



Name : .....

Roll No. : .....

Invigilator's Signature : .....

**CS/B.Tech (CE-New)/SEM-8/CE-804/2010**

**2010**

**ACCOUNTANCY & ECONOMICS**

Time Allotted : 3 Hours

Full Marks : 70

*The figures in the margin indicate full marks.*

*Candidates are required to give their answers in their own words  
as far as practicable.*

**GROUP – A**

**( Multiple Choice Type Questions )**

1. Choose the correct alternatives for any *ten* of the following :

10 × 1 = 10

- i) Classified summary of all transactions is called
  - a) Cash Book
  - b) Journal
  - c) Ledger
  - d) Trial Balance.
- ii) Which of the following accounts would be found in the debtors ledger ?
  - a) Sales
  - b) Returns inward
  - c) S. Roy, a customer
  - d) H. Ahuja, a supplier.



iii) The verification that the debits and credits in the ledger are equal is called a

- a) Bank Reconciliation Statement
- b) Trial Balance
- c) Balance Sheet
- d) Journal.

iv) Current assets of a manufacturing business do not include

- a) stock of finished goods
- b) stock of work-in progress
- c) stock of raw materials
- d) stock of loose tools.

v) Depreciation arises from

- a) physical wear and tear
- b) fall in the value of money
- c) fall in the market value of an asset
- d) loss in business.



- vi) Purchase of machine for cash
- a) increases total assets
  - b) leaves total assets unchanged
  - c) decreases total assets
  - d) decreases liabilities.
- vii) Time value of money is not considered under
- a) net present value method
  - b) average rate of return method
  - c) profitability index method
  - d) none of these.
- viii) Capital asset pricing model is used to calculate the cost of
- a) equity share capital
  - b) preference share capital
  - c) debt capital
  - d) retained earnings.



ix) A budget that estimates costs at several levels of activity is known as

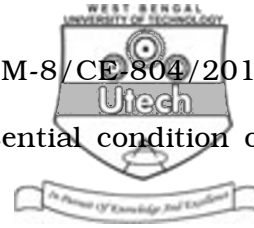
- a) Cash budget                      b) Zero-base budget
- c) Master budget                      d) Flexible budget.

x) The corporate tax rate has an impact on the calculation of cost of

- a) equity shares                      b) preference shares
- c) debentures                      d) none of these.

xi) Suppose a firm is producing a level of output such that  $MR > MC$ . What should firm do to maximize its profits ?

- a) The firm should do nothing
- b) The firm should hire less labour
- c) The firm should increase price
- d) The firm should increase output.



xii) Which of the following is not an essential condition of pure competition ?

- a) Large number of buyers and sellers
- b) Homogeneous product
- c) Freedom of entry
- d) Absence of transport cost.

**GROUP – B**

**( Short Answer Type Questions )**

Answer any *three* of the following.  $3 \times 5 = 15$

2. From the information given below, prepare the account of Anwesa Bose as it would appear in the Ledger of Arnab Chatterjee, a sole trader, for the month of February, 2010 :

2010

- February 01    Balance due from A. Bose Rs. 1,600
- February 05    Sold to A. Bose, goods to the value of  
Rs. 3,000, less  $33\frac{1}{3}\%$  trade discount.
- February 08    A. Bose returned goods catalogued at Rs. 420
- February 15    A. Bose paid the balance due on 1st February,  
less 5% cash discount.
- February 18    Received a debit note from A. Bose for Rs. 40  
in respect of carriage on goods returned on  
8th February.

Balance the account on the closing day of the month.

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3. How will you calculate the overall cost of capital ?
4. M/s X Co. Ltd. issues 10% debenture of Rs. 10,000 each to be redeemed after 10 years. The company is in the 35% tax bracket. Compute the cost of debentures if it was issued at a discount of 10% and redeemable at a premium of 10%. Floatation cost is 2% on issue price.
5. Journalise the following transactions :
  - a) Purchased 15 pcs. furniture @ Rs. 2,000/- each by cash for the following purposes.
    - 10 for reselling
    - 3 for office use
    - 2 for personal use.
  - b) Goods of Rs. 7,000/- were destroyed by fire and an insurance claim of Rs. 5,500/- is realizable against it.

3 + 2

6. Write short notes on the price elasticity of demand.



**GROUP – C**

**( Long Answer Type Questions )**

Answer any *three* of the following.

