

## **Paper 2- Fundamentals of Accounting**

**Paper 2- Fundamentals of Accounting**

**Full Marks : 100**

**Time allowed: 3 hours**

**Section – A**

**1. (a) Choose the correct answer from the given four alternatives: [30 × 1 = 30]**

- (i) Book keeping is a mechanical task which involves –  
(a) Collecting of basic financial information.  
(b) Classifying effects of economic transactions.  
(c) **both (a) and (b)**  
(d) None
- (ii) Memorandum joint venture account is  
(a) personal account  
(b) real account  
(c) **nominal account**  
(d) none of the above
- (iii) Closing stock appearing in the trial balance is shown in –trading A/c only  
(a) trading A/c and balance sheet  
(b) profit and loss a/c  
(c) **balance sheet only**  
(d) trading A/c only
- (iv) Any donation received for a specific purpose is a  
(a) Assets  
(b) Revenue receipts  
(c) **Capital receipts**  
(d) None of the above.
- (v) Gopal draws a bill on Anand for ₹17,000 Gopal endorsed it to Govind. Govind endorsed it to Lokesh. The payee of the bill will be:  
(a) Gopal  
(b) Govind  
(c) Anand  
(d) **Lokesh**
- (vi) Goods sent on consignment account is of the nature of  
(a) Personal account  
(b) Nominal account  
(c) **Real account**  
(d) Sales account
- (vii) Which of these errors affect only one account  
(a) Errors of casting  
(b) Errors of carry forward  
(c) Errors of posting  
(d) **All the three.**
- (viii) The value of an asset after deducting depreciation from the historical cost is known as  
(a) Net realizable value  
(b) Fair value  
(c) **Book value**  
(d) Market value

- (ix) A trial balance shows
- (a) Honesty of accountants
  - (b) Accuracy of account
  - (c) **Only arithmetical accuracy of accounts**
  - (d) None of these
- (x) Trade discount allowed at the time of sale of goods
- (a) **Is not recorded in books of accounts**
  - (b) Is recorded in journal
  - (c) Is recorded in sales book
  - (d) Is recorded in cash book
- (xi) Original cost of a machine was ₹4,05,200. Salvage value was ₹42,000, Depreciation for 2nd year @ 10% under WDV method is \_\_\_\_\_
- (a) **₹36,468**
  - (b) ₹36,320
  - (c) ₹40,520
  - (d) None of the above
- (xii) A debit note issued to a creditors for goods return by us is to be recorded in the -
- (a) Journal proper (general journal)
  - (b) **Purchases returns book**
  - (c) Bills receivable book
  - (d) Purchase book
- (xiii) The method Depletion is specifically suited to -
- (a) Mines
  - (b) Oil wells
  - (c) **Both (a) & (b)**
  - (d) None of the above
- (xiv) Which of the following feature of the bill of exchange ?
- (a) It contains an conditional order
  - (b) It's signed by the drawee
  - (c) **It's an instrument in writing**
  - (d) All of the above
- (xv) Income and expenditure account shows subscriptions at ₹ 20,000. Subscriptions accrued in the beginning of the year and at the end of the year were ₹1000 and ₹1500 respectively. The figure of subscription received appearing in receipts and payments account will be
- (a) **₹19,500**
  - (b) ₹21,000
  - (c) ₹20,000
  - (d) None of the above
- (xvi) Bills receivable book is a part of the
- (a) ledger
  - (b) **journal**
  - (c) profit and loss account
  - (d) balance sheet

- (xvii) who is trade consignor ?  
(a) **the person who sends goods to agents**  
(b) the person who sends good to customers  
(c) both (a) & (b)  
(d) none of the above
- (xviii) Out of the given option which cannot be treated as part of cost of purchase for valuing stock on hand  
(a) Packing  
(b) Freight  
(c) Octroi  
(d) **Delivery charges**
- (xix) What is the nature of joint venture with co venture account  
(a) **Personal account**  
(b) Real account  
(c) Nominal account  
(d) None of the above
- (xx) Which of the following is not a financial statement?  
(a) Funds flow statement  
(b) **Trial balance**  
(c) Profit and loss account  
(d) Balance sheet
- (xxi) Based on which of the following concepts, is share capital account shown on the liabilities side of a balance sheet?  
(a) **business entity concept**  
(b) money measurement concept  
(c) going concern concept  
(d) matching concept
- (xxii) The manufacturing account is prepared  
(a) To ascertain the profit or loss on the goods produced  
(b) **To ascertain the cost of the manufactured goods**  
(c) To show the sale proceeds from the goods produced during the year  
(d) both (b) and (c)
- (xxiii) The determination of expenses for an accounting period is based on the concept of  
(a) Objectivity  
(b) Materiality  
(c) **Matching**  
(d) periodicity
- (xxiv) Which of the following is an example of Personal Account?  
(a) **Creditor**  
(b) Cash  
(c) Machinery  
(d) Rent
- (xxv) Accounting does not record non-financial transactions because of  
(a) **Money Measurement Concept**  
(b) Cost Concept  
(c) Accrual Concept  
(d) Entity concept
- (xxvi) A bad debt recovered during the year will be  
(a) **Capital Receipt**

