RPN – 04

M.Com. (Semester – I) Examination, November 2016
COC103 : MANAGERIAL ACCOUNTING (OA – 18)

Duration : 3 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. Figure to the* ***right*** *indicate marks.*

1. Answer the following short questions in brief : **(5×2=10)**
   a) What is Accounting Standard ? How it is different from concept ?
   b) What is Financial Trend ? How do you compute it ?
   c) What is to be disclosed in Inventory Valuations ?
   d) What is Return on Investment ? How do you measure it ?
   e) How do you compute lease rentals ?

2. What is Managerial Accounting ? Explain the tools and techniques of Managerial Accounting in brief.

3. What is Inflation Accounting ? Distinguish between Current Purchasing Power Method (CPP) and Current Cost Accounting Method (CCA).

4. What is Break Even Point ? Discuss the effect of Fixed Cost and Variable Cost and Sales with the help of Graph.

5. From the following information of SR Ltd., complete the proforma balance sheet if its sales are Rs. 32,00,000.

Sales to Networth	: 2.3 times
Current Debt to Networth	: 42%
Total Debt to Networth	: 75%
Net Sales to Inventory	: 4.7 times
Current Ratio	: 2.9 times
Average Collection Period	: 64 days
Fixed Assets to Networth	: 53.2%

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Liabilities	Amount Rs.	Assets	Amount Rs.
Networth		Fixed Assets	
Long term Debt		Cash	
Current Debt		Stock	
		Sundry Debtors	
Total		**Total**	

6. A firm having a capacity of 65,000 units per year produces 50,000 units which are consumed in domestic market at Rs. 12 per unit. The cost sheet of the product is given as under.

Particulars		Rs.
Direct Material		4.00
Direct Labour		3.00
Factory Overheads :		
Fixed	0.50	
Variables	1.50	2.00
Administrative Expenses		1.00
Selling and Distribution Expenses		
Fixed	0.25	
Variable	0.50	0.75

A foreign customer is interested in the product but he is willing to buy only 15,000 units at a price of Rs. 10 per unit. Advise whether the order should be accepted. What will be your advice if the order were from domestic merchant ?

7. The following information at 50% capacity is given. Prepare a flexible budget and forecast the profit or loss at 60%, 70% and 90% capacity.

Particulars	Amounts Rs.
Fixed Expenses :	
Salaries	50,000
Rent and Taxes	40,000
Depreciation	60,000
Administration Expenses	70,000
Variable Expenses :	
Materials	2,00,000
Labour	2,50,000

Others	40,000
Semi-Variable Expenses :	
Repairs	1,00,000
Indirect labour	1,50,000
Others	90,000

It is estimated that fixed expenses will remain constant at all capacities. Semi-variable expenses will not change between 45% and 60% capacity, will rise by 10% between 60% and 75% capacity, a further increase of 5% when capacity crosses 75%. Estimated sales at various levels of capacity are :

Capacity	**Sales (Rs.)**
60%	11,00,000
70%	13,00,000.
90%	15,00,000

8. From the following Balance Sheets of RSJ Ltd., for the year ending 31st December, 2014 and 2015, prepare Cash Flow Statement.

Liabilities	**2014**	**2015**	**Assets**	**2014**	**2015**
Equity share capital	2,15,000	2,75,000	Goodwill	–	20,000
Reserves	40,000	40,000	Plant and Machinery	1,12,950	1,16,200
Profit and Loss Account	39,690	41,220	Land and Buildings	1,48,500	1,44,250
Provision for Tax	40,000	50,000	Current Assets	1,98,530	1,70,730
Bank Loan	59,510	–	Cash	7,500	7,700
Current Liabilities	73,280	52,660			
	4,67,480	**4,58,880**		**4,67,480**	**4,58,880**

The following information is also provided :

a) A dividend of Rs. 26,000 was paid during the year 2015.

b) Profit before tax for the year was Rs. 62,530.

c) During the year 2015, the company paid tax of Rs. 25,000.

d) During the year, the company purchased another company and paid Rs. 60,000 in share capital. It acquired stock Rs. 21,640 and plant Rs. 18,360.

e) It purchased machinery costing Rs. 5,650 during the year.

9. Raj Ltd., is considering to acquire an additional sophisticated computer to augment its time-share computer services to its clients. It has two options :

Either, a) to purchase the computer at a cost of Rs. 44,00,000, or

b) to take the computer on lease for 3 years from a leasing company at an annual lease rental of Rs. 10,00,000 plus 10% of gross time share service revenue.

The agreement also requires an additional payment of Rs. 12,00,000 at the end of the third year. Lease rentals are payable at the end and the computer reverts back to lessor after period of contract.

The company estimates that the computer will be worth Rs. 20,00,000 at the end of the third year. The gross revenue to be earned is as follows :

Year	Revenue in Rs.
1	45,00,000
2	50,00,000
3	55,00,000

Annual operating cost (excluding depreciation/lease rentals) are estimated at Rs. 18,00,000 with an additional cost of Rs. 2,00,000 for startup and training at the beginning of the first year. These costs are to be borne by the lessees in case of lease arrangement also. The company proposes to borrow @ 16% interest finance the purchase of the computer and the repayments are to be made as per the following schedule :

Year	Repayment of Principal (Rs.)	Interest (Rs.)	Total (Rs.)
1	10,00,000	7,04,000	17,04,000
2	17,00,000	5,44,000	22,44,000
3	17,00,000	2,72,000	19,72,000

For the purpose of this computation, assume that the company uses the straight line method of depreciation on assets and pays 50% tax on its income. You are required to analyses and recommend to the company which of two options is better.

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