MAY, 2008 **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 31.03.2005 of Jeevan Life Insurance Co. Ltd., prepare the Revenue Account and Balance Sheet as on that date. 20

Rs. in Lakhs

Particulars	Debit Rs.	Credit Rs.
Claims Paid :		
By Death	150	
By Maturity	200	
Annuities	60	
Cash :-		
at Bank	130	
in hand	22	
Surrenders	25	
Agent's Balances	100	
Loans on Policies	100	
Loans and Mortgages	50	
Investments (at cost)	4,000	
Building at cost	250	
Income Tax	23	
Share Capital		1,000
Life Assurance Fund (1.4.04)		2,000
Premium (Net)		1,500
Claims outstanding (1.4.04) :-		
By Death		40
By Maturity		100
Consideration for Annuties		100
Premium deposits		400

Particulars	Debit Rs.	Rs. in Lakhs Credit Rs.
Management Expenses	200	
Furniture	40	
Commission	150	
Depreciation Fund (Bldg.)		60
Sundry Creditors .		300
	5,500	5,500

Other adjustments to be made are :

a) Claims outstanding as at 31.3.2005
   a) By Death Rs. 40
   b) By Maturity Rs. 80

b) Depreciation to be Provided
   a) At 2% on Building and
   b) At 5% on Furniture.

c) Dividend and interest received during the year amounting to Rs. 40 has been accounted as Premium.

d) Agent's balances include Rs. 10 which is not likely to be received and is to be written off.

e) Interest yet to be received Rs. 10

[Note : All amounts in the adjustments are in lakhs]

OR

The following is the Trial Balance of Five Star General Insurance Company Ltd. as on 31.3.2006. You are advised to prepare the related Revenue Accounts, Profit and loss Account, Profit and Loss Appropriation Account for the year ending 31st March 2006 and the Balance Sheet as on that date. 20

Particulars	Debit Rs.	Rs. in Lakhs Credit Rs.
Share Capital		10,000
General Reserve		1,000
Amount Due to other insurers		500
Management Expenses	5,000	
Commission Paid :-		
Fire	250	
Marine	200	
Misc.	1,000	

Particulars	Debit Rs.	Rs. in Lakhs Credit Rs.
Claims Paid :-		
Fire	1,700	
Marine	370	
Misc.	2,430	
Fund Account (01.04.2005) :-		
Fire		3,000
Marine		1,000
Misc.		1,600
Claims Outstanding (01.04.2005) :-		
Fire		400
Marine		100
Misc.		1,200
Premium (Net of reinsurance)		
Fire		3,000
Marine		1,800
Misc.		5,200
Investments in Govt. of India Securities	7,550	
Equity Shares (Market Value Rs. 3,000)	1,750	
Debentures/Loans	5,000	
Amount due from other insurers	850	
Cash at Bank	2,000	
Cash in hand	700	
	28,800	**28,800**

Additional Information :

i) Claims outstanding (31.03.2006) :- Rs.

a) Fire 500

b) Marine 600

c) Misc. 1,100

ii) Management Expenses include an amount of Rs 300 wrongly debited instead of marine claims.

iii) Provide unexpired risk reserve at 50% for fire and miscellaneous business and at 100% for marine business.

iv) Management Expenses are to be apportioned on the basis of net premium income.

v) Investment income accrued Rs. 2000

vi) Create a provision for Income Tax @ 40% including surcharge.

2. a) What are Accounting Standards? 5

b) Describe the provisions under the IRDA (Preparation of Financial Statements and Auditors' Report) Regulations 2000 with reference to the Accounting Standards. 5

c) Give a brief note on **any five** Accounting Standards prescribed by the Institute of Chartered Accountants of India. 10

3. From the data given below, calculate:

a) individual material price variance for the two materials 'A' and 'B', assuming that the variances are calculated at the time of purchase. 10

b) individual material usage variances for both 'A' and 'B' assuming that there was no work in progress, either at the commencement or at the end of the period. 10

