



Name :

Roll No. :

Invigilator's Signature :

CS/MBA(N)/SEM-1 FT & PT/MB-106/2011-12

2011

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) The objective of accounting is
 - a) to ascertain the financial position of a business
 - b) to keep systematic records
 - c) to provide information to interested parties
 - d) All of the above.
 - ii) Trial Balance is a
 - a) Statement of financial position
 - b) List of balances of personal accounts
 - c) List of balances of real accounts
 - d) List of balances of all accounts.
 - iii) According to which accounting concept is business treated as a separate entity from its owner ?
 - a) Dual aspect concept
 - b) Going concern concept
 - c) Business concern concept
 - d) Accounting period concept.



- iv) Closing stock is valued at
 - a) cost price
 - b) market price
 - c) cost price or market price whichever is lower
 - d) cost price or market price whichever is higher.
- v) At the beginning of the current year the owner's equity of a firm was Rs. 1,80,000. During the year, if assets and liabilities of the firm increase by Rs. 1, 20, 000 and Rs. 90, 000 respectively owner's equity at the end of the year will be
 - a) Rs. 3,00,000
 - b) Rs. 2,70,000
 - c) Rs. 2,50,000
 - d) Rs. 2,10,000
- vi) Cash account is a
 - a) Nominal Account
 - b) Personal Account
 - c) Real Account
 - d) Mezzanine Account.
- vii) 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) Going concern
 - d) Monetary unit
- viii) The objective of providing depreciation is
 - a) to reduce tax burden
 - b) to calculate true profit
 - c) to show true financial position
 - d) to provide funds for replacement of fixed assets
- ix) The term inventory is a wide term and generally includes
 - a) Stock of raw materials
 - b) Semi finished goods
 - c) Finished goods
 - d) All of these.
- x) Trading account will disclose
 - a) Operating profit
 - b) Net profit
 - c) Gross profit
 - d) Salaries
- xi) Secret reserve is created by
 - a) Undervaluing the assets
 - b) Overvaluing the assets
 - c) Overstating the liabilities
 - d) Both (a) and (c)



GROUP – B

(Short Answer Type Questions)

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

2. Pass journal entries in the books Mr. A. an entrepreneur for the year ended 31st December, 2011.

2011

Dec. 3. Purchased a plant for Rs. 50,000, cost of carriage Rs. 5,000 and installation expenses being paid for Rs. 15,000.

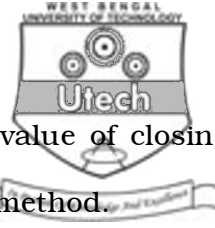
Dec. 4. Purchased furniture for resale X Ltd. Rs. 3,000.

Dec 5. Purchased furniture for office decoration Rs. 8,000.

Dec. 8. Sold furniture out of those meant for resale Rs. 4,000.

Dec. 10. Returned a part of furniture out of those meant for resale to X Ltd. for Rs. 400.

3. Briefly mention the effect of uncertainties on revenue recognition.
4. Define depreciation, Differentiate between Fixed Instalment Method and Diminishing Balance Method of depreciation.
5. On 31st December, 2010 debtors : Rs. 100,000, provision for bad debt 10% and provision for discount on debtors : 5%. On 31st December, 2011 debtors : Rs. 120,000. Provision for bad debt 12.5% and provision for discount on debtors 7.5%. Show the provision for bad debt A/c and provision for discount on debtors A/C for 2010 and 2011.



6. From the following particulars find out the value of closing stock when materials are issued under FIFO method.

2011.	1	Balance	200 units	Rs. 1,000
February	3	Receipts	300 units	@ Rs. 6.00 per units
	4	Issues	350 units	
	6	Issues	50 units	
	10	Receipts	200 units	@ Rs. 6.50 per units
	15	Issues	150 units	contd.

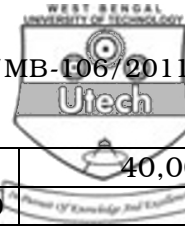
Group – C

(Long Answer Type Questions)

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

7. The following is the trial balance of G–Metal Construction Ltd. as on March 31, 2011.

Particulars	Dr. (Rs.)	Cr. (Rs.)
Share capital at the rate of Rs. 10 each		3,12,000
Buildings	3,00,000	
Machinery	1,32,000	
Furniture	60,000	
Cash and Bank	60,000	
Loan A/c. @ 10% (Since April 1, 2010)		1,80,000
Opening sock	72,000	
Bills receivable	24,000	
Sundry debtors	3,00,000	
Sundry creditors		2,40,000
Purchases	14,00,000	
Sales		18,30,000
Returns inward	50,000	
		contd.



