

**Question 1 (a)**

SHA Limited provides the following trading results:

| <b>Year</b> | <b>Sales</b> | <b>Profit</b> |
|-------------|--------------|---------------|
| 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

**[5 Marks]**

**Answer**

(i) **Calculation of Fixed Cost (by using data of year 2012-13):**

$$\begin{aligned}
 \text{Fixed cost} &= \text{Contribution - profit} \\
 &= (\text{Sales} \times \text{PV Ratio}) - 10\% \text{ of Sale} \\
 &= (\text{₹}25,00,000 \times 18\%) - 10\% \text{ of ₹}25,00,000 \\
 &= \text{₹}2,00,000
 \end{aligned}$$

(ii) **Calculation of Break Even Point:**

$$\begin{aligned}
 \text{BEP} &= \frac{\text{Fixed Cost}}{\text{PV Ratio}} \\
 &= \frac{2,00,000}{18\%} = \text{₹}11,11,111.11
 \end{aligned}$$

(iii) **Calculation of Amount of profit, if Sale is ₹30,00,000:**

$$\begin{aligned}
 \text{Profit} &= \text{Contribution - Fixed Cost} \\
 &= \text{₹}30,00,000 \times 18\% - 2,00,000 \\
 &= \text{₹}3,40,000
 \end{aligned}$$

(iv) **Sales, when desired profit is ₹4,75,000:**

$$\begin{aligned}
 \text{Sales} &= \frac{\text{Fixed Cost} + \text{Desired Profit}}{\text{PV Ratio}} \\
 &= \frac{2,00,000 + 4,75,000}{18\%} = \text{₹}37,50,000
 \end{aligned}$$

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

$$\begin{aligned}
 \text{MOS} &= \frac{\text{Profit}}{\text{PV Ratio}} \\
 &= \frac{2,70,000}{18\%} = \text{₹}15,00,000
 \end{aligned}$$

**Working Note:**

(i) **Calculation of PV Ratio:**

$$\begin{aligned}
 \text{PV Ratio} &= \frac{\text{Difference in Profit}}{\text{Difference in Sales}} \times 100 \\
 &= \frac{10\% \text{ of } 25,00,000 - 8\% \text{ of } 20,00,000}{25,00,000 - 20,00,000} \times 100 \\
 &= \frac{90,000}{5,00,000} \times 100 = 18\%
 \end{aligned}$$

**Question 1 (b)**

A manufacturing company has disclosed net loss of ₹48,700 as per their cost accounting records for the year ended 31<sup>st</sup> 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.**

**[5 Marks]**

**Answer**

**Memorandum Reconciliation Account**

| <b>Particulars</b>                   | <b>₹</b>        | <b>Particulars</b>           | <b>₹</b>        |
|--------------------------------------|-----------------|------------------------------|-----------------|
| To Net loss as per Costing books     | 48,700          | By Admin OH over absorbed    | 65,000          |
| To Factory OH under absorbed         | 30,500          | By Depreciation over charged | 45,000          |
| To Income tax provision              | 52,400          | (2,70,000 - 2,25,000)        |                 |
| To Obsolescence loss                 | 20,700          | By Transfer fee              | 10,200          |
| To Closing stock over valued         | 9,500           | By Notional rent             | 54,000          |
| To Net profit as per Financial books | 35,400          | By Opening stock over valued | 23,000          |
|                                      | <b>1,97,200</b> |                              | <b>1,97,200</b> |

**Question 1 (c)**

NOOR Limited provides the following information for the year ending 31<sup>st</sup> 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   | 1/4        |

**You are required to prepare:**

**Trading and Profit and Loss Account for the year ending 31<sup>st</sup> March, 2014.**

**[5 Marks]**

**Answer**

**Trading and Profit & Loss Account  
(For the year ending 31<sup>st</sup> March, 2014)**

| <b>Particulars</b>         | <b>₹</b>         | <b>Particulars</b>  | <b>₹</b>         |
|----------------------------|------------------|---------------------|------------------|
| To Opening Stock [WN (iv)] | 3,37,500         | By Sales [WN (ii)]  | 31,25,000        |
| To Conversion Cost         | 26,06,250        | By Closing Stock    | 6,00,000         |
| To Gross Profit [WN (iii)] | 7,81,250         |                     |                  |
|                            | <b>37,25,000</b> |                     | <b>37,25,000</b> |
| To Operating Expenses      | 1,56,250         | By Gross Profit b/d | 7,81,250         |
| To Net Profit [WN (i)]     | 6,25,000         |                     |                  |
|                            | <b>7,81,250</b>  |                     | <b>7,81,250</b>  |

**Working Notes:**

**(i) Calculation of Net Profit:**

$$\begin{aligned} \frac{\text{Net Profit}}{\text{Capital}} &= \frac{1}{4} & \text{or} & \quad \text{Net Profit} = \frac{\text{Capital}}{4} \\ \text{Net Profit} &= \frac{25,00,000}{4} & = & \quad \text{₹6,25,000} \end{aligned}$$

**(ii) Calculation of Sales:**

$$\begin{aligned} \frac{\text{Net Profit}}{\text{Sales}} &= 20\% & \text{or} & \quad \text{Sales} = \frac{\text{Net Profit}}{20\%} \\ \text{Sales} &= \frac{6,25,000}{20\%} & = & \quad \text{₹31,25,000} \end{aligned}$$

**(iii) Calculation of Gross Profit:**

$$\begin{aligned} \text{Gross Profit} &= 25\% \text{ of Sales} = 25\% \text{ of ₹31,25,000} \\ &= \text{₹7,81,250} \end{aligned}$$

