

(3 Hours)

Total Marks: 80

- N.B. (1) Question No. 1 is compulsory.**
(2) Attempt any Three from the remaining Five questions.
(3) Answers to questions should be grouped and written together.

- Q.1 A From the following trial balance prepare Trading and Profit and loss account for the year ended 31st March 2018 and also prepare balance sheet as on date for HMH & Bros. [10]

Particulars	Dr(Amt Rs.)	Cr(Amt Rs.)
Purchase and purchase return	550000	5000
Sundry debtors and Creditors	4000	4000
Wages	5000	
Salaries	21000	
Sales Returns and Sales	5000	950000
Commission received		5000
Freehold Premises	40000	
Professional Charges	1000	
Discount allowed and received	10000	5000
Bills Receivables and Bills Payables	50000	20000
Drawings	50000	
Capital		200000
Interest on Deposits		1000
Bank balance	100000	
Rent Rates and Insurance	9000	
Office Furniture	6000	
Printing, Stationery & advertising	4000	
Cash in hand	247000	
Income Tax	9000	
Machinery	25000	
Trade expenses	29000	
Stock as on 1st April 2017	25000	
Total	1190000	1190000

Adjustments:

1. Closing Stock as on 31st March 2018 Rs. 2000/-

- B Explain Golden Rule of accounting with example. [10]
- Q.2 A. Journalise following transactions in the book of Hem & Sons [10]
- 1st July : Started business with cash rs. 50,000
 2nd July : Purchased goods for cash 40,000
 3rd July : Sold goods worth rs. 9,000 and received cheque from Ms. Ada
 4th July : Sold goods worth rs. 60,000
 5th July : Taken rs. 5,000 as a loan from Mr. Hita
 6th July : Purchased machinery worth 10,000
 7th July : Sold goods worth rs. 10,000 with cash discount of 10% on it
 8th July : Withdraw cash 1,000 from bank for office use.
 9th July : Cheque received on 3rd July worth rs.9,000 was dishonored
 10th July : Mr. Rajappa exchanged rs. 5,000 with us as a change.
- B. Explain importance of Trial balance with its basic five entries on Debit and five on Credit balance. [10]

Q.3 A. Based on the following data prepare cash budget for April to June 2018

[10]

Particulars	April' 18	May' 18	June' 18
Sales	1,00,000	60,000	10,000
Expenses	4,000	6,000	9,000
Bank Interest(Investment)	6,000	8,000	10,000
Workers Salary	1,000	1,000	1,000

- i. Opening balance for April is expected to be 80,000
- ii. Expenses are delayed by one month.
- iii. Wages are delayed by two month.
- iv. All sales are cash sales.

B. Explain Cost-Volume-Profit and Break Even Analysis. Also explain “Break even”, “Margin of Safety” and “Target Profit” terms.

[10]

Q.4 A. From the following information calculate **Current Ratio, Liquid Ratio, Creditors Turnover and Average Credit Sales(Month)** of Veena Ltd. and Heena Ltd. **Credit to Debtors is 3 months for Veena Ltd. as well as Heena Ltd.**

[10]

Particulars	Veena Ltd.(Rs.)	Heena Ltd.(Rs.)
Stock	4,00,000	50,000
Debtors	85,000	70,000
Cash	15,000	30,000
Trade Creditors	1,40,000	75,000
Bills Payable	10,000	5,000
Bank Overdraft	20,000	15,000
Creditor for Expenses	30,000	5,000
Total Purchases	4,65,000	3,30,000
Cash Purchases	15,000	10,000

B. Explain merits & demerits of Accounting Rate of Return(ARR) in Capital Budgeting.

[10]

- Q.5 A. Given the following information in respect of the Three Machine proposals, rank them (based on most profitable investment) by applying the criteria of **Payback back method**. All sales are on cash. [10]
Corporate income tax rate is 40%. Interest on Capital is 10%.

	Machines		
	1	2	3
	Rs.	Rs.	Rs.
Initial investment required estimated annual	3,00,000	3,00,000	3,00,000
Sales	5,00,000	4,00,000	4,50,000
<u>Cost of Production:(Estimated)</u>			
Direct Materials	40,000	50,000	48,000
Direct Labour	50,000	30,000	36,000
Factory Overheads	60,000	50,000	58,000
Administration Costs	20,000	10,000	15,000
Selling & Distribution Costs	10,000	10,000	10,000

The economic life of machine 1 is 2yrs, while it is 3 yrs for the other two. The scrap values are Rs. 40,000, Rs. 25,000 and Rs. 30,000 respectively.

- B. Difference between Cash Flow and Fund Flow Statement [10]
- Q.6 A. What is Capital Gearing? Explain Gearing Ratio. [10]
- B. Explain all Five terms: [10]
- Trade Expenses
 - Discounts
 - Freight
 - Goods return
 - Workers wages
