Paper 2- Fundamentals of Accounting

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Full Marks : 100 **Time allowed: 3 hours**

Section – A

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

(i) Which of the following is not the sub-field of accounting?

(a) Management Accounting

(b) Cost Accounting

(c) Financial Accounting

(d) Book – keeping

(ii) Accounting is based on a careful and efficient_____ system.

(a) Book keeping

(b) Recording

(c) Classifying

(d) Communicating

(iii) Accrual system of Accounting is also known as -

(a) Cash system of accounting

(b) Mercantile system of accounting

(c) Cost system of accounting

(d) None of the above

(iv) Modern financial accounting is based on

(a) Dual Aspect Concept

(b) Cost Concept

(c) Accrual Concept

(d) Going Concern Concept

(v) Accounting Conventions are established by ----

(a) Law

(b) Rules

(c) Regulation

(d) Common Accounting Practices

(vi) Going concern Concept is not followed

(a) By banks

(b) By Co-operative Societies

(**c**) Joint venture Accounting

(d) Depreciation Accounting

(vii) The practice of appending note regarding contingent liabilities in the accounting statements is in pursuant to -

(a) Convention of Consistency

(b) Money Measurement Concept

(c) Convention of Disclosure

(d) Convention of Going Concern

(viii) Which of the following statements explain prudence concept most closely?

(a) All legislation and accounting standards have been complied with.

(b) Understatement of assets or gains and overstatement of liabilities or losses.

(c) Revenue and profit are not recognized until realized and provision is made for all known liabilities.

(d) The application of a degree of caution in exercising judgment under conditions of uncertainty

(ix) Objective of Accounting Standard is -----

(a) To help the Government for raising the taxes.

(b) To standardize the diverse accounting policies and practices.

(c) To make the account simple.

(d) None of the above.

(x) Accounting policies followed by the companies are -------

(a) Different from year to year.

(b) Frequently changes as per the situation.

(c) The same as notes to accounts

(d) Consistently followed from year to year.

(xi) Journal records all transactions in ---

(a) Alphabetical order

(b) Random manner

(c) Chronological order

(d) None of the above

(xii) A journal records -----

(a) Only debit part of a transaction.

(b) Only credit part of a transaction

(c) Both debit part and credit part of a transaction without narration.

(d) Both debit part and credit part of a transaction with narration.

(xiii) The process of transferring the accounts from the journal to the ledger is called --------.

(a) Journalising

(b) Posting

(c) Balancing

(d) Casting

(xiv) A Cash book ----------.

(a) Performs the functions of both Journal and ledger at the same time.

(b) Records only one aspect of transaction i. e. cash.

(**c**) Records all cash transactions chronologically.

(d) All of the above

(xv) Imprest system is used in --------

(a) Journal

(b) Ledger

(c) Cash book

(d) Petty cash book

(xvi) Which of the following is not true for trade discount?

(a) It represents an allowance which is made by the manufacturer to wholesales.

(b) It is usually deducted from the catalogue price.

(c) Special journal entry is required to record it.

(d) No account is opened in the ledger.

(xvii) Which of the following will not be entered in the Cash Bok?

(a) Dishonored cheques

(b) Post-dated cheques

(c) Notes and coins received

(d) Crossed cheques

(xviii) Journal proper is meant for recording ------

(a) Credit purchase of fixed assets for recording.

(b) Returns of goods.

(c) All such transactions for which no special journal has been kept by the business.

(d) None of these.

(xix) A credit balance in the sum of ₹93 has been omitted from the list of balances extracted from the sales ledger. What is the effect on the trial balance?

(a) The credit side is understated by ₹93

(b) The credit side is overstated by ₹93

(c) The debit side is understated by ₹93

(d) The debit side is overstated by ₹93.

(xx) Which of the following statements is/are true?

(a) Entering wrong amount in the subsidiary book affects the agreement of the trial balance

(b) Under casting or overcastting of a subsidiary book is an example of error of commission

(c) Errors of principle do not affect the agreement of trial balance

(d) Both (b) and (c) above

(xxi) Which of the following errors is an error of omission?

(a) Purchase of ₹2,000 has been recorded in the sales return book

(b) Repairs to machinery has been debited to machinery accounts

(c) The total of purchase journal has not been posted to the purchase account

(d) Legal charges paid to Mr. Lawyer have been debited to his account

(xxii) Which of the following is a capital expenditure?

(a) Compensation paid for breach of a contract of supply of goods.

