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

(ii) Anand draws a bill on Niranand for ₹ 14,000 Anand endorsed it to Nirmal Anand. Nirmal Anand endorsed it to Nityanand. The payee of the bill will be:
(a) Anand
(b) Nirmal Anand
(c) Niranand
(d) Nityanand

(iii) Insurance paid is shown as
(a) Current Asset
(b) Current Liability
(c) Fixed Asset
(d) Expenditure

(iv) Narration are given at the end of
(a) Final Accounts
(b) Each Ledger Account in Trial Balance
(c) Each Ledger Account
(d) Each Journal Entry

(v) 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

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

(vii) Trade discount allowed at the time of sale of goods is
(a) recorded in Sales Book
(b) recorded in Cash Book
(c) recorded in Journal
(d) not recorded in Books of Accounts

(viii) 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

(ix) 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

(x) Which of the following is/are method/s of charging depreciation
(a) Straight line Method
(b) Written down value Method
(c) Stock Debtors Method
(d) Both (a) and (b)

(xi) As per the Double entry concept
(a) Assets+ Liabilities = Capital.
(b) Capital = Assets – Liabilities.
(c) Capital – Liabilities = Assets.
(d) Capital + Assets = Liabilities.

(xii) P&L Account is prepared for a period of one year by following
(a) Consistency Concept.
(b) Conservatism Concept.
(c) Time Period Concept.
(d) Cost Concept.

(xiii) Endowment fund receipt is treated as
(a) Capital Receipt
(b) Revenue Receipt
(c) Loss
(d) Expenses

(xiv) Which of the following statements is true?
(a) Provision for doubtful debts represents the amount that cannot be collected.
(b) Cash balance on hand shows whether the business has earned Profit or Loss.
(c) Free samples given are business gains.
(d) The WDV of an asset depreciated on the reducing balance method can never become zero.

(xv) Which column of Cash book is never balanced?
(a) Discount Column
(b) Cash
(c) Bank
(d) None of the above

(xvi) Which of these will not affect Bank and Cash balance
(a) Cash received from X credited to Y
(b) Cheques issued to A but debited to B
(c) Cheques deposited and cleared on the same date.
(d) All the three.

(xvii) For charging depreciation, on which of the following assets, the depletion method is adopted?
(a) Patent
(b) Land & Building
(c) Goodwill
(d) Mines

(xviii) Original cost of a machine was ₹ 5,04,000. Salvage value was ₹24,000, Depreciation for 2nd year @ 10% under WDV method is _________
(a) ₹45,360
(b) ₹48,000
(c) ₹50,400
(d) None of the above

(xix) Sales of Miss Madhu of ₹4,000 not recorded in the books would affect _________
(a) Miss Madhu's Account
(b) Sales Account
(c) Sales Account and Miss Madhu's Account
(d) Cash Account

(xx) The party who is ordered to pay the amount is known as
(a) Payee
(b) Drawer
(c) Drawee
(d) None of the above

(xxi) The consignment accounting is made on the following basis
(a) Realization Basis
(b) Accrual Basis
(c) Cash Basis
(d) None of the above

(xxii) Goods sent on consignment account is of the nature of
(a) Personal Account
(b) Nominal Account
(c) Real Account
(d) Sales Account

(xxiii) Debtors are Included in the category of
(a) Fixed assets
(b) Investment
(c) Current Assets
(d) Intangible Fixed Assets

(xxiv) All the expenses and gains or income related ___________ accounts must be closed through a closing entry.
(a) Nominal
(b) Personal
(c) Real
(d) None of the above

(xxv) ___________ is the person who transfers rights of payment.
(a) Endorsee
(b) Payee
(c) Bearer
(d) Endorser

(xxvi) Which of the following accounts are to be maintained in the joint venture when separate set of books are maintained?
(a) Joint bank A/c
(b) Joint venture A/c
(c) Co-ventruer A/c
(d) All of these

(xxvii) Any donation received for a specific purpose is a
(a) Assets
(b) Revenue receipts
(c) Capital receipts
(d) None of the above

(xxviii) Provisions for bad & doubtful debts account will show ___________ balance.
(a) Debit Balance
(b) Credit Balance
(c) Heavy Balance
(d) None of the above

(xxix) Negotiable instrument act was enacted in the year _________.
(a) 1881
(b) 1981
(c) 1991
(d) None of the above

(xxx) Del credere commission is allowed to cover the risk of _________.
(a) Bad Debts
(b) Abnormal loss due to fire
(c) Both (a) and (b)
(d) None of the above

