(7 pages)

OCTOBER 2013 **P/ID 17458/RCH/PCAF**

Time : Three hours Maximum : 75 marks

SECTION A — (5 × 5 = 25 marks)

Answer ALL questions.

1. (a) What is book keeping? What are the functions of book keeping?

Or

(b) What is meant by double entry? What are the advantages of double entry system?

2. (a) Define marginal costing. What are the characteristics of marginal costing?

Or

(b) What is meant by break even analysis? What are the basic assumptions of break even analysis?

3. (a) Briefly explain the significance of ratio analysis.

Or

(b) Write a short note on comparative financial statements.

4. (a) State the objectives of budgetary control.

Or

(b) Write a short note on production budget.

5. (a) How capital expenditure decisions are classified?

Or

(b) Write a short note on average rate of return method.

SECTION B — (5 × 10 = 50 marks)

Answer any FIVE questions.

6. Complete the gaps in the following table.

	Assets	Liabilities	Capital
	Rs.	Rs.	Rs.
(a)	30,000	10,000	?
(b)	10,000	6,000	?
(c)	?	25,000	25,000
(d)	?	11,000	6,000
(e)	15,000	?	10,000
(f)	25,000	?	8,000

7. Prepare a trial balance from the following details :

	Rs.
Capital	16,800
Drawings	5,000
Sales	72,000
Sales returns	3,000
Creditors	2,500
Bills receivables	2,300
Wages	1,200
Discount allowed	100
Machinery	20,000
Opening stock	21,000
Purchases	36,000
Purchase returns	2,000
Debtors	4,500
Furniture	900
Bills payable	4,200
Advertisement	600
Commission received	600
Cash	3,500

8. From the following information, prepare a balance sheet, show the workings

   Current ratio 1.75

   Liquid ratio 1.15

   Fixed asset 0.75

   Working capital Rs. 75,000

   Reserve and surplus Rs. 1,00,000

   Bank OD Rs. 60,000

   There is no long term or fictitious asset.

9. Calculate :

   (a) Current ratio

   (b) Liquid ratio

   (c) Proprietary ratio

   (d) Debt equity ratio and

   (e) Capital gearing ratio.

Liabilities	Rs.	Assets	Rs.
5000 equity shares of		Building	6,00,000
Rs. 100 each	5,00,000	Machinery	5,00,000
2,000 8% pref shares of		Stock	2,40,000
Rs. 100 each	2,00,000	Debtors	2,00,000
4000 9% debentures of		Bank	55,000
Rs. 100 each	4,00,000	Prepaid expenses	5,000

Liabilities	Rs.	Assets	Rs.
Reserve	3,00,000		
Bank overdraft	50,000		
Creditors	1,50,000		
	16,00,000		16,00,000

10. The sales turnover and profit during the periods were as follows :

	Sales (Rs.)	Profit (Rs.)
Period I	20,00,000	2,00,000
Period II	30,00,000	4,00,000

Calculate :

(a) PV ratio

(b) Fixed cost

(c) Break even point

(d) Profit when sales are Rs. 10,00,000

(e) Sales required to earn profit of Rs. 5,00,000.

11. Larsen Ltd. plans to sell 1,10,000 units of a certain product line in the first fiscal quarter 1,20,000 units in the second quarter 1,30,000 units in the third quarter and 1,50,000 units in the fourth quarter and 1,40,000 units in the first quarter of the following year. At the beginning of the first quarter of the current year, there are

14,000 units of product in stock at the end of each quarter. The company plans to have an inventory equal to one fifth of the sales for the next fiscal quarter.

How many units must be manufactured in each quarter of the current year?

12. From the particulars given below prepare a cash budget for the month June 2008 :

(a) Expected sales : April 2008 – Rs. 2,00,000; May – Rs. 2,20,000; June – Rs. 1,90,000.

Credit allowed to customer is two months 50% of the sales of every month is on cash basis.

(b) Estimated purchases : May 2008 – Rs. 1,20,000; June – 1,10,000 40% of the purchases of every month is on cash basis and the balance is payable next month.

(c) Rs. 2,000 is payable as rent every month.

(d) Time lag in payment of overhead is 1/2 month. Overhead for May Rs. 12,000, for June Rs. 11,000.

(e) Depreciation for the year is Rs. 12,000

(f) Interest receivable on investment during June and December Rs. 3,000 each and

(g) Estimated cash balance as on 1.6.2008 is Rs. 42,500

13. Rock Fort Steel Ltd. whose cost of capital is 10% is considering investing in a project. The following particulars are available.

Initial investment		Rs. 90,000
Cash inflows :	Year 1	Rs. 10,000
	Year 2	Rs. 20,000
	Year 3	Rs. 30,000
	Year 4	Rs. 40,000
	year 5	Rs. 50,000
		Rs. 1,50,000

Compute

(a) NPV and

(b) IRR.