(8 pages)

DECEMBER 2021 **P/ID 17613/PCAE3/PCAD1**

Time : Three hours Maximum : 80 marks

SECTION A — (10 × 2 = 20 marks)

Answer any TEN questions.

1. What is book keeping?

2. What is cost concept?

3. What is a ledger?

4. Who are the users of financial statements?

5. What is gross profit ratio?

6. What is debtor's turnover ratio?

7. What is marginal costing?

8. What is variable cost?

9. What is sales budget?

10. State the difference between a budget and estimate.

11. What is capital investment decision-making?

12. What is Net Present Value (NPV)?

SECTION B — (5 × 6 = 30 marks)

Answer any FIVE questions.

13. The following balances are extracted from the books of Mr. Mariam prepare trial balance as on 31.3.2015

	Rs.		Rs.
Owner's Equity	4,70,000	Account receivable	48,000
Stock	33,000	Sales	2,90,000
Rent and Taxes	6,300	Discount earned	1,100
Reserve fund	5,900	Drawings	5,000
Machinery	1,58,800	Building	3,20,000
Insurance premium	3,300	Commission	750
Furniture	11,000	Loan from Sridhar	51,000
Discount allowed	650	Bad debts	1,350
Repairs	5,400	Account payable	26,000

	Rs.		Rs.
Telephone charges	6,450	Purchases	1,65,000
Salaries	70,600	Bills receivable	8,600
Bills payable	6,000		

14. State the managerial uses of accounting ratios.

15. From the following data, calculate P/V Ratio:

    Sales 20,000 units @ Rs. 20 per unit

    Variable costs @ Rs. 15 per unit

    Fixed costs Rs. 80,000.

16. Following data are related to Naveen Manufacturing Ltd. You are required to prepare Sales Budget:

    Estimated Sales:

Product	Mumbai Units	Chennai Units	Price for Mumbai Per unit	Price for Chennai Per unit
Desktop	400	200	15,000	13,000
Laptop	90	130	35,000	33,000
Printer	20	70	8,000	7,000

17. A company is considering to expand its production it can go in either for an Automatic machine costing Rs. 2,20,000 with an estimated life of 5.5 years or an Ordinary machine costing

Rs. 60,000 having an estimated life of 8 years. The annual sales and cost are estimated as follows:

	Automatic Machine (Rs.)	Ordinary Machine (Rs.)
Sales	1,50,000	1,50,000
Costs:		
Material	50,000	50,000
Labour	12,000	60,000
Variable overheads	24,000	20,000

Compute the comparative profitability of the proposals under the Return on Investment method.

18. Write a note on Cost-Volume Benefit analysis.

19. What are the various accounting conventions?

SECTION C — (3 × 10 = 30 marks)

Answer any THREE questions.

20. From the following balances of Amarnath prepare Trading, Profit and Loss Account and Balance Sheet as on 31.12.2013:

Particulars	Debit Rs.	Credit Rs.
Capital		72,000
Creditors		17,440

[P.T.O.]

Bills Payable		5,054
Purchases and Sales	1,24,000	1,56,364
Loan		24,000
Debtors	7,770	
Salaries	8,000	
Discount	2,000	
Postage	730	
Bad debts	574	
Stock (1.1.2013)	19,890	
Interest	2,590	
Insurance	834	
Machinery	20,000	
Wages	8,600	
Buildings	47,560	
Furniture	32,310	
	2,74,858	2,74,858

Value of goods on 31.12.2013 —Rs. 28,600.

21. From the following information, calculate Debt Equity Ratio, Total Assets to Debt Ratio, Proprietary Ratio and Debt to Capital Employed Ratio:

Particulars	Rs.
(a) Equity and Liabilities:	
(i) Shareholders funds	
(1) Share capital,	4,00,000
(2) Reserves and Surplus	1,00,000
(ii) Non-Current Liabilities	
Long-term borrowings	1,50,000
(iii) Current Liabilities	50,000
	7,00,000
(b) Assets	
(i) Non-Current Assets	
(1) Fixed assets	4,00,000
(2) Non-current investments	1,00,000
(ii) Current Assets	2,00,000
	7,00,000

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

23. The expenses for budgeted production of 10,000 units in a factory are furnished below:

	Per Unit Rs.
Direct Material	70
Direct Labour	25
Variable Overheads	20
Fixed Overheads (Rs. 1,00,000)	10
Selling Expenses (10% Fixed)	5
Distribution Expenses (20% Fixed)	13
Administration Expenses (Rs. 50,000)	7
Distribution Expenses (20% Fixed)	5
Total Cost per unit	155

Prepare a budget for Production of 6,000 and 8,000 units. Calculate the cost per unit at both levels.

24. A company is considering the purchase of a machine. Two machines are available, M and N, each costing Rs. 50,000. In comparing the profitability of the machines, a discount rate of 10% is to be used. Earnings after tax are expected to be as follows:

Year	Cash Flows	
	Machine M	Machine N
1	15,000	5,000
2	20,000	15,000
3	25,000	20,000
4	15,000	30,000
5	10,000	20,000

Which machine would be profitable under: (a) Payback Period (b) Return on Investment and (c) NPV methods?