

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

Term-End Examination

June, 2021

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) _____ Accounting is more or less compulsory for every business.
 - (ii) An asset is recorded in the books of accounts at _____ .
 - (iii) Accounting concepts and conventions are also known as _____ .
 - (iv) Purchase of furniture should be debited to _____ account.
 - (v) If debit as well as credit aspects of a transaction are recorded in the cash book itself, it is called _____ .

- (b) State whether the following statements are *True* or *False* : $5 \times 1 = 5$
- (i) Cartage paid on a new machine is a revenue expenditure.
 - (ii) The Gross Profit is the difference between Total Sales and Credit Sales.
 - (iii) Revenue Reserves can be utilised for distribution of dividends.
 - (iv) Paid-up capital can exceed Called-up capital.
 - (v) The adjustments are always made by means of suitable journal entries known as “adjustment entries”.

SECTION B

Attempt any **three** questions.

2. Differentiate between Double Entry System and Single Entry System. 10
3. What is meant by Accounting Standards ? Briefly explain any five accounting standards specified by the Institute of Chartered Accountants of India. 5+5
4. (a) Pass the journal entries for the following : 7
- (i) Goods sold for cash to a customer for ₹ 10,000.
 - (ii) Purchased iron almirah for office use for ₹ 12,000 and paid ₹ 100 as cartage on it.
 - (iii) Gave as charity – cash ₹ 5,000 and goods worth ₹ 2,500.
 - (iv) Paid interest on loan ₹ 1,200.
 - (v) Paid ₹ 500 for subscribing for newspaper and magazines.
- (b) State the Accounting Rules of Debit and Credit in the three types of accounts. 3
5. What is Trial Balance ? Explain how it is prepared. 5+5=10

OR

Differentiate between “Books of Original Entry” and “Ledger”. 5+5=10

SECTION C

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

6. State whether the following items of expenditure would be treated as

- (a) capital expenditure,
- (b) revenue expenditure, and
- (c) deferred revenue expenditure

and why.

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- (i) Carriage on goods purchased for ₹ 50.
- (ii) ₹ 5,000 spent on repair of equipment.
- (iii) ₹ 25,000 spent on whitewashing.
- (iv) ₹ 20,000 paid for import duty and cartage on the purchase of machinery from Korea.
- (v) ₹ 50,000 spent on issue of equity shares.
- (vi) ₹ 30,000 spent on flooring of factory.
- (vii) ₹ 40,000 spent on shifting plant and machinery to new site (dismantling, removing and re-erection).
- (viii) ₹ 1,00,000 incurred in advertising campaign of a new product in the market.
- (ix) A second hand machine was bought for ₹ 25,000 and an amount of ₹ 5,000 was spent on its overhauling.
- (x) ₹ 25,000 spent on some major alternations to a theatre which made it more comfortable.

7. (a) Distinguish between any **three** of the following : 3×5=15
- (i) Gross Profit and Net Profit
 - (ii) Direct Expenses and Indirect Expenses
 - (iii) Trading Account and Manufacturing Account
 - (iv) Profit and Loss Account and Balance Sheet
- (b) State the objectives of preparing Balance Sheet. 5

8. The following is the Trial Balance on June, 2017 of ABC Company Ltd. :

Particulars	₹	Particulars	₹
Sales	45,000	Capital – 10,000 Shares @ ₹ 1 each fully paid	10,000
Stock, 30 th June, 2017	7,500	Interim dividend paid February, 2017	500
Purchases	34,500	Dividend Paid August, 2016	500
Productive Wages	5,000	Debtors	3,750
Discounts (Dr)	700	Creditors	1,750
Discounts (Cr)	500	Plant and Machinery	2,900
Salaries	750	Cash-in-hand and at Bank	1,620
Rent	495	Reserve	1,550
General Expenses	1705	Loan to Managing Director	325
Profit and Loss A/c 20 th June, 2016 (Cr)	1503	Bad debts	158

Stock on 30th June, 2017 was ₹ 10,000. Prepare the Profit and Loss Account for the year ended 30th June, 2017 and the Balance Sheet as on that date. You are also to make provision in respect of the following adjustments :

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- Depreciate machinery @ 10% p.a.
- 5% for discount on debtors.
- 2.5% for discount on creditors.
- Managing Director's commission @ 15% on the net profit, before deducting commission.
- One month rent outstanding ₹ 45 for 30th June, 2017.
- Six months unexpired insurance, included in general expenses amounting to ₹ 75.

9. Define Financial Schedule. Which are the schedules forming part of Accounts ?

5+15

10. Explain the different types of errors which are usually committed in the process of accounting, with examples.

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