(8 pages)

OCTOBER 2011 **P/ID 17404/RBD**

Time : Three hours Maximum : 75 marks

PART A — ($5 \times 5 = 25$ marks)

Answer ALL questions.

All questions carry equal marks.

1. (a) State the merits and demerits of Diminishing Balance Method.

Or

(b) State the various causes for Depreciation.

2. (a) Write a note on :

(i) ARR method

(ii) IRR method.

Or

(b) Explain the objectives of Accounting.

3. (a) Explain the advantages of Marginal Costing.

Or

(b) State the essentials of a Good Budget.

4. (a) Prepare a trading account of a trader for the year ending 31/12/2006 from the following data :

	Rs.
Opening stock (1.1.2006)	50,000
Goods purchased during the year	2,80,000
Freight	20,000
Closing stock (31.12.2006)	60,000
Sales	3,80,000
Packing expenses on sales and distribution	12,000

Or

(b) Evaluate the following two projects on pay-back period. Which project can be accepted?

	Project *X*	Project *Y*
	Rs.	Rs.
Original investment	35,000	15,000
Annual cash inflows	15,000	7,500
Life of project	7 years	2 years

5. (a) Find out creditors from the following data :

Purchases Rs. 7,00,000;

Cash purchases Rs. 1,00,000

Bills payable Rs. 25,000

Creditors turnover 2 months.

Or

(b) Calculate (i) BEP (Rs.) (ii) P/V ratio.

	Rs.
Sales	6,00,000
Fixed expenses	1,50,000
Variable cost	
Direct material	2,00,000
Direct labour	1,20,000
Other expenses	80,000

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

All questions carry equal marks.

6. Explain the advantages and limitations of ratio analysis.

7. Explain the features and merits of capital budgeting.

8. Explain the advantages and disadvantages of accounting.

9. You are given the following data for the year 2003 for a factory :

   Output 40,000 units

   Fixed expenses Rs. 2,00,000

   Variable cost per unit Rs. 10

   Selling price per unit Rs. 20

   How many units must be produced and sold in the year 2004, if it is anticipated that selling price would be reduced by 10%, variable cost would be Rs. 12 per unit and fixed cost will increase by 10%. the factory would like to make a profit in 2004 equal to that of profit in 2003.

10. Given :

   Current ratio = 2.8

   Acid-test ratio = 1.5

   Working capital = Rs. 3,24,000.

   Calculate

   (a) Current assets

   (b) Current liabilities

   (c) Liquid assets

   (d) Stock.

11. The following are the summarised Balance sheet of Maha Industries Ltd., as on 31.12.2002 and 31.12.2003 :

Balance Sheet

Liabilities	2002	2003	Assets	2002	2003
	Rs.	Rs.		Rs.	Rs.
Capital			Fixed assets	41,000	40,000
Preference shares	-	10,000	Less depreciate	11,000	15,000
Equity shares	40,000	40,000		30,000	25,000
General reserve	2,000	2,000	Stock	30,000	35,000
Profit and loss A/c	1,000	1,200	Debtors	20,000	24,000
Debentures	6,000	7,000	Prepaid expenses	300	500
Creditors	12,000	11,000	Cash	1,200	3,500
Provision for tax	3,000	4,200			
Proposed dividends	5,000	5,800			
Bank overdraft	12,500	6,800			
	81,500	88,000		81,500	88,000

Prepare

(a) a statement showing change in working capital.

(b) a statement of sources and applications of funds.

12. Two projects M and N which are mutually exclusive are being under consideration. Both of them require an investment of Rs. 1,00,000 each. The net cash inflows are estimated as under :

Year	M	N
	Rs.	Rs.
1	10,000	30,000
2	40,000	50,000
3	30,000	80,000
4	60,000	40,000
5	90,000	60,000

The company's targetted rate of return on investments is 12%. You are required to assess the projects on the basis of their present values, using NPV method.

Present value of Re. 1 at 12% interest for 5 years are given below :

I Year	: 0.893
II Year	: 0.797
III Year	: 0.712
IV Year	: 0.636
V Year	: 0.567

13. From the following Trial Balance of Ravi, prepare Trading and Profit and Loss Account for the year ended Dec. 2003 and a Balance sheet as on that date :

Trial Balance :

Particulars	Debit (Rs.)	Credit (Rs.)
Capital	–	40,000
Sales	–	25,000
Purchases	15,000	–
Salaries	2,000	–
Rent	1,500	–
Insurance	300	–
Drawings	5,000	–
Machinery	28,000	–
Bank	4,500	–
Cash	2,000	–
Stock 1.1.2003	5,200	–

Particulars	Debit (Rs.)	Credit (Rs.)
Debtors	2,500	–
Creditors	-	1,000
	66,000	66,000

Adjustments :

(a) Stock on 31.12.2003 Rs. 4,900

(b) Salaries outstanding Rs. 300

(c) Rent paid in advance Rs. 200

(d) Insurance prepaid Rs. 90