

# Paper 2

## Accounting

### Test Paper- I

**Time Allowed : 3 hours**

**Full Marks : 100**

*Answer question one which is compulsory. Answer any five from the rest.*

**Q. 1.**

- (a) Give one word or term for the following: **(1 x 5 marks)**
- (i) Commission given for taking over responsibility of bad debts by consignee
  - (ii) Charges paid on dishonour of a bill of exchange
  - (iii) Expenses due but not paid
  - (iv) Costs that vary with output but not in same proportion
  - (v) Prime cost plus factory overheads
- (b) Fill in the blanks **(2 x 5 marks)**
- (i) Excess of \_\_\_\_\_ over \_\_\_\_\_ is called as deficit in a non-trading organisation.
  - (ii) Discount received is recorded on \_\_\_\_\_ side of the cash book, while discount given is recorded on the \_\_\_\_\_ side of it.
  - (iii) Fixed overheads are charged to cost of production under \_\_\_\_\_ costing, whereas only variable costs are considered as product costs under \_\_\_\_\_ costing.
  - (iv) Bills payable account is a \_\_\_\_\_ account and closing stock account is \_\_\_\_\_ account.
  - (v) Posting from a Purchase return book is made to the debit of \_\_\_\_\_ account and to the credit of \_\_\_\_\_ account
- (c) State with reasons whether the following statements are true or false **(2 x 5 marks)**
- (i) Errors of omission will not affect Trial balance
  - (ii) Piece rate method can be adopted in any industry.
  - (iii) Credit sale of stationery by Bombay Stationery Mart will be recorded in Sales book.
  - (iv) Fixed cost per unit changes and variable cost per unit is same.

(v) The entry for bill of exchange discounted with the bank is passed in the books of drawee of the bill.

(d) Match the following: **(1 x 5 marks)**

1) Conservative principle	a) Recording transactions at cost
2) Accrual concept	b) Product costs
3) Variable costs	c) Stocks valued at lower of cost or market price
4) Historical cost concept	d) Recognition of cash & credit transactions
5) fixed costs	e) Two effects of a transaction
	f) Period costs

**Q. 2.**

1) Pass necessary journal entries for the following: **(2 x 4 marks)**

- (a) Goods of Rs 1,400 purchased from Ram although entered in purchase book was not recorded in Ram's account
- (b) Wages paid Rs 45,000 for erection of machinery were debited to Wages account.
- (c) Goods supplied by Sujit for Rs 150,000 were entered in Sales book.
- (d) Sale of old furniture for Rs 3,500 was recorded to sales book

2) Prepare a bank reconciliation statement from the following details submitted to you by M/s Poonam Trading company as on 31<sup>st</sup> December 2006: **( 8 Marks)**

**Cash Book (bank column only)**

Date	Particulars	Rs	Date	Particulars	Rs
3-Dec-06	To Cash	36,000	1-Dec-06	By Balance b/d	40,000
20-Dec-06	To Roy	24,000	4-Dec-06	By John	2,000
22-Dec-06	To Kapoor	10,000	6-Dec-06	By Krishnan	400
31-Dec-06	To Balance c/d	7,640	15-Dec-06	By Kailash	240
			20-Dec-06	By Joshi	35,000
		77,640			77,640

The bank statement revealed the following

- Cheques deposited but not cleared by bank Rs 10,000
- Interest on securities collected by bank but not recorded in cash book Rs 1,080
- Credit transfers not recorded in the cash book Rs 200
- Dividend collected by bank Rs 1,000 not recorded in cash book
- Cheques issued but not presented for payment Rs 37,400
- Interest debited by bank not yet recorded in cash book Rs 1,000
- Bank charges debited by bank for the month of December Rs 340

**Q. 3.**

1. The net income based on unadjusted trial balance of Mr. Sengupta, who runs a private school, as on 31<sup>st</sup> December 2006 stood at Rs 10,875. On investigation of

his books, you understand that the books are kept on cash basis & that following balances has not been considered. Please work out the revised net income of Mr. Sengupta based on the details given below:

Particulars	As on 1 <sup>st</sup> Jan 06 (Rs)	As on 31 <sup>st</sup> Dec 06 (Rs)
Accrued fees	350	250
Fees received in advance	100	50
Outstanding expenses	200	250
Prepaid expenses	100	175

(6 marks)

2. A company uses three types of raw material in manufacturing of its product X. The following information is given to you in respect of them:

Material	A	B	C
Usages per unit of X in kg	10	4	6
Re-order quantity in kg	10000	5000	10000
Price per unit	10	30	15
Delivery period in weeks	1 to 3	3 to 5	2 to 4
Re-order level in kg	8000	4750	
Minimum level in kg			2000

Weekly production of X varies between 175 to 225 units, averaging 200 units. Find out the quantities of (1) minimum level of A, (2) maximum level of B, (3) Re-order level of C, (4) Average level of C

(2 X 4 marks)

**Q. 4.**

The following balances are given to you for a sports club:

