(7 pages)

DECEMBER 2022 **P/ID 17613/PCAE3/PCAD1**

Time : Three hours Maximum : 80 marks

SECTION A — (10 × 2 = 20 marks)

Answer any TEN questions.

1. What are the objectives of accounting?
2. What is Going Concern concept?
3. How does accounting differ from book keeping?
4. What is comparative financial statement?
5. What is price earning ratio?
6. What is gross profit ratio?
7. What is P/V ratio?
8. What is profit planning?
9. Explain the concept of 'budgetary control'.
10. What is master budget?
11. What is meant by net present value?
12. What is the cost of capital?

SECTION B — (5 × 6 = 30 marks)

Answer any FIVE questions.

13. What are the various accounting conventions?

14. Prepare Trial Balance as on 31st March, 2017 from the following balances of Shining Brothers:

	Rs.		Rs.
Bank loan	14,000	Owner's Investments	95,000
Marketable security	6,500	Machine	25,000
Bills payable	1,000	Drawings	3,500
Unearned revenue	3,500	Equipments	40,000
Sundry debtors	12,000	Maintenance expenses	5,000
Outstanding salaries	2,500	Miscellaneous expenses	4,800
Prepaid rent	2,000	Accrued expenses	1,500
Insurance expenses	7,300	Depreciation-Equipments	2,000
Rent and Rates	400	Unexpired insurance	8,500

	Rs.		Rs.
Accrued Depreciation	14,000	Vendor's payables	500
Accrued Revenue	15,000		

15. From the following figures calculate the debtors turnover ratio and debt collection period:

Credit Sales for the year	Rs.12,000
Debtors	Rs. 1,000
Bills Receivable	Rs. 1,000

16. State the advantages and limitations of marginal costing.

17. Prepare a Production Budget from the following information

Product	*Estimated Stock on 1.1.2008 (Units)*	*Estimated Sales during Jan. To Mar. 2008 (Units)*	*Desired Closing Stock on* 31.3.2008 *(Units)*
R	2,000	10,000	3,000
S	3,000	15,000	5,000
U	4,000	13,000	3,000
P	3,000	12,000	2,000

18. The cost of a project is Rs. 50,000 and it generates the following cash inflows in four years. Using present value index method, appraise profitability of the proposed investment assuming a 10% rate of discount.

Year	Cash Inflows (Rs.)	PV factor @ 10%
1	20,000	0.909
2	15,000	0.826
3	25,000	0.751
4	10,000	0.683

19. Distinguish between Budget and Estimate.

SECTION C — (3 × 10 = 30 marks)

Answer any THREE questions.

20. Prepare Trading and Profit and Loss account of M/s. Lakshmi & Sons, for the year ending 31st March 2007.

	Rs.
Stock April 1, 2001	50,000
Sales	2,89,600
Sales returns	9,600
Purchases	2,43,000

	Rs.
Purchase returns	3,000
Freight inwards	4,000
Carriage outwards	6,000
Salaries and wages	30,000
Bank interest paid	2,000
Printing and stationary	7,000
Discount received	900
Discount allowed	600
Audit fees	3,000
Insurance premium	600
Trade expenses	2,500

Stock on 31st March 2002 was Rs. 70,000.

21. From the following Balance Sheet, calculate:

(a) Current Ratio (b) Liquid Ratio (c) Debt-Equity Ratio (d) Proprietary Ratio.

Balance sheet

Liabilities	*Rs.*	*Assets*	*Rs.*
Share Capital	5,00,000	Fixed Assets	14,00,000
Reserves	3,00,000	Stock	5,00,000

Liabilities	*Rs.*	*Assets*	*Rs.*
6% Debentures	11,00,000	Debtors	2,00,000
Bank Overdraft	1,00,000	Cash	1,00,000
Creditors	2,00,000		
	22,00,000		22,00,000

22. What is Break-even Chart? How is it constructed? What are the advantages and limitations of Break-even analysis?

23. A company at present operating at 80% capacity produces and sells 40,000 units. Given below are the expenses per unit:

	Per unit Rs.
Direct material	15
Direct labour	10
Factory overhead (30% fixed)	5
Office overhead (60% variable)	3
Selling and distribution overhead (50% fixed)	2
Selling price	45

Prepare a budget at 60% capacity and 90% capacity.

24. A company is considering the purchase of a machine. Two machines are available, A and B are available for Rs. 80,000 each. Earnings after taxation are as follows

Year	*Cash Flows*	
	Machine A	*Machine B*
1	24,000	8,000
2	32,000	24,000
3	40,000	32,000
4	24,000	48,000
5	16,000	32,000

Evaluate the two alternatives according to (a) Payback Method (b) Rate of Return Method and (c) Net Present Value Method. (A discount rate of 10% is to be used).

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