3 × 15 = 45

7. A proforma cost sheet of a company provides the following data :

	<b>Per unit (Rs.)</b>
Raw material cost	117
Direct Labour cost	49
Factory overhead cost	98
( includes depreciation of Rs. 18 per unit at budget level of activity )	
Total cost per unit	264
Profit	36
Selling price	300

Following additional information is available :

Average raw material in stock : 4 weeks

Average work-in-progress stock : 2 weeks

( Percentage completion with respect to :

Materials – 80%

Labour and overhead – 60% )

Finished goods in stock : 3 weeks

Credit period allowed to debtors : 6 weeks

Credit period available from creditors : 8 weeks

Time lag in payment of wages : 1 week

Time lag in payment of overheads : 2 weeks



The company sells one-fifth of the output against cash and maintains cash balance of Rs. 2,50,000. You are required to prepare a statement showing estimate of working capital needed to finance a budgeted activity level of 78,000 units of production. You may assume that production is carried on evenly throughout the year and wages and overheads accrue similarly.

8. Prepare Trading and Profit & Loss Account and Balance Sheet as on 31st March, 2010 from the following balance :

<b>Accounting Heads</b>	<b>Rs.</b>
Capital A/c	1,19,400
Drawings A/c	10,550
Sundry Creditors A/c	59,630
15% Loan A/c ( Cr. )	20,000
Cash in Hand	3,030
Cash at Bank	18,970
Sundry Debtors (including a dishonoured bill of Rs. 1,000)	62,000
Bills Receivable	9,500
Provision for doubtful debts	2,500
Fixtures & Fittings	8,970
Plant & Machinery	28,800
Stocks April 01, 2009	89,680

Continued .....





	<b>Accounting Heads</b>	<b>Rs.</b>
	Purchases	2,56,590
	Wages	40,970
	Sales	3,56,430
	Returns Inwards	2,780
	Salaries	11,000
	Rent & Taxes	5,620
	Interest & Discount ( Debit )	5,870
	Travelling Expenses	1,880
	Repairs and Renewals	3,370
	Insurance ( including premium of Rs. 300 p.a. paid up to September 30, 2010	400
	Bad Debts	3,620
	Commission Received	5,640

*Other Information :*

Stocks in hand on March 31, 2010 was Rs. 1,28,960. Write off half of dishonoured bill. Create a provision of 5% on Sundry Debtors. Charge 10% interest on capital. Wages include Rs. 1,200 for erection of new machinery purchased last year. Depreciate Plant and Machinery by 15% and Fixture and Fittings by 10% per annum. Commission earned but not received amount to Rs. 600. Interest on loan for the last two months is not paid.

3 + 6 + 6



9. What are the conditions for the equilibrium of a Monopoly Market ? How will a monopolist reach at its short-run equilibrium position ? Explain it with diagram. What do you mean by Price Discrimination ? What are the conditions for Price Discrimination ?

2 + 6 + 3 + 4

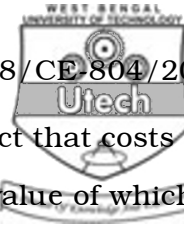
10. Distinguish between 'change in demand' and a 'change in the quantity demanded' noting the causes of each. Illustrate your answer with examples.
11. Construct the Break-even chart and determine BEP and P/V ratio from the following particulars :

Selling price per unit is Rs. 100

Variable cost is 60% of the selling price and

Fixed cost is Rs. 80,000 p.a.

If margin of safety is Rs. 1,00,000, determine the level of activity and calculate the profit.



12. A company is considering investing in a project that costs Rs. 1,00,000 and the estimated life and salvage value of which is 4 years and Rs. 24,010 respectively. The rate of tax is 30%. The rate of depreciation is 30% under reducing balance method.

The estimated cash inflows before depreciation and tax from the investment proposal are as follows :

1st year	—	Rs. 40,000/-
2nd year	—	Rs. 50,000/-
3rd year	—	Rs. 60,000/-
4th year	—	Rs. 30,000/-

Compute the following :

- Pay-back period
- Average Rate of Return
- Internal Rate of Return
- Net Present value at 10% discount rate

( Given PV factor at 10% 0.909, 0.826, 0.751 & 0.683 respectively )

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