

THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH
CMA APRIL, 2011 EXAMINATION
FOUNDATION LEVEL
SUBJECT: 001. PRINCIPLES OF ACCOUNTING.

Time: Three hours

Full Marks: 100

- ❖ All questions are to be attempted.
- ❖ Show computations, where necessary.
- ❖ Answer must be brief, relevant, neat and clean.
- ❖ Start answering each question from a fresh sheet.

Q. No. 1.

Presented below are selected transactions related to Bin-Dawod Corporation.

- March 1 Sold Tk. 40,000 of merchandise to Podder Company, terms $\frac{2}{10}, \frac{n}{30}$.
- 11 Received payment in full from Podder Company for balance due.
- 12 Accepted Jumbo Company's Tk. 40,000 6 months, 12% note for balance due.
- 13 Made Dawod Corporation credit card Sales for Tk. 26,400.
- 15 Made American Express Credit-sales totaling Tk. 13,400. A 5% service fee charged by American Express.
- 30 Received payment in full from American Express Company less 5% service charge.
- April 11 Sold accounts receivable of Tk. 16,000 to Hemo Foaz. Hemo Foaz Assesses a service charge of 2% of the amount of receivable sold.
- 13 Received Collections of Tk. 16,400 on Dawod Corporation credit-card Sales and added finance charges of 1.5% to the remaining balances.
- May 10 Wrote off as uncollectible Tk. 32,000 of accounts receivable. Dawod uses the percentage of sales basis to estimate bad debts.
- June 30 Credit sales for the first six months total Tk. 40,00,000 and the bad debt percentage is 1%. At June 30, the balance in the allowance account is Tk. 7,000.
- July 16 One of the accounts receivable written off in May pays the amount due Tk. 8,000 in full.

Prepare the journal entries for the above transactions.

[Marks: 20]

Q. No. 2.

The following Trial Balance and adjustments are taken from the Books of HART'S MUSIC STORE.

HART'S MUSIC STORE

Trial Balance

July 31, 2010

	<u>Debit (Tk.)</u>	<u>Credit (Tk.)</u>
Cash	26,085	
Accounts Receivable	3,450	
Merchandise Inventory, August 01, 2009	23,550	
Prepaid Insurance	540	
Prepaid Rent	3,600	
Office Equipment	9,000	
Accumulated Depreciation-Office Equipment		3,375
Accounts Payable		6,000
Fred Hart, Capital		16,500
Fred Hart, Drawing	15,000	
Sales		225,000
Sales Returns and Allowances	750	
Purchases	145,500	

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Q. No. 2. (Contd..)

Purchase Returns and Allowances		1,050
Transportation-in	3,900	
Advertising Expense	750	
Salaries Expense	17,400	
Utilities Expense	1,050	
Supplies Expense	<u>1,350</u>	
Total	<u>251,925</u>	<u>251,925</u>

Adjustments:

- A 12-months fire insurance policy was purchased for Tk.540 on April 01, 2010, the date on which insurance coverage began.
- On February 1, 2010, Camp paid Tk.3,600 for the next 12 months' rent. The payment was recorded in the Prepaid Rent account.
- Depreciation expense on the office equipment is Tk.1,125.
- Merchandise inventory at July 31, 2010 was Tk.19,800.

Required:

- Ten column worksheet as at July 31, 2010.
- Income Statement for the year ended July 31, 2010.
- Balance Sheet as at July 31, 2010.

[Marks: (15+5+5) = 25]

Q. No. 3.

- What is Two part Bank Reconciliation Statement? What are its special advantages?
- On June 30, 2010 Ragib's Cash Book showed that he had an overdraft of Tk. 3,000 on his current account at the Bank. On checking the cash Book with the Bank statement you find the following:
 - A cheque of Tk. 500 drawn on Deposit Account had been shown in the cash Book as drawn on current account.
 - Dividends amounting to Tk. 2,000 had been paid direct into the Bank and not entered in the Cash Book.
 - A cheque issued to Sanjib for Tk. 250 was replaced when out of date. It was entered again in the Cash Book, no other entry being made. Both the cheques were included in the total of un-presented cheques.
 - The payment side of the Cash Book had been under cast by Tk. 100.
 - On instruction from Ragib, the Bank had transferred profit Tk. 600 from his Deposit Account to his Current Account, recording the transfer on 15th July, 2010.
 - Bank charges Tk. 350 shown in the Bank Statement had not been entered in the Cash Book.
 - Cheque drawn amounting to Tk. 5,000 had been entered in the Cash Book, but had not been presented.
 - Cheques received amounting to Tk. 4,000 had been entered in the Cash Book, but had not been credited by the Bank.

Required:

Bank Reconciliation Statement as on 30th June, 2010.

[Marks: (5+15) = 20]

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Q. No. 4.

