

(7 pages)

MAY 2014

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

Time : Three hours

Maximum : 75 marks

PART A — (5 × 5 = 25 marks)

Answer ALL questions.

All questions carry equal marks.

1. (a) What is meant by double entry system? State the rule for double entry system.

Or

- (b) What do you mean by accounting? Explain the branches of accounting.

2. (a) What are the advantages of ratio analysis?

Or

- (b) Explain the following :
- (i) Operating expenses
 - (ii) Non-operating expenses
 - (iii) Operating income
 - (iv) Non-operating income.

3. (a) What are uses of profit volume ratio?

Or

(b) State the objectives of computerized accounting.

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

Or

(b) Explain the preparation of sales budget.

5. (a) What is meant by capital investment decision making?

Or

(b) What is NPV? What are its assumption?

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

All questions carry equal marks.

6. Journalise the following transactions in the books of Devan & Co.

1998		Rs.
June.1	Started business with a capital of	60,000
June. 2	Pain into bank	30,000
June. 4	Purchased goods from Kamal on credit	10,000

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

1998	Rs.
June. 6 Paid to Shriram	4,920
June. 6 Discount allowed by him	80
June. 8 Cash sales	20,000
June. 12 Sold to Hameed	5,000
June. 15 Purchased goods from Bharat on credit	7,500
June. 18 Paid salaries	4,000
June. 20 Received from Prem	2,480
June. 20 Allowed him discount	20
June 25 Withdrew from bank for office use	5,000
June 28 With drawn for personal use	1,000
June. 30 Paid Nanif by cheque	3,000

7. Prepare Trial Balance from the following as on 31st March 2003.

Particulars	Rs.	Particulars	Rs.
Capital	16,800	Furniture	900
Drawings	5,000	Bills receivable	2,300
Stock	21,000	Bills payable	4,200
Purchases	36,000	Wages	1,300
Sales	72,000	Expenses on advertisement	600
Purchase return	2,000	Discount (Dr.)	100
Sales return	3,000	Commission received	600
Debtors	4,500	Machinery	20,000
Creditors	2,500	Cash	3,500

3 **P/ID 17458/RCH/
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8. From the following trial balance of Ravi. Prepare trading and profit and loss account for the year ended December 31, 2008 and a balance sheet as on that Date.

Trial Balance		
Particulars	Debit	Credit
Capital		40,000
Sales		25,000
Purchases	15,000	
Salaries	2,000	
Rent	1,500	
Insurance	300	
Drawings	5,000	
Machinery	28,000	
Bank balance	4,500	
Cash	2,000	
Stock (1.1.2008)	5,200	
Debtors	2,500	
Creditors		1,000
	<u>66,000</u>	<u>66,000</u>

4 **P/ID 17458/RCH/
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[P.T.O.]**

Adjustments required :

- (a) Stock on 31.12.2008 Rs. 4,900
- (b) Salaries unpaid Rs. 300
- (c) Rent paid in advance Rs. 200
- (d) Insurance prepaid Rs. 90.

9. From the following data calculate

- (a) Current asset
- (b) Current liability
- (c) Liquid assets
- (d) Stock

Current ratio = 2.5

Liquid ratio = 1.5

Working capital = Rs. 90,000

10. With the following data for a 60% activity. Prepare a flexible budget for production 80% and 100% activity.

Production at 60% activity – 600 units

Material Rs. 100 per unit

Labour Rs. 40 per unit.

Expenses Rs. 10 per unit

Factory expenses Rs. 40,000 (40% fixed)

Administration expenses Rs. 30,000 (60% fixed)

5 **P/ID 17458/RCH/
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11. Assume that a firm has owner's equity of Rs. 1,00,000. The ratio's of the firm are

Current debt to total debt = 0.40

Total debt to owner's equity = 0.60

Fixed assets to owner's equity = 0.60

Total assets turnover = 2 times

Inventory turnover = 8 times

Complete the following balance sheet given the information above.

Equities		Assets	
Current Debt	xxx	Cash	xxx
Long term Debt	<u>xxx</u> xxx	Inventory	<u>xxx</u> xxx
Owner's Equity	<u>xxx</u>	Fixed assets	<u>xxx</u>
Total Equity	<u>xxx</u>	Total Assets	<u>xxx</u>

12. You are given the following informations about two companies during the year 1999.

Particulars	A Company	B Company
Sales	5,00,000	5,00,000
Variable expenses	3,50,000	3,00,000
Fixed expenses	1,20,000	1,70,000

6 **P/ID 17458/RCH/
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Find out for each company

- (a) PV Ratio.
- (b) B.E.P.
- (c) Profit.
- (d) Margin of safety.

13.

Particulars	Machine	Machine
	A	B
Estimated life (years)	5	6
Cost of Machine (Rs.)	80,000	1,50,000
Estimated additional cost maintenance per month	500	750
Indirect material (per annum)	2,000	3,000
Supervision	3,000	4,500
Estimated savings in scrap	8,000	12,000
Estimated savings in direct wages per annum		
Employee's not required	10	15
Wage per employee(Rs.)	7,200	7,200

Depreciation is calculated using straight line method. Taxation may be taken out 50% of profit.