(7 pages)

**MAY 2012** **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 objectives accounting.

Or

(b) How to prepare the trial balance?

2. (a) What is the necessity for providing depreciation?

Or

(b) State any five limitations of ratio analysis.

3. (a) What are the advantages of adequate working capital?

Or

(b) From the following profit and loss account calculate

(i) Net profit ratio

(ii) Administrative expenses ratio

| | Rs. | | Rs. |
|---|---|---|---|
| To administrative exp. | 1,600 | By gross profit | 2,500 |
| To selling expenses | 300 | | |
| To finance expenses | 100 | | |
| To net profit | 500 | | |
| | 2,500 | | 2,500 |

Sales Rs. 10,000.

4. (a) From the following particulars, calculate the break even point.

   Variable cost per unit Rs. 12

   Fixed expenses Rs. 60,000

   Selling price per unit Rs. 18.

   Or

   (b) State any five types of variances.

5. (a) Calculate the pay-back period for a project which requires a cash outlay Rs. 2,00,000 and generates cash inflows of Rs. 80,000, Rs. 40,000, Rs. 70,000, Rs. 30,000 and Rs. 10,000 in the first, second, third, fourth and fifth year respectively.

   Or

   (b) What are the differences between forecast and a budget?

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

All questions carry equal marks.

6. What factors would you take into consideration in planning the working capital requirement of a firm?

7. Mention the merits and demerits of accounting rate of return.

8. Discuss the preliminary steps involved in establishing system of standard costing.

9. From the following balance sheet calculate.

   (a) Debt-equity ratio

   (b) Liquidity ratio

   (c) Fixed assets to current assets ratio

   (d) Fixed asset turnover ratio.

| Liabilities | Rs. | Assets | Rs. |
|---|---|---|---|
| Equity shares | 1,00,000 | Goodwill | 60,000 |
| Reserves | 20,000 | Fixed assets | 1,40,000 |
| Profit & loss a/c | 30,000 | Stock | 30,000 |
| Secured loan | 80,000 | Sundry debtors | 30,000 |
| Sundry creditors | 50,000 | Advances | 10,000 |
| Provision for taxes | 20,000 | Cash balance | 30,000 |
| | 3,00,000 | | 3,00,000 |

The sales for the year was Rs. 5,60,000.

10. On 31st December 2006 the following trial balance was extracted from the books of Rajan and Co.

| Debit balance | Rs. | Credit balance | Rs. |
|---|---|---|---|
| Plants and machinery | 80,000 | Capital | 50,000 |
| Purchases | 60,000 | Sales | 1,77,000 |
| Returns | 1,000 | Returns | 750 |
| Opening stock | 30,000 | Discount | 800 |
| Discount | 350 | Creditors | 25,000 |
| Bank charges | 75 | Bad debts provision | 525 |
| Debtors | 45,000 | | |
| Salaries | 6,800 | | |
| Wages | 10,000 | | |
| Carriage inwards | 750 | | |
| Carriage outwards | 1,200 | | |
| Rent, rates and taxes | 10,000 | | |
| Advertisement | 2,000 | | |
| Cash in hand | 900 | | |
| Cash at bank | 6,000 | | |
| | 2,54,075 | | 2,54,075 |

You are asked to prepare trading, profit and loss accounting for the year ended 31st December 2006 and the balance sheet as on that date. The following adjustments are required

(a) Closing stock Rs. 35,000

(b) Depreciation of plant and machinery at 6%

(c) Bad debts provision to be adjusted to Rs. 500

(d) Interest on capital account to be allowed at 5% per annum.

11. Balance sheet of Balu Company are given below.

| Liabilities | 2004 | 2005 | Assets | 2004 | 2005 |
|---|---|---|---|---|---|
| | Rs. | Rs. | | Rs. | Rs. |
| Share capital | 1,00,000 | 1,50,000 | Land and | | |
| General reserve | 50,000 | 60,000 | buildings | 1,00,000 | 90,000 |
| Profit & | | | Machinery | 1,00,000 | 1,19,000 |
| loss a/c | 30,500 | 30,000 | Stock | 50,000 | 24,000 |
| Bank loan | 70,000 | – | Debtors | 75,000 | 63,200 |
| Sundry creditors | 50,000 | 37,200 | Cash | 2,500 | 16,000 |
| Provision for | | | Goodwill | 5,000 | – |
| tax | 32,000 | 35,000 | | | |
| | 3,32,500 | 3,12,200 | | 3,32,500 | 3,12,200 |

During the year ended 31st December 2005.

(a) Dividend paid Rs. 23,000

(b) Depreciation written off :

Machinery Rs. 14,000

Building Rs. 10,000

(c) Income tax paid Rs. 28,000

Prepare the following statements :

(i) Statement of changes in working capital

(ii) Fund flow statement.

12. Assuming that the cost structure and selling price remain the same in periods I and II find out.

(a) Profit volume ratio

(b) Fixed cost and B.E.P.

(c) Profit when sales are Rs. 1,00,000

(d) Sales required to earn a profit of Rs. 20,000

(e) Margin of safety for II period

| Period | Sales | Profit |
|---|---|---|
| I | Rs. 1,20,000 | Rs. 9,000 |
| II | Rs. 1,40,000 | Rs. 13,000 |

13. The Manekshaw Company Ltd., is considering two projects each requires an investment of Rs. 1,00,000. The net cash inflows from investment in the two projects X and Y are as follows :

| Year | X | Y |
|---|---|---|
| | Rs. | Rs. |
| 1 | 20,000 | 20,000 |
| 2 | 35,000 | 22,000 |
| 3 | 35,000 | 22,000 |
| 4 | 20,000 | 18,000 |
| 5 | 25,000 | 18,000 |

You are required to rank these projects according to the pay-back method.