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(8 pages)

P/ID 17458/RCH/

MAY 2013 **PCAF**

Time : Three hours Maximum : 75 marks

SECTION A — (5 × 5 = 25 marks)

Answer ALL questions.

All questions carry equal marks.

1. (a) What are Subsidiary Books? Explain.

Or

(b) Distinguish a Balance sheet from trial Balance.

2. (a) What is the significance of profitability ratios?

Or

(b) What is financial leverage? What is it significance?

3. (a) List the applications of Managerial Costing in decision making.

Or

(b) What is Breakeven Chart? Discuss it's various types.

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4. (a) How the Cash Budget is prepared?

Or

(b) State the significance of flexible budget.

5. (a) What is capital rationing in project appraisal?

Or

(b) Distinguish ARR with IRR.

SECTION B — (5 × 10 = 50 marks)

Answer any FIVE questions.

All questions carry equal marks.

6. From the following Trial balance of Mr. Rajesh as on 31.3.2006 you are required to Prepare Trading and Profit and Loss account for the year ended on 31.3.2006 and the Balance Sheet as on that date :

Particular	Debit	Credit
	Rs.	Rs.
Capital and drawings	12,000	1,00,000
Debtors and creditors	50,500	40,000
10% loan taken on 1.1.2006		10,000
Cash in hand	1,200	
Cash at bank	11,400	
Provision for doubtful debts		4,000
Furniture	12,000	

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Particular	Debit Rs.	Credit Rs.
Machinery	28,400	
Stock	75,000	
Purchases and sales	1,80,000	2,80,800
Returns inwards	2,000	
Salaries	24,800	
Wages	30,000	
Travelling expenses	4,100	
Insurance (including a premium of Rs. 600 p.a. paid upto 30.6.2006)	800	
Commission received		1,000
Discounts	1,600	2,000
Carriage	4,000	
	4,37,800	4,37,800

Adjustments :

(a) Closing stock Rs. 68,500

(b) Write off Rs. 500 as bad debts and maintain provision for doubtful debts at 5% on debtors

(c) Make a provision of 2% for discount on debtors and creditors

(d) Wages include Rs. 1,600 for erection of new machinery purchased on 1.4.2006

(e) Depreciation on machinery at 5% and on furniture at 10%

(f) Commission earned but not received Rs. 500.

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7. An account who finds his Trial Balance not agreeing opens a suspense account and rectifies the following errors.

(a) A cheque of Rs. 750 received for loss of stock by fire had been deposited in the proprietor's private bank account.

(b) An item of purchase of Rs. 151 was entered in the purchases book as Rs. 15 and posted to the supplier's account as Rs. 51.

(c) A sales return of Rs. 500 was not entered in the financial accounts though it was duly taken in the stock book.

(d) An amount of Rs. 300 was received in full settlement from a customer after he was allowed a discount of Rs. 50 but while writing the books, the amount received was entered in the discount column and amount allowed was entered in the amount column.

(e) Bills receivable from Mr. A of Rs. 1,000 was posted to the credit of bills payable account and also credited to the account of Mr. A show the suspense Account and find out the opening balance.

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8. A firm whose cost of capital is 10% is considering two mutually exclusive projects R and S, the cash flows of which are given as follows :

Year	Project R	Project S
	Rs.	Rs.
0	– 1,00,000	– 70,000
1	80,000	60,000
2	80,000	60,000

Suggest which project should be taken up using :

(a) Net present value method and

(b) Profitability index method.

9. With the following data for a 60% activity, prepare a budget for production at 80% and 100% capacity:

Production at 60% activity	600 units
Materials	Rs. 100 per unit
Labour	Rs. 40 per unit
Direct expenses	Rs. 10 per unit
Factory overheads	Rs. 40,000 (40% fixed)
Administration expenses	Rs. 30,000 (60% fixed).

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10. A Glass Manufacturing Company requires you to calculate and present the budget for the next year from the following information :

		Rs.
Sales :		
Thoughened Glass		3,00,000
Bent Thoughened Glass		5,00,000
Direct material cost	6% of sales	
Direct wages	20 workers @ Rs. 150 per month	
Factory overheads :		
Indirect labour		
Works manager Rs. 500 per month		
Stores and spares	$2\frac{1}{2}$ % on sales	
Depreciation on machinery		12,600
Light and Power		5,000
Repairs and Maintenance		8,000
Other sundries	10% on direct wages	
Administration, selling and distribution exp.	Rs. 14,000 per year	

11. From the following data, you are required to calculate :

(a) P/V ratio

(b) Break-even sales with the help of P/V ratio

(c) Sales required to earn a profit of Rs. 4,50,000.

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Fixed expenses	= Rs. 90,000
Variable cost per unit :	
Direct material	= Rs. 5
Direct labour	= Rs. 2
Direct overheads	= 100% of Direct labour
Selling price per unit	= Rs. 12.

12. Your company is Manufacturing only one product the cost and profit is :

	Per unit
	Rs.
Direct Materials	5.60
Direct labour	1.50
Variable factory overhead	0.40
	7.50

Fixed factory overhead is budgeted at Rs. 3,30,000 for an annual sales of 4,00,000 units. Selling distribution and administration costs are budgeted at Rs. 1,80,000. Capital employed is Rs. 4,50,000 in fixed assets and 50 per cent of sales or current assets.

Determine a sales price which will yield a 20% return on capital employed.

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13. Calculate :

(a) Operating leverage

(b) Financial leverage and

(c) Composite leverage from the following figures:

	Original	After an increase of 20% in sales
	Rs.	Rs.
Sales (20,000 units @ Rs. 10)	2,00,000	2,40,000
Variable cost (Rs. 6 per unit)	1,20,000	1,44,000
Fixed cost	60,000	60,000
Earning Before Interest and Tax EBIT	20,000	36,000
Less : Interest	5,000	5,000
Profit Before Tax	15,000	31,000
Tax at 50%	7,500	15,500
Profit after tax	7,500	15,500

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