

Paper 2- Fundamentals of Accounting

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Full Marks :100

Time allowed: 3 hours

Section - A

I. Choose the correct answer from the given four alternatives: [10 ×1 = 10]

- (i)** Kuntal draws a bill on Shyam for ` 3000 Kuntal endorsed it to Ram. Ram endorsed it to Rahim. The payee of the bill will be:
(a) Kuntal
(b) Ram
(c) Shyam
(d) Rahim
- (ii)** Which of the following accounts 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-ventruer A/c
(d) All of these
- (iii)** Narration are given at the end of
(a) Final accounts
(b) trial balance each ledger account
(c) each ledger accounts
(d) Each journal entry
- (iv)** Current Liabilities means
(a) Liabilities which are payable within 12 months
(b) Liabilities which are payable immediately
(c) Liabilities which payable after one accounting year
(d) Liabilities which are readable within 3 months
- (v)** Depreciation is not provided for which of the following asset?
(a) land
(b) inventory of goods
(c) both a & b
(d) None of the above
- (vi)** Assets A/c has balance.
(a) Debit balance
(b) Credit balance
(c) No balance
(d) Either (a) or (b)
- (vii)** Gross Profit is equal to _____.
(a) Sales – Cost of goods sold
(b) Sales – Closing Stock + Purchases
(c) Opening Stock + Purchases – Closing Stock
(d) None of the above
- (viii)** Cash Book is a _____.
(a) Journal
(b) Ledger
(c) Both Journal and Ledger
(d) None of the above

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- (ix) A bad debt recovered during the year will be
 (a) Capital expenditure
 (b) Revenue expenditure
 (c) Capital Receipt
 (d) Revenue Receipt
- (x) The value of an asset after deducting depreciation from the historical cost is known as
 (a) Fair value
 (b) market value
 (c) net realizable value
 (d) book value

II. State whether the following statements are True (or) False. [10 × 1 = 10]

- (i) Depreciation appearing in trail balance should be shown in balance sheet.
 (ii) A debtor is a person who owes money to the business.
 (iii) Paper purchased for use as stationery is capital expenditure.
 (iv) Joint venture agreement must be registered.
 (v) Cost accounting is an instrument of management control
 (vi) Service costing is used in industries producing goods
 (vii) Profit and loss on consignment is retained / borne by consignor.
 (viii) Credit means increase in liability and decrease in asset.
 (ix) Error of principle involves incorrect allocation of an item between capital and revenue.
 (x) If a company has contingent liability they appear in profit and loss account.

III. Fill in the blanks: [6 × 2 = 12]

- (i) Payment of royalty is a _____ expenditure.
 (ii) Joint Venture account is a account in nature.
 (iii) Depreciation is a _____ against the profit.
 (iv) Land is a _____ asset.
 (v) Balance Sheet is a _____.
 (vi) Noting charges are borne by _____.

IV. Journalise the following transactions: [4 × 2 = 8]

- (i) Started business with Cash `50,000; Plant `24,000; Stock `4,000
 (ii) Sold Goods for Cash `8,000 and to Ms. Agarwal for `10,000
 (iii) Purchased Plant and Machinery worth `6,000
 (iv) Cash deposited into bank by Mr. Y `6,000

V. Match the following: [8 × 1 = 8]

	Column 'A'		Column 'B'
1.	Current Liabilities	A.	Depreciable Asset
2.	Capital Expenditure	B.	Never entered in the books of account
3.	General Journal is also known as	C.	Errors raised due to negligence, overlook
4.	Clerical errors	D.	Journal Proper
5.	Parties in Bills of Exchange	E.	Receipts and Payments A/c
6.	Trade discount	F.	Not recurring in nature
7.	Plant and Machinery	G.	Payable within 12 months
8.	Subscriptions	H.	Drawer

