

(8 pages)

DECEMBER 2015

**P/ID 17458/  
RCH/PCAF**

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Time : Three hours

Maximum : 75 marks

PART A — (5 × 5 = 25 marks)

Answer ALL questions.

1. (a) What is double entry? What are its advantages? Explain.  
Or  
(b) Define accounting. What are the merits of accounting? Discuss.
2. (a) What are the objectives of Financial Analysis? Explain.  
Or  
(b) State the advantages of ratio analysis.
3. (a) What are the merits and demerits of break even analysis?  
Or  
(b) What are the advantages of computerised accounting system? Explain.
4. (a) What are the advantages of cash budget?  
Or  
(b) What are the types of functional budget? Discuss.
5. (a) State the merits of Average Rate of Return.  
Or  
(b) What are the types of Discounted Cash Flow method? Explain.

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

6. The following transactions of Sita Ram house by preparing the journal entry.
- (a) Business Commenced with capital of Rs. 6,00,000
  - (b) Rs. 4,50,000 deposited in a bank account
  - (c) Rs. 2,30,000 plant and machinery purchased by paying of Rs. 30,000 cash immediately
  - (d) Purchased goods worth Rs. 40,000 for cash and Rs. 45,000 on account
  - (e) Paid a cheque Rs. 2,00,000 to the supplier for plant and machinery
  - (f) Rs. 70,000 cash sales (of goods costing Rs. 50,000)
  - (g) Withdrawn by the proprietor Rs. 35,000 cash for personal use
  - (h) Insurance paid by cheque of Rs. 2,500
  - (i) Salary of Rs. 5,500 outstanding
  - (j) Furniture of Rs. 30,000 purchased in cash.

7. From the under mentioned balances extracted from the books of a Traders on 31<sup>st</sup> March 2003, prepare a Trail Balance as on 31<sup>st</sup> March 1958 :

	Rs.		Rs.
Cash in hand	2,400	Plant and Machinery	1,20,000
Capital	2,00,000	Sales	4,00,400
Purchases	2,40,000	Furniture and Fittings	30,000
Bills Payable	44,000	Bad-debts Reserve	2,000
Stock (opening)	70,000	Bills Receivable	40,000
Sundry debtors	1,00,000	Rent and Taxes	20,000
Sundry creditors	48,000	Salaries	40,000
Wages	32,000		

8. The following are the balances extracted from the book Mrs. Vidhya on 31<sup>st</sup> March 2014.

Debit balance	Rs.	Credit balance	Rs.
Drawing	40,000	Capital	2,00,000
Cash at Bank	17,000	Sales	1,60,000
Cash in hand	60,000	Sundry creditors	45,000

Debit balance	Rs.	Credit balance	Rs.
Wages	10,000		
Purchases	20,000		
Stock (31.03.2003)	60,000		
Buildings	1,00,000		
Sundry debtors	44,000		
Bills Receivable	29,000		
Rent	4,500		
Commission	2,500		
General expenses	8,000		
Furniture	5,000		
Suspense Account	5,000		
	<u>4,05,000</u>		<u>4,05,000</u>

Adjustments :

- (a) Closing Stock Rs. 40,000 valued as on 31.03.2004
- (b) Interest on capital at 6% to be provided
- (c) Interest on drawings at 5% to be provided

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- (d) Depreciate buildings at the rate of 10% per annum
- (e) Write off Bad debts Rs. 1,000
- (f) Wages yet to be paid Rs. 500.

Prepare Trading and Profit and Loss Account and Balance Sheet on 31<sup>st</sup> March 2004.

9. From the following details prepare statement of proprietary funds with as many details as possible.
- (a) Stock velocity : 6
  - (b) Capital turnover ratio (on cost of sales)
  - (c) Fixed assets turnover ratio (on cost of sales): 4
  - (d) Gross Profit turnover ratio : 20 per cent
  - (e) Debtor's velocity : 2 months
  - (f) Creditor's velocity : 73 days.

10. Draw up a flexible budget for overhead expenses on the basis of the following data and determine the overhead rates at 70%, 80% and 90% plant capacity.

Particulars	At 70% Capacity	At 80% Capacity	At 90% Capacity
Variable overheads :			
Indirect labour	–	12,000	–
Stores including spares	–	4,000	–
Semi-variable overheads :			
Power (30% Fixed 70% variable)	–	20,000	–
Repairs and maintenance (60% Fixed 40% variable)	–	2,000	–
Fixed overheads :			
Depreciation	–	11,000	–
Insurance	–	3,000	–
Salaries	–	10,000	–
Total overheads	<u>–</u>	<u>62,000</u>	<u>–</u>

Estimated direct labour hours : 1,24,000 hrs.

11. From the following information of a textile company, complete proforma balance sheet, if its sales are Rs. 23,00,000.

Sales to Net worth	2.3 times
Current debt to Net worth	42%
Total debt to Net worth	75%
Current ratio	2.9 times
Net sales to inventory	4.6 times
Average collection period	90 days
Fixed assets to Net worth	53.2%

Proforma Balance Sheet

Net worth	?	Fixed assets	?
Long term debt	?	Cash	?
Current debt	?	Sundry debtors	?
	_____		_____
	_____		_____

12. The following information are given for two companies.

Particulars	X Ltd.	Y Ltd.
Units produced and sold	17,000	17,000
Revenues	1,70,000	1,70,000

Particulars	X Ltd.	Y Ltd.
Fixed Costs	85,00	34,000
Operating income	51,000	51,000
Variable Cost	34,000	85,000

Find out the Break-Even Point of each company both in units as well as in volume.

13. A company has to choose one of the following two mutually exclusive projects. Investments required for each project is Rs. 15,000. Both the projects have to be depreciated on straight line basis. The tax rate is 50%.

Year Profit before depreciation

	Project A	Project B
1	4,200	4,200
2	4,800	4,500
3	7,000	4,000
4	7,000	5,000
5	2,000	10,000

Calculate pay-back period.