(8 pages)

DECEMBER 2014 **P/ID 17513/PCASN**

Time : Three hours Maximum : 100 marks

PART A — (6 × 5 = 30 marks)

Answer any SIX questions.

1. State the rules of double entry.

2. From the following ledger balances taken out at the close of a trading year ended 31st December 2001, prepare trading account.

	Rs.
Opening stock	16,000
Purchases	40,000
Sales	1,60,000
Returns inwards	3,000
Returns outwards	800
Carriage inwards	2,400
Wages	6,600
Freight and dock charges	4,800
Stock on 31.12.2001	14,000
Salaries	30,000

3. What are the uses of ratio asnalysis?

4. From the following details, calculate the current ratio and acid test ratio :

Current assets	Rs.	Current liabilities	Rs.
Stock in trade	77,000	Sundry creditors	23,300
Sundry debtors	47,300	Acceptances	9,460
Cash in hand	6,700	Dividend warrants issued	
Advances (short-term)	13,300	but not cashed	190
Prepaid taxes	700	Provision for taxation	10,150

5. State the assumptions of break-even analysis.

6. Prepare a materials budget of XYZ Co., based on production budget as given below. The production orders of the products show the following consumption.

	Consumption for a batch of 1000 units of		
Material No.	Product A Kg	Product B kg	Rate per kg. Rs.
01	50	80	60
02	10	5	60
03	–	30	10
04	6	10	50
05	4	4	25
Total	70	129	205

7. What are the merits and demerits of payback method?

8. From the following information advise the management as to which project is preferable based on payback period. The standard cut off period the company is 5 years.

	Project A (Rs.)	Project B (Rs.)
Capital cost	15,000	15,000
Cash flows (saving before depreciation, but after taxes) :		
I Year	5,000	4,000
II Year	5,000	4,000
III Year	5,000	4,000
IV Year	2,000	3,000
V Year	2,000	7,000
VI Year	2,000	9,000
	21,000	31,000

PART B — (7 × 10 = 70 marks)

Answer any SEVEN questions.

9. Explain the features of accounting principles.

10. The following balances are extracted from the books of M/s. Durga and Co. on 31st December 2002. You are required to prepare the trading and profit and loss account and a balance sheet as on that date :

Particulars	Rs.
Stock on January 1	1,000
B/R	4,500
Purchases	39,000
Wages	2,800
Insurance	1,100
Sundry debtors	30,000
Carriage inward	800
Commission (Dr.)	800
Interest on capital	700
Stationery	450
Returns inwards	1,300
Discount (Cr.)	400
Returns outwards	500
Trade expenses	200
Office fixtures	1,000
Cash in hand	500
Cash at bank	4,750
Rent and taxes	1,100
Carriage outward	1,450

Particulars	Rs.
Sales	50,000
Bills payable	3,000
Creditors	19,650
Capital	17,900

11. Explain the objectives of financial statements.

12. From the following details, prepare the balance sheet of the firm concerned :

Stock velocity	6
Capital turnover ratio	2
Fixed assets turnover ratio	4
Gross profit ratio	20%
Debit collection period	2 months
Creditors period	73 days

The gross profit was Rs. 60,000. Closing stock was Rs. 5,000 in excess of the opening stock.

13. From the following data you are required to calculate the break-even point

	Rs.
Selling price per unit	25
Direct material cost per unit	8
Direct labour cost per unit	5
Fixed overheads	24,000

Variable overhead @ 60% on direct labour

Trade discount 4%

If sales are 15% and 20% above the break-even volume determine the net profit.

14. Discuss the managerial uses of marginal costing.

15. Explain the advantages of budgetary control.

16. Prepare a flexible budget from the following data made available in respect of a half-yearly period and forecast the working results at 70%, 85% and 100% of capacity when the respective sales are Rs. 50 lakhs, 60 lakhs and 85 lakhs. While fixed expenses remain constant. Semi-variable expenses are constant between 55% and 75% of capacity, increasing by 10% between 75% and 90% capacity and by 20% between 90% and 100% of capacity. The expenses at 60% capacity are as follows :

	(Amount in lakhs) Rs.
Semi variable :	
Maintenance and repairs	1.25
Indirect labour	5.00
Sales department expenses	1.50
Sundry overheads	1.25

	(Amount in lakhs) Rs.
Variable :	
Material	12.00
Labour	13.00
Other expenses	2.00
Fixed :	
Wages and salaries	4.20
Rent, rate and taxes	2.80
Depreciation	3.50
Sundry overheads	4.50

17. Discuss the merits and demerits of Accounting Rate of Return (ARR) method.

18. Determine the average rate of return from the following data of two machines A and B.

	Machine A Rs.	Machine B Rs.
Original cost	56,125	56,125
Addl. Investment in networking capital	5,000	6,000
Estimated life in year	5	5
Estimated salvage value	3,000	3,000

	Machine A Rs.	Machine B Rs.
Average income tax rate	55%	55%
Average estimated income after depreciation and tax		
1st year	3,375	11,375
2nd year	5,375	9,375
3rd year	7,375	7,375
4th year	9,375	5,375
5th year	11,375	3,375
	36,875	36,875