Roll No. ....

Total No. of Questions – 7

Total No. of Printed Pages – 12

Time Allowed – 3 Hours

Maximum Marks – 100

LTC

Answers 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 / her answers in Hindi will not be valued.

Question No. **1** is compulsory.

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

Working notes should form part of the answers.

Marks

1. Answer the following : **4×5 =20**

(a) SHA Limited provides the following trading results :

Year	Sale	Profit
2012-13	₹ 25,00,000	10% of Sale
2013-14	₹ 20,00,000	8% of Sale

You are required to calculate :

(i) Fixed Cost

(ii) Break Even Point

(iii) Amount of profit, if sale is ₹ 30,00,000

(iv) Sale, when desired profit is ₹ 4,75,000

(v) Margin of Safety at a profit of ₹ 2,70,000

Marks

(b) A manufacturing company has disclosed net loss of ₹ 48,700 as per their cost accounting records for the year ended 31st March, 2014. However their financial accounting records disclosed net profit of ₹ 35,400 for the same period. A scrutiny of data of both the sets of books of accounts revealed the following informations :

		₹
(i)	Factory overheads under absorbed	30,500
(ii)	Administrative overheads over absorbed	65,000
(iii)	Depreciation charged in financial accounts	2,25,000
(iv)	Depreciation charged in cost accounts	2,70,000
(v)	Income-tax provision	52,400
(vi)	Transfer fee (credited in financial accounts)	10,200
(vii)	Obsolescence loss charged in financial accounts	20,700
(viii)	Notional rent of own premises charged in cost accounts	54,000
(ix)	Value of opening stock :	
	(a) in cost accounts	1,38,000
	(b) in financial accounts	1,15,000
(x)	Value of closing stock :	
	(a) in cost accounts	1,22,000
	(b) in financial accounts	1,12,500

Prepare a Memorandum Reconciliation Account by taking costing loss as base.

Marks

(c) NOOR Limited provides the following information for the year ending 31st March, 2014 :

Equity Share Capital	₹ 25,00,000
Closing Stock	₹ 6,00,000
Stock Turnover Ratio	5 times
Gross Profit Ratio	25%
Net Profit / Sale	20%
Net Profit / Capital	$\frac{1}{4}$

You are required to prepare :

Trading and Profit & Loss Account for the year ending 31st March, 2014.

(d) The following details are provided by the GPS Limited :

	₹
Equity Share Capital	65,00,000
12% Preference Share Capital	12,00,000
15% Redeemable Debentures	20,00,000
10% Convertible Debentures	8,00,000

The cost of equity capital for the company is 16.30% and Income Tax rate for the company is 30%.

You are required to calculate the Weighted Average Cost of Capital (WACC) of the company.

Marks

2. (a) A company manufactures a product from a raw material, which is purchased at ₹ 80 per kg. The company incurs a handling cost of ₹ 370 plus freight of ₹ 380 per order. The incremental carrying cost of inventory of raw material is ₹ 0.25 per kg per month. In addition, the cost of working capital finance on the investment in inventory of raw material is ₹ 12 per kg per annum. The annual production of the product is 1,00,000 units and 2.5 units are obtained from one kg. of raw material. 8

Required :

(i) Calculate the economic order quantity of raw materials.

(ii) Advise, how frequently company should order for procurement be placed.

(iii) If the company proposes to rationalize placement of orders on quarterly basis, what percentage of discount in the price of raw materials should be negotiated ?

Assume 360 days in a year.

(b) A company had the following Balance Sheet as on 31st March, 2014 : 8

Liabilities	₹ (in crores)	Assets	₹ (in crores)
Equity Share Capital (50 lakh shares of ₹ 10 each)	5	Fixed Assets (Net)	12.5
Reserves and Surplus	1	Current Assets	7.5
15% Debentures	10		
Current Liabilities	4		
	20		20

The additional information given is as under :

Fixed cost per annum (excluding interest)	₹ 4 crores
Variable operating cost ratio	65%
Total assets turnover ratio	2.5
Income Tax rate	30%

Marks

Required :

Calculate the following and comment :

(i) Earnings Per Share

(ii) Operating Leverage

(iii) Financial Leverage

(iv) Combined Leverage

3. (a) M J Pvt. Ltd. produces a product "SKY" which passes through two processes, viz. Process-A and Process-B. The details for the year ending 31st March, 2014 are as follows : 8

	Process – A	Process – B
40,000 Units introduced at a cost of	₹ 3,60,000	–
Material Consumed	₹ 2,42,000	2,25,000
Direct Wages	₹ 2,58,000	1,90,000
Manufacturing Expenses	₹ 1,96,000	1,23,720
Output in Units	37,000	27,000
Normal Wastage of Input	5%	10%
Scrap Value (per unit)	₹ 15	20
Selling Price (per unit)	₹ 37	61

Additional Information :

(a) 80% of the output of Process-A, was passed on to the next process and the balance was sold. The entire output of Process-B was sold.

(b) Indirect expenses for the year was ₹ 4,48,080.

(c) It is assumed that Process-A and Process-B are not responsibility centre.

Required :

(i) Prepare Process-A and Process-B Account.

(ii) Prepare Profit & Loss Account showing the net profit / net loss for the year.