(b) Interest on borrowing during the period of construction of works.

(c) Loss of stock by theft

(**d**) Loss due to embezzlement by the manager.

(xxiii) A benefit arising for five years because of expenses incurred on advertising campaign is a -------

(a) Capital expenditure

(b) Revenue expenditure

(c) Deferred revenue expenditure

(d) None of the above

(xxiv) The bank reconciliation Statement is prepared ------

(a) To rectify the mistakes in the cash book

(b) To rectify the mistakes in the bank book

(c) To arrive at the cash balance

(d) To bring out the reasons for the differences between the balance as per cash book and the balance as per bank statement

(xxv) Bank balance as per pass book (Dr.) ₹1,000. Cheque deposited worth ₹2,000 but dishonored, no entry for dishonor has been made in the cash book. Find the bank balance as per CASH BOOK

(a) CASH BOOK (Dr.) ₹ 1,000

(b) CASH BOOK (Cr.) ₹ 1,000

(c) CASH BOOK (Dr.) ₹ 3,200

(d) CASH BOOK (Cr.) ₹ 3,000

(xxvi) What is the purpose of charging depreciation in accounts?

(a) To allocate the cost less residual value of a fixed asset over the accounting periods expected to be benefitted from its use.

(b) To ensure that funds are available for the eventual replacement of the asset.

(c) To reduce the cost of the asset in the balance sheet to its estimated market value.

(**d)** To company with the prudence concept.

(xxvii) The amount of depreciation under Annuity method is -----

(a) Uniform

(b) Fixed

(c) Not uniform

(d) Not fixed

(xxviii) Change in the method of depreciation is change in ----------.

(a) Accounting estimate.

(b) Accounting policy.

(**c**) Measurement discipline.

(d) None of the above.

(xxix) The statement collectively known as Final Account -------

(a) Income Statement

(**b**) Position Statement

(c) Either (a) or (b)

(d) Both (a) and (b)

(xxx) Discount A/c will always have -----

(a) Only debit balance

(b) Only credit balance

(c) Debit or credit balance

(d) Nil balance

(b) State whether the following statements are True (or) False. [12×1=12]

(i) Consistency is one of the accounting concepts.

(ii) Goods valued at invoice price refers to valued at lower price than its original cost.

(iii) Double accounting system owes its origin to Luca pacioli.

(iv) The periodic total of sales day book is posted to sales return Account.

(v) After preparation of ledgers, the next is the preparation of trial balance.

(vi) In case of mineral resources depreciation is not provided, but depletion is charged.

(vii) Recording a transaction in a wrong book of original entry with wrong amount will affect the trial balance.

(viii) A credit balance in the pass book indicates excess of deposits over withdrawals.

(ix) Foreign trade is facilitated with the help of foreign bills of exchange.

(x) The transactions regarding transfer of goods from one venturer to another venturer will affect book-keeping entries.

(xi) All revenue receipts and expenditure are shown in trading and profit & loss account.

(xii) Any subscriptions received in advance are treated as capital receipts and are therefore taken to the liabilities side of the balance sheet.

(c) Match the following: **[6×1=6]**

	Column 'A'		Column 'B'
1.	Debit balance of cash book is equal to	**A.**	Nominal account
2.	Renewal of bill	**B.**	Debit of P & L A/c
3.	Promissory note	**C.**	includes interest
4.	Joint venture account is	**D.**	Entertainment programme, stage shows funds raising programs
5.	Freight outward	**E.**	Indian currency
6.	Non-trading concerns collect funds through	**F.**	Credit side of pass book

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

2.

1. Ram started business by introducing the following assets:

Cash	₹ 10,000
Furniture	₹ 20,000
Plant	₹ 30,000
Goods	₹ 20,000

2. He purchased goods of the invoice value of ₹10,000 at 10% trade discount from Suresh.
3. He supplied goods costing ₹1,000 to Ramesh at a invoice price of 10% above cost at a trade discount of 5%.
4. He installed further machinery of ₹20,000 and paid wages for installation ₹2,000. The machinery was supplied by M/s Surya Brothers.
5. He purchased stationery for business purposes ₹500.
6. He sold goods to Sidharth for ₹5,000.
7. He withdrew goods for personal use costing ₹5,000 (sale value ₹6,000).
8. He distributed goods costing ₹2,000 (sale value ₹2,500 as free samples).
9. Sidharth became insolvent and the whole money due from him was considered as a bad debt.
10. He sold goods for cash ₹20,000.