**(iv) Calculation of Opening Stock:**

$$\begin{aligned} \text{Stock Turnover Ratio} &= \frac{\text{COGS}}{\text{Average Stock}} = 5 \text{ Times} \\ \text{Average Stock} &= \frac{\text{COGS (Sales} - 25\%) }{5} = \frac{31,25,000 - 25\%}{5} \\ &= \text{₹4,68,750} \\ \text{Average Stock} &= \frac{\text{Opening Stock} + \text{Closing Stock}}{2} \\ \text{Average Stock} \times 2 &= \text{Opening Stock} + \text{Closing Stock} \\ 4,68,750 \times 2 &= \text{Opening Stock} + 6,00,000 \\ \text{Opening Stock} &= 9,37,500 - 6,00,000 = \text{₹3,37,500} \end{aligned}$$

**Note: All figures in Trading and Profit and Loss A/c are balancing figures except calculated in working notes.**

**Question 1 (d)**

The following details are provided by 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.**

**[5 Marks]**

**Answer**

$$\begin{aligned} \text{WACC} &= K_e W_e + K_p W_p + K_{rd} W_{rd} + K_{cd} W_{cd} \\ &= 16.30\% \times \frac{65}{105} + 12\% \times \frac{12}{105} + 10.50\% \times \frac{20}{105} + 7\% \times \frac{8}{105} \\ &= \text{13.9952\%} \end{aligned}$$

**Working Notes:**

**(i) Calculation of cost of Preference Share Capital ( $K_p$ ):**

$$K_p = \text{Rate of Preference Dividend} = 12\%$$

**(ii) Calculation of cost of Redeemable Debentures ( $K_{rd}$ ):**

$$K_{rd} = I(1 - t) = 15\%(1 - 0.30) = 10.50\%$$

**(iii) Calculation of cost Convertible Debentures ( $K_{cd}$ ):**

$$K_{cd} = I(1 - t) = 10\%(1 - 0.30) = 7\%$$

**Question 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.

**Required:**

- (a) Calculate the economic order quantity of raw materials.
- (b) Advice, how frequently should order for procurement be placed.
- (c) 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?

**[8 Marks]**

**Answer**

$$(a) \quad EOQ = \sqrt{\frac{2AO}{C}} = \sqrt{\frac{2 \times 40,000 \times 750}{15}} = 2,000 \text{ kgs.}$$

**Where,**

$$\begin{aligned} A &= \text{Annual usage of raw Material} \\ &= 1 \text{ unit of raw material gives 2.5 units of Finished Goods} \\ &\therefore \text{For 1,00,000 units of finished goods, material required} \\ &= \frac{1,00,000}{2.5} = 40,000 \text{ Kgs.} \end{aligned}$$

$$\begin{aligned} O &= \text{Ordering cost per order} = \text{handling cost per order} + \text{freight per order} \\ &= ₹370 + ₹380 = ₹750 \end{aligned}$$

$$\begin{aligned} C &= \text{Carrying cost or holding cost of inventory per unit p.a.} \\ &= \text{Carrying cost per unit p.a.} + \text{interest cost of investment in inventory per unit p.a.} \\ &= (\text{₹0.25 per kg per month} \times 12 \text{ months}) + \text{₹12 per kg p.a.} \\ &= ₹3 + ₹12 = ₹15 \text{ per kg p.a.} \end{aligned}$$

**(b) Frequency of placing order/time interval between order**

$$= \frac{365 \text{ days or } 12 \text{ months}}{\text{* No. of orders}} = \frac{12 \text{ months}}{20 \text{ orders}}$$

$$= 0.6 \text{ month}$$

**Or**

$$= \frac{365 \text{ days}}{20 \text{ orders}} = 18 \text{ days (approx)}$$

**Working Notes:**

$$\begin{aligned} \text{*No. of orders} &= \frac{\text{Annual requirement}}{\text{EOQ}} \\ &= \frac{40,000 \text{ kgs}}{2,000 \text{ kgs}} = \mathbf{20 \text{ Orders}} \end{aligned}$$

**(c) % Discount to be negotiated for placing quarterly orders:**

**Statement of % of Discount to be Negotiated for Placing Quarterly Orders**

| <b>Particulars</b>                                                                                                                            | <b>₹</b>       |
|-----------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| <b>(A)</b> Total ordering & carrying cost at EOQ (when order size 2,000 kgs)                                                                  |                |
| Ordering Cost $(\frac{40,000}{2,000} \times 750)$                                                                                             | 15,000         |
| Carrying Cost $(2,000 \times \frac{1}{2} \times 15)$                                                                                          | 15,000         |
| <b>Total Cost (A)</b>                                                                                                                         | <b>30,000</b>  |
| <b>(B)</b> Total ordering & carrying cost at quarterly orders (when order size 10,000 kgs)                                                    |                |
| Ordering Cost $(\frac{40,000}{10,000} \times 750)$                                                                                            | 3,000          |
| Carrying Cost $(10,000 \times \frac{1}{2} \times 15)$                                                                                         | 75,000         |
| <b>Total Cost (B)</b>                                                                                                                         | <b>78,000</b>  |
| <b>Extra Cost or Discount to be negotiated (B)-(A)</b>                                                                                        | <b>48,000</b>  |
| ÷ Annual Requirement                                                                                                                          | 40,000 kgs     |
| Discount per kg                                                                                                                               | ₹1.20          |
| Purchase price per kg                                                                                                                         | ₹80.00         |
| <b>% of Discount</b> $\left( \frac{\text{Discount}}{\text{Purchase price}} \times 100 \right)$ or $\left( \frac{1.20}{80} \times 100 \right)$ | <b>= 1.50%</b> |

