

**Note: All questions are compulsory.**

**Question 1 (8 marks)**

Cash Flow Statement  
As on 31<sup>st</sup> March, 2015

	Amount(')	Amount(')
<b>A. Cash Flow from Operating Activities (3 marks)</b>		
Profit and Loss A/c(Closing)		
Less: Profit and Loss A/c(Opening)		
Add: Transfer to General Reserve	6,75,000	
Provision for Tax	4,50,000	
Proposed Dividend	9,10,000	20,35,000
Profit before Tax		24,10,000
Adjustment for Depreciation		
Land and Building (on building)	6,80,000	
Plant and Machinery	15,02,400	21,82,400
Loss on Sale of Plant and Machinery		1,75,000
Goodwill written off		2,25,000
Interest 13% Debentures		5,65,500
Premium on Redemption		1,45,000
Operating Profit before Working Capital Changes		57,02,900
Adjustment Working Capital Changes		
Decrease in Stock	5,50,000	
Increase in Debtors	(11,75,000)	
Increase in Current Liabilities	2,50,000	(3,75,000)
Cash generated from Operating		53,27,900
Income tax paid		(225,000)
<b>Net Cash Inflow from Operating Activities (a)</b>		51,02,900
<b>B. Cash flow from Investing Activities (1mark)</b>		
Sale of Investment		4,50,000
Sale of Plant and Machinery		6,25,000
Purchase of Plant and Machinery		(55,85,400)
<b>Net Cash Inflow from Operating Activities (b)</b>		(45,10,400)
<b>C. Cash flow from Financing Activities(1 ½ marks)</b>		
Issue of Equity Shares		27,50,000
Redemption of Debentures		(14,50,000)
Redemption of Debentures at premium		(1,45,000)
Dividend Paid		(7,50,000)
Interest paid to Debentures holders		(5,65,500)
<b>Net Cash Outflow from Financing Activities (c)</b>		(1,60,500)
Net increase in Cash and Cash Equivalent during the year <b>(a+b+c)</b>		4,32,000

Cash and Cash Equivalent at the beginning of the year		14,93,000
<b>Cash and Cash Equivalent at the end of the year</b>		<b>19,25,000</b>

**Working Notes:**

**1. Provision for the Tax Account (1/2 mark)**

To Bank(paid)	2,25,000	By Balance b/d	22,50,000
To Balance c/d	24,75,000	By Profit and Loss A/c (Provision)	4,50,000
	27,00,000		27,00,000

**2. Investment Account (1/2 mark)**

To Balance b/d	25,00,000	By Bank A/c (bal Figure sale )	4,50,000
To General Reserve A/c (Profit on Sale)	75,000	By Balance c/d	21,25,000
	25,75,000		25,75,000

**3. Plant and Machinery Account (1/2 mark)**

To Balance b/d	75,12,000	By Bank (Sale)	6,25,000
To Bank A/c (Purchase –Bal. figure)	55,85,400	By Profit and Loss A/c (Loss on sale)	1,75,000
		By Profit and Loss A/c (Depreciation)	15,02,400
		By Balance c/d	1,07,95,000
	1,30,97,400		1,30,97,400

**4. Proposed Dividend Account (1/2 mark)**

To Bank(paid)	7,50,000	By Balance b/d	7,50,000
To Balance c/d	9,10,000	By Profit and Loss A/c	9,10,000
	16,60,000		16,60,000

**5. General Reserve Account (1/2mark)**

		By Balance b/d	42,50,000
		By Profit & Loss (transfer from)	6,75,000
To Balance c/d	50,00,000	By Investment (Gain on Sale)	75,000
	50,00,000		50,00,000

**Question 2 (5 marks)**

(i)

$$\begin{aligned} \text{Total Fixed Cost} &= \text{₹}6,00,000 + \text{₹}20,00,000 + \text{₹}8,00,000 + \text{₹}2,00,000 \\ &= \text{₹}36,00,000 \end{aligned}$$

$$\text{Contribution per unit} = \text{₹}600 - \text{₹}470 = \text{₹}130$$

$$\text{P/V Ratio} = \frac{\text{Contribution per unit}}{\text{Selling Price}} \times 100 = \frac{\text{₹}130}{\text{₹}600} \times 100 = 21.67\%$$

