No. of Printed Pages : **6**

Sl. No.

BE9-R4 : ACCOUNTANCY AND FINANCIAL MANAGEMENT

Note :
1. Answer question **1** and any **FOUR** from question **2** to **7**.
2. Parts of the same question should be answered together and in the same sequence.

Time : 3 Hours **Total Marks : 100**

1. (a) Make necessary Journal entries for the following transactions :

(i) Owners of a firm introduced a capital of Rs.20 lakhs through RTGS into the bank account of the firm.

(ii) Wages outstanding for the month -Rs 25,000/-

(iii) Goods worth Rs. 8,000/- purchased on credit from XYZ ltd.

(iv) Interest received from the Bank - Rs. 4,000/-

(b) Distinguish between Profit and Loss Accounts and Cash Flow Statement.

(c) XYZ Ltd is considering a right issue by issuing one share against two shares to raise funds to finance a new project requiring Rs. 10 Crore. The company currently has Rs. 15 Lakh share outstanding and the current price of share is Rs. 100. The subscription price has been fixed at Rs. 50 per share. Calculate the value of right.

(d) What is time value of money and what is its relevance in financial decisions ?

(e) Enumerate the various forms of bank credit in financing the working capital of business organisation.

(f) Cost data of a Tooth paste manufacturing company for the year ended 31st March 2022 as follows :

Direct Material (Chemical and related ingredients)	Rs. 20,50,250
Packaging Material (Plastic Tubes)	Rs. 10,50,000
Direct Labour	Rs. 12,65,500
Direct Expenses	Rs. 8,20,100
Factory Overhead	Rs. 2,50,200

You are required to calculate Prime cost and Conversion cost.

(g) PQR Ltd projected following data for two production level :

	Production Level	Production Level
Number of Units	20000	30000
Semi Variable Overhead	Rs. 3,00,000	Rs. 4,00,000

You are required to calculate the Fixed Overhead cost and Variable Overhead cost per unit of production.

(7 x 4)

2. Mr. PQR has a small business enterprise. He has given the trial balance as at 31st March 2022.

Particulars	Debit (Rs)	Credit (Rs.)
Mr. PQR's Capital Account		1,00,000
Machinery	36,000	
Depreciation on Machinery	4,000	
Repairs to Machinery	5,200	
Wages	54,000	
Salaries	21,000	
Income Tax of Mr. PQR	1,000	
Cash in Hand	4,000	
Land & Building	1,49,000	
Depreciation on Building	5,000	
Purchases	2,50,000	
Purchase Returns		3,000
Sales		4,98,000
Cash Credit Bank Account		7,600
Accrued Income	3,000	
Salaries outstanding		4,000
Bills Receivables	30,000	
Provision for Doubtful Debts		10,000
Bills Payable		16,000
Creditors		62,520
Opening Stocks (01.04.2021)	74,000	
Total	**7,08,200**	**7,08,200**

Additional information :

(1) Stocks as on 31st March 2022 was valued at Rs. 60,000.

(2) Write off further Rs. 6,000 as bad debt and maintain a provision of 5% on doubtful debt.

(3) Goods costing Rs. 10,000 were sent on approval basis to a customer for Rs. 12,000 on 30th March, 2022. This was recorded as actual sales.

(4) Rs. 2,400 paid as rent for office was debited to Landlord's account and was included in debtors.

(5) General Manager is to be given commission at 10% of net profits after charging his commission.

(6) Works Manager is to be given commission at 12% of net profits before charging General Manager's commission and his own.

You are required to prepare Trading, Profit and Loss Account and Balance sheet as on 31st March 2022.

(18)

3. (a) P Ltd has the following balances as on 1st April 2021 :

Particulars	**Amount(Rs.)**
Fixed Assets	11,40,000
Less : Depreciation	3,99,000
Net Assets	7,41,000
Stocks and Debtors	4,75,000
Bank Balances	66,500
Creditors	1,14,000
Bill Payable	76,000
Capital (Shares of Rs. 100 each)	5,70,000

The Company made the following estimates for financial year 2021-22 :

(i) The company wants to pay tax-free dividend of 10% on the capital and the dividend distribution tax is 25%.

