

Paper 2- Fundamentals of Accounting

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Full Marks : 100

Time allowed: 3 hours

Section – A

1. (a) Choose the correct answer from the given four alternatives: [30 × 1 = 30]
- (i) Current Assets means
- (a) Assets which are receivable within 12 months
 - (b) Assets which are receivable immediately
 - (c) Assets which are receivable after one accounting year
 - (d) Assets which are receivable within 3 months
- (ii) Increase in the amount of creditors results in
- (a) Increase in cash
 - (b) Decrease in cash
 - (c) Decrease in assets
 - (d) No change in assets
- (iii) A Purchase of goods from Ram in credit should be credited to:
- (a) Ram
 - (b) Cash
 - (c) Sales
 - (d) Capital
- (iv) Bank Overdraft as per bank pass book means _____
- (a) Surplus cash
 - (b) Debit Balance
 - (c) Terms deposits with bank
 - (d) None of these
- (v) Cost of goods purchased for resale is an example of –
- (a) Capital expenditure
 - (b) Revenue expenditure
 - (c) Deferred revenue expenditure
 - (d) none of these
- (vi) A bad debt recovered during the year will be
- (a) Capital expenditure
 - (b) Revenue expenditure
 - (c) Capital Receipt
 - (d) Revenue Receipt
- (vii) Outstanding rent is a
- (a) Nominal A/c
 - (b) Representative personal A/c
 - (c) Tangible assets account
 - (d) None
- (viii) Which financial statement represents the accounting equation-
Assets = Liabilities + Owner's equity:
- (a) Income Statement
 - (b) Statement of Cash flows

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- (c) Balance Sheet
(d) None
- (ix) Liabilities A/c has _____ balance.
(a) Debit
(b) Credit
(c) No
(d) Either (a) or (b)
- (x) The balance of _____ account will be shown in the debit column of trail balance.
(a) Liabilities
(b) Expenses
(c) Assets
(d) Both (b) and (c)
- (xi) The cash book records
(a) All cash receipts
(b) All cash payments
(c) All cash receipts and payments
(d) None of the above
- (xii) The periodical total of the Sales Return Book is posted to the
(a) Debit of Sales Account
(b) Debit of Return Account
(c) Credit of Sales Return Account
(d) Debit of Debtors Account
- (xiii) Which of the following is a revenue expenditure?
(a) Installation charges of a Machinery
(b) Cost of saleable goods
(c) Bad debts
(d) Both (b) and (c)
- (xiv) From the following details estimate the capital as on 31.03.2017, Capital as on 01.04.2016 ₹ 4,10,000. Drawings ₹ 40,000, Profit during the year ₹ 50,000
(a) ₹ 4,10,000
(b) ₹ 4,50,000
(c) ₹ 4,20,000
(d) ₹ 4,00,000
- (xv) The process of transfer of entries from day book to ledgers is called ____
(a) Simple posting
(b) Journal posting
(c) Transaction
(d) Ledger posting
- (xvi) A trial balance shows
(a) Honesty of accountants
(b) Accuracy of account
(c) Only arithmetical accuracy of accounts
(d) none of these
- (xvii) Original cost is ₹ 1,50,000 residual value is 10,000, depreciation for 3rd year @ 10% p.a. under WDV method ____
(a) 14,000

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- (b) 12,150
- (c) 11,340
- (d) 12,240

(xviii) In an Account if Debit side > Credit side, the balance is known as the

- (a) Negative balance
- (b) Debit balance
- (c) Positive balance
- (d) Credit balance

(xix) Debtors are

- (a) Included in the category of fixed assets
- (b) An investment
- (c) A part of current assets
- (d) An intangible fixed asset

(xx) A credit purchase of ₹850 from Sudhir was recorded in purchases book as ₹580. The rectification entry is __

- (a) purchases account will be debited by ₹270
- (b) sudhir will be credited by ₹580
- (c) purchases account will be debited by ₹850
- (d) sudhir will be credited by ₹850

(xxi) ₹ 500 paid as wages for erecting a machine should be debited to

- (a) Repair account
- (b) Machine account
- (c) Capital account
- (d) Furniture account