11. Salaries paid ₹10,000 after deduction ₹1,000 as income tax, ₹1,500 as employee's share of provident fund but before employer's share of provident fund ₹1,500.
12. Amount due from Sidharth earlier written off bad debts recovered in full.
13. Amount paid to Suresh ₹8,500 in full satisfaction.
14. Income tax liability of Ram ₹ l,000 paid in cash.

You are required to pass the necessary journal entries for the above transactions. **[8]**

3. From the following data, you are required to show the Fixed Asset and Depreciation Account.

- Cost of Machine = ₹75 lakhs, Useful = 7 years. Estimated residual Value = ₹5 lakhs.
- The company adopts SLM Method of Depreciation, and credits the same to Provision for Depreciation A/c.
- In the middle of the 5th year, the Machine was sold for ₹26,00,000. **[8]**

4. On comparing the Cash Book of Ganesh, with his Bank Pass Book, the following discrepancies were noted:

- Out of ₹ 20,500 paid into Bank on 27th March through cash and cheque, Cheques amounting to ₹ 7,500 were collected on 7th April.
- Cheque and Cash amounting to ₹4,800 were deposited in Bank on 26th March but credit was given for ₹ 3,800 only. Out of Cheques amounting to ₹7,800 drawn on 26th March, a Cheque for ₹ 2,500 was encashed on 3rd April. Cheques issued to Creditor amounting to ₹20,000 on 25th March of which cheques worth ₹ 3,000 were only presented to Bank upto 31st March.
- A Cheque for ₹1,000 entered in Cash Book was omitted to be banked before 31st March.
- A Cheque for ₹600 deposited into Bank but omitted to be recorded in Cash Book and was collected by the Bank on 30th March.
- A Bill Receivable for ₹520 previously discounted (Discount ₹20) with the Bank had been dishonoured but advice was received on 1st April.
- A Bill Payable for ₹ 10,000 was retired /paid by the Bank at ₹ 9,850 but the full amount of the Bill was credited in the Bank Column of the Cash Book.
- A Cheque of ₹ 1,080 credited in the Pass Book on 25th March being dishonoured is debited again in the Pass Book on 1st April. There was no entry in the Cash Book about the dishonour of the cheque until 15th April. A cheque of ₹ 200 drawn on this Bank A/c has been shown as drawn on another Bank A/c, in the Cash Book.

Prepare a BRS as at 31st March, if the Balance as per Cash Book on 31st March was ₹39,570. **[8]**

5. Arjuna and Bheema entered into a Joint Venture for the production and sale of "Mahabharat" CDs during a festival season. Arjuna contributed ₹3,00,000 and Bheema contributed ₹2,00,000 to the venture. They incurred the following expenses towards Joint Venture - (a) Payment to Artists and Technicians - ₹2,80,000, (b) Hire Charges for Equipment, Lab Fees, etc. - ₹1,20,000, (c) CD Making, Packing and Promotion Expenses - ₹75,000.

They made 20,000 CDs and sold 16,000 CDs during the festival season at ₹45 per CD. Bheema directly received the sale proceeds of 2,500 CDs out of the above 16,000 CDs.

Arjuna took over 3,000 CDs at an agreed cost of ₹25 per CD. 1,000 CDs were found defective at the end of the season and had to be scrapped.

Separate books were maintained for the Venture, and the profits were divided in the ratio 3:2. Give Journal Entries and Ledger Accounts in the books of the Joint Venture. **[8]**

6. Following is the Trial Balance of M/s kasturi Agencies as on 31st March, 2015. Prepare Trading, Profit and Loss Account for the year ended 31st March, 2015 and a Balance Sheet on that date.

Particulars	₹	₹
Capital		1,00,000
Buildings	15,000	
Drawings	18,000	
Furniture & Fittings	7,500	
Motor van	25,000	
Loan from Hari @ 12% interest		15,000
Interest paid on above	900	
Sales		1,00,000
Purchases	75,000	
Opening stock	25,000	
Establishment expenses	15,000	
Wages	2,000	
Insurance	1,000	
Commission received		4,500

Sundry debtors	28,100	
Bank balance	20,000	
Sundry creditors		10,000
Interest		3,000
	2,32,500	2,32,500

