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) Which of the following is not a Basic Accounting Assumption?
(a) Business Entity Concept
(b) Going Concern Concept
(c) Money Measurement Concept
(d) Timeliness Concept

(ii) Carriage of ₹ 25,000 spent on machinery purchased and installed is a ______________.
(a) Capital Receipt
(b) Capital Expenditure
(c) Revenue Profit
(d) Revenue Expenditure

(iii) ________________are accounts related to assets or properties or possessions.
(a) Personal Account
(b) Real Account
(c) Nominal Account
(d) Both (a) and (b)

(iv) Which of the following is a purpose/s of preparing Trial Balance?
(a) To check the arithmetical accuracy of the recorded transactions
(b) To ascertain the balance of any ledger Account
(c) To facilitate the preparation of final accounts promptly
(d) All of the above

(v) The cash book records
(a) All cash receipts
(b) All cash payments
(c) All cash receipts and payments
(d) None of the above

(vi) 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

(vii) When credit balance as per pass book is the starting point bank charges are –
(a) Subtracted
(b) Added
(c) both (a) and (b)
(d) None

(viii) Based on which of the following concepts, is share capital account shown on the liabilities side of a balance sheet?
- **(a) business entity concept**
- **(b) money measurement concept**
- **(c) going concern concept**
- **(d) matching concept**

(ix) The capital of a non-profit organization is generally known as
- **(a) Equity**
- **(b) Accumulated Fund**
- **(c) Finance Reserve**
- **(d) Cash Fund**

(x) 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:
- **(a) Kuntal**
- **(b) Ram**
- **(c) Shyam**
- **(d) Rahim**

(xi) Goods of the invoice value of ₹ 3,60,000 sent out to consignee at 20% profit on cost the loading amount will be
- **(a) ₹ 60,000**
- **(b) ₹ 72,000**
- **(c) ₹ 3,00,000**
- **(d) none**

(xii) Insurance prepaid is shown as
- **(a) Current Asset**
- **(b) Current Liability**
- **(c) Fixed Asset**
- **(d) Income**

(xiii) Gross Profit is equal to
- **(a) Sales – Cost of goods sold**
- **(b) Sales – Closing Stock + Purchase**
- **(c) Opening Stock + Purchases – Closing Stock**
- **(d) None of the above**

(xiv) 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**

(xv) Goods worth ₹ 272 returned by Lala passed through the books as ₹ 722. In the rectification entry
- **(a) Lala will be debited by ₹ 450**
- **(b) Lala will be debited by ₹ 272**
- **(c) Lala will be credited by ₹ 722**
- **(d) Lala will be credited by ₹ 272**

(xvi) A consignee is entitled to ______________
- **(a) Commission on sales**
- **(b) Reimbursement of the expenses**

(c) Del credere commission.
(d) All of these.

(xvii) Payment of Bills of Exchange is received
(a) by drawer
(b) by holder in due course of due date
(c) by endorsee
(d) by bank

(xviii) Rent outstanding for the month of December'17 will appear on___________ of Cash Book
(a) Debit side
(b) Credit side
(c) Either side
(d) Nowhere

(xix) Which of these is/are recurring (indirect) expenses?
(a) Transit Insurance and Freight
(b) Octroi
(c) Loading and Unloading
(d) Godown Rent and Insurance

(xx) Purchase A/c will have
(a) No balance at all
(b) Debit balance
(c) Credit balance
(d) Debit or Credit

(xxi) Retirement of bill means:
(a) making payment before the due date
(b) cancellation of the bill
(c) sending the bill for collection
(d) None of the above

(xxii) A proforma invoice is sent by
(a) consignee to consignor
(b) consignor to consignee
(c) debtor to consignee
(d) debtor to consignor

(xxiii) If unsold goods costing ₹ 50,000 is taken over by venture at ₹37,500 the Joint venture A/c will be credited by
(a) ₹ 50,000
(b) ₹ 37,500
(c) ₹ 12,500
(d) Nil