(xxii) Which of these items are taken in to consideration for preparation of adjusted cash book

- (a) Mistake in cash book
- (b) mistake in pass book
- (c) Cheque issued but not presented for payment
- (d) cheques deposited but not cleared

(xxiii) The consignment accounting is made on the following basis

- (a) Realisation Basis
- (b) Accrual basis
- (c) cash basis
- (d) All of above

(xxiv) A and B purchased a piece of land for ₹ 40,000 and sold it for ₹ 90,000 in 2015. Originally A had contributed ₹ 24,000 and B ₹ 16,000. The profit on venture will be :

- (a) ₹ 50,000
- (b) ₹ 66,000
- (c) ₹ 74,000
- (d) Nil

(xxv) Drawings will result in _____ in the owners capital.

- (a) Reduction
- (b) Increase
- (c) No change
- (d) None of the above

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- (xxvi) Based on which of the following concepts, is share capital account shown on the liabilities side of a balance sheet?
- business entity concept
 - money measurement concept
 - going concern concept
 - matching concept
- (xxvii) The capital of a non-profit organization is generally known as
- Equity
 - Accumulated Fund
 - Finance Reserve
 - Cash Fund
- (xxviii) Kuntal draws a bill on shyam for ₹ 7,000 kuntal endorsed it to Ram. Ram endorsed it to Rahim. The payee of the bill will be:
- Kuntal
 - Ram
 - Shyam
 - Rahim
- (xxix) Goods of the invoice value of ₹ 4,80,000 sent out to consignee at 20% profit on cost the loading amount will be
- ₹ 80,000
 - ₹ 96,000
 - ₹ 1,00,000
 - none
- (xxx) Memorandum joint venture account is a
- personal account
 - real account
 - nominal account
 - none of the above

Answer:

(i)	(a)	(xi)	(c)	(xxi)	(b)
(ii)	(a)	(xii)	(b)	(xxii)	(a)
(iii)	(a)	(xiii)	(d)	(xxiii)	(b)
(iv)	(b)	(xiv)	(c)	(xxiv)	(a)
(v)	(b)	(xv)	(d)	(xxv)	(a)
(vi)	(d)	(xvi)	(c)	(xxvi)	(a)
(vii)	(b)	(xvii)	(b)	(xxvii)	(b)
(viii)	(c)	(xviii)	(b)	(xxviii)	(d)
(ix)	(b)	(xix)	(c)	(xxix)	(a)
(x)	(d)	(xx)	(a)	(xxx)	(c)

(b) State whether the following statements are True (or) False. (Answer any twelve) [12×1=12]

- Double entry principle means writing twice the same entry.
- Money Measurement is one of the accounting concepts.
- Revenue receipts are shown in Trading and P & L Account.
- Payment of Tax is a Capital Expenditure.
- Oral bill of exchange is also valid.
- Rent Account is a Nominal Account.

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- (vii) Full omission does not affect trial balance.
- (viii) Journal is the book of final entry.
- (ix) The balance in the petty cash book is not an asset.
- (x) If del credere commission is paid to the consignee, profit and loss on consignment is retained /borne by consignor.
- (xi) Salaries due for the month will appear nowhere in cash book.
- (xii) Depreciation is a process of allocation and not of valuation.
- (xiii) Bank pass book is also known as bank statement.

Answer:

- (i) False
- (ii) True
- (iii) True
- (iv) False
- (v) False
- (vi) True
- (vii) True
- (viii) False
- (ix) False
- (x) False
- (xi) True
- (xii) True
- (xiii) True

(c) Match the following:

[6 × 1 = 6]

	Column 'A'		Column 'B'
1.	Expenses incurred by co-venture are debited to	A.	Honour before due date
2.	Retirement	B.	The net amount due by consignee to
3.	Account sales indicate	C.	Joint Venture Account
4.	Bank reconciliation statement is a	D.	Charging a revenue item to capital
5.	Error of principle	E.	Depletion
6.	Mineral deposit	F.	Memorandum statement

Answer:

