

(8 pages)

**MAY 2012**

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

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Time : Three hours

Maximum : 75 marks

SECTION A — (5 × 5 = 25 marks)

Answer ALL questions.

All questions carry equal marks.

1. (a) State the Advantages of Keeping a ledger.  
Or  
(b) What are the Advantages of Double entry system?
2. (a) What are the Limitation of financial statement?  
Or  
(b) State the important managerial uses of Ratio analysis.
3. (a) Write short notes on margin of safety.  
Or  
(b) State the Feature of Marginal Costing.
4. (a) What are the objective of budgetary control?  
Or  
(b) Distinguish between Budget from an estimate.

5. (a) State the importance of capital budgeting.

Or

- (b) Write short notes on Accounting Rate of Return.

SECTION B — (5 × 10 = 50 marks)

Answer any FIVE questions.

All questions carry equal marks.

6. Journalise the following transaction :

- (a) Bought goods on credit from John Rs. 4,000
- (b) Goods returned by Balu Rs. 500
- (c) Paid Carriage inwards Rs. 100
- (d) Cheque Rs. 1,400 received from Charles in settlement at a debt of Rs. 1,500 returned dishonoured.
- (e) Paid insurance Rs. 300
- (f) Sale of type writer for Rs. 300
- (g) Rs. 250 owing by mani written at as bad debts
- (h) Draw three month bill on worth for Rs. 4,000
- (i) Sold good for Rs. 2,500 to David on credit
- (j) Deposited Rs. 2,500 into bank.

7. From the following balance 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	Creditor's	9,500
Rent	1,300	Sales	32,000
Cash	1,000	Capital	30,000
Debtors	40,000	Loans	10,000
Sundry Expenses	600		
Purchase	25,000		
Building	2,500		
Bank balance	5,600		
	<u>81,500</u>		<u>81,500</u>

Adjustment :

- (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 debts against debtor.
8. Following ratio are related to the trading activities at National Traders Ltd.
- Debtors velocity 3 months
- Stock velocity 8 months
- Creditor's velocity 2 months
- Gross profit ratio 25 percent

Gross profit for the year ended 31<sup>st</sup> December 1999 amount to Rs. 4,00,000 closing stock of the year is Rs. 10,000 above the opening stock. Bills receivable amount Rs. 25,000 Bills payable to Rs. 10,000.

Find out :

- (a) Sales
- (b) Sundry debtors
- (c) Closing stock and
- (d) Sundry creditors.

9. Following is the Balance sheet at Y Ltd.

Liabilities	Rs.	Asset	Rs.
Equity share capital	1,00,000	Cash in hand	2,000
6% Preference share capital	1,00,000	Cash at bank	10,000
7% Debenture 10 year	40,000	Bill Receivable	30,000
8% Public Debt-5 year	20,000	Investment (short term)	20,000
Bank over draft	40,000	Debtors	70,000
Creditors	60,000	Stock	40,000
		Furniture	30,000

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Liabilities	Rs.	Asset	Rs.
Outstanding creditors	7,000	Machinery	1,00,000
Proposed Dividend	10,000	Land and Building	2,20,000
Reserves	1,50,000	Good Will	35,000
Provision for Taxation	20,000	Preliminary Expenses	10,000
Profit & Loss a/c	20,000		
	<u>5,67,000</u>		<u>5,67,000</u>

During the year provision for taxation was Rs. 20,000 Divident proposed was Rs. 10,000 profit carried forward from the Last year was Rs. 15,000 you are required to calculate

- (a) Short term solvency ratio
- (b) Long term solvency ratio.

10. S.V. Ltd. a multi product company furnisher you following data relating to the year 1999 :

	First Half at the year	Second Half at the year
Sales	Rs. 45,000	Rs. 50,000
Total cost	Rs. 40,000	Rs. 43,000

Assuming that there's no change in price and variable cost and that Fixed expenses are incurred equally in the two half year period calculate for the year 1999 :

- (a) The profit volume ratio
- (b) Fixed Expenses
- (c) Break – even sales
- (d) Percentage of margin of safety.

11. BPL Ltd. wishes to arrange over draft facilities with its bankers during the period April to June 2,000 when it will be manufacturing mostly for stock. Prepare a cash Budget for the above period from the following data indicating the extent at the bank facilities the company will require at the end of each month.

(a)

	Credit sales	Purchases	Wages
February 2000	1,80,000	1,24,800	12,000
March	1,92,000	1,44,000	14,000
April	1,08,000	2,43,000	11,000
May	1,74,000	2,46,000	10,000
June	1,26,000	2,68,000	15,000

- (b) 50 percent at credit sales are realised in the month following the sales and the remaining 50 per cent in the second month.

Creditor's are paid in the month following the month at purchase.

- (c) Cash at bank on 01.04.2000 estimated Rs. 25,000.

12. The Expenses for budgeted production at 10,000 unit in a factory are furnished below :

	Per unit
Material	70
Labour	25
Variable over head	20
Fixed over head (Rs. 1,00,000)	10
Variable expenses (Direct)	5
Selling Expenses (10% Fixed)	13
Distribution Expenses 20% Fixed	7
Administration Expenses	5
Total cost per unit	<u>155</u>

Prepare a budget for production at :

- (a) 8000 units  
(b) 6000 units  
(c) Indicate cost per unit of both the levels

Assume that administration Expenses are Fixed for all Level at production.

13. A company has two alternative proposal the  
Details are :

	Proposal I	Proposal II
	Automatic Machine	Ordinary Machine
Cost at the machine	Rs. 2,20,000	Rs. 60,000
Estimate life	5½ year	8 years
Estimated sales p.a.	Rs. 1,50,000	1,50,000
Cost material	50,000	50,000
Labour	12,000	60,000
Variable over head	24,000	20,000

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

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