**Question 2 (b)**

A company had the following Balance Sheet as on 31<sup>st</sup> March, 2014:

| <b>Liabilities</b>                                   | <b>₹</b>     | <b>Assets</b>      | <b>₹</b>     |
|------------------------------------------------------|--------------|--------------------|--------------|
| Equity Share Capital<br>(50 lakh shares of ₹10 each) | 5.00         | Fixed Assets (Net) | 12.50        |
| Reserve and Surplus                                  | 1.00         | Current Assets     | 7.50         |
| 15% Debentures                                       | 10.00        |                    |              |
| Current Liabilities                                  | 4.00         |                    |              |
|                                                      | <b>20.00</b> |                    | <b>20.00</b> |

**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%      |

**Required:**

- (i)** Earnings Per Share
- (ii)** Operating Leverage
- (iii)** Financial Leverage
- (iv)** Combined Leverage

**[8 Marks]**

**Answer**

**(i) Calculation of EPS:**

$$\text{EPS} = \frac{\text{EAT}}{\text{No. of Shares}}$$

|                                 |   |                                                     |   |                    |
|---------------------------------|---|-----------------------------------------------------|---|--------------------|
|                                 | = | $\frac{840 \text{ Lakhs}}{50 \text{ Lakhs}}$        | = | <b>₹16.80</b>      |
| <b>(ii) Calculation of OL:</b>  |   |                                                     |   |                    |
| OL                              | = | $\frac{\text{Contribution}}{\text{EBIT}}$           |   |                    |
|                                 | = | $\frac{17.50 \text{ Crores}}{13.50 \text{ Crores}}$ | = | <b>1.296 times</b> |
| <b>(iii) Calculation of FL:</b> |   |                                                     |   |                    |
| FL                              | = | $\frac{\text{EBIT}}{\text{EBT}}$                    |   |                    |
|                                 | = | $\frac{13.50 \text{ Crores}}{12.00 \text{ Crores}}$ | = | <b>1.125 times</b> |
| <b>(iv) Calculation of CL:</b>  |   |                                                     |   |                    |
| CL                              | = | OL × FL                                             |   |                    |
|                                 | = | 1.296 × 1.125                                       | = | <b>1.458 times</b> |

**Working Notes:**

**Income Statement**

| <b>Particulars</b>                     |  | <b>₹ (in crores)</b> |
|----------------------------------------|--|----------------------|
| Sales (2.5 times of 20 crores)         |  | 50.00                |
| Less: Variable Cost @ 65% of 50 crores |  | 32.50                |
| <b>Contribution</b>                    |  | <b>17.50</b>         |
| Less: Fixed Cost                       |  | 4.00                 |
| <b>EBIT</b>                            |  | <b>13.50</b>         |
| Less: Interest @ 15% of 10 crores      |  | 1.50                 |
| <b>EBT</b>                             |  | <b>12.00</b>         |
| Less: Tax @ 30%                        |  | 3.60                 |
| <b>EAT</b>                             |  | <b>8.40</b>          |

**Question 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 31<sup>st</sup> March, 2014 are as follows:

|                                      | <b>Process A</b> | <b>Process B</b> |
|--------------------------------------|------------------|------------------|
| 40,000 units introduced at a cost of | ₹3,60,000        | -                |
| Materials 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.

**[8 Marks]**

**Answer**

**(i)**

**Process A Account**

| <b>Particulars</b>    | <b>Units</b>  | <b>₹</b>         | <b>Particulars</b>     | <b>Units</b>  | <b>₹</b>         |
|-----------------------|---------------|------------------|------------------------|---------------|------------------|
| To Units Introduced   | 40,000        | 3,60,000         | By Normal Loss         | 2,000         | 30,000           |
| To Materials Consumed |               | 2,42,000         | (5% @ ₹15 per unit)    |               |                  |
| To Direct Wages       |               | 2,58,000         | By Abnormal Loss A/c   | 1,000         | 27,000           |
| To Manufacturing Exps |               | 1,96,000         | By Process B Account   | 29,600        | 7,99,200         |
|                       |               |                  | By Profit and Loss A/c | 7,400         | 1,99,800         |
|                       | <b>40,000</b> | <b>10,56,000</b> |                        | <b>10,000</b> | <b>10,56,000</b> |

$$\begin{aligned}
 \text{Normal cost per unit} &= \frac{\text{Total cost} - \text{scrap of normal loss}}{\text{Total units} - \text{normal loss units}} \\
 &= \frac{10,56,000 - 30,000}{40,000 - 2,000} = \text{₹}27.00
 \end{aligned}$$

**Process B Account**

| <b>Particulars</b>    | <b>Units</b>  | <b>₹</b>         | <b>Particulars</b>     | <b>Units</b>  | <b>₹</b>         |
|-----------------------|---------------|------------------|------------------------|---------------|------------------|
| To Process A Account  | 29,600        | 7,99,200         | By Normal Loss         | 2,960         | 59,200           |
| To Materials Consumed |               | 2,25,000         | (10% @ ₹20 per unit)   |               |                  |
| To Direct Wages       |               | 1,90,000         | By Profit and Loss A/c | 27,000        | 12,96,000        |
| To Manufacturing Exps |               | 1,23,720         |                        |               |                  |
| To Abnormal Gain      | 360           | 17,280           |                        |               |                  |
|                       | <b>29,960</b> | <b>13,55,200</b> |                        | <b>29,960</b> | <b>13,55,200</b> |

$$\begin{aligned}
 \text{Normal cost per unit} &= \frac{\text{Total cost} - \text{scrap of normal loss}}{\text{Total units} - \text{normal loss units}} \\
 &= \frac{13,37,920 - 59,200}{29,600 - 2,960} = \text{₹}48.00
 \end{aligned}$$

