No. of Printed Pages : **8**

Sl. No.

B3.E7-R5 : ACCOUNTANCY AND FINANCIAL MANAGEMENT

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

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

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1. (a) Define **any four** of the following :

(i) Matching Concept

(ii) Consistency Concept

(iii) GAAP

(iv) DuPont Analysis

(v) Variable Costing

(vi) Flexible Budget

(b) Pass necessary journal entries for the following transactions :

(i)	Wages Outstanding	Rs. 5,000
(ii)	Insurance Prepaid	Rs. 8,000
(iii)	Rs. 10,000 was to be received from M/S Sobti & Sons but they paid only	Rs. 9,000
(iv)	Mr. Mohan Lal was supposed to pay Rs. 20,000 ; he was allowed a cash discount of Rs. 2,000	Rs. 18,000

(c) The capital structure of a company is having Rs. 500 crores as Equity Share Capital, Rs. 800 crores as Retained Earnings (Reserves and Surpluses) and Rs. 1,000 crores of debt. If the cost of Equity Share Capital is 16.00%, of Retained Earnings 15.50% and cost of debt (after tax) 7.00%, then determine the Weighted Average Cost of Capital of the company.

(d) A company is deciding whether a project costing Rs. 100 lakhs is to be accepted or not. For this, the following cash flows are estimated :

Year	Cash Flows (in Rs. lakhs)
1	Rs. 25
2	Rs. 30
3	Rs. 35
4	Rs. 40
5	Rs. 25

Determine the Pay-Back Period.

(e) Distinguish between **any two** of the following :

(i) Going Concern Concept and Accrual Concept in Accounting

(ii) Future Value of Money and Present Value of Money

(iii) Cash Flow Statement and Funds Flow Statement

(iv) Fixed budget and Flexible budget

(f) The following information of XYZ Ltd. For the financial year 2023-24.

Annual demand - 25,000 units

Ordering cost per order - Rs. 5000/-

Carrying Cost - Rs. 10/- P.A.

Cost per unit - 100

You are required to calculate EOQ (Economic Order Quantity)

(8+4+4+4+4+4)

2. From the under-mentioned trial balance of M/S Sahaj Trading Company, prepare a Trading Account, Profit and Loss Account and a Balance Sheet.

Trial Balance as on 31-03-2024

Particulars	**Debit Balances (Rs. in lakhs)**	**Credit Balances (Rs. in lakhs)**
Opening stock of Inventories	1,800	
Capital		7,600
Plant and Machinery	7,400	
Sundry creditors		1,600
Fixtures & Fittings	300	
Discount received		140
Freehold Premises	3,000	
Bank Overdraft		800
Purchases	6,000	
Provision for Bad and Doubtful debts		120
Salaries	560	
Purchase Returns		60
Sundry debtors	2,200	
Sales (net)		13,565
Manufacturing Expenses	600	
Manufacturing Wages	1,200	
Carriage inwards	80	
Carriage outwards	85	
Administrative expenses	400	
Bad Debts	30	
Interest and Bank Charges	25	
Discount Allowed	30	
Insurance paid	60	
Cash in hand and cash at bank	115	
Total	**23,885**	**23,885**

Additional information :

- Closing stock of inventories as on March 31, 2024 was valued at Rs. 60 lakhs.
- Depreciation on Plant and Machinery @ 10% and on Fixtures and Fittings @ 8%.
- Prepaid insurance - Rs. 8 lakhs.
- Prepaid salary - Rs. 6 lakhs.
- Outstanding interest on bank overdraft - Rs. 2 lakhs.
- Provision for Bad and Doubtful Debts is to be maintained at 6% of Sundry Debtors.

[18]

3. (a) What are the motives for a firm to hold cash ?

(b) The following information has been extracted from the Annual Report, 2024 of Rainbow Limited :

The Balance Sheets of Rainbow Limited as on 31st March

Liabilities			**Assets**		
Particulars	**Amount - 2023 (Rs. Lakhs)**	**Amount - 2024 (Rs. Lakhs)**	**Particulars**	**Amount - 2015 (Rs. Lakhs)**	**Amount - 2016 (Rs. Lakhs)**
Equity share capital	8,000	16,000	Fixed assets	22,600	33,800
Capital reserve	1,720	1,960	Less : Depreciation	9,640	10,440
Surplus - Profit and Loss Account	3,420	3,860		12,960	23,360
12% Bonds (Face Value Rs. 1,000)	4,000	4,400	Investment	14,120	14,848
Sundry creditors	9,820	11,560	Sundry debtors	6,860	6,272
Bills payables	6,000	5,800	Inventories	2,040	2,200
Accrued Expenses	740	700	Prepaid Insurance	200	280
Other Current Liabilities	4,440	4,180	Cash in hand & Bank Balance	1,960	1,500
	38,140	**48,460**		**38,140**	**48,460**

Additional information :

During the year ended on 31st March, 2024, the company :

(i) Sold a machine for Rs. 175 lakhs; the cost of machine was Rs. 240 lakhs and depreciation provided on it was Rs. 80 lakhs.

