Rs. in million

20TH COMPREHENSIVE EXAMINATION – APRIL 2012

Marks

8

90

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

				NS. III III	IIIIOII		
Liab	oilities	Amount	Assets	Amo	ount		
Sha	re capital	300	Fixed assets		570		
	erves and surplus	120	Investment		-		
					_		
	ured loans	285	Current assets:	00			
	ecured loans	180	Cash	90			
	ent liabilities	270	Inventories	270			
Prov	visions	60	Receivables	285	645		
		1,215		1	,215		
,	()	· · · · · · · · · · · · · · · · · · ·	1	7 figures @ 1 r	nark	=	7
				Presenta		=	1
				1 Teseria	ation	_	'
				Rs. in mi	llion		
(1)	Reserves and Surp	due:		7 1101111111			
(1)	-	ilus.			60		
	Opening balance				60		
		earnings for ne	. 11 - 31		60		
	Balance as on end	of the next yea			120		2
(0)	0 11						
(2)	Secured Loans:						
	Opening balance				240		
	Add: Additiona	l loans during 🛭	ext year		60		
	Less: Repayme	ent during next	vear		(15)		
	Balance as on end	- //			285		3
	Balanco ao on ona		•				Ū
(3)	Unsecured Loans:						
(-)	Opening balance				150		
		l increase in ne	xt vear		30		
	Balance as on end		-		180		2
	Dalatice as off city	of the flext yea	l		100		
(4)	Fixed Assets:						
(·)	Opening balance				540		
		l outlay during	nevt vear		90		
	/ / .	tion for next yea			(60)		•
	Balance as on end	of the next yea	r		570		3
<i>(</i> 5)	Inventories:						
(5)					0.40		
	Opening balance				240		
		l increase in ne			30_		
	Balance as on end	of the next yea	r		270		2
(C)	December						
(6)	Receivables:						
	Opening balance				240		
	Add: Expected	increase in ne	xt year		45		
	Balance as on end	of the next yea	r		285		2
(7)	Cash:						
	Opening balance				60		
	Retained earnings	for next year			60		
		tion for next yea	ar		60		
	•	in secured loan			45		
		in unsecured lo			30		
			and		(90)		
	•				` '		
		in inventories			(30)		
	Increase	in receivables			(45)		

DISCLAIMER: The suggested answers provided on and made available through the Institute's website may only be referred, relied upon or treated as a guide and substitute for professional advice. The Institute does not take any responsibility about the accuracy, completeness or currency of the information provided in the suggested answers. Therefore, the Institute is not liable to attend or receive any comments, observations or critics related to the suggested answers.

Balance as on end of the next year

20TH COMPREHENSIVE EXAMINATION – APRIL 2012

Marks

9

4

CASE # 2

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

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

(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

Flexible budget for the period – based constandard labour hours produced:

Rs. "000"

Items		/	0			-	Flexible Budget	Actual Cost	Variance
Indirect labour	Rs.	64,000	+	0.50	Х	127,020	127,510	129,750	(2,240)
Quality control	Rs.	35,000	+	0.000005	Х	$(127,020)^2$	115,670	116,220	(550)
Maintenance	Rs.	49,000	+	0.30	Χ	127,020	87,106	87,250	(144)
Storekeeping	Rs.	16,400	+	0.25	Χ	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)

(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

Result in (b):

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

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

Recommendation:

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

(d) How cost behaviour could be derived:

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

THE END

DISCLAIMER: The suggested answers provided on and made available through the Institute's website may only be referred, relied upon or treated as a guide and substitute for professiona advice. The Institute does not take any responsibility about the accuracy, completeness or currency of the information provided in the suggested answers. Therefore, the Institute is not liable to attend or receive any comments, observations or critics related to the suggested answers.

2

2

3

9