**FOUNDATION COURSE EXAMINATION**

June 2019

***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) Decrease in the amount of creditors results generally

(A) increase in cash

(B) decrease in cash

(C) increase in assets

(D) No change in assets

(ii) Provision for bad debt is made as per the

(A) Entity Concept

(B) Conservatism Concept

(C) Cost Concept

(D) Going Concern Concept

(iii) Capital expenditures are shown in the

(A) Balance Sheet

(B) Profit & Loss A/c

(C) Trading A/c

(D) Manufacturing A/c



**Please Turn Over**

(iv) Import duty of raw material purchased is a

(A) Revenue Expenditure

(B) Capital Expenditure

(C) Deferred Revenue Expenditure

(D) None of the above

(v) Life Insurance Corporation Account is a

(A) Nominal Account

(B) Artificial Personal Account

(C) Representative Personal Account

(D) Real Account

(vi) Goods taken from business for personal use by the proprietor should be credited to

(A) Drawing A/c

(B) Capital A/c

(C) Sales A/c

(D) Purchase A/c

(vii) A cash book with discount and bank column is called as

(A) Single Column Cash Book.

(B) Two Column Cash Book.

(C) Three Column Cash Book.

(D) Petty Cash Book.

(viii) The periodical total of Returns Inward Day Book is posted to

(A) Debit of Sales Account.

(B) Debit of Sales Return Account.

(C) Credit of Sales Return Account.

(D) Debit of Debtors Account.

(ix) The process of transfer of entries from day book to ledger is called as

(A) Balancing

(B) Journal Posting

(C) Transaction

(D) Ledger Posting

(x) Which financial statement represents the accounting equation as— Assets = Liabilities + Owner's equity?

(A) Income Statement

(B) Statement of Cash Flows

(C) Balance Sheet

(D) Either (A) or (B)

(xi) In case the depreciable asset is revalued, the provision for depreciation is based on

(A) Market Value of the Asset.

(B) Historical Cost of the Asset.

(C) Depreciated Value of the Asset.

(D) The revalued amount over the estimate of the remaining useful life of such asset.

(xii) The Depreciation Account is closed at the end of the year by transfer to the

(A) General Reserve A/c

(B) Profit and Loss A/c

(C) Provision for Depreciation A/c

(D) Fixed Asset A/c

(xiii) The original cost of the machine is ₹ 19,00,000; machine installation charges are ₹ 1,00,000; working life of the machine is 5 years and residual value is ₹ 40,000. If the depreciation is charged on Straight Line basis then 4th year's depreciation will be

(A) ₹ 3,72,000

(B) ₹ 4,00,000

(C) ₹ 3,92,000

(D) ₹ 3,52,000

(xiv) Whenever errors are noticed in the accounting records, they should be rectified

(A) at the time of preparation of Trial Balance.

(B) without waiting the accounting year to end.

(C) after the preparation of final accounts.

(D) in the next accounting year.

(xv) A purchase of ₹ 49,500 from Shiva was recorded in Purchases Book as ₹ 59,400, the profit would show

(A) an increase of ₹ 9,900.

(B) a decrease of ₹ 9,900.

(C) an increase of ₹ 59,400.

(D) Neither an increase nor a decrease

(xvi) From the following details ascertain the adjusted bank balance as per Cash Book– overdraft as per Cash Book ₹ 1,60,000; cheque received entered twice in the Cash Book ₹ 10,000; credit side of bank column cast short by ₹ 1,000; bank charges amounting to ₹ 400 entered twice:

(A) ₹ 1,61,000

(B) ₹ 1,71,000

(C) ₹ 1,70,000

(D) ₹ 1,70,600

(xvii) When credit balance as per pass book is the starting point of a Bank Reconciliation Statement then bank charges are

(A) Subtracted

(B) Added

(C) Either (A) or (B)

(D) None of the above

(xviii) Retirement of bill means

(A) making payment before the due date.

(B) cancellation of the bill.

(C) sending the bill for collection.

(D) endorsing the bill in favour of third party.

(xix) At the time of dishonour of an endorsed bill, which account would be credited by the drawee?

(A) Bills Payable Account

(B) Drawer's Account

(C) Bank Account

(D) Bills Dishonoured Account

(xx) If a bill drawn on 13th July, 2018 for 30 days, payment must be made on

(A) 16th August, 2018

(B) 15th August, 2018

(C) 12th August, 2018

(D) 14th August, 2018

(xxi) At the end of the accounting year bills receivable discounted were ₹ 32,000 would be shown

(A) on Liabilities side of the Balance Sheet.

