

(7 pages)

OCTOBER 2012

P/ID 17404/RBD

Time : Three hours

Maximum : 75 marks

PART A — (5 × 5 = 25 marks)

Answer ALL questions.

1. (a) What are the two methods of accounting?

Or

(b) What are the objects of preparing a Trial Balance?

2. (a) Distinguish between straight line method and the written down value method of depreciation.

Or

(b) What are liquidity ratios?

3. (a) Explain the meaning of fixed working capital.

Or

(b) Shakura Ltd. provides the following information :

	Rs.
Cash sales during the year	1,50,000
Credit sales during the year	2,70,000
Return's inwards	20,000

	Rs.
Trade debtors in the beginning	50,000
Bills receivable in the beginning	5,000
Trade debtors at the end	42,000
Bills receivable at the end	3,000
Provision for bad and doubtful	5,000

Calculate :

- (i) Debtors Turnover Ratio.
- (ii) Average Turnover Period.

4. (a) From the following particulars, find out the B.E.P. What will be the selling price per unit if B.E.P. is to be brought down to 9000 units.

	Rs.
Variable cost per unit	75
Fixed expenses	2,70,000
Selling price per unit	100

Or

- (b) A product requires 20 kgs of material at Rs. 4 per kg. The actual consumption of material for the manufacturing of product came to 24 kgs of material at Rs. 4.50 per kg.

Calculate :

- (i) Material cost variance.
- (ii) Material price variance.
- (iii) Material usage variance.

5. (a) Write a note on production budget.

Or

(b) A project costs Rs. 20,00,000 and yields annually a profit of Rs. 3,00,000 after depreciation at 10% p.a. but before tax of 50%. Calculate the pay-back period.

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

- 6. Explain the importance of adequate working capital.
- 7. Briefly explain the advantages of budgetary control.
- 8. Explain the advantages of standard costing.

9. From the following particulars, calculate :

- (a) Current ratio.
- (b) Liquid ratio.
- (c) Proprietary ratio.
- (d) Capital gearing ratio.

Liabilities	Rs.	Assets	Rs.
5000 equity shares of Rs. 100 each	5,00,000	Land & Building	6,00,000
		Plant and Machinery	5,00,000
2000 8% preference shares of Rs. 100 each	2,00,000	Stock	2,40,000
		Debtors	2,00,000
4000 9% debentures of Rs. 100 each	4,00,000	Cash and bank	55,000
		Pre-paid expenses	5,000
Reserves	3,00,000		
Creditors	1,50,000		
Bank overdraft	50,000		
	<u>16,00,000</u>		<u>16,00,000</u>

10. The following are the balances extracted from the books of Thiru Gokulnath as on 31.12.2006. Prepare Trading and Profit and Loss a/c for the year ended 31st December, 2006 and a Balance Sheet as on that date.

Debit Balance	Rs.	Credit Balance	Rs.
Opening stock	20,000	Capital	1,00,000
Machinery	40,000	Purchases returns	1,000
Purchases	70,000	Sales	90,000
Sales returns	1,000	Creditors	29,000

4

P/ID 17404/RBD

[P.T.O.]

Debit Balance	Rs.	Credit Balance	Rs.
Wages	2,000		
Salaries	5,000		
Office rent	2,000		
Insurance	1,000		
Debtors	50,000		
Cash	4,000		
Bank	25,000		
	<u>2,20,000</u>		<u>2,20,000</u>

Adjustments :

- (a) Closing stock is valued at Rs. 20,000.
- (b) Outstanding salaries Rs. 1,000.
- (c) Prepared insurance Rs. 500.
- (d) Bad debts Rs. 1,000.
- (e) Provide 10% depreciation on machinery.

11. The summarised balance sheets of Kumar Ltd. as on 31.3.2005 and 31.3.2006. Prepare a cash flow statement.

Liabilities	2005	2006	Assets	2005	2006
	Rs.	Rs.		Rs.	Rs.
Share capital	10,000	10,000	Goodwill	1,200	1,200
General reserve	1,400	1,800	Land	4,000	3,600
Profit & Loss a/c	1,600	1,300	Building	3,700	3,600

Liabilities	2005	2006	Assets	2005	2006
	Rs.	Rs.		Rs.	Rs.
Sundry creditors	800	540	Inventories	3,000	2,340
Outstanding exp.	120	80	Debtors	2,000	2,220
Provision for taxation	1,600	1,800	Bank	660	1,520
Provision for bad debts	40	60	Investments	1,000	1,100
	<u>15,560</u>	<u>15,580</u>		<u>15,560</u>	<u>15,580</u>

Additional Information :

- (a) A piece of land has been sold for Rs. 400.
- (b) Depreciation of Rs. 700 has been charged on building.
- (c) Provision for taxation Rs. 1,900 has been made during the year.

12. You are given the following data for the year 2004 of the company.

Variable cost Rs. 6,00,000

Fixed cost Rs. 3,00,000

Net profit Rs. 1,00,000

Sales Rs. 10,00,000.

Find :

- (a) P/V Ratio.
- (b) B.E.P.
- (c) Profit when sales amounted to Rs. 12,00,000.
- (d) Sales required to earn a profit of Rs. 2,00,000.

13. Calculate discounted pay-back period from the details given below :

Cost of project Rs. 6,00,000. Life of the project 5 years. Annual cash inflow Rs. 2,00,000. Cut-off rate 10%.

Year :	1	2	3	4	5
Discounting factor :	0.909	0.826	0.751	0.683	0.621