

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)** Endowment fund receipt is treated as –
(a) **Capital Receipt**
(b) Revenue Receipt
(c) Loss
(d) Expenses
- (ii)** Goods sent on consignment account is of the nature of
(a) Personal Account
(b) Nominal account
(c) **Real Account**
(d) Sales Account
- (iii)** A proforma invoice is sent by
(a) consignee to consignor
(b) **consignor to consignee**
(c) debtor to consignee
(d) debtor to consignor
- (iv)** Bills receivable book is a part of the
(a) ledger
(b) balance sheet
(c) **Journal**
(d) profit and loss account
- (v)** If the due date is a public holiday what will be the due date of the bill
(a) following day
(b) **preceding day**
(c) the same day only
(d) one month later
- (vi)** Accumulated depreciation is an example of
(a) **A liability**
(b) An expense
(c) An income
(d) An unrecorded revenue
- (vii)** Nominal account represents
(a) Profit & gain
(b) Loss/ Expenses
(c) None
(d) **Both (a) and (b)**

- (viii) Prepaid rent is a
- (a) Nominal A/c
 - (b) **representative personal A/c**
 - (c) tangible assets account
 - (d) none
- (ix) Single column cash book may show –
- (a) only a debit balance
 - (b) only a credit balance
 - (c) **either debit or a credit balance**
 - (d) neither debit nor credit balance
- (x) Commission will be shared by
- (a) consignor and consignee
 - (b) **only consignee**
 - (c) only consignor
 - (d) third party
- (xi) Under which of the following concepts shareholders are treated as creditors for the amount they paid on the shares they subscribed to?
- (a) Cost Concept
 - (b) Duality Concept
 - (c) **Entity Concept**
 - (d) Since the shareholders own the business, they are not treated as creditors
- (xii) Debit balance in a Personal A/c means
- (a) **Amount due from anyone**
 - (b) Amount due to anyone
 - (c) Discount allowed to anyone
 - (d) Goods sold by cash
- (xiii) Debts for which there is neither any possibility of becoming bad nor any doubt about its realization, will arise in future is called _____.
- (a) Bad Debts
 - (b) Doubtful Debts
 - (c) **Good Debts**
 - (d) None of the above
- (xiv) Which of the following are/is a current asset?
- (a) Sundry Debtors
 - (b) Stock
 - (c) Prepaid insurance
 - (d) **All of (a), (b) and (c) above**
- (xv) If the Closing Stock in the Trading A/c is overcastted by ₹8,000 the amount of Gross Profit and Net Profit —
- (a) **will be Higher by ₹8,000**
 - (b) will be Lower by ₹8,000
 - (c) will not be affected
 - (d) none of the above

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- (xvi) Cash book does not record
- (a) Credit purchases
 - (b) Credit sales
 - (c) Outstanding expenses
 - (d) **All the these**
- (xvii) Subsidy of ₹40,000 received from the government per working capital is —
- (a) **Revenue Receipt**
 - (b) Revenue Expense
 - (c) Capital Receipt
 - (d) Capital Expense
- (xviii) 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
- (xix) Assets appearing in the books having no real value are known as —
- (a) **Fictitious assets**
 - (b) Tangible Asset
 - (c) Current Asset
 - (d) None of the Above
- (xx) The equality of debit and credit of the _____ does not mean that the individual accounts are also accurate.
- (a) **Trial Balance**
 - (b) Ledger
 - (c) Journal
 - (d) None of the above
- (xxi) Goods bought from Mr. P the payment for which is due after a month is recorded in _____
- (a) Cash book
 - (b) **Purchase book**
 - (c) Sales book
 - (d) Sales return book
- (xxii) For charging depreciation, on which of the following assets, the depletion method is adopted?
- (a) plant & machinery
 - (b) land & building
 - (c) patent
 - (d) **Wasting assets like mines and quarries**
- (xxiii) Sales to Mita of ₹500 in credit not recorded in the books would affect -
- (a) Mita's account
 - (b) Sales account
 - (c) **Sales account and Mita's account**
 - (d) Cash account
- (xxiv) 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

