

(7 pages)

**MAY 2014**

**P/ID 17513/PCASN**

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Time : Three hours

Maximum : 100 marks

PART A — (6 × 5 = 30 marks)

Answer any SIX questions.

1. What are the features of accounting principles?
2. Who are users of Financial Statements?
3. Compute the operating ratio from the following particulars.

|                                   |              |
|-----------------------------------|--------------|
| Total Sales                       | Rs. 2,65,000 |
| Sales Returns                     | 15,000       |
| Gross profit ratio                | 30%          |
| Administrative expenses           | 15,000       |
| Selling and distribution expenses | 10,000       |
4. What are the managerial uses of marginal costing?
5. State the objectives of budgetary control?

6. The following information regarding the stocks of material required for the production program of Ramesh Limited is available.

| Materials | Estimated consumption during 1993-94 (in kg) | Estimated stocks             |                               |
|-----------|--|------------------------------|-------------------------------|
|           |  | On 1 <sup>st</sup> July 1993 | On 30 <sup>th</sup> June 1994 |
| AB        | 9,03,000                                     | 20,000                       | 17,000                        |
| GH        | 6,90,000                                     | 10,000                       | 20,000                        |
| XY        | 5,47,000                                     | 30,000                       | 33,000                        |

Collating the details given above with the information contained in the materials budget, Prepare the purchase Budget of Ramesh Limited.

7. State the concept of Profit Appraisal.
8. Kumar Ltd is producing articles mostly by manual Labour and is considering to replace it by a new machine. There are two alternative models M and N of the new machine. Prepare a statement of profitability showing the pay-back period from the following information.

|                                  | Machine M | Machine N  |
|----------------------------------|-----------|------------|
| Estimated life of Machine        | 4 years   | 5 years    |
| Cost of Machine                  | Rs. 9,000 | Rs. 18,000 |
| Estimate savings in scrap        | 500       | 800        |
| Estimated savings in direct ways | 6000      | 8000       |
| Additional cost of maintenance   | 800       | 1,000      |
| Additional cost of supervision   | 1,200     | 1,800      |

PART B — (7 × 10 = 70 marks)

Answer any SEVEN questions.

9. Enumerate the advantages and disadvantages of double entry system?
10. From the following trial balance of Murugan and company, prepare trading and profit and loss account and balance sheet.

Trial Balance as on 31<sup>st</sup> Dec. 1995

| Particulars                           | Debit<br>(Rs.) | Credit<br>(Rs.) |
|---------------------------------------|----------------|-----------------|
| Cash in hand                          | 2,400          |                 |
| Purchase                              | 2,40,000       |                 |
| Stock on 1 <sup>st</sup> January 1995 | 70,000         |                 |
| Debtors                               | 1,00,000       |                 |
| Plant and Machinery                   | 1,20,000       |                 |
| Furniture                             | 30,000         |                 |
| Bills receivable                      | 40,000         |                 |
| Rent and Taxes                        | 20,000         |                 |
| Wages                                 | 32,000         |                 |
| Salaries                              | 37,600         |                 |
| Capital                               |                | 2,00,000        |
| Bills Payable                         |                | 44,000          |

|           |          |
|-----------|----------|
| Creditors | 48,000   |
| Sales     | 4,00,000 |

Additional Information :

- (a) Closing Inventory as on 31<sup>st</sup> December 1995  
Rs. 50,000
- (b) Outstanding wages Rs. 5,000
- (c) Depreciation on plant and machinery at 10  
percent furniture at 5 percent.

11. Explain the importance of Financial Statements?

12. The Balance Sheet of Sriram Ltd., as on 31.12.2002 is as follows :

| Liabilities   | Rs.              | Assets                 | Rs.              |
|---|------------------|------------------------|------------------|
| Equity share capital<br>(Shares of Rs. 10 each)       | 5,00,000         | Land and Buildings     | 6,00,000         |
|   |                  | Plant and<br>Furniture | 5,00,000         |
| 10% preference share capital<br>Shares of Rs. 00 each | 2,00,000         | Stock in trade         | 2,40,000         |
| Reserves and surplus                                  | 3,00,000         | Sundry debtors         | 1,95,000         |
| 12% debentures (Rs. 100<br>each)                      | 4,00,000         | Cash in hand           | 60,000           |
| Sundry creditors                                      | 1,50,000         | Prepaid expenses       | 5,000            |
| Bank overdraft  | 50,000           |                        |                  |
|   | <u>16,00,000</u> |                        | <u>16,00,000</u> |

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[P.T.O.]

Calculate :

- (a) Current Ratio
- (b) Liquid Ratio
- (c) Debt-Equity Ratio
- (d) Capital Gearing Ratio
- (e) proprietary Ratio.

13. The projected capacity of a plant, when sold, would return Rs. 70,000 in sales income to the company. The variable costs for this production volume were determined to be Rs. 30,000. The fixed costs are Rs. 20,000. Determine the following :
- (a) The break-even point of the business
  - (b) The profit or loss to the business on sales of Rs. 49,000; Rs. 28,000.
  - (c) The amount of sales that will enable the business to earn a net profit of Rs. 26,000.
14. Explain the various practical applications of marginal costing?
15. Explain the functional classification of budget?

16. ABC Co. Wishes to arrange overdraft facilities with its bankers during the period April to June, 1999 when it will be manufacturing mostly for stock. Prepare cash budget for the above period the following data, indicating the extent of bank facilities the company will require at the end of each month.

(a)

| 1999     | Credit       |                  | Wages<br>Rs. |
|----------|--------------|------------------|--------------|
|          | Sales<br>Rs. | Purchases<br>Rs. |              |
| February | 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% of credit sales are realised in the month following the sales and the remaining 50% in the second month following. Creditors are paid in the month following the month of purchase.
- (c) Wages are paid at the end of each month.
- (d) Cash at Bank on 1.4.99 (estimated) Rs. 25,000

17. Explain the merits and demerits of net present value method.
18. Following data is respect of two machine 'A' and 'B' are detailed below. Depreciation has been charged on straight line basis and estimated life or both machines is five years.

| Item                                       | Machine<br>'A' | Machine<br>'B' |
|--|----------------|----------------|
| Cost                                       | 56,125         | 56,125         |
| Net income after depreciation<br>and taxes |                |                |
| 1 <sup>st</sup> Year                       | 3,375          | 11,375         |
| 2 <sup>nd</sup> Year                       | 5,375          | 9,375          |
| 3 <sup>rd</sup> Year                       | 7,375          | 7,375          |
| 4 <sup>th</sup> Year                       | 9,375          | 5,375          |
| 5 <sup>th</sup> Year                       | 11,375         | 3,375          |
|  | 36,875         | 36,875         |

- (a) Average rate of return on 'A' and 'B' machines.
- (b) Which machine is better from the point of view of payback period and why?
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