Data :-

	Material A		Material B	
	Qty.	Value Rs.	Qty.	Value Rs.
Raw material purchases	2000	40,000	5000	62,500
Issued to work	2150		3950	
Stock of material :				
Opening	300		1000	
Closing	200		1250	
Standard Price		19		13
Standard usage :				
Product X	1 kg.		1 kg.	
Product Y	0.5 kg		1 kg	

Output during the period :

Product X - 1130 units

Product Y - 2550 units

4. The following is the Balance Sheet of A Ltd. as on 31st March 2005. 20

Balance Sheet as on 31.3.2005

Liabilities	Rs.	Assets		Rs.
Equity shares of Rs. 10	10,000	Fixed Assets	1,10,000	
Share Premium	30,000	Less:- Accumulated depre.	30,000	80,000
P & L a/c (Bal.)	13,250			
Bonds	30,000	Inventories		11,000
Accounts Payable	11,580	Accounts Receivable		3,000
		Cash		600
		Prepaid expenses		230
	94,830			**94,830**

The following ratios have been obtained from other records/operations for the year 2005-2006.

i)	Current Ratio	-	2 times
ii)	Acid Test Ratio	-	0.8 times
iii)	Turnover of Average inventory	-	5 times
iv)	Turnover of Average receivables	-	25 times
v)	Equity Ratio	-	58.8%
vi)	Debt Ratio	-	41.2%
vii)	Times Interest earned	-	6 times
viii)	Percentage of PAT on sales	-	7%
ix)	Gross Margin	-	52%
x)	Book value per share	-	Rs. 58.80
xi)	Market Value per share	-	Rs. 64
xii)	Earnings per share	-	Rs. 8.75
xiii)	Dividend yield	-	5%
xiv)	Depreciation	-	4% on original cost.
xv)	Corporate Tax	-	30%

There was no issue of shares during the year. Further there was no purchase or sale of fixed assets.

You are required to prepare the Income Statement for the year ended 31.3.2005 and the Balance Sheet as on that date.

5. a) Define 'Break even point'. What are the uses and advantages of Break even point analysis? 10

b) From the following, calculate the break even point and desired sales volume if : 10

i) the desired profit is Rs. 3,00,000 and

ii) desired profit after income tax is Rs. 2,10,000 and income tax rate is 30% .

Sales price per unit	-	Rs. 10
Variable cost per unit	-	Rs. 6
Contribution per unit	-	Rs. 4
Fixed cost	-	Rs. 2,40,000

6. a) Why does an organisation need a system of budgetory control and what are the various stages involved in it? 8

b) Prepare a production budget for each month and a summarised cost budget for 6 months ending 31.3.2006 from the following data of an 12 automobile manufacturer.

i) The units to be sold monthwise are :

October	2005	1000
November	2005	1200
December	2005	1500
January	2006	1800
February	2006	2000
March	2006	2200
April	2006	1800

ii) While there is no work in progress at the end of every month, there will be finished units equal to half of the sales of the next month in closing stock.

iii) Direct material cost per unit Rs. 250
Direct wages per unit Rs. 100
Factory overhead per unit Rs. 100

ite short notes : 20

Accounting errors

Valuation of liabilities as per IRDA

Management Report

Standard Costing

m the following particulars of Mumbai Trading Co. as on 31st March)7, prepare a cash flow Statement for the year ended 31st March 2007. 20

		(Rs. in thousands)
les Revenue		3200
ss : Cost of goods sold		2000
		1200
ss : Operating expenses	790	
Interest on debentures	15	
Depreciation on fixed assets	210	1015
Operating Profit		185
d : Amount received on insurance claim		60
Profit Before Tax		245
ss : Provision for Income Tax		45
Profit after Tax		200

	Year ended 31.03.2006	Year ended 31.03.2007
Inventories	180	220
Debtors	40	38
Bills receivable	30	55
Cash	112	259
Creditors	78	95
Bills payable	20	15
Outstanding expenses	31	44

Details of other transactions during the year are :

i) Fully paid equity shares of Rs. 200 (thousand) issued at a premium of 20%.

ii) Income Tax paid during the year Rs. 95 (thousands)

iii) 12% debentures for Rs. 300 (thousand) were redeemed at a premium of 5%.

iv) Dividend (including dividend distribution tax) paid Rs. 1.00 (thousands).

------The End------