Roll No. ....

Total No. of Questions – 7

Total No. of Printed Pages – 8

Time Allowed – 3 Hours

Maximum Marks – 100

YMK

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi medium, his answers in Hindi will not be valued.

Question No. 1 is compulsory.

Attempt any **five** questions from the remaining **six** questions.

Working notes should form part of answer.

Marks

1. Answer the following : 4×5 =20

(a) The P/V Ratio of Delta Ltd. is 50% and margin of safety is 40%. The company sold 500 units for ₹ 5,00,000. You are required to calculate :

(i) Break even point, and

(ii) Sales in units to earn a profit of 10% on sales

(b) X executes a piece of work in 120 hours as against 150 hours allowed to him. His hourly rate is ₹ 10 and he gets a dearness allowance @ ₹ 30 per day of 8 hours worked in addition to his wages. You are required to calculate total wages received by X under the following incentive schemes :

(i) Rowan Premium Plan, and

(ii) Emerson's Efficiency Plan

(c) A new customer with 10% risk of non-payment desires to establish business connections with you. He would require 1.5 month of credit and is likely to increase your sales by ₹ 1,20,000 p.a. Cost of sales amounted to 85% of sales. The tax rate is 30%.

Should you accept the offer if the required rate of return is 40% (after tax) ?

Marks

(d) Beeta Ltd. has furnished the following information :

–	Earning per share (EPS)	₹ 4
–	Dividend pay out ratio	25%
–	Market price per share	₹ 40
–	Rate of Tax	30%
–	Growth rate of dividend	8%

The company wants to raise additional capital of ₹ 10 lakhs including debt of ₹ 4 lakhs. The cost of debt (before tax) is 10% upto ₹ 2 lakhs and 15% beyond that.

Compute the after tax cost of equity and debt and the weighted average cost of capital.

2. (a) X Ltd. recovers overheads at a pre-determined rate of ₹ 50 per man-day. The total factory overheads incurred and the man-days actually worked were ₹ 79 lakhs and 1.5 lakhs days respectively. During the period 30,000 units were sold. At the end of the period 5,000 completed units were held in stock but there was no opening stock of finished goods. Similarly, there was no stock of uncompleted units at the beginning of the period but at the end of the period there were 10,000 uncompleted units which may be treated as 50% complete. 8

On analyzing the reasons, it was found that 60% of the unabsorbed overheads were due to defective planning and the balance were attributable to increase in overhead cost.

How would unabsorbed overheads be treated in cost accounts ?

Marks

(b) The financial statements of a company contain the following information for the year ending 31st March, 2011 : 8

Particulars	₹
Cash	1,60,000
Sundry Debtors	4,00,000
Short-term Investment	3,20,000
Stock	21,60,000
Prepaid Expenses	10,000
Total Current Assets	30,50,000
Current Liabilities	10,00,000
10% Debentures	16,00,000
Equity Share Capital	20,00,000
Retained Earnings	8,00,000

Statement of Profit for the year ended 31st March, 2011

Sales (20% cash sales)	40,00,000
Less : Cost of goods sold	28,00,000
Profit before Interest & Tax	12,00,000
Less : Interest	1,60,000
Profit Before Tax	10,40,000
Less : Tax @ 30%	3,12,000
Profit After Tax	7,28,000

You are required to calculate :

(i) Quick Ratio

(ii) Debt-equity Ratio

(iii) Return on Capital Employed, and

(iv) Average collection period (Assuming 360 days in a year).

Marks

3. (a) The following details are available of Process X for August 2011 : 8

(1)	Opening work-in-process	8,000 units
	Degree of completion and cost :	
	Material (100%)	₹ 63,900
	Labour (60%)	₹ 10,800
	Overheads (60%)	₹ 5,400
(2)	Input 1,82,000 units at	₹ 7,56, 900
(3)	Labour paid	₹ 3,28,000
(4)	Overheads incurred	₹ 1,64,000
(5)	Units scrapped	14,000
	Degree of completion :	
	Material	100%
	Labour and overhead	80%
(6)	Closing work-in-process	18000 units
	Degree of completion :	
	Material	100%
	Labour and overhead	70%

(7) 1,58,000 units were completed and transferred to next process.

(8) Normal loss is 8% of total input including opening work-in-process.

(9) Scrap value is ₹ 8 per unit to be adjusted in direct material cost.

