



First Term Exam-2071
Subject: Accountancy

Level: BBS - I
Time: 3 Hrs

F.M:100
P.M.: 40

Brief questions

[10x2=20]

- What is operating leverage? Discuss
- What are the objectives of cash flow statement?
- What are the main applications of a value added statement? Explain each.
- What are the limitations of ratio analysis?
- What is capital budgeting? Why it is need to an organization?
- The following information is provided

Contribution margin.....	1,60,000
Earning before tax.....	80,000
Tax rate.....	40%

Required: Calculate Degree of Combined Leverage

- A company can sale a plant for Rs. 45,000, which was purchased for Rs.30,000 and the current book value of the plant is Rs. 20,000. The following information has been supplied. The normal tax rate is 50% and Capital gain tax is 10%.

Required: Tax adjustment

- A company has two alternative financial;
Plan I 1,000, equity share of Rs. 100 each
1,000, 10% debenture of Rs. 100 each
Plan II 500, equity share of Rs. 100 each
150, 10% preference share of Rs. 100 each

Required: Indifference point of EBIT

- The following information are extracted from the financial statement of Mariya Enterprises.

Sales revenue 5,00,000.....	Beginning Inventory	60,000
Purchases 2,20,000.....	Ending Inventory	1,60,000
Carriage 15,000.....	Administrative expenses	25,000
Selling expenses 30,000.....	Rent	40,000
Interest 35,000.....	Depreciation	50,000
Tax paid 15,000.....	Dividend paid	50,000

Required: Value added statement.

- A company has current ratio 2.7:1 and liquid ratio 1.8:1. Total current liabilities are Rs.22,500.
Required: a) Current assets b) Liquid assets
 c) Stock in hand

Descriptive Questions

(Any Five)

[5x10=50]

- The Trial balance of a firm as on 31st December, last year is given below:

Particulars	Amount (Dr)	Amount (Cr)
Beginning stock	32,000	–
Purchases	1,50,000	–
Wages	80,000	–
Sundry debtors	70,000	–
Carriage.....	10,000	–
Sales.....	–	3,80,000
Drawing	20,000	–
Cash at bank.....	40,000	–
Salaries.....	20,000	–
Rent and taxes.....	78,000	–
Sundry creditors.....	–	20,000
Capital.....	–	1,00,000
Total	5,00,000	5,00,000

Additional Information:

- Closing stock Rs.40,000
- Wages prepaid Rs.10,000

Required: Value added statement

[10]

- The Following information of Morang Auto and Syak Co. are given

	Morang Auto	Syakar Co.
Variable cost on sales	50%	40%
Earning After tax (EAT)	20,00,000	24,00,00
		0
DOL	1.5	2
DFI	1.25	1.5
Tax rate	50%	40%

Required: Income statement of both Co.

[5x2=10]

For the year ended Chaitra 31, 2070

Particulars	Amount (Rs.)	Amount (Rs.)
Sales		5,50,000
Less: Cost of goods sold:		
Opening inventory	50,000	
Purchases	3,00,000	
Closing inventory	(70,000)	
Direct wages	20,000	3,00,000
Gross profit		2,50,000
Less: Operating expenses:		
Office & selling expenses	60,000	
Debenture premium	3,000	
Interest on debentures	12,000	
Depreciation including goodwill written off	40,000	1,15,000
Net Profit before other gain.....		1,35,000
Add: Gain on sale of plant (Costs Rs.50,000, accumulated depreciation Rs.25,000) .		5,000
Net Income before tax		1,40,000
Less: Tax provision		70,000
Net income after tax.....		70,000
Less: Dividend		50,000
Retained earning		20,000

Required: Cash flow statement showing

- a) Cash from operating activities b) Cash from investing activities
c) Cash from financing activities d) Changes in cash and cash equivalent items.
- [6+3+4+2]

17. The following cash flow after tax are given below:

Year	Project A (Rs.)	Project B (Rs.)
0	(1,00,000)	(1,00,000)
1	7,000	9,000
2	7,000	8,000
3	7,000	7,000
4	7,000	6,000
5	7,000	5,000

The cost of capital is 10%

- Required:**
- a) Payback period
b) Accounting rate of return
c) Net present value
d) Profitability index
e) Internal rate of return

[5x3=15]

18. "Discounted cash flows criteria is more superior than non discounted cash flow criteria to evaluate the projects". Explain. [15]