Returns outwards		40,000
Rent	60,000	
Salaries	1,00,000	
Provident fund deducted from salaries of employees		5,000
Interest on loan	15,000	
Electricity	5,000	
Telephone	7,000	
Insurance premium	14,000	
Bad debts	5,000	
Commission	3,000	
	26,07,000	26,07,000

Additional information :

- (i) The company has valued the closing stock on April 7, 2011 instead of March 31, 2011. The transactions during the period of April 1, 2011 to April 7, 2011 were as follows :

Particulars	Rs.
Purchases	15,000
Sales	40,000
Stock on April 7, 2011	15,000
Gross Profit	30%

- (ii) During the year employee's share of provident fund was same as employees' contribution (i.e. Rs. 5,000)
- (iii) The rates of depreciation are as follows :
- Furniture 5%
- Building 5%
- Machinery 10%
- (iv) Insurance prepaid was Rs. 2, 000



- (v) The company maintains a provision of 5% on sundry debtors for bad and doubtful debts.

You are required to prepare the following for the year ended March 31, 2011.

- a) Trading and profit & loss account
 b) Balance sheet of G-Metal Construction Ltd. 15

8. a) The particulars relating to four machines are as follows:

Particulars	Machine Numbers			
	I	II	III	IV
Cost (Rs.)	50,000	40,000	30,000	20,000
Area occupied	500	450	300	250
Light points	10	8	6	4
No. of Workers	20	15	8	7
Direct Wages (Rs.)	1,500	1,200	1,000	500
Horse Power of Machines	25	20	16	14
Consumable Stores (Rs.)	100	80	75	50

The expenses incurred were as follows :

Rent and Taxes	600	Indirect Wages	840
Lighting	140	Consumable Stores	305
Depreciation	2,800	Canteen Expenses	100
Repairs and Maintenance	700	General Expenses	420
Power	375		

Compute the comprehensive machine hour rate for a month of 25 working days with 8 working hours on an average.

- b) Make a distinction between depreciation and obsolescence.



9. a) A second hand machine was purchased on 01.01.08 for Rs. 30,000 and sums of Rs. 6,000 and Rs. 4,000 were spent on its repair and erection immediately. On 01.07.09 another machine was purchased for Rs. 26,000 and on 01.07.10., the first machine having been obsolete was auctioned for Rs. 30,000. On the same date another machine as purchased for Rs. 25, 000. On 01.07.11., then second machine was sold off and it fetched Rs. 23,000.

Depreciation was provided on machinery @ 10% on the original cost annually on 31st December. In 2010, the method of providing depreciation was changed (not applicable to the machine sold during the year) to the written down value method with retrospective effect, the rate of depreciation being 15%.

Your are required to prepare Machinery A/c. and Depreciation A/c. for all the calendar years mentioned above.

10

- b) 'Accounting is a mixture of art and science'. Explain critically. 5
10. a) What is Trial Balance ? Explain different types of errors of Trial Balance.
- b) The total of debit side of the trial balance of a large Boot & Shoe repairing firm as at December 31, 2011 is Rs. 1,66,590 and that of the credit side is Rs. 42, 470. After several checking and rechecking the following mistakes are discovered :



Item of Account	Correct Figure (as it should be)	Figures as it appear in the Trial Balance
Opening Stock	14,900	14,800
Repairs	61,780	61,780 (but appears on the debit side)
Rent and Rates	2160	2400
Sundry Creditors	6070	5900
Sundry Debtors	8060	8310

Ascertain the correct total of Trial Balance.

- c) What is the importance of operating cycle to a manufacturing entry ?

11. Write short notes on (any three) of the following : $3 \times 5 = 15$

- a) Provisions on Doubtful debts
 - b) Cost control
 - c) Auditor's Report
 - d) Overhead
 - e) Accounting Standards.
-
-