

**DIPLOMA IN BUSINESS PROCESS
OUTSOURCING - FINANCE AND
ACCOUNTING (DBPOFA)**

Term-End Examination

00864

December, 2014

BPOI-002 : FUNDAMENTALS OF ACCOUNTING

Time : 3 hours

Maximum Marks : 100

Note : There are *three* sections. All the sections are compulsory.

SECTION A

1. (a) Fill in the blanks : *5×1=5*

- (i) If the double entry system of a transaction is complete in the cash book itself, such an entry is called _____ .
- (ii) The statement sent to supplier for the goods returned is called _____ .
- (iii) The process of encashing the bill with the banker before maturity is called _____ .
- (iv) When the benefits of an expenditure is not exhausted in the year in which it is incurred but is available over a number of years, it is considered as _____ .

(v) Cost of goods sold = Opening stock + Net purchases + Direct Expenses - “_____”.

(b) State whether the following statements are true or false. 5×1=5

- (i) Main objective of preparing ‘Journal’ is to record the business transactions systematically.
- (ii) The rule of personal accounts is ‘Debit the receiver and credit the giver.’
- (iii) Overdraft bank balance is shown in the Assets side of the balance sheet.
- (iv) Debenture holders are only creditors of a company.
- (v) AS-1 is meant for disclosures of accounting policies.

SECTION B

Attempt any **three** questions.

2. Explain the following with two examples for each : 2×5=10
- (a) Capital Expenditure
- (b) Deferred Revenue Expenditure
3. Explain the categories of equity share capital. 10
4. Explaining the rules regarding journal entries, pass the journal entries for the following transactions : 6+4=10
- (a) Commenced business with furniture ₹ 10,000, Machinery ₹ 1,00,000 and Cash ₹ 50,000.
- (b) Purchased goods from Kriti and Co. for list price of ₹ 5,700 less 10% trade discount.
5. Pass Journal Entries to rectify the following errors : 2×5=10
- (a) Goods costing ₹ 1,000 have been purchased on credit from Sohan, but no entry has been made in the books although the goods were taken into stock.
- (b) Commission received ₹ 1,000 and the same was recorded in the books of accounts as below :
- Commission A/c – Dr 1,000
- To Cash A/c – Dr 1,000

- (c) ₹ 4,000, the amount of sale of old machinery has been credited to sales account.
- (d) ₹ 5,000 for erection of a small cycle stand was debited to repairs account.
- (e) ₹ 50 paid as cartage for newly purchased furniture posted to cartage account.

SECTION C

Attempt any *three* questions including question no. 6 which is *compulsory*.

6. From the following Trial Balance and the adjustment information provided by Mr. Lokesh, prepare a Trading and Profit and Loss Account for the year ending 31st March, 2011 and a balance sheet as on that date.

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	Dr.	Cr.
Land and Building	20,000	
Machinery	50,000	
Furniture	4,000	
Opening Stock	16,300	
Purchases	80,000	
Salaries	6,000	
Carriage on sales	1,500	
Freight on purchases	2,000	
Customs duty on purchases	3,000	
Advertising	5,400	
Wages	20,000	
Rent	3,000	
General Expenses	6,700	
9% Loan to Krishna	5,000	
Prepaid Insurance	200	
Sundry debtors	20,000	
Cash at Banks	3,350	
Capital		80,000
Sundry creditors		8,000
Discount received		400
Outstanding Expenses		1,550
Sales		1,50,500
Provision for Repairs		6,000
	2,46,450	2,46,450

Adjustments :

- (i) Stock on 31st March, 2011 amounted to ₹ 14,900.
 - (ii) Machinery worth ₹ 10,000 was purchased on 1st October, 2010. Wages ₹ 500 were paid to workmen for its installation which have been debited to wages account.
 - (iii) Depreciation is to be written off @ 3% on Land and Building, 10% on Machinery, 5% on Furniture.
 - (iv) Provision for repairs to be credited with ₹ 1,500 every year.
7. Define Bills of Exchange. Give short notes and Accounting entries for – Bills Receivable, Bills Payable, Bills discounted and Bills dishonoured. 20
8. Briefly explain about two column and three column cash book. Draft a three column cash book proforma showing entries appearing for payment, receipt, discount allowed, discount received and Contra Entries. 20
9. Journalize the following transactions and post them into Ledger : 20
- 1-4-2011 Started business with Plant and Machinery ₹ 2,50,000, Stock ₹ 90,000, Furniture ₹ 7,000, Cash ₹ 50,000, Sundry creditors ₹ 1,50,000
 - 1-4-2011 Loan received from Rajan ₹ 5,00,000
 - 2-4-2011 Sold Goods to Sundar ₹ 1,50,000

3-4-2011 Bought goods from Natarajan ₹ 65,000
4-4-2011 Sundar paid cash
10-4-2011 Paid to Natarajan – ₹ 28,000,
returned goods – ₹ 2,000
15-4-2011 Paid Rent ₹ 5,000
31-4-2011 Paid Salaries ₹ 9,000
Commission Received ₹ 5,250
Discount allowed to Sundar ₹ 5,000
Depreciation @ 10% on fixed assets
Interest on loan @ 8% pa

10. (a) What is meant by provision for bad debts ?
Explain the treatment of provision for bad
debts in the final accounts.
- (b) What is debenture ? Distinguish between
shares and debentures. *2×10=20*
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