

**PSG COLLEGE OF ARTS & SCIENCE**  
(AUTONOMOUS)  
**BCom DEGREE EXAMINATION MAY 2025**  
(First Semester)

Branch – **COMMERCE (COST & MANAGEMENT ACCOUNTING)**

**FUNDAMENTALS OF ACCOUNTING**

Time: Three Hours

Maximum: 75 Marks

**SECTION-A (10 Marks)**

Answer **ALL** questions

**ALL** questions carry **EQUAL** marks

(10 × 1 = 10)

Module No.	Question No.	Question	K Level	CO
1	1	When an owner withdraw goods, it is debited to his drawing account because of – (a) Continuity concept (b) Conservatism (c) Entity concept (d) None of the above	K1	CO1
	2	The concept of _____ suggests that provision for loss against claim accepted must be made is:- (a) Realisation (b) Periodicity (c) Conservatism (d) All of the above	K2	CO1
2	3	Which of the following is not typically included in the Receipts and Payments Account of a non-profit organization? (a) Donations Received (b) Salaries Paid (c) Depreciation on Fixed Assets (d) Subscription Income	K1	CO2
	4	In the context of a non-profit organization, the term "Subscription" refers to: (a) Donations made by the public (b) Membership fees paid by members (c) Interest earned on investments (d) Sale of goods or services	K2	CO2
3	5	Sale of the old newspaper is _____. (a) Revenue Receipt (b) Asset (c) Profit (d) Capital receipt.	K1	CO3
	6	Any donation received for a specific purpose is a _____. (a) Liability (b) Assets (c) revenue receipts (d) capital receipts.	K2	CO3
4	7	If a purchase of Rs. 2,000 was recorded in the Sales Book, the correction entry would be: (a) Debit Sales Account Rs. 2,000 and Credit Purchases Account Rs. 2,000 (b) Debit Purchases Account Rs. 2,000 and Credit Sales Account Rs. 2,000 (c) Debit Sales Account Rs. 2,000 and Credit Accounts Payable Rs. 2,000 (d) Debit Purchases Account Rs. 2,000 and Credit Cash Account Rs. 2,000	K1	CO4
	8	In a Bank Reconciliation Statement, if a cheque issued has not yet been presented for payment, it should be: (a) Added to the Pass Book Balance (b) Deducted from the Pass Book Balance (c) Added to the Cash Book Balance (d) Deducted from the Cash Book Balance	K2	CO4
5	9	What is the primary purpose of calculating depreciation in accounting? (a) To reduce the value of inventory (b) To allocate the cost of a tangible asset over its useful life (c) To increase the market value of assets (d) To record cash outflows related to asset purchase	K1	CO5
	10	Which of the following methods is commonly used to calculate depreciation? (a) Double-entry method (b) LIFO (Last In, First Out) method (c) Straight-line method (d) FIFO (First In, First Out) method	K2	CO5

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**SECTION - B (35 Marks)**

Answer ALL questions

ALL questions carry EQUAL Marks

(5 × 7 = 35)

