University of Pune
Department of Management Sciences (PUMBA)
Executive MBA Programme

102 : Financial and Management Accounting

Max. Marks : 50 Time : 2 ½ Hours

Instructions : Question 1 is compulsory (20 marks). Attempt any two of the remaining (15 marks each)

Q. 1. The following is the Trial Balance of Rajan Jewellers as on Dec. 31st 2009

Debit balances	Rs.	Credit Balances	Rs.
Opening inventory	72,000	Capital	5,00,000
Purchases	2,25,000	Sales	3,50,000
Furniture	15,000	Purchase returns	1,800
Motor Car	30,000	Creditors	56,000
Buildings	4,25,800	Commission	7,500
Debtors	50,000		
Advertisement	22,000		
Repairs & Maintenance	13,000		
General Expenses	16,000		
Insurance	7,000		
Cash in hand	3,500		
Cash at bank	6,000		
Salaries	30,000		
Total	**9,15,300**		**9,15,300**

You are required to draft Trading & Profit and Balance Sheet as on December 31, 2009, after considering the following adjustments:

Closing Inventory as at 31.12.2009, Rs.80,000

1. Prepaid advertisement Rs.2,000
2. Interest on Capital at 6%
3. Goods used for domestic purposeRs.1,800
4. Outstanding salaries Rs.3,000
5. Depreciate Buildings at 5%, Furniture 5% and Motor Car at 10%

Q. 2 The following information relates to Rajaram Enterprises Ltd., Bangalore for the months ending 31.3.09

<u>Fixed Expenses</u>	
Management salaries	2,00,000
Rent & taxes	1,50,000
Depreciation of machinery	1,80,000
Sundry expenses	2,20,000

Variable Expenses (at 50% capacity)

Materials	4,00,000
Labour	4,50,000
Selling expenses	1,00,000
Semi-Variable Expenses (at 50% capacity)	
Plant maintenance	70,000
Indirect Labour	2,50,000
Salary of Sales force	80,000
Sundry Expenses	60,000

Following additional information is given:

(i) Semi-variable expenses remain constant at 50% and 60% level and increases by 10% between 70% and 85% capacity and by 20% between 85% & 100% capacity.

(ii) Sales at the various levels are:

Rs.21,00,000 at 50%

Rs.25,00,000 at 60%

Rs.35,00,000 at 80%

Rs.43,00,000 at 100%

(iii) Variable expenses increases in proportion to the capacity

Prepare Flexible Budget at 60%, 80% and 100% levels.

Q.3 Accuracy Calculators ltd. manufactures engineering calculators and the selling price was fixed at Rs.400. The following are the cost particulars:

Direct material cost	Rs.140
Direct labour cost	Rs.40
Variable factory overhead	Rs.20
Other variable cost	Rs.20
Fixed overhead	Rs.5,00,000 per annum
Commission	30% on selling price

The Company was producing only 10,000 units since the demand was only 10,000 units. However, the Company has the capacity to produce another 1,000 units without any additional fixed overheads. One of the distributors offered to take 1,000 units in addition to their normal quota, but at a selling price of Rs.320 per unit. He was also prepared to accept only half of his regular commission for this transaction. The Managing Director wants you to prepare a statement to the Board of Directors with your specific recommendations based on the calculations in the statement.

Q. 4 Following movements are observed in the movement of an inventory item during the month of August 2009

Date	Particulars
01.08.10	Opening balance 100 units valued at Rs.10 per unit
05.08.10	Purchased 250 units at Rs.11 per unit
08.08.10	Issued 140 units
12.08.10	Purchased 200 units at Rs.12 per unit
14.08.10	Issued 220 units
18.08.10	Issued 140 units
20.08.10	Purchased 250 units at Rs.14 per unit
28.08.10	Issued 150 units

On 25th of the month, the storekeeper observed a shortage of 80 units.

Prepare a statement showing how the issues would be priced if FIFO and Weighted Average Method are followed.

Q.5 The following are the costing records for the year 2009 of a manufacturer:

Production 1000 units

Cost of raw materials Rs.20,000

Labour cost Rs.12,000

Factory overhead Rs.8,000

Office overhead Rs.4,000

Selling overhead Rs.1,000

Rate of profit on selling price 25%

The manufacturer decides to produce 1,500 units during the year 2010. It is estimated that the cost of raw materials will increase by 20% and labour cost will increase by 10%. 50% of the overheads are fixed and the other 50% are variable. The selling expenses per unit will be reduced by 20%. The rate of profit will remain the same.

