

B.Sc. DEGREE EXAMINATION APRIL 2011
BRANCH I – MATHEMATICS
FOURTH SEMESTER

COURSE : ALLIED – CORE
PAPER : ACCOUNTING PRACTICES
TIME : 3 HOURS

MAX. MARKS : 100

SECTION – A

1. FILL IN THE BLANKS : (10 Marks)

- a. Cash is a _____ account.
- b. Profit and loss account is prepared to ascertain _____ of a concern.
- c. Called up capital less calls in arrears is _____.
- d. Preliminary expenses is classified under _____.
- e. Total of direct cost is termed as _____.
- f. Warehouse rent is a part of _____ overhead.
- g. At break even point, total cost is equal to _____.
- h. Contribution is the difference between sales and _____.
- i. In common-size income statement all items are expressed as a percentage on _____.
- j. Current ratio is a _____ ratio.

2. STATE IF THE FOLLOWING STATEMENTS ARE TRUE OR FALSE : (10 Marks)

- a. Ratio analysis is a technique of planning and control.
- b. Acid test ratio denotes liquidity.
- c. Current asset does not include bills receivable.
- d. The term Fixed asset include furniture.
- e. Bad debts are excluded from cost accounts.
- f. Cost of sales and total cost are used interchangeably.
- g. Sale of factory scrap is reduced from works cost.
- h. Variable cost is termed as marginal cost.
- i. Difference between sales and fixed cost is called contribution.
- j. Make or buy decision ignores fixed cost.

3. MATCH THE FOLLOWING : (5 Marks)

- | | |
|-----------------------|--|
| a. Cost of production | 1. Profitability |
| b. Marginal costing | 2. Position statement |
| c. Ratio analysis | 3. Decision making |
| d. Balance sheet | 4. Work cost + administrative overhead |
| e. Gross profit ratio | 5. Analysis of financial position. |

4. CHOOSE THE CORRECT ANSWER :**(5 Marks)**

- a. Margin of safety is :
 1. Sales at which there is profit
 2. Sales at which there is loss
 3. Sales in excess of BEP
 4. Sales equal to BEP
- b. Break even chart is a chart of :
 1. Sales
 2. Total cost
 3. Profit
 4. Sales and total cost
- c. Cost of sales plus profit is :
 1. Selling price
 2. Value of finished goods
 3. Value of goods produced
 4. Value of stocks
- d. Good will written off is a part of :
 1. Prime cost
 2. Works cost
 3. Office overhead
 4. Non-cost expense
- e. Earnings per share is :
 1. Turnover ratio
 2. Profitability ratio
 3. Solvency ratio
 4. Liquidity ratio

SECTION – B**ANSWER ANY FIVE QUESTIONS:****(5 x 8 = 40)**

1. Prepare Trading and Profit and loss account from the information given below for the year ending December 31, 2009 :

	Rs.
Opening stock	3,600
Purchases	18,260
Wages	3,620
Closing stock	4,420
Sales	32,000
Carriage on purchases	500
Carriage on sales	400
Rent (factory)	400
Rent (office)	500
Sales return	700
Purchases return	900
General expenses	900
Discount to customers	360
Interest from bank	200

2. M/s Akshay traders are the manufacturers of torches. The following data relate to the manufacture of torches during the month of December 2009 :

	Rs.
Raw materials consumed	20,000
Direct wages	12,000
Machine hours worked	9,500 hours
Machine hour rate	Rs.2
Office overhead	20% of works cost
Selling overhead	50 paise per unit
Units produced	20,000 units
Units sold	18,000 units at Rs.5 per unit

Prepare cost sheet showing the cost and profit.

3. From the following information calculate :
- Break –even point
 - Number of units that must be sold to earn a profit of Rs.60,000 per year.
 - P/V Ratio
 - Number of units that must be sold to earn a net income of 10% on sales.

Sales price	Rs.20 per unit
Variable cost	Rs.14 per unit
Fixed cost	Rs.79,200

4. From the following information from the financial statement of Bijay Ltd. for the year ending December 31, 2009, prepare a common size statement :

	Rs.
Cash	27,000
Debtors	2,20,000
Stock	1,00,000
Prepaid expenses	11,000
Bills receivable	10,000
Fixed assets	6,35,000
Share capital	6,58,000
Long-term debt	2,25,000
Sundry creditors	42,000
Other liabilities	78,000

5. From the following information of Chintu Ltd. for the year ended December 31,2009, you are required to compute :
- Working capital ratio
 - Acid test ratio
 - Inventory turnover ratio
 - Payables turnover ratio
 - Average payment period

