

FOUNDATION COURSE EXAMINATION

June 2017

**P-2(FOA)
Syllabus 2016**

Fundamentals of Accounting

Time Allowed: 3 Hours

Full Marks: 100

*The figures in the margin on the right side indicate full marks.
This question paper has two parts. Both the sections are to be answered
subject to instructions given against each.*

SECTION – A

1. (a) Choose the correct answer from the given four alternatives:

1×30=30

- (i) The determination of expenses for an accounting period is based on the concept of
 - (a) Objectivity
 - (b) Materiality
 - (c) Matching
 - (d) Periodicity
- (ii) Decrease in the amount of creditors results in
 - (a) increase in cash
 - (b) decrease in cash
 - (c) increase in assets
 - (d) no change in assets
- (iii) Accounting does not record non-financial transactions because of
 - (a) Entity Concept
 - (b) Accrual Concept
 - (c) Cost Concept
 - (d) Money Measurement Concept
- (iv) Income tax of the sole trader paid is shown
 - (a) Debited to P & L Account
 - (b) Debited to Trading Account
 - (c) Debited to his Capital Account
 - (d) None of the above
- (v) 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

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- (vi) Life membership fees received by a club is a
 - (a) Revenue Expenditure
 - (b) Capital Expenditure
 - (c) Deferred Revenue Expenditure
 - (d) Capital Receipt
- (vii) Import duty of raw material purchased is a
 - (a) Revenue Expenditure
 - (b) Capital Expenditure
 - (c) Deferred Revenue Expenditure
 - (d) None of the above
- (viii) A bad debt recovered during the year will be
 - (a) Capital Expenditure
 - (b) Revenue Expenditure
 - (c) Capital Receipt
 - (d) Revenue Receipt
- (ix) Nominal Account represents
 - (a) Profit & Gain
 - (b) Loss/Expenses
 - (c) Both (a) and (b)
 - (d) None of the above
- (x) Prepaid rent is a
 - (a) Nominal Account
 - (b) Representative Personal Account
 - (c) Tangible Assets Account
 - (d) None of the above
- (xi) Purchases book is used to record
 - (a) All purchases of goods
 - (b) All credit purchase
 - (c) All credit purchases of goods
 - (d) All credit purchases of assets other than goods
- (xii) The source document or voucher used for recording entries in Sales Book is
 - (a) invoice received
 - (b) invoice sent out
 - (c) credit notes sent out
 - (d) debit notes received

- (xiii) 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
- (xiv) A sale of goods to Ram for cash should be debited to
- (a) Ram
 - (b) Cash A/c
 - (c) Sales A/c
 - (d) Capital A/c
- (xv) Ledger contains various _____ in it.
- (a) transactions
 - (b) entries
 - (c) accounts
 - (d) None of the above
- (xvi) Purchase price of Machine ₹ 8,90,000, Freight and Cartage ₹ 7000, Installation charges ₹ 30,000, Insurance charges ₹ 20,000, Residual value is ₹ 40,000, estimated useful life 5 years. The amount of annual depreciation under straight line method will be
- (a) ₹ 1,77,400
 - (b) ₹ 1,81,400
 - (c) ₹ 1,97,400
 - (d) ₹ 1,77,900
- (xvii) 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
- (xviii) 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

- (xix) If goods worth ₹ 1,750 returned to supplier is wrongly entered in sales returns book as ₹ 1,570, then
- (a) Net Profit will decrease by ₹ 3,140
 - (b) Gross Profit will increase by ₹ 3,320
 - (c) Gross Profit will decrease by ₹ 3,500
 - (d) Gross Profit will decrease by ₹ 3,320
- (xx) When preparing a bank reconciliation statement, if you start with debit balance as per cash book cheques sent to bank but not collected should be
- (a) Added
 - (b) Deducted
 - (c) Not required to be adjusted
 - (d) None of the above
- (xxi) 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
- (xxii) At the time of dishonour of an endorsed bill which one or these accounts would be credited by the drawee
- (a) Bill Payable Account
 - (b) Drawer
 - (c) Bank
 - (d) Bill Dishonored Account
- (xxiii) Which of these is/are recurring (indirect) expenses?
- (a) Transit Insurance and Freight
 - (b) Octroi
 - (c) Loading and Unloading
 - (d) Godown Rent and Insurance

- (xxiv) Goods of the invoice value of ₹ 2,40,000 sent out to consignee at 20% profit on cost, the loading amount will be
- (a) ₹ 40,000
 - (b) ₹ 48,000
 - (c) ₹ 50,000
 - (d) None of the above
- (xxv) Memorandum joint venture account is
- (a) Personal Account
 - (b) Real Account
 - (c) Nominal Account
 - (d) None of the above
- (xxvi) The balance of the Petty Cash is a/an
- (a) expense
 - (b) income
 - (c) asset
 - (d) liability
- (xxvii) The manufacturing account is prepared
- (a) to ascertain the profit or loss on the goods produced.
 - (b) to ascertain the cost of the manufactured goods.
 - (c) to show the sale proceeds from the goods produced during the year.
 - (d) both (b) and (c)
- (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) Endowment fund receipt is treated as
- (a) Capital Receipt
 - (b) Revenue Receipt
 - (c) Loss
 - (d) Expenses

