

FOUNDATION COURSE EXAMINATION

December 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) Which of the following transaction is not recorded in cash book?
 - (A) Bad debts recovered
 - (B) Prepaid expenses
 - (C) Trade discount allowed
 - (D) Freight paid for acquiring an asset
- (ii) Credit purchase of fixed asset is recorded in
 - (A) Journal proper
 - (B) Purchase book
 - (C) Cash book
 - (D) Petty cash book
- (iii) Expenses paid but not accrued means
 - (A) Capital expenses
 - (B) Outstanding expenses
 - (C) Prepaid expenses
 - (D) Cash
- (iv) Till the discounted bill is paid by the acceptor, it remains as
 - (A) a contingent liability
 - (B) a current liability
 - (C) an asset
 - (D) an expense
- (v) The amount of yearly depreciation under written down value method
 - (A) remains same over the years
 - (B) decreases year by year
 - (C) increases year by year
 - (D) fluctuates

Please Turn Over

- (vi) Goods purchased from Mr. A but wrongly entered in the account of Mr. B. The rectification of error will result in
 - (A) increase in gross profit
 - (B) decrease in gross profit
 - (C) no effect on gross profit
 - (D) either A or B
- (vii) When cash received for services rendered in the past
 - (A) Owner's equity increases
 - (B) Current asset increases
 - (C) Profit increases
 - (D) None of the above
- (viii) Stock in the hand of the consignee is valued
 - (A) at market price or cost price whichever is less.
 - (B) at selling price.
 - (C) at cost price after inclusion of proportionate non-recurring expenses.
 - (D) at consignment price.
- (ix) Noting charges are paid by
 - (A) the drawee
 - (B) the drawer
 - (C) the payee
 - (D) the acceptor
- (x) The valuation procedure for stock is cost or net realisable value, whichever is lower. The procedure follows as per
 - (A) Historical Cost Concept
 - (B) Going Concern Concept
 - (C) Money Measurement Concept
 - (D) Conservatism Concept
- (xi) When incomes recognised on cash basis and expenditure recognised on accrual basis, the system termed as
 - (A) Accrual basis of accounting
 - (B) Cash basis of accounting
 - (C) Mercantile basis of accounting
 - (D) Hybrid basis of accounting

- (xii) Which one is not considered as capital expenditure?
- (A) Depreciation
 - (B) Architect's fees
 - (C) Demolition cost
 - (D) Legal cost for buying property
- (xiii) Legal charges paid to defend a suit on firm's factory site is
- (A) Capital expenditure
 - (B) Revenue expenditure
 - (C) Deferred revenue expenditure
 - (D) Prepaid expenditure
- (xiv) Profit and loss account is prepared for a period of one year by following the concept of
- (A) Consistency Concept
 - (B) Cost Concept
 - (C) Going Concern Concept
 - (D) Periodicity Concept
- (xv) The trial balance checks
- (A) Nature of business
 - (B) Valuation of closing stock
 - (C) Correctness of cash in hand
 - (D) Arithmetical accuracy
- (xvi) Errors in carry forward of closing balances from one year to another which affects
- (A) Nominal accounts
 - (B) Real accounts
 - (C) Personal accounts
 - (D) Both (B) and (C)
- (xvii) If a bill drawn on 13th July 2018 for 60 days, payment must be made on
- (A) 15th September, 2018
 - (B) 14th September, 2018
 - (C) 13th September, 2018
 - (D) 12th September, 2018

