Common Pa62

Name : ....

Roll No. : ....

Invigilator's Signature : ....

CS/B.TECH (CSE/IT/EIE (O)/EE (O+N)/CT/ICE/SEM-7/HU-701/2010-11

2010-11

FINANCIAL MANAGEMENT & ACCOUNTS

Time Allotted : 3 Hours *Full Marks* : 70

The figures in the margin indicate full marks.
Candidates are required to give their answers in their own words as far as practicable.

GROUP – A

(Multiple Choice Type Questions)

1. Choose the correct answers for any *ten* of the following : $10 \times 1 = 10$

i) Agreement of Trial Balance ensures

a) the arithmetic accuracy of recording transactions

b) the arithmetic accuracy of Ledger posting

c) the arithmetic accuracy of all accounting records

d) the arithmetic accuracy of cash position of business.

ii) Working capital means

a) Current Assets (–) Non-current Liabilities

b) Non-current Assets (–) current Liabilities

c) Current Assets (–) Current Liabilities

d) Current Assets (–) Inventory (of work in process)

iii) The Break-even point is the point at which the firm makes

a) Zero profit
b) Super profit
c) Normal profit
d) Optimal profit (in units).

iv) Margin of safety means

a) BEP sales (–) Actual sales
b) Budgeted sales (–) BEP sales
c) Actual sales (–) BEP sales
d) BEP sales (–) total contribution.

v) The debit balance of P/L account indicates

a) Gross Loss
b) Net Profit
c) Net Loss
d) the presence of a suspense account.

vi) Wages paid for erection of new plant is

a) Revenue expenditure
b) Capital Expenditure
c) Deferred revenue expenditure
d) Miscellaneous expenditure.

vii) Stores ledger is maintained in

a) Store Department

b) Accounts Department

c) Cost Accounts Department

d) Purchase Account Department.

viii) Direct wages is a .

a) Fixed cost b) Variable cost

c) Semi-variable cost d) Step cost.

ix) Liquid assets is equal to

a) Current assets–Stock

b) Current assets–Stock and prepaid

c) Current assets–Fictitious assets

d) Current assets–Prepaid expenses.

x) Current ratio measures

a) the solvency of the business

b) the liquidity of the business

c) the profitability of the business

d) the efficiency of the business.

xi) The maintenance department of a thermal power plant is a

a) Revenue centre b) Critical centre

c) Profit centre d) Cost centre.

GROUP – B

(Short Answer Type Questions)

Answer any *three* of the following. $3 \times 5 = 15$

2. Using the information given below, compute the payback period under discounted payback method :

   Initial investment Rs. 1,20,000. Estimated life 4 years. Profit after tax (at the end of) four years are Rs. 40,000, Rs. 45,000, Rs. 50,000 and Rs. 35,000 respectively. Expected scrap value after four years estimated Rs. 20,000.

   Depreciation has been calculated under the straight line method. The cost of capital may be taken at 20% p.a. and the present value of Re. 1 at 20% p.a. is given below :

Year :	1	2	3	4
PV factor:	0.83	0.69	0.58	0.48

3. What is meant by "Accounting Rate of Return" method of capital budgeting ?

4. Distinguish between Cash book and Cash flow statement.

5. XYZ Ltd. gives you the following information :

	Rs.		Rs.
Stock-in-trade :	80,000	Debtors :	60,000
Bills Receivable :	20,000	Cash-in-hand :	20,000
Cash-at-bank :	50,000	Creditors :	40.000
Bills Payable :	10,000	Outstanding expenses :	4,000
Furniture :	30,000	Preliminary expenses :	6,000
Short term investment :	40,000	Short term loan :	10,000

   Compute the (a) Gross working capital (b) Net working capital

   2 + 3

6. State the purpose of preparing Cost Sheet with at least three examples.

GROUP – C

(Long Answer Type Questions)

Answer any *three* of the following.

$3 \times 15 = 45$

7. a) What do you mean by Benefit cost ratio method ? How is this applied in a company decided to invest in a nuclear power project ?

   b) Distingnish between Master budget and Flexible budget

$(5 + 5) + 5 = 15$

8. *XY* Company Limited manufactures two products A and B. An estimate of the number of units expected to be sold in the first seven months of 2011 is given below :

MONTH	PRODUCT A	PRODUCT B
January	500	1400
February	600	1400
March	800	1200
April	1000	1000
May	1200	800
June	1200	800
July	1400	1000

It is anticipated that there will be no work-in-progress at the end of any month, and finished units equal to half the anticipated sales for the next month will be in stock at the end of each month(including December, 2010).

The budgeted production costs for the year ending 31st Dec., 2011 are as follows :

	Product A	**Product B**
Production (units)	11000	12000
Direct materials per unit (Rs.)	12	19
Direct wages per unit (Rs.)	5	7
Other manufacturing charges apportionable to each type of product (Rs.)	33,000	48,000

You are required to prepare (a) Production budget showing the number of units to be manufactured each month (b) a summarized production cost budget for 6 month period– January to June 2011.

9. Following ratios are extracted from the books of Basumati Ltd. :

i)	Gross Profit Ratio	20%
ii)	Debtors Turnover / Velocity	2 months
iii)	Stock Turnover	6 times
iv)	Creditors velocity	1 month
v)	Gross profit for the year	Rs. 1,20,000
vi)	Bills Receivable	Rs. 26,000
vii)	Bills Payable	Rs. 3,833

Find out : (a) Sales (b) Sundry Debtors (c) Closing Stock which is Rs. 10,000 more than the Opening Stock (d) Sundry Creditors.

10. From the following information prepare a statement showing the estimated Working Capital to be required by a newly formed manufacturing company with the production capacity of 9000 units per year, for 2008.

Following are the further information :

Element of Cost	**Cost per Unit (in Rs.)**
Materials	5
Wages	6
Overheads	7
Total Cost	**18**
Profit	2
Selling Price	**20**

Additional Information :

Raw Materials are in stock on an average	2 months
Raw Materials are in process on an average	1 month
Finished Goods are in stock	3 months
Credit allowed to Debtors	5 months
Credit allowed by Creditors	4 months
Credit allowed by employees	$^1/_2$ month
Lag in payment in overheads	1 month
Cash in hand & at bank	Rs. 12,000

Production is not carried on evenly during the year and wages & overheads not accrued similarly.

11. A project costs Rs. 16,000 and is expected to generate cash inflows of Rs. 8,000, Rs. 7,000 and Rs. 6,000 at the end of each year for next 3 years. Calculate IRR at 15% and 16% discount rate.

	P.V. Factor	
	16%	15%
1st year	0.862	0.870
2nd year	0.743	0.756
3rd year	0.641	0.658

Also calculate the net present value at 15% discount factor and comment on the acceptability of the project.

12. The following details are available in respect of a consignment of 1250 kgs of material X.

a) Invoice Price — Rs. 20 per kg.
b) Excise duty — 25%
c) Sales Tax — 8% on Invoice Price including excise duty
d) Trade Discount — 10% on Invoice price
e) Insurance — 1% of aggregate Net Price
f) Delivery charges — Rs. 250
g) Cost of containers @ Rs. 60 per container for 50 kgs of materials. Rebate is allowed @ Rs. 40 per container if returned within 6 weeks, which is a normal feature.
h) One container load of materials was rejected on inspection and not accepted.
i) Cost of unloading and handling @ 0.25% of the cost of materials ultimately accepted.

On the basis of above, you are required to find out the landed cost per kg of material X.