Seat No.: _____ Enrolment No.______

# GUJARAT TECHNOLOGICAL UNIVERSITY

**M.E Sem-I Regular Examination January / February 2011**

## Subject code: 711406N

## Subject Name: Construction Finance & Accounting

**Date: 03 /02 /2011** **Time: 02.30 pm – 05.00 pm**

**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 and prepare ledger Accounts from the following transactions of Delhi Furniture Mart for the January 2010. **07**

Jan. 1 Started business with cash Rs. 10,000
Jan. 2 Deposited into bank Rs. 9,000
Jan. 3 purchased machinery for Rs. 5,000 from Jawahar and gave him a cheque for amount.
Jan. 15 Paid installation charges of machinery s. 100.
Jan. 20 Purchased timber from Naveen of the list price of Rs. 2000. He allowed 10% trade discount.
Jan. 23 Furniture costing Rs. 500 was used in furnishing the office.
Jan. 25 Sold furniture to Naresh of the list price of Rs. 1,000 and allowed him 5% trade discount.
Jan. 28 Received a cheque from Naresh for Rs. 930 in full settlement and sent the cheque to bank.
Jan.29 Sent to Naveen in full settlement a cheque for Rs. 1,750.
Jan.31 Paid wages Rs. 350 and rent Rs. 200

**(b)** Show the classification of the following Accounts under traditional approach: **07**
(a) Discount Allowed (b) Capital (c) Drawings (d) Rent Received in advance (e) Depreciation Account (f) Bad debts (g) Stock Account

**Q.2 (a)** Explain the following concepts: **07**
(a) Matching Concepts
(b) Monetary Unit Concept

**(b)** Explain difference between Financial Accounting, Cost Accounting and Management Accounting **07**

**OR**

**(b)** Explain the following Concepts **07**
(a) Realization Concept
(b) Accrual Concept

**Q.3 (a)** Indian Plastics markets plastic buckets. An analysis of their accounting reveals: **07**

| | |
|---|---|
| Variable cost per bucket | Rs. 20 |
| Fixed cost | Rs. 50,000 per year |
| Capacity | 2,000 buckets per year |
| Selling price per bucket | Rs. 70 |

Required:
(1) Find the break even point.
(2) Find the number of buckets to be sold to get a profit of Rs. 30,000.
(3) If the company can manufacture 600 buckets more per year with an additional fixed cost of Rs. 2,000 what would be the selling price to maintain the profit per bucket as at (2) above?

**(b)** The following figures relate to a company manufacturing a varied range of products: **07**

| Particulars | Total Sales (Rs.) | Total Cost (Rs.) |
|---|---|---|
| Year ended 31st May 2000 | 22,23,000 | 19,83,600 |
| Year ended 31st May 2001 | 24,51,000 | 21,43,200 |

Assuming stability in price, with variable costs carefully controlled to reflect predetermined relationships, and an unvarying figure costs, calculate:

**(a)** The Profit volume Ratio
**(b)** Fixed cost
**(c)** Fixed cost % to sales
**(d)** Break Even Point
**(e)** Margin of safety for the year 2000 and year 2001.

**OR**

**Q.3 (a)** The Balance Sheet of XYZ Limited as on 31st December, 2008 is given below: **07**

| Liabilities | Rs. | Assets | Rs. |
|---|---|---|---|
| Share Capital: | | Cash | 5,000 |
| 7% Preference Share of Rs. 100 | 50,000 | Investment (short term) | 15,000 |
| 6% Mortgaged Debentures | 40,000 | Sundry Debtors | 20,000 |
| Reserves and Surplus | 80,000 | Stock | 30,000 |
| Creditors | 16,000 | Fixed Assets 1,30,000 | |
| Outstanding Expenses | 1,000 | Less: Depreciation 30,000 | 1,30,000 |
| Provision for Tax | 13,000 | | |
| | **2,00,000** | | **2,00,000** |

Other information:
(1) Net sales Rs. 3,00,000
(2) Cost of Goods Sold Rs. 2,58,000
(3) Net profit before tax Rs. 20,000
(4) Net income after tax Rs. 10,000

**Calculate and comment the following ratios on the information given above:**

1. Gross Profit Ratio 2. Current Ratio 3. Liquidity Ratio
4. Stock Turnover Ratio 5. Fixed Assets Ratio 6. Net Profit Ratio
7. Operating Ratio

**(b)** Prepare specimen of Balance Sheet and Profit And Loss Account. **07**

**Q.4 (a)** From the following data calculate operating cycle. **07**

Rs. In lakhs

| Balance | Opening Balance | Closing balance |
|---|---|---|
| Raw Material | 57900 | ? |
| Work in Progress | 13000 | 10400 |
| Finished Goods | 67500 | 80900 |
| Book debts | 93400 | 122800 |
| Trade creditors | 70600 | 84100 |

| | |
|---|---|
| Purchase of RM[[20% on cash basis] | 204300 |
| Consumption of RM | 193500 |
| Depreciation | 14800 |
| Manufacturing Expenses | 90800 |
| Excise duty | 43100 |
| Selling & Admn expenses | 58400 |
| Sales [90% on credit basis] | 491100 |

**(b)** Discuss scope of finance. **07**

**OR**

| | | | |
|---|---|---|---|
| **Q.4** | **(a)** | "Finance is the basic input as well as ultimate output also." Do you agree? Explain with reference to significance of finance. | **07** |
| | **(b)** | Enumerate briefly various factors affecting working capital. | **07** |
| **Q.5** | **(a)** | Explain equity share capital as a source of long term finance. | **07** |
| | **(b)** | 'Wealth maximization is theoretically superior and operationally feasible objective of financial management.' Elaborate. | **07** |
| | | **OR** | |
| **Q.5** | **(a)** | Discuss various finance functions. | **07** |
| | **(b)** | 'Preference share capital is a hybrid security.' Comment. | **07** |

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