- (b) Revenue Receipt**
- (c) Capital expenditure
- (d) Revenue expenditure

**(xxvii)** The debts written off as bad, if recovered subsequently are

- (a) Credited to Bad Debts recovered A/c**
- (b) Credited to trade receivables Account
- (c) Debited to profit and Loss Account
- (d) None

**(xxviii)** Purchases book is used to record

- (a) All purchases of goods
- (b) All credit purchase
- (c) All credit purchases of goods**
- (d) All credit purchases of assets other than goods

**(xxix)** Obsolescence means decline in the value due to

- (a) fall in market price
- (b) physical wear and tear
- (c) efflux of time
- (d) innovations and inventions**

**(xxx)** ₹500 paid as wages for erecting a machinery should be debited to

- (a) repair account
- (b) capital account
- (c) furniture account
- (d) Machine account**

**(b) State whether the following statements are True (or) False.**

**[12×1=12]**

- (i) The accrual concept is based on recognition of both cash and credit transactions.
- (ii) Expenditure connected with the purchase of fixed asset are called capitalized expenditure.
- (iii) Gratuity and pension paid to employees after retirement is deferred revenue expenditure.
- (iv) A journal is often referred to as Book of Prime Entry or the book of original entry.
- (v) Trade discount will be entered in the book of accounts.
- (vi) The purchase day book records the transactions related to credit purchase of goods only.
- (vii) Trial balance does prove arithmetical accuracy which can be determined by audit.
- (viii) Cost sheet enables a manufacturer to keep a close watch and control over the cost of production.
- (ix) Variable cost per unit varies with increase or decrease in volume of output.
- (x) Normal Losses arise as a result of natural causes.
- (xi) If the owner of the goods does not have retail outlets, he can consign the goods to an agent.
- (xii) Reserve bank of India prepares bank reconciliation statement.

**Answer:**

- (i) **True.**
- (ii) **True.**
- (iii) **False.**
- (iv) **True.**
- (v) **False.**
- (vi) **True.**
- (vii) **False.**

- (viii) True.
- (ix) False.
- (x) True.
- (xi) True.
- (xii) False.

(c) Match the following:

[6 × 1 = 6]

	Column 'A'		Column 'B'
1.	Modern Academy	A.	Gains
2.	Salary account	B.	Whom the bill is drawn.
3.	Bad Debts Recovered	C.	Whom the amount of bill is
4.	Accrued Incomes	D.	Nominal account
5.	Drawee	E.	Assets
6.	Payee	F.	Real account

Answer:

- (1) D.
- (2) F.
- (3) A.
- (4) E.
- (5) B.
- (6) C.

Answer any four questions out of six questions [4×8=32]

2. From the following ledger account balances, prepare a Trial Balance of Mr. Kothari for the year ended 31st March, 2019. Capital ₹80,000; Sales ₹11,00,000; Adjusted Purchase ₹9,00,000; Current A/c(cr) ₹10,000; Petty Cash ₹10,000; Sales Ledger Balance ₹1,20,000; Purchase Ledger Balance ₹50,000; Salaries ₹20,000; Carriage Inwards ₹8,000; Carriage Outward ₹5,000; Discount Allowed ₹10,000; Building ₹80,000; Outstanding Expenses ₹20,000; Prepaid Insurance ₹2,000; Depreciation ₹4,000; Cash at Bank ₹ 80,000; Loan A/c (cr) ₹66,000; Profit & Loss A/c(cr) ₹20,000; Bad Debts Recovered ₹3,000; Stock at 31.03.2019 ₹1,20,000; Interest Received ₹10,000; Accrued Interest ₹4,000; Investment ₹20,000; Provision for Bad Debts (01.04.2018) ₹6,000; General Reserve ₹19,000; Rent ₹1000.

