BE9-R4: ACCOUNTING AND FINANCIAL MANAGEMENT

NOTE:

1.	**Answer question 1 and any FOUR from questions 2 to 7.**
2.	**Parts of the same question should be answered together and in the same sequence.**

Time: 3 Hours **Total Marks: 100**

1.

a) What are the Elements of Financial Statement?
b) What is the Limitation of P/V Ratio?
c) What are the Merits of Payback Period?
d) What is Zero Based Budgeting?
e) What is Just in time (JIT) purchases?
f) Write Various Methods of absorbing overheads to various Products or Jobs.
g) What is Fundamental Accounting assumption?

(7x4)

2. Journalise the following transactions:

i) April 1, 2011, Pratap started business with cash Rs. 40,000.
ii) April 3, 2011, he paid into the Bank Rs. 2,000.
iii) April 5, 2011, he purchased goods for cash Rs. 15,000.
iv) April 8, 2011, he sold goods for cash Rs. 6,000.
v) April 10, 2011, he purchased furniture and paid by cheque Rs. 5,000.
vi) April 12, 2011, he sold goods to Arvind Rs. 4,000.
vii) April 14, 2011, he purchased goods from Amrit Rs. 10,000.
viii) April 15, 2011, he returned goods to Amrit Rs. 5,000.
ix) April 16, 2011, he received from Arvind Rs. 3,960 in full settlement.
x) April 18, 2011, he withdraw goods for personal use Rs. 1,000.
xi) April 20, 2011, he withdraw cash from business for personal use Rs. 2,000.
xii) April 24, 2011, he paid Telephone Charges Rs. 1,000.
xiii) April 26, 2011, cash paid to Amrit in full settlement Rs. 4,900.
xiv) April 30, 2011, paid for stationary Rs. 200, rent Rs. 500 and salaries to staff Rs. 2,000.
xv) April 30, 2011, goods distributed by ways of free samples Rs. 1,000.

(18)

3.

a) Draw up the final accounts from the following trial balance and the additional information that follows it.

Trial Balance of M/s Sona Ltd as on 31st March 2011

Particulars	L/F	Debit Amount (in Rs)	Credit Amount (in Rs)
Opening Stock	–	86,000	
Purchases	–	10,36,000	
Salaries	–	1,53,000	
Wages	–	18,000	
Carriage Inwards	–	26,900	
Trading Charges	–	64,000	
Carriage Outwards	–	52,500	
Rent received	–		1,78,300

Cash	–	62,500	
Capital	–		3,44,700
Bank (Overdraft)	–		37,980
Comission	–	42,780	
Creditors	–		1,68,000
Sales	–		15,48,700
Debtors	–	2,56,000	
Machinery	–	4,80,000	
Total		**22,77,680**	**22,77,680**

The following additional information is available:

i) A Machine purchased on credit from M/s Oval Machinery Co. for Rs. 3,00,000 is not yet recorded in the books.

ii) Wages to the extent of Rs. 3,000 are incorrectly recorded as Salaries.

b) Write short notes on Cash, Accrual & Hybrid system of Accounts.

(12+6)

4. From the books of account of M/s. Ahwan Enterprises, the following details have been extracted for the year ending March 31, 2011.

		Rs.
Stock of Materials -	Opening	1,88,000
	Closing	2,00,000
Materials purchased during the year		8,32,000
Direct wages paid		2,38,400
Indirect wages		16,000
Salaries to administration staff		40,000
Freight	- Inward	32,000
	- Outward	20,000
Cash discount allowed		14,000
Bad debts written off		18,800
Repairs to Plant & Machinery		42,400
Rent, Rates & Taxes -	Factory	12,000
	Office	6,400
Travelling Expenses		12,400
Salesman's salaries and commission		33,600
Depreciation written off	– Plant & Machinery	28,400
	– Furniture	2,400
	– Director's fees	24,000
Electricity charges (Factory)		48,000
Fuel (for boiler)		64,000
General charges		24,800
Manager's salary		48,000

The Manager's time is shared between the factory and the office in the ratio of 20:80.
From the above details you are required to prepare:

i) Prime Cost
ii) Factory Overhead
iii) Factory Cost
iv) General Overhead
v) Total Cost

(18)

5. Basant Electronics is considering a proposal to replace one of its machines. The following information is available in this regard:

The existing machine was bought 3 years ago for Rs. 10 lakhs. It was depreciated at 25 percent per annum on reducing balance basis. It has remaining useful life of 5 years, but its annual maintenance cost is expected to increase by Rs. 50,000 from the sixth year of its installation. Its present realisable value is Rs. 6 lakhs. The company has several machines, having 25 percent depreciation.

The new machine costs Rs. 15 lakhs and is subject to the same rate of depreciation. On sale after 5 years, it is expected to net Rs. 9 lakhs. With the new machine, the annual operating costs (excluding depreciation) are expected to decrease by Rs. 1 lakh. In addition, the new machine would increase productivity on account of which net revenues would increase by Rs. 1.5 lakh annually.

The tax-rate applicable to the firm is 35 percent and the cost of capital is 10 percent.

Advise the company, on the basis of NPV of the proposal, whether the proposal is financially viable?

(18)

6.

a) State with the reasons which of the following items should be taken as a capital expenditure or revenue expenditure.

- i) Rs. 2,000 spent on dismantling, removing and reinstalling plant and machinery to a more convenient site.
- ii) Rs. 600 paid for removal of stock to a new site.
- iii) Rs. 1,000 paid for erection of a new machine.
- iv) Rs. 2,000 paid on repairing of the new factory.
- v) A car's engine, rings and pistons were changed at a cost of Rs. 3,000. This resulted on improvement in mileage to 30 Kms. Per liter of petrol. It had fallen from 15 Kms. to 8 Kms.
- vi) A building constructed in 1960 was depreciated by the year 1990 to Rs. 5,000. It was demolished and a new building was constructed at a cost of Rs. 3 Lakh including Rs. 10,000 for demolishing the old building.

b) Define Current Assets and Current Liabilities

(12+6)

7. Write short notes on any **three** of the following:

- i) Social Cost Benefit Analysis
- ii) Debt securitization
- iii) Fixed Cost and Variable Cost
- iv) Operating Leverage and Financial Leverage

(6x3)