

20TH COMPREHENSIVE EXAMINATION – APRIL 2012

Marks

CASE # 1**M/s. Intikhab Enterprises:
Projected Statement of Financial Position**

		Rs. in million	
Liabilities	Amount	Assets	Amount
Share capital	300	Fixed assets	570
Reserves and surplus	120	Investment	-
Secured loans	285	Current assets:	
Unsecured loans	180	Cash	90
Current liabilities	270	Inventories	270
Provisions	60	Receivables	285
	1,215		645
			1,215
		7 figures @ 1 mark	= 7
		Presentation	= 1
		Rs. in million	
(1) Reserves and Surplus:			
Opening balance	60		
Add: Retained earnings for next year	60		
Balance as on end of the next year	120		2
(2) Secured Loans:			
Opening balance	240		
Add: Additional loans during next year	60		
Less: Repayment during next year	(15)		
Balance as on end of the next year	285		3
(3) Unsecured Loans:			
Opening balance	150		
Add: Proposed increase in next year	30		
Balance as on end of the next year	180		2
(4) Fixed Assets:			
Opening balance	540		
Add: Additional outlay during next year	90		
Less: Depreciation for next year	(60)		
Balance as on end of the next year	570		3
(5) Inventories:			
Opening balance	240		
Add: Proposed increase in next year	30		
Balance as on end of the next year	270		2
(6) Receivables:			
Opening balance	240		
Add: Expected increase in next year	45		
Balance as on end of the next year	285		2
(7) Cash:			
Opening balance	60		
Retained earnings for next year	60		
Add: Depreciation for next year	60		
Increase in secured loans	45		
Increase in unsecured loans	30		
Less: Proposed outlay	(90)		
Increase in inventories	(30)		
Increase in receivables	(45)		
Balance as on end of the next year	90		8

20TH COMPREHENSIVE EXAMINATION – APRIL 2012

Marks

CASE # 2

(a) Flexible budget for the period – based on the Production Manager's suggestion:

(Actual hours = 132,500)

Rs. '000'

Items						Flexible Budget	Actual Cost	Variance	
Indirect labour	Rs.	64,000	+	0.50	x	132,500	130,250	129,750	500
Quality control	Rs.	35,000	+	0.000005	x	(132,500) ²	122,781	116,220	6,561
Maintenance	Rs.	49,000	+	0.30	x	132,500	88,750	87,250	1,500
Storekeeping	Rs.	16,400	+	0.25	x	132,500	49,525	51,816	(2,291)
Administrative salaries						71,000	72,410	(1,410)	
Depreciation						58,000	58,000	—	
Space charges						37,500	36,500	1,000	
						557,806	551,946	5,860	

9

(b) Standard labour hours produced:

	Actual Production	Standard Hours per Unit	Total Standard Hours
Can opener	5,280	2.40	12,672
Eggbeater	4,164	3.50	14,574
Juice extractor	9,840	4.60	45,264
Food mixers	3,950	13.80	54,510
			127,020

4

Flexible budget for the period – based on standard labour hours produced:

Rs. '000'

Items						Flexible Budget	Actual Cost	Variance	
Indirect labour	Rs.	64,000	+	0.50	x	127,020	127,510	129,750	(2,240)
Quality control	Rs.	35,000	+	0.000005	x	(127,020) ²	115,670	116,220	(550)
Maintenance	Rs.	49,000	+	0.30	x	127,020	87,106	87,250	(144)
Storekeeping	Rs.	16,400	+	0.25	x	127,020	48,155	51,816	(3,661)
Administrative salaries						71,000	72,410	(1,410)	
Depreciation						58,000	58,000	—	
Space charges						37,500	36,500	1,000	
						544,941	551,946	(7,005)	

9

(c) Reasons for difference in answers in (a) and (b) above:

It is seen that results in (a) and (b) above are different.

Result in (a):

Based on Actual Labour Hours = Rs. 5,860,000 F

Result in (b):

Based on Standard Hours Produced = Rs. 7,005,000 A

1

This is due to labour efficiency variance and it is adverse variance. Labour is less efficient.

2

Recommendation:

It is recommended the method followed in (b) above because it indicates whether the labour is efficient or not.

2

(d) How cost behaviour could be derived:

Cost behavioural characteristics can be derived by linear regression of past data.

3

THE END