) There are 250 members in the Srikrishna Club where annual subscription is ₹ 500. During 2016-17, subscription received ₹ 97,500 and subscription receivable is ₹ 47,500. What amount of subscription received in advance during 2016-17?
- (A) ₹ 20,000
 - (B) ₹ 25,000
 - (C) ₹ 27,500
 - (D) ₹ 50,000
- (xx) When goods are purchased for the joint venture, the account to be debited is
- (A) purchase account.
 - (B) joint venture account
 - (C) venture's capital account
 - (D) either Purchase account or Joint venture account
- (xxi) The abnormal loss on consignment is credited to:
- (A) Profit and Loss Account
 - (B) Consignee's Account
 - (C) Consignment Account
 - (D) Insurance Company Account
- (xxii) Fixed Assets and Current Assets are categorized as per concept of
- (A) Separate Entity
 - (B) Going Concern
 - (C) Consistency
 - (D) Time period
- (xxiii) An expenditure is in capital nature when
- (A) the receiver of the amount is going to treat it for the purchase of fixed assets.
 - (B) it increase the quantity of fixed assets.
 - (C) it is paid as interests on loans for the business.
 - (D) it maintains a fixed assets.

- (xxiv) Cash book is a
- (A) Subsidiary book
 - (B) Subsidiary book and a Ledger account
 - (C) Ledger account
 - (D) None of the above
- (xxv) The periodical total of the Sales Return Book is posted to the
- (A) Debit side of Sales Account.
 - (B) Debit side of Sales Return Account.
 - (C) Credit side of Sales Return Account.
 - (D) Debit side of Debtors Return.
- (xxvi) The debts written off as bad, if recovered subsequently are
- (A) Credited to Bad Debts recovered A/c
 - (B) Credited to Trade receivables Account
 - (C) Debited to Profit and Loss Account
 - (D) None of the above
- (xxvii) If 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
- (xxviii) Goods sent on consignment account is of the nature of
- (A) Personal account
 - (B) Nominal account
 - (C) Real account
 - (D) Sales account
- (xxix) What is the nature of "joint venture with co-venture account"?
- (A) Nominal account
 - (B) Real account
 - (C) Personal account
 - (D) None of the above

- (xxx) Which of the following items are shown in the income and expenditure account?
- (A) Only items of capital nature.
 - (B) Only items of revenue nature which are received during the period of accounts.
 - (C) Only items of revenue nature pertaining to the period of accounts.
 - (D) Both the items of capital and revenue nature.

(b) State whether the following statements are *True* or *False*:

1×12=12

- (i) Profit and Loss A/c covers a period and not the position on a particular day.
- (ii) The surplus of a non-profit organisation is distributed amongst the members.
- (iii) Current assets + Current liabilities = Working capital.
- (iv) Discount on Bill of exchange is a loss for the drawer and gain for the drawee.
- (v) The owner of the consignment stock is consignee.
- (vi) Certificate of protest is issued by a Notary Public.
- (vii) Capital Account is a liability of the business.
- (viii) Overcasting of purchase book would affect purchase account.
- (ix) In case of mineral resources, depreciation is not provided but depletion is charged.
- (x) The discount column of the cash book is not posted is an example of error of omission.
- (xi) Retirement of bill means sending the bill for collection.
- (xii) Cost of the goods include all expenses incurred till the goods reach the premises of the consignee's godown.

(c) Match the following:

1×6=6

	Column A		Column B
1.	Pre-receipt of income	A.	Current Liability
2.	Return Inward	B.	Capital Expenditure
3.	Wages paid of installation of machine	C.	Real Account
4.	Goodwill Account	D.	AS-10
5.	Fixed Assets	E.	Current Assets
6.	Rent Prepaid	F.	Sales
		G.	Nominal Account

Answer any four questions out of six questions:

8×4=32

2. On the basis of following information, prepare Three Column Cash Book in the books of Makkhan:

2017	
November, 1	Opening cash balance was ₹ 13,800 and bank balance was ₹ 2,75,000.
November, 4	Wages paid in cash ₹ 15,000.
November, 5	Received cheque of ₹ 49,800 from L K Enterprise after allowing discount of ₹ 1,200. It was deposited into bank
November, 7	Paid electricity charges by cheque of ₹ 17,500.
November, 10	Cash of ₹ 12,500 withdrawn from bank.
November, 12	Received a cheque for ₹ 49,500 in full settlement of the account of Badhu & Co. at a discount of 10% and deposited the same into bank.
November, 15	Badhu & Co.'s cheque dishonoured and returned by the bank.

3. On 1st January, 2015 the K C Transport Company purchased a truck for ₹ 8,00,000. On 1st July, 2016 this truck was involved in an accident and was completely destroyed and ₹ 6,50,000 were received from the Insurance Company in full settlement. On the same date another truck was purchased by the company for ₹ 10,00,000.

The company writes off 15% depreciation per annum on written down value method. Prepare the Truck Account and Depreciation Account for the years ended 31st March, 2015, 2016 and 2017.

4. From the following information, prepare a Bank Reconciliation Statement as on 31st March, 2017:

- The Bank column of the Cash Book showed overdraft of ₹ 1,15,000 on 31st March, 2017.
- Cheques of ₹ 42,400 issued but not encashed by the customers.
- Cheques deposited but not cleared ₹ 21,500.
- Collection charges debited by the Bank not recorded in the Cash Book ₹ 185.
- Bank interest charged by the Bank not recorded in the Cash Book ₹ 4,350.
- Cheques dishonoured debited by the Bank not recorded in the Cash Book ₹ 45,000.
- Interest directly received by the Bank not entered in the Cash Book ₹ 11,200.