The sales and cost of goods sold for Liver Company for the past five years were as follows:

<u>Year</u>	<u>Sales (net)</u>	<u>Cost of goods sold</u>
2005	Tk.89,84,960	Tk.52,40,600
2006	Tk.97,94,240	Tk.57,46,400
2007	Tk.1,13,46,560	Tk.67,16,600
2008	Tk.1,09,26,080	Tk.62,72,000
2009	Tk.1,17,47,840	Tk.69,20,000

The following information is for the seven months ended July 31, 2010:

Sales	Tk.67,48,000
Purchases	Tk.34,88,800
Purchase returns	Tk.18,200
Sales returns	Tk.73,760
Merchandise inventory Jan. 1, 2011	Tk.8,48,000

To secure a loan, Liver Company has been asked to present current financial statements. However, the company does not wish to take a complete physical inventory as of July 31, 2010.

Required:

- (a) Indicate how financial statements can be prepared without taking a complete physical inventory.
- (b) From the data given compute the estimated inventory as of July 31, 2011.

[Marks: (5+10) = 15]

Q. No. 5.

- (a) Discuss the Qualitative Characteristics of Accounting Information.
- (b) Discuss about Revenue Recognition Principle.
- (c) What do you mean by the Conceptual Framework of Accounting?
- (d) Explain the concept of Business Entity and Going Concern.

[Marks: (4 x 5) = 20]

= THE END =

THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH
CMA APRIL, 2011 EXAMINATION
FOUNDATION LEVEL
SUBJECT: 002. BUSINESS COMMUNICATION AND OFFICE MANAGEMENT.

Time: Three hours

Full Marks: 100

- ❖ Answer THREE questions from each part, where Q. No. 4 and 8 are compulsory.
- ❖ Answer must be brief, relevant, neat and clean.
- ❖ Use a fresh sheet for answering each question.
- ❖ Start answering each question from a fresh sheet.

GROUP-A: BUSINESS COMMUNICATION

Q. No. 1.

- (a) Describe the roles and importance of communication in management.
- (b) What are the communication components and how do they interact?
- (c) Explain the methods to develop learning, reading, listening and writing skills and ability to communicate on your respective fields of knowledge.

[Marks: (4+4+7) = 15]

Q. No. 2.

- (a) Discuss the procedures of report writing?
- (b) What are the factors to be considered while drafting a report?
- (c) Draft a director's report of a public limited company.

[Marks: (5+5+5) = 15]

Q. No. 3.

- (a) Draft a notice for holding the Annual General Meeting (AGM) of a publicly listed company.
- (b) Draft an introductory letter to a new prospect highlighting your interest to make business relation with them.
- (c) Write a letter to the Register of Joint Stock Company to allow three months time extension to hold the AGM of your company.

[Marks: (5+5+5) = 15]

Q. No. 4.

Write short notes on any FIVE of the following:

- (a) Credit Rating; (b) Automated Teller Machine (ATM); (c) Formal report.; (d) Merchant Banking;
- (e) Letter of Credit; (f) Extra ordinary general meeting; (g) Information communication; (h) FOB;

[Marks: (5x4) = 20]

GROUP-B: OFFICE MANAGEMENT

Q. No. 5.

- (a) What are the objectives of Office Management?
- (b) Discuss the major functions of Office Management.
- (c) "Success of a company depends on good office management." Discuss.

[Marks: (3+6+6) = 15]

Q. No. 6.

- (a) What is motivation?
- (b) Do you think motivation for the office employees is necessary? If so, why?
- (c) Explain "Good Relationship between employer and employee" is must."

[Marks: (3+6+6) = 15]

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Q. No. 7.

- (a) “Proper training of all office employee is a must”. Explain
- (b) Discuss the benefits of job evaluation.
- (c) What are the factors and steps of preparing Office Manual?

[Marks: (5+5+5) = 15]

Q. No. 8.

Write short notes on any five from the following:

- (a) Organization chart.
- (b) Office environment on employees.
- (c) Indexing.
- (d) Method of cost control.
- (e) Business ethics.
- (f) Office Decoration.
- (g) Coordination of office management.
- (h) Layout of office.

[Marks: (4 x 5) = 20]

= THE END =

THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH
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FOUNDATION LEVEL
SUBJECT: 003. QUANTITATIVE TECHNIQUES.

Time: Three hours

Full Marks: 100

- ❖ Answer any TEN questions, FIVE from each part.
- ❖ All questions carry equal marks; the notations refer to usual meanings.
- ❖ Answer must be brief, relevant, neat and clean.
- ❖ Start answering each question from a fresh sheet.

