

FOUNDATION COURSE EXAMINATION

June 2016

Fundamentals of Accounting

P-2(FOA)
Syllabus 2012

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:

6×1=6

- (i) The bank column stands in _____.
- (a) Single column cash book
 - (b) Double column cash book
 - (c) Triple column cash book
 - (d) either double column cash book or triple column cash book
- (ii) An entry of ₹ 5,400 has been debited to Akash A/c at ₹ 4,500. It is an error of _____.
- (a) Omission
 - (b) Commission
 - (c) Principle
 - (d) Mis-posting
- (iii) When the closing stock has been shown in the trial balance, then at the time of preparation of the final accounts, it will be shown in the _____.
- (a) Trading account
 - (b) Balance sheet
 - (c) either Trading account or Balance sheet
 - (d) both the Trading account and Balance sheet
- (iv) Current liability means _____.
- (a) which is payable after one year
 - (b) which is payable within 12 months
 - (c) which is less than ₹ 50,000
 - (d) which is payable immediately

Please Turn Over

(v) The formula, $[(\text{Cost of the asset} - \text{Residual value}) / \text{Estimated life of the Asset}]$, is used for calculation of depreciation in the _____.

- (a) Straight line method
- (b) Reducing balance method
- (c) Annuity method
- (d) Insurance policy method

(vi) In a business, opening stock is of ₹ 5,00,000, purchases and sales during the period ₹ 25,00,000 and ₹ 32,00,000 respectively, closing stock ₹ 6,00,000. Percentage of gross profit on sales will be _____.

- (a) 16.67%
- (b) 33.33%
- (c) 20%
- (d) 25%

2. State whether the following statements are True or False:

6×1=6

- (i) Payment of wages to one's own workers for building a new office extension is a revenue expenditure.
- (ii) Claims against the company not acknowledged as debt will be shown as internal liability.
- (iii) Receipt and Payment Account is prepared when entries are made on cash basis.
- (iv) Del Credre commission is allowed to cover the risk of bad debt.
- (v) Sale of goods on approval or return basis cannot be called as a sale.
- (vi) Prepaid insurance account is a nominal account.

3. Journalise the following transactions:

3×2=6

- (i) Received cash from M/s. Vikas & Co. ₹ 33,700 in full settlement of ₹ 35,100.
- (ii) Bad debts recovered from Sunil ₹ 3,500.
- (iii) Bought goods from M/s. Munshi & Co. for ₹ 5,000 at 10% trade discount.

4. Fill in the blanks:

6×2=12

- (i) Unfavourable bank balance means _____ balance in cash book.
- (ii) $\text{Gross profit} + \text{Opening stock} + \text{Purchases} + \text{Direct Expenses} - \text{sales} = \text{_____}$.
- (iii) _____ to be disclosed by way of a note to the financial statements.
- (iv) When the drawee become insolvent, the bill accepted by him is treated as _____.
- (v) Software is an example of _____ asset.
- (vi) Net worth is excess of assets over _____.

5. * Match the following:

6×1=6

| Column 'A' | Column 'B' |
|--|---|
| (1) Recoding assets as their original cost | (a) Liability side in the Balance Sheet |
| (2) Assets minus liabilities | (b) Capital expenditure |
| (3) Pre-receipt of income | (c) Owner's equity |
| (4) Return Inward | (d) Journal |
| (5) Wages paid for installation of machine | (e) Historical cost concept |
| (6) Adjusting entries | (f) Sales |

6. Answer any three questions:

3×8=24

(i) Pass necessary journal entries with proper narration to rectify the following errors:

- Amount of ₹ 1,800 received as interest was credited to commission account.
- An amount of ₹ 3,000 withdrawn by the owner for personal use was debited to salary account.
- Old furniture of book value ₹ 1,700 sold to Neel was recorded in sales book.
- The year end total of sales book was under cast by ₹ 1,000.
- A bill of ₹ 26,000 for extension of building was debited to its repair account.
- ₹ 3,500 received from Manish was credited to Manisha's account.
- Goods worth ₹ 750 returned by a customer, but not entered in Return Inward Register.
- A sale of goods to joy for ₹ 1,750 was wrongly entered in Purchase book.

(ii) From the following particulars of M/s. Narayan Trading Co., prepare a bank reconciliation statement as on 31st March, 2016:

- Bank balance as per cash book (bank column) as on 31.03.2016 was ₹ 9,620, but as per pass book, it appears as ₹ 20,860.
- A cheque of ₹ 1,270 issued to a supplier was entered as a receipt in cash book by mistake. This cheque was presented for payment before 31st March, 2016.
- Out of three cheques deposited into bank for ₹ 18,000, only one cheque of ₹ 6,400 was cleared till 31st March, 2016.
- An amount of ₹ 15,000 transferred to Current Account from matured value of a fixed deposit was not entered in cash book.
- A cheque amounting to ₹ 10,200 issued to a supplier, not yet presented to bank for payment.
- Dividend collected by bank for ₹ 750 was wrongly entered as ₹ 570 in cash book.

