

Seat No. : _____

FBCA-05

April-2007

Financial Accounting and Management

(New Course)

Time : 3 Hours]

[Max. Marks : 70

1. (a) Give the meaning and proforma of an Account. Also give the rules of Debit and Credit. (8)
- (b) Explain various types of Accounts with appropriate examples. (6)

OR

Prepare Subsidiary Books of A to Z Furniture Mart with the help of the following vouchers and post the transactions therefrom to respective ledger accounts and also prepare a Trial Balance. On 1-1-2007 cash and bank balances were Rs. 6,000 and Rs. 5,200 respectively. On the same date, his capital was Rs. 11,200.

(i)

CREDIT MEMO				
Bill No. 505		Date 2-1-2007		
STYLE FURNITURE MART Station Road, Surat.				
Shri A to Z Furniture Mart				
Sr. No.	Particulars	Nos.	Rate	Amount Rs.
1.	Tables	20	50	1,000
2.	Sofa Set	4	700	2,800
3.	Chairs	4	150	600
				4,400
	Less: Trade Discount @ 10%			440
				3,960
Sunil Shah (Partner)				

(ii)

CREDIT MEMO				
Bill No. 59		Date 3-1-2007		
A to Z Furniture Mart Satellite Road, Ahmedabad.				
Shri Patel & Sons, Rajkot.				
Sr. No.	Particulars	Nos.	Rate	Amount Rs.
1.	Sofa set	2	900	1,800
2.	Tables	8	60	480
3.	Chairs	2	200	400
				2,680
Less: Trade Discount @ 10%				268
				2,412
Sanjay Mevada				

(iii)

DEBIT NOTE NO. 9	
Date 4-1-2007	
PATEL & SONS Rajkot.	
A to Z Furniture Mart A/c. Debit.	
Received from you 2 damaged tables for which Rs. 120 are credited to your account.	
P.P. Patel.	

(iv)

DEBIT NOTE NO. 5	
Date 6-1-2007	
STYLE FURNITURE MART Station Road, Surat.	
A to Z Furniture Mart A/c. Credit.	
Received from you 2 damaged tables for which Rs. 100 are credited to your account.	
Sunil Shah	

(v)

RECEIPT NO. 30
Date 10-1-2007
STYLE FURNITURE MART
Station Road, Surat.
Received from Shri A to Z Furniture Mart, Ahmedabad Rs. 2,000 cash and a crossed cheque Rs. 1,800, Discount Rs. 60 deducted.
Sunil Shah

(vi)

VOUCHER NO. 52
Date 26-1-2007
A to Z Furniture Mart
Account : Charity
Amount : Rs. 51/-
Particulars : Paid Rs. 51/- in cash to Secretary of Anathashram.
Sanjay Mevada

(vii)

CASH MEMO				
No. 101		Date 20-1-2007		
A to Z Furniture Mart				
Satellite Road, Ahmedabad.				
Shri Shah & Sons, Valsad.				
Sr. No.	Particulars	Nos.	Rate	Amount Rs.
1.	Sofa set	2	850	1,700
2.	Tables	8	55	440
3.	Chairs	2	175	350
				2,490
Less: Cash Discount @ 10%				249
				2,241
Sanjay Mevada				

2. The following is the Trial Balance of Shri Ravi as on 31st December, 2006. (14)

Debit Balances	Rs.	Credit Balances	Rs.
Bills Receivables	50,000	Interest on 10% Investments	600
Insurance Premium (for the year ending 31-3-2007)	3,000	12% Loan	12,500
10 % Investments	10,000	Capital	2,50,000
Interest on 12% Loan	250	Creditors	1,62,500
Discount	7,625	Sales	4,12,500
Advertisement	5,000	Purchase Return	20,000
Postage & Telegram	2,500	Bad Debts Reserve	5,000
Printing & Stationery	2,500	Discount	6,250
Octroi	10,000	Bills Payable	12,500
Bad Debts	3,750	Commission	20,000
Salaries	22,500		
Wages	25,000		
Sales Return	25,000		
Purchases	2,25,000		
Cash on Hand	22,475		
Debtors	1,88,750		
Furniture	21,000		
Stock (1-1-2006)	1,15,000		
Machinery	62,500		
Drawings	37,500		
Buildings	62,500		
	9,01,850		9,01,850

Prepare Final Accounts, taking into account the following adjustments.

