

BBA 2nd Semester Exam., 2018

FINANCIAL MANAGEMENT—I

(Financial Accounting)

Time : 3 hours

Full Marks : 60

Instructions :

- (i) The marks are indicated in the right-hand margin.
- (ii) There are **SEVEN** questions in this paper.
- (iii) Attempt **FIVE** questions in all.
- (iv) Question Nos. **1** and **2** are compulsory.

1. Choose the correct answer (any six) : $2 \times 6 = 12$

- (a) Which of the following is cost of direct materials?
 - (i) Freight charges
 - (ii) Grease
 - (iii) Coolant
 - (iv) Cotton waste
- (b) Which of the following is/are the overhead cost(s)?
 - (i) Factory expenses
 - (ii) Selling expenses
 - (iii) Distribution expenses
 - (iv) All of the above

- (c) Prime cost is equal to
 - (i) cost of direct labour + cost of direct material + direct expenses
 - (ii) cost of indirect labour + cost of indirect material + direct expenses
 - (iii) cost of direct labour + cost of direct material + indirect expenses
 - (iv) cost of indirect labour + cost of direct material + indirect expenses
- (d) Factory cost is equal to
 - (i) prime cost + factory expenses
 - (ii) prime cost + administrative expenses
 - (iii) prime cost + selling expenses
 - (iv) prime cost + distribution expenses
- (e) To control costs, it is essential to keep control on
 - (i) prime cost
 - (ii) overheads
 - (iii) indirect materials and tools cost
 - (iv) All of the above
- (f) When standard costs are used, the amount of detailed record keeping will normally
 - (i) reduce
 - (ii) increase
 - (iii) stay the same
 - (iv) None of the above

- (g) Setting of standards is classified on the basis of only price.
- True
 - False
- (h) Standard costing committee is responsible for
- computation of variances
 - linking the deviations with responsibilities
 - setting all types of standards
 - All of the above
- (i) Which of the following statements is not true about normal standards?
- Normal standards are meant to smooth out fluctuations caused by cyclical and seasonal changes.
 - Normal standards can be applied for absorption of overheads for a long period of time.
 - In establishing normal standards, allowance is given to normal fatigue and breaks, and normal waste and scrap.
 - None of the above

- (i) Which of the following standards cannot be used for cost control?
- Basic standard
 - Normal standard
 - Both (i) and (ii)
 - None of the above

2. Answer any three of the following : 4x3

- (a) Explain any two accounting conventions.
- (b) Pass necessary journal entries :
- Distributed goods costing ₹ 2,000 (sale value ₹ 2,500 as a free sample)
 - Purchased goods worth ₹ 5,000 for cash less 20% trade discount and 5% cash discount
 - Sold goods to Rahim on credit ₹ 6,000. Rahim became an insolvent and could pay only 50 paise in a rupee.
 - Borrowed from Maheshwari Bros. for constructing own premises. money deposited with bank for the time being ₹ 10,000
- (c) Explain the significance of subdivision of journal.

- (d) Explain the need for the financial analysis.
- (e) What are the leverage or capital structure ratios?
3. What is statement of changes in financial position? How does it differ from fund flow or cash flow statement? 12
4. The sales and profit of a company during two periods were as follows :
- | Period | Sales | Profit |
|--------|----------|--------|
| I | 1,00,000 | 10,000 |
| II | 1,05,000 | 20,000 |
- (a) Find out breakeven point.
- (b) What amount of sale will generate a profit ₹ 50,000?
- (c) What will be the profit, if the sales are ₹ 1,40,000? 12
5. What do you understand by the term 'cost'? Explain in brief the different elements of cost. 12

(Turn Over)

6. From the following trial balance and additional information, you are required to prepare trading and profit & loss account and a balance sheet :

Particulars	Debit ₹	Credit ₹
Capital		20,000
Sundry Debtor	5,400	
Drawings	1,800	
Machinery	7,000	
Sundry Creditors		2,800
Wages	10,000	
Purchases	19,000	
Opening Stock	4,000	
Bank Balance	3,000	
Carriage	300	
Salaries	400	
Rent and Taxes	900	
Sales		29,000
	<u>51,800</u>	<u>51,800</u>

Additional Information :

- (i) Closing stock—₹ 1,200
- (ii) Outstanding rent and taxes—₹ 100
- (iii) Charge depreciation on machinery at 10%
- (iv) Wages prepaid—₹ 400

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7. (a) What are the basic principles of standard costing?

(b) A furniture company uses sunmica top for tables. It provides the following data :

Standard quantity of sunmica
per table—4 sq.ft

Standard price per sq.ft.
of sunmica—₹ 5

Actual production of table—1000

Sunmica actually used—4300 sq.ft.

Actual purchase price of sunmica
per sq.ft.—₹ 5.50

You are required to calculate material cost variance, material price variance and material usage (or quantity) variance.

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