

Name :

Roll No. :

Invigilator's Signature :

CS/BHM(OLD)/SEM-5/HM-510/2010-11

2010-11

ADVANCED ACCOUNTING

Time Allotted : 3 Hours

Full Marks : 70

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

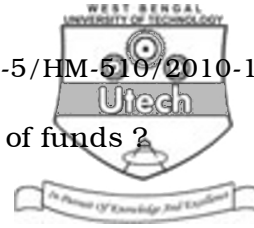
GROUP – A

(Multiple Choice Type Questions)

1. Choose the correct alternatives for any *ten* of the following :
10 × 1 = 10
 - i) Capital budgeting refers to the
 - a) demand and supply of capital
 - b) managerial technique of planning capital expenditures of the company
 - c) overall cost of capital
 - d) raising of capital.
 - ii) The pay-back period shows
 - a) the time value of money
 - b) the cash outflows
 - c) recovery period of original investment outlay
 - d) none of these.



- iii) Acid Test ratio is
- a) Current assets : Current liabilities
 - b) Quick assets : Current liabilities
 - c) Total assets : Total liabilities
 - d) Fixed assets : Fixed liabilities.
- iv) Earning per share is an example of
- a) valuation ratio
 - b) profitability ratio
 - c) liquidity ratio
 - d) none of these.
- v) Schedule of changes in working capital is prepared in
- a) fund flow statement
 - b) cash flow statement
 - c) capital budgeting
 - d) ratio analysis.
- vi) Balance Sheet shows the
- a) financial position of a business
 - b) balance of all accounts
 - c) net profit earned during a period
 - d) none of these.
- vii) Current liabilities do not include
- a) bills payable
 - b) sundry creditors
 - c) prepaid insurance
 - d) short term loan.
- viii) NPV is
- a) Net Present Value
 - b) Net Profit Value
 - c) Net Past Value
 - d) Net Future Value.



- ix) Which of the following is not a source of funds ?
- Issue of share capital
 - Sale of fixed assets
 - Issue of bonus shares
 - Issue of shares for consideration other than cash.
- x) During the quarter April — June, 2010 ABC Ltd. had forecasted its sales to be Rs. 1500 lakhs, However, the actual sales were Rs. 1200 lakhs only. If the adjustment factor $\mu = 0.3$, according to the exponential smoothing model of demand forecasting, the forecast for the quarter July — September, 2010 will be
- Rs. 1200 lakhs
 - Rs. 1260 lakhs
 - Rs. 1410 lakhs
 - Rs. 1480 lakhs.
- xi) Which of the following ratios indicates the capital structure ?
- Debt-assets ratio
 - Price-earnings ratio
 - Total asset turnover ratio
 - Return on equity.
- xii) Which of the following is not a use of funds ?
- Increase in fixed assets
 - Increase in accrued expenses
 - Decrease in provisions
 - Payment of taxes.



GROUP – B

(Short Answer Type Questions)

Answer any *three* of the following. $3 \times 5 = 15$

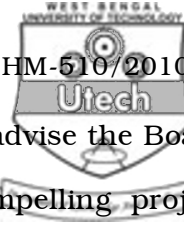
2. Explain the uses, significance and importance of fund flow statement.
3. State the difference between NPV and IRR methods of capital budgeting.
4. Distinguish between cash flow statement and fund flow statement.
5. What do you mean by “Capital Work in Program” ?
6. State the importance of IRR to a banker funding for a project.
7. What do you mean by “Provision for bad debts” ?

GROUP – C

(Long Answer Type Questions)

Answer any *three* of the following. $3 \times 15 = 45$

8. What do you understand by ratio analysis ? How are ratios classified ? State the advantages of ratio analysis.
9. What do you mean by depreciation ? What are the popular methods of calculating depreciation ? In what circumstance a company can change its method of depreciation ?



10. The Financial Manager of a company has to advise the Board of Directors on choosing between two compelling project proposals of Hotel which require an equal investment of Rs. 10,00,000 and are expected to generate cash flows as under :

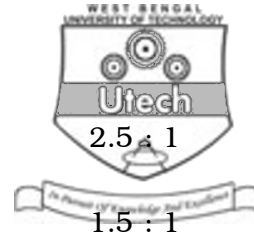
End of year	Project - I Rs.	Project - II Rs.
01	4,80,000	2,00,000
02	3,20,000	2,40,000
03	2,00,000	3,60,000
04	Nil	4,80,000
05	2,40,000	1,60,000
06	1,20,000	80,000

Which project proposal should be recommended and why ?
Assume the cost of capital to be 10% p.a. The following are the present value factors at 10% p.a.

Year	01	02	03	04	05	06
Factors	0.909	0.826	0.751	0.683	0.621	0.564

11. Prepare the Balance Sheet of Vision Hotel in Shantiniketan from the following information :

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Current ratio

2.5 : 1

Liquid ratio

1.5 : 1

Proprietary ratio

0.75

(Fixed assets / proprietor's funds)

Working capital

Rs. 60,000

Reserves and surplus

Rs. 40,000

Bank overdraft

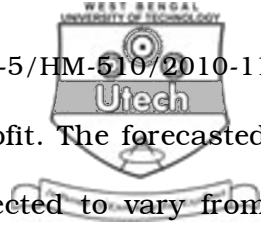
Rs. 10,000

There is no long term loan or fictitious assets.

12. Write short notes on any *three* of the following :

3 × 5

- a) Fund Flow Statement
- b) Capital Budgeting
- c) Regression Analysis
- d) Revolving Credit
- e) Sinking Fund
- f) Inventory Valuation.



13. Shalimar Hotel operates on 60% gross profit. The forecasted sales for the ensuing 6 months are expected to vary from 3000 to 4200 covers per month with a progressive increase of an average of 200 covers per month. The average spending power of the customer is Rs. 50 per cover. Prepare a budget for a period of 6 months beginning from April, 2010. 15