PART-A: BUSINESS MATHEMATICS

Q. No. 1.

- (a) Suppose that the manufacturer of a gas clothes dryer has found that, when the unit price is p dollars, the revenue R (in dollars) is $R(p) = -5p^2 + 5000p$. What unit price should be established for the dryer to maximize revenue? What is the maximum revenue?
- (b) If α, β are the roots of $2x^2 + 3x + 7 = 0$, then find the values of $\frac{\alpha}{\beta} + \frac{\beta}{\alpha}$ and $\alpha^2 + \beta^2$.

[Marks: (6+4) = 10]

Q. No. 2.

- (a) Find out the number of ways in which a cricket team consisting of 11 players can be selected from 15 players. Also find out how many of these (a) will include captain (b) will not include captain.
- (b) Prove that $\frac{1}{\log_a(ab)} + \frac{1}{\log_b(ab)} = 1$

[Marks: (3+3+4) = 10]

Q. No. 3.

- (a) In a survey of 450 students in a college, 150 were listed as smokers and 200 were chewers of gum; 100 were listed as both smokers and gum-chewers. How many students were neither smokers nor gum-chewers?
- (b) Show that $\frac{1 - \sin \theta}{1 + \sec \theta} - \frac{1 + \sin \theta}{1 - \sec \theta} = 2 \cos \theta (\cot \theta + \operatorname{cosec}^2 \theta)$.

[Marks: (5+5) = 10]

Q. No. 4.

- (a) Carryout the following: (i) $\int \left(\frac{e^x - 1}{e^x + 1} \right) dx$, (ii) $\int \left(\frac{1}{\sqrt{x}} \cos \sqrt{x} \right) dx$.
- (b) A loan of Tk.2,00,000 is to be paid in 10 equal installments. Interest being at 8% p.a. compounded and first payment was made after a year. What amount will be paid in each installment?

[Marks: (3+3+4) = 10]

Q. No. 5.

- (a) Find the total cost function and average cost function from the marginal cost function $MC = 100 - 10q + 0.1q^2$ when fixed cost is Tk.1 million.
- (b) How much should be deposited in a sinking fund at the end of each quarter for 5 years to accumulate Tk. 10,000,000 if the fund earns 12% compounded quarterly.

[Hints: $R = S \left[\frac{i}{(1+i)^n - 1} \right]$]

[Marks: (5+5) = 10]

Q. No. 6.

- (a) Prove that $(A \cap B)^c = A^c \cup B^c$. Display with the help of a Venn diagram.
- (b) If $n(U) = 800$, $n(A) = 200$, $n(B) = 300$, $n(A \cap B) = 100$, then find $n(A^c \cap B^c)$

[Marks: (5+5) = 10]

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Q. No. 7.

A manufacturer has a fixed cost of Tk. 120,000 and a variable cost of Tk. 20 per unit made and sold. Selling price is Tk. 50 per unit.

- Write the revenue and cost equations, using c for cost and q for number of units.
- Compute profit if 10,000 units are made and sold.
- Find the break-even quantity.
- Find the break-even volume of sales.
- Construct the break-even chart, labeling all the characteristics.

[Marks: (5 x 2) = 10]

PART-B: BUSINESS STATISTICS

Q. No. 1.

- What do you mean by central tendency? Discuss its measures in brief. State the properties of a good measure of central tendency.
- For the following data, calculate mean, median, mode and 3rd quartile:

Current (in ampere)	# of fuses
26 – 28	6
28 – 30	12
30 – 32	25
32 – 34	28
34 – 36	7
36 – 38	8

[Marks: (4+6) = 10]

Q. No. 2.

- Explain and illustrate how the measures of dispersion afford a supplement to the information about frequency distribution furnished by average.
- For two firms A and B belonging to same industry the following details are available:

	<u>Firm A</u>	<u>Firm B</u>
No of Employees	100	200
Average wage per month	240	170
Standard deviation of the wage per month	Tk. 6	Tk. 8

Find:

- Which firm pays-out larger amount as monthly wage?
- Which firm shows greater variability in the distribution of wage?
- Find average monthly wage and the standard deviation of the wage of all Employees in both the firm.

[Marks : (4+6) = 10]

Q. No. 3.

- Explain clearly the different components with which a time series may be analyzed. Explain any method in isolating trend values and a time series.
- Calculate the trend values by the method of least squares from the data given below and estimate the sales for the year 2012.

Year	2004	2005	2006	2007	2008
Sales of Tv sets (in '000)	12	18	20	23	27

[Marks: (4+6) = 10]

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Q. No. 4.

- (a) What is poisson distribution? Point out its role in Business decision making. Under what conditions will it tend to normal distribution?
- (b) Find hundred Television sets are inspected as they come off the production line and the number of effects per set is recorded below:

No of defects (X)	0	1	2	3	4
No of sets	368	72	52	71	1

Estimate the average number of defects per set and expected frequencies of 0,1,2,3 and 4 defects. assuring poisson distribution. (given $e^{0.408} = 0.6689$)

[Marks: (4+6) = 10]

Q. No. 5.

- (a) Explain Type-I and Type-II error.
- (b) Suppose you are a buyer of large suppliers of light bulbs. You what to test at the 5% significance level, the manufacturer claims that his bulbs last more than 800 hours. You test 36 bulbs and find that the sample mean \bar{X} is 8.16 hours and sample standard deviation $\sigma = 70$ hours. Should you accept the claim?