VI. Answer any two questions. Each question carries 16 Marks. [16×2=32]

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- A.(i)** State with reasons whether the following are Capital Expenditure or Revenue Expenditure:
- (a) Expenses incurred in connection with obtaining a licensee for starting the factory were ` 14,000.
 - (b) ` 6,000 paid for removal of stock to a new site.
 - (c) Rings and Pistons of an engine were changed at a cost of ` 8,000 to get full efficiency.
 - (d) ` 2,000 spent as lawyer's fee to defend a suit claiming that the firm's factory site belonged to the Plaintiff. The suit was not successful. **[4×2=8]**
- (ii)** Prepare Bank Reconciliation Statement of M/s. Madhavi Traders and find out the balance as per pass book as on 31-12-2013.
- (a) Cash book balance as on 31-12-2013 is `58,000.
 - (b) Cheques amounting to `25,000 issued on 25-12-2013 were presented for payment as on 05-01-2014.
 - (c) A cheque for `20,000 deposited on 21-12-2013 was returned dishonoured on 08-01-2014.
 - (d) Interest on investments `1,500 was collected and credited by bank but no entry is in the cash book.
 - (e) Bank charges debited in pass book only `120. **[8]**
- B.(i)** Purchase price of a machine ` 1,80,000; Freight charges ` 30,000; installation charges ` 10,000; residual vale ` 16,000 and useful life 5 years. Calculate the depreciation for third year under the straight line method. **[4]**
- (ii)** From the following ledger account balances, prepare a Trial Balance of Mr. Sen for the year ended 31st March, 2015.
- Capital ` 80,000 ; Sales `10,00,000; Adjusted Purchase ` 8,00,000; Current A/c(Cr) ` 10,000; Petty Cash ` 10,000; Sales Ledger Balance ` 1,20,000; Purchase Ledger Balance ` 60,000; Salaries `24,000; Carriage Inwards ` 4,000; Carriage Outward ` 6,000; Discount Allowed ` 10,000; Building ` 80,000; Outstanding Expenses ` 10,000; Prepaid Insurance ` 2,000 ; Depreciation ` 4,000 ; Cash at Bank ` 80,000 ; Loan A/c (Cr) ` 66,000; Profit & Loss A/c(Cr) ` 20,000; Bad Debts Recovered ` 2,000 ; Stock at 31.03.2015 ` 1,20,000; Interest Received ` 10,000; Accrued Interest ` 4,000; Investment ` 20,000; Provision for Bad Debts (01.04.2014) ` 6,000 ; General Reserve ` 20,000. **[12]**
- C. (i)** 1st July Sold Tip Top clothing 50 suits of ` 2,200 each on two months credit on invoice number -2
- 11th July Sold to New India Woolen 100 sweaters @ ` 250 each on invoice number 55
 - 13th July Received an order from Modern clothing for 100 trousers @ ` 500 at trade discount of 10%
 - 17th July Sold 50 sarees to Lunkad brothers @ ` 750 each
 - 25th July Sold T-shirts at exhibition hall for cash for ` 7,500. **[6]**
- (ii)** Rectify the following error and find out the effect of the errors on Net Profit.
- (a) Purchases of `700 from Raman passed through Sales Book
 - (b) Bill received from Ramu for `500 passed through Bills Payable Book.
 - (c) An item of `150 relating to Prepaid Rent was omitted to be brought forward from last year.
 - (d) `400 paid to Mehta B, against our acceptance was debited to Mehta N.
 - (e) Received `300 from Ajit whose account for `300 was written off earlier and posted to the credit of Amit. **[10]**

Section – B

VII. Choose the correct answer:

[6×1=6]

- (i) 'Margin of safety' in marginal costing means,
(a) Sales -B.E.P. sales
(b) (Contribution + Fixed Cost) / P.V. ratio
(c) Profit x P.V. ratio
(d) Fixed Cost / P.V. ratio
- (ii) 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)
- (iii) 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.
- (iv) 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
- (v) Job costing is a _____.
(a) method of costing
(b) technique of cost control
(c) technique of costing
(d) method of absorption of cost
- (vi) Suitable cost unit for solid chemical industry is _____.
(a) Litre
(b) Kg.
(c) Tonne
(d) Article

VIII. Fill in the blanks:

[6×1=6]

- (i) An item of cost that is direct for the business may be ____ for another business.
(ii) The total of all direct expenses is known as ____.
(iii) All costs are ____controllable.
(iv) For the goods Transport Company ____ is the suitable cost unit.
(v) The cost which does not change due to change in volume of production is called ____.
(vi) The semi- finished goods is also known as ____ in cost accounting.

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IX. Answer any one question. Each question carries 8 marks.

[8×1=8]

A.

(i) Write a note on " Opportunity Cost".

[4]

(ii) From the following information, find out the amount of purchases.

Raw material consumed = `26,500.

Closing Stock = `4,500

Opening Stock = `3,000

[4]

B. Mr. Gopal furnishes the following data relating to the manufacture of a standard product during the month of April, 2015:

Raw materials consumed	` 15,000
Direct labour charges	` 9,000
Machine hours worked	900
Machine hour rate	5
Administrative overheads	20% on works cost
Selling overheads	` 0.50 per unit
Units produced	17,100
Units sold	16,000 at ` 4 per unit.

You are required to prepare a cost sheet from the above, showing: (a) the cost per unit (b) profit per unit sold and profit for the period.

[8]