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**
- **(e) 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**

Answer:

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

(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.

Answer:

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

(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:

	Column 'A'		Column 'B'
1.	Consignment stock account is a	D.	Real Account
2.	Debit balance of joint venture account	C.	Loss
3.	Bank Reconciliation Statement	F.	Memorandum Statement
4.	Diminishing Balance Method	A.	Written Down Value Method
5.	Young Generation Sporting Club	B.	Personal Account
6.	Grace days	E.	3

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]

Answer:

In the Books of X Ltd.
Journal

Date 2017 March 31st	Particulars	LF	Dr. Amount (₹)	Cr. Amount (₹)
	Trading A/c Dr.		73,000	
	To, Opening Stock A/c			10,000
	To, Purchases A/c			50,000
	To, Wages A/c			5,000
	To, Returns inward A/c			8,000
	(Transfer to balances for closing the latter accounts)			
	Sales A/c Dr		1,00,000	
	Returns outward A/c Dr.		5,000	
	Closing Stock A/c Dr.		15,000	
	To, Trading A/c			1,20,000
	(Transfer of balances for closing the former accounts)			
	Trading A/c Dr.		47,000	
	To, Profit and Loss A/c			47,000
	(Gross profit transferred)			
	Profit and Loss A/c Dr.		18,000	
	To, Salaries A/c			8,000
	To, Rent A/c			3,000
	To, Bad Debts A/c			3,000
	To, Discount allowed A/c			4,000
	(Transfer of balances for closing the latter accounts)			
	Interest received A/c Dr.		3,000	
	To, Profit and Loss A/c			3,000
	(Transfer of balances for closing the former accounts)			
	Profit and Loss A/c Dr.		32,000	
	To, Capital A/c			32,000
	(Net profit transferred to Capital A/c)			

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]

Answer:

Books of Shivay Ltd.

Dr. Plant & Machinery Account Cr.

Date	Particulars	₹	Date	Particulars	₹
1.1.18	To Balance b/f	19,51,500	----	By Bank A/c [Sale of machine]	3,500
-----	To Bank A/c [Purchase]	2,95,000	**31.12.18**	By Depreciation A/c [WN: 2]	2,98,500
-----	To Profit on Sale of Machine A/c [WN: 1]	3,500	31.12.18	By Balance c/d	19,48,000
		22,50,000			22,50,000
1.1.18	To Balance b/d	19,48,000			
-----	To Bank A/c [Purchase]	1,80,000	31.3.19	By Depreciation A/c [WN: 3]	7,000
-----	To Profit on Sale of Machine A/c [WN: 3]	8,000	-----	By Bank A/c [Sale of machine]	15,000
			31.12.19	By Depreciation A/c [WN: 2]	2,92,500
			31.12.19	By Balance c/f	18,21,500
		21,36,000			21,36,000

Sale of machine during 2018

R Ltd. provides depreciation @ 10% on Original Cost.

Hence, the value of a fixed asset is fully written-off in 10 years.

The machine that was purchased in 2003 got fully written-off by 2012.

WDV on 1.1.18 = Nil;

Sale proceeds = ₹3,500;

∴ Profit on sale of machine is ₹3,500

Journal entries:

Particulars	Dr. (₹)	Cr. (₹)
Bank A/c Dr.	3,500	
To Plant & Machinery A/c		3,500
Plant & Machinery A/c Dr.	3,500	
To Profit on Sale of Machinery A/c		3,500

Annual depreciation for 2018 and 2019

Year of Acquisition	2018	₹	2019	₹
In 2007 or earlier		—		—
In 2008		—		—
In 2009	[₹1,70,000 × 10%]	17,000		—
In 2010 or later (till 2017)	[₹25,20,000 ×10%]	2,52,000	[₹(25,20,000 -70,000) x 10%]	2,45,000
In 2018	[₹2,95,000 ×10%]	29,500	[₹2,95,000 X 10%]	29,500
In 2019		—	[₹1,80,000 x 10%]	18,000
		2,98,500		2,92,500

3. Sale of machine during 2019

Cost of machine in 2011 = ₹70,000

	₹
Hence, WDV of machine on 1.1.19 = ₹70,000 - (70,000 × 10% × 8 years)	14,000
(i.e., after charging 8 years depreciation)	7,000
Less: Depreciation for 2019 [₹70,000 × 10%]	
.'. WDV on date of sale	7,000
Sale proceeds	15,000
.'. Profit on sale of machine	8,000

