Name : ....

Roll No. : ....

Invigilator's Signature : ....

CS/BBA(H)/SEP.SUPPLE/SEM-6/BBA-601/2012

2012

FINANCIAL MANAGEMENT-III

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 alternatives for any *ten* of the following : 10 × 1 = 10

i) A combination of financial accounting and cost accounting for the purpose of decision making is

a) management accounting

b) integrated accounting

c) social accountinge

d) value added accounting.

ii) Margin of safety is referred to as

a) excess of actual sales over fixed expenses

b) excess of actual sales over variable expenses

c) excess of actual sales over break-even sales

d) excess of budgeted sales over fixed cost.

iii) The difference between the standard hours for the actual output and actual hour is

a) labour rate variance

b) overhead cost variance

c) labour efficiency variance

d) overhead volume variance.

iv) What cost are treated as product cost under marginal cost ?

a) Only direct cost

b) Only variable production cost

c) Only variable cost

d) all variable costs and fixed production cost.

v) If the total cost is Rs. 40,000 and profit is 20% sales, then the profit will be

a) Rs. 6,000

b) Rs. 10,000

c) Rs. 12,000

d) Rs. 8,000.

vi) If standard cost is greater than actual cost then the variance is

a) positive   b) negative

c) neutral   d) favourable.

vii) Zero-based Budgeting was used in the Government budget of which country ?

a) India   b) China

c) USA   d) South Africa.

viii) Cash flow statement in India prepared as per

a) AS-1   b) AS-2

c) AS-3   d) AS-4.

ix) Materials Budget, Labur Budget and Factory Overhead Budget is a part of

a) Production Cost Budget

b) Purchase Budget

c) Production Budget

d) Sales Budget.

x) Receipts and Payment Method, Adjusted Profit and Loss Method and Balance Sheet Method are implemented in the preparation of

- a) Capital Expenditure Budget
- b) Plant Utilisation Budget
- c) Production Budget
- d) Production Cost Budget.

xi) Stock turnover ratio is expressed as

- a) Credit sales/Average inventory
- b) Cost of goods sold/Average inventory
- c) Gross profit/Average inventory
- d) Average inventory/Sales.

xii) Which of the following is *not* an example of outflow of cash ?

a) Depreciation	b) Purchase of furniture
c) Repayment of loan	d) Payment of Tax.

GROUP – B

(Short Answer Type Questions)

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

2. Distinguish between Fixed Budget and Flexible Budget.

3. On the basis of the following information you are required to ascertain—

   a) Sales to break-even

   b) Sales to earn a profit of Rs. 60,000 if selling price is reduced by Re. 1

Sales (10,000 Units)	Rs. 1,60,000
Variable Cost	Rs. 96,000
Fixed Cost	Rs. 48,000

4. List some of the tools and techniques of Management accounting which help in the corporate decision making process.

5. Write the importance of Du-point Analysis.

6. How does marginal costing help in exploring new markets ?

GROUP – C

(Long Answer Type Questions)

Answer any *three* of the following. $3 \times 15 = 45$

7. Prepare fund flow statement from the following data :

Liability	**Year-I (Rs.)**	**Year-II (Rs.)**	**Asset**	**Year-I (Rs.)**	**Year-II (Rs.)**
Share Capital	4,50,000	4,50,000	Fixed	4,00,000	3,20,000
General Reserve	3,00,000	3,10,000	Assets	50,000	60,000
P and L a/c	56,000	68,000	Investment	2,40,000	2,10,000
Creditor	1,64,000	1,29,000	Stock	2,10,000	4,55,000
Provision for Taxation	75,000	10,000	Debtors	1,49,000	1,97,000
Provision for bad debt	4,000	5,000			
Loan	---	2,70,000			
	10,49,000	12,42,000		10,49,000	12,42,000

Additional information :

(i) Investment costing Rs. 8,000 were sold during the year for Rs. 8,500.

(ii) Provision for tax made during the year Rs.9,000

(iii) During the year the fixed asset costing Rs. 10,000 was sold for Rs. 12,000 and the profit was included in P and L Account.

(iv) Dividend paid during the year amounted to Rs. 40,000.

15

8. a) Following are the details for the trading activities of ABC Ltd. :

Stock velocity	8 months
Debtors velocity	3 months
Creditors velocity	2 months
Gross profit ratio	25%

Gross profit for the year is Rs. 4,00,000. Bills receivable Rs. 25,000 and Bills payable Rs. 10,000. Closing stock for the year is Rs. 10,000 more than opening stock. Find out :

(i) Total Sales

(ii) Sundry Debtors.

b) What are the significance of Liquidity ratios ? 10 + 5

9. A standard labour cost of producing 40 units of a product is 30 hours work by skilled workers at a standard rate of Rs. 60 per hour and 90 hours work by unskilled workers at the standard rate of Rs. 20 per hour. 40 units of product were produced for which skilled workers were paid for 20 hours at Rs. 55 per hour and unskilled workers were paid for 130 hours at Rs. 24 per hour. Due to a machine breakdown both skilled and unskilled workers lost 9 hours each. They were paid even for this time.

   Calculate :

   (i) Labour cost variance

   (ii) Labour rate variance

   (iii) Labour efficiency variance

   (iv) Labour mix variance

   (v) Labour yield variance.

10. From the following information of X Co. Ltd., prepare a cash budget for the three months commencing on 1st June, 2012 when bank balance was Rs. 20,000.

Month	**Sales**	**Purchase**	**Wages**	**Selling Expenses**	**Overhead**
April	2,00,000	1,40,000	17,000	7,000	8,000
May	2,40,000	1,60,000	19,000	7,000	9,000
June	2,80,000	1,80,000	19,000	7,000	12,000
July	3,20,000	2,00,000	24,000	7,000	13,000
August	3,60,000	2,20,000	28,000	7,000	14,000

A sales commission of 2% on sales due one month after sales is payable in addition to the above selling expenses. Credit terms of sales are : payment by the end of the month following the month of supply. On average one half of the sales are paid on the due date, while the other half is paid during the next month. Creditors are paid during the month following the month of supply. Plant purchased in June for Rs. 1,50,000 is payable on delivery Rs. 50,000 and balance in two equal monthly installments in July and in August. 75% of wages are payable and paid on due data while the balance is paid on the next month. Lag in payment of selling expenses and overheads are one month. 15

11. Write short notes on any *there* of the following : 3 × 5

a) Pricing of services

b) Responsibility accounting

c) Tools of management accounting

d) Master Budget

e) Absorption costing.