	31-03-2005	31-03-2006
Fixed Assets	110000	99000
Bank	12500	15300
Cash	1500	2500
Prepaid Insurance	2000	
Subscription received in advance	45000	30000
Interest on outstanding loan	1250	
Loan	100000	
Outstanding expenses:		
Water	2350	1750
Electricity	2500	3500
Wages	12500	7500
Repairs	1500	1200
Subscription receivable	75000	67000

The Receipt and payment a/c for the year ended 31-03-2006 is given below:

<b>Receipts</b>	<b>Rs</b>	<b>Payments</b>	<b>Rs</b>
Opening balance:			
Bank	12500		
Cash	1500		
Subscriptions	225000	Loan repaid	100000
Donations	45000	Rent	15000
Miscellaneous	7500	Water	22750
		Electricity	36000
		Wages	48500
		Repairs	17800
		Telephone	22500
		Interest on Loan	2500
		Insurance	7500
		Miscellaneous expenses	1150
		Closing Balance	
		Bank	15300
		Cash	2500

Prepare Income & Expenditure a/c for the year ended 31-03-2006 and the Balance Sheet as on that date. Donations are to be capitalized. **(14 marks)**

**Q. 5.**

A manufacturing company has three production departments X, Y, and Z and two service departments A and B. The following estimates are given to you for the quarter ended 30<sup>th</sup> Sept 2007.

Rent and Rates	Rs 10000
Lighting and electricity	Rs 1200
Indirect wages	Rs 3000
Power	Rs 3000
Depreciation on machinery	Rs 20000
Other expenses and sundries	Rs 20000

Following are further details:

	<b>X</b>	<b>Y</b>	<b>Z</b>	<b>A</b>	<b>B</b>	<b>Total</b>
Floor space (sq ft)	2000	2500	3000	2000	500	10000
Light Points (nos)	20	30	40	20	10	120
Direct wages (Rs)	60000	40000	60000	30000	10000	200000
HP of Machines	120	60	100	20		300
Cost of machines	24000	32000	40000	2000	2000	100000

The expenses of service departments A and B are to be distributed as follows:

	X	Y	Z	A	B
A	20%	30%	40%	-	10%
B	40%	20%	30%	10%	-

Calculate the overhead absorption rate per hour in respect of the three departments. What will be the total cost of the job with material cost of Rs 80 and direct labour cost of Rs 40 which passes through X, Y, & Z for 2, 3 and 4 hours respectively? **(14 marks)**

**Q. 6.**

**(a)**

On 1<sup>st</sup> April 2007, Mohan of Mumbai consigned 400 packets of Tooth powder bottles to Mr. Sohan of Kolkata. Each packet contained 100 bottles. Cost price of each packet is Rs 300. Mohan spent Rs 50 per packet as cartage, freight, insurance & forwarding charges. One packet was lost on the way and Mohan lodged a claim with the insurance company & could get Rs 270/- Sohan took delivery of the rest of the material and spent Rs 19950/- as storage and Rs 9975 as Octroi & freight. He sold 320 packets for cash and 50 packets on credit at Rs 650 per packet. He was entitled to a commission of 3% on sales plus 1% Del credere commission on credit sales. Sohan remitted Rs 200000 by bank draft on 30<sup>th</sup> June 2007.

Prepare consignment account and Sohan's a/c in the books of Mr. Mohan. **(7 marks)**

**(b)**

The following details have been extracted from the books of a manufacturing company for the half year ended 30<sup>th</sup> September 2006:

	<b>Amount Rs</b>
Purchase of raw material	132000
Direct wages	110000
Rent, rates, insurance	44000
Carriage inward	1584
Stock 1-4-2006:	
Raw material	22000
Finished goods (1600 tonnes)	17600
WIP	5280
Stock 30-09-2006:	
Raw material	24464
Finished goods (3200 tonnes)	35200
WIP	17600
Factory supervision	8800
Sale of finished goods	330000

Selling costs were Rs 0.75 per tonne for 25600 tonnes sold during the period.

Calculate prime cost, factory cost, cost of sales, profit and no of tonnes produced.

**(7 marks)**

**Q. 7.**

**(a)**

A company produces a single product sells it at Rs 50 per unit. The variable cost per unit is Rs 35 and the fixed costs are Rs 12 lacs per annum. Please calculate:

- (i) P/V ratio and break even sales
- (ii) New breakeven if variable costs increase by Rs 3 per unit, without increase in selling price.
- (iii) Increase in sales required if profits are to be increased by Rs 240000
- (iv) Quantum of advertising expenditure permissible to increase sales by Rs 120000 without affecting the existing profit quantum.

All the events are independent of each other. **(2X4 marks)**

**(b)**

Following particulars are taken from the books of Supreme industries:

Time allowed for the job	15 hours	15 hours	15 hours
Time taken for the job	15 hours	12 hours	9 hours

The hourly rate payable as normal wages is Rs 2 per hour. Compute the total wages as per Halsey plan (50% sharing) and Rowan plan. What is your recommendation if the time taken is going to be 6 hours after 3 months? **(6marks)**