

(8 pages)

MAY 2021

**P/ID 17613/
PCAE3/PCAD1**

Time : Three hours

Maximum : 80 marks

SECTION A — ($10 \times 2 = 20$ marks)

Answer any TEN questions.

1. What do you mean by accounting?
2. What is business entity concept?
3. What is book keeping?
4. What is acid test ratio?
5. What is operating ratio?
6. What is break-even point?
7. What is contribution?
8. What is margin of profit?
9. What is a purchase budget?
10. What is cash budget?
11. What is project appraisal?
12. What is sensitivity analysis?

SECTION B — (5 × 6 = 30 marks)

Answer any FIVE questions.

13. Prepare Trial Balance as on 31.3.2012 from the following balances of Mr. Mohan.

	Rs.		Rs.
Capital	4,20,000	Machinery	60,000
Cash at bank	84,700	Cash in hand	25,000
Furniture	11,000	Rent	48,000
Opening stock	86,000	Commission	1,400
Purchases	94,000	Bad debts	3,200
Insurance	2,400	General expenses	800
Reserve for		Salaries	94,000
doubtful debts	7,300	Interest received	5,000
Unearned revenue	16,000	Sundry creditors	68,000
Building	1,15,000	Rates and Taxes	2,600
Car	68,000	Sundry debtors	16,200
Sales	1,96,000		
Closing stock	12,000		

14. Calculate Current Ratio from the following information:

Inventories	Rs.50,000
Trade receivables	Rs.50,000
Advance tax	Rs. 4,000
Cash and cash equivalents	Rs.30,000
Trade payables	Rs. 1,00,000
Short-term borrowings (bank overdraft)	Rs.4,000

15. What are the managerial uses of marginal costing? State its limitations.
16. M & N Co. manufactures two products A and B. An estimate of the number of units expected to be sold in the first six months of 2003 is given below.

2003	Product A	Product B
	Rs.	Rs.
January	2,000	4,000
February	2,400	3,800
March	2,500	3,600
April	3,000	3,200
May	3,200	3,000
June	3,600	2,800
July	3,600	2,400

It is anticipated that:

- (a) There will be no work-in-progress at the end of any month
- (b) Finished units equal to 20% of the anticipated sales for the next month will be in stock at the end of each month including December 2002.

Prepare a Production Budget showing the number of units to be manufactured each month.

17. A Ltd., is considering two Projects X and Y each costing Rs.20,000. The net cash flows from the projects are as follows.

Year	1	2	3	4	5	6
Project X (Rs)	10,000	8,000	6,000	2,000	—	—
Project Y (Rs)	2,000	4,000	6,000	8,000	8,000	9,000

The company has fixed three years as the cut-off period. State which project should be accepted?

18. What do you understand by Financial Statement Analysis? State its limitations.
19. What are Discounted Cash Flow techniques? State its advantages and criticisms.

SECTION C — (3 × 10 = 30 marks)

Answer any THREE questions.

20. From the following Trial Balance of Mr. Ramanan prepare his Final Accounts as on 31.12.2006.

Particulars	Debit	Credit
	Rs.	Rs.
Capital		60,000
Sales (net)		2,70,000
Adjusted Purchases	1,83,000	
Salaries	24,000	
Salaries outstanding		2,000
Carriage Inwards	2,500	

Carriage Outwards	1,400	
Lighting	1,200	
Rates and Insurance	1,600	
Prepaid Insurance	200	
Building	39,000	
Furniture	9,500	
Depreciation	1,500	
Sundry creditors		21,000
Petty cash	90	
Cash at bank	3,010	
Stock on 31-12-86	26,000	
Sundry debtors	30,000	
Sales Van	30,000	
	<u>3,53,000</u>	<u>3,53,000</u>

21. Following information is given by a company from its books of accounts as on March 31, 2015:

Liabilities	Rs.
Inventory	1,00,000
Total Current Assets	1,60,000
Shareholders' Funds	4,00,000
13% Debentures	3,00,000
Current Liabilities	1,00,000
Net Profit before Tax	3,51,000
Cost of Revenue from operations	5,00,000

Calculate:

- (a) Current Ratio
- (b) Liquid Ratio
- (c) Debt Equity Ratio
- (d) Interest Coverage Ratio
- (e) Inventory Turnover Ratio.

22. XYZ Company produces a single product.
Following cost data is given about its product:

Selling price per unit Rs.40

Marginal cost per unit Rs.24

Fixed cost per annum Rs.16,000

Calculate:

- (a) P/V Ratio
- (b) Break-Even Sales
- (c) Sales to earn a profit of Rs.2,000
- (d) Profit at sales of Rs.60,000
- (e) New Break-Even Sales, if price is reduced by 10%.

23. From the following information available from a company, prepare Cash Budget for six months from April to June 2003.

(a) months (2003)	Sales	Purchases	Wages	Expenses
	Rs.	Rs.	Rs.	Rs.
January (Actuals)	90,000	50,000	30,000	5,000
February (")	80,000	50,000	24,000	4,000
March (")	80,000	45,000	22,000	6,000
April (Budgeted)	85,000	48,000	25,000	7,000
May (")	75,000	42,000	20,000	6,000
June (")	78,000	44,000	23,000	5,000

- (b) 10% of the purchases and 20% of the sales are for cash.
- (c) Credit allowed to Debtors 1/2 month and Credit received from creditors 1 month
- (d) Wages are paid weekly
- (e) Opening Cash balance is Rs.15,000.
24. Anish Ltd.. is evaluating two mutually exclusive proposals for new capital investment. The following information about the proposals are available.

	Proposal A	Proposal B
	Rs.	Rs.
Investment cost	80,000	1,00,000
Economic life (years)	4 yrs	5 yrs
Earnings before depreciation and taxes		

Year 1	24,000	28,000
Year 2	28,000	32,000
Year 3	32,000	36,000
Year 4	44,000	44,000
Year 5	—	40,000

The company's cost of capital is 10 percent and tax rate is 50%. Advise the company as to which proposal would be profitable using DCF techniques.

Year	1	2	3	4	5
Discount factor @ 10%	0.909	0.826	0.751	0.683	0.621