Prepare a cost sheet for the year 2010 showing the total cost and the selling price per unit.

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Note:

1) Answer any FIVE of the following questions

2)All questions carry equal marks

Q1. Prepare Cash Budget for October, November and December 2009 from the following information:

Actual (`)		Budgeted (`)	
PURCHASES			
July	40,000	October	50,000
August	50,000	November	40,000
September	45,000	December	35,000
SALES			
July	90,000	October	90,000
August	80,000	November	80,000
September	85,000	December	80,000
WAGES			
July	25,000	October	30,000
August	30,000	November	30,000
September	35,000	December	35,000
GENERAL EXPENSES			
July	7,000	October	8,000
August	6,000	November	6,000
September	5,000	December	7,000

a) Incentive bonus payable in October `2,000
b) Advance Income tax payable in December `5,000
c) Plant to be purchased in November `15,000
d) 10% of the purchases and sales are on cash basis
e) Rent `250 payable each month
f) Credit purchases are paid after one month and credit sales are collected after two months
g) Time lag in wages and general expenses: half month
h) Cash and bank balances on 1st October 2009 are `40,000

Q2. Under Taylor's Differential Piece Rate System, find out the earnings of the workers from the following particulars -

a) Standard time per piece = 20 minutes
b) Normal rate per hour = `9
c) In a 9 hour day
d) X produces 25 units and Y produces 30 units
e) Taylor's Differentials are measured as
f) Low piece rate - 83% of piece rate
g) High piece rate – 175% of piece rate

Q3. Prepare a Statement showing the pricing of issues, on the basis of (a) Simple Average and Weighted Average methods from the following information pertaining to Material D.

1.10 10	Purchases 100 units @ `10
3.10.10	Purchases 200 units @ ` 10.20
5.10.10	Issued 250 units to job X vide M.R. No.12
13.10.09	Purchased 300 units @ `10.50
15.10.09	Purchased 200 units @ `10.80
23.10.09	Purchases 600 units at `3.80 per unit
25.10.09	Issues 500 units

Q4. Product X is obtained after it passes through three distinct processes. You are required to prepare Process Accounts from the following information:

	Total	**Process I**	**Process II**	**Process III**
Materials	` 15,084	` 5,200	` 3,960	` 5,924
Direct Wages	` 18,000	` 4,000	` 6,000	` 8,000
Product Overheads	` 18,000			

- ✓ 1,000 units @ `6 per unit were introduced in Process I
- ✓ Production overheads to be distributed as 100% of Direct wages

Actual Output	**Unit**	**Normal Loss**	**Value of Scrap [per unit]**
Process I	950	5%	`4
Process II	840	10%	`8
Process III	750	15%	`10

Q5. A worker takes 6 hours to complete a job under a scheme of payment by results. Standard time allowed for the job is 9 hours. His wages rate it ` 1.50 per hour. Material cost of the job is ` 16 and overheads are recovered at 150% of total direct wages. Calculate factory cost of the job under:

[a] Rowan [b] Halsey systems of Incentive payments

Q6. Shalimar Ltd. has four production departments M, N, O and P and two service departments namely 'Transport' and 'Power Supply'. The particulars of the expenses of the respective departments are as follows:

Production Departments		**Service Departments**	
M	` 1,000	Transport	` 550
N	` 900	Power	` 380
O	` 800		
P	` 700		

The service department's expenses are charged out on a percentage basis given below:

	Production Departments				**Service Departments**	
	M	N	O	P	Transport	Power
Transport	10%	30%	20%	20%	-	20%
Power Supply	30%	20%	30%	10%	10%	-

Using the above information, apportion the service department's expenses to various production departments on 'Simultaneous Equations Method'.

Q7. A manufacturing organization engaged in the business of executing various jobs as per the customer requirements has received an enquiry from one of the customers for which the organization is supposed to submit a quotation. The Production Manager has worked out the following cost details –

Raw materials required	` 20,000
Bought out components	` 18,000
Primary Packing Material	` 5,000
Oils, lubricant and other consumables	` 3,000
Direct workers	400 labour hours @ ` 30 per hour
Expenses directly chargeable to job	20% of Direct Materials Cost
Other Factory Overheads	15% of Prime Cost
Support from Administrative Staff	100 Man Hours @ ` 80 per hour
Other Administrative Overheads	10% of Factory Cost
Selling Overheads	12% of the Total Cost

What selling price should be quoted to the customer if the organization intends to earn a profit of 20% on the selling price?