OCTOBER, 2010

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 31.3.2009, of Moonlight Life Insurance Co. Ltd., prepare the Revenue Account for the year and Balance Sheet as on that date. 20

(Rs. in Lakhs)

Particulars	**Debit Rs.**	**Credit Rs.**
Commission	5	
Annutites	12	
Advance Payment of Tax	15	
Agent Balance	10	
Building Dep. Account		12
Claims less Reinsurance Paid :		
By Death	50	
By Maturity	20	
Cash with Banks on Current A/c	15	
Claims outstanding at the beginning of the year :-		
By Death		25
By Maturity		30
Contingency Reserve		5
Expenses of Management	12	
Furniture & Office Equipments	20	
House Property	20	
Income Tax	12	
Investments	12	
Interest, Dividend & Rent		20
Loan on Mortgages	10	
Loan on Policies	10	
Life Assurance Fund at the beginning of the year		60
Printed Stationery	15	

(Rs. in Lakhs)

Particulars	Debit Rs.	Credit Rs.
Sundry Debtors	12	
Sundry Deposits	12	
Share Capital		20
Taxation Reserve		15
Premium less Re-insurance		75
	262	**262**

Following are the adjustments to be made :

a) Claims less reinsurance outstanding at the end of the year :
   i) By Death 20 Lakhs
   ii) By Maturity 30 Lakhs

b) Expenses outstanding Rs. 5 Lakhs and prepaid Rs. 1 Lakh

c) Premium outstanding Rs. 15 Lakhs and Commission there on Rs.1 Lakh

d) Interest, Dividends and Rents outstanding (net) Rs.1 Lakh and Interest and Rents accruing (net) Rs.2 Lakhs.

OR

1. The following is the Trial Balance of Shree General Insurance Co. Ltd. as on 31.03.2009. You are required to prepare the related Revenue Accounts, Profit and loss Account, Profit and Loss Appropriation Account for the year ending 31st March 2009 and the Balance Sheet as on that date. 20

(Rs. in Lakhs)

Particulars	Debit Rs.	Credit Rs.
Share Capital		20
Balance of funds at the begining of the year :		
Fire Insurance		12
Marine Insurance		10
Miscellaneous Insurance		15
General Reserve		10
Claims Paid :-		
Fire	12	
Marine	20	
Misc.	25	

(Rs. in Lakhs)

Particulars	Debit Rs.	Credit Rs.
Premium Less Insurance Ceded:-		
Fire		200
Marine		50
Misc.		125
Commission Paid :-		
Fire	12	
Marine	10	
Misc.	25	
Expenses of Management :		
Fire	10	
Marine	5	
Misc.	18	
Claims Outstanding (as on 01.04.2008) :-		
Fire		15
Marine		10
Misc.		20
Audit fees	10	
Investments	175	
Interest outstanding	50	
Amount due from Insurers	20	
Buildings	10	
Cash at Bank	85	
	487	**487**

Other information :- (Rs. in Lakhs)

i)	Claims outstanding as on (31.03.2009) :-	
	a) Fire	10
	b) Marine	8
	c) Misc.	15
ii)	Accrued Interest	10
iii)	Provide for unexpired risk reserve at 50% for Fire and Miscellaneous Insurance and at 100% in Marine Insurance.	
iv)	Market value of Investments	160
v)	Provide Tax liability	20

2. a) "Marginal Costing technique help management in decision making process". - Enumerate some of the applications. 6

b) XYZ Ltd. produces and markets a single product, where competition is tough. The following information is available. 14

	Per Unit Rs.
Materials	8.00
Variable Cost	6.00
Dealer's Margin	2.00 (10%)
Selling Price	20.00

Fixed cost is Rs.2,50,000 which does not change unless full capacity is reached. With the present capacity utilisation of 75%, the company is able to sell 90000 units. To augment sales suggestions have been made.

i) To reduce sale price by 5%

ii) To increase dealer's margin by 25% over the existing rate.

