

INTERMEDIATE EXAMINATION

December 2016

**P-8(CAFM)
Syllabus 2012**

Cost Accounting and Financial Management

Time Allowed: 3 Hours

Full Marks: 100

The figures on the right margin indicate full marks.

All sections are compulsory. Each section contains instructions regarding the number of questions to be answered within the section.

All working notes must form part of the answers.

Wherever necessary, candidates may make appropriate assumptions and clearly state them.

No present value factor table or other statistical table will be provided in addition to this question paper.

Section A

Question No.1 is compulsory. Answer all questions under each sub division.

1. (I) Answer the following questions. Each question carries two marks: 2×5=10
- (i) The average quarterly consumption of a material is 5200 units. Unit cost is ₹ 65. Storage cost is 15% p.a. and the ordering cost is ₹ 150 per order. Find the Economic Order Quantity (EOQ).
 - (ii) At the level of 60,000 units of output, factory overheads were ₹ 3,75,000 out of which 40% was fixed. Find the amount of factory overheads at 78,000 units of output.
 - (iii) Standard Time allowed = 3 minutes per unit. Normal time rate = ₹ 30 per hour; Taylor's differential piece rate basis: 80% and 120% for below and above standard respectively. Worker W produces 225 units in an eight hour day. Calculate his earnings for the day.

Please Turn Over

(iv) Classify the following items under the appropriate heading as per AS 3 in the cash flow statement:

- (a) Repayment of long term borrowings
- (b) Dividend paid
- (c) Dividend received
- (d) Income-tax paid on trading profits

(v) Total Current Assets = Rs. 700 lacs of which core is ₹ 180 lacs; Current Liabilities excluding bank borrowings = 300 lacs.

What would be the maximum permissible bank borrowing as per Methods II and III of the Tandon Committee Norms?

(II) State whether the following are True or False (Write only the question Roman Numeral and whether True or False): 1×5=5

- (vi) While working out the EOQ, carrying cost has the element of interest cost. Hence it can be stated that interest cost is treated as part of material cost under CAS—6.
- (vii) Normal bad debt is considered as a selling overhead and included in the cost.
- (viii) Carriage and Cartage expenses (inward freight) of fuel for a furnace in a factory is treated as direct material cost.
- (ix) If dividends grow at 'g' % p.a. and cost of equity is k_e , the current market price of a share is determined by a geometric progression with common ratio $(1 + g)/(1 + k_e)$.
- (x) The MM Hypothesis assumes that the overall cost of capital is independent of the capital structure.

(III) Fill in the blanks (Write only the Roman Numeral and the content filling the blank): 1×5=5

- (xi) Variable overheads are absorbed by products based on _____ level of capacity utilization.

- (xii) In a textile factory, yarn is starched before it is made into textile. The cost of starch is _____ (give the element of cost).
- (xiii) The actual capacity of a manufacturing unit based on temporary sales expectancy is 10,000 units due to lack of orders. The practical capacity is 11,500 units. Then, 1500 units is _____ capacity.
- (xiv) The ratio of % change in one variable to the % change in some other variable is defined as _____ in the context of capital structure and finance.
- (xv) *E* is an exporter who relinquishes his right to a receivable due at a future date in exchange for immediate cash payment at an agreed discount, passing on all the risks and responsibilities for collecting the debt to *B*. This arrangement is called _____.

(IV) Match the following (You may opt to write the Roman Numbers and the corresponding matched alphabet instead of copying contents into the answer books): 1×5=5

(xvi)	Cash inventory	(a)	Baumol Model
(xvii)	Halsey Plan	(b)	Dividend Discount Model
(xviii)	John Burr Williams	(c)	Waste Reduction Incentive
(xix)	Group Bonus Plan	(d)	Based on $33\frac{1}{3}\%$ of time saved
(xx)	Rowan Plan	(e)	Indirect Labour Cost
		(f)	Based on time saved
		(g)	Based on proportion of time saved to time allowed

Please Turn Over

Section B

Answer any three questions from question numbers 2, 3, 4 and 5.
Each question carries fifteen marks.

2. (a) The following information is available relating to raw material movement in the month of November, 2016:

Date (November 2016)	Details of quantities in number of units
1	Opening stock 500 at ₹ 200 per unit
3rd to 5th	Issue of 250 units
13th	Received 200 units @ ₹ 190
14th	Returned to Stores 15 units issued earlier to November at opening stock rate
16th	Issue of 250 units
20th	Receipt of 240 units @ ₹ 195
24th	Issue of 290 units

You are required to compute the inventory turnover ratio for the month of November, 2016 using

- (i) FIFO and (ii) LIFO methods of pricing and comment on your findings. (A detailed stores ledger account is not required. Only relevant figures for the ratio need to be computed). 10
- (b) A factory has three production departments—P-1, P-2 and P-3 and two service departments—S-1 and S-2. Overheads are allocated in rupees as follows:
- | | | |
|---------------|--------------|------------|
| P-1 1,50,000; | P-2 75,000; | P-3 60,000 |
| S-1 1,05,300; | S-2 1,35,000 | |

