(8 pages)

MAY 2022

P/ID 17613/PCAE3/ PCAD1

Time : Three hours

Maximum : 80 marks

PART A — ($10 \times 2 = 20$ marks)

Answer any TEN questions.

1. State the principle of accounting.
2. What is business entity concept?
3. What is a trial balance?
4. What is financial statement analysis?
5. What is debt equity ratio?
6. What is capital gearing ratio?
7. What is cost-volume-profit analysis?
8. What is Profit/Volume ratio?
9. What is a budget?
10. What is cash budget?
11. What is Pay Back Period?
12. What is cost of capital?

PART B — (5 × 6 = 30 marks)

Answer any FIVE questions.

13. Explain any five accounting concepts.

14. From the following information, calculate Inventory Turnover Ratio:

	Rs.
Inventory in the beginning	18,000
Inventory at the end	22,000
Net purchases	46,000
Wages	14,000
Revenue from operations	80,000
Carriage inwards	4,000

15. From the following information find out:

(a) P/V Ratio,

(b) Sales and

(c) Margin of safety:

Fixed Cost : Rs.40,000

Profit : Rs.20,000

B.E.P. : Rs.80,000

16. The following information regarding the stock of materials required for the production by Ramesh Limited, is available:

Materials	Estimated consumption during 2003–04 (in Kg)	Estimated stocks (in Kg) on 1.7.2003	Estimated stocks (in Kg) on 30.6.2004
A	9,03,000	20,000	17,000
B	6,90,000	10,000	20,000
C	5,47,000	30,000	33,000

Prepare a Purchase Budget of Ramesh Limited.

17. SK Manufacturing Company uses Discounted Payback Period to evaluate investments in capital assets. The company expects the following cash flows from an investment of Rs. 35,00,000. No Salvage value is expected. The Company's cost of capital is 12%.

Years	Cash Flows	PVF@12%
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?

18. What is Ratio Analysis? What are the uses of Ratios in interpreting the final accounts?

19. What is Break-Even Chart? How is it constructed?

PART C — (3 × 10 = 30 marks)

Answer any THREE questions.

20. From the following trial balance of Mr. Abraham as on 31^{st} March 2014, prepare Trading and Profit & Loss A/c and Balance Sheet taking into account the adjustments:

Debit balances	Rs.	Credit balances	Rs.
Land and buildings	42,000	Capital	62,000
Machinery	20,000	Sales	98,780
Patents	7,500	Returns outwards	500
Stock (1.4.2014)	5,760	Sundry creditors	6,300
Sundry debtors	14,500	Bills payable	9,000

Debit balances	Rs.	Credit balances	Rs.
Purchases	40,675		
Cash in hand	540		
Cash at Bank	2,630		
Return inwards	680		
Wages	8,480		
Fuel and Power	4,730		
Carriage on Sales	3,200		
Carriage on purchases	2,040		
Salaries	15,000		
General expenses	3,000		
Insurance	600		
Drawings	5,245		
	1,76,580		1,76,580

Adjustments:

(a) Stock on 31-03-2014 was Rs. 6,800.

(b) Salary outstanding Rs. 1,500.

(c) Insurance Prepaid Rs. 150.

(d) Depreciate machinery @ 10% and patents @ 2%.

(e) Create a provision of 2% on debtors for bad debts.

21. From the following information, calculate (a) Net assets turnover, (b) Fixed assets turnover and (c) Working capital turnover ratios:

	Rs.
Preference Share Capital	4,00,000
Equity Share Capital	6,00,000
General Reserve	1,00,000
Balance in Statement of P&L	3,00,000
15% Debentures	2,00,000
14% Loan	2,00,000
Creditors	1,40,000
Bills payable	50,000
Outstanding expenses	10,000
Plant and Machinery	8,00,000
Land and Building	5,00,000
Motor Car	2,00,000
Furniture	1,00,000
Inventory	1,80,000
Debtors	1,10,000
Bank	80,000
Cash	30,000

Revenue from operations for the year 2014–15 were Rs. 30,00,000

22. Following data is of Dev Manufacturing Company:

Costs	Variable Cost (% of Sales)	Fixed Cost Rs.
Direct materials	23.8	
Direct labour	18.4	
Factory overheads	21.6	37,980
Distribution expenses	4.1	11,680
General and Administrative expenses	11.1	13,340

Budgeted Sales for next year are Rs.3,70,000.

Calculate:

(a) Sales required to Break-Even

(b) Profit at the budgeted Sales Volume

(c) Profit, if actual sales is increased by 5% from the budgeted sales volume and Drop by 10% from the budgeted sales.

23. Prepare 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:

	Capacity Level 80%
Variable overheads:	Rs.
Indirect labour	24,000
Stores including spares	8,000
Semi-variable overheads:	
Power (30% fixed, 70% variable)	40,000
Repairs and Maintenance (60% fixed, 40% variable)	4,000
Fixed overheads:	
Depreciation	22,000
Insurance	6,000
Salaries	2,000
Total overheads	1,24,000

24. Explain the different evaluation techniques of capital investment in decision-making.

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