You are required to recommend to the company as to the feasebility of the above two suggestions without affecting the present profit.

3. Describe briefly as regards valuation of following investments as per IRDA Regulations. 4 each

a) Real Estate - Investment Property

b) Debt Securities

c) Equity and Derivative Instruments that are actively traded in Stock Exchange.

d) Unlisted Securities in the form of Equity and derivatives.

e) Loans.

4. Following are the summarised Balance Sheet of Z Ltd. as on 31st March 1998 and 1999. 20

	1998 Rs.	1999 Rs.
Liabilities		
Share Capital	2,00,000	2,50,000
General Reserve	50,000	60,000
Profit and Loss A/c	30,500	30,600
Bank Loan (Term Loan)	70,000	-
Sundry Creditors	1,50,000	1,35,200
Provision for taxation	30,000	35,000
	5,30,500	**5,10,800**

	1998 Rs.	1999 Rs.
Assets		
Land and Building	2,00,000	1,90,000
Machinery	1,50,000	1,69,000
Stock	1,00,000	74,000
Sundry Debtors	80,000	64,200
Cash	500	800
Bank	-	7,800
Goodwill	-	5,000
	5,30,500	**5,10,800**

Additional Information :

During the year ended 31st March, 1999 :-

i) Dividend of Rs. 23,000 was paid

ii) Assets of another Company were purchased for a consideration of Rs.50,000 payable in shares. The following assets were purchased:
Stock - Rs.20,000 Machinery - Rs.25,000

iii) Machinery was further purchased for Rs.8,000

iv) Depreciation written off on machinery Rs.12,000 and

v) Income Tax provided during the year Rs.33,000; loss on sale of machinery Rs.200 was written off to General Reserve.

You are required to make the Statement of Cash Flow.

5. From the following information, complete the Balance Sheet given below :- 20

a)	Total Debt to net worth	0.5 to 1
b)	Turnover of Total Assets	2
c)	Gross Profit	30%
d)	Average Collection period (based on 360 days a year)	40 days
e)	Inventory turnover (bases on Cost of goods sold and year end inventory)	3 times.
f)	Acid Test Ratio	0.75 to 1

BALANCE SHEET

LIABILITIES	(Rs.)	ASSETS	(Rs.)
Common Stock	2,00,000	Plant & Equipments	?
Retained earnings	3,00,000	Inventory	?
Accounts Payable	?	Accounts Receivable	?
		Cash	?
	?		**?**

6. a) What are the sources of funds inflow into the organisation and how does the organisation use the funds? 10 each

   b) You are required to calculate the break-even point in the following case. The Fixed Costs for the year are Rs.80,000; Variable Cost per unit for the single product being made is Rs.4. Estimated sales for the period are valued at Rs.2,00,000. The number of units involved coincides with the expected volume of output. Each unit sells at Rs.20/-

7. Write short notes on the following :- 4 each
   a) Responsibility Centre
   b) Contingent Liability
   c) Error affecting tallying of Trial Balance
   d) Non-performing assets and its classification
   e) Net lapse ratio.

8. a) What are the principles that are kept in mind while deciding Capital Expenditure? 5

   b) S Ltd. has an ambitious plan of increasing production and thereby sales. It has two options : 15

      i) To modernise the existing plant at a cost of Rs.60,000
      ii) To instal a new plant at a cost of Rs.70,000.

   By using Net Present Value Method, you are required to suggest the best out of the two options. Other details are as follows:

	Yields		Discount Factor
Year	Option 1	Option 2	at 12%
1	10,000	12,000	0.89
2	11,000	13,000	0.80
3	12,000	14,000	0.71
4	12,000	14,000	0.64
5	15,000	14,000	0.57
6	15,000	16,000	0.51
7	16,000	16,000	0.45
8	16,000	16,000	0.40
9	14,000	14,000	0.36
10	12,000	13,000	0.32

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