

PGDM (RM), 2016-18  
Financial & Managerial Accounting  
RM-106

Trimester – I, End-Term Examination: September 2016

Time allowed: 2 hrs 30 min

Max Marks: 50

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.

**Instruction:** Students are required to write their Roll No. on the question paper. Writing anything other than the Roll No. will be treated as unfair means. For rough work, please use answer sheet.

*Note:* - Please be brief and relevant in your answers.  
- Section C is compulsory.

Section - A

*[There are 5 Questions in this section. Attempt any 3 Questions. Each Question carries 5 marks.]*

1. Discuss the significance and computational techniques of Break Even Point (BEP).
2. Explain the meanings and features of marginal cost. Give suitable example to support your explanation.
3. The accounting concepts and accounting standards are generally referred to as the essence of financial accounting'. Comment.
4. What is the money measurement concept? Which one factor can make it difficult to compare the monetary values of one year with the monetary values of another year?
5. Name various sections of the annual report as specified by the companies Act.

Section-B

*[Note: Answer any 2 out of the 3 Questions given below. Each Question carries 10 marks].*

*[2x10=20 Marks]*

6. Mr. Balcon carries on wine business and earns a gross profit (before charging commission) on 25% on cost. He has appointed a sole-selling agent to whom a commission at 10% on the selling price has been given. There are no other variable expenses. Fixed cost is Rs. 600 per month. Calculate the number of bottles he must sell every year so that he may earn a net profit of Rs. 6000 per annum. The selling price of wine per bottle is Rs. 25.

7. From the following particulars, find the most profitable product mix and prepare a statement of profitability of that product mix:

Particulars	Product A	Product B	Product C
Units budgeted to be produced and sold	1800	3000	1200
Selling Price/unit (Rs.)	60	55	50
Direct material /unit	5	3	4
Direct labour/unit	4	3	2
Variable Overhead/unit (Rs.)	7	13	8
Fixed overhead/unit (Rs.)	10	10	10
Cost of direct material / kg (Rs.)	4	4	4
Direct Labour Hour Rate (Rs.)	2	2	2
Maximum possible units of sales	4000	5000	1500

All the three products are produced from the same direct material using the same type of machines and labour. Direct labour which is a key factor, is limited to 18600 hours.

8. A customer has filed a suit against a trader who has supplied poor quality goods to him. It is known that the court judgment will be in favour of the customer and the trader will be required to pay the damages. However, the amount of legal damages is not known with certainty. The accounting year has already been ended and the books are now finalised to ascertain true profit or loss. The accountant of the trader has advised him not to consider the expected loss on account of payment of legal damages because the amount is not certain and the final judgment of the court is not yet out. Do you think the accountant is right in his approach.

SECTION C (Compulsory Case study )

9.

From the following balances prepare trading and profit and loss account and balance sheet for the year ended March 31, 2006

Account Title	Amount Rs.	Account Title	Amount Rs.
Opening stock	15,310	Capital	2,50,000
Purchases	82,400	Drawings	48,000
Sales	256,000	Sundry debtors	57,000
Returns (Dr.)	4,000	Sundry creditors	12,000
Returns (Cr.)	2,400	Depreciation	4,200
Factory rent	18,000	Charity	500
Custom duty	11,500	Cash balance	4,460
Coal, gas & power	6,000	Bank balance	4,000
Wages and salary	36,600	Bank charges	180
Discount (Dr.)	7,500	Establishment expenses	3,600
Commission (Cr.)	1,200	Plant	42,000
Bad debts	5,850	Leasehold building	1,50,000
Bad debts recovered	2,000	Sales tax collected	2,000
Apprenticeship premium	4,800	Goodwill	20,000
Production expenses	2,600	Patents	10,000
Administrative expenses	5,000	Trademark	5,000
Carriage	8,700	Loan (Cr.)	25,000
		Interest on loan	3,000

The value of closing stock on March 31, 2006 was Rs. 25,400