(ii) The company will acquire fixed assets costing Rs. 1,90,000 after selling one machine for Rs. 38,000 costing Rs. 95,000 and on which depreciation provided amount to Rs. 66,500.

(iii) Stocks and Debtors, Creditors and Bills payable at the end of financial year are expected to be Rs. 5,60,500, Rs. 1,48,200 and Rs. 98,800 respectively.

(iv) The profit would be Rs. 1,04,500 after depreciation Rs. 1,14,000.

Prepare the projected cash flow statement and ascertain the bank balance of P Ltd. at the end of the financial year 2021-22.

(b) The financial information of ABC Ltd is given below :

Equity share capital Rs. 1,00,000

The relevant ratios of the company are as follows :

Current debt to total debt	0.40
Total debt to owner's equity	0.60
Fixed Assets to owner's equity	0.60
Total assets turnover	2 Times
Inventory turnover	8 Times

Now you are required to calculate :

(i) Fixed assets

(ii) Inventory

(iii) Cash balance

(iv) Total debt

(10 + 8)

4. (a) For production of 10,000 units the following are budgeted expanses :

Particulars	**Cost Per Units (Rs.)**
Direct Materials	48
Direct Labour	21
Variable Overheads	20
Fixed Overheads (Rs. 1,20,000)	12
Variable Expenses (Direct)	4
Selling Expenses (10% Fixed)	12
Administration Expenses (Rs. 40,000 fixed)	4
Distribution Expenses (20% fixed)	4
Total	125

Prepare a flexible budget for production of 7,000 units and 9,000 units.

(b) Mention the bases or cost drivers that may be used for the purpose of apportionment of following overhead items :

Rent, Rates and Taxes

Repair to Building

General Lighting

Power

Telephones

Supervision

(12 + 6)

5. (a) PCM Ltd. a multi product company furnishes you the following data relating to the year 2021 :

	First Half of the year	**Second Half of the year**
Sales	Rs. 45,000	Rs. 50,000
Total Cost	Rs. 40,000	Rs. 43,000

Assuming that there is no change in prices and variable cost and that the fixed expenses are incurred equally in the two half year period, calculate for the year, 2021

(i) P/V Ratio

(ii) Fixed Expenses

(iii) Break Even Sales

(iv) Percentage of Margin Safety

(b) Write any six features of Job Costing.

(12 + 6)

6. (a) A company considering an investment proposal to install new milling controls at a cost of Rs. 50,000. The facility has a life expectancy of 5 years and no salvage value. The tax rate is 35 per cent. Assume the firm uses straight line depreciation and same is allowed for tax purpose. The estimated cash flows before depreciation and tax (CFBT) from the investment proposal are as follows :

Year	CFBT (Rs.)
1	10,000
2	10,500
3	12,800
4	13,500
5	20,500

Compute following :

(i) Pay back period

(ii) Average rate of return

(iii) Net Present Value @ 10% discount rate

(iv) Profitability Index @ 10% discount rate

Given :

Year :	1	2	3	4	5
PV Factor (10%) :	0.909	0.826	0.751	0.683	0.621

(b) Explain the role of Finance Manager in the changing scenario of financial management.

(12+6)

7. (a) Assuming no taxes and given the earnings before interest and taxes (EBIT), Interest (I) at 10%, the following financial information is given for four firms :

Firms	**EBIT (Rs.)**	**Interest (Rs.)**	**Cost of Equity (Rate)**
P	2,00,000	20,000	12
Q	3,00,000	60,000	16
R	5,00,000	2,00,000	15
S	6,00,000	2,40,000	18

You are required to calculate :

(i) Value of equity of each firm

(ii) Value of debt of each firm

(iii) Total value of each firm

(iv) Weighted average cost of capital of each firm

(b) From the following data, compute the duration of operating cycle for each of the two years and comment on the increase/decrease :

Particulars	Year 1 (Rs.)	Year 2 (Rs.)
Stocks :		
Raw materials	20,000	27,000
Work in process	14,000	18,000
Finished goods	21,000	24,000
Purchase of raw materials	96,000	1,35,000
Cost of goods sold	1,40,000	1,80,000
Sales	1,60,000	2,00,000
Debtors	32,000	50,000
Creditors	16,000	18,000

Assume 360 days per year for computation purposes.

(8 + 10)

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