BE9-R4: ACCOUNTANCY 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) Explain the concept of money measurement and realization with examples.
b) Distinguish between the Net Present Value and Internal Rate of Return.
c) Distinguish between fixed budget and flexible budget.
d) What is meant by Weighted Average Cost of Capital (WACC)?
e) Distinguish between allocation and apportionment overhead.
f) Distinguish between operating leverage and financial leverage.
g) What is Return on Equity (RoE)?

(7x4)

2.

a) The following data relate to the manufacture of a product during the month of June, 2011.

Raw materials Consumed	Rs. 80,000.00
Direct wages	Rs. 48,000.00
Factory Overheads	Rs. 32,000.00
Office Overheads	10% of works cost
Selling Overhead	Rs. 1.50 per unit
Unit sold	4000 units @ Rs. 50.00 each

You are required to prepare Cost Sheet and Profit in proper form.

b) The balance extracted from the books of NUTAN are given below. You are required to prepare Trial Balance on 31st March, 2011.

Particulars	**Amount (in Rs.)**	**Particulars**	**Amount (in Rs.)**
NUTAN's capital	30,000.00	Sundry Creditors	4,000.00
Sales	30,000.00	Cash-in-Hand	1,800.00
Purchases	20,000.00	Cash at Bank	6,000.00
Interest (Dr.)	400.00	Bills Receivables	11,000.00
Sales Returns	1,000.00	Bills Payable	7,000.00
Purchase Returns	800.00	Discount Earned	800.00
Sundry Debtors	15,000.00	Wages	7,000.00
Commission (Dr.)	1,000.00	Rent	800.00
Plant & Machinery	8,000.00	Telephone Charges	1,000.00
Misc. Income	400.00		

(10+8)

3.

a) The following is the summarized Profit and Loss Account of Progress Ltd., for the year ended 31.03.2011.

To Opening Stock	1,99,000	By Sales	17,00,000
To Purchases	10,90,500	By Closing Stock	2,98,000
To Direct Expenses	25,500		
To Gross Profit	6,80,000		
	19,98,000		**19,98,000**
To Administration Expenses	3,00,000	By Gross Profit b/f	6,80,000
To Selling Expenses	60,000	By Interest on investment	6,000
To Finance Expenses	30,000	By Profit on sale of shares	12,000
To Loss on Sale of Assets	8,000		
To Net Profit	3,00,000		
	6,98,000		**6,98,000**

Balance Sheet as on 31.03.2011

Liabilities	**Rs.**	**Assets**	**Rs.**
Share Capital 4,000 Shares of Rs. 100 each	4,00,000	Land and Building	5,00,000
Reserves	1,80,000	Machinery	1,60,000
Profit and Loss account	2,80,000	Stock in Trade	2,98,000
Debentures	2,00,000	Sundry Debtors	1,42,000
Band Overdraft	40,000	Cash and Bank balances	60,000
Other current Liability	60,000		
	11,60,000		**11,60,000**

From the above information calculate the following ratios.

i) Current Ratio
ii) Liquid Ratio
iii) Gross Profit Margin Ratio
iv) Net Profit Margin Ratio
v) Return on Equity (RoE)
vi) Return on Capital Employed (RoCE)

b) Differentiate between Period Cost and Product Cost. What is the importance of this differentiation in Decision Making?

([6x2]+6)

4. From the following Trial Balance extracted from the books of M/s. Ahwan & Co., as on 31st March, 2011. Prepare

i) Trading and Profit & Loss A/c, and

ii) Balance Sheet

Trial Balance as on 31st March, 2011			
Debit Balance	**Amount (in Rs.)**	**Credit Balance**	**Amount (in Rs.)**
Cash in Hand	2,000.00	Capital	2,00,000.00
Machinery	60,000.00	Sales	2,54,800.00
Stock	50,000.00	Sundry Creditors	40,000.00
Bills Receivable	1,600.00	Bank Overdraft	22,000.00
Sundry Debtors	50,000.00	Return Outwards	3,000.00
Wages	70,000.00	Discount Received	1,800.00
Land	40,000.00	Bills Payable	1,800.00
Carriage Inwards	2,400.00		
Purchases	1,80,000.00		
Salaries	24,000.00		
Rent	4,000.00		
Postage	1,000.00		
Return Inward	3,200.00		
Drawings	10,000.00		
Furniture	18,000.00		
Interest	600.00		
Cash at Bank	6,600.00		
	5,23,400.00		**5,23,400.00**

Closing stock on 31-03-2011 to Rs. 1,00,000/-.

(18)

5.

a) From the following figures, calculate the Economic Order Quantity (EOQ).

Annual consumption of materials	=	4,000 kg.
Cost of placing one order	=	Rs. 5/-
Cost per unit	=	Rs. 2/- per kg.
Storage and Carrying Cost	=	8% on average inventory.

b) From the following data, calculate Break-even Point (BEP) expressed in terms of units and also the new B.E.P. if selling price is reduced by 10%.

	Fixed Expenses	**Rs.**
i)	Depreciation	1,00,000.00
ii)	Salaries	1,00,000.00
	Variable Expenses	
i)	Material	Rs. 3/- per unit
ii)	Labour	Rs. 2/- per unit

Selling Price Rs. 10/- per unit.

c) Prepare Journal Entry in the following transactions:

i) Tushar started business with a Capital of Rs. 15,000.

ii) He purchased goods from Anil Rs. 5,000 on Credit.

iii) He paid cash to Anil Rs. 3,000.

iv) He sold goods to Suresh Rs. 8,000.

v) He received cash from Suresh Rs. 8,000.

vi) He paid cash to Anil Rs. 2,000.

(4+8+6)

6.

a) A department of company "X" attains sale of Rs. 6,00,000/- at 80% on its normal capacity and its expenses are given below:

Administrating Costs:	
Office Salaries (fixed)	Rs. 90,000/-
General Expenses	2% of sales
Depreciation (fixed)	Rs. 7,500/-
Rates and Taxes (fixed)	Rs. 8,750/-
Distribution Costs:	
Wages (fixed)	Rs. 15,000/-
Rent	2% of sales
Other Expenses	4% of sales
Selling Costs:	
Salaries	8% of sales
Travelling Expenses	2% of sales
Sales Office Expenses	1% of sales
General Expenses	1% of sales

Draw up Flexible Cost Budget, operating at 90%, 100% and 110% of normal capacity.

b) Distinguish between Trial Balance and Balance Sheet.

(12+6)

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

a) Sources of Financing Working Capital
b) Zero Based Budgeting (ZBB)
c) Capital Expenditure
d) Capital Gearing Ratio
e) Cost-Volume-Profit Analysis

(6x3)