

Name :

Roll No. :

Invigilator's Signature :

CS/MBA (NEW)/SEM-1 (FT & PT)/MB-106/2009-10

2009

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

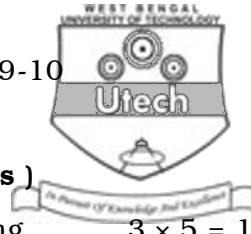
- i) Cost of Abnormal idle time is transferred to
 - a) labour
 - b) factory expenses
 - c) costing of profit and loss account
 - d) none of these.
- ii) Under LIFO method inventories are valued as per
 - a) earlier purchase price
 - b) latest purchase price
 - c) both of these
 - d) none of these.



- iii) Closing Stock is valued at
 - a) cost price
 - b) market price
 - c) lower of cost and net realisable value
 - d) none of these.
- iv) In a cost-sheet discount allowed comes under
 - a) office and administration overhead
 - b) factory cost
 - c) cost of goods sold
 - d) none of these.
- v) In a cost-sheet carriage outward comes under
 - a) factory cost
 - b) production cost
 - c) selling and distribution overhead
 - d) cost of sales.
- vi) Secret reserve is created by
 - a) undervaluing the asset
 - b) overvaluing the asset
 - c) overstating the liabilities
 - d) both (a) & (c).
- vii) Depreciation arises from
 - a) obsolescence
 - b) fall in the value of money
 - c) physical wear and tear
 - d) fall in the market value of assets.



- viii) Object of depreciation is to
- find out true profit
 - provide funds for replacement
 - show the true financial position in the Balance Sheet
 - none of these.
- ix) The Accounting Standard on Revenue Recognition (AS-9) deals with
- revenue from sales under hire purchase and lease agreement
 - revenue obtained from execution of construction contract
 - interest, royalties, dividends obtained from other concerns using resource of the enterprise
 - revenue from government grant and subsidies.
- x) Which of the following is an example of personal account ?
- machinery
 - rent
 - cash
 - creditors.
- xi) A contra entry is one which does not require posting to the ledger :
- true
 - false
 - partially true and partially false
 - true in case of joint venture accounts.
- xii) Capital expenditure wrongly treated as revenue is an example of
- errors of commission
 - errors of omission
 - errors of misposting
 - errors of principle.



GROUP – B
(Short Answer Type Questions)

Answer any *three* of the following.

3 × 5 = 15

2. Simon Ltd. has recognized Rs. 5 lakhs on accrual basis from dividend on units of mutual fund of the face value of Rs. 50 lakhs held by it as at the end of the financial year 31. 12. 2007. The dividend on mutual fund were declared @10% on 31st March, 2008. The dividend was proposed on 10th February, 2008. State whether the treatment as per Accounting Standard. 5
3. Sree Enterprise purchased on second hand machine for Rs. 50,000 on 01. 01. 2005 and spent Rs. 30,000 on overhauling. On 01. 07. 2005 an additional machine costing Rs. 40,000 was purchased. On 01. 01. 2008 a plant was sold out for Rs. 15,000 which was purchased on 01. 01. 2005 due to obsolescence.

Depreciation was provided @ 10% p.a. on original cost.

Show machinery A/c and Depreciation A/c. 5
4. a) Distinguish between gross profit and net profit.

b) Is depreciation a source of fund ? 5
5. A worker produced 200 units in a week's time. The guaranteed weekly wage payment for 45 hours is Rs. 81. The expected time to produce on unit is 15 minutes which is raised further 20% under the incentive scheme. What will be earnings per hour of that worker under Halsey (50% sharing) scheme ? 5



6. In a company weekly minimum and maximum consumption of material A are 25 and 75 units respectively. The re-order quantity as fixed by the company is 300 units. The material is received within 4 to 6 weeks from issue of supply order. Calculate minimum level and maximum level of material A. 5

GROUP – C

(Long Answer Type Questions)

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

7. The following details are available from the books of Subham Ltd. for the year ended 31. 3. 09 in which year 1600 electric fans were produced and sold by the said firm :

	Rs.		Rs.
To Materials used	64,000	To Sales	3,20,000
To Wages	96,000		
To Manufacturing charges	40,000		
To Gross Profit c/d	1,20,000		
	3,20,000		3,20,000
To Office salaries	48,000	By Gross Profit b/d	1, 20,000
To Rent & taxes	8,000		
To Selling expenses	16,000		
To General expenses	24,000		
To Net Profit	24,000		
	1,20,000		1,20,000

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The following estimates were made by the costing department
for the year ended 31st March, 2009 :

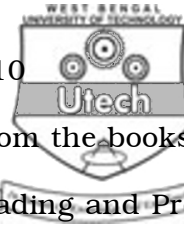
- a) The output and sales will be of 2000 electric fans.
- b) The price of materials will rise by 25% on the previous year's level.
- c) Wages during this year will rise by 12.5%.
- d) Manufacturing charges will rise in proportion to the combined cost of materials and wages.
- e) Selling expenses per unit will remain unchanged.
- f) Other expenses will remain unchanged.

