QUESTION 2017

Group – A

(Multiple Choice Type Questions)

1. Choose the correct alternatives for any ten of the following:

i) Identify the event which signifies decrease in Working Capital :

a) Cash collection | b) Deposit in current account
✓c) Increase in credit purchase | d) Loss of inventory due to fire

ii) Which the ratio 1:5 and the amount of current liabilities and bank overdraft is Rs. 4, 00, 000 and Rs. 1,00,000 respectively, what the amount of liquid assets?

a) Rs. 5, 50, 000 | ✓b) Rs. 6, 00, 000
c) Rs. 7, 00, 000 | d) Rs. 8, 00, 000

iii) The term liquid assets does not include

a) Cash in hand | b) Cash at bank
✓c) Inventory | d) FCNR (B) account balance held in US Dollars.

iv) Which of the following is not source of funds?
a) Issue of share capital
b) Sale of fixed assets
✓c) Issue of bonus shares
d) Issue of right shares.

v) Labour Efficiency Variance is computed by the formula
a) SR (SH –AH)
b) AR (SH - AH)
✓c) SR (AH – SH)
d) AR (AH – SH)

vi) Debt Equity Ratio is one of the
✓a) Solvency Ratios
b) Profitability Ratios
c) Liquidity Ratios
d) Both (a) and (c)

vii) 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 price 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) None of these

viii) Which of the following ratio is a ratio of solvency?
a) Gross Profit Ratio
✓b) Current Ratio
c) Net Profit Ratio
d) All of these

ix) Increase in share premium account results in
✓a) Source of fund
b) Application of fund
c) Both of these
d) None of these

x) Standard costing helps in
✓a) Measuring efficiency
b) Reducing losses
c) Controlling prices
d) Taking decisions on corporate governance.

xi) Gain on the sale of Automobile formerly used in the business is
a) Operating
✓b) Investing
c) Financing
d) Supplemental

xii) Security premium collected amounts to cash flow from
a) Operating activity
✓b) Financing activity
c) Investing activity
d) None of these

Group – B
(Short Answer Type Questions)

Q. From the following particulars, find out the breakeven point : Variable cost per unit Rs. 15; Fixed Expenses Rs. 54,000 and Selling price per unit Rs. 20. What should be the selling price per unit, if the breakeven points should be brought down to 6000 units?

See Topic: ABSORPTION AND MARGINAL COSTING, Short Answer Type Question No. 10.

3. The following information of a company is given :
Current Ratio 2.5 : 1; Acid test ratio 1.5:1 and Current Liability Rs 50,000. Find out (i) Current Assets; (ii)Liquid Assets; (iii) Inventory.
See Topic: FINANCIAL STATEMENTS, Short Answer Type Question No. 13.

4. List the differences between Cash Flow Statement and Fund Flow Statement.
See Topic: FINANCIAL STATEMENTS, Short Answer Type Question No. 8. CHAP 2,FINANCIAL

5. Calculate Material Cost Variance, Material Price Variance and Material Usage Variance From the following:
Standard materials required for producing 100 units is 120 kgs. A standard price of 0.50 paise per kg is fixed and 2, 40,000 units were produced during the period. Actual materials purchased were 3, 00, 000 kgs. at a cost of Rs. 1, 65, 000.
See Topic: STANDARD COSTING AND VARIANCE ANALYSIS, Short Answer Type Question No. 4.

6. A construction company sets the standard for its labourers as follows:
Standard time to complete the project 1,000 man hours . Standard wage rate Rs. 2 per hour. On completion of the project, it was found that it only required 950 man hours to complete the project but the actual wage rate was Rs. 2.50 per hour and the idle time was 50 hours. Find out the idle time variance and the labour efficiency variance.
See Topic: STANDARD COSTING AND VARIANCE ANALYSIS, Short Answer Type Question No.

