(7 pages)

DECEMBER 2020

P/ID 17613/PCAE3/PCAD1

Time : Three hours Maximum : 80 marks

PART A — ($10 \times 2 = 20$ marks)

Answer any TEN questions.

1. Give the meaning of trial balance.

2. What do you understand by net profit?

3. List the liquid assets of a firm.

4. What do you mean by average collection period?

5. List out the any three merits of marginal costing.

6. State the meaning of cost volume profit analysis.

7. Write a short note on flexible budget.

8. What is meant by production budget?

9. What is net present value?

10. Mention the any three merits of internal rate of return.

11. Give the meaning of cost of goods sold.

12. What do you understand by forecasting?

PART B — (5 × 6 = 30 marks)

Answer any FIVE questions.

13. From the following figures, you are required to prepare :

(a) Provision for doubtful debts a/c;

(b) Bad debts a/c; and

(c) Profits and Loss a/c.

Jan 1, 2000	Provision for bad debts	Rs. 2,500
Dec 31, 2000	Bad debts	Rs. 1,870
Dec 31, 2000	Debtors	Rs. 20,000

Make provision for bad debts at 5% on debtors.

14. Calculate gross profit ratio :

	Rs.		Rs.
Sales	2,20,000	Purchases	1,75,000
Sales returns	20,000	Purchase returns	15,000
Opening stock	30,000	Closing stock	40,000

15. Given :

Fixed cost	Rs. 8,000
Break Even Sales (in units)	4000
Sales	7000 units
Selling price per unit	Rs. 10

Calculate (a) Variable cost (b) Profit.

16. Prepare a production budget for three months ending March 31, 1999 for a factory producing four products, on the basis of the following information:

Type of Product	Estimated stock on January 1, 1999 (units)	Estimated sales during January – March 1999 (units)	Desired clo. Stocks March 31, 1999 (units)
A	2,000	10,000	5,000
B	3,000	15,000	4,000
C	4,000	13,000	3,000
D	5,000	12,000	2,000

17. Rock Fort Steel Ltd. Whose cost of capital is 10% is considering investing in a project. The following particulars are available

Year	Case inflows
1	10,000
2	20,000
3	30,000
4	40,000
5	50,000
Rs.	1,50,000

Compute

(a) NVP

(b) Profitability index and

(c) IRR.

18. Distinguish between forecast and budget.

19. Sketch out the importance of computer accounting.

PART C — ($3 \times 10 = 30$ marks)

Answer any THREE questions.

20. Prepare Trading, Profit and Loss A/c and balance sheet from the following Trial Balance of Mr. M. Madan.

Debit balance	Rs.	Credit balance	Rs.
Sundry debtors	92,000	Madan's capital	70,000
Plant and machinery	20,000	Purchase returns	2,600
Interest	430	Sales	2,50,000
Rent, Rates, Taxes and Insurance	5,600	Sundry Creditors	60,000
Conveyance charges	1,320	Bank overdraft	20,000
Wages	7,000		
Sales returns	5,400		
Purchases	1,50,000		
Opening stock	60,000		
Madan's drawings	22,000		

Debit balance	Rs.	Credit balance	Rs.
Trade expenses	1,350		
Salaries	11,200		
Advertising	840		
Discount	600		
Book debts	800		
Business premises	12,000		
Furniture and fixtures	10,000		
Cash in hand	2,060		
	4,02,600		4,02,600

Adjustments :

(a) Stock on hand on 31.12.96 Rs. 90,000

(b) Provide depreciation on premises at 2.5%; Plant and Machinery at 7.5% and furniture and fixtures at 10%

(c) Write off Rs. 800 as further bad debts.

(d) provide for doubtful debts at 5% on sundry debtors.

(e) Outstanding rent was Rs.500 and outstanding wages Rs. 400

(f) Prepare insurance Rs. 300 and prepaid salaries Rs. 700

21. From the following information prepare a balance sheet with as many details as possible :

Gross profit	Rs.80,000	Current ratio	Rs.1,50,000
Gross profit to cost of goods sold ratio	1/3	Account payable velocity	90 days
Stock velocity	6 times	Bills receivable	Rs. 20,000
Opening stock	Rs.36,000	Bills payable	Rs. 5,000
Accounts receivable velocity (year 360 days)	2 days	Fixed assets Turnover ratio	8 times

Hint : Turn over refers to cost of sales.

22. From the following data calculate

(a) Fixed expenses Rs. 4,000

(b) Break – even sales Rs. 10,000

(i) P/V ratio

(ii) Profit when sales are Rs. 20,000

(iii) New break – even point if selling price is reduced by 20%

23. Draw up a flexible budget for overhead expenses on the basis of the following data and determine the overhead rates at 70%, 80% and 90% plant capacity

	At 70% Capacity Rs.	At 80% Capacity Rs.	At 90% Capacity Rs.
Variable Overheads :			
Indirect labour	–	12,000	–
Stores including spares	–	4,000	–
Semi – Variable Overheads :	–		–
Power (30% fixed, 40% variable)	–	20,000	–
Repairs and maintenance			
(60% fixed, 40% variable)	–	2,000	–
Fixed overheads :	–		–
Depreciation	–	11,000	–
Insurance	–	3,000	–
Salaries	–	10,000	–
Total overheads	–	62,000	–

Estimated direct labour hours : 1,24,000 hrs.

24. Explain the merits and demerits of payback period.