

Name :

Roll No. :

Invigilator's Signature :

CS/BBA (H)/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) When the liquid ratio is 1 : 5 and the amount of current liabilities and bank overdraft is Rs. 40,000 and Rs. 10,000 respectively, what is the amount of liquid assets ?

- | | |
|---------------|----------------|
| a) Rs. 55,000 | b) Rs. 60,000 |
| c) Rs. 70,000 | d) Rs. 80,000. |

ii) The term liquid assets does not include

- | |
|---|
| a) cash in hand |
| b) cash at bank |
| c) inventory |
| d) FCNR (B) account balance held in US Dollars. |



- iii) Shortage of efficient executives is a limiting factor for
- a) Sales
 - b) Materials
 - c) Labour
 - d) Management.
- iv) Debtor turnover ratio is expressed as
- a) credit purchase / average debtors
 - b) credit sale / average debtors
 - c) cost of goods sold / average debtors
 - d) sales / average debtors.
- v) Which one is the non-current liability ?
- a) Issue of 10% debentures
 - b) Bank overdraft
 - c) Outstanding wages
 - d) Payment orders for the provides of security and courier services.
- vi) Labour efficiency variance is computed by the formula
- a) $SR (SH - AH)$
 - b) $AR (SH - AH)$
 - c) $SR (AH - SH)$
 - d) $AR (AH - SH)$.
- vii) Contribution per unit is Rs. 100. Fixed cost Rs. 6,00,000. Production and sales is 8,000 units. Total contribution is
- a) Rs. 6,00,000
 - b) Rs. 4,00,000
 - c) Rs. 8,00,000
 - d) None of these.
- viii) Fixed cost Rs. 10,000 P/V ratio 50%, break-even sales will be
- a) Rs. 20,000
 - b) Rs. 40,000
 - c) Rs. 50,000
 - d) None of these.



- ix) Cash from operation is
 - a) an inflow of cash
 - b) an outflow of cash
 - c) both of these
 - d) none of these.
- x) Payment of tax is
 - a) an application of funds
 - b) source of funds
 - c) both of these
 - d) none of these.
- xi) Under absorption costing
 - a) all costs are taken with the product
 - b) only variable cost is taken
 - c) only fixed cost is taken
 - d) none of these.
- xii) Production budget is a
 - a) Functional budget
 - b) Expenditure budget
 - c) Master budget
 - d) none of these.



GROUP – B

(Short Answer Type Questions)

Answer any *three* of the following.

3 × 5 = 15

2. Discuss the three managerial functions in which management accounting information can be used.
3. Distinguish between standard costing and budgetary control.
4. What are the advantages and disadvantages of marginal costing ?
5. Distinguish between fund flow statement and cash flow statement.
6. Rainbow Ltd. sold goods for Rs. 30,00,000 in a year. In that year the variable costs were Rs. 6,00,000 and fixed costs were Rs. 8,00,000. You are required to find out :
 - i) P/V ratio
 - ii) Break-even sales
 - iii) Break-even sales if the selling price was reduced by 10% and fixed costs were increased by Rs. 1,00,000.

**GROUP – C****(Long Answer Type Questions)**Answer any *three* of the following. $3 \times 15 = 45$

7. The following are the summarized balance sheets of X Ltd. as on 31st December 2010 and 31st December 2011 :

Liabilities	2010 (Rs.)	2011 (Rs.)	Assets	2010 (Rs.)	2011 (Rs.)
Share capital	12,00,000	16,00,000	Plant and Machinery (at cost)	8,00,000	12,90,000
Debentures	4,00,000	6,00,000	Land and building (at cost)	6,00,000	8,00,000
Profit and loss account	2,50,000	5,00,000	Stock	6,00,000	7,00,000
Creditors	2,30,000	1,80,000	Bank	40,000	80,000
Provision for bad and doubtful debts	12,000	6,000	Preliminary expense	14,000	12,000
Depreciation on land and building	40,000	48,000	Debtors	1,38,000	1,22,000
Depreciation on plant and machinery	60,000	70,000			
Total	21,92,000	30,04,000	Total	21,92,000	30,04,000

Additional Information :

- a) During the year a part of machinery costing Rs. 1,40,000 (accumulated depreciation there on was Rs. 4,000 was sold for Rs. 12,000)
- b) Dividend for Rs. 1,00,000 was paid during the year.

Prepare the cash flow statement for the year 2010 as per AS-3.

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8. The standard cost of a material mixture is

40% material A at Rs. 20 per kg

60% material B at Rs. 30 per kg.

A standard loss of 10% is expected in production. During a period there is used :

90 kgs. material A at a cost of Rs. 18 per kg.

110 kgs. material B at a cost Rs. 34 per kg.

