Roll No. .....

Total No. of Questions – 7 | Total No. of Printed Pages – 11

Time Allowed – 3 Hours | Maximum Marks – 100

KVB

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) Following details are related to a manufacturing concern :

Re-order Level	– 160000 units
Economic Order Quantity	– 90000 units
Minimum Stock Level	– 100000 units
Maximum Stock level	– 190000 units
Average Lead time	– 6 days
Difference between Minimum lead time and Maximum lead time	– 4 days

Calculate :

(i) Maximum consumption per day

(ii) Minimum consumption per day

Marks

(b) Zed Limited sells its product at ₹ 30 per unit. During the quarter ending on 31st March, 2014, it produced and sold 16000 units and suffered a loss of ₹ 10 per unit. If the volume of sales is raised to 40000 units, it can earn a profit of ₹ 8 per unit.

You are required to calculate :

(i) Break Even Point in Rupees.

(ii) Profit if the sale volume is 50000 units.

(iii) Minimum level of production where the company needs not to close the production if unavoidable fixed cost is ₹ 1,50,000.

(c) Alpha Limited requires funds amounting to ₹ 80 lakhs for its new project. To raise the funds, the company has following two alternatives :

(i) to issue Equity Shares (at par) amounting to ₹ 60 lakhs and borrow the balance amount at the interest of 12% p.a.; or

(ii) to issue Equity Shares (at par) and 12% Debentures in equal proportion.

The Income-tax rate is 30%.

Find out the point of indifference between the available two modes of financing and state which option will be beneficial in different situations.

Marks

(d) 'A' Ltd. and 'B' Ltd. are identical in every respect except capital structure. 'A' Ltd. does not employ debts in its capital structure whereas 'B' Ltd. employs 12% Debentures amounting to ₹ 10 lakhs. Assuming that :

(i) All assumptions of M-M model are met.

(ii) Income-tax rate is 30%;

(iii) EBIT is ₹ 2,50,000 and

(iv) The Equity capitalization rate of 'A' Ltd. is 20%.

Calculate the value of both the companies and also find out the Weighted Average Cost of Capital for both the companies.

2. (a) Z Limited obtained a contract No. 999 for ₹ 50 lacs. The following details are available in respect of this contract for the year ended March 31, 2014 : 8

	₹
Materials purchased	1,60,000
Materials issued from stores	5,00,000
Wages and salaries paid	7,00,000
Drawing and maps	60,000
Sundry expenses	15,000
Electricity charges	25,000
Plant hire expenses	60,000
Sub-contract cost	20,000
Materials returned to stores	30,000
Materials returned to suppliers	20,000

KVB **Marks**

The following balances relating to the contract No. 999 for the year ended on March 31, 2013 and March 31, 2014 are available :

	as on 31st March, 2013	as on 31st March, 2014
	₹	₹
Work certified	12,00,000	35,00,000
Work uncertified	20,000	40,000
Materials at site	15,000	30,000
Wages outstanding	10,000	20,000

The contractor receives 75% of work certified in cash.

Prepare Contract Account and Contractee's Account.

(b) Balance Sheets of Star Ltd. are as under : 8

Balance Sheet

(in lakh ₹)

Liabilities	31/03/13 ₹	31/03/14 ₹	Assets	31/03/13 ₹	31/03/14 ₹
Share Capital	24.00	30.00	Plant & Machinery	15.00	21.00
Reserve	4.50	6.00	Buildings	12.00	18.00
Profit & Loss A/c.	1.80	3.00	Investments	–	3.00
Debentures	–	6.00	Sundry Debtors	21.00	15.00
Provision for Taxation	2.10	3.00	Stock	6.00	12.00
Proposed Dividend	3.00	6.00	Cash in hand/Bank	6.00	6.00
Sundry Creditors	24.60	21.00			
Total	**60.00**	**75.00**	**Total**	**60.00**	**75.00**

Marks

With the help of following additional information, prepare Cash Flow Statement :

(i) Depreciation on plant and machinery was charged @ 25% on its opening balance and on building @ 10% on its opening balance.

(ii) During the year an old machine costing ₹ 1,50,000 (written down value ₹ 60,000) was sold for ₹ 1,05,000.

(iii) ₹ 1,50,000 was paid towards Income-tax, during the year.

3. (a) RST Limited is presently operating at 50% capacity and producing 30000 units. The entire output is sold at a price of ₹ 200 per unit. The cost structure at the 50% level of activity is as under : 8

	₹
Direct Material	75 per unit
Direct Wages	25 per unit
Variable Overheads	25 per unit
Direct Expenses	15 per unit
Factory Expenses (25% fixed)	20 per unit
Selling and Distribution Exp. (80% variable)	10 per unit
Office and Administrative Exp. (100% fixed)	5 per unit

The company anticipates that the variable costs will go up by 10% and fixed costs will go up by 15%.