[Marks: (4+6) = 10]

Q. No. 6.

- (a) What do you mean by time series analysis? What are the components of a time series data? Discuss them in brief.
- (b) Define conditional probability. In a box there are 7 red balls and 5 while balls. Two balls are to be selected at random one after another. Find the probability that -
- (i) the balls are of same colours.
- (ii) the balls are of different colours.

[Marks: (4+6) = 10]

Q. No. 7.

- (a) Define business statistics. Discuss the role of statistics in the management of a business enterprise?
- (b) Define frequency and its distribution. Discuss the different steps involved in the construction of a grouped frequency distribution.

[Marks: (4+6) = 10]

= THE END =

THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH
CMA APRIL, 2011 EXAMINATION
FOUNDATION LEVEL
SUBJECT: 004. BUSINESS ECONOMICS AND INTERNATIONAL BUSINESS.

Time: Three hours

Full Marks: 100

- ❖ Answer FIVE questions, taking at least TWO from each Group “A” and “B”.
- ❖ Show computations, where necessary.
- ❖ Answer must be brief, relevant, neat and clean.
- ❖ Start answering each question from a fresh sheet.

GROUP-A: BUSINESS ECONOMICS

Q. No. 1.

- (a) Define Economics.
- (b) What are the main problems a management accountant professional would face in his work without the knowledge of economics?
- (c) Distinguish between-
 - (i) Profit and value added.
 - (ii) Free Goods and Economic Goods.
- (d) What are the reasons of variation of profit in between the firms?

[Marks: (5+4+5+6) = 20]

Q. No. 2.

- (a) Discuss the factors that determine elasticity of demand. Draw demand curves for the commodity when its demand is:
 - (i) Perfectly inelastic
 - (ii) Perfectly elastic, and
 - (iii) Unitary elastic
- (b) What is shift in demand curve? What factors may affect the shift of a demand curve?
- (c) What do you understand by movement along the demand curve? Give examples.

[Marks: (8+8+4) = 20]

Q. No. 3.

- (a) Distinguish between Perfect Competition and Monopoly market.
- (b) State how price is determined under perfect competition.
- (c) Give example of two products of Monopoly and two products of Monopolistic Competition in Bangladesh.
- (d) Define Oligopoly with one example.

[Marks: (6+7+4+3) = 20]

Q. No. 4.

- (a) What is the difference between Direct Cost and Indirect Cost? Explain the significance of marginal cost in management decision making.
- (b) Calculate average cost, marginal cost, marginal revenue, average revenue and profit from the following information:

Units of output	Total cost	Variable cost	Fixed cost	Total revenue
1	250	150	100	150
2	300	200	100	300
3	400	300	100	400
4	450	350	100	500
5	550	450	100	600
6	610	510	100	650
7	670	570	100	700
8	750	650	100	760

- (c) Explain when a firm may operate its business at a loss.

[Marks: (6+10+4) = 20]

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Q. No. 5.

- (a) What is Deficit Financing? What are the relative advantages and disadvantages of deficit financing?
- (b) Describe monetary policy and fiscal policy. How these policies affect investment in Bangladesh?

[Marks: (10+10) = 20]

GROUP-B: INTERNATIONAL BUSINESS

Q. No. 6.

- (a) Distinguish between the theory of Absolute Advantage and the theory of comparative advantage.
- (b) What is the relevance of factor proportion theory for international business in Bangladesh?
- (c) What are the factors that influence Foreign Direct Investment in a country?
- (d) State why liberal investment incentives could not attract foreign investment in Bangladesh adequately?

[Marks: (5+5+5+5) = 20]

Q. No. 7.

- (a) What do you mean by the term back to back letter of credit?
- (b) What is the mode of Export financing in Bangladesh?
- (c) State the role of Multinational Corporation (MNC) in international business of a country.
- (d) What is the importance of international business for a country?

[Marks: (5+5+5+5) = 20]

Q. No. 8.

- (a) Define foreign Exchange rate?
- (b) Describe the different methods of determination of foreign Exchange rate. Which method is followed in Bangladesh?
- (c) Write short notes on the following (any two)
 - (i) Infant industry arguments
 - (ii) Fiscal Incentives for International Business
 - (iii) Technology Transfer
 - (iv) International Competitiveness.

[Marks: (3+9+8) = 20]

= THE END =

THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH
CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-I
SUBJECT: 101. INTERMEDIATE FINANCIAL ACCOUNTING.

