

(6 pages)

MAY 2015

P/ID 17513/PCASN

Time : Three hours

Maximum : 100 marks

PART A — (6 × 5 = 30 marks)

Answer any SIX questions.

1. State the main objectives of accounting.
2. What is trading account? Give a specimen of trading account.
3. What are the importance of ratio analysis in accounting?
4. State the limitations of accounting ratios in analysis of financial statements.
5. Mention the significance of break even analysis.
6. What is P/V ratio? State the practical applications of this ratio.
7. Give a list of five functional budget.
8. State the merits and demerits of pay back period method.

PART B — (7 × 10 = 70 marks)

Answer any SEVEN questions.

9. What is double entry system? Discuss the rules of double entry system.

10. The following are the balances of Shri Gupta as on 30th June 2009

Cash in hand	540	Investment	10,000
Cash at bank	2630	Patents	7,500
Purchases	40,675	Salaries	15,000
Return inwards	680	General expenses	3,000
Wages	8,480	Insurance	600
Fuel and power	4,730	Drawings	5,245
Carriage on sales	3,200	Sundry debtors	14,500
Carriage on purchases	2,040	Credit balance :	
Stock (1 st July 2008)	5,760	Sales	98,780
Buildings	22,000	Return outwards	500
Free hold land	10,000	Capital	62,000
Machinery	20,000	Sundry creditors	6,300
		Rent	9,000

Taking into account the following adjustments prepare the trading and profit and loss account balance sheet as on 30th June 2009.

- (a) Stock on hand on 30th June 2009 is Rs. 6,800
- (b) Machinery is to be depreciated at the rate of 10% and patents at the rate of 20%
- (c) Salaries for the month of June, 2009 amounting to Rs. 1,500 were unpaid
- (d) Insurance includes a premium of Rs. 170 on a policy expiring on 31st December 2009
- (e) Bad debts are Rs.725
- (f) Rent received in advance Rs. 1,000
- (g) Interest on investment of Rs. 2,000 is accrued.

11. Examine the relationship between liquidity solvency and profitability.

12. Siva manufacturing co has drawn up to following trading and profit loss account for the year ended 31st March, 2009

To Opening stock	26,000	By Sales	1,60,000
To Purchase	80,000	by Closing stock	38,000
To Wages	24,000		
To Manufacturing expenses	16,000		
To Gross profit c/d	52,000		
	<u>1,98,000</u>		<u>1,98,000</u>

To Selling and distribution expenses	4,000	By Gross profit b/d	52,000
To Administration expenses	22,800	By Compensation for acquisition of land	4,800
To general expense	1,200		
To Value of furniture (lost by fire)	800		
To Net profit	28,000		
	<u>56,800</u>		<u>56,800</u>

You are required to calculate :

- (a) Gross profit ratio
 - (b) Net profit ratio
 - (c) Operating ratio
 - (d) Operating profit ratio.
13. "Marginal costing is helpful for profit planning"
Explain.

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[P.T.O.]

14. A firm can purchase a spare part from an outside source @ Rs. 11 per unit there is a proposal that the spare part be produced in the factory itself. For this purpose a machine costing Rs. 1,00,000 with annual capacity of 20,000 units and a life of 10 years will be required. A foreman with a monthly salary of Rs. 500 will have to be engaged. Materials required will be Rs. 4/ – per unit and wages Rs. 2.00 per unit. Variable overheads are 150% of direct labour. The firm can easily raise funds @ 10% p.a Advice the firm whether the proposal should be accepted.
15. Enumerate the steps involved in budgetary control.
16. The expenses budgeted for production of 10,000 units in a factory are furnished below

	Per unit Rs.
Materials	70
Labour	25
Variable factory overhead	20
Fixed factory over heads (Rs. 1,00,000)	10
Variable expenses (Direct)	5
Selling expenses (10% fixed)	13
Distribution expenses (20% fixed)	7
Administrative expenses (Fixed Rs. 50,000)	5
Total cost of sales per unit	<u>155</u>

You are required to prepare a budget for the production of 6,000 units and 8,000 units.

17. What is cost of capital? Explain its significance.
 18. Venus Ltd issued 10,000 9% debenture of Rs. 100 each at a premium of 5%. The maturity period is 5 years and the tax rate is 50%. Compute the cost of debentures to the company if the debentures are redeemable at par.
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