Roll No. ....

Total No. of Questions – **7**

Total No. of Printed Pages – **12**

Time Allowed – **3** Hours

Maximum Marks – **100**

EKS

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.

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

Working notes should form part of the answer.

Marks

1. Answer the following : **4×5 =20**

(a) Following details are related to M/s XYZ Limited :

Total Cost	₹ 56,78,000
Margin of Safety	₹ 48,18,450
Margin of safety (in units)	6500 units
Break even sales	3500 units

You are required to calculate :

(i) Profit

(ii) Profit volume ratio

(iii) Break even sales (in ₹)

(iv) Fixed costs

(b) ABC Limited is facing the problem of increasing labour turnover in the factory. The management is willing to analyse the causes and take remedial steps.

Last year sales of the company amounted to ₹ 12,18,49,320 and the P/V ratio was 25%. The total number of actual hours worked by the direct labour force was 5.75 lakhs. The company lost 125000 potentially productive hours due to delay in filling vacancies caused by labour turnover. The actual direct labour hours included 60000 hours attributable to training of new recruits, out of which 30% of the hours were unproductive.

The accounting records reveal the following costs incurred consequent to labour turnover :

Recruitment costs	–	₹ 5,36,300
Selection costs	–	₹ 2,78,400
Training costs	–	₹ 4,25,000
Settlement costs due to leaving	–	₹ 7,18,800

Assuming that the potential production lost as a consequence of labour turnover could have been sold at prevailing prices, find out the contribution and profit foregone by the company in the last year due to labour turnover.

(c) Following information relate to a firm :

Current ratio	1.5 : 1
Inventory Turnover Ratio (Based on COGS)	8
Sales	₹ 40,00,000
Working capital	₹ 2,85,000
Gross Profit Ratio	20%

You are required to find out :

(i) The value of opening stock presuming that the closing stock is ₹ 40,000 more than the opening stock.

(ii) The value of Bank overdraft, presuming that the Bank overdraft and other current liabilities are in a ratio of 2 : 1.

(d) ABC Private Limited wishes to raise additional finance of ₹ 30 lakh for purchasing a machine. It has ₹ 16 lakh in the form of retained earnings which is available for investment purposes.

The following details are provided by the company :

(1)	Debt-equity mix	1 : 2
(2)	Earnings per share	₹ 10
(3)	Current Market Price per share	₹ 50
(4)	Tax rate	30%
(5)	Dividend payout	50% of earning
(6)	Expected growth rate in dividend	10%
(7)	Cost of debt :	

– upto ₹ 6 lakh, 12% (before tax)

– beyond ₹ 6 lakh 15% (before tax)

Marks

You are required :

(i) To determine the pattern for raising the additional finance, assuming that the firm intends to maintain existing debt-equity mix.

(ii) To determine the post-tax average cost of additional debt.

(iii) To determine the cost of retained earnings and cost of equity.

(iv) Compute the overall weighted average after tax cost of additional finance.

2. (a) PQR Ltd. processes a range of product including a toy 'Alpha', which passes through three processes before completion and transfer to the finished goods warehouse. The information relating to the month of October 2019 are as follows : 8

Particulars	Process-I	Process-II	Process-III	Total
Raw materials (2,000 units)	₹ 12,000	–	–	₹ 12,000
Direct raw material added in process	₹ 17,000	₹ 19,000	₹ 11,000	₹ 47,000
Direct wages	₹ 8,000	₹ 12,000	₹ 24,000	₹ 44,000
Direct Expenses	₹ 2,400	₹ 1,860	₹ 2,680	₹ 6,940
Production overhead	–	–	–	₹ 33,000
Outputs (Units)	1,840	1,740	1,580	
Normal loss in process of input (%)	10	5	10	
Scrap value per unit	₹ 2	₹ 5	₹ 10	

Marks

The production overhead is absorbed as a percentage of direct wages. There was no opening and closing stock.

Prepare the following accounts :

(i) Process-I

(ii) Process-II

(iii) Process-III

(iv) Abnormal Loss

(v) Abnormal Gain

(b) A firm is willing to purchase a new machine and is having two options. Information related to the options are as follows : **8**

	Option-I	**Option-II**
Cost of Machine	₹ 30,00,000	₹ 35,00,000
Expected Life	5 years	6 years
Salvage value of Machine	₹ 5,00,000	₹ 5,00,000
Expected Earning (After tax)	₹ 7,75,000	₹ 8,25,000

The firm charges depreciation on the machine as per straight line method. The cost of capital is 14%.

The present value of ₹ 1 @ 14% is as under :

Year	1	2	3	4	5	6
P/V factor	0.877	0.769	0.675	0.592	0.519	0.455

Marks

You are required to evaluate both the options on the basis of :

(i) Discounted pay back period.

(ii) Net present value

(iii) Profitability index

3. (a) M/s XYZ Traders is a distributor of an electronic calculator. A periodic inventory of electronic calculator on hand is taken when books are closed at the end of each quarter. The following summary of information is available for the quarter ended on 30th September, 2019 : 8

Sales	₹ 1,46,20,000
Opening Stock	25000 calculator @ ₹ 200 per calculator
Administrative Expenses	₹ 3,75,000
Purchases (including freight inward) :	
– July 1, 2019	50000 calculator @ ₹ 191 per calculator
– September 30, 2019	25000 calculator @ ₹ 210 per calculator
Closing stock – September 30, 2019	32000 calculator

You are required to compute the following by WAM (Weighted Average Method), FIFO method and LIFO method.

