Roll No. ....174339................

Total No. of Questions – **7** | Total No. of Printed Pages – **11**

Time Allowed – **3** Hours | Maximum Marks – **100**

CKM

Answers to questions are to be given only in English Language except in the case of candidates who have opted for Hindi Medium. If a candidate who has not opted for Hindi Medium answers in Hindi, his/her answers in Hindi will not be valued.

Question **No. 1** is compulsory.

Answer any **five** questions out of the remaining **six** questions.

In case, any candidate answers extra question(s)/sub-question(s) over and above the required number, then only the requisite number of questions first answered in the answer book shall be valued and subsequent extra question(s) answered shall be ignored.

Working notes should form part of the answer.

Marks

1. Answer the following : **4×5 =20**

(a) A skilled worker is paid a guaranteed wage rate of ₹ 150.00 per hour. The standard time allowed for a job is 50 hours. He gets an effective hourly rate of wages of ₹ 180.00 under Rowan Incentive Plan due to saving in time. For the same saving in time, calculate the hourly rate of wages he will get, if he is placed under Halsey Premium Scheme (50%).

Marks

(b) Premier Construction Company undertook a contract for ₹ 5,00,000 on 1st August, 2016. On 31st March, 2017 when the accounts were closed, the following information was available :

Cost of work uncertified	₹ 1,20,000
Cash received	₹ 2,50,000 (80% of work certified)
Profit transferred to costing Profit and Loss account at the end of the year on Incomplete contract	₹ 80,000

Calculate :

(i) The value of work in progress certified

(ii) Degree of completion of contract

(iii) Notional Profit and

(iv) Cost of contract as on 31-03-2017

(c) Mr. B will require ₹ 30 lakhs after 10 years from now. He wants to ascertain an amount to be invested in a fund which pays interest @ 10% per annum.

Following options are available to him :

(i) to make annual payment into the fund at the end of each year.

(ii) to invest a lumpsum amount in the fund at the end of the year.

(iii) to make annual payment into the fund in the beginning of each year.

Find out the amount to be invested under each of the options given above.

Factors are as under :

FVIF/CVF (10%, 10) = 2.594

FVIFA/CVFA (10%, 10) = 15.937

PVIF/PVF (10%, 10) = 0.386

PVIFA/PVFA (10%, 10) = 6.145

(d) The X Ltd. is willing to raise funds for its new project which requires an investment of ₹ 84 lakhs. The company has two options :

Option I : To issue Equity Shares (₹ 10 each) only

Option II : To avail term loan at an interest rate of 12%. But in this case, as insisted by the financing agencies, the company will have to maintain a debt equity proportion of 2 : 1.

The corporate tax rate is 30%.

Find out the point of indifference for the project.

Marks

2. (a) A Ltd. produces 'M' as a main product and gets two by products – 'P' and 'Q' in the course of processing. **8**

Following information are available for the month of October 2017 :

	M	P	Q
Cost after separation	–	₹ 60,000	₹ 30,000
No. of units produced	4500	2500	1500
Selling price (per unit)	₹ 170	₹ 80	₹ 50
Estimated Net profit to sales	–	30%	25%

The joint cost of manufacture upto separation point amounts to ₹ 2,50,000.

Selling expenses amounting to ₹ 85,000 are to be apportioned to the three products in the ratio of sales units.

There is no opening and closing stock.

Prepare the statement showing :

(i) Allocation of joint cost.

(ii) Product wise over all profitability and

(iii) Advise the company regarding results if the by product 'P' is not further processed and is sold at the point of separation at ₹ 60 per unit without incurring selling expenses.

Marks

(b) A firm can make investment in either of the following two projects. The firm anticipates its cost of capital to be 10%. The pre-tax cash flows of the projects for five years are as follows : **8**

Year	0	1	2	3	4	5
Project A (₹)	(200000)	35000	80000	90000	75000	20000
Project B (₹)	(200000)	218000	10000	10000	4000	3000

Ignore Taxation.

An amount of ₹ 35,000 will be spent on account of sales promotion in year 3 in case of Project A. This has not been taken into account in calculation of pre-tax cash flows.