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

(i) Book-keeping is an activity concerned with recording and classifying financial data related to business operation in order of its occurrence.
(ii) Non-current Investments are investments which are held beyond the current period as to sale or disposal.
(iii) The benefits of capital expenses get exhausted in the year of the incurrence.
(iv) Duality Concept is referred to as matching of expenses against incomes.
(v) Joint venture does not follow the going concern concepts.
(vi) Gratuity and pension paid to employees after retirement is capital expenditure.
(vii) Capital receipts are shown in Assets side of balance sheet.
(viii) Bank balance shown in trial balance is as per Cash Book.
(ix) Amount ordered to be paid by the drawer in a bill must be unconditional.
(x) Account Sales is a periodic statement furnished by the consignor to ultimate purchaser.
(xi) Co-ventruer account is a nominal account.
(xii) Rebate is given in case of renewal of a bill.

(c) Match the following: [6 × 1 = 6]

	Column ‘A’		Column ‘B’
1.	Consignment stock account is a	**A.**	Written Down Value Method
2.	Debit balance of joint venture account	**B.**	Personal Account
3.	Bank Reconciliation Statement	**C.**	Loss
4.	Diminishing Balance Method	**D.**	Real Account

5.	Young Generation Sporting Club	**E.**	3
6.	Grace days	**F.**	Memorandum Statement

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

2. Pass closing entries for the following particulars as on 31st March 2017 presented by Mukti Ltd.

Particulars	Amount (₹)
Opening stock	10,000
Purchases	50,000
Wages	5,000
Returns outward	5,000
Sales	1,00,000
Returns inward	8,000
Salaries	8,000
Rent	3,000
Bad debts	3,000
Interest received	3,000
Discount allowed	4,000
Closing stock	15,000

[8]

3. Shivay Ltd. writes-off 10% of the original cost of Plant & Machinery in every year till the whole cost of a particular piece of machinery is wiped-off. It is the practice of the company to write-off full depreciation even if the asset is used for a part of the year. Accounts are made upto Dec. 31 every year. On 1.1.18, the balance of Plant & Machinery Account was ₹19,51,500. The original cost of various assets in use was as follows:

Items bought in 2007 or earlier	₹5,80,000
Items bought in 2008	₹3,10,000
Items bought in 2009	₹1,70,000
Items bought in 2010 or later	₹25,20,000
	₹35,80,000

During 2018, new plant was bought at a cost of ₹2,95,000 and a machine which had cost of ₹55,000 in 2003 was sold for ₹3,500. During 2019, there were additions costing ₹1,80,000 and a machine which had cost ₹70,000 in 2011 was sold for ₹15,000. Prepare Plant & Machinery Account for 2018 and 2019. **[8]**

4. From the following particulars of Mamta Ltd., prepare a Bank Reconciliation Statement:

i. Bank overdraft as per Pass Book as on 31st March, 2019 was ₹ 1,80,000.
ii. Cheques issued were ₹ 50,000, ₹ 76,000 and ₹40,000 during the month. The cheque of ₹ 1,16,000 is still with supplier.
iii. Dividend collected by Bank ₹ 30,400 was wrongly entered as ₹ 25,000 in Cash Book.
iv. Amount transferred from Term Deposit Account into the Current Account ₹ 42,000 appeared only in Pass Book.
v. Interest on overdraft ₹ 17,860 was debited by Bank in Pass Book and the information was received only on 5th April, 2019.
vi. Direct deposit by Miss Shukla ₹ 26,000 but not entered in Cash Book.
vii. Income tax ₹ 30,000 paid by Bank as per standing instruction appears in Pass Book only.

5. The Contractor Vikash and the Engineer Palash entered into a Joint Venture for the sale of plots of land. Joint bank account was opened in which Vikash deposited ₹ 30 lakhs and Palash deposited ₹7.5 lakhs. They share profits and losses in ratio of their capitals.

A piece of land was purchased for ₹ 26,10,000. Legal and registration fees of ₹ 2,70,000 were paid and ₹ 7,20,000 were incurred for the development of land. The land was divided into 60 plots out of which 45 plots were sold @ ₹ 90,000 each and 10 plots were sold @ ₹ 72,000 each. The brokerage of ₹ 1,98,000 was paid for selling the plots. The remaining plots were taken over by Vikash and palash at the cost price in the proportion of 4:1.

Prepare Joint Venture Account and Joint Bank Account. **[8]**

6. From the Receipts and Payments Account of Green Park Cricket Club you are asked to prepare the Subscription A/c, Salaries A/c, Rent A/c , Equipment A/c and compute the Profit/Loss on equipment exchanged.

