(8 pages)

MAY 2016 **P/ID 17513/PCASN**

Time : Three hours Maximum : 100 marks

PART A — (6 × 5 = 30 marks)

Answer any SIX questions.

1. What are the main functions of accounting?

2. State the objectives of Financial statements.

3. From the following particular, calculate GP ratio.

	Rs.
Opening stock	25,000
Purchases	80,000
Closing stock	35,000
Purchase returns	2,000
Sales	1,05,000
Sales returns	5,000

4. What are the limitations of marginal costing?

5. State the advantages of budgeting control.

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 600 units of 01, 02, 03, 04, 05.

Material No.	Product A kg	Product B kg	Rate per kg
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 of Payback method?

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 Payback period from the following information.

	Machine M	Machine N
Estimated life of machine	4 years	5 years
	Rs.	Rs.
Cost of machine	9,000	18,000
Estimated savings in scrap	500	800
Estimated savings in direct wages	6,000	8,000
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. Explain the advantages and limitations of double entry system.

10. The following is the trial balance of Raja Jewellers as on 31st December 1995.

Debit balance	Rs.	Credit balance	Rs.
Opening inventory	72,000	Capital	5,00,000
Purchase	2,25,000	Sales	3,50,000
Furniture	15,000	Purchase	
Motor car	30,000	returns	1,800
Building	4,25,800	Ram	32,000
Sanjay	12,000	Shyam	24,000
Kishore	20,000	Commission	7,500
Raghav	18,000		
Advertisement	22,000		
Repairs and maintenance	13,000		
General expenses	16,000		
Insurance	7,000		
Cash in hand	3,500		
Cash at bank	6,000		
Salaries	30,000		
	9,15,300		9,15,300

You are required to draft Profit and loss account and Balance Sheet as on 31st December 1995 after taking into account the following adjustments :

(a) Closing inventory as at 31.12.1995 Rs. 80,000.

(b) Interest on capital at 6 percent.

(c) Prepaid advertisement Rs. 2,000.

(d) Goods used for domestic purpose Rs. 1,800.

(e) Outstanding salaries Rs. 3,000.

(f) Depreciation on buildings at 5% furniture at 5% motor car at 10%.

11. Describe the various methods of classification of rations.

12. From the following particular extracted from the financial statement of ABC & Co. compute (a) Current ratio (b) Liquid ratio (c) Inventory turnover ratio (d) Debtors turnover ratio and (e) Creditors turnover ratio.

	Rs.
Opening stock	47,000
Closing stock	53,000
Sales less returns	2,52,000
Provision for bad debts	2,000
Sundry creditors	32,000

	Rs.
Loose tools	4,000
Purchase	1,80,000
Sundry debtors	42,000
Cash	10,000
Bank	8,000
Bills receivable	15,000
Bills payable	29,000
Provision for taxation	15,000
Marketable securities	8,000

13. Mr. X has a Rs. 1,50,000 investment in a business. He wants a 15% return on his money. From an analysis of recent cost figure he finds that his variable cost of operating is 60% of sales; his fixed costs are Rs. 75,000 per year. Show supporting computations for each answer.

    (a) What sales volume must be obtained to break-even?

    (b) What sales volume must be obtained to get his 15% return on investment?

    (c) Mr. X estimates that even if he closed the doors of his business he would incur Rs. 25,000 expenses per year. At which sales would he be better off by locking his sales up?

14. Discuss the managerial uses of marginal costing.

15. What is flexible budget? How is it prepared?

16. Prepare a flexible budget from the following data made available in respect of a half-yearly period and forecast the working result at 70%, 85% and 100% of capacity when the respective sales are Rs. 50 lakhs, Rs. 60 lakhs and Rs. 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% of 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
Variable :	
Material	12.00
Labour	13.00
Other expenses	2.00

	(Amount in lakhs) (Rs.)
Fixed :	
Wages and salaries	4.20
Rent, rates and taxes	2.80
Depreciation	3.50
Sundry overheads	4.50
	51.00

17. Explain the various project appraisal methods.

18. A company is considering to expand its production. It can go in either for an automatic machine costing Rs. 2,24,000 with an estimated life of $5\frac{1}{2}$ years or an ordinary machine costing Rs. 60,000 having an estimated life of 8 years. The annual sales and costs are estimated as follows.

	Automatic machine	Ordinary machine
	Rs.	Rs.
Sales	1,50,000	1,50,000
Costs :		
Material	50,000	50,000
Labour	12,000	60,000
Variable overheads	24,000	20,000

Compute the comparative profitability of the proposals under the 'Pay-back period' and 'Return on Investment' methods. Explain the difference in the results obtained under the two methods.