

**Paper 10 – Cost & Management Accounting and Financial
Management**

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Time Allowed: 3 Hours

Full Marks: 100

Part-A (Cost and Management Accounting)

Section-I

1. Answer the following questions:

(a) Choose the correct answer from the given four alternatives.

[1x 6 = 6]

- i. _____ establishes the objective of the firm and decides the course of action to achieve it.
(a) Organizing
(b) Staffing
(c) Controlling
(d) Planning
- ii. _____ provides the technique for interpretation of accounting data.
(a) Financial Accounting
(b) Management Accounting
- iii. Limiting factor is also known as _____.
(a) Contributing factor
(b) Key factor
- iv. Under this method the cost of product is determined after considering the total cost i.e both fixed and variable costs. This technique is known as _____.
(a) Absorption Costing
(b) Traditional Costing
(c) Total Costing
(d) All of the above
- v. Cost data are presented to highlight the total contribution of each product.
(a) Standard Costing
(b) Absorption Costing
(c) Marginal Costing
(d) None of the above
- vi. ____ of budget is necessary.
(a) Modification
(b) Changes
(c) Revision

(b) Match the statement in column I with the most appropriate statement in column II:

[1 x 4 = 4]

	Column I		Column II
i	Responsibility Accounting	A	Inter Firm Comparison
ii	Difference between Standard and Actual Cost	B	Zero Based Budgeting
iii	Evaluation of Performance	C	Variance Analysis
iv	Budgeting starts from scratch	D	Activity Accounting

(c) State whether the following statements are true or false

[1 x 4 = 4]

- (i) Standard Costing system establishes yard stick against which the efficiency of actual performance is measured.

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- (ii) The learning curve is useful only for new operations where machines do not constitute a major part of the production process. It is not applicable to all productions. Eg New and experienced workmen
- (iii) Performance budgeting is synonymous with Responsibility Accounting.
- (iv) Differential cost is the change in the costs which results from the adoption of an alternative course of action.

Section-II

Answer any Three Questions from Q.No 2, 3, 4 and 5. Each Question carries 12 Marks

2(a) The PV Ratio of Pankaj Ltd is 50% and Margin of safety is 40%. The company sold 500 units for 5 Lakh.

Calculate for Pankaj Ltd the following:

- (i) BEP and
- (ii) Sales in units to earn a profit of 10% on sales

[4 Marks]

(b) A single product company sells its product at ₹ 60 p.u. Last year the company operated at a margin of safety of 40%. The fixed costs amounted to ₹ 3.6 Lakh and the variable cost to sales was 80%. In the next year it is estimated that variable cost will go up by 10% and the fixed cost will increase by 5%. Find the selling price required to be fixed in the next year to earn the same PVR as in the last year assuming the same selling price of ₹ 60 p.u. in the next year also find the number of units required to be produced and sold to earn the same profit as in the last year.

[8 Marks]

3(a) From the following data pertaining to March 2017, Please calculate the Overhead Variances.

Particulars	Budgeted	Actual
No of working days	25	27
Production in units	40,000	44,000
Fixed overhead in ₹	60,000	62,000
Budgeted fixed overhead is ₹ 1 per hour		
Actual hours worked in March is 63,000		

[8 Marks]

3(b)

Pankaj Ltd presents the following data for Dec, 2017 . Calculate the cost variances.

Budgeted Production of Product P	200 units
Standard consumption of Raw Material	2 Kg per unit of P
Standard price of material A	₹ 6 per kg
Actually 250 units of P were produced. Material A was purchased at ₹ 8 per kg and consumed at 1.8 kg per unit of P.	

[4 Marks]

4(a) An article passes through five hand operations which are enumerated below;

Operation Number	Time per article	Grade of worker	Wage rate per hour
1	15 Minutes	A	₹ 65
2	25 Minutes	B	₹ 50
3	10 Minutes	C	₹ 40
4	30 Minutes	D	₹ 35

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5	20 Minutes	E	₹ 30
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The factory works 40 hrs a week and the production target is 600 dozens per week. Prepare a statement for each operation and in total the number of operator required, labour cost per dozen and the total labour cost per week to produce the total targeted output. **[6 Marks]**

4(b) A firm received an order to make and supply eight units of standard product which evolve intricate labour operations. The first unit was made in 10 hrs. It is understood that this type of operations is subject to 80% learning rate. The worker is getting a wages rate of 12 per hours.

- (i) What is the total time and labor cost required to execute the above order?
- (ii) If a repeat order of 24 units is also received from the same customer, what is the labour cost necessary for the second order? **[6 Marks]**

5. Answer any three questions out four questions:

[3x4=12 Marks]

- (a) Uses of Learning Curve.
- (b) Objective of Inter Company Transfer Pricing.
- (c) Relationship between Management Accounting and Cost Accounting.
- (d) Distinguish between Fixed and Flexible Budget.

Part-B (Financial Management)

Section-III

6. Answer the following questions:

(a) Choose the correct answer from the given four alternatives.

[1x6=6]

(i) _____ ratio is the indicator of the firm's commitment to meet its short term liabilities.

- (a) Super quick ratio
- (b) Current ratio
- (c) Proprietary ratio
- (d) Quick ratio

(ii) _____ of a company refers to the composition or make up of its capitalization and it includes long term capital resources.