**(ii)**

**Profit and Loss Account**

| <b>Particulars</b>          | <b>Units</b>  | <b>₹</b>         | <b>Particulars</b>        | <b>Units</b>  | <b>₹</b>         |
|-----------------------------|---------------|------------------|---------------------------|---------------|------------------|
| To Process A A/c            | 7,400         | 1,99,800         | By Sales:                 |               |                  |
| To Process B A/c            | 27,000        | 12,96,000        | Process A                 | 7,400         | 2,73,800         |
| To Indirect Expenses        |               | 4,48,080         | Process B                 | 27,000        | 16,47,000        |
| To Abnormal Loss A/c        |               | 12,000           | By Abnormal Gain A/c      |               | 10,080           |
| (27,000 - 1,000 units × 15) |               |                  | (17,280 - 360 units × 20) |               |                  |
|                             |               |                  | By Net Loss               |               | 25,000           |
|                             | <b>34,400</b> | <b>19,55,880</b> |                           | <b>34,400</b> | <b>19,55,880</b> |

**Question 3 (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:

|                                                   |            |
|---------------------------------------------------|------------|
| 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 machine (after 5 years)          | ₹3,00,000  |
| Expected life of 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:

|                  |          |          |          |          |          |
|------------------|----------|----------|----------|----------|----------|
| <b>Year</b>      | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
| <b>PV factor</b> | 0.893    | 0.797    | 0.712    | 0.636    | 0.567    |

**[8 Marks]**

**Answer**

**(i) Net Present Value**

| <b>Year</b> | <b>Particulars</b>      | <b>₹</b>    | <b>DF @ 12%</b> | <b>PV</b>         |
|-------------|-------------------------|-------------|-----------------|-------------------|
| 0           | Cost of CT-Scan machine | (15,00,000) | 1.000           | (15,00,000)       |
| 1 - 5       | Cash Flow After Tax     | 2,87,500    | 3.605           | 10,36,438         |
| 5           | Salvage at the end      | 3,00,000    | 0.567           | 1,70,100          |
| <b>NPV</b>  |                         |             |                 | <b>(2,93,462)</b> |

**Recommendation: CT-Scan machine should not be purchased having negative NPV.**

**(ii) Calculation of Profitability Index:**

$$\begin{aligned}
 \text{Profitability Index} &= \frac{\text{PV of Inflows}}{\text{PV of Outflows}} \\
 &= \frac{12,06,538}{15,00,000} = \mathbf{0.804}
 \end{aligned}$$

**Recommendation: Since PI is less than 1, CT-Scan machine should not be purchased.**

**Working Notes:**

**Calculation of Incremental CFAT:**

| <b>Particulars</b>                                      | <b>₹</b>        |
|---------------------------------------------------------|-----------------|
| Expected revenue per annum                              | 7,90,000        |
| Less: Operating cost per annum (excluding depreciation) | (2,25,000)      |
| Less: Depreciation (15,00,000 - 3,00,000) ÷ 5 years     | (2,40,000)      |
| PBT                                                     | 3,25,000        |
| Less: Tax @ 30%                                         | (97,500)        |
| PAT                                                     | 2,27,500        |
| Less: Loss of commission income per annum (15,000 × 12) | (1,80,000)      |
| Add: Depreciation                                       | 2,40,000        |
| <b>CFAT</b>                                             | <b>2,87,500</b> |

**Question 4 (a)**

XYZ Co. Ltd. provides the following information:

| <b>Particulars</b>  | <b>Standard</b> | <b>Actual</b> |
|---------------------|-----------------|---------------|
| Production in units | 4,000           | 3,800         |
| Working Days        | 20              | 21            |
| Fixed Overhead      | ₹40,000         | ₹39,000       |
| Variable Overhead   | ₹12,000         | ₹12,000       |

**You are required to calculate the following overhead variance:**

- (a)** Variable Overhead Variance
- (b)** Fixed Overheads Variances
  - (i)** Expenditure Variance
  - (ii)** Volume Variance

**[8 Marks]**

**Answer**

(a) **Variable Overhead Variance** = Standard Variable OH for 3,800 units – Actual Variable OH  
 = (Actual production × SR) – 12,000  
 = (3,800 units × 3) – 12,000  
 = **600 A**

(b) **Fixed Overhead Variances:**

(i) **Expenditure Variance** = Budgeted Fixed OH – Actual Fixed OH  
 = 40,000 – 39,000  
 = **1,000 F**

(ii) **Volume Variance** = (Actual Production - Budgeted Production) × SR  
 = (3,800 – 4,000) × 10  
 = **2,000 A**

**Working Notes:**

1. Standard rate of Variable OH =  $\frac{\text{Budgeted Variable OH}}{\text{Budgeted Production}}$   
 =  $\frac{12,000}{4,000 \text{ Units}}$  = **₹3 per unit**

2. Standard rate of Fixed OH =  $\frac{\text{Budgeted Fixed OH}}{\text{Budgeted Production}}$   
 =  $\frac{40,000}{4,000 \text{ Units}}$  = **₹10 per unit**

