BE9-R4: ACCOUNTING & FINANCIAL MANAGEMENT SYSTEM

NOTE:

1.	**Answer question 1 and any FOUR from questions 2 to 7.**
2.	**Parts of the same question should be answered together and in the same sequence.**

Time: 3 Hours **Total Marks: 100**

1.

a) Differentiate between Trade Discount and Cash Discount.

b) A trader carries an average stock of Rs. 40,000/-. His stock turnover is 8 times. If he sells the goods at a profit of 20% on sales, find out his sales and profit.

c) What is Zero Based Budgeting?

d) A company Produces a single product and sells it at Rs. 200/- each. The variable cost of the Product is Rs. 120/- and Fixed cost for the year is Rs. 96,000. Calculate
   i) P.V. Ratio
   ii) Sales at Break Even Point.

e) Write short notes on Debt Securitization.

f) Your Company's share is quoted in the market at Rs. 20/- currently. The company has paid dividend of Rs. 1/- per share and investor's market expects a growth rate of 5% per year. You are required to compute:
   i) The Company's Equity Cost of Capital.
   ii) If the Company's Cost of Capital is 8% and the anticipated growth rate is 5% P.A. Calculate the Market price if the dividend of Rs. 1/- is to be paid at the end of one year.

g) A Firm has a sale of Rs. 15 Lakhs, Variable Cost of Rs. 8.4 Lakhs and Fixed Cost of Rs. 1.2 Lakhs. It has a debt of Rs. 9 Lakhs at 9% interest and equity of Rs. 11 Lakhs. You are required to calculate the firms Operating Leverage and Financial Leverage.

(7x4)

2.

a) The following Trial Balance was extracted from the books of Mr. Shyam Lal as on 31 December, 2013.

Particulars	**Debit Rs.**	**Credit Rs.**
Capital Account		1,00,000
Plant and Machinery	78,000	
Furniture	2,000	
Sales		1,27,000
Purchases	60,000	
Returns	1,000	750
Opening Stock	30,000	
Discount	425	800
Sundry Debtors and Creditors	45,000	25,000
Salaries	7,550	
Manufacturing Wages	10,000	
Carriage in wards	1,200	
Provision for Bad Debts		525
Rent, Rates and Taxes	10,000	
Advertisement	2,000	
Cash	6,900	
	2,54,075	2,54,075

Prepare Trading and Profit Loss Account for the year ended 31 December, 2013 and Balance Sheet as on that date after taking into account the following adjustments:

i) Closing stock was valued at Rs. 34,220.
ii) Provision for Bad debts is to be kept at Rs. 500.
iii) Allow interest on capital at 10% p.a.
iv) Depreciate plant and machinery by 10% p.a. and Furniture by 15%.
v) The proprietor Mr. Shyam Lal has taken goods worth Rs. 5,000 for personal use and distributed goods worth Rs.1,000 as samples.

b) Distinguish between Capital Expenditure and Revenue Expenditure.

(12+6)

3.

a) From the following details relating to the Accounts of Grow More Ltd. prepare a Cash Flows Statement:

Liabilities	**31-03-2013**	**31-03-2012**	**Assets**	**31-03-2013**	**31-03-2012**
Share Capital	10,00,000	8,00,000	Plant and Machinery	7,00,000	5,00,000
Reserve	2,00,000	1,50,000	Land and Building	6,00,000	4,00,000
Profit and Loss Account	1,00,000	60,000	Investments	1,00,000	---
Debentures	2,00,000	---	Sundry Debtors	5,00,000	7,00,000
Provision for taxation	1,00,000	70,000	Stock	4,00,000	2,00,000
Proposed dividend	2,00,000	1,00,000	Cash on hand/Bank	2,00,000	2,00,000
Sundry Creditor	7,00,000	8,20,000			
	25,00,000	20,00,000		25,00,000	20,00,000

Additional Information:

i) Depreciation @ 25% was charged on the opening value of Plant and Machinery.
ii) During the year one old machine costing 50,000 (WDV on the date of sale Rs. 20,000) was sold for Rs. 35,000.
iii) Rs. 50,000/- was paid towards income tax during the year.
iv) Building under construction was not subject to any depreciation.

b) Explain Job Costing. What are the objectives of Job Costing? Which Industries adopt Job Costing?