Time: Three hours

Full Marks: 100

- ❖ All questions are to be attempted.
- ❖ Show computations, where necessary.
- ❖ Answer must be brief, relevant, neat and clean.
- ❖ Start answering each question from a fresh sheet.

Q. No. 1.

- (a) Define the terms operating activities, investing activities and financing activities as per BAS 7.
(b) The following balance sheet relates to Provati Housing Limited, a small private company.

Provati Housing Limited
Balance sheet as at 31 March 2010 and 2011

	2011 (Taka)	2010 (Taka)
<i>Non-current assets</i>	102,500	91,700
Land and building at valuation	62,300	49,200
Less: Accumulated depreciation	(6,800)	(5,000)
	55,500	44,200
Equipment at cost	84,600	70,000
Less: Accumulated depreciation	(37,600)	(22,500)
	47,000	47,500
Investments at cost	8,200	16,900
<i>Current assets</i>	100,900	87,200
Inventory	43,300	57,400
Trade receivables	50,400	28,600
Bank	-	1,200
Advance income tax	7,200	-
Total assets	211,600	195,800
<i>Equity</i>	142,900	112,300
Ordinary shares of Tk 1 each	50,000	25,000
Share premium	2,500	5,000
Revaluation reserve	18,000	12,000
Retained earnings	72,400	70,300
<i>Non-current liabilities</i>		
Bank loan	39,800	43,200
<i>Current liabilities</i>	28,900	40,300
Trade payables	26,700	31,400
Bank overdraft	1,900	-
Taxation	-	8,900
Accrued bank loan interest	300	-
Total equity and liabilities	211,600	195,800

The following notes are relevant:

- (i) The profit before interest and tax was Tk 22,100 for the year ended 31 March 2011.
(ii) There was no disposal of land and buildings during the year. The increase in the revaluation reserve was entirely due to the revaluation of the Company's land.
(iii) Equipments with a net book value of Tk 12,000 (cost Tk 23,500) were sold during the year for Tk 7,800. The loss on sale has been included in the profit before interest and tax.

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SUBJECT: 101. INTERMEDIATE FINANCIAL ACCOUNTING.

Q. No. 1. (Contd..)

- (iv) Investments with a cost of Tk 8,700 were sold during the year for Tk 11,000. The profit has been included in the profit before interest and tax. There were no further purchases of investments.
- (v) On 10 October 2010 a bonus issue of 1 for 10 ordinary shares was made utilizing the share premium account. The remainder of the increase in ordinary shares was due to an issue for cash on 30 October 2010.
- (vi) During the year Tk 20,000 and Tk 1,400 were paid as dividend and interest on bank loan respectively. Tax provision for the current year has not yet been made.

Required:

From the above information, prepare a cash flow statement using the indirect method in accordance with BAS 7 Cash Flow Statements for the year ended 31 March 2011.

[Marks: (6+14) = 20]

Q. No. 2.

- (a) Do you know the term 'Shares buybacks'? In Bangladesh, can any listed company buy its' own shares through Stock Exchange? Why or why not?
- (b) By inserting a new section 53L in the income Tax Ordinance-1984 the Government has imposed tax in securities market effected from 1st July 2010 that 'Collection of tax from sale of share at a premium over face value'. Where a company raises its share capital through book building or public offering or rights offering or placement or preference share or in any other way at a value in excess of face value, the Securities and Exchange Commission shall collect tax at the rate of 3% on the difference between the value at which the share is sold and its face value from the concerned company at the time determined by the Securities and Exchange Commission (SEC). Al-Arafa Islami Bank Ltd. has offered Rights of 23,38,63,968 Ordinary Shares of Tk. 10/- each at par, totaling Tk. 233,86,39,680/- offered on the basis of 1 (one) Right share for 1 (one) existing share held on record date. If the offer price for the Right was Tk. 45/- including Tk. 35/- as the premium for each share, then how much money has to be deposited to the Government before getting the permission from the SEC?

Required: Prepare a comparative statement for Government revenue.

(c) ZMZS Consultant Ltd.

- On 01.01.2003 Issued 3,000, 7% Redeemable preference Shares of Tk. 100/- each, all of which were taken up and fully paid.
- 31.03.2010 These are redeemable at any time after (31.03.2010) at a premium of Tk. 40/- per share.
- 30.06.2010 The company decided to redeem the shares. For this purpose:
- 15.07.2010 It issued 1,800, 6% preference shares of Tk. 100/- each at a premium of Tk. 10/- per share.
- 31.07.2010 The shares were fully subscribed and paid for (by 31.07.2010). On the same day 7% Redeemable Preference Shares were redeemed.

The company had a retained earnings of Tk. 280,000/- and a General Reserve of Tk. 11,00,000/-. On 1st September 2010, the company decided to issue, 5,000 fully paid bonus shares of Tk. 100/- each to equity share holders in the ratio of 1:4.

