1210/BA4 **MAY 2007**

FINANCIAL ACCOUNTING AND COST ACCOUNTING

(For those who joined in July 2003 and after)

Time : Three hours Maximum : 100 marks

Answer any FIVE questions choosing not more than THREE questions from each Part.

All questions carry equal marks.

PART A

1. (a) Explain the need of Accounting in Modern Business.

(b) Distinguish between Journal and Ledger.

2. (a) What are the main points of distinction between income and expenditure account and receipts and payments account?

(b) Explain the duties of an internal auditor.

3. Correct the following errors found in the books of Mr. Ravi. The Trial Balance was out by Rs. 986 excess credit. The difference has been posted to a suspense account.

(a) A sale of Rs. 400 to X and Co., was wrongly credited to their account.

(b) A purchase of Rs. 134 had been posted to the creditor's account as to Rs. 120

(c) The total of returns inward book for December had been cast Rs. 200 short.

(d) A cheque for Rs. 400 received from Suriya had been dishonoured and was posted to the debit of 'Allowance Account'.

4. On 31st March 2005, the following trial balance was extracted from the books of Chandru :

	Dr. Rs.	Cr. Rs.
Capital	-	50,000
Plant & machinery	80,000	-
Purchases and sales	60,000	1,77,000
Returns	1,000	750
Opening stock	30,000	-
Discounts	350	800
Bank charges	75	-
Debtors and Creditors	45,000	25,000
Salaries	6,800	-

	Dr. Rs.	Cr. Rs.
Manufacturing wages	10,000	-
Carriage inwards	750	-
Carriage outwards	1,200	-
Bad debts provisions	-	525
Rent	10,000	-
Advertisement	2,000	-
Cash in hand	900	-
Cash at bank	6,000	-
	2,54,075	2,54,075

You are asked to prepare the final accounts. For the year ended 31st March 2005 and the Balance Sheet as on that date. The following adjustments are required :

(a) Closing stock Rs. 35,000

(b) Depreciation of plant @ 6%

(c) Bad debts provisions to be adjusted to Rs. 500

(d) Interest on capital to be allowed at 10% p.a.

(e) 2.5% of profit is to be carried to Reserve fund.

5. From the following prepare Income and Expenditure account for the year ended on 31st March 2002

1.4.2001	Rs.	2002 March 31	Rs.
To Balance		By Salaries	3,60,000
Cash at bank	45,500	" Rent	60,000
Cash on hand	5,500	" Printing	14,500
Mar. 2002		" Postage	2,500
" Subscription (including Rs. 20,000 for 2002-03)	3,00,000	" Old motor bike purchased	9,500
" Interest on investments (Cost of Investments Rs. 3,00,000)	1,50,000	" Plan Bonds	68,000
		" Balance	
" Bank Interest	1,000	Cash	1,200
" Sale of Scooter	25,000	Cash at bank	11,300
	5,27,000		5,27,000

Subscription include Rs. 12,000 for 2001-02. Also rent includes Rs. 5,000 paid for March 2001. Subscriptions amounted to Rs. 15,000 have still to be collected for the year 2001-02. Rent for March 2002 had still to be paid and Rs. 2,500 is outstanding against a stationery bill. The book value of the scooter was Rs. 20,000.

PART B

6. (a) Define costing and cost accounting. Explain the importance of cost accounting.

(b) Explain the various stock levels of materials.

7. (a) Bring out the managerial application of Break-Even Analysis.

(b) Define standard costing. How standards are fixed.

8. The following expenses were incurred for a product during the year ended on 31st December 2005 :

	Rs.
Direct materials	30,000
Direct wages	40,000
Chargeable expenses	10,000
Factory overheads	20,000
Selling and distribution overhead	20,000
Administrative overhead	30,000

Profit on sales is 25%.

Prepare cost sheet and ascertain the value of sales.

9. *XY* Ltd. are manufactures of three products *A*, *B* and *C*. The actual joint expenses of manufacture for a period were Rs. 60,000. It was estimated that the profit of each product as a percentage of sales would be 30%, 25% and 15% respectively.

	A Rs.	*B* Rs.	*C* Rs.
Material	1,000	750	250
Direct wages	2,000	1,250	500
Overheads	1,500	2,250	750
	4,500	4,250	1,500
Sales were	60,000	40,000	25,000

Prepare a statement showing the apportionment of the joint expenses of manufacture over the different products.

10. Construct a flexible budget for production at 80% and 100% capacity :

Product at 60% capacity – 6000 units

Material Re. 0.50 per unit

Labour Rs. 0.40 per unit

Overhead Rs. 0.40 per unit

Factory overhead cost Rs. 5,000 (40% fixed)

Administrative expenses Rs. 3,000 (60% fixed).