2 marks

$$\begin{aligned} \text{Break-even Point} &= \frac{\text{Total Fixed Cost}}{\text{Contribution per unit}} \times 100 \\ &= \frac{\text{₹}36,00,000}{\text{₹}130} = 27,692.31 \text{ or } 27,693 \text{ units} \end{aligned}$$

$$\text{Break-even Sales} = \frac{\text{Total Fixed Cost}}{\text{P/V Ratio}} = \frac{\text{₹}36,00,000}{21.67\%} = \text{₹}1,66,12,829$$

**Calculation of Profit/ (loss):**

$$\text{Total Contribution (₹}130 \times 35,000 \text{ units)} = \text{₹}45,50,000$$

$$\text{Less: Fixed Cost} = \text{₹}36,00,000$$

$$\text{Profit} = \text{₹}9,50,000$$

$$\text{(ii) Revised Selling Price} = \text{₹}600 - 5\% \text{ of } \text{₹}600 = \text{₹}570$$

$$\text{Revised Variable cost} = \text{₹}410$$

$$\text{Revised Contribution} = \text{₹}570 - \text{₹}410 = \text{₹}160$$

$$\text{Break-even Point} = \frac{\text{₹}36,00,000 + \text{₹}9,00,000}{\text{₹}160} = 28,125 \text{ units}$$

1 ½ marks

$$\text{(iii) Revised Selling Price} = \text{₹}600 + 5\% \text{ of } \text{₹}600 = \text{₹}630$$

$$\text{Revised Variable cost} = \text{₹}470 + \text{₹}5 = \text{₹}475$$

$$\text{Revised Contribution} = \text{₹}630 - \text{₹}475 = \text{₹}155$$

$$\text{Break-even Point} = \frac{\text{₹}36,00,000}{\text{₹}155} = 23,225.81 \text{ or } 23,226 \text{ units}$$

1 ½ marks

**Question 3 (5 marks) (1 mark for each)**

$$\begin{aligned} \text{i) Selling Price per unit} &= \frac{\text{Margin of Safety in Rupee value}}{\text{Margin of Safety in Quantity}} \\ &= \frac{\text{₹}3,75,000}{15,000 \text{ units}} = \text{₹}25 \end{aligned}$$

$$\begin{aligned} \text{(ii) Profit} &= \text{Sales Value} - \text{Total Cost} \\ &= \text{Selling price per unit} \times (\text{BEP units} + \text{MoS units}) - \text{Total Cost} \\ &= \text{₹}25 \times (5,000 + 15,000) \text{ units} - \text{₹}3,87,500 \\ &= \text{₹}5,00,000 - \text{₹}3,87,500 = \text{₹}1,12,500 \end{aligned}$$

$$\begin{aligned} \text{(iii) Profit/ Volume (P/V) Ratio} &= \frac{\text{Profit}}{\text{Margin of Safety in Rupee value}} \times 100 \\ &= \frac{\text{₹}1,12,500}{\text{₹}3,75,000} \times 100 = 30\% \end{aligned}$$

(iv) Break Even Sales (in Rupees) = BEP units × Selling Price per unit

$$= 5,000 \text{ units} \times ₹ 25 = ₹ 1,25,000$$

(v) Fixed Cost

$$= \text{Contribution} - \text{Profit}$$

$$= \text{Sales Value} \times \text{P/V Ratio} - \text{Profit}$$

$$= (₹ 5,00,000 \times 30\%) - ₹ 1,12,500$$

$$= ₹ 1,50,000 - ₹ 1,12,500 = ₹ 37,500$$

#### Question 4 (8 marks)

##### Creditors A/c (1 mark)

Dr.		Cr.	
Particulars	(₹)	Particulars	(₹)
To Bank A/c	5,80,000	By Balance b/d	25,000
To Balance c/d	40,000	By Stores ledger control A/c (Materials purchased)(Bal. figure)	5,95,000
	6,20,000		6,20,000

##### Stores Ledger Control A/c (2 mark)

Dr.		Cr.	
Particulars	(₹)	Particulars	(₹)
To Balance b/d	40,000	By WIP control A/c (Balancing figure)	5,70,000
To Creditors A/c (Materials purchased)	5,95,000	By Balance c/d	65,000
	6,35,000		6,35,000