(xxiv) Goods costing ₹ 10,000 destroyed by an accident, insurance claim nil
(a) ₹ 10,000 will be credited to joint venture account
(b) No entry will be made in the books of joint venture
(c) ₹ 10,000 will be debited in Joint venture account as loss
(d) ₹ 8,000 will be credited in joint venture account

(xxv) Sales returns book is used to record
(a) Returns of fixed assets sold on credit
(b) Returns of goods purchased for cash
(c) Returns of goods sold on credit
(d) Sale of goods

(xxvi) A withdrawal of cash from business by the proprietor should be credited to
- **(a) Drawing A/c**
- **(b) Capital A/c**
- **(c) Cash A/c**
- **(d) Purchase A/c**

(xxvii) Which of the following is /are advantage/s of Double entry system?
- **(a) It prevents and minimizes frauds. Moreover frauds can be detected early.**
- **(b) Errors can be checked and rectified easily.**
- **(c) The balances of receivables and payables are determined easily, since the personal accounts are maintained.**
- **(d) All of the above**

(xxviii) Closing stock appearing in the Trial Balance is shown in
- **(a) Trading A/c and Balance Sheet**
- **(b) Profit and Loss A/c**
- **(c) Balance Sheet only**
- **(d) Trading A/c only**

(xxix) When a person purchasing goods on credit he becomes a __________ in the books of the seller
- **(a) Debtor**
- **(b) Creditor**
- **(c) Defaulter**
- **(d) None of the above**

(xxx) Which of the following is/are method/s of charging depreciation
- **(a) Straight line Method**
- **(b) Written down value Method**
- **(c) Discounted present value Method**
- **(d) Both (a) and (b)**

Answer:

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

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

- **(i) Book-keeping is a mechanical task which involves measurement of economic transactions in terms of money.**
- **(ii) Non-current Assets are held primarily for the purpose of being traded.**
- **(iii) Cash Discount is allowed to encourage prompt payment by the debtor.**
- **(iv) Trade mark is a Fictitious Asset.**
- **(v) Capital expenditure provides long term benefit.**
- **(vi) Double accounting system owes its origin to Luca pacioli.**
- **(vii) Compound Method is a method of preparing Trial Balance.**
- **(viii) Receipts are recorded on the debit side of cash book.**
- **(ix) Bank overdraft as per cash book means credit balance.**

(x) Profit and loss on consignment is retained / borne by consignor.
(xi) Profit is debit balance of joint venture account.
(xii) Income earned but not received are called accrued income.

Answer:

(i) — True;
(ii) — False;
(iii) — True;
(iv) — False;
(v) — True;
(vi) — True;
(vii) — True;
(viii) — True;
(ix) — True;
(x) — True;
(xi) — False;
(xii) — True.

(c) Match the following: **[6 × 1 = 6]**

	Column 'A'		**Column 'B'**
1.	**An increase in liability**	**A.**	**Totaling mistake**
2.	**Received interest**	**B.**	**Invalid**
3.	**Mineral deposit**	**C.**	**Revenue Receipt**
4.	**Casting Errors**	**D.**	**Credit**
5.	**Oral bill**	**E.**	**Nominal Account**
6.	**Consignment account**	**F.**	**Depletion**

Answer:

	Column 'A'		**Column 'B'**
1.	An increase in liability	D.	Credit
2.	Received interest	C.	Revenue Receipt
3.	Mineral deposit	F.	Depletion
4.	Casting Errors	A.	Totaling mistake
5.	Oral bill	B.	Invalid
6.	Consignment account	E.	Nominal Account

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

2. From the following transactions, prepare-the Purchases Book of Sen & Co. a Saree dealer and post the transactions recorded in the Purchases Book to Ledger:

Date	**Invoice No.**	**Particulars**
03-01-2017	**401**	**Purchased on credit from Gupta Mills, Surat — 110 polyster sarees @ ₹100**
08-01-2017	**800**	**Purchased for cash from Mukti Mills, Kota — 100 kota sarees @ ₹40**
15-01-2017	**355**	**Purchased on credit form Vansal Mills, Bengaluru — 20 silk sarees @ ₹260**
30-01-2017	**420**	**Purchased on credit from Anup and & Co. — 4 typewriters @ ₹3,500**

[8]

Answer:

Date	Name of Supplier	Purchase Invoice No.	L.F.	Amount ₹
2017 Jan. 3 Jan. 15	Gupta Mills, Surat Vansal Mills, Bangalore	401 355		11,000 5,200
Jan. 31	Purchases Account (Debit)			16,200

Note: Cash purchase of Kota sarees will be recorded in the Cash Book and credit purchase of typewriters will be recorded in the General Journal (or Journal Proper) since, in the purchases book, only the credit purchases of merchandise (i.e. the goods in which the firm deals in) are recorded.

Ledger of Sen and Co.

Dr. Gupta Mills, Surat Cr.

Date	Particulars	Folio	Amount ₹	Date	Particulars	Folio	Amount ₹
				2017 Jan. 3	By Purchases A/c		11,000

Dr. Mukti Mills, Bengaluru Cr.

Date	Particulars	Folio	Amount ₹	Date	Particulars	Folio	Amount ₹
				2017 Jan. 15	By Purchases A/c		5,200

Dr. Purchases Account Cr.

Date	Particulars	Folio	Amount ₹	Date	Particulars	Folio	Amount ₹
2017 Jan. 8 31	To Cash A/c To Sundries as per Purchases Book		4,000 16,200				

3. **On January 1, 2016, M Ltd. purchased a second-hand machine for ₹1,04,000 and spent ₹4,000 as shipping and forwarding charges, ₹10,000 as import duty, ₹1,000 as carriage inwards, ₹3,000 as repair charges, ₹1,000 as installation charges,₹ 800 as brokerage of the middleman and ₹200 for an iron pad. It was estimated that the machine will have a scrap value of ₹4,000 at the end of its useful life which is 10 years. On 30 Sept. 2016 repairs & renewals amounted to ₹4,000. On July 1, 2018, this machine was sold for ₹61,200.**

   Required: Prepare the Machinery Account for the first three years. [8]

Answer:

Total Cost of Machinery = Purchase price + Expenses to be capitalized
= ₹1,04,000 +₹4,000 + ₹10,000 + ₹1,000 + ₹3,000 + ₹1,000 + ₹800 + ₹200
= ₹1,24,000

Amount of Depreciation p.a.
= (Total Cost of Machine – Estimated Scrap Value)/ Expected Useful Life
= (₹1,24,000 - ₹4,000)/10 = ₹12,000

Dr. **Machinery Account** **Cr.**

Date	Particulars	₹	Date	Particulars	₹
01.01.16	To Bank A/c (Cost) To Bank A/c (Expenses)	1,04,000 20,000	31.12.16	By Depreciation A/c By Balance c/d	12,000 1,12,000
		1,24,000			1,24,000
01.01.17	To Balance b/d	1,12,000	31.12.17	By Depreciation A/c By Balance c/d	12,000 1,00,000
.		1,12,000			1,12,000
01.01.18	To Balance b/d	1,00,000	01.07.18	By Depreciation A/c By Bank A/c By P&L A/c (Loss)	6,000 61,200 32,800
		1,00,000			1,00,000

Working Notes:

(i) Book Value as on date of sale = ₹1,00,000 - ₹6,000 = ₹94,000.

(ii) Loss on sale = Book Value as on date of sale - Sale proceeds
= ₹94,000 - ₹61,200 = ₹32,800.

(iii) The amount spent on repairs & renewals on 30.9.2016 is of revenue nature and not of capital nature and hence, not debited to Machinery Account.