Required: Record necessary journal entries.

[Marks: (3+5+12) = 20]

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PROFESSIONAL LEVEL-I
SUBJECT: 101. INTERMEDIATE FINANCIAL ACCOUNTING.

Q. No. 3.

- (a) PGS Mining Company has purchased a tract of mineral land for Tk 600,000. It is estimated that this tract will yield 120,000 tons of ore with sufficient mineral content to make mining and processing profitable. It is further estimated that 6,000 tons of ore will be mined in the first and last year and 12,000 tons every year in between. The land will have a residual value of Tk 30,000.

Required:

Prepare a schedule showing estimated depletion cost for each year of the expected life of the mine.

- (b) On 31 December 2009, Kasper & Co. has a building with book value of Tk 940,000. The original cost and related accumulated depreciation at this date are stated below.

Building	Tk 1,300,000
Accumulated depreciation	<u>360,000</u>
	<u>Tk 940,000</u>

Depreciation is computed at Tk 60,000 per year on a straight-line basis. Presented below is a set of independent situations.

- (i) On 1 April 2010, Kasper & Co. sold the building for Tk 1,040,000 to ABC & Co.
(ii) A fire completely destroys the building on 31 August 2010. An insurance settlement of Tk 430,000 was received for this casualty. Assume the settlement was received immediately.

Required:

For each independent situations mentioned above, prepare the journal entries to record the transactions. Make sure that depreciation entries are made to update the book value of the building prior to its disposal.

- (c) Pharmacia Ltd operates in the pharmaceutical business. The following information relates to the company's activities in research and development for the year ended 31 October 2010.
- (i) Commercial production started on 1 June 2006 for Formula A. By 31 October 2009 Tk 43,000 had been capitalized in respect of development expenditure on this product. During the year a further Tk 10,000 was spent on development of this product. Pharmacia Ltd has taken out a patent in respect of Formula A which will last for ten years. Legal and administrative expenses in relation to this were Tk 2,000. In the current year, sales of Formula A amounted to Tk 50,000. Sales over the next three years are expected to be Tk 150,000, Tk 200,000 and Tk 100,000 respectively.
- (ii) The development of Formula B is at an earlier stage. Although the company believes it has a reasonable expectation of future benefits from this project it has not as yet been able to demonstrate this with sufficient certainty. Expenditure on this project in the current year was Tk 20,000.

Required:

Calculate the total amount to be charged to the income statement in respect of the above in the year ended 31 October 2010. Mention reference of related IAS/IFRS to justify your answer.

[Marks: (6+6+8) = 20]

Q. No. 4.

- (a) The principle of recording the substance or economic reality of transactions rather than their legal form lies at the heart of the "Framework for the Preparation and Presentation of the Financial Statements" and several International Accounting Standards/Internal Financial Reporting Standard. The development of this principle was partly in reaction to a minority of public interest companies entering into certain complex transactions. These transactions sometimes led to accusation that company directors were involved in "creative accounting".

CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-I
SUBJECT: 101. INTERMEDIATE FINANCIAL ACCOUNTING.

Q. No. 4. (Contd..)

Required:

Explain why it is important to record the substance rather than the legal form of transactions and describe the features that may indicate that the substance of a transaction is different from its legal form.

- (b) ABC Company Ltd. has entered into the following transactions during the year ended 31 December 2010.
- (i) On 1 October 2010 ABC Company Ltd. received Tk 400,000 in advance subscriptions. The subscriptions are for 20 monthly issues of a magazine published by ABC Company Ltd.. Three issues of the magazine had been dispatched by the year end. Each magazine is of the same value and costs approximately the same to produce.
 - (ii) A batch of unseasoned timber, which had cost Tk 250,000, was sold to XYZ Company Ltd. for Tk 100,000 on 1 January 2010. ABC Company Ltd. has an option to repurchase the timber in 10 years' time. The repurchase price will be Tk 100,000 plus interest charged at 8% per annum from 1 January 2010 to the date of repurchase. The market value of the timber is expected to increase as it seasons.
 - (iii) XYZ Company Ltd made a major sale on 1 January 2010 for a fee of Tk 450,000, which related to a completed sale and after-sales support for three years. The cost of providing the after-sales support is estimated at Tk 50,000 per annum and the mark-up on similar after-sales only contracts is 20% on cost.

Required:

Prepare extracts from ABC Company Ltd's financial statements for the year ended 31 December 2010, clearly showing how each of the above would be reflected. Notes to the financial statements are not required.

