(7 pages)

OCTOBER 2012

P/ID 17458/ RCH/PCAF

Time : Three hours

Maximum : 75 marks

SECTION A — (5 × 5 = 25 marks)

Answer for ALL questions.

1. (a) State the rules for journalising the transaction.

Or

(b) How to prepare the trial balance?

2. (a) What are the turnover ratio?

Or

(b) State the limitation of Ratio analysis.

3. (a) What are the features of marginal costing technique?

Or

(b) State the concept of break-even analysis.

4. (a) What is budgeting?

Or

(b) Write short note on Production Budget?

5. (a) Explain the term "Flow of Funds".

Or

(b) Write a note on accounting rate of return.

SECTION B — (5 × 10 = 50 marks)

Answer any FIVE questions.

6. Journalise the following transactions :

2008
Jan.

11 Purchased goods for Rs. 1,500

12 Purchased goods from GK Stores Rs. 900

13 Sold goods for Rs. 1,100

14 Sold goods to Raju Rs. 250

15 Bought furniture for cash Rs. 2,000

16 Bought furniture from JFA Furniture mart Rs. 800

17 Goods returned G.K. Stores Rs. 200

18 Raju returned goods worth Rs. 100

19 Draw for private use Rs. 500

20 Electric charges amounted to Rs. 120

7. From the following balances prepare Trading and Profit and Loss Account for the year ending 31.12.2006 and balance sheet as on that date.

Debit Balance	Rs.	Credit Balance	Rs.
Salaries	5,500	Creditors	9,500
Rent	1,300	Sales	32,000
Cash	1,000	Capital	30,000
Debtor	40,000	Loans	10,000
Sundry expenses	600		
Purchases	25,000		
Buildings	2,500		
Bank balance	5,600		
	81,500		81,500

Adjustments :

(a) Closing stock Rs. 900.

(b) Salary outstanding amounted to Rs. 1,100.

(c) Rent paid in advance Rs. 100.

(d) Provide 5% for doubtful debt against debtors.

8. Debtor's velocity – 3 months

Creditor's velocity – 2 months

Stock velocity – 8 times.

Capital turnover ratio – 2.5 times.

Fixed asset turnover ratio – 8 times.

Gross profit turnover ratio – 2.5%.

Gross profit in a year amount to Rs. 80,000. There is no long term loan or overdraft. Reserves and Surplus amount to Rs. 28,000 liquid asset are Rs. 97,333 closing stock of the year is Rs. 2,000 more than the opening stock. Bills receivable amount to Rs. 5,000 and bills payable to Rs. 2,000.

Find out :

(a) Sales.

(b) Sundry debtors.

(c) Closing stock.

(d) Sundry creditor.

(e) Fixed asset.

(f) Proprietor fund.

Make out the Balance Sheet with as many details as possible.

9. The following information is taken from the books of a firm :

	Rs.		Rs.
Sales	33,984	Sales return	380
Gross profit	8,068	Stock in the beginning	1,378
		Stock at the end	1,814

Calculate :

(a) Purchase.

(b) Rate of stock turnover.

(c) Gross profit ratio.

10. Assuming that the cost structure and selling price remain the same in Period I and II. Find out :

(a) P.V. ratio.

(b) B.E. sales.

(c) Profit when sales are Rs. 1,00,000.

(d) Sales required to earn a profit of Rs. 20,000.

(e) Margin of safety in IInd Period.

Period	Sales Rs.	Profit Rs.
I	1,20,000	9,000
II	1,40,000	13,000

11. Summarised below are the Income and Expenditure forecast of Gemini Ltd. for the month of March to August 2000.

Month	Sales (all credit)	Purchase (all credit)	Wages	Manu-facturing Expenses	Office expenses	Selling expenses
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
March	60,000	36,000	9,000	4,000	2,000	4,000
April	62,000	38,000	8,000	3,000	1,500	5,000
May	64,000	33,000	10,000	4,500	2,500	4,500
June	58,000	35,000	8,500	3,500	2,000	3,500
July	56,000	39,000	9,500	4,000	1,000	4,500
August	60,000	34,000	8,000	3,000	1,500	4,500

You are given the following further information :

(a) Plant costing Rs. 16,000 is due for delivery in July payable 10% on delivery and the balance after three month.

(b) Advance tax at Rs. 8,000 is payable in March and June each.

(c) Period of credit allowed :

 (i) by suppliers 2 months and

 (ii) to customer 1 month.

(d) Lag in payment of manufacturing expenses 1/2 month.

(e) Lag in payment of all other expenses 1 month.

You are required to prepare a cash budget for three month starting on 1st May 2000 whon there was a cash balance of Rs. 8,000.

12. The cost of an article at a capacity level at 5000 units is given under *A* below for a variation of 25% in capacity above or below this level. The individual expenses vary as indicated under *B* below :

	A	*B*
	Rs.	Rs.
Material cost	25,000	(100% varying)
Labour cost	15,000	(100% varying)
Power	1,250	(80% varying)
Repairs and Maintenance	2,000	(75% varying)

	A	*B*
	Rs.	Rs.
Stores	1,000	(100% varying)
Inspection	500	(20% varying)
Depreciation	10,000	(100% varying)
Adm. overhead	5,000	(25% varying)
Selling overhead	3,000	(25% varying)

Cost per unit Rs. 12.55.

Find the unit cost of the product at production level at 4000 unit and 6000 unit.

13. A company has two alternative proposal. The details are :

	Proposal I	Proposal II
	Automatic Machine	Ordinary Machine
Cost of the machine	Rs. 2,20,000	Rs. 60,000
Estimate life	$5\frac{1}{2}$ Years	8 Years
Estimated sales p.a.	Rs. 1,50,000	Rs. 1,50,000
Cost material	50,000	50,000
Labour	12,000	60,000
Variable overhead	24,000	20,000

Compute the profitability of the proposal under the return on investment method.