PGDM (RM), 2019-21

Financial & Managerial Accounting

RM-105

Trimester – I, End-Term Examination: September 2019

Time allowed: 2 Hrs 30 Min
Max Marks: 50

Roll No: ____________

Note: Attempt all questions.

Section A (30 Marks)

1 a) Explain the term depreciation, depletion and amortisation. – CILO 1

OR

1 b) The following information is given for Alpha Corporation

Sales	3500
Current ratio	1.5
Acid test ratio	1.2
Current liabilities	1000

What is the inventory turnover ratio? – CILO 2

2 a) Pepsi Company produces a single article. Following cost data is given about its product:

Selling price per unit	Rs.40
Marginal cost per unit	Rs.24

Fixed cost per annum Rs.16000 Calculate:

(a) P/V ratio (b) break even sales (c) sales to earn a profit of Rs.2,000 (d) Profit at sales of Rs.60,000 (e) New break even sales, if price is reduced by 10%. – CILO 3

OR

2 b) The following budget has been prepared at 70% level of home market:

Units	4, 200
Wages	12, 600
Materials	21, 000
Fixed cost	7, 000
Variables cost	2, 100
Total	42, 700

The selling price in India is Rs. 15. In Sri Lanka about 800 units may be sold only at Rs. 10 and in addition 25 paise per unit will be expenses as freight etc, Do you advise trying for the market in the Sri Lanka? – CILO 3

3 a) Identify the five fundamental principles of GAAP and explain briefly their importance. – CILO 1

OR

3 b) Explain E.O.Q and JIT Inventory system – CILO 1

Section B (20 Marks)

1 a) A company manufactures a special product which requires a component 'Alpha'. The following particulars are collected for the year 2015.

Annual demand of Alpha 8,000 units
Cost of placing an order Rs200 per order.
Cost per unit of Alpha Rs 400
Carrying cost % p.a. 20%
The company has been offered a quantity discount of 4% on the purchase of 'Alpha' provided the order size is 4,000 components at a time. Required: (i) Compute the economic order quantity. (ii) Advise whether the quantity discount offer can be accepted. – CILO 4

1 b) Prepare a stores ledger recording the following transactions that took place in a month under the two methods: FIFO and LIFO – CILO 4

Date	Transactions	Qty
1 Jan	Opening Stock	200 pieces @ Rs 20 each
5 Jan	Purchases	100 pieces @ Rs 22 each
10 Jan	Purchases	150 pieces @ Rs 24 each
20 Jan	Purchases	180 pieces @ Rs 25 each
2 Jan	Issues	150 pieces
7 Jan	Issues	100 pieces
12 Jan	Issues	100 pieces
28 Jan	Issues	200eces

2. Asian paints manufacture 1, 000 tins of paints when working at normal capacity. It incurs the cost of Rs. 16 in manufacturing one unit. The details of this cost are given below:

Particulars	Rs.
Direct material	7.50
Direct labor	2.00
Variable overheads	2.50
Fixed overheads	4.00
Production cost (per unit)	16.00

Each unit of product is sold for Rs. 20 with variable selling and administrative expenses of Rs. 0.50 per unit of production.

During the next 3 months, only 500 units can be produced and sold. Management plans to close down the factory estimating that the fixed manufacturing cost can be reduced to Rs. 2, 000 for the quarter.

When the plant is operating, the fixed overhead costs are incurred at a uniform rate throughout the year. Additional cost of plant shut down for the three month is estimated at Rs. 2, 800.

Express your view whether the plant should be shut down for three months, and calculate the shut down point for three months in units of products. – CILO 4