

# CBCS SCHEME

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15CT46

Fourth Semester B.E. Degree Examination, June/July 2018

## Financial and Cost Accounting

Time: 4 hrs.

Max. Marks: 80

Note: Answer any FIVE full questions, choosing one full question from each module.

### Module-1

- 1 a. Discuss the objectives and functions of accounting. (08 Marks)  
b. Explain the types of accounts and the rules for Debit and Credit for each type of account. (08 Marks)

OR

- 2 a. Distinguish between Journal and Ledger. (06 Marks)  
b. Journalise the following transactions : (10 Marks)
- April 1 - Mr. Raj commenced business with Cash Rs. 10,000, Machinery Rs. 10,000, Building Rs. 30,000 and furniture Rs. 15,000.  
April 2 - Mr. Raj purchased goods for Rs. 7,000 for cash.  
April 3 - Mr. Raj purchased goods worth Rs. 10,000 on cash discount of 2%  
April 6 - Sold goods to Shyam worth Rs. 15,000 against cash after allowing trade discount of 5%.  
April 7 - Purchased furniture of Rs. 10,000 and paid the amount by cheque.  
April 9 - Paid for travelling expenses in cash Rs. 3,000.  
April 15 - Paid salary in cash Rs. 20,000.  
April 18 - Amount withdrawn by cheque for personal purpose Rs. 3,000  
April 21 - Received commission in cash from Suresh Rs. 2,000.  
April 30 - Paid rent by cheque Rs. 8,000.

### Module-2

- 3 a. What do you mean by budget? How do you classify the budget. (06 Marks)  
b. The following table gives the forecasts of income and expenditure. Prepare a cash budget for three months starting from 1<sup>st</sup> April 2017 at the time when bank balance is Rs. 2,50,000.

Month	Sales	Purchases	Salaries	Over Head	Admin
March	47,000	35,000	39,000	4,500	9,000
April	56,000	47,000	42,000	7,000	6,000
May	97,000	59,000	35,000	6,500	3,000
June	1,25,000	37,000	46,000	3,200	5,000
July	98,000	56,000	52,000	1,700	7,000

Additional information :

- i) Sales commission of 15% on sales is due 1 month after sales is done.  
ii) Land valued at Rs. 50,000 is purchased in June.  
iii) Profit is shared to shareholders amounting to Rs. 75,000 in April. (10 Marks)

OR

- 4 a. Explain the importance of capital budgeting. (06 Marks)  
b. ABC construction company manufactures two types of concrete – M20 and M30 and sells them in Bangalore and Mysore regions. The following information is available for the current year.

Market	Type	Budgeted Sales	Actual Sales
Bangalore	M20	400 M <sup>3</sup> at Rs. 3,500	500 M <sup>3</sup> at Rs. 3,500
	M30	600 M <sup>3</sup> at Rs. 3,700	200 M <sup>3</sup> at Rs. 3,700
Mysore	M20	800 M <sup>3</sup> at Rs. 3,500	600 M <sup>3</sup> at Rs. 3,500
	M30	900 M <sup>3</sup> at Rs. 3,700	1000 M <sup>3</sup> at Rs. 3,700

Market studies reveal that M20 is popular and it is under priced. It is observed that if its price is increased by Rs. 200, it will find a ready market. On the other hand M30 is overpriced and it will be accepted and make more sales if price is reduced by Rs. 200. The management has agreed to give effect to above price changes. On the basis, the following estimates have been prepared by the sales manager.

Product	% increase in sales (BLR)	% increase in Sales (MYS)
M20	+20	+18
M30	+35	+22

With the help of intensive advertisement campaign following additional sale above the estimated sales are possible.

Product	BLR	MYS
M20	400 m <sup>3</sup>	700 m <sup>3</sup>
M30	300 m <sup>3</sup>	500 m <sup>3</sup>

Prepare a sales budget incorporating above estimates.