**Question 4 (b)**

The Balance Sheet of Z Ltd. as on 31<sup>st</sup> March, 2013 and 31<sup>st</sup> March, 2014 are as under:

| <b>Liabilities</b>                      | <b>2013 (₹)</b>  | <b>2014 (₹)</b>  | <b>Assets</b>         | <b>2013 (₹)</b>  | <b>2014 (₹)</b>  |
|-----------------------------------------|------------------|------------------|-----------------------|------------------|------------------|
| Equity Share Capital                    | 15,00,000        | 20,00,000        | Goodwill              | 5,75,000         | 4,50,000         |
| 12% Redeemable Preference Share Capital | 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         |                       |                  |                  |
|                                         | <b>33,85,000</b> | <b>40,85,000</b> |                       | <b>33,85,000</b> | <b>40,85,000</b> |

**Additional information:**

- (i) Depreciation charged on Plant and Land & Building 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 a Cash Flow Statement.**

**[8 Marks]**

## Answer

**Z Limited**  
**Cash Flow Statement for the year ended 31.03.14**

| Particulars                                                  | ₹                 |
|--------------------------------------------------------------|-------------------|
| <b>(A) Cash Flow From Operating Activities:</b>              |                   |
| Increase in Profit & Loss A/c (2,40,000 – 1,50,000)          | 90,000            |
| Add: Transfer to General Reserve (3,50,000 – 2,00,000)       | 1,50,000          |
| Add: Preference Dividend (12% of 7,50,000)                   | 90,000            |
| Add: Proposed Dividend for current year                      | 2,50,000          |
| Add: Interim Dividend                                        | 1,00,000          |
| Add: Provision for Tax made during the current year          | 2,25,000          |
| <b>Net Profit before tax and extraordinary items</b>         | <b>9,05,000</b>   |
| Adjustment for:                                              |                   |
| Goodwill w/o (5,75,000 – 4,50,000)                           | 1,25,000          |
| Depreciation (50,000 + 1,00,000)                             | 1,50,000          |
| <b>Fund from operation before working capital changed</b>    | <b>11,80,000</b>  |
| Adjustment for:                                              |                   |
| Increase in Creditors (4,15,000 – 2,75,000)                  | 1,40,000          |
| Decrease in Outstanding Expenses (1,00,000 – 80,000)         | (20,000)          |
| Increase in Debtors (12,60,000 – 8,00,000)                   | (4,60,000)        |
| Decrease in Stock (4,85,000 – 4,35,000)                      | 50,000            |
| <b>Cash generated from operations</b>                        | <b>8,90,000</b>   |
| Less: Income tax paid                                        | (1,75,000)        |
| <b>Net Cash Inflow From Operating Activities (A)</b>         | <b>7,15,000</b>   |
| <b>(B) Cash Flow From Investing Activities:</b>              |                   |
| Sale of Land & Building                                      | 50,000            |
| Purchase of Plant                                            | (6,50,000)        |
| <b>Net Cash Used in Investing Activities (B)</b>             | <b>(6,00,000)</b> |
| <b>(C) Cash Flow From Financing Activities:</b>              |                   |
| Issue of Equity Share Capital (20,00,000 - 15,00,000)        | 5,00,000          |
| Redemption of Preference Share Capital (7,50,000 – 5,00,000) | (2,50,000)        |
| Dividend Paid:                                               |                   |
| Preference Dividend                                          | (90,000)          |
| Proposed Dividend of Last Year                               | (2,10,000)        |
| Interim Dividend                                             | (1,00,000)        |
| <b>Net Cash Used in Financing Activities (C)</b>             | <b>(1,50,000)</b> |
| Opening Cash and Cash Equivalent (50,000 + 75,000)           | 1,25,000          |
| Add: Cash Used (A + B + C)                                   | (35,000)          |
| <b>Closing Cash and Cash Equivalent (50,000 + 40,000)</b>    | <b>90,000</b>     |

## Working Notes:

## WN '1' Provision for Tax A/c

| Particulars            | ₹               | Particulars                  | ₹               |
|------------------------|-----------------|------------------------------|-----------------|
| To Bank A/c (Tax paid) | 1,75,000        | By Bal b/d                   | 2,00,000        |
| To Bal c/d             | 2,50,000        | By Profit & Loss A/c         | 2,25,000        |
|                        | <b>4,25,000</b> | (Provision for current year) |                 |
|                        |                 |                              | <b>4,25,000</b> |

## WN '2' Plant A/c

| Particulars               | ₹                | Particulars     | ₹                |
|---------------------------|------------------|-----------------|------------------|
| To Bal b/d                | 4,00,000         | By Depreciation | 50,000           |
| To Bank (Plant Purchased) | 6,50,000         | By Balance c/d  | 10,00,000        |
|                           | <b>10,50,000</b> |                 | <b>10,50,000</b> |

**WN '3' Land & Building A/c**

| <b>Particulars</b> | <b>₹</b>         | <b>Particulars</b> | <b>₹</b>         |
|--------------------|------------------|--------------------|------------------|
| To Bal b/d         | 10,00,000        | By Depreciation    | 1,00,000         |
|                    |                  | By Bank (Sale)     | 50,000           |
|                    |                  | By Balance c/d     | 8,50,000         |
|                    | <b>10,50,000</b> |                    | <b>10,50,000</b> |

**Assumption: Preference Shares were redeemed at the end of the year.**

**Question 5 (a)**

Distinguish between cost control and cost reduction.