- (i) Closing Stock Rs. 50,000 (Market value Rs. 45,000)
 - (ii) Depreciate Machinery and Building by 10% p.a. and 4% p.a.
 - (iii) Write off Rs. 1,250 from Debtors and provide reserve for doubtful debts at 5% on debtors.
 - (iv) Interest at 12% p.a. on capital is to be allowed and interest at 12% p.a. for 6 months on drawings.
3. (a) Explain Limitations of Ratio Analysis. (7)
- (b) Explain functions of Financial Manager. (7)

OR

Following is Revenue Statement and Balance Sheet of ABC Ltd.

(14)

Revenue Statement		Balance Sheet			
		Liabilities	Rs.	Assets	Rs.
Sales	10,00,000	Equity Share Capital	5,00,000	Fixed Assets	6,00,000
(Including Credit sales Rs. 7,00,000)		Reserves & Surplus	3,00,000	Debtors	2,00,000
Less: <u>Cost of Goods sold :</u>		Creditors	1,00,000	Stock	1,30,000
Op-Stock 1,20,000		Bills Payable	50,000	Bills Receivable	70,000
+ Purchases + <u>3,80,000</u>		Bills overdraft	50,000		
5,00,000					
- Cl. St. - <u>1,30,000</u>	- 3,70,000				
Gross Profit	6,30,000				
Less: Operating Expenses	- 2,30,000				
Net Profit	4,00,000		10,00,000		10,00,000

Calculate :

- (i) Net Profit Ratio.
 - (ii) Stock Turnover Ratio.
 - (iii) Liquid Ratio.
 - (iv) Debtors Ratio (No. of days in a year 300)
 - (v) Operating Ratio.
4. Prepare Cash Budget of XYZ Ltd. for the period of 3 months ending on 31-3-2006 from the following information : (14)
- (i) Bank Balance as on 1-1-2006 Rs. 1,25,000.

Months	Sales	Purchases	Wages	Overheads
November	6,25,000	2,50,000	50,000	30,000
December	4,37,500	1,87,500	62,500	37,500
January	5,62,500	3,12,500	68,750	35,000
February	6,87,500	3,75,000	75,000	40,000
March	7,50,000	4,37,500	81,250	45,000

- (ii) Payment of income tax is to be made in the month of January Rs. 62,500.
- (iv) Purchase of machine worth Rs. 1,75,000 is to be made in the month of March.

(v) Time lag :

Wages – 1/2 month

Credit allowed by suppliers – 1 month.

Overheads – 1/4 month

Credit allowed to customers – 2 months.

(vi) Assume all Sales and Purchases are on credit.

OR

(a) Write a note on importance of Cost Accountancy. (4)

(b) Differentiate between direct and indirect cost. (6)

(c) Differentiate between Fixed and Variable Cost. (4)

5. (a) (i) How would you determine Prime Cost ? (4)

(ii) Write a note on utility of cost sheet. (3)

OR

(a) Prepare cost sheet from the following information : (7)

	Rs.
Direct Material	3,00,000
Direct Labour	2,00,000
Direct Expenses	1,00,000
<u>Opening Stock</u>	
Work-in-progress	10,000
Finished Goods	20,000
<u>Closing Stock</u>	
Work-in-progress	15,000
Finished Goods	25,000
Sale of Material waste	20,000
Sale of Factory waste	10,000
Factory overheads	1,50,000
Administrative Overheads	2,00,000
Selling Overheads	1,00,000
Distribution Overheads	2,00,000

* Profit is calculated at 10% profit on cost price.