You are required to compute, assuming that average method of inventory is used :

(i) Equivalent production, and

(ii) Cost per unit

Marks

(b) Alpha Ltd. has furnished the following Balance Sheet as on March 31, 2011 : 8

Liabilities	₹	Assets	₹
Equity Share Capital (1,00,000 Equity shares of ₹ 10 each)	10,00,000	Fixed Assets	30,00,000
		Current Assets	18,00,000
General Reserve	2,00,000		
15% Debentures	28,00,000		
Current Liabilities	8,00,000		
	48,00,000		**48,00,000**

Additional informations :

(1)	Annual Fixed Cost other than Interest	28,00,000
(2)	Variable Cost Ratio	60%
(3)	Total Assets Turnover Ratio	2.5
(4)	Tax Rate	30%

You are required to calculate :

(i) Earning Per Share (EPS), and

(ii) Combined Leverage.

4. (a) The Trading and Profit and Loss Account of Beta Ltd. for the year ended 31st March, 2011 is given below : 8

Particulars		Amount ₹	Particulars		Amount ₹
To Opening Stock :			By Sales (Credit)		20,00,000
Raw materials	1,80,000		By Closing Stock :		
Work-in-progress	60,000		Raw materials	2,00,000	
Finished Goods	2,60,000	5,00,000	Work-in-Progress	1,00,000	
To purchases (credit)		11,00,000	Finished Goods	3,00,000	6,00,000
To Wages		3,00,000			
To Production Expenses		2,00,000			
To Gross Profit C/d		5,00,000			
		26,00,000			**26,00,000**
To Administration Expenses		1,75,000	By Gross Profit b/d		5,00,000
To Selling Expenses		75,000			
To Net Profit		2,50,000			
		5,00,000			**5,00,000**

Marks

The opening and closing balances of debtors were ₹ 1,50,000 and ₹ 2,00,000 respectively whereas opening and closing creditors were ₹ 2,00,000 and ₹ 2,40,000 respectively.

You are required to ascertain the working capital requirement by operating cycle method.

(b) The following information have been extracted from the cost records of a manufacturing company : 8

Stores	₹
* Opening balance	9,000
* Purchases	48,000
* Transfer from WIP	24,000
* Issue to work-in-process	48,000
* Issue for repairs	6,000
* Deficiency found in stock	1,800
Work-in-Progress :	
* Opening balance	18,000
* Direct wages applied	18,000
* Overhead charged	72,000
* Closing balance	12,000
Finished Production :	
* Entire production is sold at a profit of 10% on cost from work-in-process.	
* Wages paid.	21,000
* Overheads incurred.	75,000

Draw the Stores Ledger Control A/c, Work-in-Progress Control A/c, Overheads Control A/c and Costing Profit and Loss A/c.

Marks

5. Distinguish between : 4×4 =16

(i) Cost control and cost reduction.

(ii) Fixed and flexible budget.

(iii) Operating lease and financial lease, and

(iv) Net present value method and internal rate of return method.

6. (a) A Ltd. is considering the purchase of a machine which will perform some operations which are at present performed by workers. Machines X and Y are alternative models. The following details are available : 8

	Machine X	Machine Y
	₹	₹
Cost of machine	1,50,000	2,40,000
Estimated life of machine	5 years	6 years
Estimated cost of maintenance p.a.	7,000	11,000
Estimated cost of indirect material p.a.	6,000	8,000
Estimated savings in scrap p.a.	10,000	15,000
Estimated cost of supervision p.a.	12,000	16,000
Estimated savings in wages p.a.	90,000	1,20,000

Depreciation will be charged on straight line basis. The tax rate is 30%. Evaluate the alternatives according to :

(i) Average rate of return method, and

(ii) Present value index method assuming cost of capital being 10%.

(The present value of ₹ 1.00 @ 10% p.a. for 5 years is 3.79 and for 6 years is 4.354)

Marks

(b) Gama Ltd. has furnished the following standard cost data per unit of production: 8

* Material 10 kg @ ₹ 10 per kg.
* Labour 6 hours @ ₹ 5.50 per hour.
* Variable overhead 6 hours @ ₹ 10 per hour.
* Fixed overhead ₹ 4,50,000 per month (Based on a normal volume of 30,000 labour hours).

The actual cost data for the month of August 2011 are as follows :

* Material used 50,000 kg at a cost of ₹ 5,25,000.
* Labour paid ₹ 1,55,000 for 31,000 hours worked.
* Variable overheads ₹ 2,93,000.
* Fixed overheads ₹ 4,70,000.
* Actual production 4,800 units.

Calculate :

(i) Material cost variance.

(ii) Labour cost variance.

(iii) Fixed overhead cost variance.

(iv) Variable overhead cost variance.

7. Answer any **four** of the following : 4×4 =16

(a) Elucidate the responsibilities of Chief Financial Officer.

(b) Explain the relevance of time value of money.

(c) Discuss ABC analysis as a system of inventory control

(d) Explain the terms notional profit and retention money in contract costing.

(e) Explain the following :

(i) Bridge finance

(ii) Essentials of budget