	Column 'A'		Column 'B'
1.	Expenses incurred by co-venture are debited to	C.	Joint Venture Account
2.	Retirement	A.	Honour before due date to
3.	Account sales indicate	B.	The net amount due by consignee
4.	Bank reconciliation statement is a	F.	Memorandum statement
5.	Error of principle	D.	Charging a revenue item to capital
6.	Mineral deposit	E.	Depletion

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Answer any four questions out of six questions [4×8=32]

2. Journalise the following transactions:

[4×2=8]

- (i) Goods stolen ₹ 7,000.
- (ii) Started business with cash ₹ 65,000; Stock ₹ 2,20,000; Machinery ₹ 8,50,000
- (iii) In an Auto-Parts concern, furniture purchased for ₹ 1,35,000.
- (iv) Bought furniture for resale ₹ 75,000;

Answer:

Journal Entries

Date	Particulars	LF.	Dr. (₹)	Cr. (₹)
(i)	Loss by theft A/c Dr. To Purchases A/c (Being, Goods stolen)		7,000	7,000
(ii)	Cash A/c Dr. Stock A/c Dr. Machinery A/c Dr. To Capital A/c (Being, business started with cash, stock and machinery)		65,000 2,20,000 8,50,000	11,35,000
(iii)	Furniture A/c Dr. To Cash/Bank A/c (Being, Furniture purchased)		1,35,000	1,35,000
(iv)	Purchase A/c Dr. To, Bank A/c [Being, furniture purchased for resale]		75,000	75,000

3. A company purchased some machineries for ₹1,00,000 on 1st April, 2011. It charges depreciation @ 10% p.a. on reducing balance method every year. On 30th September, 2015 a part of machinery was sold for ₹14,000, the original cost of the machine was ₹20,000. Calculate the profit or loss on sale of machinery. [8]

Answer:

Particulars	Amt. (₹)	Amt. (₹)
Original cost of the machines as on 1.4.2011		20,000
(-) Depreciation for the year 2011-12	2,000	
2012-13	1,800	
2013-14	1,620	
2014-15	1,458	
2015-16	656	(7,534)
Written down value as on 30-9-2015		12,466
Sales price		14,000
Profit on sale of machinery		1,534

4. From the following information given by Mr. J, prepare a Bank Reconciliation Statement as on 31st December, 2016: [8]

Particulars	₹
Bank Overdraft balance as per Pass Book	33,000
Cheques issued but not presented for payment	8,750
Cheques recorded in Cash Book but not sent to the Bank for collection	4,000
Bank charges debited in the Pass Book	300

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Premium on Life Policy of Mr. J paid by the Bank on standing instruction of Mr. J	3,960
Amount transferred from fixed deposit A/c into the current A/c, appeared only in Pass Book	3,000

Answer:

Bank reconciliation statement as on 31.12.2016

Particulars	₹	₹
Bank OD as per Pass Book	33,000	
Add:		
Cheques issued but not presented for payment	8,750	
Amount transferred from fixed deposit A/c into the current A/c, appeared only in Pass Book	3,000	
		44,750
Less:		
Cheques recorded in Cash Book but not sent to the Bank for collection	4,000	
Bank charges debited in the Pass Book	300	
Premium on Life Policy of Mr. J paid by the Bank on standing instruction of Mr. J	3,960	
		8,260
Bank overdraft balance as per Cash Book		36,490

5. Write out the Journal Entries to rectify the following errors, using a Suspense Account.

- (1) Credit sales of ₹3,60,000 made to Munmun is correctly recorded in Sales Book, but posted as ₹3,00,000 in Munmun's Account.
- (2) Rent paid by cash ₹20,000, posted to the debit side of Rent Received A/c as ₹2,00,000
- (3) Sale of old machinery ₹50,000 has been recorded in Sales Book.
- (4) Return Inward Book has been overcast by ₹75,000. [4×2=8]

Answer:

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	Particulars	L. F.	Dr. ₹	Cr. ₹
(1)	Munmun's A/c Dr. To, Suspense A/c (Being wrong posting of Munmun's A/c as ₹3,00,000 instead of ₹3,60,000, rectified)		60,000	60,000
(2)	Rent Paid A/c Dr. Suspense A/c Dr. To, Rent Received A/c (Being rent paid in cash, wrongly posted to the debit side of rent received A/c, now rectified)		20,000 1,80,000	2,00,000
(3)	Sales A/c Dr. To, Machinery A/c (Being sale of old machinery, wrongly recorded in Sales Book, now rectified)		50,000	50,000

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(4)	Suspense A/c To, Sales Returns A/c (Being, wrong overcasting of Sales Returns Book, Now rectified)	Dr.		75,000	75,000
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6. 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**

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Stock (1-1-2016)	4,00,000	By Sales 11,50,000	
To Purchases 5,10,500		Less: Sales returns <u>20,000</u>	11,30,000
Less: Purchases Return <u>26,500</u>	4,84,000	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		
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

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7. Sonu owed Anu ₹ 80,000. Anu draws a bill on Sonu for that amount for 3 months on 1st April 2016. Sonu accepts it and returns it to Anu. On 15th April 2016, Anu discounts it with CD Bank at a discount of 12% p.a. On the due date the bill was dishonoured, the bank paid noting charges of ₹ 100. Anu settles the bank's claim along with noting charges in cash. Sonu accepted another bill for 3 months for the amount due plus interest of ₹ 3,000 on 1st July 2016. Before the new bill became due, Sonu retires the bill with a rebate of ₹ 500. Show journal entries in books of Anu. [8]

Answer:

Journal entries in the books of Anu

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2016 April 1	Bills Receivables A/c To Sonu's A/c (Being acceptance by Sonu)	Dr	80,000	80,000
2016 April 15	Bank A/c Discount A/c To, Bills Receivables A/c (Being discounting of the bill @ 12% p.a. & discounting charges for 2.5 months)	Dr Dr	78,000 2,000	80,000
2016 June 30	Sonu's A/c To, Bank A/c (Being dishonour of the bill & noting charges paid by bank)	Dr	80,100	80,100
2016 June 30	Bank A/c To, Cash A/c (Being cash paid to bank)	Dr	80,100	80,100
2015 July 1	Sonu's A/c To, Interest A/c (Being interest due from Sonu)	Dr	3,000	3,000
2015 July 1	Bills Receivables A/c To, Sonu's A/c (Being new acceptance by Sonu for ₹80,100 & interest of ₹3,000)	Dr	83,100	83,100
2015 July 1	Bank A/c Rebate A/c To, Bills Receivables A/c (Being the amount received on retirement of the bill)	Dr Dr	82,600 500	83,100

Section – B

8. Choose the correct answer:

[12×1=12]

- (i) Statement showing break-up of costs is known as

- (a) cost-sheet
- (b) statement of profit
- (c) production account
- (d) Tender

- (ii) The main purpose of cost accounting is to:

- (a) maximize profits

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- (b) help in inventory valuation
 - (c) provide information to management for decision making
 - (d) aid in the fixation of selling price
- (iii) Variable costs are fixed
- (a) for a period
 - (b) per unit
 - (c) depends upon the entity
 - (d) for a particular process of production
- (iv) Which of the following items is excluded from cost Accounts?
- (a) Income tax
 - (b) interest on debentures
 - (c) cash discount
 - (d) All of these
- (v) Raw material consumed = ₹26,500.
Closing Stock = ₹4,500
Opening Stock = ₹3,000
Purchase is _____
- (a) ₹28,000
 - (b) ₹22,000
 - (c) ₹29,500
 - (d) None of the above
- (vi) Which cost system description applies to the manufacture of 20 engraved doors for the new club house at a golf course?
- (a) contract
 - (b) process
 - (c) Batch
 - (d) service
- (vii) Chargeable expenses are an example ___ cost.
- (a) Indirect
 - (b) Direct
 - (c) Both (a) and (b)
 - (d) None of the above
- (viii) Wages of delivery van driver is a _____.
- (a) Administration Overhead
 - (b) Manufacturing Overhead
 - (c) Distribution Overhead
 - (d) None of the above
- (ix) Cost reduction is
- (a) Long term phenomena
 - (b) It challenges the standards
 - (c) It is carried out without compromising the quality
 - (d) All of the above
- (x) Directors remuneration and expenses form a part of
- (a) Production overhead
 - (b) Administration overhead

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- (c) Selling overhead
(d) Distribution overhead

(xi) Which of the following is an element of cost

- (a) Material
(b) Labour
(c) Other expenses
(d) All of the above

(xii) _____ costs are the result of inevitable consequences of commitments previously made or are incurred to maintain certain facilities and cannot be quickly eliminated.