(B) on Assets side of the Balance Sheet.

(C) by way of a note with Balance Sheet.

(D) Not appeared anywhere

(xxii) X sends out goods to Y, costing ₹ 3,60,000. Goods are to be sold at cost plus 25% on sales. The consignor asked consignee to pay an advance for an amount equivalent to 60% of sales value. The amount of advance will be

(A) ₹ 2,88,000

(B) ₹ 2,16,000

(C) ₹ 2,70,000

(D) ₹ 3,36,000

(xxiii) X sends out certain goods to Y, costing ₹ 1,50,000 at cost plus 25% on invoice price. $\frac{3}{4}$ of the goods were sold by Y at ₹ 1,76,000. Commission 5% upto invoice value and 10% of any surplus above invoice value. The amount of commission will be

(A) ₹ 10,100

(B) ₹ 11,975

(C) ₹ 10,568·75

(D) ₹ 9,350

(xxiv) A purchased goods costing ₹ 2,60,000 for joint venture with B. B sold a major part of the goods at cost plus 25% on cost, for ₹ 2,50,000. Balance of goods were taken over by B at cost less 10%. Find out profit/loss on Joint Venture.

(A) (Loss) ₹ 10,000

(B) ₹ 55,250

(C) ₹ 44,000

(D) ₹ 50,000

(xxv) Which of the following account(s) is(are) maintained in the joint venture when separate set of books are maintained?

(A) Joint Bank A/c

(B) Joint Venture A/c

(C) Co-Venturer A/c

(D) All of the above

(xxvi) The Manufacturing Account is prepared

(A) to ascertain the profit or loss on the goods produced.

(B) to ascertain the cost of the manufactured goods.

(C) to show the sale proceeds from the goods produced during the year.

(D) Both (B) and (C)

(xxvii) At the time of preparation of financial accounts, balance of Bad Debts Recovered Account will be transferred to

(A) Debtor's Personal A/c

(B) Profit & Loss A/c

(C) Bad Debts A/c

(D) Profit & Loss Appropriation A/c

(xxviii) In case of not for profit making concern, endowment fund receipt is treated as

(A) Capital Receipt

(B) Revenue Receipt

(C) Either (A) or (B)

(D) Neither (A) nor (B)

(xxix) Any donation received for a specific purpose should be credited to

(A) Income and Expenditure Account

(B) Capital Fund

(C) Special Fund

(D) Either (A) or (B)

(xxx) Income and Expenditure Account shows subscriptions at ₹ 2,50,000. Subscriptions accrued in the beginning of the year and at the end of the year were ₹ 25,000 and ₹ 37,500 respectively. The amount of subscriptions received appearing in receipts and payments account will be

(A) ₹ 2,37,500

(B) ₹ 2,75,000

(C) ₹ 1,87,500

(D) ₹ 2,62,500

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

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

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

(iii) Bank Reconciliation Statement is a part/component of financial statements.

(iv) Capital Account is a real account in nature.

(v) Under straight line method of depreciation, the cost of the asset written off in equal proportion during its economic life.

(vi) Total of Purchase Day Book is short by ₹ 10,000 will not affect trial balance.

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

(viii) In case of endorsement of bill, endorser debits endorsee and credits B/P Account.

(ix) In sole trade, income tax is treated and recorded as drawings.

(x) At the end of the accounting year outstanding subscription is shown as liability in Balance Sheet.

(xi) The Balance Sheet will give the information regarding the financial position for a particular period.

(xii) Income and Expenditure Account closely resembles the Profit and Loss Account of a trading concern.

(c) Match the following **Column A** with **Column B**: 1×6=6

| Column A | | Column B | |
|---|---|---|---|
| 1. | Preliminary Expenses | A | Revenue Received |
| 2. | Interest Received | B | Bill of Exchange |
| 3. | Patent Account | C | Fictitious Asset |
| 4. | Obsolescence | D | Current Liability |
| 5. | Days of Grace | E | External Cause of Depreciation |
| 6. | Outstanding Salary for ₹ 25,000 | F | Real Account |