Prepare a statement showing the price at which the electric fans would be marketed so as to show a net profit of 10% on the cost price.



8. From the following particulars for the year ended 31st March 2009, prepare Cost Sheet, showing various elements of cost :

	Stock as on 01. 04. 2008		Stock on 31. 03. 2009
Raw materials	Rs. 25,000		Rs. 45,000
Work-in-progress at price cost	Rs. 30,000		Rs. 45,000
Work-in-progress at manufacturing cost	Rs. 6,000		Rs. 9,000
Finished Goods	Rs. 1,44,000		? (10,000 units)
Finished Goods produced		32,000 units	
Raw Materials purchased		Rs. 2,00,000	
Freight on R.M.		Rs. 15,000	
Chargeable expenses		Rs. 50,000	
Factory wages for direct labour		Rs. 2,70,000	
Administration expenses		Rs. 1,00,000	
Selling expenses		Rs. 54,000	
Distribution expenses		Rs. 36,000	
Sale proceeds of finished goods (30,000 units)		Rs. 9,00,000	
Sale of scrap		Rs. 12,000	
Abnormal loss of raw materials		Rs. 5,000	



9. From the following Trial Balance extracted from the books of X Ltd. as on 31st March, 2009 prepare a Trading and Profit & Loss Account for the year ended 31st March, 2009 and a Balance Sheet as on that date after taking into consideration the adjustments given below the Trial Balance.

	Rs.		Rs.
Drawings	12,000	Equity share capital (1000 shares of Rs. 100 each)	1,00,000
Furniture & Fixtures	12,000	Sales	1,68,000
Plant & Machinery	60,000	Profit on sale of furniture	1,000
Stock on 01. 04. 08	16,000	Sundry creditors	46,000
Purchases	1,10,000	Purchase returns	4,000
Sales returns	8,000	Discounts received	1,000
Salaries	6,000	Provisions for Doubtful Debts	2,000
Sundry debtors	40,000	General reserve	10,000
Postage	3,000	Profit & Loss Account	15,000
Rent, rates and taxes	1,000		
Bad debt	1,000		
Insurance office expenses	3,000		
Cash in hand	11,400		
Cash at bank	3,000		
Wages	12,000		
Carriage on purchase	1,000		
Carriage on sales	3,600		
Bills receivable	10,000		
Discounts allowed	500		
Commission	8,500		
Dividend paid	5,000		
Patent	20,000		
	3,47,000		3,47,000



Adjustments :

- i) Closing stock at the end of the year is Rs. 20,000
- ii) Depreciate plant & machinery at 10% and furniture & fixtures at 5%.
- iii) Insurance prepaid Rs. 200.
- iv) Outstanding salary Rs. 1000.
- v) Maintain provision for doubtful debts at 10% on debtors.
- vi) The manager is entitled to commission of 5% of net profit, after charging such commission.
- vii) Provide for income Tax at 50%.
- viii) The board recommends payment of a dividend @ 10% per annum.

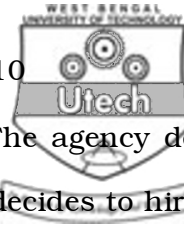
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10. An advertising agency has received an enquiry for which you are supposed to submit the quotation. Bill of materials prepared by the production department for the job states the following requirement of material :

Paper 10 reams @ Rs. 1,800 per ream

Ink & Other printing material Rs. 5,000

Other consumables Rs. 3,000



Some photography is required for the job. The agency does not have a photographer as an employee. It decides to hire a professional photographer who is to be paid professional fees of Rs. 10,000.

Estimated job card prepared by the Production Department specifies that services of the following employees will be required for the execution of the job. Monthly remuneration payable to these employees as indicated by the Personnel department is also given :

Artist	80 hours service is required. Paid Rs. 12,000 p.m.
Copy writer	75 hours service is required. Paid Rs. 10,000 p.m.
Client Servicing	30 hours service is required. Paid Rs. 9,000 p.m.

You can assume that a month consists of 25 working days and one working day consists of 6 working hours.

An amount Rs. 4,000 will be required for the cost of primary packing material.

Production overheads are likely to be 40% of direct cost while selling and administration overheads are likely to be 25% of production cost. The agency expects the profit of 10% on basic quotation price.

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11. a) "Accounting is an information system." Explain.
- b) "Total fixed cost is fixed but the rate of fixed cost is variable on the other hand total variable cost is variable but the rate of variable cost is fixed." Explain with an illustration.
- c) "Though ledger is the book of final entry, yet Journalisation is compulsory." Comment. 5 + 5 + 5
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