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- (xxv) The bank reconciliation statement is prepared
- (a) to rectify the mistakes in the cash book
 - (b) to arrive at the bank balance
 - (c) **to bring out the reasons for the difference between the balance as per cash book and the balance as per bank statement**
 - (d) to arrive at the cash balance
- (xxvi) Casting errors is an error in _____
- (a) **Totaling**
 - (b) Principle
 - (c) Both (a) & (b)
 - (d) None of the above
- (xxvii) Miss Uma has assets of ₹75,000 and liabilities of ₹23,000 his capital therefore would be _____
- (a) ₹98,000
 - (b) **₹52,000**
 - (c) ₹25,000
 - (d) None of these
- (xxviii) Credit note is sent by _____
- (a) **Seller**
 - (b) Buyer
 - (c) Both (a) & (b)
 - (d) None of the above
- (xxix) Sales returns book is used to record
- (a) Returns of fixed assets sold on credit
 - (b) Returns of goods sold for cash
 - (c) **Returns of goods sold on credit**
 - (d) Sale of goods
- (xxx) Import duty of raw material purchased
- (a) Capital expenditure
 - (b) **Revenue expenditure**
 - (c) Deferred revenue expenditure
 - (d) None of these

(b) State whether the following statements are True (or) False:

[12 × 1 = 12]

- (i) **After preparation of ledgers, the next is the preparation of trial balance.**
- (ii) **Bank pass book is also known as bank statement.**
- (iii) **A person by whom the bill is endorsed is called endorser.**
- (iv) **Account sales is a statement furnished by consignor to consignee.**
- (v) **Joint venture has a definite life.**
- (vi) **Income earned but not received are called accrued incomes.**
- (vii) **Capital Account is a liability of the business.**
- (viii) **Paper purchased for use as stationery is capital expenditure.**
- (ix) **Money Measurement concept assumes that the business has a perpetual succession or continued existence.**
- (x) **Trial Balance is a final accounts.**
- (xi) **Proceeds from sale of fixed asset are an example of Capital Receipt.**
- (xii) **Balance in consignment account shows profit and loss on consignment.**

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Answer:

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

(c) Match the following:

[6×1=6]

	Column 'A'		Column 'B'
1.	Asset	A.	Revenue receipts
2.	Sale of goods	B.	Artificial personal account
3.	State Bank of India	C.	Real account
4.	Contra Transaction	D.	Personal account
5.	Harish Account	E.	Credit side of cash book
6.	Debit balance of pass book is	F.	Cash Book

Answer:

	Column 'A'		Column 'B'
1.	Asset	C.	Real account
2.	Sale of goods	A.	Revenue receipts
3.	State Bank of India	B.	Artificial personal account
4.	Contra Transaction	F.	Cash Book
5.	Harish Account	D.	Personal account
6.	Debit balance of pass book is	E.	Credit side of cash book

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

2. Prepare three column cash book of Mr. Abhishek from the following cash and bank transactions —

- January 1 Opening cash balance was ₹ 3,800 and bank balance was ₹ 27,500
- January 4 Wages paid in cash ₹ 1,500
- January 5 received cheque of ₹ 19,800 from KBK enterprises after allowing discount of ₹ 200
- January 7 Paid to consultancy charges by cheque for ₹ 7,500
- January 10 Cash of ₹ 2,500 withdrawn from bank
- January 12 Received a cheque for ₹ 4,500 in full settlement of the account of Mr. X at a discount of 10% and deposited the same into the Bank.
- January 15 X's cheque returned dishonoured by the Bank

[8]

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Answer:

