

MAY 2015

**P/ID 77504/PMBD/  
PMB1D/PMBSD**

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Time : Three hours

Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions.

1. Explain the functions of Management Accounting.
2. What are the limitations of accounting principles?
3. What is the need for preparing Trial Balance?
4. Explain the uses and limitations of Balance Sheet.
5. Explain the special features of Trend analysis.
6. What are turnover ratios? Discuss their significance.
7. What are the basic objectives for compiling a statement of sources and applications of funds?
8. A concern is considering two projects X and Y. Following are the particulars in respect of them:

	Project X	Project Y
Cost (Rs.)	1,40,000	1,40,000
Economic life (in years)	10	10
Estimated scrap (in Rs.)	10,000	14,000
Annual savings	25,000	20,000

Ignoring income-tax, recommend the best of these projects using

- (a) Pay-back period.
- (b) Post pay-back period and
- (c) Index of post pay-back profit.

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

9. “The convention of consistency is necessary for making the financial statements comparable”. Discuss.
10. A product passes through three processes A,B and C. The normal loss of each process is as follows process A – 3%, process B – 5% and process C – 8%. Loss of process A was sold at 25 paise per unit, that of B at 50 paise per unit and that of C at Rs.1.00 per unit.  
10,000 units were introduced to process A at Rs.1.00 per unit. The other expenses were as follows :

	Process		
	A	B	C
	Rs.	Rs.	Rs.
Materials	2,050	2,688	2,500
Labour	5,000	8,000	6,500
Actual output (in units)	9,500	9,100	8,100

Prepare the process accounts, assuming that there were no opening or closing stock.

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11. Discuss the advantage and limitations of Financial Statement Analysis.
12. Perfect Ltd. gives the following Balance Sheet. You are required to compute the following ratios :
- (a) Liquid Ratio.
  - (b) Debt-Equity Ratio.
  - (c) Solvency Ratio.
  - (d) Stock-Working Capital Ratio.

Balance Sheet as on 31<sup>st</sup> December

	Rs.		Rs.
Equity Share capital	15,00,000	Fixed assets	14,00,000
Reserves and Surplus	1,00,000	Stock	5,00,000
6% Debentures	3,00,000	Debtors	2,00,000
Overdraft	1,00,000	Cash	1,00,000
Creditors	2,00,000		
	<u>22,00,000</u>		<u>22,00,000</u>

13. Balance Sheets of M/s Black and White as on 1st January 2009 and 31st December 2009 were as follows :

Liabilities	Jan 2009 Rs.	Dec 2009 Rs.	Assets	Jan 2009 Rs.	Dec 2009 Rs.
Creditors	40,000	44,000	Cash	10,000	7,000
White's Loan	25,000	–	Debtors	30,000	50,000
Loan from bank	40,000	50,000	Stock	35,000	25,000
Capital	1,25,000	1,53,000	Machinery	80,000	55,000
			Land	40,000	50,000
			Buildings	35,000	60,000
	<u>2,30,000</u>	<u>2,47,000</u>		<u>2,30,000</u>	<u>2,47,000</u>

During the year machine costing Rs.10,000 (accumulated depreciation Rs.3,000) was sold for Rs.5,000. The provision for depreciation against machinery as on 1st January 2009 was Rs.25,000 and on 31st December 2009 Rs.40,000. Net profit for the year 2009 amounted to Rs.45,000.

Prepare Fund Flow Statement.

14. Discuss budgetary control and state its objectives.

15. A company working at 50% capacity manufactures 10,000 units of a product. At 50% capacity the product cost is Rs.180 and sale price is Rs.200. The break up of the cost is as below :

	Cost per unit
	Rs.
Material	100
Wages	30
Factory	30 (40% Fixed)
Administration overheads	20 (50% Fixed)

At 60% working raw material cost goes up by 2% and sales price falls by 2%. At 80% working the raw material cost increases by 5% and sale price decreases by same percentage is 5%.

Prepare a statement to show profitability at 60% and 80% capacity.

16. The following information is available for Job.321 which is being produced at the request of a customer

	Department A	Department B	Department C
Material consumed (Rs.)	4,000	1,000	1,500
Direct Labour			
Wage rate per hour (Rs.)	3	4	5
Direct Labour hours	300	200	400

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In accordance with company policy the following are chargeable to jobs.

Fixed production overheads Rs.5 per direct labour hour  
fixed administration overheads – 80% of works cost  
profit mark up – 20% margin on selling price.

Calculate the total cost and selling price of Job. 321.

PART C — (1 × 20 = 20 marks)

(Compulsory)

17. The following balances are extracted from the books of account of M/s Modern food industries limited as on 31<sup>st</sup> March 2006.

Particulars	Rs.
Share capital : 1,00,000 Equity shares of Rs.10 each	10,00,000
Freehold premises	7,00,000
Leasehold premises	5,00,000
5000, 6% Debentures of Rs.100	5,00,000

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Particulars	Rs.
Bank Balance	10,500
General Reserve	75,000
Motor car	1,15,000
Plant and Machineries	2,70,000
Sinking fund for leasehold premises	15,000
Sundry debtors	2,50,000
Computer	30,000
Profit and Loss account :	6,17,455
Goodwill	2,00,000
Stock	1,30,000
Cash in hand	1,955

At the meeting of Board of Directors, it was decided to provide

- (a) 3% depreciation on freehold factory premises.
- (b) 10% bonus on the year's salary to office staff of Rs.80,000.
- (c) 15% bonus on the year's wages to factory workers of Rs.1,00,000.
- (d) 10% sinking fund on leasehold premises.
- (e) Rs.3,000 as director's fees.

- (f) 15% dividend for the year to shareholders ignoring income tax.
- (g) Transfer Rs.30,000 to general reserve account.

Prepare Profit and Loss account, Profit and Loss appropriation account and Balance sheet in the prescribed form as per schedule VI of the Companies Act, 1956, as on 31.3.2006.

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