



Name :

Roll No. :

Invigilator's Signature :

CS/MBA (NEW)/SEM-1 (FT & PT)/MB-106/2010-11

2010-11

FUNDAMENTALS OF ACCOUNTING

Time Allotted : 3 Hours

Full Marks : 70

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

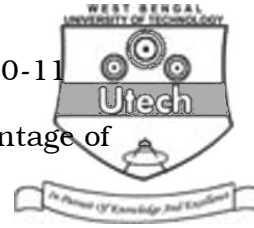
GROUP – A

(Multiple Choice Type Questions)

1. Choose the correct alternatives for any *ten* of the following : 10 × 1 = 10

- i) Which of the following errors are *not* revealed by the Trial Balance ?
 - a) Compensating errors
 - b) Errors of commission
 - c) Wrong balancing of an account
 - d) Wrong totalling of an account.

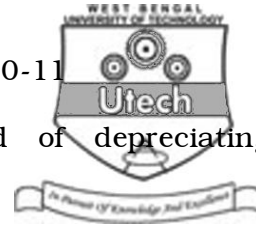
- ii) For a management institute, the Maruti car owned by it is its
 - a) Current asset
 - b) Fixed asset
 - c) Intangible asset
 - d) Contingent asset.



- iii) Dividends are usually paid as a percentage of
- a) Authorized share capital
 - b) Net profit
 - c) Paid-up capital
 - d) Called-up capital.
- iv) Q Ltd. maintains the inventory records under perpetual system of inventory. Consider the following data for the month of March, 2010 :
- March 1 : Opening inventory — 15 units @ Rs. 400 per unit
- March 4 : Purchases — 20 units @ Rs. 450 per unit
- March 6 : Purchases — 10 units @ Rs. 460 per unit;
- If company sold 32 units on March 24, 2010, closing inventory under FIFO method is
- a) Rs. 5200
 - b) Rs. 5681
 - c) Rs. 5800
 - d) Rs. 5950.
- v) Purchase of furniture on credit is recorded in
- a) Sales day book
 - b) Purchase day book
 - c) Journal
 - d) Suspense account till the amount is paid.



- vi) Fundamental accounting assumptions are
- a) Materiality
 - b) Business entity
 - c) Going concern
 - d) Dual aspect.
- vii) During a period of rising prices higher profits can be shown by valuing stock at
- a) LIFO basis
 - b) FIFO basis
 - c) Weighted average price method
 - d) Average cost method.
- viii) A company wishes to earn a profit of 20% margin on selling price. Which of the following is the profit mark up on cost, which will achieve the required profit margin ?
- a) 33%
 - b) 25%
 - c) 20%
 - d) Cannot be ascertained.
- ix) The policy of 'anticipate no profit and provide for all possible losses' arises due to
- a) convention of consistency
 - b) convention of disclosure
 - c) convention of conservatism
 - d) none of these.



- x) P Ltd. follows the WDV method of depreciating machinery year after year due to
- a) comparability
 - b) convenience
 - c) consistency
 - d) all of these.
- xi) Which of the following are of capital nature ?
- a) Purchase of goods
 - b) Cost of repair
 - c) Wages paid for installation of machinery
 - d) Rent of a factory.
- xii) Loss on issue of debenture is treated as
- a) Intangible asset
 - b) Current asset
 - c) Current liability
 - d) Miscellaneous expenditure.

GROUP – B

(Short Answer Type Questions)

Answer any *three* of the following. $3 \times 5 = 15$

2. Explain the concept of common size and comparative financial statement analysis.

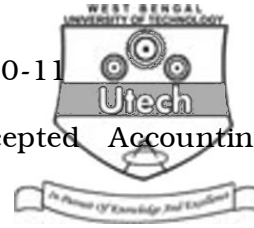


3. A company whose accounting year in the calendar year, purchased on 1st April, 2007, Machineries costing Rs. 30,000. It purchased further machineries on 1st October, 2007 costing Rs. 20,000 and on 1st July, 2008 costing Rs. 10,000. On 1st January, 2009, one third of the machineries which was installed on 1st April, 2007 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. From the following particulars find out the value of closing stock when materials are issued under FIFO method :

2010 Feb 1	Balance	200 units	Rs. 1,000
" 3	Receipts	300 units	@ Rs. 6.00 per unit
" 4	Issues	350 units	
" 6	Issues	50 units	
" 10	Receipts	200 units	@ Rs. 6.50 per unit
" 15	Issues	150 units.	



5. Write a brief note on Generally Accepted Accounting Principles (GAAP).
6. Why is “interest paid” called a tax shield ?

GROUP – C

(Long Answer Type Questions)

Answer any *three* of the following. $3 \times 15 = 45$

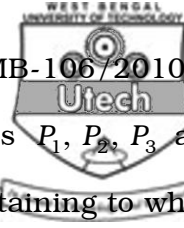
7. a) State the applications and significance of LIFO & FIFO methods of inventory valuations.

