

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]

(i) Narration are given at the end of

- (a) Final accounts
- (b) trial balance each ledger account
- (c) each ledger accounts

(d) Each journal entry

(ii) A sale of goods to Ram for cash should be debited to:

- (a) Ram
- (b) Cash**
- (c) Sales
- (d) Capital

(iii) Which of these errors affect only one account

- (a) errors of casting
- (b) errors of carry forward
- (c) errors of posting

(d) All the three

(iv) Debit balance as per bank pass book means _____

- (a) Surplus cash
- (b) Bank overdraft**
- (c) Terms deposits with bank
- (d) None of these

(v) The party who is ordered to pay the amount is known as

- (a) payee
- (b) drawer
- (c) drawee**
- (d) endorsee

(vi) Natural, artificial and representative these three are the three types of _____ Account.

- (a) Personal**
- (b) Real
- (c) Nominal
- (d) Cash

II. State whether the following statements are True (or) False.

[6×1=6]

- (i) Receipts and payments account is a real account.
- (ii) Oral bill of exchange is also valid.
- (iii) Full omission does not affect trial balance.
- (iv) Under diminishing balance method, depreciation decrease every year.
- (v) Receipts are recorded on the credit side of each cash book.
- (vi) If del credere commission is paid to the consignee loss on consignment is retained /borne by consignor.

Answer:

- (i) True

Answer to MTP_Foundation_Syllabus 2012_Jun2017_Set 1

- (ii) False
- (iii) True
- (iv) True
- (v) False
- (vi) False

III. Journalise the following transactions:

[3×2=6]

- (i) Paid rent out of personal cash by the proprietor for ₹ 8,000;
- (ii) Bought furniture for resale ₹ 21,000;
- (iii) Sold Goods for Cash ₹16,000 and to Ms. Roy for ₹20,000, Ms. Roy settled her account less discount ₹ 1,200.

Answer:

Date	Particulars	L.F.	Debit₹	Credit₹
	Rent A/c Dr. To, Capital A/c [Being rent paid out of personal cash]		8,000	8,000
	Purchase A/c Dr. To, Bank A/c [Being furniture purchased for resale]		21,000	21,000
	Cash A/c Dr. Ms. Roy's A/c Dr. To Sales A/c [Being goods sold for cash ₹ 16,000 and on credit ₹ 20,000]		16,000 20,000	36,000
	Cash A/c Dr. Discount Allowed A/c Dr. To Ms. Roy A/c [Being cash received as final settlement and discount allowed]		18,800 1,200	20,000

IV. Fill in the Blanks:

[6×2=12]

- (i) Assets A/c has _____ balance.
- (ii) Goodwill is an _____ asset.
- (iii) ₹ 800 paid as wages for erecting a machine should be debited to _____ A/c.
- (iv) Salary Account is a _____ A/c.
- (v) Decrease in the amount of creditors results in _____ in Cash.
- (vi) Drawings will result in _____ in the owner's capital.

Answer:

- (i) Debit
- (ii) Intangible
- (iii) Machine
- (iv) Nominal
- (v) Decrease
- (vi) Reduction

Answer to MTP_Foundation_Syllabus 2012_Jun2017_Set 1

V. Match the following:

[6×1=6]

	Column 'A'		Column 'B'
1.	Fixed Asset	A.	Nominal account
2.	Modern Academy	B.	No depreciation
3.	Salary account	C.	Plant and Machinery
4.	Land	D.	Artificial personal account
5.	Building	E.	Accountant
6.	Cash book is prepared by	F.	Depreciation

Answer:

	Column 'A'		Column 'B'
1.	Fixed Asset	C.	Plant and Machinery
2.	Modern Academy	D.	Artificial personal account
3.	Salary account	A.	Nominal account
4.	Land	B.	No depreciation
5.	Building	F.	Depreciation
6.	Cash book is prepared by	E.	Accountant

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

[3×8=24]

- The Bank Pass Book of Miss Geeta showed an overdraft of ₹9,000 on 31.12.2016. Prepare the Bank Reconciliation Statement based on the following details:
 - Cheques issued but not presented upto 31.12.2016, ₹ 7,250
 - Bank commission ₹ 50 was entered only in the Pass Book.
 - A cheque for ₹5,500 issued in settlement of a debt was encashed on 28.12.2016 but entered in the Cash Book as ₹7,500.