##### Work-in-Process Control A/c (3 marks)

Dr.		Cr.	
Particulars	(₹)	Particulars	(₹)
To Balance b/d	50,000	By Finished goods control A/c (Balancing figure)	10,05,000
To Stores ledger control A/c	5,70,000	By Balance c/d:	
To Wages control A/c (80% of ₹ 4,00,000)	3,20,000	- Material	35,000
		- Labour (₹ 50* × 400 hours)	20,000
		- Factory Oh (₹ 20** × 400 hours)	8,000
			63,000
To Factory Overhead control A/c	1,28,000		
	10,68,000		10,68,000

\* Direct Labour Hour Rate = ₹ 3,20,000 / 6,400 hours = ₹ 50

\*\* Factory Overhead Rate = ₹ 20,80,000 / 1,04,000 = ₹ 20

**Wages Control A/c (1 mark)**

Dr.		Cr.	
Particulars	(`)	Particulars	(`)
To Bank A/c	4,00,000	By WIP control A/c (80% of ` 4,00,000)	3,20,000
		By Factory OH Control A/c (20% of ` 4,00,000)	80,000
	4,00,000		4,00,000

**Factory Overhead Control A/c (1 mark)**

Dr.		Cr.	
Particulars	(`)	Particulars	(`)
To Wages control A/c	80,000	By WIP control A/c (` 20 × 6,400 hours)	1,28,000
To Bank A/c (Indirect expenses)	60,000	By Balance c/d	12,000
	1,40,000		1,40,000

**Question5 (8 marks)**

**(a) Statement Showing Cost Elements Equivalent Units of Performance and the Actual Cost per Equivalent Unit (1 Mark)**

Detail of Returns	Detail of Input Units	Details	Equivalent Units					
			Output Units	Labour		Overheads		
				Units	%	Units	%	
Returns in Process at Start	200	Returns Completed in March	900	900	100	900	100	
Returns Started in March	825	Returns in Process at the end of March	125	100	80	100	80	
	1,025		1,025	1,000		1,000		
<b>Costs: (1 mark)</b>								
From previous month					12,000		5,000	
During the month					1,78,000		90,000	
Total Cost					1,90,000		95,000	
Cost per Equivalent Unit					190.00		95.00	

**(a) Actual cost of returns in process on March 31: (1 mark)**

	Numbers	Stage of Completion	Rate per Return (`)	Total (`)
Labour	125 returns	0.80	190.00	19,000
Overhead	125 returns	0.80	95.00	9,500
				28,500

**(b) Standard Cost per Return: (1 mark)**



<b>Total Cash inflow</b>	<b>47.75</b>	<b>54.75</b>	<b>64.10</b>
(iv) <b>Payment to creditors: (2marks)</b>			
-For September purchase	29.00 {(80% OF Rs.40)-3}	-	-
-For October purchase	-	29.00 {(80% OF Rs.40)-3}	-
-For November purchase	-	-	33.00 {(80% OF Rs.45)-3}
Total of payment made to creditors (iv)	29	29	33
(v) <b>Payment of wages &amp; salaries (1/2 mark)</b>	3.00	3.00	3.00
(vi) <b>Interim dividend (1/2 mark)</b>	-	-	2.00
(vii) <b>Installment for machinery (1/2 mark)</b>	0.50	0.50	0.50
(viii) <b>Administrative expenses (1/2 mark)</b>	1.00	1.00	1.00
<b>Total Cash outflow(B)</b>	<b>33.50</b>	<b>33.50</b>	<b>39.50</b>
<b>Closing cash balance (A-B) (1 mark)</b>	<b>14.25</b>	<b>21.25</b>	<b>24.60</b>

**Question7 (8 marks)**

(a)

**Schedule of Changes in Working Capital (2 marks)**

Particulars	31 <sup>st</sup> March		Working Capital	
	20x8 (')	20x9 (')	Increase (')	Decrease (')
<b>A. Current Assets</b>				
Stock	3,60,000	3,50,000	--	10,000
Sundry Debtors	3,00,000	3,90,000	90,000	--
Prepaid expenses	15,000	20,000	5,000	--
Cash and Bank	1,00,000	95,000	--	5,000
<b>Total(A)</b>	<b>7,75,000</b>	<b>8,55,000</b>		
<b>B. Current Liabilities :</b>				
Sundry Creditors	2,05,000	3,00,000	--	95,000
Bills Payables	45,000	81,000	--	36,000
<b>Total(B)</b>	<b>2,50,000</b>	<b>3,81,000</b>		
Working Capital (A-B)	5,25,000	4,74,000		
Decrease in Working Capital		51,000	51,000	
Total	5,25,000	5,25,000	1,46,000	1,46,000