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**
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. **B of Bombay and D of Delhi entered into a joint venture for the purpose of buying and selling secondhand motor cars. B to make purchases and D to effect sales. D remitted a sum of ₹1,50,000 to B towards the venture. B purchased 5 cars for ₹1,60,000 and paid ₹60,000 for their reconditioning and sent them to Delhi. He also incurred an expense of ₹10,000 in transporting the cars to Delhi. D sold 4 cars for ₹2,40,000 are retained the fifth car for himself at an agreed value of ₹50,000. His expenses were: Insurance ₹1,000; Garage Rent ₹2,000; Brokerage ₹2,000; and Sundry Expenses ₹1,000. Each party's ledger contains a record of his own transactions on joint account. Prepare a Statement showing the result of the venture and the joint venture and the joint venture account with B in the books of D as it will finally appear, assuming that the matter was finally settled between the parties. [8]**

Answer:

Dr. Joint Venture Account with B in the books of D Cr.

Particulars	₹	Particulars	₹
To Bank A/c (Remittance to B)	1,50,000	By Bank A/c (Sales)	2,40,000
To Bank A/c (Insurance)	1,000	By Vehicles A/c (Car Purchase)	50,000
To Bank A/c (Garage Rent))	2,000		
To Bank A/c (Brokerage)	2,000		
To Bank A/c (Sundry Exp.)	1,000		
To Profit & Loss A/c (Share of Profit)	27,000		
To Bank A/c (Balance remitted to B)	1,07,000		
	2,90,000		2,90,000

Dr. Memorandum Joint Venture Account Cr.

Particulars	₹	Particulars	₹
To B(Cost of cars)	1,60,000	By D (Sales)	2,40,000
To B (Reconditioning Expenses)	60,000	By D (Car taken)	50,000
To B (Transport charges)	10,000		
To D (Expenses) (₹1,000 + ₹2,000 + ₹ 2,000 + ₹1,000)	5,400		
To Profit transfered to:	27,000		
B	27,000		
D			
	2,90,000		2,90,000

6. **Mr. Mihir had prepared the following Trial Balance from his ledger as on 31st March,**
7. **2016**

Particulars	Dr. (₹)	Cr. (₹)
Stock as on 1st April, 2015	**5,00,000**	
Purchases and Returns	**31,00,000**	**45,000**
Sales and Returns	**55,000**	**40,00,000**
Cash in Hand	**2,50,000**	

Cash at Bank	5,00,000	
Trader's Capital		22,59,200
Rates and Taxes	50,000	
Drawings	45,000	
Salaries	95,000	
Postage and Telegram	1,05,000	
Insurance	90,000	
Salesman Commission	78,000	
Printing and Stationery	95,500	
Advertisement	1,70,000	
Furniture and Fittings	5,50,000	
Motor Car	48,000	
Discounts	50,000	75,000
General Expenses	65,700	
Carriage Inwards	10,000	
Carriage Outwards	22,000	
Wages	50,000	
Sundry Debtors/Creditors	8,50,000	4,00,000
Total	67,79,200	67,79,200

You are required to prepare Trading and Profit & Loss Account for the year ended on 31st March, 2016.

You are provided with the following information:

(i) Closing Stock as on 31st March, 2016 ₹2,45,000.
(ii) Mr. Mihir had withdrawn goods worth ₹50,000 during the year.
(iii) Purchases include Purchase of furniture worth ₹1,00,000.
(iv) Debtors include ₹50,000 bad debts.
(v) Provision for Bad debts is to be created at 5% of Sundry Debtors.
(vi) Depreciate Furniture and Fittings by 10% and Motor Car by 20%.
(vii) The salesman is entitled to a commission of 10% on total sales. [8]

Answer:

Trading and Profit and Loss Account of Mr. Neel
for the year ended 31st March, 2016

