

PGDM (Retail) Batch 2021-23
Financial and Managerial Accounting

RM- 103

Trimester – IV, End-Term Examination: September 2022

Time allowed: 2 Hours

Max Marks: 40

Roll No: _____

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. In case of rough work please use answer sheet.

Make assumptions wherever necessary and write them down at the end of solution.

Sections	No. of Questions to attempt	Marks	Marks
A	4 Questions	5 Marks each	4*5 =20
B	Compulsory Case Study	20 Marks	20
		Total Marks	40

SECTION A

A 1a. (CO 2)

The Accounts of ABC Manufactures Ltd. For the year ending 31st December, 2021 shows the following:

Stock of Raw Materials on 1.1.2021	Rs. 6,720
Materials Purchased	Rs. 1,50,000
Materials returned to suppliers	Rs. 2,000
Direct labour	Rs. 50,000
Direct expenses	Rs. 15,300
Factory Expenses	Rs. 20,000
Office and administrative expenses	Rs. 8,000
Selling and Distribution expenses	Rs. 7,900
Stock of Materials on 31.12.2020	Rs. 7,720
Profit	Rs. 10,000

Find out:

- a. Material consumed
- b. Prime Cost
- c. Work Cost
- d. Cost of Production
- e. Sales

OR

A 1b. (CO 2)

Differentiate between Fixed and Variable Cost **(2 marks)**

ii. Classify and define cost on the basis of nature or element **(2 marks)**

iii. Define BEP **(1 mark)**

A 2a. (CO 2)

ABC sells wedding dresses. The cost of **each** dress is comprised of the following:

Selling price of \$1,000 and variable (flexible) costs of \$400. Total fixed (capacity-related) costs for Bridal Shoppe are \$90,000

Answer the following:

- A. What is the contribution margin per dress? **(1 mark)**
- B. What is the ABC's total profit when 200 dresses are sold? **(2marks)**
- C. How many dresses must ABC sell to reach the breakeven point? **(2marks)**

OR

A 2b. (CO 2)

Explain briefly the meaning, nature and scope of management accounting. **(2marks)**

ii. When the sales increase from Rs.40,000 to Rs.60,000 and profit increases by Rs.5,000, the P/V ratio

is—

- (a) 20%
- (b) 30%
- (c) 25%
- (d) 40%.

(2marks)

iii. _____ costs are not useful for decision making as all past costs are irrelevant.

(1 mark)

A 3a. (CO 1)

During the current year 2021-2022, AB Ltd. issued its debentures worth Rs.20,00,000 including Rs.12,00,000 for cash and balance to Mr. Dinesh, as consideration, for purchase of machinery

from him. At the time of preparation of Cash flow statement, the accountant has recorded the entire Rs.20,00,000 as cash flows from financing activities with the contention that the issue of debentures by a company is a part of financing activity cashflows.

Required:

- (i) Briefly explain the term cash and cash equivalents for the purpose of Cash flow statement. **(2 marks)**
- (ii) Do you agree with the treatment carried out by the accountant for presenting the transaction in the cash flow statement? **(3 marks)**

OR

A 3b. (CO1)

From the following details provided by BS Ltd., calculate Inventory turnover ratio

Sales	Rs.80,00,000
GP Ratio	20%
Average stock	Rs.6,40,000

BP Ltd. is a strong competitor of BS Ltd. and inventory turnover ratio is 8 times. Based on your understanding and calculation for ratios, of the two companies BS Ltd. and BP Ltd., which one is better in terms of inventory turnover and why?

A 4a. (CO3)

B Ltd. is in the business of mobile phones and electronic gadgets for the last 15 years in Delhi and NCR. At the time of stock valuation, the management is not satisfied with the method followed by the accountant of the organization. The management is of the opinion that the inventory to be valued at FIFO basis whereas the accountant has suggested the LIFO basis. The company have approached you for the method of inventory valuation to be followed. Do give your suggestion and answer with the help of an example.

OR

A 4b. (CO3)

The understanding of concepts of capital and revenue items are of fundamental importance to the correct determination of accounting profit for a period. Discuss the basic principles which would guide you in allocating expenditure as capital expenditure, revenue expenditure and deferred revenue expenditure.

Section B- 20 Marks (CO 1,3)

GHJ Ltd. is in the business of manufacturing toys for kids for the last 20 years. They have a good credit rating and reputation in the market as they repay their obligations on time and also sell quality products and provides very effective after sales service to their customers. In 2021, there are three parties which includes a bank, a raw material supplier and an individual who have to act based on their evaluation of GHJ's Ltd. financial statements:

- For its long-term financing requirements, the company approached ABK Bank and made a request for the same.
- SK Materials is considering the supply of raw materials on credit to GHJ Ltd.
- For retirement benefits Mr. Anil is thinking whether to invest in GHJ's Ltd.'s shares.

The following ratios have been provided by the company for the purpose of evaluation by the above parties:

Profit Margin	5.25%
Asset turnover	2.4 times
Return on assets	8.9%
Return on equity	21%
Earnings per share	Rs.4.21
Current Ratio	1.46
Quick ratio	1.12
Debt- to- equity	2.3
Interest coverage ratio	4.13
P/E ratio	27 Times

Required:

- a. For the three decision makers namely, ABK Bank, SK Materials and Mr. Anil, select two relevant indicators. **(15 Marks)**
- b. What would be your recommendation based on the analysis of the above indicators? **(5 Marks)**