Seat No.: _____ Enrolment No.______

GUJARAT TECHNOLOGICAL UNIVERSITY

M.E Sem-I Examination January 2010

Subject code: 711406 Subject Name: Construction Finance & Accounting

Date: 27 / 01 / 2010 **Time: 12.00- 2.30 pm**

Total Marks: 60

Instructions:

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

Q.1 (a) Draft the Journal Entries of Shree Ram Traders from the following transactions for the month of September 2009. **06**

Sept. 1
Ram started his business of building materials with cash Rs. 50,000, Bank balance Rs. 1,00,000, Stock Rs. 5,00,000, Debtors Rs. 50,000, Creditors r4s. 30,000.

Sept. 3
Ram purchased 3 trucks of sand, each of Rs. 10,000, 2 trucks of bricks, each of Rs. 15,000 and 1 truck of cement of Rs. 25,000. Amount paid by cheque.

Sept. 5
Ram sold 2 trucks of sand, each of Rs. 12,000, 2 trucks of bricks, each of Rs. 16,500 and 1 truck of cement of Rs. 27,000 to Buildwell Construction. Half amount received by Cheque.

Sept. 8
Ram deposited cheque of Buildwell Construction into Bank.

Sept.10
Ram purchased 2 trucks of steel, each at Rs. 30,000, 2 trucks of sand, each of Rs. 10,500, 1 truck of bricks of Rs. 15,000 and 2 trucks of cement, each of Rs. 24,000 at 10% trade discount and 2% cash discount from Kishan. Half amount paid immediately.

Sept. 13
Ram paid Rs. 1,000 for electricity bill and Rs. 500 for telephone.

Sept. 17
Ram sold to Vijay Construction Company 2 trucks of steel, each of Rs. 32,000, 2 trucks of sand, each of Rs. 12,000, 1 truck of bricks of Rs. 15,500 and 1 truck of cement of Rs. 26,000 at 5% trade discount and 2% cash discount. 80% amount received by cheque and 20% amount received by cash.

Sept. 20
Ram issued a cheque to Kishan for balance amount.

Sept. 23
Ram received a cheque from Buildwell Construction for balance amount.

Sept. 25
Salary Rs. 15,000 and Wages Rs. 7,000 paid.

(b) Difference between Financial Accounting, Cost Accounting and Management Accounting. **06**

Q.2 (a) What is Depreciation? Explain the any three methods of depreciation. **06**

(b) Explain the following terms: **06**

(a) Cash Book
(b) Trail balance
(c) Final Account

OR

(b) A Company which closes its books each year on 31st December bought on 1st January, 1998 a second hand machine for Rs. 23,000 and spent Rs. 2,000 on overhaul. Expected life is of 5 years of 2,000 hours each. During 1998 and 1999 it worked for 1,500 and 1,000 hours respectively. **06**

Prepare Machine Account and Accumulated Depreciation Account for 1998 and 1999 using working hour method of depreciation.

Q.3 **(a)** Distinguish between reserves and provisions. **06**

(b) Discuss the concepts regarding financial statements and limitations of financial statements. **06**

OR

Q.3 **(a)** From the following statements of X Limited for the year ending 31 March 1997, You are required to calculate the owing ratios. **06**

(1) Current Ratio (2) Quick Ratio (3) Stock Turnover Ratio (4) Fixed Assets Turnover Ratio.

Balance Sheet

Liabilities	Rs.	Assets	Rs.
Share Capital:		Land & Buildings	5,00,000
Equity shares of Rs. 10		Plant & machinery	2,00,000
each fully paid	5,00,000	Stock	1,50,000
General Reserve	4,00,000	Debtors	2,50,000
Profit & Loss Account	1,50,000	Cash & Bank	1,50,000
Sundry Creditors	2,00,000		
	12,50,000		12,50,000

Profit & Loss Account

Particulars	Rs.	Particulars	Rs.
To Opening Stock	2,50,000	By Sales	18,00,000
To Purchases	10,50,000	By Closing Stock	1,50,000
To Gross Profit	6,50,000		
	19,50,000		19,50,000
To Selling & distribution Expenses	1,00,000	By Gross Profit	6,50,000
To Administration Expenses	2,30,000	By Profit on sale of Fixed assets	50,000
To Financial Expenses	20,000		
To Net Profit	3,50,000		
	7,00,000		7,00,000

(b) What do you understand by analysis of Financial Statements? Describe the uses of such analysis. **06**

Q.4 **(a)** An analysis of Sultan Manufacturing Co. Ltd. led to the following information: **06**

Cost element	Variable cost (% of sales)	Fixed cost
Direct Material	32.8	
Direct labour	28.4	
Factory overheads	12.6	1,89,900
Distribution overheads	4.1	58,400
General administrative overheads	1.1	66,700

Budgeted sales are Rs. 18,50,000. You are required to determine:

(i) the break even sales volume

(ii) the profit at the budgeted sales volume

(iii) the profit if actual sales:

(a) drop by 10% (b) increase by 5% from budgeted sales

(b) From the following data relating to a company, calculate: **06**

(1) The break even sales; and

(2) Sales required to earn a profit of Rs. 6,000 per period

Period	Total Sales (Rs.)	Total Cost (Rs.)
1	42,500	38,700
2	39,200	36,852

OR

Q.4 (a) Cadbury Schweppes Limited, a British Chocolate and soft drink company is planning to establish a subsidiary company in India to produce, Schweppes Mineral Water. **06**

Based on the estimated annual sales of Rs. 40,000 bottles of the mineral water. Cost studies produced the following estimates for the Indian subsidiary:

	Total Annual Costs	Per cent of total Annual cost that is variable
Material	Rs. 1,93,600	100%
Labour	Rs. 90,000	70%
Overhead	Rs. 80,000	64%
Administration	Rs. 30,000	30%

The Indian Production will be sold by manufacturer's representatives who will receive a commission of 8% of te sales price. No portion of British office expenses is to be allocated to the Indian subsidiary.

It is required to:

(i) Compute the sale price per bottle to enable management to realize an estimated 10% profit on sale proceeds in India, and

(ii) Calculate the break even point in rupees sales for the Indian subsidiary on the assumption that the sale price is Rs. 11 per bottle.

(b) From the following information prepare statement showing changes in Working Capital **06**

Liabilities	Rs.	Assets	Rs.
Share Capital:		Land & Building	2,00,000
Equity Shares of Rs. 10		Plant & Machinery	1,00,000
each	2,00,000	Stock	2,00,000
Preference Share Capital	1,50,000	Debtors	1,50,000
General Reserve	1,00,000	Bills Receivable	1,00,000
Profit & Loss Account	1,00,000	Cash & Bank	1,00,000
Creditors	1,50,000		
Bills Payable	1,00,000		
Outstanding Expenses	50,000		
	8,50,000		8,50,000

Q.5 (a) What are the factors affecting working capital relevant to construction industry? **06**

(b) Discuss three approaches which have been successfully applied in practice for estimating working capital needs. **06**

OR

Q.5 (a) Explain the need for working capital with reference to operating cycle. **06**

(b) "The mgt should have neither excessive nor inadequate working capital." It should try to avoid both the dangerous situations." Explain **06**

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