- (a) Capital Budgeting
- (b) Capital structure

(iii) _____ statement reveals the causes of changes in cash position of business concern between two dates of balance sheets.

- (a) Fund Flow Statement
- (b) Cash Flow Statement
- (c) Revenue Statement
- (d) Cost Statement

(iv) Flexible working capital is also known as _____.

- (a) Rigid Working Capital
- (b) Regular Working Capital
- (c) Permanent Working Capital
- (d) Seasonal Working Capital

(v) From the following select one factor which is not determinants of dividend policy of a company.

- (a) Inflation
- (b) Owner consideration
- (c) Capital market conditions
- (d) None of the above

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- (vi) Preference shares must be redeemed within a period of _____ from the date of issue.
- (a) 10 yrs
 (b) 20 yrs
 (c) 30yrs
 (d) 50 yrs

(b) Match the statement in Column I with the most appropriate statement in column II:

[1x4=4]

	Column I		Column II
i	AS-3	A	Window Dressing
ii	The science of Money	B	Quick Ratio
iii	Acid test Ratio	C	Cash Flow Statement
iv	Manipulation of Accounts	D	Finance

(c) State whether the following statements are True or False

[1x4=4]

- (i) Commercial paper is a secured short term promissory note.
- (ii) Current ratios are used for measuring the short term solvency of an entity.
- (iii) Operating leverage reflects the impact of change in sales on the level of operating profits of the firm.
- (iv) A deposit made by one company to another company normally for a period upto 4 months is referred to as inter corporate deposit.

Section IV

Answer any three Question from Q. No 7, 8, 9 and 10. Each Question carries 12 Marks.

7.(a) With the help of enumerated details below please complete the balance sheet of Pankaj Ltd.

Equity share capital		₹ 1,00,000
The relevant ratios of the company are as follows:		
Current debt to Total Debt		.40
Total debt to owners Equity		.60
Fixed assets to Owners equity		.60
Total Assets Turnover		2 times
Inventory Turnover		8 times

8 Marks

7(b) The following are the Balance sheet of Amit Ltd as on 31st March, 16 and 31st Mar, 17.

Liabilities	31.3.16	31.3.17	Assets	31.3.16	31.3.17
Share Capital	44,00,000	66,00,000	Land	33,00,000	44,00,000
Reserve and surplus	27,50,000	38,50,000	Plant and Machinery	50,60,000	69,30,000
Depreciation	8,80,000	13,20,000	Inventories	19,80,000	22,00,000
Bank Loan	17,60,000	8,80,000	Sundry Debtors	11,00,000	17,05,000
Sundry Creditor	13,20,000	14,85,000	Cash and Bank Balance	4,70,000	50,000
Proposed Dividend	4,00,000	6,00,000			
Provision for Taxation	4,00,000	5,50,000			

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Total	1,19,10,000	1,52,85,000		1,19,10,000	1,52,85,000
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Calculate from the above statement the schedule for changes in working capital.

[4 Marks]

8.(a).

The following information is provided by Rajat Ltd for the year ended 31st March.

[6 Marks]

Raw material storage period	55 Days
WIP conversion period	18 Days
Finished goods storage period	22 Days
Debt collection period	45 Days
Creditor collection period	60 Days
Annual Operating Cost (including depreciation of ₹ 2.1 Lakh)	21,00,000
1 year	360 Days

You are required to calculate

1. Operating cycle period
2. Number of operating cycle in a year
3. Amount of working capital required for the company on a cash cost basis.
4. The company is a market leader in its product, there is virtually no competitor in the market. Based on a market research, it is planning to discontinue sales on credit and deliver product based pre payments. Thereby, it can reduce its working capital requirement substantially. What would be the reduction in working capital requirement due to such decision?

8.(b).

Calculate the degree of operating leverage, Degree of financial Leverage and Degree of combined leverage for the following firm and interpret the results.

[6 Marks]

Firm	M	N	C
Output (in units)	250000	125000	750000
Fixed Cost (₹)	500000	250000	1000000
Unit Variable Costs (₹)	5.00	2.00	7.50
Unit Selling Price (₹)	7.50	7.00	10.00
Interest Expenses (₹)	75,000	25,000	-

9.(a).

The following is an extract from the financial statement of Sagar Limited:

[6 Marks]

	₹
Operating Profit	105.0
Less: Interest on Debenture	33.0
Earning before Taxes	72.0
Less: Income Tax (35%)	25.2
Earnings after taxes	46.8
Equity Share Capital (share of ₹ 10 each)	200.0
Reserve and surplus	100.0
15 % Non convertible debenture (of ₹ 100 each)	220.0
Total capital employed	520.

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The market price per equity shares is ₹ 12 and per Debenture is ₹ 93.75.

Calculate

1. Earning per shares
2. Percentage cost of capital to the company for debenture and equity.

9.(b).

Compute Average rate of return if cost of assets is ₹ 2,00,000, useful life is 5 years, cash flow after taxes is ₹ 86,000 p.a.

Project M requires an investment of ₹ 10 Lakh and yield profit after taxes and depreciation as follows-

Year	Profit after taxes and depreciation
1	50,000
2	75,000
3	1,25,000
4	1,30,000
5	80,000

10. Write a short note on any three

[3x4=12 Marks]

- (a) Scope of Financial Management
- (b) Factoring
- (c) Limitation of Fund Flow Statement
- (d) Distinguish between Factoring vs Bill Discounting