(i) Value of Inventory on 30th September, 2019.

(ii) Profit or loss for the quarter ended 30th September, 2019.

Marks

(b) XYZ Ltd. is making a turnover of ₹ 70 lakhs out of which 60% is made on credit. The company allows credit for 30 days. The company is considering proposals to liberalize the credit policy. Information regarding options available are as under : 8

	Proposal-A	**Proposal-B**
Credit period	45 days	60 days
Anticipated credit sales	₹ 65 lakh	₹ 80 lakh

The product yield an average contribution of 20% on sales. Fixed costs are ₹ 6 lakh per annum. The company expects a pre-tax return of 18% on capital employed. At present company makes a provison for bad debts @ 0.5% which is expected to go up to 1% for Proposal-A and to 2% for Proposal-B. Assume 360 days in a year.

Evaluate the proposals and give your recommendations.

4. (a) ABC Construction Limited commenced a contract on 1st April, 2018. The contract price was ₹ 40,68,750. It was decided to estimate the total profit and to take to the credit of costing P/L accounts that proportion of estimated profit on cash basis, which work completed bear to the total contract. 8

Marks

Actual expenditure of the contract for the year ending 31-3-2019 and estimated expenditure for the year 2019-20 (upto completion of contract) are given below :

	2018-2019	2019-2020
	Actual (₹)	Estimated (₹)
Material issued to site	6,84,000	12,21,000
Labour Charges : Paid	4,57,500	6,04,500
Outstanding at the end	34,500	52,500
Machinery Purchased	3,37,500	–
Expenses : Paid	1,50,000	2,62,500
Prepaid at the end	33,750	–
Machine returned to stores (Original Cost)	1,12,500	2,25,000
	(31st March, 19)	(31st Dec., 19)
Material at Site	45,000	1,12,500
Work in progress certified	19,12,500	Full
WIP Uncertified	60,000	–
Cash Received	15,00,000	Full

The Depreciation on machinery is charged @ 25% on Written down Value (WDV). It is estimated that contract will be completed on 31-12-2019.

You are required to :

(i) Prepare Contract Account for the year 2018-19.

(ii) Estimate the Profit on the contract for the year 2018-19 on product which has to be credited to costing Profit and Loss Account.

Marks

(b) M/s X Limited has furnished the following information relating to the financial year ended 31st March, 2019 : 8

Particulars	(₹)
Net Profit	2,50,000
Dividend	1,00,000
Provision for income tax	80,000
Income tax paid during the year	65,000
Loss on sale of Plant & Machinery	1,000
Book value of plant & machinery (sold)	4,500
Depreciation debited to profit & loss account	12,000
Purchases of furniture & fixtures	1,11,000
Investment in joint venture	40,000
Proceeds from issue of 12% debentures	20,000
Increase in working capital (Excluding cash and bank balance)	15,000
Closing cash and cash equivalent	50,000

Prepare the cash flow statement in accordance with AS-3 for the year ended 31st March, 2019.

5. (a) Explain the meaning of 'Waste' and 'Spoilage' and give the accounting treatment of each one. 4×4 =16

(b) State the objectives of Budgetary Control System.

(c) State various types of packing credit.

(d) Explain 'Net Income (NI) Approach' and 'Net Operating Income (NOI) Approach' of capital structure.

Marks

6. (a) A manufacturing firm produces a specific product and adopts standard costing system. The product is produced within a single cost centre. **8**

Following information related to the product are available from the standard cost sheet of the product :

	Unit Cost (₹)
Direct material 5 kg @ ₹ 15 per kg	75.00
Direct wages 4 hours @ ₹ 20 per hour	80.00

During the month of October 2019, the firm purchased 3,50,000 kg of material at the rate of ₹ 14 per kg. Production records for the month exhibits the following actual results :

Material used	3,20,000 kg
Direct wages – 2,20,000 hours	₹ 46,20,000

The production schedule requires completion of 60,000 units in a month. However, the firm produced 62,000 units in the month of October, 2019. There are no opening and closing work-in-progress.

You are required to :

(i) Calculate material cost, price and usage variance.

(ii) Calculate labour cost, Rate and efficiency variance and

(iii) Calculate the amount of bonus, as an incentive scheme is in operation in the company whereby employees are paid a bonus of 50% of direct labour hour saved at standard direct labour hour rate.

Marks

(b) Following information have been provided by ABC Private Limited : 8

	(₹)
Sales	80,00,000
Variable Cost	46,00,000
Fixed Costs	6,50,000
11% Borrowed Capital	50,00,000
Equity Capital	45,00,000
Retained earnings	15,00,000

Required :

(i) What is the firm's Return on Investment (ROI) ?

(ii) Does it have favourable financial leverage ?

(iii) If the firm belongs to an industry whose asset turnover is 3, does it have a high or low asset leverage ?

(iv) If the sales drop to ₹ 60,00,000, what will the new EBIT be ?

(v) At what level of sales, will the EBT of the firm be equal to zero ?

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

(a) Explain the advantages of Integrated accounting system.

(b) (i) Explain limitations of cost accounting.

(ii) Explain 'Flexible Budget'.

(c) Explain :

(i) Compounding and discounting

(ii) Perpetuity

(iii) Inflation

(iv) Compound Interest

(d) Describe the principles which guide the selection of marketable securities.

(e) Describe operating/working capital cycle.