(b) (i) Write a note on Break–even point. (4)

(ii) Write a note on importance of Marginal Costing. (3)

OR

Following data is available from the records of PQR Ltd. (7)

Selling Price Rs. 75 per unit; Variable cost Rs. 30 per unit.

Fixed Cost Rs. 1,50,000 p.a.

Calculate :

(i) Break–even point (in units and in rupees)

(ii) Necessary sales to earn profit of Rs. 2,50,000.

(iii) New Break–even point, if selling price is reduced by 20%.

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Time : 3 Hours]

[Max. Marks : 50

1. (a) What is an Account ? Give the proforma of an account and also give the rules of debit and credit. **(6)**
- (b) What is Accounting Equation ? State the Accounting Equation with an appropriate example of it. **(4)**

OR

Record the following transactions in the subsidiary books of M/s. Shah & Sons. **(10)**

2007

January

- 1 Started a business with cash of Rs. 10,000.
- 2 Opened an account with a Bank by depositing Cash of Rs. 2,000.
- 4 Purchased furniture of Rs. 2,000 from A to Z Furniture Mart.
- 4 Purchased Goods of Rs. 4,000 from Arvind Stores at 10% trade discount.
- 5 Out of the goods purchased from Arvind Stores, 1/3rd of the goods were sold to Binit Brothers at 50% profit on Cost Price.
- 6 Binit Brothers returned the damaged goods of Rs. 300 and the same goods were returned to Arvind Stores.
- 10 Cash sales amounted to Rs. 5,000, while cash purchase amounted to Rs. 1,000.
- 15 Received a cross cheque of Rs. 1,450 from Binit Brothers in full settlement.
- 16 Paid to A to Z Furniture Mart a cheque of Rs. 1,900 in full settlement.

- 19 Withdrawn Rs. 200 from bank for office use.
- 31 Paid Salary of Rs. 2,800 by cash and rent of Rs. 350 by cheque.

2. Prepare Final Accounts of Parikh Brothers for the year ended 31st December, 2006 from the following Trial Balance and additional information **(10)**

Trial Balance as on 31st December, 2006

Debit Balances	Rs.	Credit Balances	Rs.
10% Investments (1-7-06)	18,400	Commission	4,400
Interest on 10% Bank Loan	1,200	Bad Debt Recovered	2,000
Furniture	4,000	10% Bank Loan	24,000
Plant & Machinery	8,000	Sales	1,68,000
Land & Building	60,000	Purchases Return	4,000
Cash on hand	2,400	Bad Debt Reserve	1,600
Bills Receivable	8,000	Capital	52,000
Debtors	32,800	Creditors	18,000
Drawings	4,000	Bills Payable	4,000
Printing & Stationery	1,200	Bank Overdraft	2,000
Bad Debts	2,000		
Insurance Premium	3,200		
Advertisement	400		
Salaries	4,800		
Carriage Outward	1,200		
Octroi	1,600		
Carriage Inward	800		
Wages	2,000		
Sales Return	8,000		
Purchases	1,04,000		
Stock (1-1-2006)	12,000		
	2,80,000		2,80,000

Additional Information :

- (i) Stock as on 31-12-2006 was Rs. 10,000.
 - (ii) Outstanding Salary and Prepaid Insurance were Rs. 800 and Rs. 400 respectively.
 - (iii) Depreciate Land & Building, Plant & Machinery at 10% p.a. and 20% p.a. respectively.
 - (iv) Write off Rs. 800 as bad debt and maintain provision for doubtful debt at 5% on debtors.
3. (a) Define Financial Management and explain the functions of the Financial Manager. **(6)**
- (b) Write a note on Zero Base Budgeting. **(4)**

OR

Prepare cost sheet for the year ended on 31-12-2006 from the following information of Zenith Manufacturing Company Ltd.

