



**20<sup>th</sup> Comprehensive Examination**

**Sunday, the 22nd April 2012**

**Time Allowed – 2 Hours**

**Maximum Marks – 60**

- (i) Attempt both the cases 1 and 2 that carry 30 marks each.
- (ii) Answers must be neat, relevant and brief.
- (iii) In marking the question paper, the examiners take into account the clarity of exposition, logic of arguments, effective presentation, language and use of clear diagram or chart where appropriate.
- (iv) Read the instructions printed on the top cover of answer script CAREFULLY before attempting the paper.
- (v) Use of non-programmable scientific calculator of any model is allowed.
- (vi) DO NOT write your Name, Reg. No. or Roll No. anywhere inside the answer script.
- (vii) Multiple Choice Questions (MCQs) printed separately, is an integral part of this question paper.
- (viii) Question paper must be returned to the invigilator before leaving the examination hall.

**CASE # 1**

**Marks**

The statement of financial position of M/s. Intikhab Enterprises as of the year just ended is as follows:

		Rs. in million	
<b>Liabilities</b>	<b>Amount</b>	<b>Assets</b>	<b>Amount</b>
Share capital	300	Fixed assets	540
Reserves and surplus	60	Investments	–
Secured loans	240	Current assets:	
Unsecured loans	150	Cash	60
Current liabilities	270	Accounts receivables	240
Provisions	60	Inventories	240
	1,080		540
			1,080

The projected income statement and the distribution of earnings for the next year are given below:

	Rs. in million
Sales	1,200
Cost of sales	900
Depreciation	60
Earnings before interest and tax (EBIT)	240
Interest	60
Profit before tax	180
Tax	90
Profit after tax	90
Dividends	30
Retained earnings	60

**Additional Information:**

- An additional outlay of Rs. 90 million is planned for fixed assets in the coming year, which is proposed to be financed by Rs. 60 million of secured and Rs. 30 million of unsecured loans respectively.
- Rs. 15 million of secured loans are also proposed to be discharged.
- The operations in coming are expected to increase the stocks by Rs. 30 million and the credit sales by Rs. 45 million.

**Required:**

Based on the above information, prepare the projected statement of financial position as on end of the next year.

**30  
PTO**

## CASE # 2

Marks

You have been asked to examine the budgeting system of M/s. Quality Industries, manufacturers of wide range of small kitchen appliances.

M/s. Quality Industries desire to include flexible budgeting in the existing budgeting system. For this purpose the working on cost data has been started. The information and classified data for production department prepared so far has been made available to you, as given below:

		Rs. '000'	
Expense	Estimated Cost Behaviour		
Indirect Labour	Semi-variable	(64,000 +	0.5x)
Quality Control	Semi-variable	(35,000 +	0.000005x <sup>2</sup> )
Maintenance	Semi-variable	(49,000 +	0.3x)
Storekeeping	Semi-variable	(16,400 +	0.25x)
Administrative Salaries	Fixed	(71,000)	
Depreciation	Fixed	(58,000)	
Space Charges	Fixed	(37,500)	

Where x = labour hours

Standard labour hours per unit for each product are as under:

Can openers	2.40
Eggbeaters	3.50
Juice extractors	4.60
Food mixers	13.80

Actual results for last period were as follows:

Actual labour hours	132,500
Actual production:	Pieces
Can openers	5,280
Eggbeaters	4,164
Juice extractors	9,840
Food mixers	3,950
Actual Costs:	Rs. '000'
Indirect labour	129,750
Quality control	116,220
Maintenance	87,250
Storekeeping	51,816
Administrative salaries	72,410
Depreciation	58,000
Space charges	36,500

The Production Manager thinks that the budget should be fixed on actual labour hours, but the Managing Director has doubts about this.

### Required:

Prepare the following:

- Flexible budget for the period, based on the Production Manager's suggestion, showing the budget variances from actual. 09
- Flexible budget based on different principles to those used in (a) above, showing the budget variances from actual. 13
- Explain why the results of your answers to (a) above and the results of your answers to (b) above are different? State with reasons, which one you would like to opt? 05
- If the cost behavioural characteristics had not been supplied, explain how they could be derived? 03

THE END

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