Module No.	Question No.	Question	K Level	CO																																
1	11.a.	Jeyaseeli is a sole proprietor having a provisions store. Following are the transactions during the month of January, 2018. Journalise them. Jan. 1 Commenced business with cash 80,000 2 Deposited cash with bank 40,000 3 Purchased goods by paying cash 5,000 4 Purchased goods from Lipton & Co. on credit 10,000 5 Sold goods to Joy and received cash 11,000 6 Paid salaries by cash 5,000 7 Paid Lipton & Co. by cheque for the purchases made on 4th Jan. 8 Bought furniture by cash 4,000 9 Paid electricity charges by cash 1,000 Bank paid insurance premium on furniture as per standing instructions 300	K2	CO1																																
		(OR)																																		
		11.b. b) What are the advantages of double entry system?																																		
2	12.b.	Prepare a Trading Account for the year ended 31 <sup>st</sup> December 2010 from the following balances: <table><tr><td></td><td>Rs.</td><td></td><td>Rs.</td></tr><tr><td>Opening Stock</td><td>4,00,000</td><td>Purchases Return</td><td>1,20,000</td></tr><tr><td>Purchases</td><td>20,00,000</td><td>Sales Return</td><td>2,00,000</td></tr><tr><td>Sales</td><td>50,00,000</td><td>Carriage on Purchase</td><td>80,000</td></tr><tr><td>Freight and Octroi</td><td>65,000</td><td>Carriage on sales</td><td>1,00,000</td></tr><tr><td>Wages</td><td>3,00,000</td><td>Factory Rent</td><td>1,20,000</td></tr><tr><td>Factory Lighting</td><td>1,08,000</td><td>Office Rent</td><td>75,000</td></tr><tr><td>Coal, Gas and Water</td><td>22,000</td><td>Import Duty</td><td>3,20,000</td></tr></table> Closing Stock is valued at Rs. 6,00,000.		Rs.		Rs.	Opening Stock	4,00,000	Purchases Return	1,20,000	Purchases	20,00,000	Sales Return	2,00,000	Sales	50,00,000	Carriage on Purchase	80,000	Freight and Octroi	65,000	Carriage on sales	1,00,000	Wages	3,00,000	Factory Rent	1,20,000	Factory Lighting	1,08,000	Office Rent	75,000	Coal, Gas and Water	22,000	Import Duty	3,20,000	K2	CO2
			Rs.		Rs.																															
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(OR)																																				
From the following balances as at 31 <sup>st</sup> December 1994 of a trader. Prepare a trading and profit and loss A/c for the year 1994 and a balance sheet as on the date: <table><tr><td>Salaries</td><td>5500</td><td>Creditors</td><td>9500</td></tr><tr><td>Rent</td><td>1300</td><td>Sales</td><td>32,000</td></tr><tr><td>Cash</td><td>1000</td><td>Capital</td><td>30,000</td></tr><tr><td>Debtors</td><td>40000</td><td>Loans</td><td>10,000</td></tr><tr><td>Trade expenses</td><td>600</td><td></td><td></td></tr><tr><td>Purchases</td><td>25,000</td><td></td><td></td></tr><tr><td>Advances</td><td>2500</td><td></td><td></td></tr><tr><td>Bank balance</td><td>5600</td><td></td><td></td></tr><tr><td></td><td>81500</td><td></td><td></td></tr></table> Adjustments: a) The closing stock amounted to Rs. 9,000 b) One month's salary is outstanding c) One month's rent has been paid in advance. Provide 5 percent for doubtful debts	Salaries	5500	Creditors	9500	Rent	1300	Sales	32,000	Cash	1000	Capital	30,000	Debtors	40000	Loans	10,000	Trade expenses	600			Purchases	25,000			Advances	2500			Bank balance	5600				81500		
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3	13.a.	What is the difference between Revenue Account and Capital Account?	K2	CO3															