(ii) Sold some investment and profit thereon credited to Capital Reserve and additional investments of Rs. 1,000 lakhs were made during the year.

(iii) Redeemed 20% of the debentures @ Rs. 1,010.

You are required to prepare Cash Flow Statement.

[4+14]

4. The following information has been extracted from the cost accounting system of a company for the month of July 2023.

Particulars	**(Rs. in thousands)**
Sales	4,760
Less:	
Manufacturing Cost	4,116
Selling and Administration Cost (Fixed)	75
Net Profit	**569**

The production and inventories position during the period was -

Particulars	**(Units in thousands)**
Opening Inventories (Units)	5
Production During the Period (Units)	25
Units Sold (Units)	28
Closing Inventories (Units)	2

Particulars	In Rs. per unit
Direct Material Cost	65.00
Direct Labour Cost	38.25
Direct Expenses	25.50
Variable Manufacturing Overheads	12.75
Fixed Manufacturing Overheads	5.50
Fixed Selling and Administration Cost	3.00
Total Cost	**150.00**

(Please note that all fixed overheads per unit are calculated assuming the normal base of 25 thousand units)

You are required to prepare Income Statements as per Absorption Costing Method and as per Variable Costing Method. Also, discuss the reasons why the net profit figures under both approaches are different.

[18]

5. (a) What are major techniques that can be used in warehouse for Inventory Management ?

(b) At present a firm is selling its product at Rs. 500 per unit and earning a total profit of Rs. 20,00,000 on a sales volume of 20,000 units. During the period, its fixed cost is Rs. 50,00,000 allocated on the basis of 20,000 units.

The firm is considering the following two alternatives and wants to take up one which is giving lower break-even-point (BEP).

Alternative #1 : A sales price increase of 20% is contemplated and it is estimated that sales will be dropped in units by 15%.

Alternative #2 : A decrease in fixed cost by Rs. 55,000 and a decrease in variable costs by 6% is contemplated.

You are required to determine the BEP in units as well as in rupees and number of units to be sold to earn the present level of profit. Also, suggest which alternative the firm should select so as to have the lower BEP.

[6+12]

6. (a) A Company is planning to replace its existing plant which is semi-automatic by a fully automatic plant. This decision of the Company will reduce the variable cost by half but will result in an increase fixed cost. It is also planning to finance the plant only through borrowings.

The estimated Income Statement of the Company is given below :

INCOME STATEMENT		
	EXISTING	**PROPOSED**
Sales in Units	10,000	10,000
Sales in Rs.	Rs. 80,000.00	Rs. 80,000.00
Less : Variable Cost	Rs. 40,000.00	Rs. 20,000.00
Contribution	**Rs. 40,000.00**	**Rs. 60,000.00**
Less : Fixed Cost	Rs. 20,000.00	Rs. 34,000.00
Earnings Before Interest & Tax(EBIT)	**Rs. 20,000.00**	**Rs. 26,000.00**
Amount of Debt	80,000.00	1,60,000.00
Interest Rate	6%	6%
Interest Amount	Rs. 4,800.00	Rs. 9,600.00
Net Profit	**Rs. 15,200.00**	**Rs. 16,400.00**
No. of Equity Shares	8,000	8,000
EPS	**1.90**	**2.05**

Required :

(i) Find Degree of Operating Leverage (DOL), Degree of Financial Leverage (DFL) and Degree of Total Leverage (DTL) for the Existing as well as Proposed Cases.

(ii) Find at what level of Sales (in Units), the management is indifferent between both the cases. (Note that the management is said to be indifferent if the EPS is same in both the cases)

(b) Consider the following information about 2 shares :

SHARES	EXPECTED RETURN	STANDARD DEVIATION
A	12%	9%
B	20%	15%
Correlation Coefficient between Share A and Share B		– 0.2000

An investor invests 70% of his investment in Share A and 30% in Share B. You are required to determine (i) Expected Return on the Portfolio and (ii) Risk (in terms of Variance) of the portfolio.

[12+6]

7. (a) Assume that you are working in the Treasury Department of a Company. While preparing Cash Budget for the Second Quarter of the FY 2024-25, it is noticed that the Company has a surplus cash of Rs. 300 crores which it is planning to invest for a short period of time. You are required to suggest to the Head of the Treasury Department where such money can be invested.

(b) Discuss any four important features of treasury management.

(c) Write short notes on **any three** of the following :

(i) Society in Information age

(ii) Importance of Risk Management

(iii) Right to Information Act, 2005

(iv) Any three techniques of Inventory Control

(v) Portfolio management issues

[5+4+3x3]

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