

## **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: [6 × 1 = 6]

1. A's Capital account is \_\_\_\_\_
  - (a) Personal A/c
  - (b) Nominal A/c
  - (c) Real A/c
  - (d) None of the above
2. Recording of fixed assets at cost ensures adherence of \_\_\_\_\_
  - (a) Conservatism concept
  - (b) Going Concern Concept
  - (c) Cost Concept
  - (d) Both (a) and (b) above
3. Purchases book is used to record \_\_\_\_\_
  - (a) All purchases
  - (b) All credit purchases of goods
  - (c) All credit purchases of assets
  - (d) None of the above
4. Assets A/C has \_\_\_\_\_ balance.
  - (a) Debit balance
  - (b) Credit balance
  - (c) No balance
  - (d) Either (a) or (b)
5. 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
6. Cash Book is a \_\_\_\_\_
  - (a) Journal
  - (b) Ledger
  - (c) Both Journal and Ledger
  - (d) None of the above

II. State whether the following statements are True (or) False. [6 × 1 = 6]

1. Depreciation is not applicable to live stock.
2. Income received in advance is an asset.
3. Bank Reconciliation Statement is prepared to reconcile the balance of cash book with bank balance as per pass book.
4. Error of principle involves incorrect allocation of an item between capital and revenue.
5. If a company has contingent liability they appear in profit and loss account.
6. Depreciation appearing in trail balance should be shown in balance sheet.

III. Journalise the following transactions: [3 × 2 = 6]

1. Purchased Plant and Machinery worth ` 6,000
2. Cash deposited into bank by Mr. Y ` 6,000
3. Sold goods to Mr. X on credit ` 5,000.

IV. Fill in the blanks: [6 × 2 = 12]

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1. Goodwill is an \_\_\_\_\_ asset.
2. Balance Sheet is a \_\_\_\_\_ Statement
3. Noting charges are borne by \_\_\_\_\_
4. Payment of royalty is a \_\_\_\_\_ expenditure.
5. Joint Venture account is a \_\_\_\_\_ account in nature.
6. Depreciation is the \_\_\_\_\_ against the profit.

V. Match the following

[6 × 1 = 6]

	Column 'A'		Column 'B'
1.	Parties in Bills of Exchange	A	Receipts and Payments A/c
2.	Trade discount	B	Not recurring in nature
3.	Plant and Machinery	C	Payable within 12 months
4.	Subscriptions	D	3
5.	Current Liabilities	E	Depreciable Asset
6.	Capital Expenditure	F	Never entered in the books of account.

VI. Answer any three questions. Each question carries 8 marks.

[3 × 8 = 24]

1. From the following details prepare (final accounts) of Viswanath for the year ended 31<sup>st</sup> March, 2013 prepare trading and profit and loss A/c and balance sheet.

Particulars	Amount (₹)
Capital	1,00,000
Cash in hand	12,000
Purchases	1,20,000
Bills Payable	22,000
Stock (1-4-2012)	35,000
Debtors	50,000
Creditors	24,000
Plant & Machinery	60,000
Furniture	15,000
Sales	2,00,200
Bills Receivable	20,000
Rent, Taxes	10,000
Wages	16,000
Reserve for bad debts	1,000
Salaries	20,000

**Additional Information:**

- (a) Stock on 31-3-2013 ₹ 40,000.
  - (b) Outstanding Rent ₹ 2,000.  
Outstanding Wages ₹ 3,000  
Outstanding Salaries ₹ 4,000
  - (c) Provide depreciation on Plant and Machinery at 5% on furniture at 10%.
2. A of Sonepat consigned 500 bicycles to B of Cochin to be sold on his account and at his risk. The cost of one bicycle was ₹ 200. A paid ₹ 5,500 as freight and insurance and received ₹ 40,000 as advance from B. B paid ₹ 1,000 as Octroi and Cartage ₹ 1,500 as rent and ₹ 1,200 as insurance. 410 bicycles were sold by B for ₹ 1,10,000. B was entitled to a commission of 5% on sales. Prepare Consignment account and find out the profit.
  3. Prepare Income and Expenditure account and find surplus or deficit.

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Receipts		Payments	
To balance b/d (1-4-2012)	11,500	By Salaries	800
To subscriptions	6,500	By Rent	1,500
To Interest	500	By Stationery	500
To sale of old furniture	800	By Government Bonds	6,000
To Entrance Fees	4,000	By balance c/d (31-3-2013)	7,300
	23,300		23,300

Adjustments:

- (a) Subscriptions include ₹ 500 received for last year.
- (b) Rent includes ₹ 300 paid for last year.
- (c) Book value of furniture sold ₹ 1,000.