**[4 Marks]**

**Answer**

| <b>S. No.</b> | <b>Cost Control</b>                                                                     | <b>Cost Reduction</b>                                                                                                      |
|---------------|-----------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| <b>1</b>      | Cost control aims at maintaining the cost in accordance with the established standards. | Cost reduction is a concerned with reducing costs. It challenges all standards and endeavours to better them continuously. |
| <b>2</b>      | Cost control seeks to attain lowest possible cost under existing conditions.            | Cost reduction recognizes no condition as permanent, since a change will result in lower cost.                             |
| <b>3</b>      | In case of cost control, emphasis is on past and present.                               | In case of cost reduction it is on present and future.                                                                     |
| <b>4</b>      | Cost control is a preventive function.                                                  | Cost reduction is a corrective function. It operates even when an efficient cost control system exists.                    |
| <b>5</b>      | Cost control ends when targets are achieved.                                            | Cost reduction has no visible end.                                                                                         |

**Question 5 (b)**

Explain the following:

- (i) Explicit costs
- (ii) Engineered costs

**[4 Marks]**

**Answer**

**(i) Explicit costs:**

These costs are also known as out of pocket costs and refer to costs involving immediate payment of cash.

For example salaries, wages, postage and telegram, printing and stationery, interest on loan etc. are some examples of explicit costs involving immediate cash payment.

**(ii) Engineered costs:**

These are costs that result specifically from a clear cause and effect relationship between inputs and outputs. The relationship is usually personally observable.

Examples of inputs are direct material costs, direct labour costs etc.

Examples of output are car, computers etc.

**Question 5 (c)**

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

**[4 Marks]**

**Answer**

Following are the emerging issues affecting the future role of Chief Financial Officer (CFO):

1. **Regulation:** It is hardly revelatory to point out that regulation will have an enormous impact upon the future role of the CFO.
2. **Globalisation:** The globalisation of businesses has had a significant impact on the role of the CFO and physical set up of the finance function.
3. **Technology:** The proliferation of large and complex data provides challenges as well as significant opportunities for analytical insight into the business by the finance function.
4. **Risk:** For tomorrow's CFO, there will be greater scrutiny of the effectiveness of risk management processes, and much higher expectations on the adequacy of longer-term financial plans from the board. Investors and other stakeholders with a vested interest will also look for greater assurances over the financial viability of the business's strategy for delivering longer-term financial success and growth.
5. **Transformation:** Reducing costs, improving efficiency and becoming a better partner to the business – these are the typical aims of finance transformation and a key priority for tomorrow's CFO.
6. **Stakeholder management:** Increasingly CFOs need to act as the perfect partner to the CEO. On the one hand they must support them in bringing strategic decision making to bear, whilst also demonstrating great finance leadership and controllership.
7. **Strategy:** Today's CFO is proclaimed equally a strategist and a numbers person. The responsibility for formulation of business strategy typically rests with the broader executive team, with CFOs playing their role as key members of the board. We can expect this trend to continue in the future.
8. **Reporting:** The increased importance of corporate social responsibility (CSR) will present additional challenges for the CFO moving forward.
9. **Talent and capability:** If one issue dominates the thinking of CFOs today, it is having access to, and keeping hold of, the right finance talent and capability.

**Question 5 (d)**

State the main features of Global Depository Receipts (GDR) and American Depository Receipts (ADR).

**[4 Marks]**

**Answer**

**Global Depository Receipt (GDR):**

These are negotiable certificate held in bank of one country representing a specific number of shares of a stock traded on the exchange of another country. These financial instruments are used by companies to raised capital in either in Dollars or Euros. These are mainly traded in European countries and particularly in London.

**American Depository Receipt (ADR):**

These are securities offered by non-US companies who want to list on any of the US exchange. Each ADR represents a certain number of a company's regular shares. ADRs allow US investors to buy shares of these companies without the costs of investing directly in foreign stock exchange. ADRs are issued by an approved New York bank or trust company against the deposit of the original shares. These are deposited in a custodial account in the US. Such receipts have to be issued in accordance with the provisions stipulated by the SEC. USA which are very stringent.

**Question 6 (a)**

M/s ABID Construction undertook a contract at a price of ₹171 lacs. The relevant data for the year ended 31<sup>st</sup> march, 2014 are as under:

|                           |              |
|---------------------------|--------------|
| Material issued at site   | ₹77,00,000   |
| Direct wages paid         | ₹33,00,000   |
| Site office cost          | ₹5,50,000    |
| Material return to store  | ₹1,75,000    |
| Work certified            | ₹1,26,50,000 |
| Work uncertified          | ₹2,25,000    |
| Progress payment received | ₹1,01,20,000 |

**SUGGESTED ANS FOR IPCC COST FM MAY 2014 BY CA NAMIT ARORA**

|                                           |           |
|-------------------------------------------|-----------|
| Prepaid site office cost as on 31.03.2014 | ₹50,000   |
| Direct wages outstanding as on 31.03.2014 | ₹1,00,000 |
| Material at site as on 31.03.2014         | ₹1,10,000 |

**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.

**Prepare:**

- (i) Contract Account for the year ended 31<sup>st</sup> 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.

