BE9-R4: ACCOUNTING AND FINANCIAL MANAGEMENT SYSTEMS

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) What are the advantages of Double Entry System?

b) How is normal and abnormal loss of material arising during storage treated in Cost Accounts?

c) A company lodged a claim to insurance company for ₹ 5,00,000 in September, 2015. The claim was settled in February, 2016 for ₹3,50,000. How will you record the short fall in claim settlement in the books of the company?

d) Explain briefly the concept of 'flexible budget'.

e) What do you understand by Matching concept?

f) Discuss the features of CVP analysis.

g) Explain the relevance of time value of money in financial decisions.

(7x4)

2.

a) Compute the return on capital employed (total assets basis) from the following information relating to companies A and B.

	Company A	**Company B**
Net Sales for the Year	₹ 2,75,000	?
Total Assets	?	₹ 42,500
Net Profit on Sales	4%	19%
Turnover to total assets	6 times	?
Gross margin	38%	₹ 4,680 (25%)

b) Record the following transaction in Journal as on 1st April, 2016.

i) Reduce invests ₹5,00,000 to begin the start up business.

ii) He borrows ₹2,70,000 from bank at an interest rate of 12% per annum.

iii) A plot of land purchased for a shop-cum-office location, paying cash ₹2,00,000.

iv) Purchased carpenter ₹25,000 from Supertech and furniture ₹50,000 from M/s. Assem Furniture on credit.

v) He purchased plant and machinery worth ₹75,000/- from M/s. Engineering Indian through cheque.

(8+10)

3.

a) A Company had the following Balance Sheet as on March 31, 2016:

Equity and Liabilities	**(₹ in crore)**	**Assets**	**(₹ in crore)**
Equity Share Capital			
(10 crore shares of ₹ 10 each)	100	Fixed Assets (Net)	250
Reserves and Surplus	20	Current Assets	150
15% Debentures	200		
Current Liabilities	80		
	400		**400**

The additional information given is as under:

Fixed Costs per annum (excluding interest)	₹ 80 crores
Variable operating costs ratio	65%
Total Assets turnover ratio	2.5
Income-tax rate	40%

You are required to:
Calculate the following and comment:

i) Earnings per share
ii) Operating Leverage
iii) Financial Leverage
iv) Combined Leverage

b) Sean, a new graduate at a telecommunications firm faces the following problem in his first day at the firm: What is the average rate of return for a project that costs ₹200,000 to implement and has an average annual profit of ₹30,000?

(12+6)

4.

a) XYZ Ltd. Company's Comparative Balance Sheet for 2002 and the Company's Income Statement for the year are as follows:

XYZ Ltd.
Comparative Balance Sheet
March 31, 2016 and 2015

	(₹ in crores)					
	2016			**2015**		
Sources of funds:						
Shareholder's funds						
Share Capital		140			140	
Retained earnings		110	250		92	232
Loan funds						
Bonus payable			135			40
			385			272
Application of funds:						
Fixed Assets						
Plant and Equipment		430			309	
Less: Accumulated depreciation		218	212		194	115
Investments			60			75
Current Assets						
Inventory	205			160		
Accounts receivable	180			270		
Pre-paid expenses	17			20		
Cash	26	428		10	460	
Less : Current liabilities and provisions						
Accounts payable	230			310		
Accrued liabilities	70			60		
Deferred income-tax provision	15	315	113	8	378	82
			385			**272**

XYZ Ltd.
Income Statement
For the year ended March 31, 2016
(₹ incrores)

Sales	1,000
Less: Cost of goods sold	530
Gross margin	470
Less: Operating expenses	352
Net operating income	118
Non-operating items:	
Loss on sale of equipment	(4)
Income before taxes	114
Less: Income-taxes	48
Net income	66

Additional information:

i) Dividends of ₹ 48 crores were paid in 2016.

ii) The loss on sale of equipment of ₹ 4 crore reflects a transaction in which equipment with an original cost of ₹ 12 crore and accumulated depreciation of ₹ 5 crore were sold for ₹ 3crore in cash.

You are required to:
Using the indirect method, determine the net cash provided by operating activities for 2016 and construct a statement of cash flows.

b) What are the functions of Finance Manager?

(12+6)

5.

a) Develop the accounting equation from the following information: -

Particulars	**April 01, 2015** ₹	**March 31, 2016** ₹
Capital	1,00,000	?
12% Bank Loan	1,00,000	1,00,000
Trade Payables	75,000	70,000
Fixed Assets	1,25,000	1,10,000
Trade Receivables	75,000	80,000
Inventory	70,000	80,000
Cash & Bank	5,000	6,000

Find the profit for the year & the Balance sheet as on 31/3/2016.

b) Consider the following 2 projects:-

	Project A	**Project B**
Initial value of investment	₹5,00,000	₹11,00,000
Present value of cash inflows	₹6,00,000	₹ 12,50,000
NPV	₹1,00,000	₹ 1, 50,000

Which model, other than NPV, will you use to evaluate above two projects? Which project is better? Why?

(9+9)

6.

a) X is invested ₹ 2,40,000 at annual rate of interest of 10 percent. What is the amount after 3 years if the compounding is done?

i) Annually

ii) Semi-annually

b) Explain briefly the concepts of Opportunity costs and Relevant costs.

c) Calculate total passenger kilometres from the following information: Number of buses: 6, number of days operating in a month: 25, trips made by each bus per day: 8, Distance covered: 20 kilometres (one side), capacity of bus: 40 passengers, normally 80% of capacity utilization.

(8+5+5)

7.

a) Write short notes (**any four**):

i) Committed Cost
ii) Desirability Factor/Profitability Index
iii) Essentials of Budget
iv) Replacement Cost
v) Sinking Fund
vi) Explicit Cost

b) AK Limited produces and sells a single product. Sales budget for calendar year 2016 by quarters is as under:

Quarters	**I**	**II**	**III**	**IV**
No. of units to be sold	18000	22000	25000	27000

The year is expected to open with an inventory of 6,000 units of finished products and close with inventory of 8,000 units. Production is customarily scheduled to provide for 70% of the current quarter's sales demand plus 30% of the following quarter demand. The budgeted selling price per unit is ₹40.

The standard cost details for one unit of the product are as follows:
Variable Cost ₹34.50 per unit
Fixed Overheads 2 hours 30 minutes @₹ 2 per hour based on a budgeted production volume of 1,10,000 direct labour hours for the year. Fixed overheads are evenly distributed through-out the year.

You are required to:

i) Prepare Quarterly Production Budget for the year.
ii) In which quarter of the year, company expected to achieve break-even point.

(8+10)