

**FOUNDATION COURSE EXAMINATION**

December 2017

**P-2(FOA)  
Syllabus 2012**

**Fundamentals of Accounting**

Time Allowed: 3 Hours

Full Marks: 100

*The figures in the margin on the right side indicate full marks.*

**SECTION – A**

1. Choose the correct answer from the given four alternatives:

1×6=6

(i) Till the discounted bill is paid by the acceptor it remains:

- (a) A contingent liability for the acceptor.
- (b) A contingent liability for the Drawer.
- (c) A contingent liability for the Bank.
- (d) A liability for the Drawer.

(ii) When cash is received for services rendered in the past:

- (a) Owner's equity increases.
- (b) Current asset increases.
- (c) Profit increases.
- (d) None of the above

(iii) Life membership fees received by a non-profit organisation is treated as:

- (a) Revenue receipt.
- (b) Capital receipt.
- (c) Deferred revenue receipt.
- (d) Both revenue and capital receipt.

(iv) Increase in the value of closing stock results in:

- (a) Increase in gross profit.
- (b) Reduction in net profit.
- (c) No effect on net profit.
- (d) None of the above

**Please Turn Over**

(v) Accounting equation is based on the principles of \_\_\_\_\_ .

- (a) Realisation concept
- (b) Dual concept
- (c) Business entity concept
- (d) Accrual concept

(vi) When goods are sold on approval basis then

- (a) ownership is transferred immediately.
- (b) ownership did not transferred immediately.
- (c) both goods and ownership were transferred immediately.
- (d) neither goods nor ownership is transferred immediately.

2. State whether the following statements are *True* or *False*: 1×6=6

- (i) If the profit sharing ratio among the co-venturers is not given, the profit of the joint venture is distributed among the co-venturers in capital ratio.
- (ii) Balances of personal accounts are carried forward to the next year.
- (iii) Salary paid to factory manager will be debited to his personal account.
- (iv) Accumulated depreciation can be located in the debit side of the Trial balance.
- (v) Journal serves as an input for the transactions posted in the ledger.
- (vi) Heavy expenditure to launch a new product is a capital expenditure.

3. Journalise the following transactions: 2×3=6

- (i) Raj started business with ₹ 50 lakh, out of which 30% amount was borrowed from his wife.
- (ii) On discovery of error it is detected that a credit sales of ₹ 6600 to Amar Singh has been entered in purchase book.
- (iii) Purchased machinery of ₹ 30,000 from A Ltd. and incurred ₹ 2,000 for installation.

4. Fill in the blanks: 2×6=12

- (i) Closing stock is valued at cost or \_\_\_\_\_ whichever is less.
- (ii) \_\_\_\_\_ days are allowed as 'days of grace'.
- (iii) In case of Non-Trading concern surplus for the year means \_\_\_\_\_ of income over expenditure.
- (iv) \_\_\_\_\_ concept of accounting is not strictly followed in the case of Single entry system.
- (v) The consignee prepared a statement in proper form about expenses, commission due, etc., to him and send it to the consignor is called \_\_\_\_\_.
- (vi) If it is not possible to locate the errors, then the difference of trial balance is transferred to the \_\_\_\_\_ account.

5. Match the following:

1×6=6

	Column 'A'		Column 'B'
(i)	Subscription received in advance	A	Nominal A/c
(ii)	Joint venture A/c	B	Current liability
(iii)	General reserve	C	Personal A/c
(iv)	Income Account has	D	Internal liability
(v)	Interest receivable Account	E	Bill of exchange
(vi)	Nothing charge	F	Credit Balance

6. Answer any three questions. Each question carries 8 marks:

8×3=24

- (i) Vinod Ltd. purchased a machine for ₹ 5,00,000 on 01.01.2014, which was sold on 31.12.2016 for ₹ 2,00,000. Another machine was purchased on 01.07.2015 for ₹ 7,00,000. The company provides depreciation at 15% p.a. on straight line method. The company closes its accounts on 31st December every year.

Prepare the following accounts

- (i) Machinery A/c.  
(ii) Machinery Disposal A/c.  
(iii) Provision for depreciation A/c.