(b) **Funds Flow statement for the year ending 31<sup>st</sup> March ,20x9 (2 marks)**

	(')
<b>A. Sources of Funds:</b>	
(i) Funds form Business Operations	7,49,000
(ii) Proceeds from issue of 9% Preference shares	5,00,000
(iii) Proceeds from sale of Plant & Machinery	32,000
(iv) Income tax refund	4,000
Total sources	12,85,000
<b>B. Application of Funds:</b>	
(i) Purchase of Land and Building	1,50,000
(ii) Purchase of Plant and Machinery	3,60,000
(iii) Redemption of 8% Debentures	2,06,000
(iv) Redemption of 9% Preference shares	3,15,000

(v) Payment of income tax assessed	1,05,000
(vi) Payment of interim dividend	50,000
(vii) Payment of dividend	1,50,000
Total uses	13,36,000
Net Decrease in Working Capital (a-B)	51,000

**Working Notes:**

**(1) Computation of Funds from Business Operation (1 mark)**

	(₹)
Profit & Loss as on March 31,20x9	3,00,000
Add: Depreciation on Land and Building	50,000
Depreciation on Plant and Machinery	1,20,000
Loss on sale of Plant and Machinery	8,000
Preliminary expenses written off	5,000
Transfer to General Reserve	50,000
Proposed dividend	2,60,00
Provision for tax	1,06,000
Interim dividend paid	50,000
	9,49,000
Less: Profit and Loss as on March 31,20x8	2,00,000
Fund from Operations	7,49,000

**(2) Plant & Machinery A/c(1/2 mark)**

	(₹)		(₹)
To Balance b/d	9,00,000	By Depreciation	1,20,000
To Bank [Purchase (Bal.Fig)]	3,60,000	By Bank (Sale)	32,000
		By P/L A/c (Loss on Sale)	8,000
		By Balance c/d	11,00,000
	12,60,000		12,60,000

**(3) Land and Building A/c(1/4 mark)**

	(₹)		(₹)
To Balance b/d	6,00,000	By Depreciation	50,000
To Bank (Purchase)(Bal. fig.)	1,50,000	By Balance c/d	7,00,000
	7,50,000		7,50,000

**(4) Advance Tax Payment A/c(1/2 mark)**

	(₹)		(₹)
To Balance b/d	80,000	By Provisions for taxation A/c	76,000
To Bank (Paid for 08-09)	1,05,000	By Bank (Refund of tax)	4,000
		By Balance c/d	1,05,000
	1,85,000		1,85,000

**(5) Provision for Taxation A/c(1/2 mark)**

	(₹)		(₹)
Advance tax payment A/c	76,000	By Balance b/d	70,000
To Balance c/d	1,00,000	By P/L A/c (additional provision for 20x7-X8)	6,000
		By P/L A/c (Provision for X8-X9)	1,00,000
	1,76,000		1,76,000

**(6) 8% Debentures A/c (1/4 mark)**

	(₹)		(₹)
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To Bank (2,00,000 x 103%) (redemption)	2,06,000	By Balance b/d	3,00,000
To Balance c/d	1,00,000	By Premium on redemption of Debentures A/c	6,000
	3,06,000		3,06,000

**(7) 9% Preference Share Capital A/c (1/2 mark)**

	(')		(')
To Bank A/c (redemption) (3,00,000 x 105%)	3,15,000	By Balance b/d	3,00,000
To Balance c/d	5,00,000	By premium on redemption of Preference shares A/c	15,000
		By bank	5,00,000
	8,15,000		8,15,000

**(8) Securities Premium a/c (1/4 mark)**

	(')		(')
To Premium on redemption of debentures A/c	6,000	By Balance b/d	25,000
To Premium on redemption of preference shares A/c	15,000		
To Balance c/d	4,000		
	25,000		25,000

**(9) General Reserve A/c (1/4 mark)**

	(')		(')
To Bonus of Shareholders A/c	2,00,000	By balance b/d	3,50,000
To Balance c/d	2,00,000	By P/L A/c (transfer)	50,000
	4,00,000		4,00,000

Provision for tax and Advance tax may be taken as current liability and current assets respectively .

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