Roll No. ....

Total No. of Questions – 7

Time Allowed – 3 Hours

Total No. of Printed Pages – 12

Maximum Marks – 100

RWA

Answers are to be given 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) Human Resources Department of A Ltd. computed labour turnover by replacement method at 3% for the quarter ended June 2015. During the quarter, fresh recruitment of 40 workers was made. The number of workers at the beginning and end of the quarter was 990 and 1010 respectively.

You are required to calculate the labour turnover rate by Separation Method and Flux Method.

Marks

(b) A company gives the following information :

Margin of Safety	=	₹ 3,75,000
Total Cost	=	₹ 3,87,500
Margin of Safety (Qty.)	=	15000 units
Break Even Sales in Units	=	5000 units

You are required to calculate :

(i) Selling price per unit

(ii) Profit

(iii) Profit/Volume Ratio

(iv) Break Even Sales (in Rupees)

(v) Fixed Cost

(c) From the following details of X Ltd., prepare the Income Statement for the year ended 31st December 2014 :

Financial Leverage	2
Interest	₹ 2,000
Operating Leverage	3
Variable cost as a percentage of sales	75%
Income tax rate	30%

Marks

(d) A company issues 25,000, 14% debentures of ₹ 1,000 each. The debentures are redeemable after the expiry period of 5 years. Tax rate applicable to the company is 35% (including surcharge and education cess).

Calculate the cost of debt after tax if debentures are issued at 5% discount with 2% flotation cost.

2. (a) M.L. Auto Ltd. is a manufacturer of auto components and the details of its expenses for the year 2014 are given below : **8**

		₹
(i)	Opening Stock of Material	1,50,000
(ii)	Closing Stock of Material	2,00,000
(iii)	Purchase of Material	18,50,000
(iv)	Direct Labour	9,50,000
(v)	Factory Overhead	3,80,000
(vi)	Administrative Overhead	2,50,400

During 2015, the company has received an order from a car manufacturer where it estimates that the cost of material and labour will be ₹ 8,00,000 and ₹ 4,50,000 respectively. M.L. Auto Ltd. charges factory overhead as a percentage of direct labour and administrative overhead as a percentage of factory cost based on previous year's cost.

Cost of delivery of the components at customer's premises is estimated at ₹ 45,000.

Marks

You are required to :

(i) Calculate the overhead recovery rates based on actual costs for 2014.

(ii) Prepare a detailed cost statement for the order received in 2015 and the price to be quoted if the company wants to earn a profit of 10% on sales.

(b) VRA Limited has provided the following information for the year ending 31st March, 2015. **8**

Debt Equity Ratio	2 : 1
14% long term debt	₹ 50,00,000
Gross Profit Ratio	30%
Return on equity	50%
Income Tax Rate	35%
Capital Turnover Ratio	1.2 times
Opening Stock	₹ 4,50,000
Closing Stock	8% of sales

You are required to prepare Trading and Profit and Loss Account for the year ending 31st March, 2015.

Marks

3. (a) XY Co. Ltd manufactures two products viz., X and Y and sells them through two divisions, East and West. For the purpose of Sales Budget to the Budget Committee, following information has been made available for the year 2014-15 : **8**

Product	Budgeted Sales		Actual Sales	
	East Division	West Division	East Division	West Division
X	400 units at ₹ 9	600 units at ₹ 9	500 units at ₹ 9	700 units at ₹ 9
Y	300 units at ₹ 21	500 units at ₹ 21	200 units at ₹ 21	400 units at ₹ 21

Adequate market studies reveal that product X is popular but under priced. It is expected that if the price of X is increased by ₹ 1, it will find a ready market. On the other hand, Y is overpriced and if the price of Y is reduced by ₹ 1, it will have more demand in the market. The company management has agreed for the aforesaid price changes. On the basis of these price changes and the reports of salesmen, following estimates have been prepared by the Divisional Managers :

Percentage increase in sales over budgeted sales

Product	East Division	West Division
X	+ 10%	+ 5%
Y	+20%	+ 10%

With the help of intensive advertisement campaign, following additional sales (over and above the above mentioned estimated sales by Divisional Mangers) are possible :

Product	East Division	West Division
X	60 units	70 units
Y	40 units	50 units

You are required to prepare Sales Budget for 2015-16 after incorporating above estimates and also show the Budgeted Sales and Actual Sales of 2014-15.

(b) Balance Sheets of KAS Limited as on 31st March, 2014 and 31st March, 2015 are furnished below : 8

(Amount in Rupees)

Liabilities	**As at 31st March, 2014**	**As at 31st March, 2015**
Equity Share Capital	75,00,000	1,02,50,000
General Reserve	42,50,000	50,00,000
Profit & Loss Account	15,00,000	18,75,000
13% Debentures of face value ₹ 100 each	58,00,000	43,50,000
Current Liabilities	30,00,000	32,50,000
Proposed Dividend	7,50,000	9,10,000
Provision for Income tax	22,50,000	24,75,000
Total	**2,50,50,000**	**2,81,10,000**

Marks

(Amount in Rupees)

Assets	As at 31st March, 2014	As at 31st March, 2015
Goodwill	10,00,000	7,75,000
Land & Building	68,00,000	61,20,000
Plant & Machinery	75,12,000	1,07,95,000
Investment	25,00,000	21,25,000
Stock	33,00,000	27,50,000
Debtors	24,45,000	36,20,000
Cash and Bank	14,93,000	19,25,000
Total	**2,50,50,000**	**2,81,10,000**

Following additional information is available :

(i) During the financial year 2014-15 the company issued equity shares at par.