(12+6)

4.

a) Company A and Company B, both under the same management, make and sell the same type of product. Their budgeted profit and loss account for year ended March 2013 are as under:

		Company A		**Company B**	
		Rs.	**Rs.**	**Rs.**	**Rs.**
	Sales		3,00,000		3,00,000
Less:	Variable Cost	2,40,000		2,00,000	
	Fixed Cost	30,000	2,70,000	70,000	2,70,000
	Profit		30,000		30,000

You are required to:

i) Calculate the break-even point for each company.
ii) Calculate the sales volume at which each of the two companies will make a profit of Rs. 10,000.
iii) Assess how their profitability will change with increase or decrease in sales volume.

b) Mr. Gopal Furnishes the following data relating to the manufacture of standard product during the month of April 2013:

Raw materials consumed	Rs. 15,000
Direct labour charges	Rs. 9,000
Machine hours worked	900
Machine hour rate	Rs. 5
Administration overheads	20% on works cost
Selling overhead	Rs. 0.50 per unit
Units produced	17,100
Units sold	16,000 at Rs. 4 per unit

You are required to prepare a cost sheet from the above:

(12+6)

5.

a) A Product passes through three process A, B and C. The normal wastage of each process is as follows: Process A – 3 per cent, Process B – 5 per cent, and Process C – 8 per cent. Wastage of Process A was sold at 25 P. per unit, that of Process B at 50 P. per unit and that of Process C at Re. 1 per unit. 10,000 units were issued to Process A on 01-04-2013 at a cost of Re. 1 per unit. The other costs were as follows:

	Process A	**Process B**	**Process C**
Sundry materials	Rs. 1,000	Rs. 1,500	Rs. 500
Labour	Rs. 5,000	Rs. 8,000	Rs. 6,500
Direct Expenses	Rs. 1,050	Rs. 1,188	Rs. 2,009
Actual output	9,500 units	9,100 units	8,100 units

Prepare the Process Accounts, assuming that there were no opening or closing stocks. Also give the Abnormal Wastage and Abnormal Gain Accounts.

b) Distinguish between allocations are apportionment of overheads.

(12+6)

6.

a) One Plant of a company is doing poorly and is being considered for replacement. Three mutually exclusive Plants A, B, and C have been proposed. The Plants are expected to cost Rs. 2,00,000 each, and have an estimated life of 5 years, 4 years and 3 years respectively, and have no salvage value. The company's required rate of return is 10%. The anticipated cash inflows after taxes for the three plants are as follows:

Year	**Plant A** **Rs.**	**Plant B** **Rs.**	**Plant C** **Rs.**
1	50,000	80,000	1,00,000
2	50,000	80,000	1,00,000
3	50,000	80,000	10,000
4.	50,000	30,000	-
5.	1,90,000	-	-

Find out the Payback period, Average Rate of Return, Net Present Value, and Profitability Index (ignore unequal lives of different plants). The PVF values at 10% are for 1st year 0.909, 2nd year 0.826, 3rd year 0.751, 4th year 0.683, 5th year 0.621.

b) Write short notes on Accounting Concepts.

(12+6)

7.

a) The budget manager of Jupiter Electricals Limited is preparing flexible budget for the accounting year starting from 1st July, 2013.

The company produces one product-DETX II. Direct material costs Rs. 7 per unit. Direct Labour average Rs. 2.50 per hour and requires 1.6 hours to produce one unit of DETX II. Salesmen are paid a commission of Re. 1 per unit sold. Fixed selling and administrative expenses amount to Rs. 85,000 per year.

Manufacturing overhead is estimated in the following amounts under specified conditions of volume:

Volume of production (in Units)	1,20,000	1,50,000
Expenses:		
Indirect material	2,64,000	3,30,000
Indirect labour	1,50,000	1,87,500
Inspection	90,000	1,12,500
Maintenance	84,000	1,02,000
Supervision	1,98,000	2,34,000
Depreciation of Plant and Equipment	90,000	90,000
Engineering services	94,000	94,000
Total manufacturing overhead	9,70,000	11,50,000

Prepare a Total Cost Budget for 1,40,000 Units of production.

b) Explain Stable Dividend Policy. What is the significance of stability of dividend?

(12+6)