5. The Trial Balance of a concern has agreed but the following mistakes were detected after the preparation of final accounts.

- No adjustment entry was passed for an amount of ₹ 4,000 relating to outstanding rent.
- Purchase book was overcast by ₹ 3,000.
- An amount of ₹ 4,000 as depreciation on furniture has been omitted to be recorded in the book.
- An amount of ₹ 5,000 received from a customer has been credited to Sales A/c.

State the effect of the above errors in Profit & Loss Account and Balance Sheet.

6. Following is the Trial Balance of M/s. Chandu Traders as on 31st March, 2017. Prepare Trading and Profit & Loss Account for the year ended 31st March, 2017 and a Balance Sheet on that date:

Particulars	Debit (₹)	Credit (₹)
Capital		9,00,000
Buildings	3,15,000	
Drawings	1,18,000	
Furniture & Fittings	17,500	
Motor Van	1,25,000	
Loan from Hari @12% interest		1,50,000
Interest paid on above	9,000	
Sales		10,00,000
Purchases	7,50,000	
Opening Stock	2,50,000	
Establishment expenses	1,15,000	
Wages	12,000	
Insurance	11,000	
Commission received		24,500
Sundry debtors	3,28,100	
Bank balance	2,46,900	
Sundry creditors		2,10,000
Interest		13,000
Total	22,97,500	22,97,500

Adjustments:

- (a) The value of stock on 31-03-2017 was ₹ 3,20,000.
 - (b) Outstanding wages ₹ 1,500.
 - (c) Prepaid Insurance ₹ 3,000.
 - (d) Commission received in advance ₹ 13,000.
 - (e) Allow interest on capital @ 10%.
 - (f) Depreciate building 10%; Furniture & Fitting 10%; & Motor van 15%.
 - (g) Charge interest on drawings ₹ 5,000.
 - (h) Accrued Interest ₹ 2,500.
7. Guddu sent goods costing ₹ 15,10,000 on consignment basis to Sukku on 1st April, 2017 @ 5% commission. Guddu spent ₹ 1,65,000 on transportation and Sukku spent ₹ 1,05,000 on for unloading charges. Sukku sold 88% of the goods for ₹ 18,00,000. 10% of the goods for ₹ 2,00,000 and the balance are taken over by Sukku at 10% below the cost price and sent a cheque to Guddu for the amount due after deducting commission.
Show Consignment to Sukku A/c and Sukku's A/c in the books of Guddu.

SECTION – B

8. Choose the correct answer:

1×12=12

- (i) When re-ordering level is 200 units, minimum usage is 20 units, minimum lead time is 5 days, maximum stock is 400 units then re-ordering quantity will be:
 - (A) 400 units
 - (B) 200 units
 - (C) 300 units
 - (D) 100 units
- (ii) In the situation of increasing prices, the valuation of closing stock is more under:
 - (A) Simple average
 - (B) Weighted average
 - (C) FIFO
 - (D) LIFO

(iii) Payment of Royalties is:

- (A) Direct Expenses.
- (B) Administrative Cost.
- (C) Charged to Profit & Loss A/c
- (D) Factory Overheads.

(iv) Which one of the following statement is true?

- (A) Abnormal cost is not controllable.
- (B) Financial Expenses are included in Cost Sheet.
- (C) All overheads changes with the change in volume and in the same proportion.
- (D) Primary packing is an item of prime cost.

(v) Costing is a technique of

- (A) Recording of Cost transactions
- (B) Ascertaining Cost
- (C) Preparation of final accounts
- (D) Decision making

(vi) Which of following is appropriate Cost Unit for timber industry?

- (A) Per tonne
- (B) Per article
- (C) Per Kg.
- (D) Per foot

(vii) Which of the following is a Cost Control Technique?

- (A) Marginal Costing
- (B) Uniform Costing
- (C) Standard Costing
- (D) Absorption Costing

- (viii) Which of the following is differentiated between Fixed and Variable Costs?
- (A) Uniform Costing
 - (B) Marginal Costing
 - (C) Standard Costing
 - (D) Direct Costing
- (ix) Cost of free samples and gifts are included in
- (A) Prime Cost
 - (B) Factory Overhead
 - (C) Office and Administrative Overheads
 - (D) Selling & Distribution Overheads
- (x) 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
- (xi) In behavioral analysis, costs are divided into
- (A) Production and Non-Production costs
 - (B) Controllable and non-controllable costs
 - (C) Direct and indirect costs
 - (D) Fixed and variable costs
- (xii) Which of the following is a part of both Prime cost and Conversion cost?
- (A) Direct Material
 - (B) Indirect Labour
 - (C) Direct Labour
 - (D) All of the above

Answer *any one* question out of the following two questions:

8×1=8

9. Distinguish between Cost Accounting and Management Accounting.
10. Rukmani Limited furnishes the following data relating to the year ending 31st March, 2017:

Opening Stock of Raw Material	₹ 2,13,500
Closing Stock of Raw Material	₹ 2,81,600
Purchases of Raw Material	₹ 15,50,900
Direct Wages	₹ 8,85,750
Carriage Inwards on Raw Material	₹ 11,200
Machine Hours Worked	4200 hours
Machine Hour Rate	₹ 141
Office and Administrative Overhead	25% of Factory Overhead
Selling and Distribution Overhead	@ ₹ 8 per unit
Units Produced	24000 Units
Units Sold	21500 Units @ ₹ 190 per unit

You are required to prepare a statement of cost showing:

- (a) Raw material consumed
- (b) Prime cost
- (c) Factory cost
- (d) Cost of production
- (e) Cost of sales
- (f) Total profit and per unit profit

2+1+1+1+1+2=8