You are required to prepare an Expense budget, on the basis of marginal cost for the company at 50% and 60% level of activity and find out the profits at respective levels.

Marks

(b) From the following information, prepare Balance Sheet of a firm : 8

Stock Turnover Ratio (based on cost of goods sold)	–	7 times
Rate of Gross Profit to Sales	–	25%
Sales to Fixed Assets	–	2 times
Average debt collection period	–	1.5 months
Current Ratio	–	2
Liquidity Ratio	–	1.25
Net Working Capital	–	₹ 8,00,000
Net Worth to Fixed Assets	–	0.9 times
Reserve and Surplus to Capital	–	0.25 times
Long Term Debts	–	Nil

All Sales are on credit basis

4. (a) Following information have been extracted from the cost records of XYZ Pvt. Ltd : 8

Stores :	₹
• Opening balance	54,000
• Purchases	2,88,000
• Transfer from WIP	1,44,000
• Issue to WIP	2,88,000
• Issue for repairs	36,000
• Deficiency found in stock	10,800

Marks

Work-in-Progress : ₹

- Opening balance 1,08,000
- Direct wages applied 1,08,000
- Overheads charged 4,32,000
- Closing balance 72,000

Finished Production :

- Entire production is sold at a profit of 15% on cost at WIP
- Wages paid 1,26,000
- Overheads incurred 4,50,000

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

(b) The Capital structure of RST Ltd. is as follows : 8

	₹
Equity Share of ₹ 10 each	8,00,000
10% Preference Share of ₹ 100 each	5,00,000
12% Debentures of ₹ 100 each	7,00,000
	20,00,000

Marks

Additional Information :

- Profit after tax (Tax Rate 30%) are ₹ 2,80,000
- Operating Expenses (including Depreciation ₹ 96,800) are 1.5 times of EBIT
- Equity Dividend paid is 15%
- Market price of Equity Share is ₹ 23

Calculate :

(i) Operating and Financial Leverage

(ii) Cover for preference and equity dividend

(iii) The Earning Yield Ratio and Price Earning Ratio

(iv) The Net Fund Flow

Note : All operating expenses (excluding depreciation) are variable.

5. (a) Identify the methods of costing for the following : **4×4 =16**

(i) Where all costs are directly charged to a specific job.

(ii) Where all costs are directly charged to a group of products.

(iii) Where cost is ascertained for a single product.

(iv) Where the nature of the product is complex and method can not be ascertained.

Marks

(b) Explain the treatment of over and under absorption of overheads in cost accounts.

(c) Explain four kinds of float with reference to management of cash.

(d) Distinguish between 'Operating Lease' and 'Financial Lease'.

6. (a) PQR Ltd. having an annual sales of ₹ 30 lakhs, is re-considering its present collection policy. At present, the average collection period is 50 days and the bad debt losses are 5% of sales. The company is incurring an expenditure of ₹ 30,000 on account of collection of receivables. 8

The alternative policies are as under :

	Alternative I	Alternative II
Average Collection Period	40 days	30 days
Bad Debt Losses	4% of sales	3% of sales
Collection Expenses	₹ 60,000	₹ 95,000

Evaluate the alternatives on the basis of incremental approach and state which alternative is more beneficial.

Marks

(b) The following information relate to Process A : 8

(i)	Opening Work-in-Progress	8,000 units at ₹ 75,000
	Degree of Completion :	
	Material	100%
	Labour and Overhead	60%
(ii)	Input 1,82,000 units at	₹ 7,37,500
(iii)	Wages paid	₹ 3,40,600
(iv)	Overheads paid	₹ 1,70,300
(v)	Units scrapped	14,000
	Degree of Completion :	
	Material	100%
	Wages and Overheads	80%
(vi)	Closing Work-in-Progress	18,000 units
	Degree of Completion :	
	Material	100%
	Wages and Overheads	70%

(vii) Units completed and transferred 1,58,000 to next process

(viii) Normal loss 5% of total input including opening WIP

(ix) Scrap value is ₹ 5 per unit to be adjusted out of direct material cost

You are required to compute on the basis of FIFO basis :

(i) Equivalent Production

(ii) Cost Per Unit

(iii) Value of Units transferred to next process.

Marks

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

(a) Why money in the future is worth less than similar money today ? Give the reasons and explain.

(b) Distinguish between 'Business Risk' and 'Financial Risk'.

(c) What is 'Internal Rate of Return' ? Explain.

(d) State the different types of Packing Credit.

(e) Define 'Labour Turnover'. How is it measured ? Explain.