	Rs.
Cash	25,000
Debtors	12,000
Inventory	8,000
Prepaid expenses	2,000
Creditors	12,000
Bills payable	3,000
Sales	53,000
Purchases	34,000
Purchases returns	750

6. Sales and Profit during two years were as follows :

Year	Sales (Rs.)	Profit (Rs.)
2008	1,40,000	15,000
2009	1,60,000	20,000

Calculate :

- P/V Ratio
 - Break – even Point
 - Fixed expenses
 - Sales required to earn a profit of Rs.40,000
7. The following balances are extracted from the books of Pushpak Ltd. as on March 31,2009 :
- Equity share capital- authorized 3,000 shares of Rs.100 each, Issued 2,800 shares of Rs.100 each, Subscribed, Issued and paid up 2,400 shares.

	Rs.
Investments	1,14,000
Loans and advances	6,000
Provision for taxation	90,000
Secured loans	90,000
Reserves and surplus	1,98,000
Fixed assets	5,46,000
Current assets	2,93,400
Current liabilities	1,97,400
Provision for depreciation	1,26,000
Unsecured loans	30,000
Preliminary expenses	12,000

You are required to prepare the Balance sheet as per the provisions of the Companies Act 1956.

SECTION – C

ANSWER ANY TWO QUESTIONS:

(2 x 15 = 30)

8. Prepare Trading, Profit and loss account and Balance Sheet from the following Trial Balance of Mr.Mahesh as on December 31,2009:

Debit balances :		Credit Balances :	
Sundry debtors	92,000	Capital	70,000
Plant and machinery	20,000	Purchases returns	2,600
Interest	430	Sales	2,50,000
Rent, rates ,taxes and		Sundry creditors	60,000
Insurance	5,600	Bank overdraft	20,000
Conveyance charges	1,320		
Wages	7,000		
Sales returns	5,400		
Purchases	1,50,000		
Opening stock	60,000		
Drawings	22,000		
Trade expenses	1,350		
Salaries	11,200		
Advertising	840		
Discount	600		
Bad debts	800		
Business premises	12,000		
Furniture and fixtures	10,000		
Cash in hand	2,060		

Adjustments :

- Stock on hand on 31.12.2009 Rs.90,000
 - Provide depreciation on premises at 2.5%, plant and machinery at 7.5%, and furniture and fixtures at 10%
 - Write Rs.500 as bad debts.
 - Provide for doubtful debts at 5% on sundry debtors
 - Outstanding rent and wages are Rs.500 and Rs.400
 - Prepaid insurance and salaries Rs.300 and Rs.700.
9. Rakesh and Co. Produces 2 products X and Y, the following particulars are extracted from the records of the company :

	Product X	Product Y
Sales per unit (Rs.)	100	120
Consumption of material(kg)	2	3
Material cost (Rs.)	10	15
Direct wages (Rs.)	15	10
Direct expenses (Rs.)	5	6
Machine hours used (hrs.)	3	2
Overhead expenses:		
Fixed	5	10
Variable	15	20

Direct wages per hour is Rs.5. Comment on the profitability of each product (both use the same raw material) when :

- a. Total sales potential in units is limited
- b. Production capacity (in terms of machine hours) is the limiting factor.
- c. Material is in short supply.
- d. Sales potential in value is limited.
- e. Labour is the limiting factor.

10. From the following information, prepare a cost sheet for the month of December, 2009 :

Stock on 1.12.2009	Raw materials	25,000
	Work-in-progress	8,200
	Finished goods	17,300
Stock on 31.12.2009	Raw materials	26,200
	Work-in-progress	9,100
	Finished goods	15,700
Purchase of raw materials		21,900
Carriage on purchases		1,100
Sales		72,300
Direct wages		17,200
Factory wages		800
Direct expenses		1,200
Factory overhead		8,300
Administrative overhead		3,200
Selling and distribution overhead		4,200

11. Prepare a Comparative Position Statement of Ashe Ltd, from the following information :

	2008	2009
	Rs.	Rs.
Preference share capital	50,000	50,000
Equity share capital	1,50,000	1,75,000
Capital reserve	25,000	25,000
Revenue reserve	25,000	50,000
Buildings	1,25,000	1,30,000
Plant	50,000	50,000
Goodwill	50,000	45,000
Cash	5,000	7,500
Debtors	35,000	45,000
Stock	30,000	45,000
Creditors	25,000	17,500
Bills payable	5,000	2,500
Overdraft	15,000	2,500