- (a) Committed
(b) Discretionary
(c) Step
(d) None of the above

Answer:

(i)	(a)	(v)	(a)	(ix)	(d)
(ii)	(c)	(vi)	(c)	(x)	(b)
(iii)	(b)	(vii)	(b)	(xi)	(d)
(iv)	(d)	(viii)	(c)	(xii)	(a)

Answer any one question out of two questions [8×1=8]

9. Mr. Krishna furnishes the following data relating to the manufacture of a standard product during the month of April, 2017:

Raw materials consumed	₹ 80,000
Direct labour charges	₹ 48,000
Machine hours worked	8,000
Machine hour rate	4
Administrative overheads	10% on works cost
Selling overheads	₹1.50 per unit
Units produced	4,000
Units sold	3,600 at ₹ 50 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]

Answer:

Statement of Cost

Particulars	₹	Per unit
Raw materials consumed	80,000	
Direct labour charges	48,000	
Prime cost	1,28,000	
Factory expenses (8,000 hrs, @ ₹ 4 per hr)	32,000	
Works cost	1,60,000	
Administrative overheads (10% on works cost)	16,000	
Cost of production	1,76,000	44.00 = (₹ 1,76,000 ÷ 4,000)

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Statement of Profit

Particulars	₹
Cost of production of 3,600 units @ ₹ 44.00 per unit	1,58,400
Selling overheads @ ₹1.50 per unit for 3,600 units	5,400
Cost of sales	1,63,800
Profit for the period	16,200
Sales (3,600 units @ ₹ 50 unit)	1,80,000
Profit per unit sold = ₹16,200 / 3,600 = ₹4.50	

10. From the following particulars, prepare cost statement showing the component of total cost and the profit for the year ended 31st December, 2017. [8]

Particulars	(₹)	Particulars	(₹)
Stock of finished goods 1-1-2017	6,000	Stock of finished goods 31-12-2017	15,000
Stock of raw materials 1-1-2017	25,000	Stock of raw material 31-12-2017	50,000
Work-in-progress 1-1-2017	15,000	Work-in-progress 31-12-2017	10,000
Purchase of raw materials	4,75,000	General expenses	32,500
Carriage inward	12,000	sales for the year	8,60,000
Wages	1,73,000	Income tax	500
Works manager's salary	30,000	Dividend	1,000
Factory employees salaries	60,000	Debenture interest	5,000
Factory rent, taxes and Insurance	7,250	Transfer to sinking fund for replacement of machinery	10,000
Power expenses	9,500	Goodwill written off	10,000
Other production expenses	43,000	Selling expenses	9,250

Answer:

Statement of Cost and Profit

	₹	₹
Opening stock of raw materials	25,000	
Add: purchase of raw materials	4,75,000	
	5,00,000	
Less: closing stock of raw materials	50,000	
	4,50,000	
Add: Carriage inward	12,000	
Materials consumed		4,62,000
Wages		1,73,000
Prime cost		6,35,000
Factory expenses:		
Works manager's salary	30,000	
Factory employees salaries	60,000	
Factory rent, taxes and insurance	7,250	
Power expenses	9,500	
Other production expenses	43,000	
Opening work-in-progress	15,000	1,64,750
		7,99,750

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Less: closing work-in-progress		10,000
Works cost		7,89,750
General expenses		32,500
Cost of production		8,22,250
Add: opening stock of finished goods		6,000
		8,28,250
Less: Closing stock of finished goods		15,000
Cost of goods sold		8,13,250
Selling expenses		9,250
Cost of sales		8,22,500
Profit		37,500
Sales		8,60,000