LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.A. DEGREE EXAMINATION – **ECONOMICS**

FIRST SEMESTER – **NOVEMBER 2014**

CO 1102 - ACCOUNTING FOR ECONOMISTS

Date : 01/11/2014 Dept. No. Max. : 100 Marks
Time : 01:00-04:00

PART -A

Answer ALL Questions: **(10*2=20)**

1. What are the financial statements of companies?
2. The raw material X cost ` .40 per kg. Trade discount is at 25%. Calculate the material cost for 40000 kgs.
3. State any two investment activities of companies
4. Distinguish between fund and cash
5. A manufacturing company uses 1600 units of material per year. The cost of placing an order is ` .50 per order. The cost per unit is ` .40 and the carrying cost is 10% of inventory value. Calculate Economic Order Quantity.
6. What is decentralised purchasing?
7. Give any two incentive methods that increase efficiency of workers
8. Mention the basis for allocation of rent and canteen expenses.
9. When profit volume ratio is 34%, what will be the variable cost ratio?
10. What is break even point?

PART-B

Answer Any FOUR Questions: **(4*10=40)**

11. Define marginal cost. Explain the managerial applications of marginal costing.
12. What is labour costing? Discuss various methods of wage payments.
13. Explain the advantages and limitations of cash flow statement
14. Following are the particulars pertaining to HMT ltd. The credit balance in the profit/loss appropriation account was ` .1,25,000. The net profit of the current year before tax @ 50% is ` .5,00,000. The board has decided to declare a dividend of 15% of its equity capital of ` .10,00,000 after transferring ` .50,000 to general reserve. The company had 10% preference share capital of ` . 8,00,000. Dividend distribution tax is 10%.
    You are required to prepare profit or loss appropriation account.
15. SS ltd. supplies you the following balance sheet for the year ending 31.03.2013 & 14.

Liabilities	2013	2014	Assets	2013	2014
Share capital	70,000	74,000	Bank	9,000	7,800
Debenture	12,000	6,000	Debtors	14,900	17,700
Creditors	10,360	13,840	Stock	49,200	42,700
Reserves	700	1,000	Land	20,000	30,000
P/L a/c	10,140	10,560	Good will	10,000	5,000
Bills payable	4,000	1,000	Furniture	4,100	3,200
Total	1,07,200	1,06,400	Total	1,07,200	1,06,400

Additional information: Dividend paid during the year was ` .14,000.
You are required to Prepare Cash Flow Statement

16. Compute the Reorder Level, Minimum Stock Level, Maximum Stock Level and Average stock level for components A and B based on the following data:

Particulars	**Component A**	**Component B**
Maximum consumption per week	150 units	200 units
Average consumption	100 units	125 units
Minimum consumption	50 units	75 units
Reorder period (in weeks)	8 to 12	4 to 8
Reorder quantity	400 units	600 units

17. From the following particulars work out the earnings of workers under

(a) Straight piece rate (b) Taylor's differential Piece rate

(c) Halsey plan (d) Rowan scheme

Wage rate per hour	`.150
Normal piece rate	`.75
Normal output per week	100 pieces
Actual output for the week Mr. A	150 pieces
Mr. B	100 Pieces
Mr. C	80 pieces
Normal working hours per week	45
Normal time per piece	27 minutes

PART –C

Answer Any TWO Question: (2*20=40)

18. Following is the Trial balance extracted from the books of Foster Company Ltd.

Debit balances	**Rs**	**Credit balances**	`
Stock on 1.1.2013	7,000	Authorised Capital :	
Purchases	30,000	2,000 equity shares of Rs.100 each	
Wages	8,000	Issued share capital	1,00,000
Carriage	2,000	Rent received	3,500
Building	50,000	Sales	1,05,000
Motor Vehicle	37,000	Sundry creditors	16,800
Sundry Debtors	9,600	Bank overdraft	12,200
Salaries	15,000	Profit & loss a/c	22,500
Bank Interest	400		
Travelling Expenses	4,000		
Machinery	80,000		
Discount allowed	1,500		
Cash in hand & at bank	1,000		
Printing &Stationery	2,000		
Repairs & Renewals	1,500		
Director's remuneration	2,500		
Audit fees	3,500		
Interim dividend	5,000		
	2,60,000		2,60,000

Adjustments:

i) Closing stock on 31.12.2013 was ` .16,000

ii) Outstanding wages ` .1,000 and out standing salaries ` . 1,500.

iii) Depreciate machinery by ` .2,000, Building by ` .7,000 and motor vehicle by ` .620.

iv) Directors declared a final dividend at 20% on paid up capital. Provide for corporate dividend tax @10%

You are required to prepare profit & loss account for the year ended 31.12.2013 and Balance Sheet as on that date.

19. The following particulars relate to the stock of raw material, Zinc, of a company.

April1 Balance of 100 units @ ` .25
2 Purchased 200 units @ ` . 30
4 Issued 125 units
5 Purchased 150 units @ ` .28
7 Issued 200 units
9 Stock verifier found a shortage of 10 units
10 Returned to supplier 10 units out purchase made on 5^{th}
15 Issued 80 units
16 Purchased 300 units @ 27
24 Issued 200 units
29 Purchased 100 units @ 29

Prepare a stores ledger under (a) First In First Out (b) Weighted Average Method

20. Lucas Ltd has three production departments A, B, and C and two service departments X & Y.

Common Expenses	**` .**	**Common Expenses**	**` .**
Municipal taxes	20,000	Employers liability for provident fund	5,250
Lighting	4800	Canteen Expenses	9000
Supervision	20,000	Stores overheads	12,000
Power	7,500	Depreciation on machinery	40,000
Rent	15,000	Other labour related cost	20,000

Following further details are also available:

Particulars	**A**	**B**	**C**	**X**	**Y**
Floor Space (sq. meters)	1,000	1,250	1,500	1,000	250
Direct material	2000	5000	8000	3000	2000
Direct Wages	12000	8000	12000	6000	2000
Light points	40	60	80	40	20
Cost of machine	48000	64,000	80,000	4,000	4,000
HP of machine	60	30	50	10	Nil
No. employees	300	250	150	200	100

Apportion the overheads of service department X in the ratio of 2:4: 1 and that of Y in the ratio of 3:6:2 to production departments viz., A, B and C.

21. The costs of manufacturing a pen are as follows:

Variable manufacturing expenses	` .11 per unit
Variable selling cost	` . 3 per unit
Fixed factory overheads	` .5,00,000 p.a.
Fixed selling costs	` .2,50,000 p.a
Sale price	` .20 per unit

You are required to calculate:

a. Profit volume ratio
b. Break even point
c. If selling price is increased to ` . 22, what will be new Break Even Quantity?
d. Sales required to earn a profit of ` . 7,50,000
e. Profit when sales are ` . 30,00,000
f. Sales required to earn a profit of 10% on sales.

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