- (xviii) If a co-venturer takes away goods under memorandum joint venture account method then he will debit these goods in his books to
- (A) Joint Venture account
 - (B) Drawings
 - (C) Purchase account
 - (D) Debtor's account
- (xix) The manufacturing account is prepared
- (A) to ascertain the cost of goods manufactured.
 - (B) to ascertain gross profit.
 - (C) to ascertain profit or loss on the goods manufactured.
 - (D) to ascertain the cost of goods sold.
- (xx) 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
- (xxi) Any revenue expense for which a separate fund is available will be
- (A) capitalised and shown in the balance sheet.
 - (B) debited to income and expenditure account.
 - (C) debited to the separate fund.
 - (D) None of the above
- (xxii) _____ is not objective of accounting.
- (A) Gives accurate information
 - (B) Keeps records in systematic manner
 - (C) Analyses recorded data
 - (D) Ascertain financial position of business
- (xxiii) Which of the following is not a paper transaction?
- (A) Charge of depreciation
 - (B) Discount received
 - (C) Bad debts written off
 - (D) Cash stolen from office

- (xxiv) Which of the following is capital expenditure?
- (A) Repairs of fixed asset
 - (B) Demolition cost
 - (C) Locker rent
 - (D) Annual subscription
- (xxv) Advertising expenses for launching a new product of the company is _____.
- (A) Revenue expenditure
 - (B) Capital expenditure
 - (C) Deferred revenue expenditure
 - (D) Deferred capital expenditure
- (xxvi) _____ does fulfil the function of both a journal and a ledger.
- (A) Purchase book
 - (B) Cash book
 - (C) Sales book
 - (D) Bills Payable book
- (xxvii) Which of the following is artificial personal account?
- (A) SBI account
 - (B) Wages paid account
 - (C) Discount received account
 - (D) Drawings account
- (xxviii) Accounting cycle ends with preparation of _____.
- (A) the journal/ledger
 - (B) the trial balance
 - (C) the financial statement
 - (D) the closing entries record
- (xxix) Journal proper uses to record _____.
- (A) bad debts recovered
 - (B) all cash purchases of assets other than goods
 - (C) writing of bad debts
 - (D) purchase of goods on credit
- (xxx) In case of, deposited of cheque into bank but not collected, the balance is less as per _____.
- (A) Cash book
 - (B) Pass book
 - (C) Pass book overdraft
 - (D) Both (A) and (B)

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

1×12=12

- (i) In case of non-profit organization, excess of income over expenditure is known as surplus.
- (ii) Error of omission will not affect trial balance.
- (iii) Favourable bank balance means, debit balance in the pass book.
- (iv) Balance Sheet covers the position for a period and not the position of a particular day.
- (v) Goods bought for ₹ 25,000 passed through sales day book will result an increase in gross profit.
- (vi) Statement of affairs means statement of assets and liabilities.
- (vii) A bill of exchange is a conditional order in writing given by a debtor to a creditor.
- (viii) Accumulated depreciation account can be located in the debit side of the trial balance.
- (ix) Closing stock appeared in the trial balance is taken to Trading Account.
- (x) Credit balance of Joint Venture Account is a profit on Joint Venture.
- (xi) Ownership expressed in terms of money is called Capital Account.
- (xii) Renewal fee for patents is revenue expenditure.

(c) Match the following Column A with Column B:

1×6=6

	Column A		Column B
1.	Dishonour of a bill	A	Current Asset
2.	Statement furnished by consignee to consignor	B	Capital Expenditure
3.	Outstanding Salaries A/c	C	Notary Public
4.	Outstanding Subscription	D	Representative Personal Account
5.	Preliminary Expenses	E	Intangible Asset
6.	Amortization term related to	F	Account sales
		G	Current Liabilities
		H	Revenue Expenditure

Answer any four questions out of six questions.

8×4=32

2. Journalize the following transactions in the books of Chandu, 2018:

- October 1 Chandu started business with ₹ 25 Lakh of which 20% amount was borrowed from his friend Shaurabh.
- October 5 Office furniture purchased from Furniture Mart for ₹ 1,25,000 and one Laptop purchased for ₹ 35,500.
- October 6 Goods purchased from KC worth ₹ 4.5 Lakh at 10% trade discount and 40% of the amount was paid in cash.
- October 10 Goods sold to Rajnee for ₹ 3.2 Lakh at 20% trade discount and received one-fifth of the amount in cash.
- October 14 Goods destroyed by fire of ₹ 52,000 which was uninsured.
- October 18 Paid to KC ₹ 1,85,000 and discount received ₹ 3,700.
- October 22 Received from Rajnee ₹ 2 Lakh in full settlement of account.
- October 26 Goods costing ₹ 4,500 (Net selling price ₹ 5,400) taken away by Chandu for personal use.

