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SARDAR PATEL UNIVERSITY
B. Com. (V Semester) Examination
7th May 2016 (Saturday)
2.30 pm – 4.30 pm
UB05ECOM01/13 : ADVANCED ACCOUNTING AND AUDITING (PAPER – IX)

Total Marks : 60

Note: Figures to the right indicate marks.

Q. 1 A company manufactures two products 'X' and 'Y'. It has following independent possibilities before it. (15)

(A) To produce and sell an additional 25,000 units of 'Y', but only if production of 'X' is reduced by 30,000 units.
(B) To reduce the selling price of 'X' by 30 paise per unit. This will have the effect of increasing the sales of 'X' by 25%.
(C) To produce and sell 70,000 units of 'X' and 1,20,000 units of 'Y'.

The Accountant of the company has presented following operating results:

Particulars	X	Y
Sales (Units)	60,000	1,00,000
	₹	₹
Sales Value	3,60,000	9,00,000
(–) Cost of Goods Sold	2,70,000	6,75,000
Gross Profit	*90,000*	*2,25,000*
(–) Selling and Distribution Costs	65,000	1,65,000
NET PROFIT	25,000	60,000

The total variable cost are ₹ 1,80,000/- and ₹ 3,60,000/- respectively for X and Y which is included in cost of goods sold of each product.
Present the figures to the management in suitable form, giving your recommendations

OR

Q. 1

(A) A manufacturer is thinking whether he should drop one item from his product line and replace it with another. Following are data of cost and output relating present conditions. (07)

Product	Selling Price per Unit (₹)	Variable Cost per Unit (₹)	Percentage share in total sales
A	80	60	20%
B	100	70	50%
C	160	100	30%

Total fixed cost per year ₹ 50,000/-
Total sales in last year ₹ 2,00,000/-

The change under consideration is for dropping the product 'A' in preference to another product 'M'. In the event of this change being made, the manufacturer forecasts the following cost and output data:

Product	Selling Price per Unit (₹)	Variable Cost per Unit (₹)	Percentage share in total sales
M	120	60	15%
B	100	70	45%
C	160	100	40%

Total fixed cost per year ₹ 50,000/-
Total sales in last year ₹ 2,00,000/-

Should this proposal be accepted? Give necessary calculations in favour of your answer.

(B) From the following particulars, find the most profitable product mix and prepare a statement of profitability of that product mix. (08)

Particulars	Product A	Product B	Product C
Budgeted production & sales (Units)	2,000	3,000	1,000
Sales price per unit (₹)	86/-	79/-	65/-
Direct material	6 Kgs.	4 Kgs.	5 Kgs.
Direct labour (Hours)	5 Hrs.	4 Hrs.	3 Hrs.
Variable overheads (₹)	10	15	8
Fixed overheads (₹)	12	12	12
Cost of direct material per Kg. (₹)	6/-	6/-	6/-
Direct labour hour rate (₹)	3/-	3/-	3/-
Maximum possible volume of sales (Units)	3,000	4,000	1,500

All the three products are produce from the same material, using the same type of machines and labour. Direct Labour, which is the key factor, is limited to 25,000 hours.

Q. 2 The production capacity of a company is 1,00,000 units per annum. But company has given licence for 75% capacity only. But an option has been given to the company by the Government that it will be allowed to utilise full (100%) production capacity, if company can export extra production and earn foreign exchange. (15)

It cost at full capacity (100%) are as follows:

Direct material	per unit	₹ 4/-
Direct wages	per unit	₹ 3/-
Variable cost	per unit	₹ 1/-

Fixed cost annually ₹ 2,00,000/-

There is no estimate of any increase in material and labour. The company has received an order from abroad for 25,000 units, which if accepted, will involve an additional cost of shipping, packing and commission etc. of ₹ 0.50 per unit.

If proposal is accepted, the company will get the raw materials for export order at a concession price is 30% less than current price.

As a Cost Accountant of the company, you are require to present a report before the Managing Director in which you have to suggest the export order selling price per unit to obtain profit margin available from sale in total market at ₹ 12/- per unit on the basis of established 100% production capacity of the company.

OR

Q. 2

(A) A company at present working at 75% capacity and producing 36,000 units per year. The following figures are obtained from its budgets. (08)

Production Capacity	**75%**	**100%**
Production Units	36,000	48,000
	₹	₹
Sales	22,50,000	29,00,000
Fixed expenses	4,90,000	4,90,000
Semi-variable expenses	3,50,000	4,00,500
Variable expenses	1,72,500	2,30,000

Labour and material costs per unit are constant. At 75% capacity, profit margin is 15% of sale.

Calculate:

(1) The differential cost of producing 12,000 units by increasing capacity to 100%.

(2) Find out per unit differential cost of increased 12,000 units.

(3) What price would you recommend for export of these 12,000 units, taking into account that overseas prices are much lower than internal market price?

