Seat No.: _____ *Enrolment No._____*

GUJARAT TECHNOLOGICAL UNIVERSITY

ME Semester –I Examination Feb. - 2012

Subject code: 711406N

Subject Name: Construction Finance & Accounting (Elective)

Time: 10.30 am – 01.00 pm **Date : 21-Feb-2012**

Total Marks: 70

Instructions:

1. **Attempt all questions.**
2. **Make suitable assumptions wherever necessary.**
3. **Figures to the right indicate full marks.**

Q.1	**(a)**	Pass Journal entries of Ravi Traders from the following transactions for the month of January 2012 01.01.2012. Mr. Ravi started his business with cash Rs. 25,000, Stock Rs. 30,000 Debtors Rs. 20,000 and Creditors Rs. 15,000. 03.01.2012. Cash Deposited in to Bank Of Baroda Rs. 15,000. 05.01.2012. Purchased goods worth Rs. 5,000. 07.01.2012. Sold goods worth Rs. 6,500. 09.01.2012. Carriage outward Rs. 50 paid. 10.01.2012. Purchased goods worth Rs. 10,000 from Ram traders at 10% trade discount and 5% cash discount. 50% amount paid immediately. 12.01.2012. Sold goods worth Rs. 15,000 to Shree traders at 10% trade discount and 2% cash discount. 50% amount received by cheque. 15.01.2012. Electricity bill Rs. 1,200 and shop rent Rs. 1,000 paid. 15.01.2012. Salary Rs. 850 paid.	**07**
	(b)	Show the classification of the following Accounts under traditional approach: (a) Machinery (b) Sales (c) Bank Loan (d) Outstanding Expenses (e) Closing Stock (f) Creditors (g) Investments (h) Bad debts (i) Capital (j) Rent received in advance	**07**
Q.2	**(a)**	ST Limited purchased machinery for Rs. 60,000 on 1st December 2005. Depreciation is to be charged annually on Straight Line Method. Useful working life of the machinery is five years and it will fetch Rs. 10,000 at the end of the period when it is sold. Prepare the machinery account in the books of ST Limited and also calculate the rate of depreciation assuming that the books are closed on 31st December each year	**07**
	(b)	Two manufacturing companies, which have the following operating details to merge:	**07**

Particulars	Company No. 1	Company No. 2
Capacity utilization (%age)	90	60
Sales (Rs. Lakhs)	540	300
Variable Cost (Rs. Lakhs)	396	225
Fixed Cost (Rs. Lakhs)	80	50

Assuming that the proposal is implemented, calculate:

(i) Break even sales of the merged plant and the capacity utilization at that stage.

(ii) Profitability of the merged plant at 80% capacity utilization.

(iii) Sales turnover of the merged plant to earn a profit of Rs. 75 lakhs.

(iv) When the merged plant is working at a capacity to earn a profit of Rs. 75 lakhs what percentage increase in selling price is required to sustain an increase of 5% in fixed overheads.

OR

(b) The following information relates to the total sales & total profit of the first two months of Arpit Limited. **07**

Total sales for the both months are Rs. 10,30,000

Total profits for the both months are Rs. 6,000

February month's sales & Profit Rs. 2,70,000 and Rs. 54,000 more than January.

Calculate: (1) Profit Volume Ratio **(2)** Variable cost of both the months **(3)** Fixed cost **(4)** Break even sales **(5)** Profit or loss at Rs. 4,60,000 sale **(6)** Required sales to earn profit Rs. 50,000 **(7)** Required sales, if the company desired to earn 10% profit on sale.

Q.3 (a) Prepare Statement Showing Changes in Working Capital. **07**

	2009	2010
Current Assets:		
Stock	80,000	60,000
Debtors	50,000	75,000
Bills Receivables	30,000	40,000
Expense paid in advance	10,000	15,000
Income not received	10,000	5,000
Cash and Bank	12,000	10,000
Current Liabilities:		
Creditors	40,000	65,000
Bills Payable	30,000	20,000
Expenses not paid	20,000	10,000

(b) Calculate following ratios from the given information of Elecon Limited. **07**

Balance Sheet

Liabilities	Rs.	Assets	Rs.
Share Capital	5,00,000	Building	4,30,000
General Reserve	3,00,000	Machinery	5,00,000
Profit & Loss Account	2,00,000	Stock	1,00,000
10% Debentures	1,50,000	Debtors	80,000
Creditors	50,000	Bills Receivables	60,000
Bills Payable	30,000	Prepaid Expenses	20,000
Outstanding Expenses	20,000	Cash and Bank	60,000
	12,50,000		12,50,000

Other Information:

1. Sales: Rs. 10,00,000
2. Gross Profit: Rs. 6,00,000
3. Net Profit: Rs. 4,00,000
4. Opening Stock: Rs. 3,00,000

Calculate: (a) Current Ratio (b) Liquid Ratio (c) Proprietary Ratio (d) Gross Profit Ratio (e) Net Profit Ratio and (f) Stock Turnover Ratio

OR

Q.3 (a) Prepare Specimen of Balance Sheet. **07**

(b) Write Rules of Debit and Credit. **07**

Q.4	**(a)**	How is working capital affected by (a) sales, (b) technology and production policy, and (c) inflation?	**07**
	(b)	Discuss the approaches used by the company for financing current assets.	**07**
		OR	
Q.4	**(a)**	Discuss the concept and types of working capital.	**07**
Q.4	**(b)**	Discuss the concept of operating cycle with reference to need for working capital. Illustrate.	**07**
Q.5	**(a)**	Discuss debentures as a source long term of finance.	**07**
	(b)	Enlist and explain any one source of working capital finance.	**07**
		OR	
Q.5	**(a)**	Discuss preference share as a source long term of finance. Why is it a hybrid security?	**07**
	(b)	From the following projections of X ltd for the next year, you are required to determine the working capital required by the company.	**07**

Annual sales	Rs. 14,40,000
Cost of production [including depreciation of Rs. 1,20,000]	Rs. 12,00,000
RM purchases	Rs. 7,05,000
Monthly expenditure	Rs. 30,000
Estimated opening stock of RM	Rs. 1,40,000
Estimated closing stock of RM	Rs. 1,25,000
Inventory Norms:	
Raw Materials	2 months
WIP	½ month
Finished Goods	1 month

The firm enjoys a credit of half a month on its purchases and allows one month credit on its supplies. On sales orders the co. receives an advance of Rs. 15,000.

You may assume that production is carried out evenly throughout the year and minimum cash balance desired to be maintained is Rs. 10,000.

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