	(OR)																		
	13.b.	<p>b) Compute the expenditure to be shown in Income and expenditure Account from the following:</p> <table><tr><td>A) Sports materials purchased for cash</td><td>20,000</td></tr><tr><td>Opening stock of sports materials</td><td>5,000</td></tr><tr><td>Closing stock of sports materials</td><td>8,000</td></tr><tr><td>Opening creditors for sports materials</td><td>7,000</td></tr><tr><td>Cash paid to creditors for sports materials</td><td>22,000</td></tr><tr><td>Closing creditors for sports materials</td><td>6,000</td></tr><tr><td>b) stationery purchased during the year</td><td>40,000</td></tr><tr><td>Opening stock of stationery</td><td>8,000</td></tr><tr><td>Closing stock of stationery</td><td>9,000</td></tr></table>			A) Sports materials purchased for cash	20,000	Opening stock of sports materials	5,000	Closing stock of sports materials	8,000	Opening creditors for sports materials	7,000	Cash paid to creditors for sports materials	22,000	Closing creditors for sports materials	6,000	b) stationery purchased during the year	40,000	Opening stock of stationery
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Opening stock of stationery	8,000																		
Closing stock of stationery	9,000																		
4	14.a.	<p>26. Rectify the following Errors :</p> <p>(1) Rs. 5,000 Paid for furniture purchased has been debited to purchases account.</p> <p>(2) Wages paid Rs. 7,000 for installation of new machinery were recorded in wages account.</p> <p>(3) Goods sold to Hari Rs. 10,000 not recorded.</p> <p>(4) Rs. 2,500 received from Monu has been credited to Sonu A/c.</p> <p>(5) Rent paid Rs. 1,000 wrongly debited to Landlord Account.</p> <p>(6) Credit Purchase from Raman Rs. 15,000 were wrongly recorded in sales book.</p> <p>(7) Credit sales to Geeta Rs. 8,800 were recorded as Rs, 8,800</p> <p>(8) Goods Rs. 5,000 withdrawn by proprietor has not been recorded.</p>	K2	CO4															
	(OR)																		
	14.b.	<p>Prepare a Bank Reconciliation Statement from the following particulars:</p> <p>Bank balance as per Pass Book Rs. 10,000.</p> <p>a) Cheque deposited into the bank but no entry was passed in the cash book Rs. 500.</p> <p>b) Cheques received but not sent to bank Rs.1,200.</p> <p>c) Credit side of the bank column cast short Rs.200.</p> <p>d) Insurance premium paid directly by the bank understanding advice Rs.600.</p> <p>e) Bank charges entered twice in the cash book Rs.20.</p> <p>f) Cheque issued but not presented to the bank for payment Rs.500.</p> <p>g) Cheque received entered twice in the cash book Rs. 1,000.</p> <p>h) Bills discounted not recorded in the Cash book Rs.5,000.</p>																	
5	15.a.	<p>X limited purchased a machine on April 1, 2011 for ' 1,00,000 whose life was expected to be 10 years. Its estimated scrap value at the end of 10 years was ' 10,000. Find the amount of depreciation to be charged to Profit and Loss Account every year. Calculate the rate on which depreciation is to be charged every year.</p>	K2	CO5															
	(OR)																		
	15.b.	<p>b) Salman and Usman Bros. acquired a machine on July 1, 2008 at a cost of ` 70,000 and spent Rs. 5,000 on its installation. The firm writes off depreciation @ 10% on straight line method. The books are closed on December 31 every year. Show the machinery and depreciation account for three years.</p>																	