Receipts and Payments Account for the year ended 31.12.17.

Receipts	₹	Payments	₹
To Balance b/d:		By Salaries	2,100
Cash in hand	1,200	By Rent	3,600
Cash at Bank	3,400	By Equipments	10,000
To Subscriptions	24,500	By Sports Expenses	4,700
To Entrance fees	3,000	By Remuneration to coach	4,000
		By Sundry Expenses By Printing and Stationery	1,100 800
		By Balance c/d:	
		Cash in hand	1,700
		Cash at Bank	4,100
	32,100		32,100

The following information is also available:	31.12.16	31.12.17
Subscription received in advance	₹1,400	₹2,700
Outstanding Subscriptions	₹2,100	₹3,200
Outstanding Rent	₹600	₹300
Advance Salaries	₹1,200	₹900
Equipments	₹18,000	₹23,000

60% of the Entrance fees is to be capitalized. Interest on Savings Bank Account for ₹280 has not been entered in the Cash Book.

An old equipment (WDV ₹8,000) was exchanged at an agreed price of ₹5,000 for a new equipment costing ₹15,000. **[8]**

7. On 10th June, 2018, Pushpa purchased goods worth ₹ 1,50,000 from Mukta and accepted separately two bills of ₹ 75,000 each for 2 months and 3 months. First bill was discounted by Mukta with the bank @ 12 ½ % per annum on 13th June, 2018 and she retained the second bill with her. Pushpa met the first bill on due date by paying to the bank; but she was unable to pay the full amount of second bill on the due date and paid ₹ 45,000 in cash. She requested Mukta to write a fresh bill including interest @ 18% per annum for 2 months, which was accepted by Mukta. On the due date, fresh bill was duly met.

Journalise the above transactions in the books of Mukta. **[8]**

Section – B

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

(i) CAS 8 stands for
(a) Captive Consumption
(b) Average (equalized) Cost of Transportation
(c) Cost of Utilities
(d) Employee Cost

(ii) ____________ ____________ is not the suitable cost unit for Textile industry.
(a) Cost per tone
(b) Cost per meter
(c) Cost per sq. ft
(d) All of the above

(iii) Which of the following is/ are the characteristic/s of good Cost Control System
(a) Conservation of authority;
(b) Irrelevant and uncontrollable cost;
(c) Both (a) and (b)
(d) None of the above

(iv) Any cost related to factory which is over and above prime cost is known as ___________ for a period
(a) Factory Cost
(b) Labour Cost
(c) Material Cost
(d) None of the above

(v) 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

(vi) ________ ________ in the organization will assist in prevention of errors and frauds.
(a) Budgeting
(b) Cost Audit
(c) Cost Accounting
(d) None of the above

(vii) Which of the following is/are classification of Cost as per Managerial Decision?
(a) Differential Cost
(b) Sunk Cost
(c) Imputed Cost
(d) All of the above

(viii) Semi-variable costs are those which are ________
(a) Partly fixed and partly variable
(b) Fully Variable
(c) Fully Fixed
(d) None of the above

(ix) Steel or cement industries follows

(a) Process costing method
(b) Batch costing method
(c) Job costing method
(d) None of the above

(x) Which of the following is/are advantage/s of Cost Sheet
(a) It enables a manufacturer to control the cost of production
(b) It helps the manufacturers in formulating a definite useful production policy
(c) It helps in fixing up the selling price more accurately
(d) All of the above

(xi) Indirect material cost is a part of
(a) Prime cost
(b) Factory overhead
(c) chargeable expenses
(d) None of these

(xii) Statement showing break-up of costs is known as
(a) Cost-sheet
(b) Balance Sheet
(c) Statement of Profit and Loss
(d) Tender

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

9. From the following compute the amount of Prime Cost and Raw Material Consumed.

Opening stock of raw material	₹20,000
Closing stock of the raw material	₹30,000
Direct wages	₹3,15,000
Factory overhead	60% of direct wages
General overhead	10% of works cost
Cost of production	₹10,32,900

[6+2=8]

10. The Cost structure of an article the selling price of which is ₹ 90,000 is as follows:

Direct Materials	50%
Direct Labour	20%
Overheads	30%

An increase of 15% in the cost of materials and of 25% in the cost of labour is anticipated. These increased cost in relation to the present selling price would cause a 25% decrease in the amount of present profit per article. You are required:

1. To prepare a statement of profit per article at present and
2. The revised selling price to produce the same percentage of profit to sales as before.

[8]