[8]

Answer:

Bank Reconciliation Statement as on 31st December, 2015

Particulars	Amount (₹)	Amount (₹)
Overdraft as per Pass Book		9,000
Add:		
(i) Cheques issued but not presented for payment	7,250	
(ii) Cheque for ₹5,500 issued and encashed but entered in the Cash Book at ₹7,500 (7,500 - 5,500)	2,000	9,250
		18,250
Less:		
(i) Bank commission entered in the Pass Book only Overdraft as per Cash Book	50	50
Over Draft as per Cash Book (Cr.)		18,200

- On 1st January, 2016, Anu sells goods for ₹20,000 to Balu and draws a bill at three months for the amount. Balu accepts it and returns it to Anu. On 1st March, 2016, Balu retires his acceptance under rebate of 12% per annum. Record these transactions in the journals of Balu.

[8]

Answer to MTP_Foundation_Syllabus 2012_Jun2017_Set 1

Answer:

Journal Entries in the books of Balu

Date 2016	Particulars		Dr. ₹	Cr. ₹
1 st Jan.	Purchases A/c To Anu's A/c (Being the goods purchased from Anu on credit)	Dr.	20,000	20,000
	Anu's A/c To Bills payable A/c (Being the acceptance of bill given to Anu)	Dr.	20,000	20,000
March 1	Bills payable A/c To Bank A/c To Rebate on bills A/c (Being the bill discharged under rebate @ 12% p.a.)	Dr.	20,000	19,800 200

Working Note:

Calculation of rebate:

$$20,000 \times 12/100 \times 1/12 = ₹200$$

3. One lathe machine whose original value was ₹2,40,000 on 1.4.2013, being the date of installation was sold on 30.9.2015 for ₹2,00,000. Depreciation is charged at the rate of 10% on reducing balance. Show machinery account.

[8]

Answer:

Machinery Account

Dr.			Cr.		
Date	Particulars	Amt. (₹)	Date	Particular	Amt.(₹)
2013 Apr. 1	To Balance b/d	2,40,000	2014 Mar 31	By Depreciation A/c (2,40,000×10%)	24,000
			Mar 31	By Balance c/d	2,16,000
		2,40,000			2,40,000
2014 Apr.1	To Balance b/d	2,16,000	2015 Mar 31	By Depreciation A/c (2,16,000×10%)	21,600
			Mar 31	By Balance c/d	1,94,400
		2,16,000			2,16,000
2015 Apr.1	To Balance b/d	1,94,400	Sep 30	By Machinery disposal A/c	1,94,400
		1,94,400			1,94,400

4. Write out the Journal Entries to rectify the following errors, using a Suspense Account.
- (1) Goods of the value of ₹500 returned by Mr. Gupta were entered in the Sales Day Book and posted there from to the credit of his account;
 - (2) A sale of ₹ 400 made to Mr. Mitra was correctly entered in the Sales Day Book but wrongly posted to the debit of Mr. Maitra as ₹40;
 - (3) The total of "Discount Allowed" column in the Cash Book for the month of November, 2016 amounting to ₹600 was not posted.

[3+3+2=8]

Answer:

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	Particulars		L. F.	Dr. ₹	Cr. ₹
(1)	Sales A/c	Dr.		500	
	Sales Returns A/c	Dr.		500	

Answer to MTP_Foundation_Syllabus 2012_Jun2017_Set 1

	To Suspense A/c (Being, value of goods returned by Mr. Gupta wrongly posted to Sales, omission of debt to Sales Returns Account, now rectified)				1,000
(2)	Mr. Mitra A/c To Mr. Maitra A/c To Suspense A/c (Being, omission of debit to Mr. Mitra and wrong credit to Mr. Maitra for sale of ₹400, now rectified)	Dr.		400	40 360
(3)	Discount Allowed A/c To Suspense A/c (Being, the amount of Discount allowed during November, 2016 not posted from the Cash Book; error now rectified)	Dr.		600	600

5. Prepare Trading and Profit and Loss Account of M/s Udayan & Sons for the year ending 31st December, 2016 from following information:

	₹		₹
Stock (1-1-2016)	4,00,000	Salaries	67,000
Purchases	5,10,500	Rent, rates & taxes	24,000
Wages	2,01,000	Depreciation	6,000
Carriage	10,000	Repairs	12,000
Purchases returns	26,500	Discount allowed	25,000
Export duty	18,000	Bad debts	18,000
Sales	11,50,000	Advertisement	5,000
Coal & coke	50,000	Gas & water	3,000
Sales returns	20,000	Factory lighting	5,000
Printing & stationery	4,500	General expenses	8,000
Stock (31-12-2016)	6,00,000		

[8]

Answer:

Trading and Profit and Loss Accounts of M/s Udayan and Sons For the year ending 31st December, 2016

	₹		₹
To Stock (1-1-2016)	4,00,000	By Sales	11,50,000
To Purchases	5,10,500	Less: Sales returns	20,000
Less: Purchases Return	<u>26,500</u>	By Stock (31-12-2016)	6,00,000
To Wages	2,01,000		
To Carriage	10,000		
To Coal and coke	50,000		
To Gas and water	3,000		
To Factory lighting	5,000		
To Gross profit c/d	5,77,000		
	17,30,000		17,30,000
To Salaries	67,000	By Gross profit b/d	5,77,000
To Rent, rates & taxes	24,000		
To Printing & stationery	4,500		
To Depreciation	6,000		

Answer to MTP_Foundation_Syllabus 2012_Jun2017_Set 1

To Repairs	12,000		
To Export duty	18,000		
To Discount allowed	25,000		
To Bad Debts	18,000		
To Advertisement	5,000		
To General expenses	8,000		
To Net profit transferred to capital account	3,89,500		
	5,77,000		5,77,000

Section – B

I. (a) Choose the correct answer from the given four alternatives:

[6×1=6]

- (i) How is the reorder level calculated if stocks out are to be avoided?
(a) Maximum Usage x Maximum lead time
(b) Maximum usage x Minimum lead time
(c) Minimum usage x Maximum lead time
(d) Minimum usage x Minimum lead time
- (ii) A Cost Sheet is a ----- which shows the break-up of cost.
(a) Voucher
(b) Statement
(c) Ledger
(d) Journal
- (iii) Piece workers are paid wages on
(a) Piece rate basis.
(b) Halsey premium plan basis.
(c) Rowan Plan basis.
(d) Time rate basis
- (iv) Royalties and patent fees paid for using technology is an example of
(a) Direct Material
(b) Direct Expenses
(c) Indirect Labour
(d) Indirect Expenses
- (v) Notional cost is also known as
(a) Imputed cost
(b) Opportunity cost
(c) Out of pocket cost
(d) Variable cost
- (vi) The P/V Ratio of A Ltd. is 50% and margin of safety is 40%. You are required to calculate the fixed cost if break even sale ₹1,50,000.
(a) ₹3,75,000
(b) ₹2,50,000
(c) ₹60,000
(d) ₹75,000

Answer to MTP_Foundation_Syllabus 2012_Jun2017_Set 1

(b) Fill in the blanks:

[6×1=6]

- (i) Under Halsey Premium Plan, ____ % of time saved is shared by employer
- (ii) EOQ is the ____ size of the order at that point ordering and carrying costs are minimized.
- (iii) Fixed Cost of a Company are ₹ 20,000 and Contribution per unit is ₹2 then the Break even no. of units are ____
- (iv) The aggregate of indirect material indirect labour and indirect expenses together is called ____
- (v) Fixed cost per unit ____ with increasing output.
- (vi) Costing is a technique of ____

Answer:

- (i) 50%
- (ii) Optimum
- (iii) 10,000
- (iv) Overheads
- (v) Decreases
- (vi) ascertaining cost

(c) Match the following:

[6×1=6]

	Column 'A'		Column 'B'
1.	CAS 10	A	Selective Control of Inventory
2.	Advertisement	B	Fixed
3.	Flex Method	C	Direct Expenses
4.	ABC Analysis	D	Measurement of Labour Turn-over
5.	Breakeven point (in Quantity)	E	Sales value
6.	Variable cost per unit	F	Fixed Cost / Contribution per unit

Answer:

	Column 'A'		Column 'B'
1.	CAS 10	C	Direct Expenses
2.	Advertisement	E	Sales value
3.	Flex Method	D	Measurement of Labour Turn-over
4.	ABC Analysis	A	Selective Control of Inventory
5.	Breakeven point (in Quantity)	F	Fixed Cost / Contribution per unit
6.	Variable cost per unit	B	Fixed

(d) State whether the following statements are True (or) False.