[8]

Answer :

**Trial Balance of Mr. Kothari  
as on 31st March, 2019**

Dr.			Cr.
Heads of Accounts	Amount (₹)	Heads of accounts	Amounts (₹)
Adjusted purchase	9,00,000	Capital	80,000
Petty cash	10,000	Sales	11,00,000
Sales ledger balance	1,20,000	Current A/c	10,000
Salaries	20,000	Purchase ledger balance	50,000
Carriage inward	8,000	Outstanding expenses	20,000
Discount allowed	10,000	Loan A/c	66,000
Building	80,000	Profit & loss A/c(cr)	20,000
Prepaid insurance	2,000	Bad debt recovered	3,000
Depreciation	4,000	Interest received	10,000
Cash at bank	80,000	Provision for bad debts	6,000
Stock (31.03.2019)	1,20,000	General reserve	19,000
Accrued interest	4,000		
Investment	20,000		
Carriage outward	5,000		
Rent	1,000		
Total	13,84,000	Total	13,84,000

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3. A machine is purchased for ₹7,00,000. Expenses incurred on its cartage and installation ₹3,00,000. Calculate the amount of depreciation @ 20% p.a. according to Straight Line Method for the first year ending on 31st March, 2019, if this machine is purchased on:  
 (a) 1st April, 2018 (b) 1st July, 2018 (c) 1st October, 2018 (d) 1st January, 2019. [8]

**Answer:**

Here, Total Cost of Asset = Purchased Price + Cost of Cartage and Installation  
 = ₹7,00,000 + ₹3,00,000 = ₹10,00,000

= Total Cost of Asset × Rate of Depreciation ×  $\frac{\text{period from the date of purchase to the date of closing account}}{12}$

(a) The machine was purchased on 1st April, 2018:

Amount of Depreciation = ₹ 10,00,000 × 20% × 12/ 12 = ₹ 2,00,000

(b) 1st July, 2018 Amount of Depreciation = ₹ 10,00,000 × 20% × 9 /12 = ₹ 1,50,000

(c) 1st October, 2018 Amount of Depreciation = ₹ 10,00,000 × 20% × 6 /12 = ₹ 1,00,000

(d) 1st January, 2019 Amount of Depreciation = ₹ 10,00,000 × 20% × 3 /12 = ₹ 50,000

4. From the following particulars of Miss jaya enterprise , prepare a Bank Reconciliation Statement:

(1) Bank overdraft as per Pass Book as on 31st March 2019 was ₹8,800

(2) Cheques deposited in Bank for ₹5,000 but only ₹2,800 were cleared till 31st March

(3) Cheques issued were ₹2,500, ₹3,800 and ₹2,000 during the month. The cheque of ₹5,800 is still with supplier.

(4) Dividend collected by Bank ₹1,290 was wrongly entered as ₹1,520 in Cash Book.

(5) Amount transferred from fixed deposit A/c into the current A/c ₹2,000 appeared only in Pass Book

(6) Interest on overdraft ₹970 was debited by Bank in Pass Book and the information was received only on 3rd April 2015.

(7) Direct deposit by M/s Raj Traders ₹400 not entered in Cash Book.

(8) Corporation tax ₹1,200 paid by Bank as per standing instruction appears in PB only [8]

**Answer:**

### Bank Reconciliation Statement as on 31st March, 2019

Particulars	Amount(₹)	Amount(₹)
Overdraft as per Pass Book		8,800
Add:		
(i) Cheques issued but not presented till 31st March	5,000	
(ii) Transfer from fixed deposit	2,800	
(iii) Direct deposit by M/s Raj Traders	400	8,200
		17,000
Less:		
(i) Cheques deposited but not cleared ₹(5,800 - 2,000)	3,800	
(ii) Dividend collected excess recorded in CB ₹(1,520 - 1,250)	230	
(iii) Interest on overdraft debited in PB only	970	
(iv) Corporation tax paid appeared in PB only	1,200	6,200
Overdraft as per Cash Book		10,800

5. Following errors were detected in the Accounts of Rahul and Sons for the year ended 30<sup>th</sup> June, 2018:

- i. A builder's bill for ₹2,900 for the erection of a small shed was debited to repairs account.
- ii. A cheque for ₹300 received from Rahis das and Co. was dishonoured and debited to allowances account.

