Roll No. . ...

Total No. of Questions – 7

Total No. of Printed Pages – 11

Time Allowed – 3 Hours

Maximum Marks – 100

WTO

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/her answers in Hindi will not be valued.

Question No. 1 is compulsory.

Attempt any **five** questions out of the remaining **six** questions.

In case, any candidate answers extra question(s)/sub-question(s) over and above the required number, then only the requisite number of questions first answered in the answer book shall be valued and subsequent extra question(s) answered shall be ignored.

Working notes should form part of the answer.

Marks

1. Answer the following : 5×4 =20

(a) The following figures are available from the records of ABC Company as at 31st March.

	2015 (₹ in lakhs)	2016 (₹ in lakhs)
Sales	200	250
Profit	30	45

Calculate :

(i) The P/V ratio and total fixed expenses.

(ii) The break-even level of sales.

(iii) Sales required to earn a profit of ₹ 70 lakhs.

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(b) Supreme Limited is a manufacturer of energy saving bulbs. To manufacture the finished product one unit of component 'LED' is required. Annual requirement of component 'LED' is 72,000 units, the cost being ₹ 300 per unit. Other relevant details for the year 2015-2016 are :

Cost of placing an order	:	₹ 2,250
Carrying cost of inventory	:	12% per annum
Lead time –		
Maximum	:	20 days
Minimum	:	8 days
Average	:	14 days
Emergency purchase	:	5 days
Consumption –		
Maximum	:	400 units per day
Minimum	:	200 units per day
Average	:	300 units per day

You are required to calculate :

(i) Re-order quantity

(ii) Re-ordering level

(iii) Minimum stock level

(iv) Maximum stock level

(v) Danger level

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 Marks

(c) ABC Company's equity share is quoted in the market at ₹ 25 per share currently. The company pays a dividend of ₹ 2 per share and the investor's market expects a growth rate of 6% per year.

You are required to :

(i) Calculate the company's cost of equity capital.

(ii) If the anticipated growth rate is 8% per annum, calculate the indicated market price per share.

(iii) If the company issues 10% debentures of face value of ₹ 100 each and realises ₹ 96 per debenture while the debentures are redeemable after 12 years at a premium of 12%, what will be the cost of debenture ?

Assume Tax Rate to be 50%.

(d) The following information is related to YZ Company Ltd. for the year ended 31st March, 2016 :

Equity share capital (of ₹ 10 each)	₹	50 lakhs
12% Bonds of ₹ 1000 each	₹	37 lakhs
Sales	₹	84 lakhs
Fixed cost (excluding interest)	₹	6.96 lakhs
Financial leverage		1.49
Profit-volume Ratio		27.55%
Income Tax Applicable		40%

You are required to calculate :

(i) Operating Leverage;

(ii) Combined leverage; and

(iii) Earnings per share.

Show calculations upto two decimal points.

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Marks

2. (a) A company has introduced a new product and marketed 20,000 units. Variable cost of the product is ₹ 20 per unit and fixed overheads are ₹ 3,20,000. **8**

You are required to :

(i) Calculate selling price per unit to earn a profit of 10% on sales value, BEP and Margin of Safety.

(ii) If the selling price is reduced by the company by 10%, demand is expected to increase by 5000 units, then what will be its impact on Profit, BEP and Margin of Safety ?

(iii) Calculate Margin of Safety if profit is ₹ 64,000.

(b) The following figures and ratios pertain to ABG Company Limited for the year ending 31st March, 2016 : **8**

Annual Sales (credit)	₹ 50,00,000
Gross Profit Ratio	28%
Fixed assets turnover ratio (based on cost of goods sold)	1.5
Stock turnover ratio (based on cost of goods sold)	6
Quick ratio	1 : 1
Current ratio	1.5
Debtors collection period	45 days
Reserves and surplus to Share Capital	0.60 : 1
Capital gearing ratio	0.5
Fixed Assets to net worth	1.2 : 1

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You are required to prepare the Balance Sheet as at 31st March, 2016 based on the above information. Assume 360 days in a year.

3. (a) The Trading and Profit and Loss Account of a company for the year ended 31-03-2016 is as under : 8

Trading and Profit and Loss Account

	₹		₹
To materials	26,80,000	By Sales (50,000 units)	62,00,000
To wages	17,80,000	By Closing Stock (2000 units)	1,50,000
To Factory Expenses	9,50,000		
To Administrative Expenses	4,80,200	By Dividend received	20,000
To Selling Expenses	2,50,000		
To Preliminary Expenses written off	50,000		
To Net Profit	1,79,800		
	63,70,000		**63,70,000**

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Marks

In the Cost Accounts :

(i) Factory expenses have been allocated to production at 20% of Prime Cost.

(ii) Administrative expenses absorbed at 10% of factory cost.

(iii) Selling expenses charged at ₹ 10 per unit sold.

Prepare the Costing Profit and Loss Account of the company and reconcile the Profit/Loss with the profit as shown in the Financial Accounts.