(xxx) Income and Expenditure Account shows subscriptions at ₹ 10,000. Subscriptions accrued in the beginning of the year and at the end of the year were ₹ 1,000 and ₹ 1,500 respectively. The figure of subscriptions received appearing in receipts and payments account will be

- (a) ₹ 9,500
- (b) ₹ 11,000
- (c) ₹ 10,000
- (d) None of the above

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

1×12=12

- (i) Capital is equal to Asset – Liability.
- (ii) Final Accounts are prepared at the end of the Accounting Year.
- (iii) Del-credere commission is paid to the consignee for increasing the cash sales.
- (iv) Receipt and Payments account shows the financial position of a Non-profit concern.
- (v) Trial Balance is a part of Final Accounts.
- (vi) Under W.D.V. method, the depreciation of an asset decreases every year.
- (vii) Fixed assets are kept in the business for use over a longer period.
- (viii) Ownership expressed in terms of money called Capital Account.
- (ix) Incomplete record of accounting is also known as Single Entry System.
- (x) Bill of Exchange is accepted by the Drawer.
- (xi) Owner of the goods sent on consignment is Consignor.
- (xii) Bad debts previously written off, if recovered subsequently is credited to Debtor's Personal Account.

(c) Match the following:

1×6=6

	Column 'A'		Column 'B'
1.	Income and Expenditure A/c	A.	Nominal A/c
2.	Fixed Assets held for	B.	Intangible Asset
3.	Discount A/c	C.	Consignment
4.	Patent and Copyright	D.	Holder of the bill
5.	Del-credere commission	E.	Earning revenue
6.	Noting charges paid	F.	Non-profit concern

Answer any four questions out of six questions:

8×4=32

2. A company purchased a machinery costing ₹ 30,00,000 on 1st July, 2014. It also purchased the 2nd machinery on 1st January, 2015 costing ₹ 20,00,000 and 3rd machinery on 1st October, 2015 for ₹ 10,00,000.

On 1st April, 2016, 50% of the 1st machine that was purchased on 1st July, 2014 got damaged and sold for ₹ 6,00,000. Show how Machinery Account up to 31st March, 2017, would appear in the Books of the company, taking depreciation @ 10% p.a. on Straight Line Method. Account Books are closed on 31st March in every year.

3. Rose sends goods worth ₹ 50,000 to Lotus for sales for 10% commission. She incurs ₹ 1,500 for freight and ₹ 500 for insurance. The goods are sold for ₹ 65,000. Consignee incurs ₹ 500 unloading expenses and ₹ 500 for rent. Lotus sends a draft after deducting his expenses and commission.

Prepare the following accounts in the books of Rose:

- Consignment Account
- Lotus's Account
- Goods sent on consignment

4. Following is the Receipts and Payments Account of Union Sporting Club for the year ended 31st March, 2017:

Dr.	Receipts and Payments Account		Cr.
Receipts	Amount ₹	Payments	Amount ₹
Cash in hand	4,500	Mowing Machine	33,000
Cash at Bank	63,000	Ground man's salary	45,000
Subscription	1,74,000	Rent	15,000
Rent of Auditorium	90,000	Salary to coaches	1,35,000
Life membership fees	60,000	Office expenses	72,000
Entrance fee	6,000	Sports Equipment Purchased	36,000
General Donation	45,000	Cash in hand	10,500
Sale of old newspapers	3,000	Cash at Bank	99,000
	4,45,500		4,45,500

Subscription due on 31st March, 2016 and 2017 were ₹ 27,000 and ₹ 24,000 respectively. Subscriptions received also included subscriptions received in advance for the year 2017-18 ₹ 6,000. Sports equipment in hand on 31st March, 2016 was ₹ 33,000. The value stands on this equipment in hand on 31st March, 2017 was ₹ 39,000. The Mowing machine was purchased on 1st April, 2016 and is to be depreciated @ 20% per annum. Office expenses includes ₹ 9,000 for 2015-16 and ₹ 12,000 are still due for payment.

Prepare Income and Expenditure Account and Balance Sheet relating to the year ended 31st March, 2017.