- (ii) From the following Trial Balance of Siyaram School of Education, prepare Income and Expenditure Account for the year ended 31.12.2016 and also the Balance Sheet as on 31.12.2016

Particulars	Debit (₹)	Particulars	Credit (₹)
Buildings	37,89,000	Capital Fund	51,30,710
Investments	21,25,000	Donation (capital)	1,99,000
Bank Balance	65,500	Investment Reserve Fund	1,85,000
Cash in hand	1,520	Creditors	1,77,900
Library Books	2,30,000	Entrance fees	2,02,600
Furniture	1,59,500	Examination fees	40,300
Debtors	59,700	Tuition fees received	6,16,810
Books Purchased (on 01.07.2016)	52,200	Interest	85,000
Furniture purchased (on 01.07.2016)	35,500	Rent (school building)	95,500

Please Turn Over

Salary	1,55,900	Other receipt	4,400
Printing and Stationary	8,500		
Postage and Telephone	2,500		
Insurance	10,400		
Examination expenses	24,000		
Periodicals	15,600		
General expenses	2,400		
	<u>67,37,220</u>		<u>67,37,220</u>

Additional Information:

Tuition fees receivable ₹ 22,500, Tuition fees received for 2017 ₹ 7,850. Interest accrued on investments ₹ 6,250. Salary outstanding for ₹ 12,500, Prepaid insurance ₹ 4,500.

Depreciation on Furniture @10% per annum, Building @10% per annum and Books @15% per annum to be charged.

(iii) Hira and Moti entered into a joint venture for buying and selling of garments during puja days. They opened a Joint Banc A/c. Hira deposited ₹ 4,00,000 and Moti ₹ 3,00,000. Hira supplied packing materials worth ₹ 50,000 and Moti supplied decorative materials worth ₹ 30,000.

The following payments were made by the venture:

- (a) Cost of garments purchased ₹ 5,00,000.
- (b) Transportation charges ₹ 24,000.
- (c) Advertising ₹ 15,000 and sundry expenses ₹ 5,000.

They sold garments for 8,00,000 for cash. Hira took over some garments for 60,000 and Moti took over remaining for 20,000. The profit or losses were to be shared in the ratio of 3:2 between co-venturers.

Prepare : Joint Venture A/c.

Joint Bank A/c.

And each Co-venture's A/c.

(iv) The Bank Pass Book of Mithu Trading Company showed an overdraft balance of ₹ 60,000 on 31.12.2016. Prepare the Bank Reconciliation statement based on the following details:

- (a) Cheque issued but not presented till 31st December' 16 for ₹ 55,000.
- (b) Cheque deposited but not credited up to 31.12.2016 for ₹ 90,000.
- (c) Bank charges ₹ 300 was entered only in the Pass Book.

- (d) A cheque for ₹ 65,000 issued in settlement of a debt was encashed on 30.12.2016 but entered in Cash Book as ₹ 56,000.
- (e) Amount transferred from fixed deposit account into current account ₹ 75,000 appeared only in Pass Book.
- (f) Dividend collected by Bank ₹ 12,500 was wrongly entered as ₹ 15,200 in Cash Book.
- (g) Directly deposited into Bank account by Madhu Traders ₹ 21,000 not entered in Cash Book.
- (v) Mohan and Sohan were friends and in need of funds. On 1st April, 2016 Mohan drew a bill for ₹ 2,00,000 for three months on Sohan. On 04.04.2016 Mohan got the bill discounted at 18% per annum and remitted half of the proceeds to Sohan. On 01.07.2017, Sohan drew a bill on Mohan for ₹ 1,20,000 for two months and Mohan accepted the same. This was discounted by Sohan at 18% per annum and out of this ₹ 19,400 was paid to Mohan after deducting ₹ 600 discounting charges. Due to financial crisis, Mohan became insolvent and the bill drawn on him was dishonoured and his estate paid 45%. Days of grace for discount purpose may be ignored.

Give journal entries in the books of Mohan and prepare Sohan's account in Mohan's books.