(b) India Limited requires ₹ 50,00,000 for a new Plant. This Plant is expected to yield earnings before interest and taxes of ₹ 10,00,000. While deciding about the financial plan, the company considers the objective of maximising earnings per share. It has three alternatives to finance the project – by raising debt of ₹ 5,00,000 or ₹ 20,00,000 or ₹ 30,00,000 and the balance, in each case, by issuing equity shares. The company's share is currently selling at ₹ 150, but is expected to decline to ₹ 125 in case the funds are borrowed in excess of ₹ 20,00,000. The funds can be borrowed at the rate of 9 percent upto ₹ 5,00,000, at 14 percent over ₹ 5,00,000 and upto ₹ 20,00,000 and at 19 percent over ₹ 20,00,000. The tax rate applicable to the company is 40 percent. Which form of financing should company choose ? Show EPS Amount upto two decimal points. 8

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Marks

4. (a) Royal transport company has been given a 50 kilometre long route to run 6 buses. The cost of each bus is ₹ 7,50,000. The buses will make 3 round trips per day carrying on an average 75 percent passengers of their seating capacity. The seating capacity of each bus is 48 passengers. The buses will run on an average 25 days in a month. The other information for the year 2016-17 is given below : **8**

Garage Rent	₹ 6,000 per month
Annual Repairs & Maintenance	₹ 24,000 each bus
Salaries of 6 drivers	₹ 4,000 each per month
Wages of 6 conductors	₹ 1,600 each per month
Wages of 6 cleaners	₹ 1,000 each per month
Manager's salary	₹ 10,000 per month
Road Tax, Permit fee, etc.	₹ 6,000 for a quarter
Office expenses	₹ 2,500 per month
Cost of diesel per litre	₹ 66
Kilometre run per litre for each bus	6 kilometres
Annual Depreciation	20% of cost
Annual Insurance	4% of cost
Engine oils & lubricants (for 1000 kilometres)	₹ 2,000

You are required to calculate the bus fare to be charged from each passenger per kilometre (upto four decimal points), if the company wants to earn profit of $33\frac{1}{3}$ percent on taking (total receipts from passengers).

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Marks

(b) Following information relates to ABC company for the year 2016 : **8**

(i) Projected sales : **(₹ in lakhs)**

Month	August	September	October	November	December
Sale	35	40	40	45	46

(ii) Gross profit margin will be 20% on sale.

(iii) 10% of projected sale will be cash sale. Out of credit sale of each month, 50% will be collected in the next month and the balance will be collected during the second month following the month of sale.

(iv) Creditors will be paid in the first month following credit purchase. There will be credit purchase only.

(v) Wages and salaries will be paid on the first day of the next month. The amount will be ₹ 3 lakhs each month.

(vi) Interim dividend of ₹ 2 lakhs will be paid in December 2016.

(vii) Machinery costing ₹ 10 lakhs will be purchased in September 2016. Repayment by instalment of ₹ 50,000 p.m, will start from October 2016.

(viii) Administrative expenses of ₹ 1,00,000 per month will be paid in the month of their incurrence.

(ix) Assume no minimum cash balance is required. Opening cash balance as on 01-10-2016 is estimated at ₹ 10 lakhs.

You are required to prepare the monthly cash budget for the 3 month period (October 2016 to December 2016).

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Marks

5. Answer all four : 4×4 =16

(a) Write short notes on :

(i) Sunk Cost

(ii) Opportunity Cost

(b) What is meant by "cost centre" ? What are the different types of cost centres ?

(c) List the emerging issues (any four) affecting the future role of CFO.

(d) State advantages of Debt. securitisation.

6. (a) The following information is available from the cost records of a Company for the month of July, 2016 : 8

(1)	Material purchased	22000 pieces	₹ 90,000
(2)	Material consumed	21000 pieces	
(3)	Actual wages paid for	5150 hours	₹ 25,750
(4)	Fixed Factory overhead incurred		₹ 46,000
(5)	Fixed Factory overhead budgeted		₹ 42,000
(6)	Units produced	1900	
(7)	Standard rates and prices are :		
	Direct material	₹ 4.50 per piece	
	Standard input	10 pieces per unit	
	Direct labour rate	₹ 6 per hour	
	Standard requirement	2.5 hours per unit	
	Overheads	₹ 8 per labour hour	

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 Marks

You are required to calculate the following variances :

(i) Material price variance

(ii) Material usage variance

(iii) Labour rate variance

(iv) Labour efficiency variance

(v) Fixed overhead expenditure variance

(vi) Fixed overhead efficiency variance

(vii) Fixed overhead capacity variance

(b) Following is the capital structure of RBT Limited as on 31st March 2016 : 8

Particulars	Book Value (₹)	Market Value (₹)
Equity Shares of ₹ 10 each	50,00,000	1,05,00,000
Retained earnings	13,00,000	–
11% Preference shares of ₹ 100 each	7,00,000	9,00,000
14% debentures of ₹ 100 each	30,00,000	36,00,000

Market price of equity shares is ₹ 40 per share and it is expected that a dividend of ₹ 4 per share would be declared. The dividend per share is expected to grow at the rate of 8% every year. Income tax rate applicable to the company is 40% and shareholder's personal income tax rate is 20%.

You are required to calculate :

(i) Cost of capital for each source of capital,

(ii) Weighted average cost of capital on the basis of book value weights,

(iii) Weighted average cost of capital on the basis of market value weights.

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

(a) What is meant by Job Costing ? Give examples of (any four) industries where it is used.

(b) Give the method of costing and the unit of cost against the under noted industries :

(i) Road transport

(ii) Steel

(iii) Bicycles

(iv) Bridge construction

(c) Explain briefly the functions of Treasury Department.

(d) Explain the following :

(i) Bridge finance

(ii) Conversion cost

(e) Explain the relevance of time value of money.

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