In the Books of Mr. Abhishek

Dr.						Cash Book					Cr.
Receipts						Payments					
Date	Particulars	L.F	Cash (₹)	Bank (₹)	Dis Allowed (₹)	Date	Particulars	L.F	Cash (₹)	Bank (₹)	Dis received (₹)
1-Jan	Opening Balance		3,800	27,500		4-Jan	Wages paid		1,500		
5-Jan	Recd from KBK			19,800	200	7-Jan	Consultancy fees			7,500	
10-Jan	Cash withdrawn	C	2,500			10-Jan	Cash withdrawn	C		2,500	
12-Jan	Mr. X			4,500	500	15-Jan	Mr. X			4,500	500
							Closing balance		4,800	37,300	
			6,300	51,800	700				6,300	51,800	500

- 3. A machine is purchased for ₹ 14,00,000. Expenses incurred on its cartage and installation ₹ 6,00,000. Calculate the amount of depreciation @ 20% p.a. according to Straight Line Method for the first year ending on 31st March, 2015, if this machine is purchased on:**
(a) 1st April, 2014 (b) 1st July, 2014 (c) 1st October, 2014 (d) 1st January, 2015 [8]

Answer:

Here, Total Cost of Asset = Purchased Price + Cost of Cartage and Installation
 = ₹ 14,00,000 + ₹ 6,00,000 = ₹ 20,00,000
 = Total Cost of Asset × Rate of Depreciation ×
Period from the date of purchase of date of closing accounts
 12

- (a) The machine was purchased on 1st April, 2014:
 Amount of Depreciation = ₹ 20,00,000 × 20% × $\frac{12}{12}$ = ₹ 4,00,000
- (b) 1st July, 2014
 Amount of Depreciation = ₹ 20,00,000 × 20% × $\frac{9}{12}$ = ₹ 3,00,000
- (c) 1st October, 2014
 Amount of Depreciation = ₹ 20,00,000 × 20% × $\frac{6}{12}$ = ₹ 2,00,000
- (d) 1st January, 2015
 Amount of Depreciation = ₹ 20,00,000 × 20% × $\frac{3}{12}$ = ₹ 1,00,000

- 4. From the following particulars, prepare the Bank Reconciliation Statement of Shri Krishan as on 31st March,**
- (i) Balance as per Pass Book is ₹ 10,000.
- (ii) Bank collected a cheque of ₹ 500 on behalf of Shri Krishan but wrongly credited it to Shri Kishan's A/c (another customer).
- (iii) Bank recorded a Cash deposit of ₹ 1,589 as ₹ 1,598.
- (iv) Withdrawal column of the Pass Book undercast by ₹ 100.
- (v) The credit balance of ₹ 1,500 as on page 5 of the Pass Book was recorded on page 6 as the debit balance.
- (vi) The payment of a cheque of ₹ 350 was recorded twice in the Pass Book.
- (vii) The Pass Book showed a credit for a cheque of ₹1,000 deposited by Shri Kishan (another customer of the Bank). [8]

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Answer:

Bank Reconciliation Statement as at 31st March

Particulars	Amt. (₹)	Amt. (₹)
A. Credit Balance as per Pass Book		10,000
B. Add: (a) Cheque wrongly credited to another customers A/c	500	
(b) Error in carrying forward	3,000	
(c) Cheque recorded twice	350	<u>3,850</u>
		13,850
C. Less: (a) Excess credit for Cash Deposit	9	
(b) Under casting of withdrawal column	100	
(c) Wrong credit	1,000	1,109
D. Debit Balance as per Cash Book		12,741

5. A and B enter into joint venture sharing profit 3/5ths and 2/5ths. A is to purchase timber in Madhya Pradesh and forward it to B in Delhi. A purchases timber worth ₹ 10,000 and pays ₹ 1,000 as expenses. B received the consigned and immediately accepted A's draft for ₹ 8,000. A gets discounted for ₹ 7,850. B sold the timber for ₹ 16,000. He had to spend ₹ 350 for fire insurance and ₹ 300 for other expenses. Under the agreement he is entitled to a commission of 5% slaes.

Give ledger accounts in the books of A and B.

