No. of Printed Pages : **4**

Sl. No.

BE9-R4 : ACCOUNTING AND FINANCIAL MANAGEMENT SYSTEM

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

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

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1. (a) "Accounting is the language of business" -Do you agree with the statement ? Support your answer with necessary reasoning.

(b) Discuss the difference between fixed and flexible budgets.

(c) Write short notes on any two of the following :

(i) Realization Concept

(ii) Out of pocket cost

(iii) Consistency Concept

(iv) Job costing

(d) Pass journal entry for each of the following cases :

(i) Purchased goods of the invoice value Rs. 20,000 at 10 % trade discount from Ganesh.

(ii) Withdrew goods for personal use costing Rs. 6,000 (sale value 7,000).

(iii) Amount paid to Ramesh Rs. 9,600 in full settlement of Rs. 10,000.

(iv) Paid wages for installation of machinery Rs. 5,000.

(e) Explain the term “Trading on Equity”.

(f) Gamma Ltd. Equity shares are currently trading at Rs.63 in the National Stock Exchange. The face value of equity share is Rs. 10 per share. The company is planning to have a constant growth in dividend at the rate of 8% and dividend of 35% of the face value has been paid for the current year. Compute cost of equity.

(g) State and Explain DuPont Analysis. **(4×7)**

2. (a) Sales turnover and profit of a firm during two periods is as follows :

	Period - 1	Period - 2
Sales	Rs.20,00,000	Rs.30,00,000
Profit	Rs.2,00,000	Rs.4,00,000

Calculate :

(i) P/V Ratio

(ii) Break Even point

(iii) Sales required to earn profit of Rs. 8 lakh

(iv) Profit when sales are 15 lakh

(b) EBIT of a company is Rs. 20, 00,000. It is planning to add Rs. 50,00,000 additional funds through one of the following sources for diversification. The present equity share capital (5,00,000 shares of Rs. 10 each) Rs. 50,00,000. Following are alternative sources :

(i) Issue of 12 % debentures

(ii) Issue of 10% preference shares of Rs. 25,00,000 and balance by 15% term loan.

(iii) Issue of Rs. 2,50,000 equity shares at par and balance by 12% debentures.

On the basis of EPS, suggest which alternative is better. Assume that the company pays tax@30%. **(10+8)**

3. (a) With the help of following ratios and further information given below, prepare trading account, profit and loss account and balance sheet calculated as on March 31, 2023 for the FY 2022-23 :

(i) Gross profit ratio 25%

(ii) Net profit ratio 20%

(iii) Stock turnover ratio 10

(iv) Net profit/capital 1/5

(v) Capital to total outsiders' liabilities 1/2

(vi) Fixed assets /capital 5/4

(vii) Fixed assets /total current assets 5/7

(viii) Fixed assets Rs. 10,00,000

(ix) Closing stock Rs. 1,00,000

(b) From the following information compute total value of the firm and overall cost of capital (WACC) by using Net Income approach.

Net operating profit Rs. 3, 60,000

12% debt Rs. 2, 00,000

Equity capitalization rate 20% **(12+6)**

4. A Project required an initial investment Rs. 2,00,000. Its generated year ending profit Rs.1,20,000 ; 60,000 ; 40,000 ; 30,000 ; 30,000 from the end of first year to fifth year. The required rate of return is 10% and pay tax at 50% rate. The project has life of 5 year and depreciated on straight line method. Assume that the above year ending profit are before depreciation and tax. Assume discounting rate 10%. You are required to compute :

(i) Pay-Back period

(ii) Accounting rate of return (ARR)

(iii) Benefit cost ratio

(iv) Net present value

PVF TABLE @ 10%

Year	1	2	3	4	5
PVF @ 10%	0.909	0.826	0.751	0.683	0.621

(18)

5. The balance sheet of ABC Limited for the years 2022 and 2023 is as follows :

Liabilities	Amount (2022)	Amount (2023)	Assets	Amount (2022)	Amount (2023)
Share capital	20,000	25,000	Land & Building	20,000	19,000
General reserve	5,000	6,000	Machinery	15,000	16,900
Profit & loss	3,050	3,060	Stock	10,000	7,400
Long term loan	7,000	-	Sundry debtor	8,000	6,420
Sundry creditor	15,000	13,520	Cash	50	60
Provision for tax	3,000	3,500	Bank	-	800
			Goodwill	-	500
TOTAL	**53,050**	**51,080**	**TOTAL**	**53,050**	**51,080**

Additional information :

During the year ended 31st March 2023

(1) Dividend of Rs. 2,300 was paid

(2) Assets of another company purchased for Rs. 5,000/- payable in shares of Rs.10/-each. Assets purchased were -stock Rs. 2,000 and Machinery Rs. 2,500

(3) Machinery was further purchased for Rs. 800

(4) Depreciation write off on machinery Rs. 1200

(5) Income tax provided during year Rs. 3,300

(6) Loss on sale of machinery Rs. 20 was write off to general reserve.

You are required to prepare cash flow statement. **(18)**

6. (a) From the following information, prepare process account, abnormal gain account and Normal loss account.

Inputs of raw material 900 units @ Rs. 50 per unit

Direct material	Rs, 6,924
Direct wages	Rs. 7,500
Production overhead	80% of direct wages
Actual output transfer to process -II	700 Units
Normal loss	10%
Value of scrap per unit	Rs. 8 per unit

(b) Write short notes :

(i) Application of Time value of money

(ii) Wealth Maximization vs. profit maximization **(12+6)**

7. Following details are extracted from the XYZ Limited for the year ended 31st March 2023 :

Particulars	**Production Departments** P	Q	**Service Departments** R	S
Direct material	3,700	7,400	200	700
Direct wages	1,850	3,700	100	350
Direct exp.	11,250	22,500	50	175
Indirect material	6,160	12,320	100	350
Indirect wages	3,090	6,180	50	175
Assets value	37,000	74,000	2000	7000
No. of workers	37	74	2	7
H.P. hours	74	148	4	14
Light points	37	74	2	7
Floor area(sq. ft)	185	370	10	35
No. of working hr.	4,000	8,000	-	-

The details of indirect exp. for the period as under :

Indirect expense	**Amount**
Staff welfare expenses	3,600
Supervision expenses	3,600
Power	7,200
Lighting	3,600
Depreciation	7,200
Insurance (Assets)	600
Rent and rates	600
Repair	2,400
Employee insurance	600
General insurance	480
Store overheads	120

The expense of service department R & S are apportioned as under :

	A	B	X	Y
X	25%	50%	-	25%
Y	25%	50%	25%	-

You are required to prepare :

(1) The allocation of overheads

(2) The apportionment of overheads

(3) The distribution of service department overheads by repeated distribution method

(4) Overheads distribution summary and rates of overheads absorption. **(18)**

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