[6 × 1 = 6]

- (i) Direct wages is a variable cost.
- (ii) For decision making, absorption costing is more suitable than marginal costing.
- (iii) Overhead and conversion cost are inter-changeable terms.
- (iv) Financial accounts provide information for determination of profit or loss
- (v) Scrap is a residue which in a manufacturing process but has no recoverable value.
- (vi) Cost accounting is an instrument of management control.

Answer to MTP_Foundation_Syllabus 2012_Jun2017_Set 1

Answer:

- (i) True
- (ii) False
- (iii) False
- (iv) True
- (v) False
- (vi) True

II. Answer any two questions out of four questions.

[8×2=16]

1. A company purchased 1200 kg of raw material @ ₹20 per kg. from a supplier. A trade discount of 20% on above price was applicable. Total freight paid was ₹240 and insurance was 2.5% on the net present value paid by the purchaser. Calculate the total cost of material purchased and the per kg material cost.

Answer:

Particulars	₹	₹
Basic Cost @ ₹20 per kg for 1200 kg	24,000	
Less: Trade Discount @ 20%	(4,800)	19,200
Add: Other Charges		
Freight	240	
Insurance @ 2.5% on 19,200	480	720
Total Cost		19,920

The total cost of 1,200 kg is ₹19,920 therefore the cost per kg will be ₹16.60.

2. Two components X and Y are used as follows:

Normal usage	50 units per week each
Minimum usage	25 units per week each
Maximum usage	75 units per week each
Reorder quantity	X – 400 units and Y – 600 units
Lead time	X – 4 to 6 weeks and Y – 2 to 4 weeks

Calculate reorder level, maximum level, minimum level and average stock level.

Answer:

Reorder level = Maximum usage x Maximum lead time

For X = 75 x 6 = 450 units

For Y = 75 x 4 = 300 units

Maximum level = Reorder level + Reorder quantity – (Minimum usage × Minimum lead time)

For X = 450 + 400 – (25 × 4) = 750 units

For Y = 300 + 600 – (25 × 2) = 850 units

Minimum level = Reorder level – (Normal usage × Normal lead time)

For X = 450 – (50 × 5) = 200 units

For Y = 300 – (50 × 3) = 150 units

Answer to MTP_Foundation_Syllabus 2012_Jun2017_Set 1

Average level = (Maximum level + Minimum level) / 2

For X = (750+200) / 2 = 475 units

For Y = (850+150) / 2 = 500 units

3. Direct materials cost is ₹ 80,000. Direct labour cost is ₹ 60,000. Factory overhead is ₹ 90,000. Beginning goods in process were ₹ 15,000. The cost of goods manufactured is ₹ 245,000. What is the cost assigned to the ending goods in process?

Answer:

Particulars	₹
Direct Material	80,000
Direct Labour	60,000
Prime Cost	1,40,000
Add: Factory Overhead	90,000
Add: Opening WIP	15,000
Less: Closing WIP	-----
Cost of goods manufactured (given)	2,45,000

As cost of goods manufactured is given as ₹2,45,000 so there will be no closing goods in process.

4. From the following data, compute margin of safety:

Sales	₹25,00,000
Fixed Cost	₹7,50,000
Profit	₹5,00,000

Answer:

$$\begin{aligned}\text{Contribution} &= \text{Fixed Cost} + \text{Profit} \\ &= ₹7,50,000 + ₹5,00,000 \\ &= ₹12,50,000.\end{aligned}$$

$$\begin{aligned}\text{P/V ratio} &= \text{Contribution} \div \text{Sales} \\ &= 50\%\end{aligned}$$

$$\begin{aligned}\text{Break Even Sales} &= \text{Fixed Cost} \div \text{P / V ratio} \\ &= 7,50,000 / 50\% \\ &= ₹15,00,000.\end{aligned}$$

$$\begin{aligned}\text{Margin of safety} &= \text{Actual Sales} - \text{Break Even Sales} \\ &= ₹(25,00,000 - 15,00,000) \\ &= ₹10,00,000.\end{aligned}$$