- b) XYZ Ltd. furnishes the following data for manufacturing of Product X during the month of April 2010 :

Raw material consumed	Rs. 15,000
Direct labour charges	Rs. 9,000
Machine hours worked	900
Machine hour rate	Rs. 5 per hour
Administrative overhead	20% on works cost
Selling overhead	Re. 0.50 per unit
Unit's production	17100 units
Units sold	16000 units @ Rs. 4 per unit.

You are required to prepare a Statement showing the cost elements from the above showing :

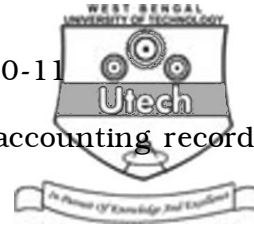
- i) Cost per unit and
- ii) Profit per unit sold and profit for the period. 5 + 10



8. XYZ Ltd. have three production departments P_1, P_2, P_3 and two service department S_1, S_2 . The detail pertaining to which are as under :

Particulars	Production departments			Service departments	
	P_1	P_2	P_3	S_1	S_2
Direct wages (Rs.)	3,000	2,000	3,000	1,500	195
Working hour	3070	4475	2419	—	—
Value of the machine (Rs.)	60,000	80,000	1,00,000	5,000	5,000
Floor space (sq. ft.)	2000	2500	3000	2000	500
Horse-power of machine	60	30	50	10	—
Light points	10	15	20	10	5

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The following figures extracted from the accounting records are relevant :

	Rs.
Rent and rates	500
General lighting	600
Indirect wages	1,939
Power	1,500
Depreciation on machine	10,000
Sundries	9,695

The expenses of the service departments are distributed as under :

	P_1	P_2	P_3	S_1	S_2
S_1	20%	30%	40%	—	10%
S_2	40%	20%	30%	10%	—

Find the cost of the production, which is processed for manufacture in Depts. P_1 , P_2 , P_3 , S_1 , S_2 for 4, 5 and 6 hours respectively. Given that direct material cost is Rs. 50 and direct labour cost is Rs. 30.



9. X Ltd. whose accounting year is the calendar year, purchased machineries on 1st April, 2008 costing Rs. 3,00,000. It further purchased a machine costing Rs. 2,00,000 on 1st October, 2008 and another machine costing Rs. 1,00,000 on 1st July, 2009. On 1st January, 2010, it sold the machine which were purchased on 1st April, 2008 for Rs. 30,000.

Show how the machinery account would appear for all three years in the books of X Ltd. After charging depreciation @ 20% under diminishing value method.

Explain the difference between Straight line & WDV method of charging depreciation.

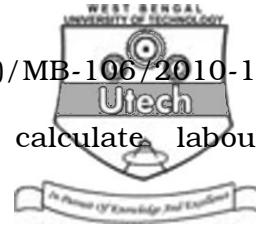
10 + 5



10. a) The following annual charges are incurred in respect of a machine in a shop where manual labour is almost nil and work is done by means of five machines of exactly similar type of specification :

i) Rent and rates (proportional to the floor space occupied) for the shop.	Rs 4800
ii) Depreciation on each machine	Rs. 500
iii) Repairs and maintenance for the five machines	Rs. 1000
iv) Power consumed (as per meter) @ 5 paise per unit for the shop (The machine uses 10 units of power per hour)	Rs. 3000
v) Electronic charges for light in the shop	Rs. 540
vi) Sundry supplies such as lubricants, jute and cotton waste etc. for the shop.	Rs. 450
vi) Attendants : There are two attendants for the five machines and they are each paid Rs. 60 per month.	
vii) Supervision : For the five machines in the shop there is one supervisor whose emolument is Rs. 250 per month.	

Calculate the machine hour rate for the machines for the year.



b) From the following information, calculate labour turnover rate by applying :

- i) Separation method
- ii) Replacement method
- iii) Flux method.

Number of workers at the beginning of the year : 3800

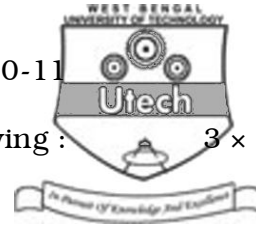
Number of workers at the end of the year : 4200

During the year 40 workers left while 160 workers are discharged. 600 workers are required during the year, of these 150 workers are recruited because of leavers and the rest are engaged in accordance with an expansion scheme.

9 + 6

11. a) Distinguish between Bad debts, Provisions for bad debts, and Reserve for bad debts.
- b) Bad debts are directly adjusted against Sundry debtors while Provisions for doubtful debts is shown as a deduction from Sundry debtors figure. Why ?

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12. Write short notes on any *three* of the following : 3 × 5

- a) Revenue recognition
- b) Administrative overhead
- c) Schedule VI of Companies Act, 1936
- d) Capital expenditure
- e) Royalty
- f) Fictitious Assets.