

(6 pages)

MAY 2013

P/ID 17404/RBD

Time : Three hours

Maximum : 75 marks

PART A — (5 × 5 = 25 marks)

Answer ALL questions.

1. (a) Briefly explain about 'accounting cycle'.
Or
(b) What are different accounting policies?
2. (a) Briefly explain the various costs of receivables.
Or
(b) How to control receivables?
3. (a) Briefly explain the types of working capital.
Or
(b) Cost of goods sold = Rs. 8,00,000
Opening inventory = Rs. 1,00,000
Closing inventory = Rs. 3,00,000
Calculate inventory turnover ratio.

4. (a) The break even point of AB Ltd is Rs. 60,000. Fixed cost is Rs. 24,000 and variable cost is Rs. 6 per unit. Calculate
- (i) Contribution margin ratio
 - (ii) Selling price per unit
 - (iii) Margin of safety at the sales level of 5,000 units.

Or

- (b) What are the basic assumptions of break even point?
5. (a) A project costs Rs. 1,00,000 and yields an annual cash inflow of Rs. 20,000 for 7 years. Calculate pay back period.

Or

- (b) What are the steps involved in standard costing?

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

6. Discuss the importance of working capital for a manufacturing concern.
7. Explain the process of capital budgeting.
8. Explain the important advantages of standard costing.

9. The capital of HL Ltd is as follows.

1,00,000 equity share of Rs. 10 each Rs. 10,00,000

10% 50,000 preference shares of Rs. 10 each
5,00,000

The following information is obtained from the books of the company

Profit after tax at 50% Rs. 3,00,000

Depreciation Rs. 70,000

Equity dividend paid 20%

Market price of equity share Rs. 50.

You are required to calculate

- (a) Dividend yield on equity shares
- (b) Cover for the preference dividend
- (c) Cover for the equity dividend
- (d) Earnings for share
- (e) The price earning ratio.

10. After taking in to account the following adjustments. Prepare trading and profit and loss a/c and balance sheet from the following information.

Adjustments :

- (a) Closing stock at the year end was Rs. 30,000
- (b) Create 40% provision for discount on debtors.

Particulars	Rs.	Particulars	Rs.
Opening stock	5,000	Capital	25,000
Machinery	25,000	Purchase returns	3,000
Purchases	50,000	Bills payable	10,000
Sales returns	3,000	Sales	1,50,000
Wages	12,000	Sundry creditors	6,000
Salaries	4,000	Provision for discount on debtors	1,000
Office rent	10,000		
Insurance	5,000		
Sundry debtors	20,000		
Cash	55,000		
Bank balance	6,000		
	<u>1,95,000</u>		<u>1,95,000</u>

11. From the following particulars, estimate net cash flow from investing activities.

	Purchase Rs.	Sales Rs.
Furniture	2,50,000	20,000
Good will	1,00,000	—
Investments	75,000	10,000
Interest received on debentures	5,000	
Dividend received on shares	7,500	
Dividend paid to share holders	10,000	

12. From the following data you are required to compute,

- (a) PV ratio
- (b) Break even sales with the help of P/V ratio.
- (c) Sales required to earn a profit of Rs. 4,50,000

Fixed expenses Rs. 90,000

Variable cost per unit :

Direct materials Rs. 5

Direct labour Rs. 2

Direct overheads 100% of direct labour

Selling price per unit Rs.12

13. A limited company is considering investing in a project requiring a capital outlay of Rs. 2,00,000. Forecast of annual income after depreciation but before tax is as follows

Year	Rs.
1	1,00,000
2	1,00,000
3	80,000
4	80,000
5	40,000

Depreciation may be taken as 20% on original cost and taxation at 50% of net income. Calculate

- (a) Payback method
- (b) Rate of return on original investment
- (c) Rate of return on average investment
- (d) Discounted cash flow method taking cost of capital at 10%
- (e) Excess present value index.