

Paper 2- Fundamentals of Accounting

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Full Marks :100

Time allowed: 3 hours

Section - A

I. Choose the correct answer from the given four alternatives:

[10 × 1 = 10]

- (i) Assets A/c has _____ balance.
 - (a) Debit balance
 - (b) Credit balance
 - (c) No balance
 - (d) Either (a) or (b)
- (ii) Gross Profit is equal to _____.
 - (a) Sales – Cost of goods sold
 - (b) Sales – Closing Stock + Purchases
 - (c) Opening Stock + Purchases – Closing Stock
 - (d) None of the above
- (iii) Cash Book is a _____.
 - (a) Journal
 - (b) Ledger
 - (c) Both Journal and Ledger
 - (d) None of the above
- (iv) A bad debt recovered during the year will be
 - (a) Capital expenditure
 - (b) Revenue expenditure
 - (c) Capital Receipt
 - (d) Revenue Receipt
- (v) 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
- (vi) Kuntal draws a bill on Shyam for ₹ 3000 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
- (vii) Which of the following accounts are 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
- (viii) Narration are given at the end of
 - (a) Final accounts
 - (b) trial balance each ledger account
 - (c) each ledger accounts
 - (d) Each journal entry

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- (ix) Current Liabilities means
(a) Liabilities which are payable within 12 months
(b) Liabilities which are payable immediately
(c) Liabilities which payable after one accounting year
(d) Liabilities which are readable within 3 months
- (x) Depreciation is not provided for which of the following asset?
(a) land
(b) inventory of goods
(c) both a & b
(d) None of the above

II. State whether the following statements are True (or) False.

[10 × 1 = 10]

- (i) Capital Account is a liability of the business.
(ii) Profit and loss on consignment is retained / borne by consignor.
(iii) Credit means increase in liability and decrease in asset.
(iv) Error of principle involves incorrect allocation of an item between capital and revenue.
(v) If a company has contingent liability they appear in profit and loss account.
(vi) Depreciation appearing in trail balance should be shown in balance sheet.
(vii) A debtor is a person who owes money to the business.
(viii) Paper purchased for use as stationery is capital expenditure.
(ix) Joint venture agreement must be registered.
(x) Under straight line method the cost of the asset written off in equal proportion, during its economic life.

III. Fill in the blanks:

[6 × 2 = 12]

- (i) Land is a _____ asset.
(ii) Balance Sheet is a _____.
(iii) Noting charges are borne by _____.
(iv) Payment of royalty is a _____ expenditure.
(v) Joint Venture account is a account in nature.
(vi) Depreciation is a _____ against the profit.

IV. Journalise the following transactions:

[4 × 2 = 8]

- (i) Purchased Plant and Machinery worth ₹6,000
(ii) Cash deposited into bank by Mr. Y ₹6,000
(iii) Started business with Cash ₹50,000; Plant ₹24,000; Stock ₹4,000
(iv) Sold Goods for Cash ₹8,000 and to Ms. Agarwal for ₹10,000

V. Match the following:

[8 × 1 = 8]

	Column 'A'		Column 'B'
1.	Parties in Bills of Exchange	A	Receipts and Payments A/c
2.	Trade discount	B	Not recurring in nature
3.	Plant and Machinery	C	Payable within 12 months
4.	Subscriptions	D	Drawer
5.	Current Liabilities	E	Depreciable Asset
6.	Capital Expenditure	F	Never entered in the books of account
7.	General Journal is also known as	G	Errors raised due to negligence, overlook
8.	Clerical errors	H	Journal Proper

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VI. Answer any two questions. Each question carries 16 Marks.

[16×2=32]

- A. (i) The Bank Pass Book of Mr. Anil showed an overdraft of ₹ 8,000 on 31.12.2015. Prepare the Bank Reconciliation Statement based on the following details:
- (a) Cheques issued but not presented upto 31.12.2015, ₹ 5,500
 - (b) Cheques deposited but not credited upto 31.12.2015, ₹ 9,000
 - (c) Bank commission ₹ 30 was entered only in the Pass Book.
 - (d) A cheque for ₹6,500 issued in settlement of a debt was encashed on 28.12.2015 but entered in the Cash Book as ₹8,500.

[8]

- (ii) Prepare Income and Expenditure account and find surplus or deficit.

