DECEMBER 2013 EXAMINATION

FM 11/eFM11
Financial & Management Accounting

Time: Three Hours **Maximum Marks: 100**

Note:

The paper is divided in three sections: Section A, Section B and Section C. There are 7 questions in Section-A, students are required to attempt ANY FOUR. Section-B has 5 questions, attempt ANY THREE. All the questions of Section-C (Case Study) are compulsory.

Section-A
(Each question is of 10 Marks. Attempt any four)

1. "Management accounting is concerned with accounting data that is useful in decision making". With respect to the above statement explain the characteristics of management accounting

2. What is Cash Flow Statement? What is the utility of preparing it?

3. "Responsibility Centres together form the basis of responsibility accounting". Explain.

4. What are the different kinds of financial statements? What information do they carry?

5. Discuss the concept & causes for Material Price & Usage variance.

6. What information is studied under Comparative Income Statement & what is the purpose of preparing it?

7. Papee Private Ltd. receives a special order from Sabee Private Ltd. for supply of 50,000 units of a product that usually sells at Rs.10 per unit. Sabee Pvt. Ltd. offers Rs.9 per unit for this product. Papee Pvt.ltd. incurs Rs.6 per unit in variable costs to manufacture each item, plus Rs.2 per unit for variable administrative cost. Total fixed manufacturing costs are Rs.3,00,000. Other fixed cost amounts to Rs.1,50,000 per year. Productivity capacity is 4,00,000 units annually & sales volume through normal sales outlets will be about 3,00,000 units of this year.

Prepare a cost statement to help the management to take a decision on accepting or rejecting the order.

Section-B

(Each question is of 15 Marks. Attempt any three)

8. What is Incremental Analysis Approach? Explain the cost concepts used in Incremental Analysis. What are the types of decisions that involve Incremental Analysis

9. From the following balance sheet of M/s Western Company Ltd. as on 31st Dec 2011 & 2012 prepare a Funds Flow statement

Liabilities	2011	2012	Assets	2011	2012
Share Capital	3,50,000	4,35,000	Building	3,00,000	3,40,000
Debentures	2,25,000	3,20,000	Plant	3,25,000	3,75,000
General Reserve	1,20,000	1,75,000	Investments	1,65,000	1,85,000
P&L A/c	75,000	95,000	Preliminary expenses	9,000	-
Depreciation Reserve	90,000	1,35,000	Inventories	75,000	1,45,000
Sundry Creditors	75,000	95,000	Sundry Debtors	95,000	1,75,000
Bills Payable	90,000	1,10,000	Bills Receivables	40,000	65,000
			Cash in hand	16,000	80,000
	10,25,000	13,65,000		10,25,000	13,65,000

Additional Information:

1. Dividend for 2011 @ 15% was paid during the year 2012.
2. A plant costing Rs.75,000 (Depreciation provided Rs.25,000) was sold for Rs.55,000
3. Investment amounting to Rs.40,000 were realised for Rs.32,000

10. **(a)** What is PV Ratio? Explain its utility.

(b) The Asian Industries specializes in the manufacture of small capacity motors. The cost structure of motor is as under:

Material	Rs.50
Labour	Rs.80
Variable Overhead	75% of Labour cost

Fixed overheads of the company amounts to Rs.2.40 lakhs per annum. The sale price of the motor is Rs.230 each.

I. Determine the number of motors that have to be manufactured & sold in a year in order to break-even.
II. How many motors have to be made & sold to make a profit of Rs.1,00,000 per year?
III. If the sale price is reduced by Rs.15 each, how many motors have to be sold to break-even.

(5+10)

11. CIPLA Ltd. has furnished the following data:

	Budget	Actual (July)
Production in units	20,000	22,000
Fixed overheads	Rs.30,000	31,000
No. Of working days	25	27

Budgeted fixed overhead rate is Re.1 per hour. In July, the actual hours worked were 31,500. Calculate overheads variances.

12. Write short notes on **(Any three)**

1) "In the long run all costs are variable". Explain.
2) Trend percentage analysis
3) Limitations of management accounting
4) Key factor analysis (3 x 5)

Section-C
Case Study (15 Marks)

13. Blue Diamond market had a total consumption of 80,000 units of a product during the year ending 31st Dec 2011. The market was served by two manufacturing units – Belee Ltd. & Nelee Ltd. enjoying a market share of 40% & 60% respectively. You are required to prepare a sales budget of Nelee Ltd. for the year 2012 showing cost of production & gross profit for all four quarters on the information given below:

1. Total consumption is expected to go up by 20,000 units.
2. Two other firms are expected to enter the market & as a result 10% reduction is expected in the market share of Nelee Ltd.
3. 50% sales of the firm will probably be evenly divided between the first & last quarters of the year, with twice as many sales being made in the second quarter as in the third, &
4. The estimated selling price per unit of the firm is Rs.20 with the following cost details:

   Direct material Rs.8

   Direct wages Rs.4

   Variable overheads 100% of wages

   Fixed overheads Rs.80,000