### SECTION - B

1. Choose the correct answer from the given four alternatives:

1×6=6

- (i) Which of the following is usually prepared daily by employees for each job worked on?
- (a) Labour job ticket
  - (b) Time card
  - (c) Punch card
  - (d) Cost control card
- (ii) An increase in fixed cost will result into
- (a) Decrease in PV ratio
  - (b) Decrease in contribution per unit
  - (c) Increase in Break Even Level
  - (d) Increase in PV ratio
- (iii) In the situation of increasing prices, the valuation of closing stock is less under
- (a) LIFO
  - (b) FIFO
  - (c) Simple Average
  - (d) Weighted Average

- (iv) Bad debts are treated as
  - (a) Direct expenses
  - (b) Cost of production
  - (c) Selling overhead
  - (d) Distribution overhead
- (v) CAS-9 is related to
  - (a) Material Cost
  - (b) Cost of Utilities
  - (c) Packing Material Cost
  - (d) Administrative Overheads
- (vi) Which of the following is not a method of Costing?
  - (a) Operating Costing
  - (b) Farm Costing
  - (c) Uniform Costing
  - (d) Operation Costing

2. Fill in the blanks:

1×6=6

- (i) In behavioural analysis costs are divided into \_\_\_\_\_ and \_\_\_\_\_.
- (ii) Difference between \_\_\_\_\_ and time booking is called Idle time.
- (iii) \_\_\_\_\_ is the time between ordering and replenishment of stock.
- (iv) Payment of Royalty is \_\_\_\_\_ expenses.
- (v) Contribution earned on Margin of safety equals to \_\_\_\_\_.
- (vi) Factory Cost plus Administration Overheads are known as Cost of \_\_\_\_\_.

3. Match the following:

1×6=6

	Column 'A'		Column 'B'
(i)	Contribution = Fixed Cost	A	Cost centre
(ii)	Canteen and Recreation	B	Decision Making
(iii)	Variable Cost	C	Behavioural
(iv)	Distribution Cost	D	Break Even Point
(v)	Opportunity Cost	E	Variable Cost
(vi)	Freight Inward	F	Functional

4. State whether the following statements are *True* or *False*:

1×6=6

- (i) Vacation pay for factory workers should be charged to factory overhead.
- (ii) Cost centre is sometimes known as Cost unit.
- (iii) With the change of production, variable cost per unit will remain fixed.
- (iv) Abnormal costs are not controllable.
- (v) A tablet is an appropriate cost unit for Pharmaceutical Industry.
- (vi) Increase in fixed cost should decrease P/V Ratio.

5. Answer *any two* questions (Each question carries 8 marks):

8×2=16

(i) From the following information find out the Factory Cost:

Opening stock of Raw Material	₹ 25,000
Purchase of Raw Material	₹ 2,14,000
Closing stock of Raw Material	₹ 32,000
Direct wages	₹ 79,400
Carriage Inward	₹ 8,600
Depreciation for Factory	₹ 30,000

Factory rent etc. 150% of depreciation.

Also find out Office and Administrative Overheads which is 7.5% of Factory Cost.

(ii) A machine room of a company with 40 machines works on 85% capacity and normal maintenance time is assumed as 5%. In 365 days in a year, the company follows 8 holidays and all Sundays as weekly off. It works 8 hours from Monday to Friday and 4 hours on Saturdays.

Following expenses were incurred during the year for all the machines:

Electricity charges	38,00,000
Foreman's salary	12,50,000
Waste and lubricant's	68,000
Repair & maintenance	14,50,000
Depreciation	8,00,000

Calculate the machine hour rate.

(iii) Following transactions are given in the books of a company for the month of March, 2017. Write up a store ledger using Weighted Average Method and show the break-up value of closing stock.

- March 01. – Opening balance 1000 units @ ₹ 6 per unit.
- March 05. – Purchased 200 units @ ₹ 7 per unit.
- March 07. – Issued 800 units.

- March 09. – Purchased 600 units @ ₹ 8 per unit.
- March 19. – Issued 500 units.
- March 22. – Issued 100 units.
- March 25. – Purchased 600 units @ ₹ 7.50 per unit.
- March 30. – Issued 500 units.

(iv) Following details are provided by Ritu Ltd.

	2015 – 2016	2016 – 2017
	₹	₹
Sales	38,50,000	75,60,000
Total Cost	43,10,000	65,36,000

You are required to calculate, (i) P/V Ratio; (ii) Fixed Cost (iii) BEP: and (iv) Margin of safety for 2016–17.

3+2+2+1=8