30.4.19

| Roll No. | | | | | | | | | | |
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B.E./B.Tech, DEGREE END SEMESTER EXAMINATIONS, April 2019

Industrial Engineering
Seventh Semester

IE 8001 – Accounting and Finance for Management

(Regulations – R 2012)

Time: 3 Hours | Answer ALL Questions | Max. Marks 100

PART-A (10 x 2 = 20 Marks)

1. Distinguish between Management Accounting and Financial Accounting.
2. State the generally accepted accounting principle.
3. What is a Balance Sheet?
4. Define Depreciation.
5. Define Process Costing.
6. What do you mean by Marginal Costing?
7. Define Budget.
8. What is zero based Budgeting?
9. What are the drawbacks of Pay Back Period Method of Investment?
10. What is the Cost of Capital?

Part – B ( 5 x 16 = 80 marks)
(Question No.11 is Compulsory)

11 Write a detailed note on Cost Accounting.

12 (a) Prepare a trading and profit & loss account and a balance sheet from the trial Balance and a additional information given below:

Trial Balance as on 31.03.2018

| Credit | Amount (Rs) | Debit | Amount (Rs) |
|---|---|---|---|
| Capital | 10,00,000 | Cash | 20,000 |
| Loan from IDBI | 5,00,00 | Bank | 4,80,000 |
| Profit and Loss | 1,00,000 | Plant | 5,00,000 |
| (1.4.2017) | 50,000 | Debtors | 3,00,000 |
| General Reserve | 4,50,000 | Rent | 50,000 |
| Creditors | 5,00,000 | Salaries | 1,50,000 |
| Sales | | Electricity | 50,000 |
| | | Insurance | 50,000 |
| | | Building | 5,00,000 |
| | | Purchases | 2,00,000 |
| | | Stock (1.4.2017) | 1,00,000 |
| | | Investment | 2,00,000 |
| | 26,00,000 | | 26,00,000 |

Additional Information

1. Stock as on 31.03.2018 is valued at Rs 1,00,000.
2. Interest on IDBI loan has to be paid at 3% per annum.
3. Return from the investments at 5% per annum is to be received.
4. Building and plant have to be depreciated at 10%.

(OR)

(b) Prepare a cash flow statement with the help of the following information.

| Description | Amount (Rs) |
|---|---|
| Net Profit | 30,000 |
| Goodwill Written Off | 10,000 |
| Depreciation Charged During the Year | 35,000 |
| Amount Transferred to General Reserve | 25,000 |
| Equity Share Issued | 2,00,000 |
| 12% Preference Share Redeemed | 1,00,000 |
| Net Decreased in Current Assets(Other Than Cash) During the Year | 5000 |
| Net Increase in Current Liabilities | 10,000 |
| Fixed Assets Purchased | 1,50,000 |
| Divided Paid | 20,000 |
| Opening Cash Balance | 20,000 |
| Closing Cash Balance | 1,30,000 |

13 (a) A Factory Produces 100 Units each of Product A and B. The Cost of Production is given below:

| The over head expenses are: | | |
|---|---|---|
| Description | A (Rs) | B (Rs) |
| Direct Materials | 10,000 | 10,000 |
| Direct Wages | 8000 | 5000 |
| Chargeable Expenses | 1000 | 1000 |

a. Factory Overhead Rs 6500 (Base for Apportionment : Wages)
b. Office Expenses Rs 3,480 (Base for Apportionment : Factory Cost)

(i) Prepare a cost sheet. (12)

(ii) If a profit of 25% on sales is to be realized, what would be the selling price of each article? (4)

(OR)

(b) The budget of Ram & Co., Ltd includes the following data for the forthcoming financial year.

a. Fixed Expenses = Rs 3,00,000

b. Product — Contribution per unit (Rs)

| Product | Contribution per unit (Rs) |
|---|---|
| X | 6.00 |
| Y | 2.50 |
| Z | 4.00 |

c. Sales Forecast : Product X : 24000 Units @ Rs 12.5perUnit
Y : 1,00,000 Units @ Rs 7 Per Unit
Z : 50,000 Units @ Rs 10 Per Unit

Calculate the Composite p/v ratio and composite break – even point.

14 (a) The following data are available in a manufacturing company for a yearly period.

| Fixed Expenses | Rs Lakhs |
|---|---|
| Salaries | 9.50 |
| Rent, rates and taxes | 6.60 |
| Depreciation | 7.40 |
| Sundry administrative expenses | 6.50 |
| Semi – Variable Expenses (at 50% Capacity) | |
| Maintenance and repairs | 3.50 |
| Indirect labour | 7.90 |
| Sales Department Expenses | 3.80 |
| Sundry administrative expenses | 2.80 |
| Variable Expenses (at 50% Capacity) | |
| Materials | 21.70 |
| Labour | 20.40 |
| Other expenses | 7.90 |
| | 98.00 |

Assume that the fixed expenses remain Constrain for all levels of production, semi-variable expenses remain constant between 46% and 65% of capacity, increasing by 10% between 66%and 80% capacity and by 20% between 81% and 100% capacity. The increases are to be computed from the level of 45% to 65% sales at various levels are:

| | Rs.Lakhs |
|---|---|
| 50% Capacity | 100 |
| 60% Capacity | 120 |
| 75% Capacity | 150 |
| 90% Capacity | 180 |
| 100% Capacity | 200 |

Prepare a flexible budget, for the year and forecast the profits at 60%, 75%, 90% and 100% capacity.

(OR)

(b) (i) Explain in detail the requirements of a sound budget. (10)

(ii)Write a short note on Budgetary Control. (6)

15 (a) Following data is available in respect of two mutually exclusive projects to be considered by the management for investment.

Cash inflows before depreciation

| Years | Project X | Project Y |
|---|---|---|
| 1 | 60,000 | 90,000 |
| 2 | 75,000 | 1,50,000 |
| 3 | 1,20,000 | 1,75,000 |
| 4 | 1,80,000 | 1,25,000 |
| 5 | 2,50,000 | 50,000 |

Project X Costs Rs 2,75,000 and Project Y Costs Rs 3,00,000. An investment of this type is expected to earn a discount rate of return of at least 12%. You are required to determine the more desirable project by

(i) NPV Method (ii) ARR Method (iii) Payback period Method.

(OR)

(b) (i) How do you arrive at IRR? (4)

(ii) How do you arrive at cash flow? (4)

(iii) In two projects selection, Project 1 is better as per IRR method; Project 2 is better as per NPV method.

How do you choose the best Project?

And how do you avoid the conflict? (8)