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- iii. Goods to the value of ₹1500 returned by Chandu Bros. were included in stock, but no entry was made in the books.
- iv. Repairs to plant amounting to ₹5670 had been charged to plant and machinery account.
- v. Wages paid to the firm's own workmen for making certain additions to machinery amounting to ₹500 were posted to wages account.
- vi. A cheque for ₹750 received from raja Ram was credited to the account of baja Ram and debited incorrectly to cash account.
- vii. A sum of ₹1000 drawn by the proprietor for personal use was debited to travelling expenses account. Give journal entries to correct these errors. Which of these errors, if any, will cause disagreement of the trial balance? Give reasons for your answer. [8]

**Answer:**

	particulars		L.F.	Dr.(₹)	Cr.(₹)
(i)	Building A/c To Repairs A/c (Being a builder's bill for the erection of a small shed wrongly debited to Repairs Account, now corrected)	Dr.		2,900	2,900
(ii)	Rahis das & Co.A/c To Allowances A/c (Being a cheque received from Rahis das & Co. dishonoured was wrongly debited to Allowances Account, now rectified)	Dr.		300	300
(iii)	Returns Inwards A/c To Chandu Bros.A/c (Being goods returned by Chandu Bros. omitted to be recorded, now recorded)	Dr.		1,500	1,500
(iv)	Repairs A/c To Plant and Machinery A/c (Being repairs to plant and machinery wrongly debited to Plant and Machinery Account, now corrected)	Dr.		5,670	5,670
(v)	Plant & Machinery A/c To Wages A/c (Being wages paid for making certain additions to machinery wrongly debited to Wags Account, now rectified)	Dr.		500	500
(vi)	a) Baja RamA/c To Raja RamA/c (Being cheque received from Raja Ram wrongly credited to Baja Ram instead of to Raja Ram, now corrected)	Dr.		750	750
	b) Bank A/c To Cash A/c (Being cheque received from Lala Ram wrongly debited to Cash Account instead of to Bank A/c, now rectified)	Dr.		750	750
(vii)	Drawings A/c To Travelling Expenses A/c (Being amount drawn by the proprietor wrongly debited to Travelling Expenses account, now corrected)	Dr.		1000	1000



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6. Prepare Trading and Profit and Loss Account of M/s Akash Prakash & Sons for the year ending 31st December, 2019 from following information:

	₹		₹
Stock (1-1-2014)	2,00,000	Salaries	30,000
Purchases	2,55,000	Rent, rates & taxes	11,000
Wages	1,00,000	Depreciation	3,020
Carriage	10,000	Repairs	6,000
Purchases returns	13,250	Discount allowed	12,505
Export duty	9,000	Bad debts	9,000
Sales	5,75,000	Advertisement	2,500
Coal & coke	20,000	Gas & water	1,500
Sales returns	10,000	Factory lighting	2,500
Printing & stationery	3,250	General expenses	4,000
Stock (31-12-2015)	3,00,000		3,00,000

[8]

Answer:

### Trading and Profit and Loss Accounts of M/s Akash Prakash and Sons

For the year ending 31st December, 2019  
For the year ending 31st December, 2019

	₹		₹
To Stock (1-1-2014)	2,00,000	By Sales	5,75,000
To Purchases	2,55,000	Less: Sales returns	10,000
Less: Purchases Return	13,250	By Stock (31-12-2019)	3,00,000
To Wages	1,00,000		
To Carriage	10,000		
To Coal and coke	20,000		
To Gas and water	1,500		
To Factory lighting	2,500		
To Gross profit c/d	2,89,250		
	8,65,000		8,65,000
To Salaries	30,000	By Gross profit b/d	2,89,250
To Rent, rates & taxes	11,000		
To Printing & stationery	3,250		
To Depreciation	3,020		
To Repairs	6,000		
To Export duty	9,000		
To Discount allowed	12,505		
To Bad Debts	9,000		
To Advertisement	2,500		
To General expenses	4,000		
To Net profit transferred to capital account	1,98,975		
	2,89,250		2,89,250

7. On 1st April 2019 Mr. Mukesh draws a bill of ₹1,20,000 on Mr. Lokesh for the amount due for 4 months. On getting acceptance, on 5th April 2015, Mukesh endorses it to Mr. Lalu in full settlement of his claim of ₹1,40,000 by paying the difference in cash. Lokesh approached Mukesh on 25th July saying that he needed to renew the bill for a further period of 4

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months at an interest of 12% p.a. which Mukesh accepted. A fresh bill including interest was accepted by Lokesh on 1st August 2015. Mukesh settled his liability to Lalu by cheque. This was duly settled on the due date. Pass journal entries in the books of Mukesh and Lokesh. Also show Bills Receivables Account and Bills Payable Account.