Journal entries:

Particulars		Dr. (₹)	Cr. (₹)
Bank A/c	Dr.	15,000	
Depreciation A/c	Dr.	7,000	
To Plant & Machinery A/c			22,000
Plant & Machinery A/c	Dr.	8,000	
To Profit on Sale of Machinery A/c			8,000

2. 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.**

Answer:

Bank Reconciliation Statement as on 31st March, 2019

Particulars	Amount (₹)	Amount (₹)
Overdraft as per Pass Book		1,80,000
Add:		
(i) Cheques issued but not presented till 31st March	1,16,000	
(ii) Dividend collected by bank, less recorded in cash book ₹ (30,400 – 25,000)	5,400	
(iii) Transfer from term deposit	42,000	
(iv) Direct deposit by Miss Shukla	26,000	1,89,400
Less:		3,69,400
(i) Interest on overdraft debited in Pass Book only	17,860	
(ii) Income tax paid appeared in Pass Book only	15,000	32,860
Overdraft as per Cash Book		3,36,540

2. 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]

Answer:

Dr. **Joint Venture Account** **Cr.**

Particulars	₹	Particulars	₹
To Joint Bank A/c (Land purchased)	26,10,000	By Joint Bank A/c(45×90,000)	40,50,000
To Joint Bank A/c (Legal expenses)	2,70,000	By Joint Bank A/c (10×72,000)	7,20,000
To Joint Bank A/c (Develop. Exp.)	7,20,000	By Vikash(4 Plots)	2,40,000
To Joint Bank A/c (Brokerage)	1,98,000	By Palash (1 Plots)	60,000
To Vikash (Profit: 12,72,000x4/5)	10,17,600		
To Palash (Profit: 12,72,000x1/5)	2,54,400		
	50,70,000		50,70,000

Dr. **Joint Bank Account** **Cr.**

Particulars	₹	Particulars	₹
To Vikash	30,00,000	By Joint Venture A/c	26,10,000
To Palash	7,50,000	By Joint Venture A/c	2,70,000
To Joint Venture A/c	40,50,000	By Joint Venture A/c	7,20,000
To Joint Venture A/c	7,20,000	By Joint Venture A/c	1,98,000
		By Vikash	37,77,600
		By Palash	9,44,400
	85,20,000		85,20,000

Working Note:

1. Amount payable to Co-Venturers:
   Vikash: 30,00,000 + 10,17,600 – 2,40,000 = ₹ 37,77,600
   Palash: 7,50,000 + 2,54,400 – 60,000 = ₹ 9,44,400

2. Calculation of cost of each plot:

Cost of land	₹ 26,10,000
Add: Legal Exp.	₹ 2,70,000
Add: Develop. Exp.	₹ 7,20,000
Total cost	₹ 36,00,000

   Cost of each plot = ₹36,00,000/60 = ₹ 60,000.

3. 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	**1,100**
		By Printing and Stationery	**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]

Answer:

1. Subscriptions for 2017

Dr. **Subscription Account** **Cr.**

Date	Particulars	₹	Date	Particulars	₹
1.1.17	To Outstanding Subscription A/c	2,100	1.1.17	By Advance Subscription A/c	1,400
31.12.17	To Income & Expenditure A/c (Subscription for **2017 -B/Fig.)**	24,300	----	By Bank A/c (Subscription received during **2017)**	24,500
31.12.17	To Advance Subscription A/c	2,700	31.12.17	By Outstanding Subscription A/c	3,200
		29,100			29,100

2. Salaries for 2017 **Salaries Account**

Dr. **Cr.**

Date	Particulars	₹	Date	Particulars	₹
1.1.17	To Prepaid Salaries A/c	1,200	31.12.17	By Income & Expenditure A/c (Salaries for 2017(B/Fig.)	2,400
…..	To Bank A/c (Salaries paid for 2017)	2,100	31.12.17	By Prepaid Salaries A/c	900
		3,300			3,300

4. Rent for 2017 **Rent Account**

Dr. **Cr.**

Date	Particulars	₹	Date	Particulars	₹
……	To Bank A/c (Rent paid during 2017)	3,600	1.1.17	By Outstanding Rent A/c	600
31.12.17	To Outstanding Rent A/c	300	31.12.17	By Income & Expenditure A/c (Rent for 2017-B/Fig.)	3,300
		3,900			3,900