5. Give the Journal entries to rectify the following errors:
 - (i) Purchases of ₹ 13,000 from Suman passed through Sales Book.
 - (ii) Bill received from Sonu for ₹ 15,000 passed through Bills Payable Book.
 - (iii) An item of ₹ 11,500 relating to prepaid insurance was omitted to be brought forward from last year.
 - (iv) ₹ 4,400 paid to Mohan, against our acceptance was debited to Sohan.
6. Pass the necessary entries to make the following adjustment as on 31st March, 2017:
 - (i) Stock on 31st March, 2017 was ₹ 2,12,000.
 - (ii) Depreciation at 10% on furniture valued at ₹ 45,000 and 15% on machinery valued at ₹ 7,50,000.
 - (iii) Interest accrued on Securities ₹ 6,500.
 - (iv) Make provision for Bad Debts and for Discount on Debtors @ 10% and @ 2% respectively. The Debtors at the end of the year were ₹ 6,35,000.
7. From the following particulars of Jaggu Enterprises, prepare a Bank Reconciliation Statement:
 - (i) Bank overdraft as per Pass Book as on 31st March, 2017 was ₹ 88,000.
 - (ii) Cheques deposited in Bank for ₹ 58,000, but only ₹ 20,000 were cleared till 31st March.
 - (iii) Cheques issued were ₹ 25,000, ₹ 38,000 and ₹ 20,000 during the month. The cheque of ₹ 58,000 is still with supplier.

- (iv) Dividend collected by Bank ₹ 15,200 was wrongly entered as ₹ 12,500 in Cash Book.
- (v) Amount transferred from Fixed Deposit Account into the Current Account ₹ 20,000 appeared only in Pass Book.
- (vi) Interest on overdraft ₹ 8,930 was debited by Bank in Pass Book and the information was received only on 3rd April, 2017.
- (vii) Direct deposit by M/s Lokesh Traders ₹ 14,000 not entered in Cash Book.
- (viii) Income tax ₹ 15,000 paid by Bank as per standing instruction appears in Pass Book only.

SECTION – B**8. Choose the correct answer:**

1×12=12

- (i) Which of the following is not a Relevant Cost?
 - (a) Replacement Cost
 - (b) Sunk Cost
 - (c) Marginal Cost
 - (d) Standard Cost
- (ii) Opportunity Cost is the best example of
 - (a) Sunk Cost
 - (b) Standard Cost
 - (c) Relevant Cost
 - (d) Irrelevant Cost
- (iii) Costs are classified into Fixed Costs, Variable Costs and Semi-Variable Costs, it is known as
 - (a) functional classification
 - (b) classification according to changing activity
 - (c) element wise classification
 - (d) classification according to controllability

- (iv) Variable Costs are fixed
 - (a) for a period
 - (b) per unit
 - (c) depends upon the entity
 - (d) for a particular process of production
- (v) Prime Cost plus Factory Overheads is known as
 - (a) Factory on Cost
 - (b) Conversion Cost
 - (c) Factory Cost
 - (d) Marginal Cost
- (vi) Which of the following items is excluded from Cost Accounts?
 - (a) Income Tax
 - (b) Interest on Debentures
 - (c) Cash Discount
 - (d) All of the above
- (vii) Advertisement cost is treated as
 - (a) Direct Expenses
 - (b) Cost of Production
 - (c) Selling Overheads
 - (d) Distribution Overheads
- (viii) 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.

- (ix) Direct Expenses are also known as
- (a) Overhead Expenses
 - (b) Process Expenses
 - (c) Chargeable Expenses
 - (d) None of the above
- (x) Indirect material cost is a part of
- (a) Prime Cost
 - (b) Factory Overhead
 - (c) Chargeable Expenses
 - (d) None of the above
- (xi) The Works Cost plus Administration Expenses is known as
- (a) Total Cost
 - (b) Cost of Production
 - (c) Cost of Sales
 - (d) Factory Cost
- (xii) Interest on own capital is
- (a) Cash Cost
 - (b) Notional Cost
 - (c) Sunk Cost
 - (d) Part of Prime Cost

Answer any one question out of two questions:

8×1=8

9. Direct Material Cost is ₹ 80,000. Direct Labour Cost is ₹ 60,000. Factory Overhead is ₹ 90,000. Opening goods in process were ₹ 15,000. Sale of scrap is ₹ 2,200. Cost assigned to the closing goods in process was ₹ 22,000. What is the cost of goods manufactured?

Please Turn Over

10. Prepare a Statement of Cost from the following data to show Material consumed, Prime Cost, Factory Cost, Cost of Goods Sold and Profit.

Particulars	01.04.2017 (₹)	30.04.2017 (₹)
Raw Material	60,000	50,000
Work-in-progress	24,000	30,000
Finished Goods	1,20,000	1,10,000
Purchase of material during the month		10,00,000
Wages paid		6,00,000
Factory Overhead		3,00,000
Administration Overhead		50,000
Selling and Distribution Overheads		30,000
Sales		25,00,000