[8]

**Answer:**

### Journal entries in the books of

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2019 April 1	Bills Receivables A/c Dr. To Mr. Lokesh's A/c (Being acceptance by lokesh )		1,20,000	1,20,000
2019 April 15	Lalu's A/c Dr. To Cash A/c To Bills Receivables A/c (Being bill endorsed to Lalu & cash payment made to him)		1,40,000	20,000 1,20,000
2019 July 25	Lokesh's A/c Dr. To, Lalu's A/c (Being cancellation of bill for renewal)		1,20,000	1,20,000
2019 July 25	Lokesh's A/c Dr. To, Interest A/c (Being interest due from Lokesh)		4,800	4,800
2019 July 25	Lalu's A/c Dr. To, Bank A/c (Being claim of Mr. Lalu settled)		1,20,000	1,20,000
2019 August 1	Bills Receivables A/c Dr. To Lokesh's A/c (Being acceptance by Lokesh with interest of ₹3,000)		1,24,800	1,24,800
2019 November 30	Bank A/c Dr. To Bills Receivables A/c (Being payment received on due date)		1,24,800	1,24,800

### Bills Receivable Account

Date	Particulars	Amount(₹)	Date	Particulars	Amount(₹)
1-Apr-19	To Lokesh A/c	1,20,000	5-Apr-19	By Lalu A/c	1,20,000
	To Lokesh A/c	1,24,800	30-Nov-19	By Bank A/c	1,24,800
1-Aug-19		2,44,800			2,44,800

### Journal entries in the books of

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2019 April 1	Mukesh's A/c Dr. To Bills Payable A/c (Being acceptance of Mukesh's bill)		1,20,000	1,20,000
2019 July, 25	Bills Payable A/c Dr. To Mukesh's A/c (Being cancellation of the bill for renewal)		1,20,000	1,20,000
2019 August 1	Interest A/c Dr. To Mukesh's A/c (being interest due to Mukesh)		4,800	4,800
2019 August, 1	Mukesh's A/c Dr. To Bills Payable A/c (Being Mukesh's bill accepted with interest)		1,24,800	1,24,800
2019	Bills Payable A/c Dr.		1,24,800	

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Nov. 30	To Bank A/c (Being settlement of the bill due)			1,24,800
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### Bills Payable Account

Date	Particulars	Amount(₹)	Date	Particulars	Amount(₹)
2019 July, 25	To Mukesh A/c	1,20,000	2019 April, 1	By Mukesh A/c	1,20,000
2019 Nov. 30	To Bank A/c	1,24,800	2019 August, 1	By Mukesh A/c	1,24,800
		2,44,800			2,44,800

**Section – B**

**8. Choose the correct answer:**

**[12×1=12]**

- (i) The guidance and regulation by executive action of the cost of operating an undertaking is said to be
- (a) Budgetary control
  - (b) **Cost control**
  - (c) Cost analysis
  - (d) none
- (ii) Opportunity cost is the best example of :
- (a) Sunk cost
  - (b) **Relevant cost**
  - (c) Irrelevant cost
  - (d) Standard cost
- (iii) Which cost system description applies to the manufacture of 20 engraved doors for the new club house at a golf course?
- (a) Contract
  - (b) Process
  - (c) **Batch**
  - (d) service
- (iv) Interest on own capital is
- (a) Cash cost
  - (b) **Notional cost**
  - (c) Sunk cost
  - (d) Part of Prime Cost
- (v) Cost can be classified as:
- (a) Historical costs
  - (b) Predetermined costs
  - (c) **Both (a) & (b)**
  - (d) None
- (vi) Over which of the following costs, management is likely to have least control
- (a) wages cost
  - (b) building insurance cost
  - (c) machinery breakdown cost
  - (d) **advertisement cost**
- (vii) Process cost is very much applicable in:
- (a) construction industry
  - (b) **pharmaceutical industry**
  - (c) Air line company
  - (d) none of these
- (viii) Indirect material cost is a part of
- (a) Prime cost
  - (b) **Factory overhead**
  - (c) chargeable expenses
  - (d) None of these
- (ix) Directors remuneration and expenses form a part of
- (a) Production overhead
  - (b) **Administration overhead**

