(8 pages)

MAY 2015 **P/ID 17458/RCH/PCAF**

Time : Three hours Maximum : 75 marks

SECTION A — (5 × 5 = 25 marks)

Answer ALL questions.

1. (a) Define accounting. State its primary objectives.

Or

(b) What is posting? How entries are posted into ledger?

2. (a) What is meant by financial statements? State its objectives.

Or

(b) Briefly explain how accounting ratios are classified.

3. (a) Write a short note on break-even point.

Or

(b) Under what circumstances may selling prices be reduced to marginal cost?

4. (a) What are the requirements of a good budgetary control system?

Or

(b) What are the main functions of budget controller?

5. (a) Define capital budgeting. What are the importance of capital budgeting?

Or

(b) What are the methods of evaluating capital expenditure proposals?

SECTION B — ($5 \times 10 = 50$ marks)

Answer any FIVE questions.

6. Prepare Trial Balance from the following balances which are taken from ledger of Krishnan.

	Rs.		Rs.
Drawings	12,000	Tax	7,000
Capital	48,000	Sales	2,56,000
Sundry creditors	86,000	Salaries	19,000
Bills payable	8,000	Sundry debtors	1,00,000
Bills receivable	10,400	Purchase returns	2,200
Loan from Karthick	20,000	Travelling expenses	9,200
Furniture	9,000	Commission paid	200
Opening stock	94,000	Trade expenses	5,000
Cash in hand	1,800	Discount received	8,000
Cash at bank	25,000	Rent	4,000
Sales returns	2,000	Bank overdraft	12,000
		Purchases	41,600

7. From the following balances extracted from the books of Anandan prepare Trading and Profit and Loss Account for the year ending 31st March 2009 and also Balance Sheet as on that date.

Particulars	Rs.	Particulars	Rs.
Capital	50,000	Land	13,500
Cash at bank	2,000	Sales	1,25,000
Cash in hand	500	Carriage inwards	800
Building	30,000	Fuel	2,200
Wages	15,000	Sundry creditors	12,200
Salaries	10,000	Sundry debtors	15,000
Rent and Rates	1,800	Purchase returns	2,000
Printing and Machinery	1,200	Sales returns	1,500
Stock as on 1.4.2008	8,000	Bills receivable	4,000
Purchase	70,000	Discount received	400
Insurance	800	Discount allowed	1,500
Machinery	12,000	Furniture	3,000
Drawings	5,000	Travelling expenses	1,800
		Loan	10,000

Adjustments :

(a) Insurance prepaid Rs. 200

(b) Depreciation : Machinery @ 10% Furniture @ 5%

(c) Interest on capital @ 3%

(d) Outstanding wages Rs. 800; outstanding salaries Rs. 600

(e) Write off bad debts Rs. 1,000

(f) Create 3% reserve on debtors for doubtful debts

(g) Closing stock was Rs. 10,000.

8. From the following particulars pertaining to assets and liabilities of a company calculate :

(a) Current ratio

(b) Liquid ratio

(c) Proprietary ratio

(d) Debt-equity ratio

(e) Capital gearing ratio.

Liabilities	Rs.	Assets	Rs.
5,000 equity shares of Rs. 100 each	5,00,000	Land and building	6,00,000
2,000 8% preference shares of Rs. 100 each	2,00,000	Plant and Machinery	5,00,000
4,000 9% debentures of Rs. 100 each	4,00,000	Stock	2,40,000
Reserves	3,00,000	Debtors	2,00,000
Creditors	1,50,000	Cash at bank	55,000
Bank overdraft	50,000	Prepaid expenses	5,000
	16,00,000		16,00,000

9. Calculate :

   (a) Gross profit ratio

   (b) Operating ratio

   (c) Operating profit ratio

   (d) Net profit ratio.

	Rs.		Rs.
Sales	21,000	Income from investments	200
Sales returns	1,000	Administration expenses	1,300
Cost of sales	16,400	Selling expenses	700
Interest expenses (non-operating)	100	Depreciation	200

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

	First half of the year Rs.	Second half of the year Rs.
Sales	45,000	50,000
Total cost	40,000	43,000

Assuming that there is no change in prices and variable costs and that fixed expenses are incurred equally in the two half year periods calculate for the year 1999.

   (a) The profit volume ratio

   (b) Fixed expenses

   (c) Break even sales

   (d) Percentage of margin of safety.

11. Summarised below are the income and expenditure forecasts of Gemini Ltd for the months of March to August 2008.

Month	Sales (all credit) Rs.	Purchases (all credit) Rs.	Wages Rs.	Manufacturing expenses Rs.	Office expenses Rs.	Selling expenses Rs.
March	60,000	36,000	9,000	4,000	2,000	4,000
April	62,000	38,000	8,000	3,000	1,500	5,000
May	64,000	33,000	10,000	4,500	2,500	4,500
June	58,000	35,000	8,500	3,500	2,000	3,500
July	56,000	39,000	9,500	4,000	1,000	4,500
August	60,000	34,000	8,000	3,000	1,500	4,500

You are given the following further informations :

(a) Plant costing Rs. 16,000 is due for delivery in July payable 10% on delivery and the balance after three months

(b) Advance tax of Rs. 8,000 is payable in March and June each

(c) Period of credit allowed

(i) By suppliers 2 months and

(ii) To customers 1 month

(d) Lag in payment of manufacturing expenses ½ month

(e) Lag in payment of all other expenses 1 month.

You are required to prepare cash budget for three months standing on 1st May, 2008 when there was a cash balance of Rs. 8,000.

12. 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.

	At 70% capacity Rs.	At 80% capacity Rs.	At 90% capacity Rs.
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	–	62,000	–

Estimated direct labour hours 1,24,000 hrs.

13. Bharath Ltd has Rs. 2,00,000 to invest. The following proposals are under consideration. The cost of capital of the company is estimated to be 15%.

Project	Initial outlay Rs.	Cash in flows Rs.	Life (years)
A	1,00,000	25,000	10
B	70,000	20,000	8
C	30,000	6,000	20
D	50,000	15,000	10

Rank the project on the basis of :

(a) Net present value method

(b) Profitability index method.

Note : PV of annuity of Re. 1 received discounted at 15% is given below.

8 years	–	4.487
10 years	–	5.019
20 years	–	6.259.