(10 Marks)

### Module-3

- 5 a. Explain the advantages and disadvantages of NPV method of investment analysis. (08 Marks)  
 b. A company has to select one of the following two projects. Using the Internal Rate of Return method, suggest which project is preferable. (08 Marks)

Particulars	Project X	Project Y
Cost	1,10,000	1,0,000
<b>Cash flows</b>		
Year 1	60,000	10,000
Year 2	20,000	10,000
Year 3	10,000	20,000
Year 4	50,000	1,00,000

OR

- 6 a. What is payback method? Explain the merits and demerits of payback period method of evaluating investment proposals. (06 Marks)  
 b. Calculate Net Present Value of the two projects X and Y and suggest which of the two projects should be accepted assuming a discount rate of 10%.

	Project X	Project Y
Initial Investment	Rs. 20,000	Rs. 30,000
Estimate Life	5 years	5 years
Scrap Value	Rs. 1,000	Rs. 1,000

The projects before depreciation and after taxes are as follows :

Year	Project X	Project Y
1	Rs. 5,000	Rs. 20,000
2	Rs. 10,000	Rs. 10,000
3	Rs. 10,000	Rs. 5,000
4	Rs. 3,000	Rs. 3,000
5	Rs. 2,000	Rs. 2,000

(10 Marks)

### Module-4

- 7 a. Name at least two industries in which each of the following methods would be suitable :  
 i) Process costing ii) Job costing iii) Multiple costing iv) Batch costing. (04 Marks)

- b. Classify the following items into various types of overheads, separately showing items which are not included in cost sheet : (12 Marks)

Factory rent and Taxes	Rs. 10,000	Interest paid	Rs. 4,500
Manager's salary :		Damages payable at law	Rs. 6,000
Factory	Rs. 9,800	Bonus to office staff	Rs. 8,000
Office	Rs. 4,200	Carriage outwards	Rs. 2,000
Collection charges	Rs. 3,600	Telephone Charges :	
Market research expenses	Rs. 7,500	Factory	Rs. 3,000
Heating and air conditioning :		Office	Rs. 1,800
Office	Rs. 5,500	Show room	Rs. 4,500
Showroom	Rs. 12,000	Director's Fees	Rs. 6,000
Loss on sale of old machinery	Rs. 2,800	Audit Fees	Rs. 3,500
Cost of printing price list and catalogues	Rs. 3,500	Indirect Wages	Rs. 7,800
Showroom rent	Rs. 3,000	Internal Transport charges	Rs. 2,700
Power	Rs. 6,700	Plant Repairs	Rs. 1,200

OR

- 8 a. Explain the objectives of costing. (06 Marks)  
 b. Swadeshi Co. Ltd., supplies the following cost data for the month of April 2017.

Details	Amount (Rs.)	Details	Amount (Rs.)
Direct Material	5,60,000	Office Salaries	16,000
Direct Wages	2,85,000	Director's remuneration	15,000
Factory rent and wages	25,000	Telephone and Postage	3,000
Plant repairs and Maintenance	13,000	Printing and Stationery	2,000
Office rent and rates	5,000	Legal charges	1,500
Plant depreciation	12,500	Advertisement	15,000
Factory heading and lighting	5,000	Salesman's Salaries	25,000
Factory manager's Salary	20,000	Sales	11,75,000

Prepare a cost sheet showing the following components: i) Prime cost ii) Works cost  
 iii) Cost of production iv) Cost of sales v) Profit value. (10 Marks)

**Module-5**

- 9 a. Write a short notes on :  
 i) Characteristics of a good project report ii) Methods of reporting information. (08 Marks)  
 b. Explain the following : i) Requirement of good project report  
 ii) Types of reports maintained in a construction site. (08 Marks)

OR

- 10 a. Write a short notes on good management report (06 Marks)  
 b. A firm of builders, carrying out large contracts kept in a contract ledger separate account for each contract. The following particular relate to a certain contract carried out during the year ended 31<sup>st</sup> March 2017. (10 Marks)

Work certified by Architect	1,43,000
Cash received from contractee	1,30,000
Materials sent to site	64,500
Labour engaged on site	54,800
Plant installed at site	11,300
Value of plant on 30 <sup>th</sup> June (closing)	8,200
Cost of work not yet certified	3,400
Establishment charges	3,250
Direct expenditure	2,400
Wages accrued due	1,800
Material closing balance	1,400
Material returned to stores	400
Direct expenses accrued due	200
Contract price	2,00,000

You are required to prepare an account showing the profit on the contract to 31<sup>st</sup> March 2017.