**SECTION -C (30 Marks)**

Answer ANY THREE questions

ALL questions carry EQUAL Marks

(3 × 10 = 30)

Module No.	Question No.	Question	K Level	CO																																																																												
1	16	Explain the Accounting Conventions and Concepts.	K4	CO1																																																																												
2	17	<p>From the following Trial Balance of Thiru. Rehman as on 31<sup>st</sup> March 1995, Prepare Trading and Profit &amp; Loss A/C and Balance Sheet taking into account the adjustments:</p> <table><tr><td>Debit balance</td><td>Rs.</td><td>Credit balance</td><td>Rs.</td></tr><tr><td>Landings &amp; Buildings</td><td>42,000</td><td>Capital</td><td>62,000</td></tr><tr><td>Machinery</td><td>20,000</td><td>Sales</td><td>98,780</td></tr><tr><td>Patents</td><td>7,500</td><td>Return Outwards</td><td>500</td></tr><tr><td>Stock 1-4-1994</td><td>5,760</td><td>Sundry Creditors</td><td>6300</td></tr><tr><td>Sundry debtors</td><td>14,500</td><td>Bills payable</td><td>9,000</td></tr><tr><td>Purchases</td><td>40,675</td><td></td><td></td></tr><tr><td>Cash in hand</td><td>540</td><td></td><td></td></tr><tr><td>Cash at Bank</td><td>2,630</td><td></td><td></td></tr><tr><td>Return Inwards</td><td>680</td><td></td><td></td></tr><tr><td>Wages</td><td>8,480</td><td></td><td></td></tr><tr><td>Fuel &amp; Power</td><td>4,730</td><td></td><td></td></tr><tr><td>Carriage on Sales</td><td>3,200</td><td></td><td></td></tr><tr><td>Carriage on Purchases</td><td>2,040</td><td></td><td></td></tr><tr><td>Salaries</td><td>15,000</td><td></td><td></td></tr><tr><td>General Expenses</td><td>3,000</td><td></td><td></td></tr><tr><td>Insurance</td><td>600</td><td></td><td></td></tr><tr><td>Drawings</td><td>5,245</td><td></td><td></td></tr><tr><td>Total</td><td>1,76,580</td><td>Total</td><td>1,76,580</td></tr></table> <p>Adjustments:</p> <ol style="list-style-type: none"><li>1. Stock on 31-3 1995 was Rs.6,800</li><li>2. Salary outstanding Rs.1,500</li><li>3. Insurance Prepaid Rs. 150</li><li>4. Depreciate machinery @ 10% and Patents @ 20%.</li><li>5. Create a provision of 2% on debtors for bad debts.</li></ol>	Debit balance	Rs.	Credit balance	Rs.	Landings & Buildings	42,000	Capital	62,000	Machinery	20,000	Sales	98,780	Patents	7,500	Return Outwards	500	Stock 1-4-1994	5,760	Sundry Creditors	6300	Sundry debtors	14,500	Bills payable	9,000	Purchases	40,675			Cash in hand	540			Cash at Bank	2,630			Return Inwards	680			Wages	8,480			Fuel & Power	4,730			Carriage on Sales	3,200			Carriage on Purchases	2,040			Salaries	15,000			General Expenses	3,000			Insurance	600			Drawings	5,245			Total	1,76,580	Total	1,76,580	K5	CO2
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Total	1,76,580	Total	1,76,580																																																																													
3	18	<p>The "U" club gives you its Receipts and payments A/c for 1997. Prepare Income and Expenditure A/c:</p> <p><b>Receipts and payments A/c</b></p> <table><tr><td>To Balance B/d</td><td>1,200</td><td>By sports equipment</td><td>3,500</td></tr><tr><td>To subscriptions</td><td>15,300</td><td>By rent</td><td>1,000</td></tr><tr><td>To sale of newspapers</td><td>300</td><td>By cost of entertainment</td><td>10,100</td></tr><tr><td>To donations for buildings</td><td>10,100</td><td>By miscellaneous expenses</td><td>800</td></tr><tr><td>To sale of furniture</td><td>600</td><td>By investments</td><td>10,000</td></tr><tr><td></td><td></td><td>By balance c/d</td><td>2,100</td></tr><tr><td></td><td>27,500</td><td></td><td>27,500</td></tr></table> <p>Investments consisted of 4% govt. loan and were purchased on 1-1-1997. Subscriptions included Rs. 700 for 1996 and Rs. 200 for 1998. Subscriptions for 1997 still receivable were Rs. 1,500 but of these Rs. 200 were considered doubtful.</p>	To Balance B/d	1,200	By sports equipment	3,500	To subscriptions	15,300	By rent	1,000	To sale of newspapers	300	By cost of entertainment	10,100	To donations for buildings	10,100	By miscellaneous expenses	800	To sale of furniture	600	By investments	10,000			By balance c/d	2,100		27,500		27,500	K6	CO3																																																
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4	19	<p>The trial balance of a company is not balancing. The following errors were identified:</p> <ol style="list-style-type: none"> <li>1. An amount of Rs. 1,000 paid for office supplies was debited to the Repairs Account.</li> <li>2. A sales invoice of Rs. 2,500 was omitted from the Sales Book.</li> <li>3. Rs. 750 received from a customer was credited to the account of another customer.</li> <li>4. Interest on a bank loan amounting to Rs. 500 was debited to the Rent Account.</li> <li>5. A purchase of Rs. 1,200 was incorrectly recorded in the Sales Book as Rs. 1,500.</li> </ol>	K4	CO4
5	20	<p>George Co. Ltd., purchased a machine on 1<sup>st</sup> January 1995 for Rs. 50,000. On 1<sup>st</sup> July 1995 further machinery was purchased for Rs.25,000. On 1<sup>st</sup> July 1996, the machinery purchased on 1<sup>st</sup> January 1995 having become obsolete, was sold off for Rs. 20,000. Depreciation has to charged at 20% on the original cost assuming that the accounts are closed every year on 31<sup>st</sup> December. You are required to prepare:</p> <ol style="list-style-type: none"> <li>a) Machinery A/c</li> <li>b) Provision for Depreciation A/c.</li> </ol>	K5	CO5

Z-Z-Z      END