MAY, 2009

FC-89

FELLOWSHIP EXAMINATION

MANAGEMENT ACCOUNTING

Time: 3 Hours] [Total Marks : 100

Question **ONE** is compulsory. Total questions to be attempted are **FIVE**. All questions carry 20 equal marks.

Marks

1. From the following Trial Balance as on 31.03.2001 of Professional Life Insurance Co. Ltd, prepare its Revenue account and Balance Sheet as on that date. 20

(Rs. in Lakhs)

	Debit	Credit
Share capital		2,000
Annuities	200	
Claims Paid less Reinsurance		
Death	820	
Maturity	170	
Surrenders	240	
Agents Balances	60	
Loans on Policies	70	
Loans on Mortgages	100	
Building at Cost	200	
Furniture and Fixtures	70	
Cash at Bank	1230	
Cash on Hand	600	
Investments (at Cost)	4200	
Life Fund (1.4.2000)		2860
Premium (Net)		2100
Consideration for Annuities		140
Commission	400	
Management Expenses	150	
Sundry Creditors		210
Premium Deposits		200
Interest and dividends		1000
Total	8510	8510

Other adjustments to be accounted are :- (Rs. in Lakhs)

a) Claims outstanding
   i) Death 60
   ii) Maturity 130
b) Depreciation at 5% on building and at 20% on furniture are to be provided.
c) On verification it is seen that loans amounting 30 has been wrongly treated as surrenders.
d) Accrued interest 25
e) Outstanding expenses 15
f) Market Value of investments 8000
g) There were no claims outstanding at the beginning.

OR

1. Trial Balance as on 31-03-2005 of the Great Indian General Insurance Company Ltd. is given below. You are advised to prepare the related Revenue Accounts, Profit & Loss Accounts, Profit and Loss appropriation Account for the year ending 31-03-2005 and the Balance Sheet as on that date. 20

(Rs. in Lakhs)

	Debit	Credit
Unexpired Risk Reserve A/c (1-04-2004)		
Fire		1000
Marine		300
Miscellaneous		1500
Claims outstanding (1-04-2004)		
Fire		300
Marine		280
Miscellaneous		2750
Claims Paid less Reinsurances		
Fire	700	
Marine	120	
Miscellaneous	2250	
Premium (After adjusting for reinsurances)		
Fire		2250
Marine		360
Miscellaneous		3740

	Rs./Lakhs
Materials used	4.50
Direct Labour	5.10
Manufacturing expenses :	
Fixed	1.75
Variable	0.75
Selling expenses Variable	1.50
Administration expenses - Fixed	1.00
	14.60
Profit	0.40
	15.00

Export sales will involve additional selling expenses at 5% of the sales value.

You are requested to prepare a statement showing profits by adopting option 1 or 2 or a combination of both the options. Please also indicate assumptions, if any, made by you.

5. Universal Pharmaceuticals Limited follows a standard costing system. The standard fixed for the year are as under : 20

		Rs. (Per unit)
a)	Standard Output – 20000 units.	
b)	Direct Materials (2 units @ Rs. 3/-)	6
c)	Direct Labour (3 units @ Re. 1/-)	3
d)	Direct Expenses	1
e)	Factory Overhead	
	Variable	0.50
	Fixed	1
f)	Administrative Overhead	0.50
	Total Cost	12
	Profit	3
	Selling Price (Fixed by Government)	15

g) Actual Production and sales were 15000 units.

At the end of the period the variances observed as under.

		Favorable	Unfavorable
h)	Direct Material		
	Price	—	4500
	Usage	1200	—
i)	Direct Labour Rate	—	5000
	Efficiency	3000	—

j)	Factory overheads	600	—
k)	Administrative overheads	—	3000

Please prepare a statement showing the actual cost and profit or loss for the above period. Using the variances given, reconcile the standard profit and actual profit.

6. A plastic manufacturer has under consideration the proposal of production of high quality plastic buckets. The Cost of plant and machinery is Rs. 20 lakhs and will serve for 5 years. Salvage value at the end of 5 years is Rs. 1,00,000/- while the variable cost per unit will be Rs. 20/- the selling price per unit will be Rs. 60/. The manufacturer is confident of selling 50000 buckets. Working capital needed is Rs. 2,50,000/- Depreciation is at 20% on WDV basis and income tax rate is 30%. 2

If the cost of capital is 15%, find out whether it is worthwhile to go in for this machinery. PV Factor @ 15%

yr. 1 – 0.870
yr. 2 – 0.756
yr. 3 – 0.658
yr. 4 – 0.572 and
yr. 5 – 0.497

7. a) What is "Margin of Safety" ? In what way is it different from Break Even Point. 10 eac

   b) i) Find out the margin of safety when sales – Rs. 20,00,000/- Fixed cost Rs. 4,00,000/- and Break Even point is Rs. 16,00,000/-

   ii) Ascertain sales where Fixed cost is Rs. 6,00,000/- Profit is Rs. 1,00,000/- and Break Even point is Rs. 4,00,000/-

8. Write short notes on :- 5 eac

   a) Elements of Cost
   b) Financial Management
   c) Reserves and Provisions
   d) Solvency Margin

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