Roll No. ..............................

Total No. of Questions – 7

Time Allowed – 3 Hours

Total No. of Printed Pages – 11

Maximum Marks – 100

# FCT

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 the answer."

**Marks**

1. Answer the following : **4×5 =20**

(a) Following are the details of the product Phomex for the month of April 2013 :

| | |
|---|---|
| Standard quantity of material required per unit | 5 kg |
| Actual output | 1000 units |
| Actual cost of materials used | ₹ 7,14,000 |
| Material price variance | ₹ 51,000 (Fav) |

Actual price per kg of material is found to be less than standard price per kg of material by ₹ 10.

You are required to calculate :

(i) Actual quantity and Actual price of materials used.

(ii) Material Usage Variance

(iii) Material Cost Variance

(b) MFN Limited started its operation in 2011 with the total production capacity of 2,00,000 units. The following data for two years is made available to you :

| | 2011 | 2012 |
|---|---|---|
| Sales units | 80,000 | 1,20,000 |
| Total cost (₹) | 34,40,000 | 45,60,000 |

There has been no change in the cost structure and selling price and it is expected to continue in 2013 as well. Selling price is ₹ 40 per unit.

You are required to calculate :

(i) Break-Even Point (in units)

(ii) Profit at 75% of the total capacity in 2013.

(c) A company issued 40,000, 12% Redeemable Preference Shares of ₹ 100 each at a premium of ₹ 5 each, redeemable after 10 years at a premium of ₹ 10 each. The floatation cost of each share is ₹ 2.

You are required to calculate cost of preference share capital ignoring dividend tax.

(d) The following information relates to Beta Ltd. for the year ended 31st March 2013 :

| | |
|---|---|
| Net Working Capital | ₹ 12,00,000 |
| Fixed Assets to Proprietor's Fund Ratio | 0.75 |
| Working Capital Turnover Ratio | 5 Times |
| Return on Equity (ROE) | 15% |

There is no debt capital.

You are required to calculate :

(i) Proprietor's Fund

(ii) Fixed Assets

(iii) Net Profit Ratio.

2. (a) The summarized Balance Sheets of MPS Limited as on 31-3-2012 and 31-3-2013 are as under : **10**

(₹ in lakhs)

| Liabilities | 31-3-2012 ₹ | 31-3-2013 ₹ | Assets | 31-3-2012 ₹ | 31-3-2013 ₹ |
|---|---|---|---|---|---|
| Equity share capital | 40.00 | 50.00 | Land & Building | 27.00 | 25.00 |
| Securities Premium Account | – | 1.00 | Plant & Machinery | 25.00 | 34.00 |
| General Reserve | 8.00 | 11.00 | Investments (Long Term) | 3.00 | 8.00 |
| Profit & Loss Account | 10.30 | 12.70 | Stock | 7.50 | 9.80 |
| 10% Debentures | 5.00 | 3.00 | Debtors | 9.25 | 11.15 |
| Sundry Creditors | 4.90 | 6.20 | Bills Receivable | 1.77 | 1.65 |
| Provision for Tax | 5.00 | 7.00 | Cash & Bank Balance | 4.50 | 7.70 |
| Proposed Dividend | 4.80 | 6.00 | Preliminary Expenses | 0.80 | 0.62 |
| Corporate Dividend Tax | 0.82 | 1.02 | | | |
| | **78.82** | **97.92** | | **78.82** | **97.92** |

Marks

**Additional Information :**

(i) On 1.4.2012, the company redeemed debentures of ₹ 2,00,000 at par.

(ii) During 2012-13 the company has issued equity shares for cash at a premium of 10%.

(iii) Provision for tax made during the year 2012-13 for ₹ 6,80,000.

(iv) Dividend received on investment ₹ 50,000 in July 2012.

(v) A machine costing ₹ 8,00,000 (WDV ₹ 1,20,000) was sold for ₹ 50,000 during the year 2012-13.

(vi) Depreciation for 2012-13 charged on plant & machinery ₹ 3,30,000 and ₹ 2,00,000 on land & building.

(vii) Proposed Dividend and Corporate Dividend Tax of 2011-12 paid during the year 2012-13.

Prepare a Cash Flow Statement as per Accounting Standard (AS)-3.

(b) A skilled worker is paid a guaranteed wage rate of ₹ 120 per hour. The standard time allowed for a job is 6 hours. He took 5 hours to complete the job. He is paid wages under Rowan Incentive Plan. 6

(i) Calculate his effective hourly rate of earnings under Rowan Incentive Plan.

(ii) If the worker is placed under Halsey Incentive Scheme (50%) and he wants to maintain the same effective hourly rate of earnings, calculate the time in which he should complete the job.

Marks

3. (a) ABX Company Ltd. provides the following information relating to Process-B : **10**

(i) Opening Work-in-progress - NIL

(ii) Units Introduced - 45000 units @ ₹ 10 per unit

(iii) Expenses debited to the process :

| | |
|---|---|
| Direct material | ₹ 65,500 |
| Labour | ₹ 90, 800 |
| Overhead | ₹ 1,80,700 |

(iv) Normal loss in the process - 2% of Input

(v) Work-in-progress - 1800 units

Degree of completion

| | |
|---|---|
| Materials - | 100% |
| Labour - | 50% |
| Overhead - | 40% |

(vi) Finished output - 42,000 units

(vii) Degree of completion of abnormal loss :

| | |
|---|---|
| Materials - | 100% |
| Labour - | 80% |
| Overhead - | 60% |

(viii) Units scrapped as normal loss were sold at ₹ 5 per unit.