Receipts	₹	Payments	₹
To balance b/d (1-4-2014)	11,500	By Salaries	800
To subscriptions	6,500	By Rent	1,500
To Interest	500	By Stationery	500
To sale of old furniture	800	By Government Bonds	6,000
To Entrance Fees	4,000	By balance c/d (31-3-2015)	7,300
	23,300		23,300

Adjustments:

- (a) Subscriptions include ₹500 received for last year.
- (b) Rent includes ₹300 paid for last year.
- (c) Book value of furniture sold ₹1,000.

[8]

- B. John and Smith entered into a joint venture business to buy and sale garments to share profits or losses in the ratio of 5:3. John supplied 400 bales of shirting at ₹500 each and also paid ₹ 18,000 as carriage & insurance. Smith supplied 500 bales of suiting at ₹ 480 each and paid ₹ 22,000 as advertisement & carriage. John paid ₹50,000 as advance to Smith. John sold 500 bales of suiting at ₹ 600 each for cash and also all 400 bales of shirting at ₹650 each for cash. John is entitles for commission of 2.5% on total sales plus an allowance of ₹2,000 for looking after business. The joint venture was closed and the claims were settled. Prepare Joint Venture Account and Smith's Account in the books of John and John's Account in the books of Smith.

[16]

- C. (i) 1st July Sold Tip Top clothing 50 suits of ₹ 2,200 each on two months credit on invoice number -2

11th July Sold to New India Woolen 100 sweaters @ ₹ 250 each on invoice number 55

13th July Received an order from Modern clothing for 100 trousers @ ₹ 500 at trade discount of 10%

17th July Sold 50 sarees to Lunkad brothers @ ₹ 750 each

25th July Sold T-shirts at exhibition hall for cash for ₹ 7,500.

[6]

- (ii) Rectify the following error and find out the effect of the errors on Net Profit.

- (a) Purchases of ₹700 from Raman passed through Sales Book
- (b) Bill received from Ramu for ₹500 passed through Bills Payable Book.
- (c) An item of ₹150 relating to Prepaid Rent was omitted to be brought forward from last year.
- (d) ₹400 paid to Mehta B, against our acceptance was debited to Mehta N.
- (e) Received ₹300 from Ajit whose account for ₹300 was written off earlier and posted to the credit of Amit.

[10]

Section – B

VII. Choose the correct answer:

[6×1=6]

- (i) What will be the selling price, if average P/V ratio is 40% and estimated marginal cost is ₹75?
- (a) ₹ 105.00
 - (b) ₹ 187.50
 - (c) ₹ 125.00
 - (d) ₹ 163.50
- (ii) Job costing is a _____.
(a) method of costing
(b) technique of cost control
(c) technique of costing
(d) method of absorption of cost
- (iii) Suitable cost unit for solid chemical industry is _____.
(a) Litre
(b) Kg.
(c) Tonne
(d) Article
- (iv) 'Margin of safety' in marginal costing means,
(a) Sales - B.E.P. sales
(b) (Contribution + Fixed Cost) / P.V. ratio
(c) Profit x P.V. ratio
(d) Fixed Cost / P.V. ratio
- (v) In ABC technique of inventory control, 'low value - high volume items' are classified as _____.
(a) A - category
(b) B - category
(c) C - category
(d) either (a), (b) or (c)
- (vi) Which statement is wrong?
(a) Abnormal costs are controllable.
(b) All packing materials are indirect costs, so treated as factory overhead.
(c) Variable cost per unit will not change.
(d) Under LIFO method, price of issues is close to current market price.

VIII. Fill in the blanks:

[6×1=6]

- (i) For the goods Transport Company ____ is the suitable cost unit.
(ii) The cost which does not change due to change in volume of production is called ____.
(iii) The semi- finished goods is also known as ____ in cost accounting.
(iv) An item of cost that is direct for the business may be ____ for another business.
(v) The total of all direct expenses is known as ____.
(vi) All costs are ____ controllable.

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IX. Answer any one question. Each question carries 8 marks.

[8×1=8]

- A. Mr. Gopal 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.

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]

- B. Prepare a statement of cost from the following data to show material consumed, Prime cost, factory cost, Cost of goods sold and profit.

	1-1-2015(₹)	31-12-2015(₹)
Raw material	60,000	50,000
Work-in-progress	24,000	30,000
Finished goods	1,20,000	1,10,000
Purchase of materials during the year		9,00,000
Wages paid		5,00,000
Factory overheads		2,00,000
Administration overheads		50,000
Selling and distribution overheads		30,000
Sales		20,00,000

[8]