Particulars		₹	Particulars		₹
To Opening Stock To Purchases Less: Returns	 31,00,000 45,000	5,00,000	By Sales Less: Returns Less: Goods sent on approval	40,00,000 55,000	39,45,000
Less: For personal use	30,55,000 50,000				
	30,05,000		By Closing Stock		2,45,000
Less: Purchase of Furniture 1,00,000		29,05,000			
To Carriage Inwards		10,000			
To Wages		50,000			
To Gross Profit c/d		7,25,000			
		41,90,000			**41,90,000**
To Rates and Taxes		50,000	By Gross Profit b/d		7,25,000
To Salaries		95,000	By Discounts		75,000
To Postage and Telegram		1,05,000	By Net Loss		5,02,300
To Salesman's Commission 78,000					
Add: Outstanding 3,16,500		3,94,500			

To Insurance	90,000			
To Advertisement	1,70,000			
To Printing and Stationery	95,500			
To Bad Debts	50,000			
To Provision for Doubtful Debts (5% of ₹8,00,000)	40,000			
To Discounts Allowed	50,000			
To General Expenses	65,700			
To Carriage Outwards	22,000			
To Depreciation: Furniture and Fittings 65,000 Motor Car 9,600	74,600			
	13,02,300			**13,02,300**

Note:

Depreciation on Furniture and Fittings: ₹(5,50,000 + 1,00,000) × 10% =₹65,000

7. **Calculate the value of unsold consignment stock and abnormal loss from the following information:**
Goods consigned.—10,000 units @ ₹50 per unit;
Freight and Insurance expenses incurred by consignor — ₹ 95,000
Expenses incurred by consignee — Unloading charges ₹9,800 clearing and custom charges ₹7,800, Carriage Inward ₹2,000, Storage expenses ₹2,900, Office & admn. expenses ₹10,000, Selling, and distribution expenses ₹20,000, Bad debts ₹3,250.
Goods sold by consignee — 2500 units @ ₹50 per unit for cash and 5000 units @ ₹65 credit.
Rate of commission of consignor — 5% (including 2% Del-Credere)
100 units of goods sent were lost in transit.
100 units of goods are still in transit.
100 units of goods lost by fire in consignee's godown.
100 units of goods lost in the godown of consignee due to inherent nature of goods.
[8]

Answer:

Statement Showing the Calculation of Abnormal Loss and Unsold Stock

Particulars	Units	₹
A. Cost of Goods sent	10,000	5,00,000
B. Expenses incurred by Consignor	—	95,000
C. Total Cost of Goods Sent (A + B)	10,000	5,95,000
D. Less: Cost of Goods not reached the city of Consignee		
(a) Cost of Goods lost-in-transit (5,95,000 x 100/10,000)	100	5,950
(b) Cost of Goods still-in-transit (5,95,000 x 100/10,000)	100	5,950
E. Cost of Goods reached the city of Consignee (C - D)	9,800	5,83,100
F. Add: Non-recurring expenses incurred by Consignee [₹ 9,800 + ₹7,800 + ₹2,000]	—	19,600
G. Cost of Goods received by Consignee (E + F)	9,800	6,02,700
H. Less: Cost of Goods lost in Consignee's Godown [₹6,02,700 x 100/9,800]	100	6,150
I. Less: Expected Normal Loss (in Units)	100	—
J. Cost of Goods available for sale (G - H - I)	9,600	5,96,550
K. Cost of Unsold Stock [₹5,96,550 x 2,100/9,600]	2,100	1,30,495 (App.)

