TYBAF/SEM VI/08.05.19

Duration: 2 ½ hours **Marks: 75**

Instructions: All questions are compulsory.
Figures to the right indicate full marks.
Working notes should form part of your answer.

Q.1 A) Multiple Choice questions: (Any 8 out of 10) (8)

1) Profit centre is evaluated by ______________. (Cost Variance, Profit Margin, MVA).
2) EVA Increases ______________. (Wealth of shareholders, Profits, Efficiency).
3) JIT philosophy was first developed in ______________. (America, South Korea, Japan).
4) In SWOT Analysis, S stands for ______________. (Strength, System, Strategic).
5) Operational goals are set for ______________. (Top Executives, Middle Executives, Lower Executives).
6) ______________ is an example of Non-Controllable costs (Insurance premium, Variable cost, Staff Salary)
7) Higher transfer price increases the cost to the ______________. (Buying division only, Selling division only, whole company)
8) ______________ is an example of Monetary Asset. (Machinery, Stock, Debtors)
9) Average general price index is used for valuation of ______________ under CPP valuation. (Purchases made during the year, Fixed Assets, Debenture)
10) ______________is the only public sector company in India which has adopted Inflation Accounting.(BHEL, TISCO, SAIL)

Q.1 B] State whether the following statements are True or False: (Any 7 out of 10) (7)

1) MBO stands for Management by objectives.
2) Bank loan is not a monetary liability.
3) Value of rupee fluctuates due to inflation.
4) Under cost pricing method, transfer price depends upon full cost plus mark-up
5) Transfer price can not be negotiated between buying and selling division.
6) EVA is enhanced by increase in cost of capital.
7) All controllable costs are direct costs.
8) CAD means Computer Adopted Design.
9) Supply chain is the series of activities that add value to the product.
10) Profit shown by inflation accounting is realistic.

Q.2 A] Stark LTD provides you the following information. (15)

Production and Sales at 40% level of Activity

Variable Expenses	Rs.
Material	2,00,000
Labour	2,50,000
Direct Expenses	1,40,000
Semi- Variable Expenses	
Plant Maintenance	1,70,000
Sundry Expenses	1,40,000
Salesmen Salaries	1,30,000

Fixed Expenses	
Management Salaries	2,10,000
Depreciation	2,30,000
Rent & Taxes	2,50,000
Total Sales	16,00,000

Semi-Variable expenses remain constant between 40% and 65% capacity, increases by 10% if the capacity exceeds 75% upto 85% and by 15% if capacity exceeds 85%.
Prepare a Performance Budget at 40%, 80% and 100% Capacity level showing profit earned by Stark LTD at different capacity levels.

OR

Q.2 B) 1. Calculate Incremental Return on Investment (IROI) from the following information : (8)

Particulars	2017	2018
15% Debt (Rs.)	5,00,000	6,00,000
Equity (Rs.)	7,00,000	12,00,000
Net Profit After Tax (Rs.)	2,80,000	4,20,000
Tax Rate	30%	30%

Q.2 B) 2. Snow Limited Provides you the following information (7)

Project Cost	Rs. 45,000
Annual Cash flow	Rs. 15,750
Life of the Project	4 years
Cost of Capital	12%

The Annuity Factor at 12% for 4 years is 3.0373 & at 18% for 4 years is 2.6901
Calculate the sensitivity of the
a) Project Cost
b) Annual Cash Flow
c) Cost of Capital

Q.3 A) 1. Castle Ltd has Two Divisions P & Q. following details are given below: (8)

Particulars	Div A	DIV B
Sales (Rs.)	50,00,000	85,00,000
Divisional Profit (Rs.)	16,50,000	23,50,000
Divisional Investment (Rs.)	35,00,000	45,00,000
Minimum Desired Rate of Return	15%	20%

You are required to calculate:
i) ROI for each division
ii) Compute Asset Turnover
iii) Compute Return on Sale
iv) Residual Income

Q. 3 A) 2. Ascertain Net Monetary Result of XYZ LTD as at 31st March, 2019 from the Data given below (7)

Particulars	1st April, 2018	31st March,2019
Cash at bank	18,000	27,000
Sundry Debtors	40,000	52,000
Sundry Creditors	65,000	55,000
Loans	15,000	15,000

General Price Index	
1st April, 2018	100
31st March, 2019	140
Average during the year	125

OR

Q.3 B) Sansa Ltd provides you the following information as on 31st March, 2019 (15)

Balance Sheet as at 31st March, 2019

Liabilities	Rs.	Assets	Rs.
Equity Share Capital	5,00,000	Fixed Assets	7,00,000
10% Long Term Debt	4,00,000	Current Assets	4,00,000
Creditors	2,00,000		
	11,00,000		11,00,000

Additional Information as follow:
1) Profit Before Interest and Taxes Rs. 4,50,000
2) Tax Rate 35%
3) Risk Free Rate 12%
4) Long Term Market Rate - 14%
5) Beta (β) is 1.45
You are required to Calculate Economic Value Added (EVA)

Q.4 A) Danny Ltd has three divisions D V and R. Their capacities and other details are as under: (15)

Particulars	D	V	R
Capacity (Units)	12,000	10000	9000
Cost of Production Per Unit			
Material p.u.	Rs. 15	Rs. 11	Rs. 12
Processing p.u.	Rs. 12	Rs. 10	Rs. 8
Annual Fixed Cost	Rs. 1,20,000	Rs. 1,60,000	Rs. 1,08,000
Investment :			
Fixed Assets	Rs. 12,00,000	Rs. 15,00,000	Rs. 10,00,000
Current Assets	Rs. 4,80,000	Rs. 5,00,000	Rs. 3,50,000
Targeted ROI	10%	12%	15%

a) Determine Transfer Price for Each Division on the basis of cost plus Return on Investment
b) What minimum price R should charge to an External customer?
c) If due to competition, R can sell the product at a Maximum price of Rs. 150, should the company continue to manufacture this product?

Q.4 B) Find the missing data in following table of Vinay Ltd: (15)

Particulars	Department P	Department Q	Department R
Sales (Rs)	60,000	75,000	100,000
Operating Income(Rs)	?	25,000	?
Operating Assets(Rs)	30,000	?	50,000
Return on Investment	15%	10%	20%
Minimum Required Rate of Return	12%	?	?
Residual Income(Rs)	?	6,250	0

Q.5 A] Write a note on Computer Integrated Manufacturing (CIM) (7)
B] Explain four methods of Transfer pricing (8)

OR

Q.5 Write short notes on: Any 3 out of 5 (15)
a) Just-In-Time (JIT)
b) Limitations of Inflation accounting
c) Importance of Transfer pricing
d) Residual Income
e) Responsibility Budgeting

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