

# INTERMEDIATE EXAMINATION

June 2016

P-8(CAFM)  
Syllabus 2012

## Cost Accounting and Financial Management

Time Allowed: 3 Hours

Full Marks: 100

*The figures on the right-hand margin indicate full marks.*

*All Sections are compulsory. Each section contains instructions regarding the number of questions to be attempted within the section.*

*All working notes must form part of the answers.*

*Wherever necessary, candidates may make suitable assumptions and clearly state them in the answer.*

*No present value factor table or other statistical table will be provided along with 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 2 marks. 2×5=10
- (i) Calculate the reorder level from the following data:  
Lead time : 3 weeks; Safety stock: 100 units; Annual uniform usage : 2,600 units.
  - (ii) Standard time for a job = 20 hours. Rate per hour = ₹ 2. The actual time taken by a worker is 15 hours. Calculate his earnings under Barth Variable Sharing Plan.
  - (iii) A Ltd. uses pre-determined overhead absorption rates. In a certain period, actual overheads incurred were ₹ 5 lacs and not mostly related to time. Overheads absorbed were ₹ 1.5 lacs, 50% of unabsorbed overheads was due to faulty planning. How will such under absorption due to defective planning be treated in Cost Accounts?
  - (iv) B's cash flows are ₹ 1,000 on 01.07.2014; ₹ 1,100 on 01.07.2016; ₹ 1,000 on 01.07.2018; Considering annual rests, interest rate of 10% and using p.v. factor only up to one decimal, calculate the present value of his cash flows as on 01.07.2016.

- (v) The current market price and expected year-end dividend of an equity share are ₹ 90 and ₹ 4.50 respectively. The dividend growth rate is expected at 7% annually. Compute the cost of capital under the dividend growth model.

II. State whether the following are true or false: (Legibly write only the question Roman numeral and whether true or false). 1×5=5

- (vi) When under absorption of overheads is corrected by applying supplementary rates, there is no impact in the current period profits due to under absorption as it is corrected and all overheads are charged in the current period.
- (vii) Marginal cost per unit remains constant irrespective of the number of units produced within the normal output level.
- (viii) Companies P and Q are competitors for product PQ. P has a higher degree of operating leverage than Q. If demand for PQ decreases, profits of Q will decrease at a slower rate than P.
- (ix) The internal rate of return (IRR) assumes that cash flows are reinvested at the firm's cost of capital.
- (x) M Ltd. provides free service for its cars for the first year of purchase. The cost of this service for M Ltd. is treated as selling and distribution overhead.

III. Fill in the blanks (Legibly write only the question Roman numeral and the content filling the blank): 1×5=5

- (xi) In a certain factory, normal capacity was 50000 units. Actual capacity utilization was 52000 units. Fixed production overheads should be absorbed based on \_\_\_\_\_ capacity.
- (xii) X factory outsources the manufacture of a major component to a contractor. The transportation of the component of X factory's premises is borne by X. This transportation cost will be treated as \_\_\_\_\_ cost (give the element of cost).
- (xiii) In the \_\_\_\_\_ method of pricing material issues, where the price are falling, profits will rise.
- (xiv) In India, commercial papers can be issued in multiples of ₹ \_\_\_\_\_.
- (xv) \_\_\_\_\_ are the rules applied by a country to domestic regulations to promote foreign investment.