[8]

Answer:

In the books of 'A' Joint Venture Account

Dr.			Cr.
Particulars	₹	Particulars	₹
To Bank: (purchase of timber)	10,000	By B's A/c (Sales)	16,000
To Bank (Expenses)	1,000		
To Bills Receivable A/c (Discount)	150		
To B's A/c:			
Fire Insurance	350		
Expenses	300		
Commission	800		
	1,450		
To Profit & Loss A/c	2,040		
To B's A/c	1,360		
	3,400		
	16,000		16,000

Dr.			Cr.
Particulars	₹	Particulars	₹
To Joint Venture A/c	16,000	By Bills Receivable A/c	8,000
		By Joint Venture A/c (Expenses & Commission)	1,450
		By Joint Venture A/c (profit)	1,360
		By Bank A/c	5,190
	16,000		16,000

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In the books of 'B'				
Dr.		Joint Venture Account		Cr.
Particulars	₹	Particulars	₹	
To A's A/c: Purchase of timber	10,000	By Bank A/c (sales)	16,000	
Expenses	1,000			
B/R (discount)	150			
To Bank: Fire Insurance	350			
Expenses	300			
	650			
To Commission	800			
To A's A/c (profit)	2,040			
To P&L A/c	1,360			
	3,400			
	16,000			16,000

Dr.		A's Account		Cr.
Particulars	₹	Particulars	₹	
To Bills Payable A/c	8,000	By Joint Venture A/c	11,150	
To Bank A/c	5,190	By Joint Venture A/c (profit)	2,040	
	13,190			13,190

6. From the following particulars, prepare Income and Expenditure Account.

	₹
Fees Collected (including ₹3,000 on account of last year)	28,000
Meeting Expenses	2,000
Travelling & Conveyance	800
Fees for the year outstanding	5,000
Salary paid (including ₹300 on account of last year)	2,400
Salary outstanding	400
Entertainment Expenses	500
Tournament Expenses	1,000
Purchase of Books and Periodicals (includes ₹2,000 for purchase of books)	3,000
Rent	1,200
Postage, Telephone and Telegram charges	1,700
Printing & Stationery	500
Donations received	800

[8]

Answer:

Dr.		Income and Expenditure Account				Cr.
Expenditure	Amount (₹)	Amount (₹)	Income	Amount (₹)	Amount (₹)	
To Salaries	2,400		By Fees	28,000		
			Add: O/s Current Year	5,000		
Less: O/s last year	(300)		Less Last Year	(3,000)		
Add: O/s Current Year	400				30,000	
		2,500	By Donation Received		800	
To Entertainment Exp		500				
To Tournament Exp		1,000				
To Meeting Exp.		2,000				

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To Travelling Exp.		800			
To Cost of Periodicals (₹3,000 - ₹2,000)		1,000			
To Rent		1,200			
To Postage, Telephone and Telegram charges		1,700			
To Printing & Stationery		500			
To Surplus		19,600			
		30,800			30,800

7. On 01.01.2015 Mita of Srinagar consigned goods value of ₹20,000 to Rita of Warangal. Mita paid cartage and other expenses ₹1,500. On 01.04.2015 Rita sent account sales with following information:

- a) 50% of goods sold for ₹ 15,000.
- b) Rita incurred expenses amounting to ₹ 750.
- c) Rita is entitled to receive commission @ 5% on sales.