4. Parvathi sold goods worth ₹ 14,000 to Suneetha on 1st January 2014. Suneetha paid 4,000 immediately and for the balance she accepted a Bill of Exchange drawn upon her by Parvathi payable after 3 months. Parvathi discounted the bill immediately with her bank @ 10% p.a. On the due date Suneetha dishonoured the bill and the bank paid ₹ 30 as noting charges.

Pass necessary journal entries in the books of Parvathi and Suneetha.

### Section – B

1. Choose the correct answer from the given four alternatives: [6 × 1 = 6]
1. Loss on fire is an example for \_\_\_\_
    - (a) Abnormal loss
    - (b) Normal loss
    - (c) Incremental loss
    - (d) Cannot be determined
  2. Selling and distribution overheads does not include \_\_\_\_
    - (a) Replacing costs
    - (b) Transportation cost
    - (c) Advertisement cost
    - (d) Demurrage charges
  3. Net Sales = Sales - \_\_\_\_
    - (a) Sales returns & allowances and sales discount
    - (b) Purchase returns
    - (c) Stock returns
    - (d) None of the above
  4. The cost of electricity for a factory is treated as \_\_\_\_ cost.
    - (a) Fixed
    - (b) Variable
    - (c) Semi-variable
    - (d) Step
  5. Which of the following is not associated with ordering cost \_\_\_\_
    - (a) Interest
    - (b) Insurance
    - (c) Opportunity Cost
    - (d) All of the above
  6. Prime cost + factory overheads is \_\_\_\_
    - (a) Conversion cost
    - (b) Production cost
    - (c) Total cost
    - (d) None of the above

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II. Fill in the blanks: [6 × 1 = 6]

1. EOQ stands for \_\_\_\_\_
2. Stock should always be valued at \_\_\_\_\_ price in cost accounting.
3. Stores ledger is also called as \_\_\_\_\_
4. Re-order level = \_\_\_\_\_
5. Salary of a factory clerk is \_\_\_\_\_ labour cost.
6. When number of units increases fixed cost per unit \_\_\_\_\_

III. Match the following [6 × 1 = 6]

	Column 'A'		Column 'B'
1.	LIFO	A	Grading
2.	Rent is apportioned on basis of	B	Variable cost
3.	Contribution	C	Manufacturing overheads
4.	Method of job evaluation includes	D	Last in First Out
5.	Factory maintenance expenses	E	Area
6.	Marginal cost is also known as	F	Sales – Variable cost

IV. State whether the following statements are True (or) False. [6 × 1 = 6]

1. Semi Variable or Semi Fixed overheads are one and the same.
2. Break-even sales is the sales where there is no loss or no profit.
3. Overhauling is a type of maintenance.
4. Time recording is not necessary for piece rate work.
5. Economic ordering quantity should be taken into consideration for fixing re-order level.
6. Perpetual Inventory Control System and Continuous Stock taking are same.

V. Answer any two questions. Each question carries 8 marks. [2 × 8 = 16]

1. Following purchases and issues were made during June 2009.

Date	Particulars	Quantity	Rate per unit
June 2	Purchases	2000	10
June 6	Purchases	300	12
June 9	Issued	1200	-
June 10	Purchases	200	14
June 12	Issues	1000	-
June 20	Purchases	300	11
June 29	Issues	200	-

Prepare a Stores Ledger Account under FIFO Method.

2. Rate per hour = 1.50 per hour.  
Time allowed for job = 20 hours  
Time taken = 15 hours  
Calculate the total earnings of the worker under Halsey Plan and Rowan Plan.
3. Calculate Machine Hour Rate from the following.
  - (i) Cost of machine ` 19,200.
  - (ii) Estimated scrap value ` 1,200.
  - (iii) Average Repair and Maintenance Charges per month ` 150.
  - (iv) Standing charges allocated to machine per month ` 50.
  - (v) Effective working life of machine 10,000 hours.
  - (vi) Running time per month 166 hours.
  - (vii) Power used by machine : 5 units per hour @ 19 paise per unit.

4. From the following particulars of a concern prepare a statement showing:
- (a) Cost of material used
  - (b) Works Cost
  - (c) Cost of Production

Stock of Materials on 1-1-2009	` 40,000
Purchase of materials in Jan 2009	` 11,00,000
Stock of finished goods on 1-1-2009	` 50,000
Productive wages	` 5,00,000
Finished goods sold	` 24,00,000
Works overhead	` 1,50,000
Office and General Expenses	` 1,00,000
Stock on materials on 31-1-2009	` 1,40,000
Stock on finished goods on 31-1-2009	` 60,000