(ii) Debentures were redeemed on 1st April, 2014 at a premium of 10%.

(iii) Some investments were sold at a profit of ₹ 75,000 and the profit was credited to General Reserve Account.

(iv) During the year an old machine costing ₹ 23,50,000 was sold for ₹ 6,25,000. Its written down value was ₹ 8,00,000.

(v) Depreciation is to be provided on plant and machinery at 20% on the opening balance.

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(vi) There was no purchase or sale of land and building.

(vii) Provision for tax made during the year was ₹ 4,50,000.

You are required to prepare a Cash Flow Statement for the year ended 31st March, 2015.

4. (a) The following information is furnished by ABC Company for Process – II of its manufacturing activity for the month of April 2015 : **8**

(i) Opening Work-in-Progress – Nil

(ii) Units transferred from Process I – 55,000 units at ₹ 3,27,800

(iii) Expenditure debited to Process – II :

Consumables	–	₹ 1,57,200
Labour	–	₹ 1,04,000
Overhead	–	₹ 52,000

(iv) Units transferred to Process III – 51,000 units

(v) Closing WIP – 2000 units (Degree of completion) :

Consumables	–	80%
Labour	–	60%
Overhead	–	60%

(vi) Units scrapped – 2000 units, scrapped units were sold at ₹ 5 per unit.

(vii) Normal loss – 4% of units introduced

Marks

You are required to :

(i) Prepare a Statement of Equivalent Production.

(ii) Determine the cost per unit

(iii) Determine the value of Work-in-Process and units transferred to Process – III.

(b) RST Ltd. is expecting an EBIT of ₹ 4 lakhs for F.Y. 2015-16. Presently the company is financed entirely by equity share capital of ₹ 20 lakhs with equity capitalization rate of 16%. The company is contemplating to redeem part of the capital by introducing debt financing. The company has two options to raise debt to the extent of 30% or 50% of the total fund. **8**

It is expected that for debt financing upto 30%, the rate of interest will be 10% and equity capitalization rate will increase to 17%. If the company opts for 50% debt, then the interest rate will be 12% and equity capitalization rate will be 20%.

You are required to compute value of the company; its overall cost of capital under different options and also state which is the best option.

5. (a) State the method of costing and also the unit of cost for the following industries : **4×4 =16**

(i) Hotel

(ii) Toy-making

(iii) Steel

(iv) Ship Building

Marks

(b) How would you account for idle capacity cost in Cost Accounting ?

(c) Distinguish between Net Present Value (NPV) and Internal Rate of Return (IRR) methods for evaluating projects.

(d) What is meant by venture capital financing ? State its various methods.

6. (a) PVK Constructions commenced a contract on 1st April, 2014. Total contract value was ₹ 100 lakhs. The contract is expected to be completed by 31st December, 2016. Actual expenditure during the period 1st April, 2014 to 31st March, 2015 and estimated expenditure for the period 1st April, 2015 to 31st December, 2016 are as follows : **8**

	Actual (₹)	**Estimated (₹)**
	1st April, 2014 to 31 March, 2015	**1st April, 2015 to 31st Dec., 2016**
Material issued	15,30,000	21,00,000
Direct Wages paid	10,12,500	12,25,000
Direct Wages outstanding	80,000	1,15,000
Plant purchased	7,50,000	–
Expenses paid	3,25,000	5,40,000
Prepaid Expenses	68,000	–
Site office expenses	3,00,000	–

Marks

Part of the material procured for the contract was unsuitable and was sold for ₹ 2,40,000 (cost being ₹ 2,55,000) and a part of plant was scrapped and disposed of for ₹ 80,000. The value of plant at site on 31st March, 2015 was ₹ 2,50,000 and the value of material at site was ₹ 73,000. Cash received on account to date was ₹ 36,00,000, representing 80% of the work certified. The cost of work uncertified was valued at ₹ 5,40,000.

Estimated further expenditure for completion of contract is as follows :

- An additional amount of ₹ 4,62,500 would have to be spent on the plant and the residual value of the plant on the completion of the contract would be ₹ 67,500.
- Site office expenses would be the same amount per month as charged in the previous year.
- An amount of ₹ 1,57,500 would have to be incurred towards consultancy charges.

Required :

Prepare Contract Account and calculate estimated total profit on this contract.

(b) A firm has a total sales of ₹ 200 lakhs of which 80% is on credit. It is offering credit terms of 2/40, net 120. Of the total, 50% of customers avail of discount and the balance pay in 120 days. Past experience indicates that bad debt losses are around 1% of credit sales. The firm spends about ₹ 2,40,000 per annum to administer its credit sales. These are avoidable as a factor is prepared to buy the firm's receivables. He will charge 2% commission. He will pay advance against receivables to the firm at an interest rate of 18% after withholding 10% as reserve.

Marks

(i) What is the effective cost of factoring ? Consider year as 360 days.

(ii) If bank finance for working capital is available at 14% interest, should the firm avail of factoring service ?

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

(a) Explain the treatment of over and under absorption of overheads in cost accounting.

(b) Describe the various steps involved in adopting standard costing system in an organization.

(c) Evaluate the role of cash budget in effective cash management system.

(d) Discuss the risk-return considerations in financing current assets.

(e) Distinguish between the following :

(i) 'Scraps' and 'Defectives' in costing

(ii) Preference Shares and Debentures