Adjustments: (a) The value of stock on 31-3-2015 was ₹32,000. (b) outstanding wages ₹500 (c) Prepaid Insurance ₹300. (d) Commission received in advance ₹ 1,300 (e) Allow interest on capital @ 10%. (f) Depreciate building 2½%. Furniture & Fitting 10%, Motor van 10%. (g) charge interest on drawings ₹ 500. (h) Accrued Interest ₹ 500. **[8]**

7. Ashok sends goods on consignment basis to Srinivas. The terms are that srinivas will receive the 10% commission on Invoice price and 20% on price realized over and above the Invoice price. Srinivas will meet his expenses himself. Ashok sent goods whose cost was ₹16,000 at a proforma Invoice price cost plus 25% and spent ₹1,500 on freight charges. Srinivas accepted a bill for 16,000 immediately on receiving the consignment. His expenses were ₹200 as rent and ₹100 as insurance. Srinivas sold ¾ of goods for ₹19,500. Part of sales were on credit and one customer failed to pay ₹400. Pass journal entries in the books of Ashok. **[8]**

Section – B

8. Choose the correct answer: **[12×1=12]**

(i) _____ costs are the result of inevitable consequences of commitments previously made or are incurred to maintain certain facilities and cannot be quickly eliminated.

(a) Committed

(b) Discretionary

(c) Step

(d) None of the above

(ii) Example for Semi-Variable Expenses

(a) Landline Telephone Bill

(b) Rent of Office Building

(c) Depreciation of Machine

(d) Direct Material Cost

(iii) Which of the following costing method is suitable for Soap industry?

(a) contract costing

(b) process costing

(c) job costing

(d) batch costing

(iv) CAS-19 is related to

(a) Cost Accounting Standard on Depreciation and Amortisation

(b) Cost Accounting Standard on Joint Costs

(c) Cost Accounting Standard on Quality Control

(d) Cost Accounting Standard on Overburden Removal Cost

(v) On the basis of "Relationship with accounting period" costs are classified as

(a) Historical costs and Pre-determined costs.

(b) Capital costs and Revenue costs.

(c) Capital costs and Commercial costs.

(d) Product costs and Period costs.

(vi) Which of the following is not a technique of costing?

(a) Budgetary Costing

(b) Marginal Costing

(c) Standard Costing

(d) Process Costing

(vii) The method of costing used in foundries is _____.

(a) Process costing

(b) Job costing

(c) Batch costing

(d) Operating costing

(viii) The process of finding cost is known as _____.

(a) Costing

(b) Accounting

(c) Managing

(d) Auditing

(ix) Factory overheads are also known as _____overheads.

(a) Works

(b) Administration

(c) Selling

(d) None of the above

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

(a) per tonne

(b) per article

(c) per kg

(d) per foot

(xi) Cost accounting is a separate _____ of accounting.

(a) Branch

(b) Method

(c) Both (a) and (b)

(d) None of the above

(xii) By nature or element cost can be classified in _____ categories.

(a) 2

(b) 4

(c) 3

(d) none of the above

Answer any *one* question out of two questions **[8×1=8]**

9. PG Ltd. a manufacturing company, incurred the following expenses during a certain period. You are required to prepare a statement showing the sub-division of total cost.

	₹		₹
Materials used on jobs	12,05,400	Depreciation of plant	38,000
Wages traceable to jobs	8,66,500	Depreciation of delivery vans	16,000
Wages paid to men on maintenance work	1,26,000	Insurance on finished goods	25,000

Salesmen's salaries	1,51,000	Lubricating oil	2,500
Director's fees	1,00,000	Bad debts	3000
Carriage materials on raw	8,600	Commission to salesmen	28,500
Carriage outwards	28,000	Cost of idle time in factory	5,100
Factory rent and rates	83,000	Auditor's fees	38,000
Works salaries	2,04,000	Dividends paid	68,000
Hire of crane for jab no. 132	13,000	Lighting of showroom	15,000
Consumable stores	3,400	Office salaries and expenses	70,000
		Income tax	86,000

[8]

10. Prepare a statement of cost from the following data to show material consumed, Prime cost, factory cost, Cost of goods sold and profit.

	1-1-2015 (₹)	31-12-2015 (₹)
Raw material	60,000	50,000
Work-in-progress	24,000	30,000
Finished goods	1,20,000	1,10,000
Purchase of materials during the year		9,00,000
Wages paid		5,00,000
Factory overheads		2,00,000
Administration overheads		50,000
Selling and distribution overheads		30,000
Sales		20,00,000

[8]