BE9-R4: ACCOUNTING AND FINANCIAL MANAGEMENT

NOTE:

1.	**Answer question 1 and any FOUR from questions 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) Explain the importance of NPV method in evaluating investment proposals.

b) Discuss limitations of Cost-Volume Profit Analysis.

c) "Profit maximisation and Wealth maximisation are two criteria for maximisation of owner's economic welfare." Which one is better and why?

d) Identify the features of standard costing systems.

e) “”The attitude of top management is crucial for the success of budgeting system." Elaborate this statement.

f) A firm has Sales of Rs. 80 Lakhs. Variable cost of Rs. 50 Lakhs. Fixed cost of Rs. 12 Lakhs. 10% Debenture of Rs. 60 Lakhs and Equity Capital of Rs. 90 Lakhs. You are required to calculate its financial leverage.

g) Distinguish between allocation and apportionment of overhead.

(7x4)

2. Journalise the following transaction of M/s. D. Chadha.

i)	Jan 1, 2013	Assets: Cash in hand Cash at bank	Rs. 15,000 Rs. 16,000
ii)	Jan 2, 2013	Bought goods on credit from Arvind	Rs. 1,500
iii)	Jan 3, 2013	Sold goods for cash to Dhiraj & Co.	Rs. 500
iv)	Jan 4, 2013	Sold goods to Narain Bros. on credit	Rs. 1,000
v)	Jan 8, 2013	Purchased goods from Mahesh	Rs. 10,000
vi)	Jan 10, 2013	Returned goods to Mahesh	Rs. 6,000
vii)	Jan 11, 2013	Paid rent by cheque	Rs. 500
viii)	Jan 12, 2013	Drew out of bank for Private use	Rs. 1,000
ix)	Jan 13, 2013	Old News paper sold	Rs. 100
x)	Jan 14, 2013	Received cheque from Narain Bros. and deposited in Bank	Rs. 500
xi)	Jan 15, 2013	Paid Telephone charges	Rs. 300
xii)	Jan 16, 2013	Payment made to Arvind by cheque	Rs. 5000
xiii)	Jan 17, 2013	Bank intimates that cheque of Narain Bros has been returned unpaid	
xiv)	Jan 18, 2013	Paid for Advertisement	Rs. 200
xv)	Jan 19, 2013	Cash deposited at Bank	Rs. 10,000
xvi)	Jan 31, 2013	Paid salaries	Rs. 30,000

(18)

3. The following is the Trial Balance of Sharma as on 31st March, 2012.

Particulars	Dr. (in Rs.)	Cr. (in Rs.)
Furniture & Fittings	7,000	
Motor Vehicles	62,500	
Buildings	75,000	
Capital Accounts		1,25,000
Bad Debts	1,250	
Provision for Bad Debts		2,000
Sundry Debtors and Creditors	38,000	25,000
Stock on Jan 1, 2012	34,000	
Purchase & Sales	54,750	1,54,500
Bank Over-draft		28,500
Sales & Purchase Returns	2,000	1,250
Advertising	4,500	
Interest Account	1,180	
Commission		3,750
Cash	6,500	
Taxes & Insurance	12,500	
General Expenses	7,820	
Salaries	33,000	
Total	**3,40,000**	**3,40,000**

Prepare Trading and Profit and Loss Account for the year ended March 31st, 2013 and the Balance Sheet on that date after taking into account the following adjustment: -

a) Stock on hand on 31st March, 2013 was Rs. 32,500/-.
b) Depreciate Building @ 5%, Furniture and Fittings @ 10% and Motor Vehicles @ 20%.
c) Rs. 850/- is due for interest on Bank overdraft.
d) Salaries Rs. 3,000/- and Taxes Rs. 1,200/- are outstanding.
e) Insurance amounting to Rs. 1,000/- is prepaid.
f) One-third of the commission received is in respect of work to be done next year.
g) Write off further Rs. 1,000/- as Bad debts and provision for Bad debts is to be made equal to 5% on Sundry debtors.

(6x3)

4.

a) From the following information, calculate Economic Order Quantity (EOQ)
Annual consumption of materials = 4000 Kg.
Cost of placing order = Rs. 5/- per Kg.
Cost per unit = Rs. 2/- per Kg.
Storage and carrying cost = 8% on average inventory.

b) Write short note on Zero Based Budgeting.

c) Given the following information,
i) Calculate and present the marginal product cost and contribution per unit.
ii) Which alternative sales mix should be preferred?

		Per Unit
Selling Price	X	Rs. 25
Selling Price	Y	Rs. 20
Direct materials	X	Rs. 8
Direct materials	Y	Rs. 6
Direct Wages	X	24 hrs @ Rs. 0.25/hr.
Direct Wages	Y	16 hrs @ Rs. 0.25/hr.
Fixed overhead		Rs. 750
Variable overhead		150% of direct wages

Alternative Sales Mix:
i) 250 units of X and 250 units of Y.
ii) Nil units of X and 400 units of Y.
iii) 400 units of X and 100 units of Y.

(3+3+12)

5. M/s. ABC purchased a machine five years ago. A proposal is under consideration to replace if buy new machine. The life of the machine is estimated to be 10 years. The existing machine can be sold at its written down value. Give your recommendation based on the following information:

	Existing Machine Rs.	**New Machine Rs.**
Initial cost	25,000	50.000
Machine hours per annum	2000	2000
Wages per running hours	1.25	1.25
Power per hours	0.50	2.00
Indirect material per annum	3,000	5,000
Other expenses per annum	12,000	12,000
Cost of materials per unit	1	1
No. of units produced per hour	12	18
Selling price per unit	2	2

Interest to be paid at 10% on fresh capital invested.

(18)

6.
a) What are the various determinants of dividend policy of a firm?
b) From the following data, calculate:
i) Break even point expressed in amount of sales in Rupees.
ii) No. of units that must be sold to earn a profit of Rs. 60,000 per year.

Sales Price	Rs. 20 per unit
Variable manufacturing cost	Rs. 11 per unit
Variable selling cost	Rs. 3 per unit
Fixed factory overhead	Rs. 5,40,000 per year
Fixed selling cost	Rs. 2,52,000 per year

(6+12)

7. The statement given below gives the flexible budget at 60% capacity. Prepare a tabulated statement giving the budget figures at 75% capacity and 90% capacity. When no indication has been given make your own classification of expenses between fixed and variable overheads.

Expenses	At 60% capacity (Rs.)
Direct materials	1,60,000
Direct labour	40,000
Indirect materials & spares	48,000
Depreciation	60,000
Indirect labour	40,000
Rent	12,000
Electric power (40% fixed)	8,000
Repair & Maintenance (40% variable)	20,000
Insurance on Machinery	12,000

(18)