Group – C
(Long Answer Type Questions)

7. A company manufacturers surgical instrument at Rs. 20 per unit and has a capacity to produce 40,000 units. The budget for the period ending on 31st December, 2016 predicts sales of 32,000 units.
The cost per unit is expected to be as follows:

Particulars	Cost per unit (Rs.)
Materials	6
Labour	4
Overheads	2

Fixed costs are expected to be Rs. 2, 40,000.
From, the data calculate:
i) Break – even point (both units and sales)
ii) Profit for the year
iii) If the company reduces the selling price to Rs. 19 per unit, what should be the company's production and sales to achieve the same profit as in (ii) before?
See Topic: ABSORPTION AND MARGINAL COSTING, Long Answer Type Question No. 4.

8. Summarized below are the income and expenditure forecastes for the months of March to August, 2016:

Month	Sales	Purchases	Wages	Manufacturing Expenses	Office expenses	Selling Expenses

March	70	48,000	12,000	6,000	3,000	5,500
April	,000	50,000	10,000	5,000	2,000	6,000
May	74,000	44,000	14,000	7,000	3,500	5,000
June	76,000	46,000	9,000	4,500	3,000	4,500
July	68,000	47,000	11,000	5,000	2,000	5,000
August	64,000	45,000	10,000	4,000	2,500	5,500
	72,000					

a) Plant costing Rs.20, 000 is due for delivery in July, payable 10% on delivery and the balance after three months.
b) Advance tax of Rs. 10,000 each is payable in March and June.
c) Period of credit allowed:
i) By supplier 2 months and
ii) To customers 1 month.
d) Lag in Payment of manufacturing expenses 1 month
e) Lag in payment of all expenses: 1 month
You are required to prepare a cash budget for the three months starting on 1st may 2016, when there was a cash balance of Rs. 10,000.
See Topic: BUDGETING FOR PROFIT PLANNING AND CONTROL, Long Answer Type Question No. 10.

9. a) From the following Balance Sheet of sun Ltd. , make out:
a) Statement of changes in the Working Capital, and
b) Fund Flow Statement.

Liabilities	2014	2015	Assets	2014	2015
Equity share capital	2, 00, 000	2,50,000	Land and Building	2,00,000	1,90,000
General	50,000	60,000	Plant	1,50,000	1,74,000
Profit and Loss Account	30,500	30,500	Debtors	80,000	64,200
Bank Loan (short Term)	70,000	70,000	Stock	1,00,000	74,000
Creditors	1,50,000	1,50,000	Cash in Hand	500	600
Provision for taxation	30,000	30,000	Cash in Bank	–	8,000
	5, 30, 500	5, 10,800		5, 30, 500	5, 10, 800

Additional information:
i) Depreciation of plant was written-off Rs. 14,000 in 2015.
ii) Divided of Rs. 20,000 was paid in 2015.
See Topic: FINANCIAL STATEMENTS, Long Answer Type Question No. 20.

10. a) How do you calculate depreciation regarding the preparation of Cash Flow Statement?
b) The following are the summarized Balance sheets of Bharat Ltd. as on March 31, 2015 and 2016.

	As on 31.03.2015	As on 31.03.2016
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:
Divided of Rs. 1,00,000 was paid during the year ended march 31,2016.
Machinery during the year purchased for a consideration Of Rs. 1,25,000
Machinery of another company was purchased for a consideration of Rs. 1,00,000 payable in equity shares. Income-tax provided during the year Rs. 55,000.
Company sold some investment at a profit of Rs. 10,000, which was credited to capital reserve.
There was no sale of machinery during the year.
Depreciation written off on Land and Building Rs.20,000.
From the above particulars, prepare a cash Flow Statement for the year ended march, 2016 as per AS-3 (Indirect Method)
See Topic: FINANCIAL STATEMENTS, Long Answer Type Question No. 21.

11. Write the short notes any three of the following:
a) Return on Capital Employed vs Return on Equity
See Topic: FINANCIAL STATEMENTS, Long Answer Type Question No. 22(l).

b) DU-Pont Analysis
See Topic: FINANCIAL STATEMENTS, Long Answer Type Question No. 22(j).

c) Application of liquidity ratios
See Topic: FINANCIAL STATEMENTS, Long Answer Type Question No. 22(h).

d) Marginal costing
ABSORPTION AND MARGINAL COSTING, Long Answer Type Question No. 5