[Marks: (8+12) = 20]

Q. No. 5.

- (a) (i) Describe the two criteria that must be satisfied before revenue can be recognized as per IAS-18 Revenues.
(ii) What is meant by the term materiality in financial reporting?
(iii) Discuss the term relevance and reliability as they relate to financial accounting information.
- (b) Transactions of K.C. Company during 2010 included the following:
- | | |
|--------------|--|
| January 20: | Purchased 400 shares of R & S Co. at Tk.75 plus brokerage charges of Tk.600. |
| June 10: | Received a 50% stock dividend. |
| November 01: | Received stock rights permitting the purchase of one share at Tk.60 for every 4 shares held. On this date rights were being traded at Tk.3 each and stock was being traded at Tk.72 per share. |
| November 18: | Exercised 400 rights which pertained to the stock acquired on January 20 and sold remaining rights at Tk.2 each less brokerage charges of Tk.6. |
| December 28: | Sold 100 shares from the holdings acquired on January 20 at Tk.68.25 less brokerage charges of Tk.53. |

Required:

- (i) Give journal entries to record the foregoing transactions.
- (ii) Give the investment account balance on December 31, 2010 and the shares and costs making up this balance.

[Marks: {(3 x 3) + 11} = 20]

= THE END =

THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH
CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-I
SUBJECT: 102. COST ACCOUNTING.

Time: Three hours

Full Marks: 100

- ❖ All questions are to be attempted.
- ❖ Show computations, where necessary.
- ❖ Answer must be brief, relevant, neat and clean.
- ❖ Start answering each question from a fresh sheet.

Q. No. 1.

- (a) Define defective Units, Scrap material, Spoiled Units and Waste materials.
- (b) Farial Manufacturing Company is committed to deliver 100 machine parts to be manufactured out of Mild Steel at Taka 7.50 per casting; the expenses pertained to the Job are given below:
Material 150 kg of mild steel at Tk. 1.50 per kg

Labour:

Moulding	-	80 hours at Tk. 1.00 per hour
Core-making	-	40 hours at Tk. 0.80 per hour
Finishing	-	50 hours at Tk. 1.25 per hour

Overhead Expenses:

Moulding	-	150% labour cost
Core making	-	200% of labour cost
Finishing	-	100 % of labor cost

Cupola cost came to Tk. 250 per operation and the input of mild steel in this case was 1000 kgs.

30 kgs. of the metal is fettled out and the value creditable is Tk. 1.00 per kg. Also 2 kgs were lost in the process of melting and moulding.

Actually 105 casting were made, out of which 3 were defective and/or rejected during inspection.

The Excess casting in good condition were also delivered to the customer at a concessional rate of Tk. 6.00 per casting.

Prepare a Job cost sheet suitably showing all the details given above.

[Marks: (5+15) = 20]

Q. No. 2.

- (a) What do you mean by predetermine overhead rates? "Selection of right base is important to have right predetermined overhead rates"-explain critically.
- (b) Ajax Company has an exclusive franchise to purchase a product from the manufacturer and distribute it on retail level. As an aid in planning, the company has decided to start using the contribution approach to the income statement internally. To have data to prepare such a statement, the company has analyzed its expenses and develop the following cost formulas:

<u>Cost</u>	<u>Cost formula</u>
Cost of goods sold	Tk. 35/- per unit sold
Advertising expenses	Tk. 2,10,000/- per quarter
Sales Commission	6% of sales
Shipping expenses	?
Administrative salaries	Tk. 1,45,000/- per quarter
Insurance expenses	Tk. 9,000/- per quarter
Depreciation expenses	Tk. 304,000/- per year

Management has concluded that shipping expenses is a mixed cost, containing both variable and fixed cost elements. Units sold and the related shipping expense over the last eight quarters are as follows:

CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-I
SUBJECT: 102. COST ACCOUNTING.

Q. No. 2. (Contd..)

<u>Quarter</u>	<u>Unit sold</u>	<u>Shipping expenses</u>
<u>Year-2009</u>		(Tk.)
1 st Q.	10,000	1,19,000/-
2 nd Q.	16,000	1,75,000/-
3 rd Q.	18,000	1,90,000/-
4 th Q.	15,000	1,64,000/-
<u>Year-2010</u>		
1 st Q.	11,000	1,30,000/-
2 nd Q.	17,000	1,85,000/-
3 rd Q.	20,000	2,10,000/-
4 th Q.	13,000	1,47,000/-

Ajex Company's president would like a cost formula derived for shipping expenses so that a budgeted income statement using the contribution approach can be prepared for the next quarter.

Required:

- Using the least square regression method; estimate a cost formula for shipping expenses.
- In the 1st quarter of year 2011, the company plans to sell 12,000 units at Tk.100 per unit. Prepare an income statement for the quarter using the contribution format.

