

(7 pages)

DECEMBER 2023

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

Time : Three hours

Maximum : 80 marks

PART A — ($10 \times 2 = 20$ marks)

Answer any TEN questions.

1. Define the term accounting.
2. Explain the term convention of conservatism.
3. What is a trial balance?
4. Explain the terms 'analysis' and 'interpretation'.
5. What is operating ratio?
6. What is stock turnover ratio?
7. What is cost-volume-profit analysis?
8. Explain the concept of 'margin of safety' and state its uses for decision making.
9. What is meant by budget?
10. What do you mean by flexible budget?
11. What is discounted cash flow?
12. What is Internal Rate of Return?

PART B — (5 × 6 = 30 marks)

Answer any FIVE questions.

13. What are the various types of accounts? State the rules of double entry.
14. From the following information, prepare the trading account for the year ended 31st March 2013.

	Rs.
Stock on 1 st April 2012	4,000
Purchases	
(a) Cash purchases	20,000
(b) Credit purchases	50,000
Sales	
(a) Cash sales	20,000
(b) Credit sales	60,000
Stock on 31 st March 2013	6,000

15. From the following details calculate operating ratio and operating profit ratio :

	Rs.
Sales	10,00,000
Gross Profit	3,00,000
Administration expenses	10,000
Selling expenses	20,000
Loss on Sale of Plant	2,000
Dividend received	4,000
Depreciation	6000
Net Profit	2,66,000

16. Sales Rs.1,00,000; Profit Rs.10,000; Variable cost 70%

Find out :

- (a) P/V Ratio
 - (b) Fixed Cost
 - (c) Sales to earn a Profit of Rs.40,000.
17. Explain the significance of 'Functional Budgets'.
18. 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?

19. What is Break-even analysis? Discuss its assumptions and uses.

PART C — (3 × 10 = 30 marks)

Answer any THREE questions.

20. Define Management Accounting. Distinguish between Management accounting and Financial Accounting.
21. The following trading and profit and Loss account of fantasy Ltd., for the year 31.3.2000 is given below :

Particulars	Rs.	Particulars	Rs.
To opening stock	76,250	By sales	5,00,000
To purchases	3,15,250	By closing stock	98,500
To carriage and freight	2,000		
To wages	5,000		
To gross profit b/d	2,00,000		
	5,98,500		5,98,500
To administration expenses	1,01,000	By gross profit b/d	2,00,000
To selling and distribution expenses	12,000	By non-operating incomes :	
To non-operating expenses	2,000	Interest on securities	1,500
To financial expenses	7,000	Dividend on shares	3,750
To net profit c/d	84,000	By profit on sale of shares	750
	2,06,000		2,06,000

Calculate :

- (a) Gross profit ratio
- (b) Expenses Ratio
- (c) Operating Ratio
- (d) Net profit ratio
- (e) Operating Profit Ratio
- (f) Stock Turnover Ratio.

22. Reliance Battery Co. Furnishes the following information :

	First year	Second year
	Rs.	Rs.
Sales	8,10,000	10,26,000
Profit	21,600	64,800

From the above you are required to compute the following assuming that the fixed cost remains the same in both the periods :

- (a) P/V Ratio
- (b) Fixed Cost
- (c) The amount of profit or loss when sales are Rs.6,48,000

- (d) The amount of sales required to earn a profit of Rs.1,08,000
- (e) Sales at Break-even point.

23. Akash Ltd., expects to have Rs.30,000 on 1st May 2009 and requires you to prepare an estimate of cash position during the 3 months May to July 2009. The following information is supplied to you:

Month	Sales	Purchases	Wages	Factory	Office	Selling
				expenses	expenses	expenses
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
March	40,000	24,000	6,000	3,000	4,000	3,000
April	46,000	28,000	6,500	3,500	4,000	3,500
May	50,000	32,000	6,500	4,000	4,000	3,500
June	72,000	36,000	7,000	4,400	4,000	4,000
July	84,000	4,000	7,250	4,250	4,000	4,000

Other information :

- (a) 25% of the sale is for cash, remaining amount is collected in the month following that of sale.
- (b) Suppliers supply goods on two months credit.

- (c) Delay in payment of wages and all other expenses: One month
- (d) Income tax of Rs.10,000 is due to be paid in July.
- (e) Preference Share dividend of 10% on Rs.1,00,000 is to be paid in May.

24. Consider the following two investment projects :

Year	Investment A end of year cash flows	Investment B end of year cash flows	PV factor @ 10%
	Rs.	Rs.	
2001	2,00,000	1,00,000	0.91
2002	4,00,000	1,00,000	0.83
2003	4,00,000	1,00,000	0.75
2004	4,00,000	8,00,000	0.68
2005	6,00,000	10,00,000	0.62

Both projects require an investment of Rs.10,00,000 at the end of 2000. The required rate of return for both projects is 10%.

Compute :

- (a) Payback Period
- (b) Discounted Payback Period
- (c) Net Present Value
- (d) Internal Rate of Return.