QUESTION 2016

Group – A

(Multiple Choice Type Questions)

1. Choose the correct alternatives for the following:

i) Analysis of cost of output and sales revenue for different volumes or quantities of production and sale of the goods or services and determination of resultant profit or loss for these levels of activities is known as

a) Break-even analysis

b) Marginal costing

c) Margin of safety

✓d) Cost-volume analysis

ii) A section of the organization of the concern established for the sake of fixation of responsibilities on the executives for the purpose of budgetary control is referred to as

a) Budget period ✓b) Budget centre

c) Budget manual ✓d) Budget committee

iii) The standard current ratio of manufacturing industry is

a) 1 : 1 b) 0.25 : 1

c) 5 : 1 ✓d) no such standard ratio exists

iv) If standard price per unit of material is Rs. 5 per kg and actual price paid is Rs. 4.80 per kg, then which of the following is true, if 5000 kgs of material were purchased?

✓a) Rs. 1000 unfavourable direct material price variance

b) Rs. 1000 favourable direct material price variance

c) Rs. 1000 favourable direct material usage variance

d) Rs. 2000 favourable direct material price variance

v) If current ratio is 2.2 and current liability is Rs. 80,000 then the amount of working capital will be

✓a) Rs. 1,76,000 b) Rs. 96,000 c) Rs. 1,06,000 d) Rs. 2,56,000

vi) Payment of Excise Duty is

✓a) An application of funds

b) An advance tax

c) A source of funds for an industry which receives exemption

d) A presumptive tax

vii) Which one is the non-current liability?

✓a) Issue of 10% debentures b) Bank overdraft

c) Outstanding wages d) Payment to suppliers

viii) Break-even point arises, when

a) Contribution is equal to semi-fixed costs ✓b) There is no profit, no loss

c) Total revenue is equal with total cost d) All of these

ix) In Standard Costing if Actual Cost is less than Standard Cost then it is called

✓a) Favourable variance b) Adverse variance

c) Positive variance d) Negative variance

x) A Cash Flow Statement is based o

a) accrual basis of accounting ✓b) cash basis of accounting

c) working capital concept d) none of these

xi) (Actual Man-hours Worked/Budgeted Man-hours × 100) is the formula of

a) Efficiency Ratio b) Activity Ratio

c) Calendar Ratio ✓d) Capacity Utilisation Ratio

GROUP – B

(Short Answer Type Questions)

2. Explain Common Size Statement, with example.

See Topic: FINANCIAL STATEMENTS, Short Answer Type Question No. 12.

3. The following figures are available from the records of Excellent Producer for the year 2012:

	January to June	July to December	For the year
	Rs.	Rs.	Rs.
Sales	1,50,000	2,00,000	3,50,000
Profit	30,000	50,000	80,000

Calculate:

a) Fixed cost for the tear

b) P/V Ratio

c) Break-even sales for the year.

See Topic: ABSORPTION AND MARGINAL COSTING, Short Answer Type Question No. 8.

4. Preparation of Budget is prerequisite for implementation of Standard Costing System. Justify.

See Topic: BUDGETING FOR PROFIT PLANNING AND CONTROL, Short Answer Type Question No. 7.

5. Prepare a Sales budget for the year 2015 from the following information:

Product	Budgeted Sales (units)	Stock of Finished Goods (units)	
		2014	2015
A	5,00,000	30,000	50,000
B	6,00,000	40,000	60,000
C	7,00,000	50,000	70,000

See Topic: BUDGETING FOR PROFIT PLANNING AND CONTROL, Short Answer Type Question No. 8.

6. Gama Ltd. furnished the following information:

Sales	Rs. 40,000
Fixed Cost	Rs. 12,000
Variable Cost	Rs. 20,000

Find Contribution P/V ratio, Break-even Sales, Margin of Safety.

See Topic: ABSORPTION AND MARGINAL COSTING, Short Answer Type Question No. 9.

GROUP – C

(Long Answer Type Questions)

7. a) Arjun Automobile Ltd. An authorized service station of TATA Motors submitted the following budget estimates for June, 2016:

Details of cost	Budgeted	
	For 6000 repair hours	For 9000 repair hours
	Rs.	Rs.
Employees Salaries	45,000	45,000
Indirect repair materials	42,200	60,500
Misc. Expenses	13,200	16,800

An overtime of Rs. 20 per hour is paid over salaries when the activity hours surpass 9,500 hours. From the above you are required to prepare a Flexible Budget for the department for 7,500 repair hours and 10,000 repair hours.

See Topic: BUDGETING FOR PROFIT PLANNING AND CONTROL, Long Answer Type Question No. 9(a).

b) From the following forecast in income and expenditure, prepare a cash budget for the three months September to 30th November. The bank balance on 1st September is Rs. 3,000.