Marks

(b) FH Hospital is considering to purchase a CT-Scan machine. Presently the hospital is outsourcing the CT-Scan Machine and is earning commission of ₹ 15,000 per month (net of tax). The following details are given regarding the machine : 8

	₹
Cost of CT-Scan machine	15,00,000
Operating cost per annum (excluding Depreciation)	2,25,000
Expected revenue per annum	7,90,000
Salvage value of the machine (after 5 years)	3,00,000
Expected life of the machine	5 years

Assuming tax rate @ 30%, whether it would be profitable for the hospital to purchase the machine ?

Give your recommendation under :

(i) Net Present Value Method, and

(ii) Profitability Index Method.

PV factors at 12% are given below :

Year	1	2	3	4	5
PV factor	0.893	0.797	0.712	0.636	0.567

4. (a) XYZ Co. Ltd. provides the following information : 8

	Standard	**Actual**
Production	4,000 Units	3,800 Units
Working Days	20	21
Fixed Overhead	₹ 40,000	₹ 39,000
Variable Overhead	₹ 12,000	₹ 12,000

You are required to calculate following overhead variances :

(a) Variable Overhead Variance

(b) Fixed Overhead Variances

(i) Expenditure Variance

(ii) Volume Variance

Marks

(b) The Balance Sheets of Z Ltd. as on 31st March, 2013 and 31st March, 2014 are as under : 8

Liabilities	2013 ₹	2014 ₹	Assets	2013 ₹	2014 ₹
Equity share capital	15,00,000	20,00,000	Goodwill	5,75,000	4,50,000
12% Redeemable pref. share cap.	7,50,000	5,00,000	Land & Building	10,00,000	8,50,000
General Reserve	2,00,000	3,50,000	Plant	4,00,000	10,00,000
Profit & Loss A/c	1,50,000	2,40,000	Debtors	8,00,000	12,60,000
Creditors	2,75,000	4,15,000	Stock	4,85,000	4,35,000
Outstanding Expenses	1,00,000	80,000	Marketable Securities	75,000	50,000
Provision for Tax	2,00,000	2,50,000	Cash and Bank	50,000	40,000
Proposed Dividend	2,10,000	2,50,000			
	33,85,000	40,85,000		33,85,000	40,85,000

Marks

Additional Information :

(i) Depreciation charged on Plant and Land & Buildings during the year was ₹ 50,000 and ₹ 1,00,000 respectively.

(ii) Income-Tax ₹ 1,75,000 was paid during the year 2013-14.

(iii) An Interim Dividend of ₹ 1,00,000 has been paid in 2013-14.

Prepare Cash Flow Statement.

5. (a) Distinguish between cost control and cost reduction. 4×4 =16

(b) Explain the following :

(i) Explicit costs

(ii) Engineered costs

(c) Discuss emerging issues affecting the future role of Chief Financial Officer (CFO).

(d) State the main features of Global Depositary Receipts (GDRs) and American Depositary Receipts (ADRs).

Marks

6. (a) M/s ABID Constructions undertook a contract at a price of ₹ 171.00 lacs. The relevant data for the year ended 31st March, 2014 are as under : 8

	(₹ '000)
Material issued at site	7700
Direct Wages paid	3300
Site office cost	550
Material return to store	175
Work certified	12650
Work uncertified	225
Progress Payment Received	10120
Prepaid site office cost as on 31-03-2014	50
Direct wages outstanding as on 31-03-2014	100
Material at site as on 31-03-2014	110

Additional Information :

(a) A plant was purchased for the contract at ₹ 8,00,000 on 01-12-2013.

(b) Depreciation @ 15% per annum is to be charged.

(c) Material which cost ₹ 1,30,000 was destroyed by fire.

Marks

Prepare :

(i) Contract Account for the year ended 31st March, 2014 and compute the profit to be taken to the Profit & Loss Account.

(ii) Account of Contractee.

(iii) Profit & Loss Account showing the relevant items.

(iv) Balance Sheet showing the relevant items.

(b) Black Limited has furnished the following cost sheet : **8**

		₹ / Per Unit
Raw Material		98
Direct Labour		53
Factory Overhead		88
(Includes depreciation of ₹ 15 per unit at budgeted level of activity)		
	Total Cost	**239**
Profit		43
Selling Price		**282**

Marks

Additional Information :

(i)	Average raw material in stock	3 weeks
(ii)	Average work-in-progress (% of completion with respect to Material – 75% Labour & Overhead – 70%)	2 weeks
(iii)	Finished goods in stock	4 weeks
(iv)	Credit allowed to debtors	$2\frac{1}{2}$ weeks
(v)	Credit allowed by creditors	$3\frac{1}{2}$ weeks
(vi)	Time lag in payments of labour	2 weeks
(vii)	Time lag in payments of factory overheads	$1\frac{1}{2}$ weeks

(viii) Company sells, 25% of the output against cash

(ix) Cash in hand and bank is desired to be maintained ₹ 2,25,000

(x) Provision for contingencies is required @ 4% of working capital requirement including that provision.

You may assume that production is carried on evenly throughout the year and labour and factory overheads accrue similarly.

You are required to prepare a statement showing estimate of working capital needed to finance a budgeted activity level of 104000 units of production. Finished stock, debtors and overhead are taken at cash cost.

Marks

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

(a) Distinguish between allocation and apportionment of cost.

(b) Describe the salient features of budget manual.

(c) Explain the following :

(i) Concentration Banking

(ii) Lock Box System

(d) Comment on the Debt Service Coverage Ratio.

(e) (i) Name any four financial instruments, which are related to international financial market.

(ii) State the unit of cost for the followings :

(1) Transport

(2) Power

(3) Hotel

(4) Hospital