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

**2.** ABC Ltd. presented the following particulars as on 31st March, 2019, pass the necessary closing entries: 8

| Particulars | ₹ |
|---|---|
| 1. Sales | 1,50,000 |
| 2. Return Inward | 15,000 |
| 3. Purchase | 75,000 |
| 4. Wages | 7,500 |
| 5. Return Outward | 7,500 |
| 6. Salaries | 12,000 |
| 7. Rent | 6,000 |
| 8. Bad Debts | 1,500 |
| 9. Closing Stock | 22,500 |
| 10. Discount Received | 4,500 |
| 11. Discount Allowed | 6,000 |
| 12. Interest Received | 4,500 |
| 13. Opening Stock | 15,000 |
| 14. Sale of scrap items | 1,000 |
| 15. Abnormal loss of material | 2,000 |
| 16. Profit on sale of old furniture | 4,000 |

**3.** On 1st July, 2017 KC Limited purchased a machine for ₹ 13,30,000. Expenses incurred on its freight ₹ 45,000 and installation ₹ 1,25,000. On 1st May, 2018 another machine was purchased and installed for ₹ 15,60,000. The machine purchased on 1st July, 2017 was sold on 31st May, 2018 for ₹ 12,20,000. Depreciation is charged by the company @ 15% per annum on written down value basis.

Prepare Machinery Account for the years 2017-18 and 2018-19, if the books are closed on 31st March in every year. 8

**4.** The bank balance as per bank statement of Agni & Co as on 31st March, 2019, shows a credit balance of ₹ 19,500. On scrutiny with cash book the following point were noted:

(a) Cheques of ₹ 15,900 deposited on 29.03.2019 but two cheques of ₹ 9,500 credited by the bank on 03.04.2019.

(b) Cheques of ₹ 5,900 directly deposited with the bank on 25.03.2019 but not recorded in the cash book.

(c) As per standing instruction, bank has paid ₹ 2,500 against telephone bill and ₹ 1,200 for electric bill for the month of March, 2019 but intimation received on 3rd April, 2019.

(d) Some cheques of ₹ 16,000 issued to creditors on 30.03.2019, of those cheques cheque of ₹ 6,200 were presented by 31.03.2019.

(e) Bank has debited ₹ 500 for issuing cheque books but not recorded in cash book.

(f) One cheque of ₹ 2,000 deposited with the bank on 15.03.2019 but the bank credited ₹ 1,970 on 20.03.2019.

(g) An amount of ₹ 11,200 on maturity of fixed deposit transferred to current account but no entry was made in the Cash Book. 8

**5.** P, Q and R undertake to erect an office building for a Company. The contract price is agreed at ₹ 25,00,000 to be paid in cash ₹ 22,00,000 and the balance amount in shares of the company. They agreed to share profit or loss equally.

They opened a Joint Bank Account with cash contributed by P for ₹ 3,00,000; by Q ₹ 3,75,000 and by R ₹ 2,00,000. P arranges the preparation of building plans and paid ₹ 32,000 as architect's fees. Q brings a concrete mixer and allied machines for ₹ 80,000 and R brings a motor van valued at ₹ 75,000.

They paid ₹ 12,25,800 for material; ₹ 7,33,200 for wages; ₹ 60,000 for plant; and ₹ 20,000 for sundry expenses. On completion of the joint venture, concrete mixer is sold for ₹ 50,000 and plant and allied machines are sold as scrap for ₹ 10,000. R takes back the van at ₹ 40, 000.

Subsequently P took over the shares issued by the company at a valuation of ₹ 2,80,000.

Show the

(a) Joint Venture Account

(b) Joint Bank Account 8

**6.** The following Receipt and Payment account and other details are related to Moon Memorial Trust, this commences its function from 1st April, 2018 with a capital fund of ₹ 50,000 in cash and furniture of ₹ 10,000:

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To, Balance b/d | 50,000 | By, Salaries | 24,000 |
| To, Donation for general purpose | 60,000 | By, Conveyance | 6,000 |
| To, Legacies | 16,000 | By, Rent | 12,000 |
| To, Subscription | 14,000 | By, Stationeries | 2,000 |
| To, Furniture sold | 2,000 | By, Books and Journals | 9,400 |
| | | By, Building | 68,000 |
| | | By, Balance c/d | 20,600 |
| | 1,42,000 | | 1,42,000 |

Other information:

(a) Building was purchased on 1st April, 2018.

(b) Books and journals include ₹ 4,000 for purchase of books.

(c) Provide depreciation on furniture @10%, on building@10% and on books @25%.

(d) Outstanding expenses on account of rent are ₹ 1,000 and salary is ₹ 2,000.