Month	Sales	Purchases	Wages	Factory Overheads	Expenses
July	24,000	12,000	1,680	1,170	3,000
August	22,950	12,600	1,740	1,230	3,600
September	23,400	11,550	1,740	1,260	4,200
October	27,000	11,250	1,770	1,530	4,800
November	28,500	13,200	1,770	1,800	3,900

A sales commission @ 5% on sales which is due in the month of following in which the sales dues are collected, is payable in addition to office expenses. Fixed assets worth Rs. 19,500 will be purchased in September to be paid in October. Rs. 5,000 in respect of debenture interest will be paid in October. The period of credit allowed to customers is two months and one month's credit is obtained from suppliers of goods. Wages are paid on an average fortnightly on 1st and 16th of each month in respect of dues for periods ending on the date preceding such days. Expenses are paid in the month in which they are due.

See Topic: BUDGETING FOR PROFIT PLANNING AND CONTROL, Long Answer Type Question No. 9(b).

8. The information below is taken from the records of Two companies in the car industry:

Balance Sheet (Amount in 000)

Liabilities	A Ltd. (Rs.)	B Ltd. (Rs.)	Assets	A Ltd. (Rs.)	B Ltd. (Rs.)
Equity Share Capital	1,100	1,750	Plant and Equipment	1,695	2,400
Retained Earnings	965	500	Stock	1,230	950
8% Debenture	500	1,000	Sundry Debtors	330	630
Sundry Creditors	900	1,050	Cash	210	320
	3,465	4,300		3,465	4,300

Income statement (Amount in Rs. Thousands)

Particulars	A Ltd. (Rs.)	B Ltd. (Rs.)
Sales	5600	8200
Cost of Goods Sold	4000	6840
Other Operating Expenses	800	860
Interest expenses	40	80
Income Tax	266	273
Dividends	100	180

Answer each of the following questions by making a comparison of relevant ratios.

i) Which company is better able to meet its current debts?

ii) Which company is using ordinary shareholder's money more profitably?

iii) If you are willing to buy debenture of any one of the above, which company would you select?
iv) Which company is collecting its receivable faster?

See Topic: FINANCIAL STATEMENTS, Long Answer Type Question No. 18.

9. a) How do you calculate depreciation regarding the preparation of Cash Flow Statement?

See Topic: FINANCIAL STATEMENTS, Long Answer Type Question No. 19(a).

b) The following are the summarized Balance Sheets of Bharat Ltd. as on March 31, 2014 and 2015.

	As on 31.03.2014	As on 31.03.2015
Liabilities		
Equity share capital	10,00,000	12,50,000
Capital reserve	–	10,000
General Reserve	2,50,000	3,00,000
Profit and Loss A/c	1,50,000	1,80,000
Long term loan from the bank	5,00,000	4,00,000
Sundry creditors	5,00,000	4,00,000
Provision for taxation	50,000	60,000
Proposed dividends	1,00,000	1,25,000
	25,50,000	27,25,000
Assets		
Land and building	5,00,000	4,80,000
Machinery	7,50,000	9,20,000
Investment	1,00,000	50,000
Stock	3,00,000	2,80,000
Sundry debtors	4,00,000	4,20,000
Cash in hand	2,00,000	1,65,000
Cash at bank	3,00,000	4,10,000
	25,50,000	27,25,000

Additional information:

a) Dividend of Rs. 1,00,000 was paid during the year ended on March 31, 2015.
b) Machinery during the year purchased for Rs. 1,25,000.
c) Machinery of another company was purchased for a consideration of Rs. 1,00,000 payable in equity shares.
d) Income-tax provided during the year Rs. 55,000.
e) Company sold some investment at a profit of Rs. 10,000, which credited to Capital Reserve.
f) There was no sale of machinery during the year.
g) Depreciation written off on Land and Building Rs. 20,000.

From the above particulars, prepare a Cash Flow Statement for the year ended on March, 2015, as per AS 3 (Indirect Method).

See Topic: FINANCIAL STATEMENTS, Long Answer Type Question No. 19(b).

10. S. V. Ltd. Manufactures a simple product, the standard mix of which is:

Material *A*	60% at Rs. 20 per kg
Material *B*	40% at Rs. 10 per kg

Normal loss in production is 20% of Input. Due to shortage of Material *A*, the Standard mix was changed. Actual result for March, 2010 was:

Material *A*	105 kgs at Rs. 20 per kg
Material *B*	95 kgs at Rs. 9 per kg
Input	200 kgs
Loss	35 kgs
Output	165 kgs

Calculate:

i) Material Cost Variance
ii) Material Price Variance
iii) Material Usage Variance
iv) Material Mix Variance
v) Material Yield Variance

See Topic: STANDARD COSTING AND VARIANCE ANALYSIS, Long Answer Type Question No. 5.

11. Write short notes on *three* of the following:
    a) Responsibility Accounting
    b) Zero based Budget
    c) Product Mix
    d) DuPont Chart
    e) Cash from Operation

a) See Topic: BUDGETING FOR PROFIT PLANNING AND CONTROL, Long Answer Type Question No. 11(a).

b) See Topic: BUDGETING FOR PROFIT PLANNING AND CONTROL, Short Answer Type Question No. 1.

c) See Topic: ABSORPTION AND MARGINAL COSTING, Long Answer Type Question No. 5(b).

d) See Topic: FINANCIAL STATEMENTS, Long Answer Type Question No. 22(j).

e) See Topic: FINANCIAL STATEMENTS, Long Answer Type Question No. 22(k).