

**DIPLOMA IN BUSINESS PROCESS
OUT SOURCING (F & A) PROGRAMME**

Term-End Examination

June, 2011

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. 5x1=5
- (i) Outstanding salary is a _____ account.
- (ii) Assets = Capital + _____ .
- (iii) Goodwill is _____ asset.
- (iv) _____ helps in ascertaining and controlling costs.
- (v) Accounting concepts and conventions are also known as _____ .

- (b) State whether the following statements are *True* or *False*. 5x1=5
- (i) AS -2 is meant for revenue recognition.
 - (ii) The process of recording a transaction is called posting.
 - (iii) Payment made by cheque should be credited to Bank Account.
 - (iv) In case of bad debts the amount should be debited to cash account.
 - (v) Posting is done in the Journal.

SECTION - B

Answer *any three* questions.

2. Write short notes on the following. 5+5
- (i) Cost Principle
 - (ii) Business Entity Principle
3. What are Accounting Standards ? How are they useful for Auditors ? 10
4. Differentiate between 'Books of Original Entry' and 'Ledger'. 10
5. " Is Trial Balance merely a proof of Arithmetical accuracy" ? Explain any three errors which are not disclosed by a Trial Balance. 10

SECTION - C

Answer *any three* questions including question No. Six which is compulsory. 10+10

6. (a) There was a difference of Rs. 525 in a Trial Balance. It has transferred to credit side of suspense A/C. Later on following errors were discovered. Make the rectifying entries and prepare suspense A/C.
- (i) An amount of Rs. 375 has been posted on the debit side of commission account instead of Rs. 275.
 - (ii) Total of Sales Return Book was overcast by Rs. 475.
 - (iii) Goods of Rs. 300 were sold to Mahesh, but it was recorded in Purchase Book.
 - (iv) Goods of Rs. 200 purchased from Sohanlal has been posted to his account as Rs. 250.
- (b) What do you mean by Suspense Account ?
How is it opened and how is it closed ?

7. From the following Trial Balance, prepare Trading and Profit and Loss Account for the year ended 31st December 2009 and Balance Sheet as on that date. 20

	Dr. Rs.	Cr. Rs.
Purchases and Sales	2,75000	5,20000
Return Inwards	15000	
Return outwards		9000
Carriage	12400	
Wages and salaries	58600	
Trade expenses	2200	
Rent		13000
Insurance	2000	
Audit fees	1200	
Debtors and Creditors	110000	62100
B/Rs and B/Ps	3300	2200
Advertising	5500	
Commission		1000
Opening stock	36000	
Cash in hand	39600	
Bank loan		20000
Interest on loan	1500	
Capital		250000
Drawings	15000	
Fixed Assets	300000	
	8,77,300	8,77,300

Adjustments

- (a) Stock at the end was Rs. 60000
- (b) Depreciate fixed Assets by 10%
- (c) Rent received in advance Rs. 1000

- (d) Commission earned but not received Rs. 400.
- (e) Allow Interest on capital 8%.
- (f) Charge interest on drawings Rs. 900.

8. (a) Record the following Transactions in Journal. **10+10**

2009

- (i) May 1 Commenced business with cash Rs. 5,00000
- (ii) 5 Goods Purchased for cash Rs. 20,000
- (iii) 11 Goods Purchased from Ravi of the list price of Rs. 20,000 at 15% trade discount.
- (iv) 16 Proprietor withdrew Rs. 5000 for his personal use.
- (v) 23 Bad - debts Rs. 8000

(b) What do you mean by provisions ? Explain their importance.

9. (a) What do you mean by a Financial Schedule ? Identify the items in respect of which the schedules are provided as part of accounts . **10+10**

(b) Explain various items on the assets side of a Balance Sheet.

10. (a) Differentiate between Capital Expenditure and Revenue Expenditure. **10+10**

(b) Prepare a Cash Book with cash and Bank columns.

2008		Rs.	
Jan	1	Cash in hand	5000
		Bank overdraft	1000
	3	Wages paid	1500
	4	Deposited into bank	2000
	5	Cash Sales	8000
	6	Purchased goods from A on credit	7000
	8	Paid to A in full settlement	6500
	9	Drew from bank for personal use	3000
	12	Credit sales made to Ram	6000