3. Kush Ltd. purchased a second hand machinery on 01.04.2015 for ₹ 65,000, paid ₹ 12,400 for its overhauling and ₹ 5,500 for its installation which was completed by 30.6.2015. The company provides depreciation on its machinery at 15% per annum on the basis of diminishing value method from the date it is put to use and closes its books on March 31 every year. On 01.10.2016, a repair work was carried out on the machine and ₹ 4,000 were paid for the same. The machine was sold on 31.01.2018 for a sum of ₹ 52,000 and an amount of ₹ 462 was paid as dismantling charges. Prepare Machinery Account from 2015-16 to 2017-18.

4. Prepare a bank reconciliation statement as on 31st October, 2018 from the following information and show the balance of pass book:

- (a) Credit balance as per bank column of cash book ₹ 3,57,500.
- (b) Three cheques amounting of ₹ 1,20,000 were issued but one cheque for ₹ 28,000 was not presented during the month.
- (c) Cheques deposited into bank for ₹ 1,50,000 but ₹ 1,15,000 not yet collected.
- (d) Gas bill for ₹ 12,000 paid directly by bank.
- (e) Interest on investment for ₹ 15,000 was collected by bank but entered in the cash book as ₹ 51,000.
- (f) Bank charges ₹ 3,000 not entered in the cash book.
- (g) A customer directly deposited ₹ 16,500 into bank for which there was no entry in the cash book.
- (h) A debit of ₹ 7,800 in the pass book in respect of dishonoured cheque but no corresponding entry in the cash book.

5. The debit side of the trial balance of JP & Associates showed ₹ 5,500 less than credit side. Difference of the trial balance was put in the suspense account. Later the following errors were detected:

- Goods returned by a customer for ₹ 3,000 entered in the customer's account but not entered in the sales return account.
- Goods sold to Nayan on credit for ₹ 7,000 was entered in the sales book but not posted to his account.
- ₹ 5,800 paid by Mohan Traders was credited to their account as ₹ 580.
- ₹ 2,600 due from Virat was not entered in the schedule of sundry debtors.
- Purchase book was overcast by ₹ 1,880.

Pass the necessary rectification entries without giving narration and prepare Suspense Account.

6. Bhatiya Krida Parishad gives you the following Receipts and Payments Account for the year ended 31st March, 2018:

Dr.		Cr.	
Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d		By Salaries	22,000
Cash in hand	1,500	„ Sports equipment	50,000
Cash at Bank	14,200	„ Stationary	2,000
„ Subscription	75,000	„ Maintenance of ground	8,000
„ Admission fee	13,500	„ Prizes	1,000
„ Interest on Investment @ 10 p.a. for full year	10,000	„ Balance c/d	
„ Donation	2,000	Cash in hand	23,200
		Cash at bank	10,000
	1,16,200		1,16,200

Other information:

	On 01.04.2017 (₹)	on 31.03.2018 (₹)
(i) Subscription due	4,000	5,500
(ii) Advance subscription	800	500
(iii) Land & Building (cost less depreciation)	2,00,000	1,90,000
(iv) Salaries outstanding	1,000	2,000

You are required to prepare Income and Expenditure Account for the year 31st March, 2018 and Balance Sheet as on that date.

7. Bivas sent goods to Arpan on consignment basis. As per terms, Arpan will have to receive 20% commission on invoice price and 10% on sale value above the invoice price. Arpan will meet all his expenses himself. Bivas sent goods whose cost were ₹ 32,000 at a proforma invoice price cost plus 25% and spent ₹ 3,000 on freight charges. Arpan accepted a bill for ₹ 32,000 immediately on receiving the consignment. His expenses were ₹ 400 as rent and ₹ 200 as insurance. Arpan sold 80% of goods for ₹ 41,600. Part of sales were on credit and one customer failed to pay ₹ 800.