**[8 Marks]**

**Answer**

(i)

**Contract Account  
For the period from 01.04.2013 to 31.03.2014**

| Particulars                                          | Amount             | Particulars                   | Amount             |
|------------------------------------------------------|--------------------|-------------------------------|--------------------|
| To Materials issued at site                          | 77,00,000          | By WIP:                       |                    |
| To Direct Wages paid                                 | 33,00,000          | Value of work certified       | 1,26,50,000        |
| Add: Outstanding wages                               | 1,00,000           | Cost of work uncertified      | 2,25,000           |
| To Site office cost                                  | 5,50,000           | By Material return to store   | 1,75,000           |
| Less: Prepaid site office cost                       | (50,000)           | By Material destroyed by fire | 1,30,000           |
| To Depreciation on plant<br>(15% of 8,00,000) × 4/12 | 40,000             | By Material at site           | 1,10,000           |
| To Notional profit                                   | 16,50,000          |                               |                    |
|                                                      | <b>1,32,90,000</b> |                               | <b>1,32,90,000</b> |
| To Profit & Loss A/c                                 | 8,80,000           | By Notional profit            | 16,50,000          |
| To WIP Reserve                                       | 7,70,000           |                               |                    |
|                                                      | <b>16,50,000</b>   |                               | <b>16,50,000</b>   |

**Calculation of Profit to be taken to Profit and Loss Account:**

$$\begin{aligned}
 \text{\% of work certified to contract price} &= \frac{\text{Work certified}}{\text{Contract price}} \times 100 \\
 &= \frac{1,26,50,000}{1,71,00,000} \times 100 \\
 &= \mathbf{73.98\%}
 \end{aligned}$$
  

$$\begin{aligned}
 \text{Profit to be transferred to P/L} &= \text{Notional Profit} \times \frac{2}{3} \times \frac{\text{Cash received}}{\text{Work certified}} \\
 &= 16,50,000 \times \frac{2}{3} \times \frac{1,01,20,000}{1,26,50,000} \\
 &= \mathbf{₹8,80,000}
 \end{aligned}$$

(ii)

**Contractee's Account**

| Particulars    | Amount             | Particulars | Amount             |
|----------------|--------------------|-------------|--------------------|
| To Balance c/d | 1,01,20,000        | By Bank A/c | 1,01,20,000        |
|                | <b>1,01,20,000</b> |             | <b>1,01,20,000</b> |

**(iii)**

**Profit & Loss Account**

| <b>Particulars</b>             | <b>Amount</b>   | <b>Particulars</b> | <b>Amount</b>   |
|--------------------------------|-----------------|--------------------|-----------------|
| To Materials destroyed by fire | 1,30,000        | By Contract A/c    | 8,80,000        |
| To Net Profit                  | 7,50,000        |                    |                 |
|                                | <b>8,80,000</b> |                    | <b>8,80,000</b> |

**(iv)**

**Balance Sheet**

| <b>Particulars</b> | <b>Amount</b> | <b>Particulars</b>            | <b>Amount</b> |
|--------------------|---------------|-------------------------------|---------------|
| Net Profit         | 7,50,000      | Plant                         | 8,00,000      |
| Outstanding wages  | 1,00,000      | Less: Depreciation (40,000)   | 7,60,000      |
|                    |               | Materials at site             | 1,10,000      |
|                    |               | Prepaid site office cost      | 50,000        |
|                    |               | Work certified                | 1,26,50,000   |
|                    |               | Work uncertified              | 2,25,000      |
|                    |               | Less: Reserve WIP (7,70,000)  |               |
|                    |               | Less: Cash recd (1,01,20,000) | 19,85,000     |
|                    | -             |                               | -             |

**Question 6 (b)**

Black Limited has furnished the following cost sheet:

|                  | <b>Per Unit</b> |
|------------------|-----------------|
| Raw Material     | ₹98             |
| Direct Labour    | ₹53             |
| Factory Overhead | ₹88             |
| Total Cost       | <b>₹239</b>     |
| Profit           | ₹43             |
| Selling Price    | <b>₹282</b>     |

Factory overheads includes depreciation of ₹15 per unit at budgeted level of activity

**Additional Information:**

- (i)** Average raw material in stock 3 weeks
- (ii)** Average work-in-progress 2 weeks  
(% of completion with respect to Materials 75% and Labour and Overhead 70%)
- (iii)** Finished goods in stock 4 weeks
- (iv)** Credit allowed to debtors 2.5 weeks
- (v)** Credit allowed by creditors 3.5 weeks
- (vi)** Time lag in payment of labour 2 weeks
- (vii)** Time lag in payment of factory overheads 1.5 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 1,04,000 units of production. Finished stock, debtors and overheads are taken at cash cost.

**[8 Marks]**

**Answer**

**Statement of Working Capital Requirement (Cash Cost Basis)**

| <b>Particulars</b>                                                              | <b>₹</b>         |
|---------------------------------------------------------------------------------|------------------|
| <b>(A) Current Assets:</b>                                                      |                  |
| Raw Materials $(1,01,92,000 \times \frac{3}{52})$                               | 5,88,000         |
| Work-in-progress:                                                               |                  |
| Materials $(1,01,92,000 \times 75\%) \times \frac{2}{52}$                       | 2,94,000         |
| Labour and Overhead $[(55,12,000 + 75,92,000) \times 70\%] \times \frac{2}{52}$ | 3,52,800         |
| Finished Goods $(2,32,96,000 \times \frac{4}{52})$                              | 17,92,000        |
| Debtors $(2,32,96,000 \times 75\% \times \frac{2.5}{52})$                       | 8,40,000         |
| Cash                                                                            | 2,25,000         |
| <b>Total (A)</b>                                                                | <b>40,91,800</b> |
| <b>(B) Current Liabilities:</b>                                                 |                  |
| Creditors $(1,01,92,000 \times \frac{3.5}{52})$                                 | 6,86,000         |
| Outstanding labour $(55,12,000 \times \frac{2}{52})$                            | 2,12,000         |
| Outstanding Factory Overhead $(75,92,000 \times \frac{1.5}{52})$                | 2,19,000         |
| <b>Total (B)</b>                                                                | <b>11,17,000</b> |
| <b>Working Capital Before Provision (A - B)</b>                                 | <b>29,74,800</b> |
| Add : Provision for contingencies @ 4% of working capital including provision   | 1,23,950         |
| <b>Working Capital <math>(29,74,800 \div 96\%)</math></b>                       | <b>30,98,750</b> |

