

1. Write notes on :
  - (a) Going concern concept
  - (b) Need for Accounting standards
  - (c) Accrual concept
  - (d) Periodicity concept
  
2.
  - (a) What is CVP analysis ? Does it differ from Break even analysis ? How would you compute Break even point ?
  - (b) What is Financial leverage ? How does it differ from 'operating leverage' ?
  
3. What is the importance of preparing cash flow statement for a business organisation ? Discuss the various sources of cash flows and explain the concept of cash cycle.

4. What do you understand by Capital Structure Planning ? Explain the various determinants of the capital structure of a company.
5. (a) What can be the causes of Material Price Variance and Labour Efficiency Variance ?  
(b) Differentiate between :
  - (i) Contingent liabilities and estimated liabilities
  - (ii) Written down Value method and Straight Line Method of Depreciation.
6. Discuss the concept and significance of 'Budgetary Control'. Explain briefly different types of budgets that are prepared in a business organisation.
7. Gujrat Rayon is subjected to a 50% tax rate and a 10% cost of capital. The company is considering a new finishing machine. The machine will cost Rs. 1,00,000 and will reduce materials waste by an estimated Rs. 25,000 a year. The machine will last 10 years and will have a zero salvage value. Straight line depreciation will be used. You are required to :
  - (a) Identify the relevant cash flows
  - (b) Compute the present value, net present value and profitability index.
  - (c) Is this an attractive project ?

8. Two companies  $x$ ,  $y$  are producing and selling similar product in the same market. For the year ending on 30th March 2010 their forecasted profit and loss accounts are as under.

	$x$	Rs.	$y$	Rs.
Sales	Rs.	3 lakh	Rs.	3 lakh
Less variable cost	2 lakh		2.25 lakh	
Fixed cost	0.5 lakh		0.25 lakh	
		2.5 lakh		2.5 lakh
Estimated profits		0.5 lakh		0.5 lakh

Compute :

- Profit volume ratio, break even point and margin of safety of each business.
- State volume of sales at which each business will earn a profit of Rs. 0.3 lakh.
- Which business is likely to earn greater profits in the conditions of
  - heavy demand for the product
  - low demand for the product? Explain giving reasons.