



# LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.A. DEGREE EXAMINATION – ECONOMICS

THIRD SEMESTER – NOVEMBER 2022

**17/18UCO3AL02 – ACCOUNTING FOR ECONOMISTS**

Date: 01-12-2022

Dept. No.

Max. : 100 Marks

Time: 09:00 AM - 12:00 NOON

## PART – A

(10x 2 = 20 Marks)

Q. No

Answer ALL questions

- 1 What is labour cost?
- 2 State any two objectives of preparing the financial statement.
- 3 Define cash flow statement.
- 4 What do you mean by FIFO?
- 5 Write the meaning of fixed cost.
- 6 Define break-even point.
- 7 Write the formula for calculating the P/V ratio.
- 8 Calculate the Economic Order Quantity from the following particulars:  
Annual consumption: 36,000 units. Cost of material per unit: ₹54.  
Cost of placing and receiving one order: ₹ 150. Inventory carrying cost 20% of the average inventory.
- 9 In a factory workers are paid ₹ 250 per hour. During the month of April 2016, there were 25 working days of 8 hours each. Calculate the wages of worker X under the time rate system for a month.
- 10 Calculate P/V ratio from the following particulars:

Year	Sales (₹)	Profit (₹)
2010	70,000	7,500
2011	80,000	10,000

## PART – B

(4 x 10 = 40 Marks)

Answer any FOUR questions

- 11 Explain the objectives of preparing a cash flow statement.
- 12 Write in detail about the methods of calculating wages.
- 13 Explicate the techniques of marginal costing.
- 14 From the following information relating to Jargon Ltd, you are required to find out:  
(a) P/V ratio (b) Break-even point (c) Profit (d) Margin of safety (e) Volume of sales to earn a profit of ₹ 24,000.  
Total fixed costs – ₹ 18,000, Total variable costs- ₹ 30,000, and Total Sales – ₹ 60,000.
- 15 Standard time allowed for a job is 150 hours. The hourly rate of wage is ₹ 500 per hour worked. The actual time taken by the worker was 130 hours. Calculate the total wages on the basis of:  
(a) Time basis, (b) Halsey premium basis, (c) Halsey weir plan and (d) Rowan's bonus plan.
- 16 Component Zinc is used as follows:

Re-ordering quantity: - 1200 units, Reordering period: 2 to 6 months, Normal usage: 900 units per month, Minimum Usage: 800 units per month, and Maximum Usage: 1200 units per month. You are required to calculate the following for component Zinc:

(a) Re-order level, (b) Maximum level, (c) Minimum level, (d) Average stock level

- 17 Nadir manufacturers Ltd, has three production departments A,B,C, and two service departments P and Q, the details pertaining to which are as under:

Particulars	A	B	C	P	Q
Direct wages(₹)	12,000	8,000	12,000	6,000	2,000
Value of machine (₹)	48,000	64,000	80,000	4,000	4,000
H.P. of machine	60	30	50	10	-
Light points	40	60	80	40	20
Floor area ( Sq. feet)	1,000	1,250	1,500	1,000	250

The following figures extracted from the accounting records are relevant: Rent ₹ 60,000, Electricity ₹ 6,000, Indirect wages ₹ 24,000, Power ₹ 6,000, Depreciation on machines ₹ 40,000 and Other labour-related costs ₹ 10,000. Compute the overheads of Departments A, B, C, P&Q under primary apportionment.

**PART – C**

**(2 x 20 = 40 Marks)**

**Answer any TWO questions**

- 18 Explain the merits and demerits of marginal costing.
- 19 Prepare stores ledger account under LIFO and FIFO methods from the following information:  
 1<sup>st</sup> June 2018- opening stock of 300 units at ₹100 each  
 5<sup>th</sup> June- received 200 units at ₹ 120 each  
 10<sup>th</sup> June- issued 250 units  
 14<sup>th</sup> June- issued 150 units  
 18<sup>th</sup> June – received 400 units at ₹ 140 each.  
 19<sup>th</sup> June – issued 300 units.
- 20 From the following information:

Particulars	₹	Particulars	₹
Debenture interest	1400	7% Debentures	30,000
Premises	37,500	P&L A/c (1.1.2015)	1,450
Machinery	30,000	Creditors	5,000
General expenses	1,690	Share capital (called up)	46,000
Purchases	18,500	Bills payable	3,800
Salaries	1,450	Sales	41,500
Freight	1,310	Provision for bad debts	350
Directors fees	574	General reserve	2,500
Bad debts	211		
4% Government securities	6,000		
Stock (1.1.2015)	7,500		
Furniture	720		
Sundry debtors	8,700		
Goodwill	2,500		
Cash	75		
Bank	3,990		
Wages	8,480		
<b>Total</b>	<b>1,30,600</b>	<b>Total</b>	<b>1,30,600</b>

Prepare final accounts of the company for the year ending 31.12.2015 in the prescribed form after taking into account the following adjustments:

(a) Depreciate machinery by 10% and furniture by 5%.

- (b) Provide 5% for bad debt on sundry debtors.  
(c) Transfer ₹ 2, 000 to general reserve.  
(d) Stock on 31.12.2015 was ₹ 10,100.

21 From the following balance sheet as on 31<sup>st</sup> December 2016 and 31<sup>st</sup> December 2017, you are required to prepare a Cash Flow Statement as per AS 3.

<b>Liabilities</b>	<b>2016(₹)</b>	<b>2017(₹)</b>	<b>Assets</b>	<b>2016 (₹)</b>	<b>2017(₹)</b>
Share capital :	70,000	74,000	Bank balance	9,000	7,800
Bonds	12,000	6,000	Goodwill	10,000	5,000
Reserves & Surplus	10,000	10,500	Inventories	49,100	43,700
Provision for doubtful debts	700	800	Debtors	14,900	17,500
Sundry creditors	10,300	12,700	Land	20,000	30,000
<b>Total</b>	<b>1,03,000</b>	<b>1,04,000</b>	<b>Total</b>	<b>1,03,000</b>	<b>1,04,000</b>

The following additional information has been supplied to you:

- (a) Land was purchased for ₹ 10,000.  
(b) ₹ 5, 000 was written off on goodwill during the year.  
(c) Bonds of ₹ 6, 000 were paid during the course of the year.

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