The weight produced is 182 kgs of ideal product.

Calculate :

- a) Material cost variance
- b) Material price variance
- c) Material mix variance
- d) Material yield variance.



9. Summarised below are the income and expenditure forecasts for the months of March to August, 2012 :

Month	Sales (all credit Rs.)	Purchases (all credit Rs.)	Wages	Manufacturing expenses	Office expenses	Selling expenses
March	70,000	48,000	12,000	6,000	3,000	5,500
April	74,000	50,000	10,000	5,000	2,000	6,000
May	76,000	44,000	14,000	7,000	3,500	5,000
June	68,000	46,000	9,000	4,500	3,000	4,500
July	64,000	47,000	11,000	5,000	2,000	5,000
August	72,000	45,000	10,000	4,000	2,500	5,500

You are given the following further information :

- Plant costing Rs. 20,000 is due for delivery in July, payable 10% on delivery and the balance after three months.
- Advance tax of Rs. 10,000 each is payable in March and June.
- Period of credit allowed
 - by suppliers 2 months and
 - to customers 1 month.
- Lag in payment of manufacturing expenses : $\frac{1}{2}$ month
- Lag in payment of all expenses : 1 month

You are required to prepare a cash budget for the three months starting on 1st May 2012, when there was a cash balance of Rs. 10,000.

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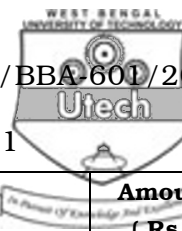


10. From the following statement of Samrat Company Ltd. for the year ended 30th June, 2011, calculate the following ratios :

- Current ratio
- Stock turnover ratio
- Working capital turnover ratio
- Return on proprietor's fund
- Average collection period
- Return on capital employed.

Profit & Loss Account for the year ended 30th June, 2011

Dr.		Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Opening stock	2,00,000	By Sales	36,00,000
" Purchases (credit)	20,00,000	" Closing stock	4,00,000
" Gross profit c/d	18,00,000		
	40,00,000		40,00,000
" Office & administration expenses	6,00,000	" Gross profit b/d	18,00,000
" Selling & distribution expenses	3,00,000	" Profit on sale of assets	60,000
" Other financial expenses	1,00,000		
" Net profit	8,60,000		
	18,60,000		18,60,000



Balance sheet as on 30th June, 2011

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
1,10,000 equity share of Rs. 10 each	11,00,000	Land & Buildings	9,00,000
General Reserve	4,50,000	Plant & Machinery	5,00,000
Profit & Loss Account	3,50,000	Stock	4,00,000
Sundry creditors	5,60,000	Sundry debtors	3,80,000
Bills payable	40,000	Bills receivable	20,000
		Cash & bank	2,00,000
		Miscellaneous expenses	1,00,000
	25,00,000		25,00,000

11. Following are the Balance Sheets of Tiptop Co. Ltd. for the year ended 31st March, 2012 :

Liabilities	31. 03. 11 (Rs.)	31. 03. 12 (Rs.)	Assets	31. 03. 11 (Rs.)	31. 03. 12 (Rs.)
Share capital	2,50,000	3,00,000	Land & Buildings	3,35,000	2,40,000
Share premium		10,000	Plant & machinery	1,85,000	3,50,000
Revenue reserve	12,500	25,000	Furniture and fixtures		52,500
Profit & Loss A/c.	47,500	55,000	Stock-in-trade	50,000	55,000
Loan (long term)	2,00,000	2,25,000	Debtors	20,000	24,000
Sundry creditors	65,000	75,000	Bills receivable	3,000	6,000
Bills payable	5,000	12,500	Cash at bank	12,000	17,500
Outstanding expenses	2,500	2,000	Cash in hand	3,500	6,000
Provision for taxes	17,500	30,000	Preliminary expenses	11,500	8,500
Proposed dividend	20,000	25,000			
	6,20,000	7,59,500		6,20,000	7,59,500

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Additional Information :



- a) During the year an old building was sold at book value.

Depreciation of Rs. 45,000 was charged to Land &

Building A/c. for the whole year.
- b) An old plant costing Rs. 40,000 (depreciation charged

up to the date of sale Rs. 15,000) were sold at

Rs. 20,000. Depreciation of Rs. 50,000 was charged on

plant & machinery.
- c) Dividend and taxes provided for 2010-2011.

You are required to prepare

- i) Statement of changes of working capital during the year

2011-2012
- ii) A statement of sources and application of fund for the

year ended 31. 03. 2012.



12. Write short notes on any *three* of the following : 3 × 5

- a) Minority interest
 - b) Product mix
 - c) Operating cycle
 - d) Share premium
 - e) Provision for depreciation.
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