Section – B

8. **Choose the correct answer:** **[12×1=12]**

(i) CAS 4 stands for
   (a) Captive Consumption
   (b) Average (equalized) Cost of Transportation
   (c) Material Cost
   (d) Employee Cost

(ii) By nature or element cost can be classified in _____ categories.
   (a) 2;
   (b) 4;
   (c) 3;
   (d) None of the above

(iii) _____________ ______________ is the suitable cost unit for Textile industry.
   (a) Cost per tone
   (b) Cost per meter
   (c) Cost per liter
   (d) Cost per sq. ft

(iv) Which of the following is/ are the characteristic/s of good Cost Control System
   (a) Delegation of authority;
   (b) Relevance of controllable cost;
   (c) Both (a) and (b)
   (d) None of the above

(v) Distribution of product samples is treated as
   (a) Office and administration overhead
   (b) Direct cost
   (c) Selling overhead
   (d) Factory overhead

(vi) Any expenditure over and above prime cost is known as ____________ for a period
   (a) Overheads
   (b) Labour cost
   (c) Direct cost
   (d) None of the above

(vii)Interest on own capital is
   (a) Cash cost
   (b) Notional cost
   (c) Sunk cost
   (d) Part of Prime Cost

(viii) The guidance and regulation to identify and reduce business expenses and to increase profits of an undertaking is known as ____________
   (a) Cost centre
   (b) Cost analysis
   (c) Cost control
   (d) None

(ix) ____________ costs are not related to the operation but can be controlled by the management.
   (a) Committed
   (b) Discretionary
   (c) Batch

(d) None of the above

(x) Statement showing break-up of costs is known as
(a) cost-sheet
(b) statement of profit
(c) production account
(d) Tender

(xi) Which method of costing is used for determination of costs for House building?
(a) process costing
(b) operating costing
(c) batch costing
(d) Contract costing

(xii)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

Answer:

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

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

9. A factory incurred the following expenditure during the year 2016. [8]

	₹	₹
Direct material consumed		24,00,000
Manufacturing wages		14,00,000
Manufacturing overheads:		
Fixed	9,00,000	
Variable	5,00,000	14,00,000
		52,00,000

In the year 2017, following changes are expected in production and cost of production.
(i) Production will increase by 30%.
(ii) Wages will increase by 20%.
(iii) Fixed overhead will be ₹11,50,000.
(iv) Variable overhead will increase with increase in production.
(v) The company desire to earn a profit of 10% on selling price.
Ascertain the cost of production and selling price.

Answer:

Cost Sheet for the year ended 2017:

Particulars	₹	₹	₹
Direct Material Consumed	24,00,000		
Add: 30% increase due to increase in production output	7,20,000		
		31,20,000	
Direct wages		16,80,000	
Prime Cost			48,00,000

Manufacturing overhead			
Fixed		11,50,000	
Variable	5,00,000		
Add: 30% increase	1,50,000	6,50,000	18,00,000
Cost of production			66,00,000
Add: 1/9 of cost or 10% on selling price			7,33,333
Selling Price			73,33,333

10. The following data pertains to a company for the month of March 2018:

(i) Direct Material used ₹8,470;
(ii) Opening Stock of Finished Goods?
(iii) Closing Stock of Finished Goods ₹940;
(iv) Direct Labour Cost ₹3,890;
(v) Manufacturing Overhead?
(vi) Cost of Goods Produced ₹18,780;
(vii) Cost of Goods Sold ₹18,550
(viii) Cost of Goods available for sale?

Find out the missing items. [8]

Answer:

Computation of Manufacturing Overheads:

Cost of Goods Produced = Direct material + Direct Labour + Manufacturing Overheads
Or, ₹18,780 = ₹8,470 + ₹3,890 + Manufacturing Overheads
∴ Manufacturing Overheads = ₹18,780 - ₹(8,470+3,890)= ₹6,420.

Computation of Cost of Goods available for sale:

Cost of Goods available for Sale = Cost of Goods Sold + Closing Stock of Finished Goods
= ₹(18,550 + ₹940) = ₹19,490

Computation of Opening Stock:

Cost of Goods available for Sale
= Opening Stock of Finished Goods + Cost of Goods Produced
Or, ₹19,490 = Opening Stock of Finished Goods + ₹18,780
∴ Opening Stock of Finished Goods = ₹19,490 - ₹18,780 = ₹710.