You are required to prepare Consignment Account and Arpan's Account in the books of Bivas.

SECTION – B

8. Choose the correct answer from the given *four* alternatives: 1×12=12
- (i) A technique and process of ascertaining costs is known as
- (A) Cost
 - (B) Costing
 - (C) Cost Accounting
 - (D) Cost Accountancy
- (ii) The branch of the accounting dealing with the classification, recording, allocation, summarizing and reporting of current and prospective costs, is known as
- (A) Financial Accounting
 - (B) Management Accounting
 - (C) Cost Accounting
 - (D) Cost Accountancy
- (iii) Which of the following is not a function of Cost Accountancy?
- (A) Cost Control
 - (B) Cost Ascertainment
 - (C) Cost Analysis
 - (D) Cost Accounting
- (iv) Which of the following 'CAS' is related to 'Pollution Cost'?
- (A) CAS-11
 - (B) CAS-13
 - (C) CAS-14
 - (D) CAS-17

- (v) 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
- (vi) Depreciation on building is an example of
- (A) Committed Costs
 - (B) Policy and Managed Costs
 - (C) Discretionary Costs
 - (D) Step Costs
- (vii) When the volume of output is increased then the per unit fixed cost will be
- (A) increase in the proportion of output.
 - (B) decrease in the reverse proportion of output.
 - (C) changed but not in proportion of output.
 - (D) unchanged.
- (viii) Which of the following costing method is suitable for Toy Making Industry?
- (A) Contract Costing
 - (B) Process Costing
 - (C) Job Costing
 - (D) Batch Costing
- (ix) Which of the following is not a technique of costing?
- (A) Marginal Costing
 - (B) Process Costing
 - (C) Standard Costing
 - (D) Budgetary Costing
- (x) Excise duty is an example of
- (A) Chargeable expense
 - (B) Factory Overhead
 - (C) Administrative Overhead
 - (D) Non-cost item

(xi) Interest on own capital is

- (A) Cash cost
- (B) Notional cost
- (C) Sunk cost
- (D) Part of Prime cost

(xii) Over which the following costs, management is likely to have least control?

- (A) Wages cost
- (B) Building Insurance cost
- (C) Machinery Breakdown cost
- (D) Advertisement cost

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

8×1=8

9. Classify the following expenses items according to functions such as Factory Overhead, Office & Administrative Overhead and Selling & Distribution Overhead:

- (i) Printing and Stationery
- (ii) Legal Expenses
- (iii) Showroom Expenses
- (iv) Demonstration Expenses
- (v) Carriage Outwards
- (vi) Motive Power
- (vii) Audit Fees
- (viii) Market Research Expenses
- (ix) Technical Director's Fees
- (x) Materials Handling Charges
- (xi) Samples and Gifts
- (xii) Storekeeper's Salary
- (xiii) Cost of Tenders
- (xiv) Postage and Telegram
- (xv) Loose and Tools Written-off
- (xvi) Cost of Catalogues

10. Following information gathered from the cost accounting records of ABC Associates for the year 2017-18:

Particulars	Amount (₹)
(a) Opening Stock– Raw material	90,000
Work in progress	36,000
Finished goods	1,80,000
(b) Purchase of material during the year	13,50,000
(c) Wages paid	7,50,000
(d) Carriage Inwards	28,500
(e) Factory overhead	3,00,000
(f) Administrative overhead	75,000
(g) Selling and distribution overhead	45,000
(h) Sales	30,00,000
(i) Closing Stock-Raw material	75,000
Work in progress	45,000
Finished goods	1,65,000

You are to prepare a Cost Sheet showing the following:

- (i) Prime Cost
- (ii) Factory Cost
- (iii) Cost of goods sold
- (iv) Profit for the year