

Duration: 2 Hours

Max Marks: 60

Instructions:

1. This paper consists of Nine Questions carrying Equal marks.
2. Question No. 1 consists of 5 Compulsory Questions of 2 Marks Each.
3. Answer any 5 questions from Question 2, 3, 4, 5, 6, 7, 8 and 9.
4. Each question carries 10 marks. Figures to the right indicate marks.

1. a) Why is there a conflict between the profit maximisation and wealth maximisation principle? 02  
b) From the following information, calculate the Margin of Safety:  
Fixed Cost: Rs. 1,00,000  
Variable cost: Rs. 1,50,000  
Total Sales: Rs. 3,00,000 02
- c) XYZ Ltd. has given you the following information:  
Machinery as on April 01, 2019 Rs. 50,000  
Machinery as on March 31, 2020 Rs. 60,000  
Accumulated Depreciation on April 01, 2019 Rs. 25,000  
Accumulated Depreciation on March 31, 2020 Rs. 15,000  
During the year, a Machine costing Rs. 25,000 with Accumulated Depreciation of Rs. 15,000 was sold for Rs. 13,000.  
Calculate cash flow from Investing Activities on the basis of the above information. 02
- d) What is the significance of the Debt Equity Ratio? 02
- e) What is Zero Based Budgeting? 02
2. Differentiate between standard cost and budgeted cost. What are the applications of standard costing in business? 10
3. What are the objectives of Cash Flow Statement? Differentiate between AS 3 and AS 7 for preparation of cash flow statement. 10
4. Describe the system of profit reporting under Absorption costing. Briefly explain the income measurement technique under Marginal Costing and Absorption Costing. 10
5. From the following particulars, find the most profitable product mix. 10

Particulars	Product A	Product B	Product C
Units budgeted to be produced and sold	1,800	3,000	1,200
Selling price per unit	Rs. 60	Rs. 55	Rs. 50
Requirement per unit:			
Direct material	5 kg.	3 kg.	4 kg.
Direct labour	4 hours	3 hours	2 hours
Variable overhead	Rs. 7	Rs. 13	Rs. 8
Fixed overheads	Rs. 10	Rs. 10	Rs. 10
Cost of direct materials per kg	Rs. 4	Rs. 4	Rs. 4
Direct labour hour rate	Rs. 2	Rs. 2	Rs. 2
Maximum possible units of sales	4,000	5,000	1,500

All the three products are produced from the same direct materials using the same type of machines and labour. Direct labour the key factor which is limited to 18,600 hours.



6. From the following information, prepare a cash budget for three months, January to March 2021.

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Month	Sales	Purchases	Wages	Expenses
November, 2020	70,000	44,000	6,000	5,000
December, 2020	80,000	56,000	9,000	6,000
January, 2021	96,000	60,000	9,000	7,000
February, 2021	1,00,000	68,000	11,000	9,000
March, 2021	1,20,000	62,000	14,000	9,000

Additional information:

- Cash balance as on 1<sup>st</sup> January, 2021 is Rs. 32,000.
- Period of credit allowed by suppliers is two months.
- 25% of sales is for cash and the period of credit allowed to customers for credit sales is one month.
- Delay in payment of wages and expenses is one month.
- Income tax of Rs. 28,000 is to be paid in March, 2021.

7. From the following information prepare a Funds Flow Statement for the year 2020.

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Particulars	2019	2020
<b>Liabilities:</b>		
Share Capital	3,00,000	4,00,000
Debentures	2,00,000	2,50,000
Profit & Loss A/c	40,000	60,000
Creditors	70,000	80,000
Bank overdraft	25,000	25,000
Provision for Taxation	30,000	40,000
	<b>6,65,000</b>	<b>8,55,000</b>
<b>Assets:</b>		
Buildings	1,20,000	2,50,000
Machinery	3,00,000	2,60,000
Stock	90,000	80,000
Debtors	1,40,000	2,40,000
Prepaid expenses	15,000	25,000
	<b>6,65,000</b>	<b>8,55,000</b>

The following additional information is obtained:

- The net profit for the year was Rs. 40,000 after charging depreciation.
- During the year depreciation charged was Rs. 30,000 on building and Rs. 40,000 on machinery.
- The company purchased during the year buildings worth Rs. 1, 60,000.
- Dividend paid during the year amounted to Rs. 20,000.

8. AB & C Co.'s records reveal the following data for the month of January. You are required to calculate all the fixed-overhead variances for the month of January.

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Budgeted output: 2,650 no's.

Actual output: 1,855 no's.



Budgeted fixed overhead: Rs. 10,600.

Actual fixed overhead: Rs. 9,275.

Standard hours per unit: 2

Hours available during January: 1,325.

Actual hours worked: 1,192.5

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Using the following data, complete the Balance Sheet given below:

Gross Profits	Rs. 54,000
Shareholders' Funds	Rs. 6,00,000
Gross Profit margin	20%
Credit sales to Total sales	80%
Total Assets turnover	0.3 times
Inventory turnover	4 times
Average collection period	20 days (a 360 days year)
Current ratio	1.8
Long-term Debt to Equity	40%

#### Balance Sheet

I. Equity and Liabilities	Amt
Shareholders' Funds	XXX
Long term Debt	XXX
Creditors	XXX
Total	XXX
II. Assets	
Fixed Assets	XXX
Debtors	XXX
Inventory	XXX
Cash	XXX
Total	XXX