ENGINEERING & MANAGEMENT EXAMINATIONS, DECEMBER – 2008

FUNDAMENTALS OF ACCOUNTING

SEMESTER - 1

Time : 3 Hours] [Full Marks : 70

GROUP – A

(Multiple Choice Type Questions)

1. Choose the correct alternatives for the following : $10 \times 1 = 10$

i) Revenue is generally recognized at the point of sale following which principle ?

a) Consistency b) Matching

c) Revenue recognition d) Cost principle.

ii) The assumption that a business enterprise will not be sold or liquidated in the near future is known as

a) entity concept b) conservatism

c) periodicity d) monetary unit.

iii) Which of the following is correct ?

a) Assets = Liabilities – Capital b) Assets = Capital – Liabilities

c) Assets = Liabilities + Capital d) Assets = External Equities.

iv) The liabilities of a firm are Rs. 6,000 and the capital of the proprietor is Rs. 4,000. The total assets are

a) Rs. 6,000 b) Rs. 10,000

c) Rs. 2,000 d) Rs. 5,000.

v) If a firm borrows a sum of money, there will be

a) increase in capital

b) decrease in capital

c) no effect on capital.

vi) Journal is a book of

a) original entry

b) all cash transactions

c) secondary entry

d) all non-cash transactions.

vii) Patent right is

a) Personal account

b) Real account

c) Nominal account

d) Expense account.

viii) Depreciation is

a) a process of valuation of fixed cost

b) a process of allocation of the cost of fixed asset

c) a method of providing funds for replacement.

ix) The amount of depreciation remains constant year after year is

a) written down value method

b) straight line method

c) sinking fund method

d) in the balance sheet.

x) Indirect materials are

a) a prime cost

b) a fixed cost

c) a irrelevant cost

d) a factory overhead cost.

GROUP – B
(Short Answer Type Questions)
Answer any *three* of the following. 3 × 5 = 15

2. From the following Profit and Loss Account of Sadiq Company Ltd., for the year ended 2003 and 2004, you are required to prepare a comparative income statement.

Profit and Loss Account

Dr.	2003 Rs.	2004 Rs.		2003 Rs.	2004 Rs. Cr.
To Cost of goods sold	6,00,000	7,50,000	By Net sales	8,00,000	10,00,000
To Operating expense :					
Administrative	20,000	20,000			
Selling	30,000	40,000			
To Net profit	1,50,000	1,90,000			
	8,00,000	**10,00,000**		**8,00,000**	**10,00,000**

3. A company whose accounting year is the calendar year, purchased on 1st April, 1996, machineries costing Rs. 30,000. It purchased further machineries on 1st October, 1996 costing Rs. 20,000 and on 1st July, 1997 costing Rs. 10,000.

   On 1st January, 1998, one third of the machineries which was installed on 1st April, 1996 became obsolete and it was sold for Rs. 3,000.

   Show how the Machinery A/c would appear in the books of the company, it being given that machinery was depreciated by Fixed Installment Method at 10% p.a.

4. The following figures appear in the books of Mr. *X* :

		Rs.
1998		
June **1**	Provision for doubtful debts	1,350
	Provision for discount allowed	620
	Bad debts written off during the year	395
	Discounts allowed during the year	845
	Bad debts recovered during the year	75
1999		
May **31**	Sundry debtors	11,170

Write-off further Rs. 240 (judged completely irrecoverable). Maintain the provision for doubtful debts @ 10% and provision for discount allowed @ 2%. You are required to show the bad debts account, provision for doubtful debts account, discount allowed account and provision for discount allowed account for the year 98-99.

5. Write short notes on :
   a) Money measurement concept
   b) Going concern concept.

6. A publishing house purchases 2,000 units of a particular item per year at a unit cost of Rs. 20.

   The ordering cost per order is Rs. 50 and the inventory carrying cost is 25% of the average inventory.

   Find the optimal order quantity. If 3% discount is offered by the supplier for the purchase in lots of 1,000 or more, should the publishing house accept the offer ?

7. From the following details, calculate the total earnings of a worker and the effective hourly rate of labour wages where bonus is paid under (a) the Halsey (50%) scheme ; (b) the Rowan scheme :

Basic rate of wages per hour	Rs. 3.60
Time allowed for the job	16 hours
Time actually taken	12 hours.

GROUP – C
(Long Answer Type Questions)

Answer any *three* of the following. 3 × 15 = 45

8. In respect of a factory, the following figures have been obtained for the year ended 31st December, 2001 :

	Rs.		Rs.
Cost of materials	1,50,000	Selling overhead	56,000
Direct wages	1,25,000	Distribution overhead	35,000
Factory overhead	75,000	Profit	1,05,000
Administration overhead	84,000		

   A workorder has been issued in 2002 and the following expenses have been estimated :

	Rs.
Cost of materials	3,000
Direct wages	2,000

   Assuming that, in 2002 factory overhead will go up by 20%, distribution overhead will go down by 10% and selling and administration overheads will each go up by 12·5%. State at what price should the product be sold, so as to earn the same rate of profit on the selling price as in 2001.

9. From the following particulars, calculate the overheads allocable to production departments P and Q. There are also two service departments R and S. R renders service worth Rs. 6,000 to S and the balance to P and Q as 3 : 2. S renders service to P and Q as 9 : 1.

	P	Q	R	S
Floor space (sq. ft.)	2,500	2,000	500	1,000
Assets (Rs. in lakhs)	5	2·5	1·5	0·5
H.P. of machines	500	250	200	50
No. of workers	100	50	50	25
Light and fan points	50	30	20	20

Expenses and charges :

	Rs.		Rs.
Depreciation	95,000	Electricity	2,400
Rent, rates and taxes	18,000	Power	10,000
Insurance	7,600	Canteen expenses	5,400

10. The following is the trial balance of Bee Ltd. as on 31st March, 1998 :

	Rs.		Rs.
Stock on 1. 4. 1997	75,000	Purchase returns	10,000
Purchases	2,45,000	Sales	3,40,000
Wages	30,000	Discount	3,000
Carriage	950	Profit & Loss Account	15,000
Furniture	17,000	Share capital	1,00,000
Salaries	7,500	Creditors	17,500
Rent	4,000	General reserve	15,500
Sundry trade expenses	7,050	Bills payable	7,000
Dividend paid	9,000		
Debtors	27,500		
Plant & machinery	29,000		
Cash at bank	46,200		
Patents	4,800		
Bills receivable	5,000		
	5,08,000		**5,08,000**

Prepare Trading and Profit & Loss account for the year ended 31st March, 1998 and a Balance Sheet as on that date after considering the following adjustments :

i) Stock as on 31st March, 1998 Rs. 88,000.

ii) Provide for income tax at 50%.

iii) Depreciate plant and machinery at 15%; furniture at 10% and patents at 5%.

iv) On 31 March, 1998 outstanding rent amounted to Rs. 800 and salaries Rs. 900.

v) The Board recommends payment of a dividend @ 15% per annum. Transfer the minimum required amount to general reserve.

vi) Provide Rs. 510 for doubtful debts.

vii) Provide for managerial remuneration at 10% of profit before tax.

11. a) Discuss the factors affecting 'Accounts Receivalde.'

b) What do you mean by "Average Collection Period" ?

c) Is 'depreciation' a source of funds ? Explain. 5 + 5 + 5

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