Particulars	Rs.
Opening Stock of Raw Materials	10,000
Purchase of Raw Materials	2,10,000
Carriage Inward	5,000
Closing Stock of Raw Materials	4,000
Sale of Raw Material Scrap	1,000
Direct Wages	1,50,000
Direct Expenses	50,000
Indirect Wages	10,000
Electricity	50,000
(Factory-office ratio 8 : 2)	

Salaries	1,00,000
(Including Salary of Factory Engineer Rs. 20,000 and Salary of Sales Manager Rs. 30,000)	
Advertisement	20,000
<u>Depreciation :</u>	
on Factory Building	15,000
on Office Furniture	5,000
on Delivery Van	5,000
Gas and Water	5,000
(Factory–Office Ratio 3 : 2)	
Counting House Exps.	8,000
Drawing Office Exps.	2,000
Sundry Exps.	10,000
Branch Office Exps.	20,000
Opening Stock of Finished Goods	20,000
Closing Stock of Finished Goods	10,000
Sales	7,00,000

4. (a) From the following information, calculate following accounting ratios : **(6)**
- Net Profit Ratio.
 - Stock Turnover Ratio.
 - Liquid Ratio.
 - Return on Capital Employed.
 - Debtors Ratio.
 - Gross Profit Ratio.

Revenue Statement		Balance Sheet	
Sales	4,50,000	(i) <u>Owned Capital</u>	
Less: <u>Cost of Goods Sold</u>		Equity Share Capital	3,00,000
Opening Stock 75,000		Reserves	1,50,000
+ Purchases + 2,50,000		(ii) <u>Borrowed Capital</u>	–
+ Purchase Exps. <u>+ 50,000</u>			4,50,000
	3,75,000	(i) Fixed Assets	3,15,000
– Closing Stock <u>1,05,000</u>	– 2,70,000	(ii) Investments	45,000
Gross Profit	1,80,000	(iii) WC	
Less: Operating Expenses	67,500	<u>Current Assets</u>	
Net Profit	1,12,500	Stock 1,05,000	
		Debtors 45,000	
		Bank <u>30,000</u>	
		1,80,000	
		Less: <u>Current</u>	
		<u>Liabilities</u>	
		Creditors 45,000	
		Bills Payable 30,000	
		Prov. For tax <u>15,000</u>	90,000
			4,50,000

OR

(a) State advantages and disadvantages of Ratio Analysis.

(6)

(b) From the following particulars, prepare Fund Flow statement. (4)

- (i) Funds from operations Rs. 10,000.
- (ii) Purchase of Land Rs. 40,000.
- (iii) Sale of Furniture Rs. 20,000.
- (iv) Purchase of Investment Rs. 10,000
- (v) Increase in working capital Rs. 20,000.
- (vi) Issue of Equity Shares Rs. 70,000.
- (vii) Redemption of Debentures Rs. 30,000.

OR

(b) Write a note on : Fund Flow Statement. (4)

5. (a) The following information is supplied in respect of an article produced in X Ltd. (4)

Selling price Rs. 10 per unit.

Variable Cost Rs. 6 per unit.

Fixed Cost Rs. 20,000.

Calculate :

- (i) Break–Even Point (in Units and in Rupees).
- (ii) Profit Volume Ratio.
- (iii) Necessary Sales to make a profit of Rs. 1,00,000.
- (iv) New Break–Even Point, if selling price is reduced by 10%.

OR

(a) Write a note on : Break–Even Analysis. (4)

(b) The standard cost of one unit is as under : (6)

Material – 2 kg @ Rs. 10 per kg.

Wages – 2 hours @ Rs. 10 per hour.

Actual data were as under :

Output – 10,000 units.

Material – 19,000 kg @ Rs. 11 per kg.

Wages – 21,000 hours @ Rs. 9 per hour.

Calculate :

- (i) Material Cost Variance.
- (ii) Material Price Variance.
- (iii) Material Usage Variance.
- (iv) Labour Cost Variance.
- (v) Labour Rate Variance.
- (vi) Labour Efficiency Variance.

OR

- (b) State limitations of Standard Costing.

(6)