(e) An outstanding subscription at the end of the year 2018-19 was ₹ 15,000 and subscription received in advance for 2019-20 was ₹ 5,000.

Prepare Income and Expenditure Account for the year ended 31st March, 2019 and the Balance Sheet as at 31st March, 2019. 8

**7.** Laxmi owed Durga ₹ 1,20,000. Durga draws a bill on Laxmi for that amount for 3 months on 1st April, 2018. Laxmi accepts it and returns it to Durga. On 15th April, Durga discounts it with AX Bank at a discount of 10% per annum. On the due date the bill was dishonoured, the bank paid noting charges of ₹ 150. Durga settles the bank's claim with noting charges in cash. Laxmi accepted another bill for four months for the amount due plus interest @ 12% per annum on 1st July, 2018. Before the new bill became due, Laxmi retires the bill with a rebate of ₹ 750. Show the journal entries in the books of Durga. 8

## Section-B

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

(i) All indirect costs are termed as

(A) Prime Cost

(B) Factory Cost

(C) Conversion Cost

(D) Overheads

(ii) CAS-21 is related to

(A) Cost Accounting Standard on Overburden Removal Cost.

(B) Cost Accounting Standard on Interest and Financing Charges.

(C) Cost Accounting Standard on Joint Cost.

(D) Cost Accounting Standard on Quality Control.

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

(A) Historical Costs and Pre-determined Costs.

(B) Capital Costs and Commercial Costs.

(C) Capital Costs and Revenue Costs.

(D) Product Costs and Period Costs.

(iv) Cost of staff services is an example of

(A) Committed Costs

(B) Policy and Managed Costs

(C) Discretionary Costs

(D) Step Costs

(v) Which of the following is not a method of costing?

(A) Process Costing

(B) Batch Costing

(C) Direct Costing

(D) Operating Costing

(vi) The written down value of the abandoned plant less its salvage value is

(A) Imputed Cost

(B) Sunk Cost

(C) Avoidable Cost

(D) Opportunity Cost

(vii) The costs are differentiated between fixed and variable costs under

(A) Marginal Costing

(B) Direct Costing

(C) Standard Costing

(D) Absorption Costing

(viii) Which of the following is a suitable cost unit for the BPO Services/ Call Centers?

(A) Cost per item

(B) Cost per hour

(C) Cost per account handled

(D) Cost per minute

(ix) Interest on own capital is

(A) Cash Cost

(B) Notional Cost

(C) Part of Prime Cost

(D) Semi-variable Cost

(x) Variable costs are fixed

(A) for a period.

(B) per unit.

(C) for a particular process of production.

(D) depends upon the entity.

(xi) Advertisement costs are treated as

(A) Direct Expenses

(B) Cost of Production

(C) Selling Overhead

(D) Distribution Overhead

(xii) Direct Wages ₹ 2,05,000 and Factory Cost ₹ 5,60,000. If the ratio of direct wages and factory overhead is 5:3 then Direct Material Cost will be

(A) ₹ 2,32,000

(B) ₹ 3,50,000

(C) ₹ 3,41,667

(D) ₹ 2,24,000

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

**9.** Given:

Factory Cost ₹ 61,50,000; Factory Overhead ₹ 10,50,000 (which are 40% of Direct Wages);

Administrative overheads are recovered at 10% of Factory Cost and Selling and Distribution Overheads would be 5% of sales. If the profit margin is 25% on cost then find out the

Direct Material

Direct Wages

Prime Cost

Cost of Production

Selling and Distribution Overhead

Cost of Sales

Profit

Sales Value 8

**10.** Prepare a statement of cost from the following data to show the material consumed, prime cost, factory cost, cost of goods sold and profit for the year 2018-19. 8

| Particulars | ₹ |
|---|---|
| 1. Purchase of raw material during the year | 13,50,000 |
| 2. Wages paid | 7,50,000 |
| 3. Power and Fuel | 2,00,000 |
| 4. Rent of factory | 1,00,000 |
| 5. Salary of office employee | 50,000 |
| 6. Rent of office | 25,000 |
| 7. Show room rent | 15,000 |
| 8. Salary and commission of salesman | 30,000 |
| 9. Sales | 30,00,000 |

Other information:

| Stock | Opening (₹) | Closing (₹) |
|---|---|---|
| Raw material | 90,000 | 75,000 |
| Work in progress | 36,000 | 45,000 |
| Finished goods | 1,80,000 | 1,65,000 |