4. Loss on Exchange of Equipment

	₹		Dr. ₹	Cr. ₹
WDV of Equipment exchanged (given)	8,000	Equipments (New) A/c Dr.	15,000	
Less: Agreed price of exchange	5,000	Loss on Exchange of Equipment A/c Dr.	3,000	
.'. Loss on exchange of Equipment	3,000	To Equipments (Old) A/c		8,000
		To Creditors for Equipment A/c		10,000

N.B.: Loss on Exchange of Equipment A/c is to be transferred to Income & Expenditure A/c.

5. Depreciation on Equipment

Dr. ____ **Equipments Account** **Cr.**

Date	Particulars	₹	Date	Particulars	₹
1,1.17	To Balance b/f To Bank A/c (Equipment Purchased)	18,000 10,000	..... 31.12.17 31.12.17	By Loss on Exchange A/c By Depreciation A/c (B/fig) By Balance c/f	3,000 2,000 23,000
		33,000			33,000

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 he 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]

Answer:

Journal of Mukta

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
10.6.18	Pushpa A/c Dr. To Sales A/c (Being, Goods sold to Pushpa)		1,50,000	 1,50,000
10.6.18	Bills Receivable A/c Dr. To Pushpa A/c (Being, Two acceptances received for ₹ 75,000 each for 2 months & 3 months respectively)		1,50,000	 1,50,000
13.6.18	Bank A/c Dr. Discount A/c Dr. To Bills Receivable A/c (Being, the First bill discounted @ 12½ % per annum)		73,437 1,563	 75,000
13.9.18	Pushpa A/c Dr. To Bills Receivable A/c (Being, the Second bill cancelled)		75,000	 75,000
13.9.18	Cash A/c Dr. To Pushpa A/c (Being, Cash received from Pushpa as part payment of second bill)		45,000	 45,000
13.9.18	Pushpa A/c Dr. To Interest A/c (Being, Interest due on Pushpa for extended period)		900	 900
13.9.18	Bills Receivable A/c Dr. To. Pushpa A/c (Being, New acceptance received including interest)		30,900	 30,900
16.11.18	Cash A/c Dr. To Bills Receivable A/c (Being, New acceptance duly met)		30,900	 30,900

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) None 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:

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

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]

Answer:

Particulars	**₹**
Cost of production	10,32,900
Less: General overhead (office & Administrative) [10% of work cost, i.e., 10/110 of cost of production, 10/110 × ₹10,32,900]	93,900
Work cost	9,39,000
Less: Factory overhead (60% of direct wages) [60% × ₹3,15,000]	1,89,000
Prime Cost	**7,50,000**
Less: Direct Wages	3,15,000
Raw Material Consumed	**4,35,000**

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]

Answer:

1. Let X be the total cost and Y be the profit for an article whose selling price is ₹ 45,000. Hence, X + Y = ₹ 45,000 (i)

2. **Statement showing the present and anticipated cost.**

Cost Item	**Present Cost**	**Increase**		**Anticipated**
	₹	**%**	₹	**Cost ₹**
Direct Material	0.5X	15%	0.075X	0.575X
Direct Labour	0.2X	25%	0.050X	0.250X
Overheads	0.3X		=	0.300X
	X		0.125X	1.125X

3. The increase in the cost of direct material and wages has reduced the present profit by 25%. so, 1.125x + 0.75y = ₹ 90,000 (ii)
4. Solving equations (i) and (ii), we get
   X = ₹ 60,000 Y = ₹30,000.

(a) Statement showing profit per article

Direct Material	₹ 0.5X	₹ 30,000
Direct Labour	0.2X	₹12,000
Overhead	0.3X	₹18,000
Total Cost		₹60,000
Profit (50% of Cost or 33.1/3% of ₹60,000)		₹30,000
Selling Price		₹90,000

(b) Statement of required selling price

Direct Material	₹ 0.575X	₹34,500
Direct Wages	0.250X	₹15,000
Overhead	0.300X	₹18,000
Total anticipated cost		₹67,500
Profit 33.1/3% of sales or 50% of cost		₹33,750
Selling price		₹1,01,250