- (c) Selling overhead
  - (d) Distribution overhead
- (x) Prime cost plus factory overheads is known as
- (a) factory on cost
  - (b) conversion cost
  - (c) **factory cost**
  - (d) marginal cost
- (xi) The total cost incurred in the operation of a business undertaking other than the cost of manufacturing and production is known as:
- (a) direct cost
  - (b) Variable cost
  - (c) **commercial cost**
  - (d) conversion cost
- (xii) Costs are classified into fixed costs, variable costs and semi-variable costs, it is known as
- (a) functional classification
  - (b) **behavioral classification**
  - (c) element wise classification
  - (d) classification according to controllability

**Answer any one question out of two questions [8×1=8]**

9. Mr. Govind furnishes the following data relating to the manufacture of a standard product during the month of April, 2019:

<b>Raw materials consumed</b>	<b>₹15,000</b>
<b>Direct labour charges</b>	<b>₹9,000</b>
<b>Machine hours worked</b>	<b>900</b>
<b>Machine hour rate</b>	<b>5</b>
<b>Administrative overheads</b>	<b>20% on works cost</b>
<b>Selling overheads</b>	<b>₹0.50 per unit</b>
<b>Units produced</b>	<b>17,100</b>
<b>Units sold</b>	<b>16,000 at ₹4 per unit.</b>

You are required to prepare a cost sheet from the above, showing: (a) the cost per unit  
(b) profit per unit sold and profit for the period. [6+2=8]

**Answer:**

**STATEMENT OF COST**

	<b>TOTAL</b>	<b>PER UNIT</b>
Raw materials consumed	15,000	
Direct labour charges	9,000	
Prime cost	24,000	
Factory expenses(900 hrs, @ ₹5 per hr)	4,500	
Works cost	28,500	
Administrative overheads (20% on works cost)	5,700	
Cost of production	34,200	2.00 (₹34,200 ÷ 17,100)

**STATEMENT OF PROFIT**

	₹
Cost of production of 16,000 units @ ₹ 2 per unit	32,000
Selling overheads @ 50 paise per unit for 16,000 units	8,000
Cost of sales	40,000
Profit for the period	24,000
Sales (16,000 units @ ₹ 4 unit)	64,000
Profit per unit sold = $\frac{24000}{16000} = ₹1.50$	

10. A manufacturer has shown an amount of ₹15,670 in his books as 'Corporate' which really includes the following expenses:

Agents commission ₹5,700; warehouse wages ₹1,850; warehouse repairs ₹550; lighting of office ₹70; office salaries ₹1,150; directors' remuneration ₹1,500; travelling expenses ₹760; rent,rates and insurance of warehouse ₹320; rent,rates and insurance of office ₹330; lighting of warehouse ₹300; printing and stationery ₹2,500; trade magazines ₹90; donations ₹550.

From the above information, prepare a statement showing in separate totals : (a) selling expenses; (b) distribution expenses; (c) administration expenses; and (d) expenses which you would exclude from total costs. [8]

Answer:

**STATEMENT OF COST**

	(₹)	(₹)
<b>(a) selling expenses:</b>		
Agents' commission	5,700	
Travelling expenses(see note)	760	6,460
<b>(b) Distribution expenses:</b>		
Warehouse wages	1,850	
Warehouse repairs	550	
Rent, Rates and insurance of warehouse	320	
Lighting of warehouse	300	3,020
<b>(c) Administration expenses:</b>		
Lighting of office	70	
Office salaries	1,150	
Directors' remuneration	1,500	
Rent,rates and insurance of office	330	
Printing and stationery	2500	
Trade magazine	90	5,640
Total expenses to be considered in estimating costs		15,120
<b>(d) Expenses to be excluded from costs</b>		
Donations	550	550
Total cost		15,670

**NOTE: It has been assumed that travelling expenses have been incurred in connection with sales.**