(xi) All the units of abnormal loss were sold at ₹ 2 per unit.

Marks

You are required to prepare :

(a) Statement of equivalent production.

(b) Statement showing the cost of finished goods, abnormal loss and closing balance of work-in-progress.

(c) Process-B account and abnormal loss account.

(b) The following information related to XL Company Ltd. for the year ended 31$^{st}$ March, 2013 are available to you : **6**

| | |
|---|---|
| Equity share capital of ₹ 10 each | ₹ 25 lakh |
| 11% Bonds of ₹ 1000 each | ₹ 18.5 lakh |
| Sales | ₹ 42 lakh |
| Fixed cost (Excluding Interest) | ₹ 3.48 lakh |
| Financial leverage | 1.39 |
| Profit-Volume Ratio | 25.55% |
| Income Tax Rate Applicable | 35% |

You are required to calculate :

(i) Operating Leverage;

(ii) Combined Leverage; and

(iii) Earning Per Share.

Marks

4. (a) A company manufactures one main product ($M_1$) and two by-products $B_1$ and $B_2$. For the month of January 2013, following details are available : 8

Total Cost upto Separation point ₹ 2,12,400

| | $M_1$ | $B_1$ | $B_2$ |
|---|---|---|---|
| Cost after separation | – | ₹ 35,000 | ₹ 24,000 |
| No. of units produced | 4,000 | 1,800 | 3,000 |
| Selling price per unit | ₹ 100 | ₹ 40 | ₹ 30 |
| Estimated net profit as parentage to sales value | – | 20% | 30% |
| Estimated selling expenses as percentage to sales value | 20% | 15% | 15% |

There are no beginning or closing inventories.

Prepare statement showing :

(i) Allocation of joint cost; and

(ii) Productwise and overall profitability of the company for January 2013.

Marks

(b) The following information is provided by the DPS Limited for the year ending 31st March, 2013. **8**

| | |
|---|---|
| Raw material storage period | 55 days |
| Work-in progress conversion period | 18 days |
| Finished Goods storage period | 22 days |
| Debt collection period | 45 days |
| Creditors payment period | 60 days |
| Annual Operating cost (including depreciation of ₹ 2,10,000) | ₹ 21,00,000 |

[1 year = 360 days]

You are required to calculate :

(i) Operating Cycle period.

(ii) Number of Operating Cycle in a year.

(iii) Amount of working capital required for the company on a cash cost basis.

(iv) The company is a market leader in its product, there is virtually no competitor in the market. Based on a market research it is planning to discontinue sales on credit and deliver products based on pre-payments. Thereby, it can reduce its working capital requirement substantially.

What would be the reduction in working capital requirement due to such decision ?

Marks

5. (a) Cost of a product or service is required to be expressed in suitable cost unit. State the cost units for the following industries : 4×4 =16

(i) Steel

(ii) Automobile

(iii) Transport

(iv) Power

(b) Distinguish between cost allocation and cost absorption.

(c) What is debt securitization ? And also state its advantages.

(d) Distinguish between factoring and bill-discounting.

6. (a) Pentax Limited has prepared its expense budget for 20,000 units in its factory for the year 2013 as detailed below : 7

| | ₹ per unit |
|---|---|
| Direct Materials | 50 |
| Direct Labour | 20 |
| Variable Overhead | 15 |
| Direct Expenses | 6 |
| Selling Expenses (20% fixed) | 15 |
| Factory Expenses (100% fixed) | 7 |
| Administration expenses (100% fixed) | 4 |
| Distribution expenses (85% variable) | 12 |
| **Total ₹** | **129** |

Prepare an expense budget for the production of 15,000 units and 18,000 units.

Marks

(b) PQR Company Ltd. is considering to select a machine out of two mutually exclusive machines. The company's cost of capital is 12 per cent and corporate tax rate is 30 per cent. Other information relating to both machines is as follows : 9

| | Machine – I | Machine – II |
|---|---|---|
| Cost of Machine | ₹ 15,00,000 | ₹ 20,00,000 |
| Expected Life | 5 Yrs. | 5 Yrs. |
| Annual Income (Before Tax and Depreciation ) | ₹ 6,25,000 | ₹ 8,75,000 |

Depreciation is to be charged on straight line basis :

You are required to calculate :

(i) Discounted Pay Back Period

(ii) Net Present Value

(iii) Profitability Index

The present value factors of ₹ 1 @ 12% are as follows :

| Year | 01 | 02 | 03 | 04 | 05 |
|---|---|---|---|---|---|
| PV factor @ 12% | 0.893 | 0.797 | 0.712 | 0.636 | 0.567 |

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

(a) "Perpetual inventory system comprises Bin Card and Stores Ledger, but the efficacy of the system depends on continuous stock taking." Comment.

(b) "Is reconciliation of cost accounts and financial accounts necessary in case of integrated accounting system ?"

(c) "Operating risk is associated with cost structure, whereas financial risk is associated with capital structure of a business concern." Critically examine this statement.

(d) What is venture capital financing ? State the factors which are to be considered in financing any risky project.

(e) State the advantages of Electronic Cash Management System.