Bank draft was enclosed for the balance due. Prepare the necessary ledger accounts in the books of Mita. [8]

Answer:

Consignment Account

Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
01/01/2015	To Goods sent on Consignment A/c	20,000	01/04/2015	By Rita (Sales)	15,000
01/01/2015	To Bank /Cash A/c	1,500	01/04/2015	By Closing Stock	10,750
01/04/2015	To Rita (Exp.)	750			
01/04/2015	To Rita (Com)	750			
	To P/L A/c (profit)	2750			
		25,750			25,750

W. N: - Total goods sent	100%	Cost of goods	20,000
(-) Sold	<u>50%</u>	(+) Consignor exp.	<u>1,500</u>
Remaining	<u>50%</u>		21,500
		100%	21,500
		50%	21,500 × 50% = 10,750

Consignee Account

Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
01/04/2015	To Consignment A/c	15,000	01/04/2015	By Consignment(Exp.)	750
			01/04/2015	By Consignment(Com.)	750
				By Bank A/c (B. F)	13,500
		15,000			15,000

Goods Sent on Consignment Account

Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
01/01/2015	To Trading A/c	20,000	01/01/2015	By Consignment	20,000
		20,000			20,000

Section – B

8. Choose the correct answer:

[12×1=12]

- (i) Costs are classified into fixed costs, variable costs and semi-variable costs, it is known as
(a) functional classification
(b) **behavioral classification**
(c) element wise classification
(d) classification according to controllability
- (ii) Prime cost may be correctly termed as
(a) the sum of direct material and labour cost with all other costs excluded
(b) **the total of all cost items which can be directly charged to product units**
(c) The total costs incurred in producing a finished unit
(d) the sum of the large cost there in a product cost
- (iii) Direct expenses are also known as
(a) Overhead expenses
(b) process expenses
(c) **chargeable expenses**
(d) None
- (iv) Prime cost plus factory overheads is known as
(a) Factory on cost
(b) Conversion cost
(c) **Factory cost**
(d) Marginal cost
- (v) The works cost plus administration expenses
(a) Total Cost
(b) **Cost of production**
(c) cost of sales
(d) Factory cost
- (vi) Which of the following is not a relevant cost?
(a) Replacement cost
(b) **Sunk cost**
(c) Marginal cost
(d) standard cost
- (vii) Cost units of Hospital Industry is
(a) Tonne
(b) Student per year
(c) Kilowatt Hour
(d) **Patient Day**
- (viii) Depreciation is a example of
(a) **Fixed Cost**
(b) Variable Cost
(c) Semi Variable Cost
(d) None of these

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- (ix) Cost which can be identified easily is called as
- Indirect cost
 - Direct cost**
 - variable cost
 - fixed cost
- (x) Notional cost is also known as
- Imputed cost**
 - Opportunity cost
 - Out of pocket cost
 - Variable cost
- (xi) Statement showing break-up of costs is known as
- cost-sheet**
 - statement of profit
 - production account
 - Tender
- (xii) Those costs which do not vary with the change in the volume of production up to a given range, is called _____
- Opportunity Cost
 - Fixed Cost**
 - Variable Cost
 - Semi-Variable Cost

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

9. Prime Cost is ₹41,000. Direct labour cost consists of skilled labour ₹6,000 and unskilled labour ₹2,000. Variable works overhead is 100% of direct wages and fixed works overhead is 60% of direct wages. Sale of scrap is ₹1,800. Find works cost. [8]

Answer:

Particulars	₹
Prime Cost	41,000
Works Overhead:	
Add: Variable 100% direct wages	8,000
Add: Fixed 60% direct wages	4,800
Less: Sale of scrap	(1,800)
Works Cost	52,000

10. Mr. Prasad 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.

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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

	Total	Per unit
Raw materials consumed	15,000	
Direct labour charges	9,000	
Prime cost	24,000	
Factory expenses (900 hrs, @ ₹ 5 per hr)	4,500	
Works cost	28,500	
Administrative overheads (20% on works cost)	5,700	
Cost of production	34,200	2.00 (₹ 34,200 ÷ 17,100)

Statement of profit

	₹
Cost of production of 16,000 units @ ₹ 2 per unit	32,000
Selling overheads @ 50 paise per unit for 16,000 units	8,000
Cost of sales	40,000
Profit for the period	24,000
Sales (16,000 units @ ₹ 4 unit)	64,000
Profit per unit sold = $\frac{24,000}{16,000} = ₹ 1.50$	