

(6 pages)

MAY 2011

P/ID 17404/RBD

Time : Three hours

Maximum : 75 marks

PART A — (5 × 5 = 25 marks)

Answer ALL questions.

All questions carry equal marks.

1. (a) State any five advantages of Double Entry system.

Or

- (b) Distinguish between Trial balance and Balance sheet.

2. (a) What are the advantages of Ratio analysis?

Or

- (b) What are the advantages of capital budgeting?

3. (a) What are the factors affecting working capital?

Or

- (b) Distinguish between budgets and forecasts.

4. (a) From the following details of a business concern calculate net profit ratio.

	Rs.		Rs.
Sales	7,00,000	Cost of goods sold	3,00,000
Administrative expenses	1,00,000	Selling expenses	20,000

Or

- (b) The fixed expenses of an industrial concern amount to Rs. 1,80,000. Its variable cost per unit is Rs. 30 and selling price is Rs. 40 per unit. Calculate BEP.
5. (a) A project costs Rs. 7,80,000 and yields annually a profit of Rs. 1,35,200 after depreciation of 12% p.a. but before tax at 25%. Calculate pay-back period.

Or

- (b) A firm purchased a machine for Rs. 1,00,000 on 1-1-2005. Depreciation is written off @ 10% on straight line method. The firm closes its books on 31st December each year. Show the machinery account upto 31-12-2007.

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

All questions carry equal marks.

6. Explain different techniques of capital budgeting.
7. Discuss the advantages and limitations of budgetary control.
8. Discuss the advantages and disadvantages of
 - (a) Straight line method
 - (b) Written down value method.
9. Mani Ltd. is considering expansion facilities. It has collected details about two models of machine. Model 'A' costs Rs. 5,40,000 and has on life of 6 years where as model 'B' costs Rs. 1,40,000 and has a life of 7 years. The following are the estimates of sales and costs per year.

	Machine A (Rs)	Machine B (Rs)
Costs : Materials	40,000	40,000
Labour	20,000	80,000
Overheads (excluding depreciate)	50,000	50,000
Sales	2,50,000	2,50,000

Depreciation is to be charged on straight line basis. Tax rate may be taken at 30%. Calculate the ARR on the basis of original investment for the both machines. Which machine do you recommend?

10. From the particulars given below calculate :

- (a) Break even point
- (b) Profit or loss when sales are Rs. 12,000
- (c) Sales required to earn a profit of Rs. 5,000

Period	Sales	Profit /Loss (-)
I	10,000	-500
II	14,000	1,500

11. Find out fixed assets and gross profit from the following information :

Sales Rs. 10,00,000

Gross profit Ratio 25%

Fixed assets turnover ratio (on cost of sales) 5 times.

12. The following is the comparative Balance sheet of P and Co. Ltd as on 30 June 2003 and 30 June 2004

Balance sheet					
Liabilities	Assets				
	Rs.	Rs.	Rs.	Rs.	
Share capital	1,80,000	2,00,000	Good will	24,000	20,000
Reserve fund	28,000	36,000	Buildings	80,000	72,000
P and L a/c	39,000	24,000	Machines	74,000	72,000
Trade creditors	16,000	10,800	Investment	20,000	22,000
Bank O.D	12,400	2,600	Investors	60,000	50,800
Provisions for tax	32,000	34,000	Debtors	40,000	44,400
Provision for doubtful debts	3,800	4,200	Cash	13,200	30,400
	<u>3,11,200</u>	<u>3,11,600</u>		<u>3,11,200</u>	<u>3,11,600</u>

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[P.T.O.]

Additional information :

- (a) Depreciation charged on machinery Rs. 10,000 and on building Rs. 8,000
- (b) Investment sold during the year Rs. 3,000
- (c) Rs. 15,000 interim dividend paid during January 2004
- (d) Taxes paid during the year Rs. 30,000

Prepare

- (i) A statement of changes in working capital
- (ii) A fund flow statement.

13. From the following balances of Ashok, prepare trading a/c , profit and loss a/c and Balance sheet as at 31. December 2005

Credit balances	Rs.
Capital	72,000
Creditors	17,440
Bills payable	5,054
Sales	1,56,364
Loan	24,000
Debit balances	
Debtors	7,770
Salaries	8,000
Discount	2,000
Postage	546
Bad debts	574

Interest	2,590
Insurance	834
Machinery	20,000
Stock (1.1.2005)	19,890
Purchases	1,24,184
Wages	8,600
Buildings	47,560
Furniture	32,310

Closing stock on hand on 31-12-2005
Rs. 28,600.