Please Turn Over

- (iii) On 1st January, 2014 Shiva Transport Company purchased a truck for ₹ 20 lakhs. On 1st July, 2015 this truck met with an accident and was completely destroyed and ₹ 15 lakhs were received as a claim from the Insurance company in full settlement. On the same date, another truck was purchased by the company for ₹ 25 lakhs. The company writes off 20% depreciation per annum on written down value method.

Prepare the truck account from the year 2013-14 to 2015-16, when books are closed on 31st March every year.

- (iv) M/s Baidhnath Marbles Company of Kishangarh sent goods on a consignment of the value of ₹ 8,00,000 to K.C. Traders, Kolkata, and drew a bill for ₹ 6,00,000 as an advance against the same, which was duly accepted. They also paid ₹ 85,000 for freight etc. M/s K.C. Traders cleared the goods by paying ₹ 30,000 for unloading expenses. 3/4th of the goods were sold by the K.C. Traders for ₹ 11,00,000. Commission is to be paid @4% on gross sale proceeds. M/s K.C. Traders sent an account sale and a bank draft for the amount due.

Prepare the Consignment Account and Consignee's Account in the books of M/s Baidhnath Marbles Company.

SECTION - B

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

6×1=6

- (i) What will be the selling price, if average P/V ratio is 40% and estimated marginal cost is ₹ 75?
- (a) ₹ 105.00
 - (b) ₹ 187.50
 - (c) ₹ 125.00
 - (d) ₹ 163.50
- (ii) Job costing is a _____ .
- (a) method of costing
 - (b) technique of cost control
 - (c) technique of costing
 - (d) method of absorption of cost
- (iii) Suitable cost unit for solid chemical industry is _____ .
- (a) Litre
 - (b) Kg.
 - (c) Tonne
 - (d) Article

(iv) 'Margin of safety' in marginal costing means,

- (a) Sales – B.E.P. sales
- (b) (Contribution + Fixed Cost) / P.V. ratio
- (c) Profit × P.V. ratio
- (d) Fixed Cost / P.V. ratio

(v) In ABC technique of inventory control, 'low value – high volume items' are classified as _____.

- (a) A - category
- (b) B - category
- (c) C - category
- (d) either (a), (b) or (c)

(vi) Which statement is wrong?

- (a) Abnormal costs are controllable.
- (b) All packing materials are indirect costs, so treated as factory overhead.
- (c) Variable cost per unit will not change.
- (d) Under LIFO method, price of issues is close to current market price.

2. Fill in the blanks:

6×1=6

- (i) Overstocking of materials may result into locking of _____.
- (ii) Passenger – kilometre is a _____ cost unit.
- (iii) The formula, 'Time saved × Wages Rate × 50%' is applicable for calculating bonus under _____ plan.
- (iv) Actual hours worked beyond normal working hours in known as _____.
- (v) Contribution at break-even sales equals _____.
- (vi) Separation method is used for measuring the _____.

3. Match the following:

6×1=6

| Column 'A' | Column 'B' |
|---------------------------------------|-------------------------------------|
| (1) Cost centre | (a) Ordering cost and carrying cost |
| (2) Parcels sent to customer | (b) Sub-units of an organisation |
| (3) Bin card | (c) Prime cost |
| (4) E.O.Q. | (d) ABC Analysis |
| (5) Techniques of inventory control | (e) Quantitative record of material |
| (6) Direct material and direct labour | (f) Selling and distribution cost |

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

6×1=6

- (i) Under LIFO method, price of issues is close to current market price.
- (ii) Piece rate system is useful when the quality of the product is important.
- (iii) Repairs and maintenance cost is an example of fixed cost.
- (iv) Royalty paid for using technology is direct expense.
- (v) Cost accounting is a branch of financial accounting.
- (vi) All overheads change with change in volume and in the same proportion.

5. Answer *any two* questions:

2×8=16

(i) When Fixed Expenses are ₹ 16,000 and Break Even Point is ₹ 40,000, find out

- (a) P/V Ratio,
- (b) Profit when sales are ₹ 80,000, and
- (c) New B.E.P., if selling price is reduced by 20%.

(ii) Nanu Ltd. has provided the following data relating to a particular material, which is used for Baby train toys:

| | | |
|---------------------------------------|---|-------------------|
| Monthly demand of the Baby train toys | : | 5,000 toys |
| Purchase price of material | : | ₹ 51.10 per unit |
| Cost of placing an order | : | ₹ 2,000 per order |
| Carrying cost of average inventory | : | 10% per annum |
| Re-order period | : | 10 to 18 days |

Consumption of raw material varies from 250 units to 450 units per day; the average consumption being 350 units.

You are required to calculate:

- (a) Re-order Level,
- (b) Maximum Level,
- (c) Minimum Level and
- (d) Average Level.

(iii) Following information relates to a particular production department of Kachari Limited:

| Production Level (Units) | Production overheads (₹) (Both Fixed and Variable) |
|--------------------------|---|
| 5,000 | 4,00,000 |
| 11,000 | 5,80,000 |
| 16,000 | 7,30,000 |

You are required to calculate:

- Variable Overhead per unit,
 - Total Variable Overheads at the level of production of 16,000 units,
 - Fixed Overheads and
 - Total production overheads at the level of production of 20,000 units.
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