(B) Define Marginal Cost and Differential Cost and explain difference between Marginal Cost and Differential Cost. (07)

Q. 3 The balance sheet of Shiven Ltd. as on 31-03-2014 and 31-03-2015 were as follows: (15)

Liabilities	31-3-2014 (₹)	31-3-2015 (₹)	Assets	31-3-2014 (₹)	31-3-2015 (₹)
10% Pref. Share Capital of ₹ 100/- each, ₹ 80/- paid per share	80000	---	Machinery	200000	350000
Eq.Share Capital of ₹ 100/- each	300000	450000	Building	180000	200000
Share Premium	20000	10000	Investment	80000	---
General Reserve	100000	80000	Debtors	120000	150000
Profit & Loss A/c.	80000	100000	Cash Balance	110000	140000
15% Debenture	---	100000	Bank Balance	---	20000
Creditors	40000	20000	Stock	90000	110000
Bills payable	20000	10000			
Provision for taxation	30000	40000			
Proposed Dividend	30000	40000			
Depreciation Fund (Machinery)	80000	120000			
	780000	970000		780000	970000

Additional information during the year ended as on 31-03-2015:

(1) Investments were sold at 20% profit on sales proceeds.

(2) Company has redeemed Preference Shares at 10% premium, after complying with necessary requirement of Company Act. For this purpose the amount of ₹ 1,00,000/- has been transfer to Capital Redumption Reserve A/c.

(3) Company has issued Bonus Shares from Capital Redumption Reserve in the ratio of 3:1.

(4) After issuing Bonus Shares, company has issued right shares in the ratio of 8:1.

(5) A machine costing ₹ 50,000/- and its depreciated value was ₹ 40,000/- were sold at a loss of ₹ 5,000/-.

(6) Income tax paid ₹ 35,000/- and also paid proposed dividend for the last year.

(7) Debenture were issued at 10% discount.

Prepare: (i) Statement showing change in Working Capital

(ii) Fund Flow Statement

(iii) Necessary Accounts

OR

Q. 3

(A) Following are the balances of Machinery A/c. and Depreciation Fund A/c. (05)

Date	Machinery A/c. (₹)	Depreciation Fund A/c. (₹)
01-04-2014	7,00,000/-	2,00,000/-
31-03-2015	8,00,000/-	2,40,000/-

A Machinery was sold at a loss of ₹ 10,000/- on 31-03-2015. Book value of this machinery was ₹ 1,00,000/- and provision for depreciation was ₹ 60,000/-.

From the above detail, prepare Machinery A/c. and Depreciation Fund A/c. and final out amount of purchase of machinery and amount provided for depreciation during current year.

(B) Prepare a statement showing change in working capital from the following data: (05)

Liabilities	31-3-2014 (₹)	31-3-2015 (₹)	Assets	31-3-2014 (₹)	31-3-2015 (₹)
Equity Share Capital	120000	138000	Machinery	207000	228000
			Investment	18000	12000
Capital Reserve	1200	2400	Stock	36000	33000
General Reserve	24000	28500	Debtors	27000	21900
Profit & Loss A/c.	18000	30000	Cash Balance	7200	6600
15% Debenture	60000	30000	Prepaid Exp.	600	700
Bills Payable	24000	27600	Advertisement		
Provision for tax	25000	30800	Suspense A/c.	1000	800
Creditors	18600	12700			
Unpaid Exp.	6000	3000			
	296800	303000		296800	303000

Note: ₹ 22,000/- paid for tax during the current year.

(C) Prepare a Fund Flow Statement with imaginary figures (Five items on each sources and application.) (05)

Q. 4 The following are the balance sheets of R. K. Ltd. (15)

Liabilities	31-3-2014 (₹)	31-3-2015 (₹)	Assets	31-3-2014 (₹)	31-3-2015 (₹)
Equity Share Capital of ₹ 10/- each fully paid	450000	750000	Machinery at cost	1000000	1300000
			Less: Depre.	-140000	-220000
			Net Assets	860000	1080000
General Reserve	350000	300000	Investments	150000	165000
Profit & Loss A/c.	180000	136000	Stock	128000	85000
10% Debenture	100000	50000	Cash Balance	---	25000
Creditors	78000	126000	Prepaid Exp.	175000	182000
Bills Payable	20000	10000			
Bank Overdraft	30000	---			
Unpaid Exp.	10000	20000			
Provision for tax	50000	70000			
Proposed Dividend	45000	75000			
	1313000	1537000		1313000	1537000

Additional information during the year ended as on 31-03-2015:

(1) Investment worth ₹ 60,000/- were sold for ₹ 50,000/-.
(2) Machinery costing ₹ 50,000/- was sold at ₹ 40,000/- on which ₹ 30,000/- depreciation was provided.
(3) Company has issued bonus shares to equity share holders by capitalising require sum from General Reserve A/c. in proportion of 3:1.
(4) Issued new equity shares at face value as right shares on the enhanced capital by issuing of Bonus Shares, in the ratio of 4:1.
(5) ₹ 45,000/- paid as tax for the last year and proposed dividend of last year.
(6) Paid interim dividend of ₹ 30,000/- during the year.

Prepare: (i) Cash Flow Statement
(ii) Statement showing cash from operations
(iii) Necessary accounts.

OR

Q. 4
(A) What is Cash Flow Statement? Explain its uses and limitations. (07)
(B) Explain the difference between Fund Flow Statement and Cash Flow Statement. (08)