

BE9-R4: ACCOUNTING AND FINANCIAL MANAGEMENT SYSTEM

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 objectives of Financial Statements.
 - b) Write short notes on Profit and Loss Appropriation Account.
 - c) What is the difference between trial balance and balance sheet?
 - d) Whether government accounting is totally different from commercial accounting? State your opinion with reasons.
 - e) From the following information, calculate the Economic Order Quantity (EOQ)

| | | |
|---------------------------------|---|--------------------------|
| Annual consumption of Materials | = | 4000 Kg. |
| Cost of place of one order | = | Rs. 5/- |
| Cost per unit | = | Rs. 2/- Per Kg. |
| Storage and carrying cost | = | 8% on average inventory. |
 - f) Prepare Journal entry in the following transactions:
 - i) Rudra Standard & Business with capital of Rs. 10,000/-.
 - ii) He purchased goods from Sabya Sachi Rs. 5,000/- on credit.
 - iii) He paid cash to Dibyajyoti Rs. 3,000/-.
 - iv) He sold goods to Jyoti Vikash Rs. 8,000/-.
 - g) What is Cost of Debenture?

(7x4)

2.
 - a) A Factory engaged in Manufacturing Plastic Cans is working at 40% capacity and produces 15,000 cans per month. The present cost Break-up for one can is: Materials Rs. 25/-, Labour Rs. 5/-, Overhead Rs. 15/- (60% fixed).

Selling price is Rs. 50/- per cans. If it is decided to work the factory at 50% capacity, the selling price falls by 3%. At 90% capacity the selling price falls by 5% accompanied by a similar fall in the price of materials.

Prepare a statement showing the profit at 50% and 90% capacity and also determine the breakeven point at each of these production levels
 - b) Explain the essential pre-requisites of integrated accounting system.

(12+6)

3.
 - a) M/s. Sheetal Co. sells goods at a uniform rate of gross profit of 20% on sales including depreciation as part of cost of production. Its annual figures are as under:

| | (Rs.) |
|--|-----------|
| Sales (At 2 months' credit) | 24,00,000 |
| Materials consumed (Suppliers credit 2 months) | 6,00,000 |
| Wages paid (Monthly at the beginning of the subsequent month) | 4,80,000 |
| Manufacturing expenses (Cash expenses are paid – one month in arrear) | 6,00,000 |
| Administration expenses (Cash expenses are paid – one month in arrear) | 1,50,000 |
| Sales promotion expenses (Paid quarterly in advance) | 75,000 |

The company keeps one month stock each of raw materials and finished goods. A minimum cash balance of Rs. 80,000 is always kept. The company wants to adopt a 10% safety margin in the maintenance of working capital. The company has no work-in-progress.

Find out the requirements of working capital of the company on cash cost basis.

- b) Explain the concept of cost drivers

(12+6)

4.

- a) From the following information determine amounts to be transferred to Profit & Loss Account

| | Rs. |
|--|--------|
| Sundry Debtors as on 31.03.2012 | 50,000 |
| Provision for bad debt as on 01.04.2011 | 8,000 |
| Bad debts written off during the year 2011-12 | 2,000 |
| Recovery of Bad debts earlier written off | 2,000 |
| Provision for bad and doubtful debt is maintained @ 10%. | |

- b) The total of the debit side and of the Trial Balance of a firm as at March,2012 is Rs. 166,59,000/- and that of the credit side is Rs. 42,47,000/-
After several checking and re-checking the following mistakes are discovered:

| Item of Account appears in | Correct Figure (as it should be) Rs.,000 | Figure as it the Trial Balance Rs.,000 |
|----------------------------|--|--|
| Opening Stock | 1,490 | 1,480 |
| Repairs | 6,178 | 6,178 |
| | | (but appears on the debit side) |
| Rent and Rates | 216 | 240 |
| Sundry Creditors | 607 | 590 |
| Sundry debtors | 806 | 831 |

Ascertain the correct total of the Trial Balance.

(6+12)

5.

- a) A product passes through three processes. The output of each process is treated as the raw material of the next process to which it is transferred and output of the third process is transferred to finished stock.

| | 1 st Process Rs. | 2 nd Process Rs. | 3 rd Process Rs. |
|------------------------|--------------------------------|--------------------------------|--------------------------------|
| Material issued | 40,000 | 20,000 | 10,000 |
| Labour | 6,000 | 4,000 | 1,000 |
| Manufacturing overhead | 10,000 | 10,000 | 15,000 |

10,000 units have been issued to the 1st process and after processing, the output of each process is as under:

| | Output | Normal Loss |
|---------------|---------------|--------------------|
| Process No. 1 | 9,750 units | 2% |
| Process No. 2 | 9,400 units | 5% |
| Process No. 3 | 8,000 units | 10% |

No stock of materials or of work-in-progress was left at the end. Calculate the cost of the finished articles.

- b) Explain Seed capital assistance.

(12+6)

6.

- a) You are required to prepare financial statements from the following trial balance of Hardeep Chemicals Ltd. for the year ended 31st March, 2012.

| Hardeep Chemicals Ltd. | | | |
|--|------------------|--------------------------------|------------------|
| Trial Balance as at 31st March, 2012 | | | |
| Particulars | Rs. | Particulars | Rs. |
| Stock | 6,80,000 | Equity Shares | |
| Furniture | 2,00,000 | Capital (Shares of Rs.10 each) | 25,00,000 |
| Discount | 40,000 | 11% Debentures | 5,00,000 |
| Loan to Directors | 80,000 | Bank loans | 6,45,000 |
| Advertisement | 20,000 | Bills payable | 1,25,000 |
| Bad Debts | 35,000 | Creditors | 1,56,000 |
| Commission | 20,000 | Sales | 42,68,000 |
| Purchases | 23,19,000 | Rent received | 46,000 |
| Plant and Machinery | 8,60,000 | Transfer fees | 10,000 |
| Rentals | 25,000 | Profit & Loss account | 1,39,000 |
| Current account | 45,000 | Depreciation provision: | |
| Cash | 8,000 | Machinery | 1,46,000 |
| Interest on bank loans | 1,16,000 | | |
| Preliminary expenses | 10,000 | | |
| Fixtures | 3,00,000 | | |
| Wages | 9,00,000 | | |
| Consumables | 84,000 | | |
| Freehold land | 15,46,000 | | |
| Tools & Equipments | 2,45,000 | | |
| Goodwill | 2,65,000 | | |
| Debtors | 2,87,000 | | |
| Bills receivable | 1,53,000 | | |
| Dealer aids | 21,000 | | |
| Transit insurance | 30,000 | | |
| Trade expenses | 72,000 | | |
| Distribution freight | 54,000 | | |
| Debenture interest | 20,000 | | |
| Total | 85,35,000 | | 85,35,000 |

Additional information: Closing stock on 31-3-2006: Rs. 8, 23, 000/-.

- b) Write short notes on Cash, Accrual and Hybrid System of accounts.

(12+6)

7. Write Short notes on any **three** of the following:
- a) Dividend Price Approach used in Cost of Equity Calculation.
 - b) Financial Engineering.
 - c) Zero Based Budgeting.
 - d) GDR and ADR.

(6x3)