

Name:

Enrolment No:



UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, December 2019

Course: POWER INDUSTRY ACCOUNTING

Program: MBA(POWER)

Course code: FINC7007

Instructions:

Semester: 1ST

Time: 03 Hours

Max. Marks: 100

SECTION A (20 Marks)
Multiple choice questions

		Marks	
Q.1.	<p>Ques.1. Goodwill is disclosed under which heading of the balance sheet? A Current assets B Current liabilities C Fixed assets D Reserves and surplus</p> <p>Ques.2. A firm purchased five briefcases for its managers costing Rs 500 each. The accountant charged it to profit and loss account instead of showing as asset. This was done under A Consistency B Business entity C Money measurement D Materiality</p> <p>Ques 3. Which of the following statements is true? A The interpretation of an entity's financial statements using ratios is only useful for potential investors B Ratios based on historical data can predict the future performance of an entity C The analysis of financial statements using ratios provides useful information when compared with previous performance or industry averages D An entity's management will not assess an entity's performance using financial ratios</p> <p>Ques 4. Buying goods for cash would A Increase the gross profit percentage B Decrease the current ratio C Decrease the gross profit percentage D Increase the current ratio E Increase the current ratio</p> <p>Ques 5. The total purchases of Linda Ltd., during the year 2011-12 was Rs 190,000. If the gross profit of Linda Ltd., was 20% on sales and closing stock was more than the opening stock by Rs 30,000, the gross profit earned by Linda Ltd., during the year 2011-12 was A Rs 38,000 B Rs 40,000 C Rs 50,000 D Rs 32,000 E Rs 44,000</p> <p>Ques 6. Cost of production is: A direct material cost + factory overheads B prime cost + factory overheads C prime cost + works cost D factory cost + administration overhead</p>	2 X 10 = 20	CO1,2,3

Q.5.	<p>A businessman has reported a profit of Rs 125000 at the end of financial year after considering following amount:</p> <p>a) Cost of an asset of Rs 25000 has been taken as expense</p> <p>b) Anticipation of profit of Rs 10,000 on the future sale of a car shown as an asset in the books</p> <p>c) Salary of Rs 7000 payable in the financial year has not been taken into account</p> <p>d) Purchased an asset for Rs 75000 but its fair value on the date of purchase was Rs 85000. Businessman recorded the value of asset in his books by Rs 85000</p> <p>Based on above transactions, do you think he has recorded correct amount of profit. Justify.</p>	5	CO4
Q.6.	Amount spend on advertising campaign to launch a new product is which type of expenditure?	5	CO2
Q.7.	A firm requires 16000 units of a certain component, which it buys at Rs 60 each. The cost of placing an order and following it up is Rs 120 and the annual storage charges works out to 10% of the cost of the item. To get maximum benefit the firm should place order for how many units at a time?	5	CO3
Q.8.	A firm has a (net profit/pretax profit) ratio of 0.6, a leverage ratio of 2, a (pretax profit/EBIT) of 0.6, an asset turnover ratio of 2.5, a current ratio of 1.5, and a return on sales ratio of 4%. The firm's ROE will be?	5	CO3
Q.9.	Analysis the situation where the ratio of (net income/total equity) of a firm is higher than the industry average, while the ratio of (net income/total assets) is lower than the industry average?	5	CO4
Q.10.	A research project, to date, has cost a company Rs 250000 and is under review. It is anticipated that, should the project be allowed to proceed, it will be completed in about one year and can be sold for Rs 400000. Material have just been received for Rs 60000. These are extremely toxic, and if not used in the project, have to be disposed of by special means at Rs 15000. The MD is not sure about the project. Suggest him.	5	CO5

SECTION-D

(30 Marks)

Q.11.	<p>All Ltd. uses a manufacturing process which involves fastening laminated surfaces on to workbenches. The material for the laminated plastic surface is purchased in large sheets and cut to size at the start of the process. The sheets of laminated plastic represent the direct material cost of the process. Employees work on cutting and fastening the laminated surfaces and trimming them to fit. This work is classed as direct labour cost.</p> <p>The standard amount of laminated material allowed is two square metres per workbench. The standard price of the material is Rs 0.90 per square metre. During the month of June 2013 workbenches were laminated. The amount of material used was 430 square metres and the price paid was Rs 0.95 per square metre.</p> <p>With regard to labour, standard rate is Rs 4 per direct labour hour. Actual hours worked in June were 9,820 at an actual cost of Rs 37,316. The standard allowance of direct labour hours, for the output achieved was 10,000 hours.</p> <p>As manager, provide the variance report with interpretation of result.</p>	15	CO3,4, 5
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Q.12.	<p>A company is producing an identical product in 2 factories. The following are the details in respect of both the factories:</p> <table border="1" data-bbox="204 264 1292 604"> <thead> <tr> <th></th> <th>FACTORY A</th> <th>FACTORY B</th> </tr> </thead> <tbody> <tr> <td>Selling price p.u.</td> <td>50</td> <td>50</td> </tr> <tr> <td>Variable cost p.u.</td> <td>40</td> <td>35</td> </tr> <tr> <td>Fixed cost</td> <td>200000</td> <td>300000</td> </tr> <tr> <td>Depreciation included in above</td> <td>40000</td> <td>30000</td> </tr> <tr> <td>Sales (units)</td> <td>30000</td> <td>20000</td> </tr> <tr> <td>Production capacity (units)</td> <td>40000</td> <td>30000</td> </tr> </tbody> </table> <p>Which factory is most profitable and identify the consequences on profit and BEP if product mix is changed to 2:3 and total demand remains constant.</p>		FACTORY A	FACTORY B	Selling price p.u.	50	50	Variable cost p.u.	40	35	Fixed cost	200000	300000	Depreciation included in above	40000	30000	Sales (units)	30000	20000	Production capacity (units)	40000	30000	15	CO4,5
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