**Working Notes:**

**Projected Income Statement (Production of 1,04,000 units)**

| <b>Particulars</b>                                        | <b>₹</b>           |
|-----------------------------------------------------------|--------------------|
| Raw Materials $(1,04,000 \times 98)$                      | 1,01,92,000        |
| Wages $(1,04,000 \times 53)$                              | 55,12,000          |
| Factory Overhead in cash $[1,04,000 \times 73 (88 - 15)]$ | 75,92,000          |
| <b>Cash Cost</b>                                          | <b>2,32,96,000</b> |

**Question 7 (a)**

**Distinguish between allocation and apportionment of cost.**

**[4 Marks]**

**Answer**

| <b>S. No.</b> | <b>Allocation of Cost</b>                                                                                                  | <b>Apportionment of Cost</b>                                                                       |
|---------------|----------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| <b>1</b>      | Charging the full amount to an individual item of cost directly to a cost centre for which this item of cost was incurred. | Charging the proportion of common items of cost to two or more cost centres on some logical basis. |
| <b>2</b>      | Amount of allocated cost is fixed.                                                                                         | Amount of apportioned cost can be changed with the change in logical base.                         |
| <b>3</b>      | Applicable on specific/ individual overheads.                                                                              | Applicable on common indirect costs/overheads.                                                     |
| <b>4</b>      | Example: Electricity bill, where separate electricity meter is installed.                                                  | Example: Electricity bill, where common electricity meter is installed.                            |

**Question 7 (b)**

**Describe the salient features of budget manual.**

**[4 Marks]**

**Answer**

**Budget manual:**

A set of instructions used within large organizations to prepare budgets. As organizations become larger and more complex, it is no longer possible for one person to prepare a budget. Instead, budgeting across

the enterprise must be carefully coordinated. Financial analysts work closely with each group to collect budget information on a pre-set schedule and then send data up through higher rungs of financial controllers until it can be aggregated by the CFO's office.

**Salient features of budget manual:**

- (1) Determining the objectives to be achieved, over the budget period, and the policy or policies that might be adopted for the achievement of these ends.
- (2) Determining the variety of activities that should be undertaken for the achievement of the objectives.
- (3) Drawing up a plan or a scheme of operation in respect of each class of activity, in physical as well as monetary terms for the full budget period and its parts.
- (4) Laying out a system of comparison of actual performance by each person, section or department with the relevant budget and determination of causes for the discrepancies.
- (5) Ensuring that corrective action will be taken where the plan is not being achieved and, if that be not possible, for the revision of the plan.

**Question 7 (c)**

Explain the following:

- (i) Concentration Banking
- (ii) Lock Box System

**[4 Marks]**

**Answer**

**(i) Concentration Banking:**

In concentration banking the company establishes a number of strategic collection centres in different regions instead of a single collection centre at the head office. This system reduces the period between the time a customer mails in his remittances and the time when they become spendable funds with the company. Payments received by the different collection centres are deposited with their respective local banks which in turn transfer all surplus funds to the concentration bank of head office. The concentration bank with which the company has its major bank account is generally located at the headquarters. Concentration banking is one of the important and popular way of reducing the size of float.

**(i) Lock Box System:**

Under this arrangement the company rents the local post-office box and authorizes its bank at each of the locations to pick up remittances to the lock boxes. The customers are billed with the instructions to mail their remittances to the lock boxes. The bank picks up the mail several times a day and deposit the cheques in the company's account. The cheques may be micro-filmed for record purpose and cleared for collection. The company receives a deposit slip and lists all payments together with any other material in the envelope. This procedure frees the company from handling and depositing the cheques.

**Question 7 (d)**

Comment on Debt Service Coverage Ratio.

**[4 Marks]**

**Answer**

**Debt Service Coverage Ratio:** Lenders are interested in debt service coverage to judge the firm's ability to pay off current interest and installments.

$$\text{Debt Service Coverage Ratio} = \frac{\text{Earning available for debt service}}{\text{Interest} + \text{Installments}}$$

$$\text{Earning for debt service} = \text{Net profit} + \text{Non cash operating expenses} + \text{Non operating adjustments like loss on sale of fixed assets} + \text{interest on debt fund.}$$

**Question 7 (e)**

- (i) Name any four financial instruments, which are related to international financial market.
- (ii) State the unit cost for the followings:

- (1)** Transport
- (2)** Power
- (3)** Hotel
- (4)** Hospital

**[4 Marks]**

**Answer**

**(i)** Following are the name of some financial instruments, which are related to international financial market:

- 1.** External Commercial Borrowings (ECB)
- 2.** Euro Bonds
- 3.** Foreign Bonds
- 4.** Fully Hedged Bonds
- 5.** Medium Term Bonds
- 6.** Floating Rate Notes
- 7.** Euro Commercial Paper (ECP)
- 8.** Foreign Currency Option
- 9.** Foreign Currency futures

**(ii)** Unit cost for the following:

***Unit cost***

|           |                                                              |
|-----------|--------------------------------------------------------------|
| Transport | Passenger kilometer, Tonne kilometer                         |
| Power     | Kilo-watt hour                                               |
| Hotel     | Room per day                                                 |
| Hospital  | Patient per day, room per day or per bed, per operation etc. |