(8 pages)

MAY 2023

P/ID 17613/PCAE3/PCAD1

Time : Three hours

Maximum : 80 marks

SECTION A — (10 × 2 = 20 marks)

Answer any TEN questions.

1. State the principle of double entry.

2. What is money measurement concept?

3. State the different categories in which the accounting transactions can be classified.

4. Who are the users of financial statements?

5. What is debt equity ratio?

6. What is proprietary ratio?

7. Give the meaning of absorption costing.

8. What is break-even point?

9. Define the term budget manual.

10. What is a fixed budget?

11. What is capital budgeting?

12. What is sensitivity analysis?

SECTION B — (5 × 6 = 30 marks)

Answer any FIVE questions.

13. Distinguish between Single Entry System and Double Entry System.

14. Journalize the following transactions and post them into the Ledger.

2011		Rs.
Jan.01	Surendran started business with cash	5,000
Jan.02	Goods purchased from Prasad on credit	200
Jan.03	Goods sold to Prem	500
Jan.04	Goods purchased from Ram for cash	400
Jan.05	Paid for wages	50
Jan.15	Goods purchased from Prem	100
Jan.17	Goods sold to Shyam	50
Jan.21	Goods purchased from Chandran	300
Jan.23	Paid for Interest	15
Jan.24	Goods purchased from Shyam	200
Jan.28	Cash received from Prem	100
Jan.31	Cash paid to Chandran	300
Jan.31	Paid for rent	10

15. Bring out the significance of Turnover Ratios.

16. Calculate BEP in units and value for the following:

Total cost	:	Rs.50,000
Variable cost	:	Rs.30,000
Sales (5000 units)	:	Rs.50,000

17. A manufacturing company submits the following figures of Product 'X' and Product 'Y' for the first quarter of 2003:

Sales (in units):

January	50,000
February	40,000
March	60,000

Selling price per unit Rs. 100

Target of First Quarter 2004;

Sales units increase by 20%

Selling price increase by 10%

Prepare the Sales Budget.

18. SK Manufacturing Company uses discounted payback period to evaluate investments in capital assets. The company expects the following annual cash flows from an investment of Rs.35,00,000. No salvage/residual value is expected. The company's cost of capital is 12%.

Years	Cash Flows (Rs.)	PV factor @ 12%
0	35,00,000	
1	9,00,000	0.893
2	9,00,000	0.797
3	9,00,000	0.712
4	9,00,000	0.636
5	9,00,000	0.567
6	9.00,000	0.507
7	9,00,000	0.452
8	9,00,000	0.404

Compute discounted payback period of the investment. Is the investment desirable if the required payback period is 4 years or less?

19. Discuss the limitations of published financial statements. Could you suggest some steps to overcome these limitations?

SECTION C — (3 × 10 = 30 marks)

Answer any THREE questions.

20. From the following balances extracted from the books of M/s. Gupta & Co., Prepare Trading, Profit and Loss Account and Balance Sheet as on 31.12.2011:

Particulars	Rs.	Particulars	Rs.
Opening Stock	1,250	Plant and Machinery	6,230
Sales	11,800	Returns Outwards	1,380
Depreciation	667	Cash in hand	895
Commission (Cr.)	211	Salaries	750
Insurance	380	Debtors	1,905
Carriage Inwards	300	Discount (Dr.)	328
Furniture	670	Bills Receivable	2,730
Printing Charges	481	Wages	1,589
Carriage Outwards	200	Returns Inwards	1,659
Capital	9,228	Bank Overdraft	4,000
Creditors	1,780	Purchases	8,679
Bills Payable	541	Petty Cash in hand	47
		Bad Debts	180

The value of stock on 31st December 2011 was Rs.3,700.

21. Jasmine manufacturing company has drawn up the following P&L account for the year ended 31st March 2001.

Particulars	Rs.	Particulars	Rs.
To Opening Stock	26,000	By Sales	1,64,000
To Purchases	80,000	By Closing Stock	34,000
To Wages	24,000		
To Manufacturing expenses	16,000		
To Gross Profit b/d	52,000		
	1,98,000		1,98,000
To Administration expenses	22,800	By Gross profit b/d	52,000
To Selling and Distribution expenses	4,000	By Compensation for Acquisition of land	4,800
To General expenses	1,200		
To Value of furniture lost by Fire	800		
To Net Profit c/d	28,000		
	56,800		56,800

You are required to find out the following ratios:

(a) Operating Ratio

(b) Ratio of Operating Net Profit

(c) Gross Profit Ratio

(d) Selling and Distribution Expenses Ratio

(e) Administration Expenses Ratio.

22. Quality Products Ltd., manufactures and markets a single product. The following are available.

	Per Unit Rs.
Material	16
Conversion costs (variable)	12
Dealer's margin (10% of sales)	4
Selling price	40
Fixed cost	Rs. 5 lakhs
Present sales	90,000 units
Capacity utilisation	60%

There is acute competition. Extra efforts are necessarily to sell. Suggestions that have been made for increasing sales were:

(a) Reducing the sale price by 5%

(b) Increasing dealer's margin by 25% over the existing rate

Which of these 2 suggestions would you recommend, if the company desired to maintain the same profit? Give reasons.

23. The cost of an article at a capacity level of 5,000 units is given below:

	Rs.	
Material cost	25,000	(100% variable)
Labour cost	15,000	(100% variable)
Power	1,250	(80% variable)
Repairs	2,000	(75% variable)
Stores	1,000	(100% variable)
Inspection	500	(20% variable)
Depreciation	10,000	(100% variable)
Administrative overheads	5,000	(25% variable)
Selling overheads	3,000	(25% variable)
	62,750	

Cost per unit Rs. 12.55. Find the unit cost of the product at production levels of 4,000 and 6,000 units.

24. Explain the key techniques adopted by the firms in capital budgeting process.