The discount factors are as under :

Year	0	1	2	3	4	5
PVF (10%)	1	0.91	0.83	0.75	0.68	0.62

You are required to calculate for each project :

(i) The payback period

(ii) The discounted payback period

(iii) Desirability factor

(iv) Net Present Value

Marks

3. (a) XYZ Limited produces an article and uses a mixture of material X and Y. The standard quantity and price of materials for one unit of output is as under : **8**

Material	Quantity	Price (₹)
X	2000 kg	1.00 per kg
Y	800 kg	1.50 per kg

During a period, 1500 units were produced. The actual consumption of materials and prices are given below :

Material	Quantity	Price (₹)
X	31,00,000 kg	1.10 per kg
Y	12,50,000 kg	1.60 per kg

Calculate :

(i) Standard cost for actual output

(ii) Material cost variance

(iii) Material Price variance

(iv) Material usage variance

Marks

(b) The current credit sales of a firm is ₹ 15 lakhs and the firm still has an unutilized capacity. In order to boost its sales, the firm is willing to relax its credit policy. 8

The firm proposes a new credit policy of 2/10 net 60 days as against the present policy of 1/10 net 45 days. The firm expects an increase in the sales by 12%. However, it is also expected that bad debts will go upto 2% of sales from 1.5%.

The contribution to sales ratio of the firm is 28%. The firm's tax rate is 30% and firm requires an after tax return of 15% on its investment.

Should the firm change the credit policy ?

4. (a) A company, with 90% Capacity utilization, is manufacturing a product and makes a sale of ₹ 9,45,000 at ₹ 30 per unit. The cost data is as under : 8

Materials	₹ 9.00 per unit
Labour	₹ 7.00 per unit
Semi variable cost	
(including variable cost of ₹ 4.25 per unit)	₹ 2,10,000

Fixed cost is ₹ 94,500 upto 90% level of output (capacity). Beyond this, an additional amount of ₹ 15,000 will be incurred.

Marks

You are required to calculate :

(i) Level of output at break-even point

(ii) Number of units to be sold to earn a net income of 10% of sales

(iii) Level of output needed to earn a profit of ₹ 1,41,375

(b) The following details of a company for the year ended 31st March, 2017 are given below : 8

Operating leverage	2 : 1
Combined leverage	2.5 : 1
Fixed Cost excluding interest	₹ 3.4 lakhs
Sales	₹ 50 lakhs
8% Debentures of ₹ 100 each	₹ 30.25 lakhs
Equity Share Capital of ₹ 10 each	₹ 34 lakhs
Income Tax Rate	30%

Required :

(i) Calculate Financial Leverage

(ii) Calculate P/V ratio and Earning per Share (EPS)

 A\

Job
Operating
contract
single
multiple

Marks

(iii) If the company belongs to an industry, whose assets turnover is 1,5, does it have a high or low assets turnover ?

(iv) At what level of sales, the Earning before Tax (EBT) of the company will be equal to zero ?

5. (a) Identify the methods of costing where : **4×4 =16**

(i) all costs are directly charged to a specific job.

(ii) all costs are directly charged to a group of products.

(iii) the nature of the product is complex and method cannot be ascertained.

(iv) cost is ascertained for a single product.

(b) What are the motivational factors for adopting a reconciliation process ? Explain.

(c) What is 'Bill discounting' ? How does it differ from 'Factoring' ? Explain.

(d) Which method of comparing a number of investment proposals is most suited if each proposal involves different amount of cash inflows ? Explain and state its limitations.

50

Marks

6. (a) APP Limited is a manufacturing concern and recovers overheads at a pre-determined rate of ₹ 30 per man-day. **8**

The following additional information of a period are also available for you :

Total factory overheads incurred	₹ 51,00,000
Man-days actually worked	1,50,000
Sales (in units)	50,000
Stock at the end of the period :	
Completed units	5,000
Incompleted units (50% completed)	10,000

There was no opening stock of finished goods and works in progress.

On analyzing the situation, it was discovered that 60% of the unabsorbed overheads were due to defective planning and balance were attributable to increase in overhead costs.

How would you treat unabsorbed overheads in cost accounts ?

(b) XY Ltd. provides the following information for the year ending 31st March, 2017 : **8**

Equity Share Capital	₹ 8,00,000
Closing Stock	₹ 1,50,000
Stock Turnover Ratio	5 times
Gross profit ratio	20%
Net profit/Sales	16%
Net profit/Capital	25%

You are required to prepare :

Trading and Profit & Loss Account for the year ending 31st March, 2017.

A→67

Marks

7. Answer any **four** of the following : **4×4 =16**

(a) Distinguish between 'Bin Card' and 'Stores Ledger'.

(b) Explain 'Retention Money' and 'Progress payment' in contract.

(c) Explain :

(i) Flexible Budget

(ii) Operating lease

(d) Explain 'Concentration Banking' and 'Lock Box System'.

(e) Explain 'Finance Function'.

A-319