[Marks: {5+(10+5)} = 20]

Q. No. 3.

- "In theory labor cost is a variable cost but in practice labor cost is fixed cost". Explain this statement with example.
- Shehjad Electronics operates an individual premium bonus scheme in which an operative performance is calculated and paid. Each task is given a target expressed in standard minutes. The quantity of weekly output achieved is stated in terms of total of standard minutes. The week's total of standard minutes is expressed as a percentage of attendance time (to the nearest whole number). The operator is paid as under;

<u>Performance (%)</u>	<u>Rate paid per hour</u>
0-75	Tk. 2.20
76-90	Tk. 2.40
91-110	Tk. 2.80
111 and above	Tk. 3.40

Management has engaged three operators to assemble the three types of products A, B & C which have standard time of 42, 60 & 75 minutes respectively. Product assembled information and the operators performance are given below:

<u>Operator</u>	<u>Hours attended</u>	<u>Performance product assembled</u>		
		<u>A</u>	<u>B</u>	<u>C</u>
P	38	15	13	11
Q	39	15	10	8
R	42	15	18	16

You are required to calculate gross pay for each operator.

[Marks: (8+12) = 20]

Q. No. 4.

- What is Activity Based Costing? How can it improve the costing system of an organization?
- Proxy Health Care Ltd. produces medicine using traditional two-stage cost allocation system. In the first stage, all factory overhead costs are assigned to two production departments, A and B, based on machine-hours. In the second-stage, direct labor-hours are used to allocate overhead to individual products, Delux and Regular.

CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-I
SUBJECT: 102. COST ACCOUNTING.

Q. No. 4. (Contd..)

During 2010, the Company has a total factory overhead cost of Tk.1, 000,000. Machine-hours in production departments A and B were 4,000 and 16,000 hours respectively. Direct labor-hours in production departments A and B were 20,000 and 10,000 respectively.

The following information relates to products Delux and Regular for the month of January 2010:

	<u>Delux</u>	<u>Regular</u>
Units produced and sold	200	800
Unit cost of Direct Material	Tk. 100	Tk.50
Direct Labor Rate (Hourly)	Tk. 25	Tk.20
Direct labor hours in Dept. A (per unit)	2	2
Direct labor hours in Dept. B (per unit)	1	1

Company is considering implementing an activity-based costing system. Its management accountant has collected the following information for activity cost analysis.

Activity	Driver	OH Rate (Tk.)	Driver Consumption	
			Delux	Regular
Material movement	Number of production runs	20	150	300
Machine setup	Number of setup	800	25	50
Inspections	Number of Units	30	200	800
Shipment	Number of shipments	20	50	100

Calculate the unit cost for each of the two products:

- Under existing traditional system.
- If the proposed ABC system is adopted.

[Marks: {5+(8+7)} = 20]

Q. No. 5.

- How do manufacturing companies categorize inventories?
- The F. Manufacturing Company uses a process cost system to account for the cost of its only product, known as Napa. Production begins in the Fabrication Department, where units of raw material are moulded into various connecting parts. After fabrication is complete, the units are transferred to the Assemble department. There is no material added in the Assembly Department. After assembly is complete, the units are transferred to the Packaging Department, where the units are packaged for shipment. At the completion of this process, the units are complete and are transferred to the Shipping Department.

At year end, December 31, the following inventory of Napa is on hand:

- No unused raw material or packing material
- Fabrication Department: 6,000 units, 25% complete as to raw material and 40% complete as to direct labor.
- Assembly Department: 10,000 units, 75% complete as to direct labour
- Packaging Department: 3,000 units, 60% complete as to packaging material and 75% complete as to direct labour
- Shipping Department: 8,000 units.

Required: As of December 31, compute:

- The number of equivalent units of raw material in all inventories
- The number of equivalent units of Fabrication Department direct labour in all inventories
- The number of equivalent units of Packaging Department material and direct labour in the Packaging Department inventory.

[Marks: {4+(12+4)} = 20]

= THE END =

THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH
CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-I
SUBJECT: 103. MANAGEMENT AND MARKETING MANAGEMENT.

Time: Three hours

Full Marks: 100

-
- ❖ Answer any THREE questions from each part.
 - ❖ Answer must be brief, relevant, neat and clean.
 - ❖ Start answering each question from a fresh sheet.
-

PART-A: MANAGEMENT (TOTAL-50)

Q. No. 1.

- (a) Define Managerial Ethics. What are the areas of social responsibilities of an organization? Explain.
 - (b) There are so many arguments for and against social responsibilities. What are they? Explain.
- [Marks: (8+8) = 16]

Q. No. 2.

- (a) What are the natures of Operational Management? Do you think that the design of operation system is essential for an organization?
 - (b) How are operation systems implemented through supply chain management?
- [Marks: (8+8) = 16]

Q. No. 3.

- (a) Discuss the nature of multiculturalism & diversify. Is there any impact of these two in process industry?
 - (b) Managing Diversity is the key function of a good leader – discuss.
- [Marks: (8+8) = 16]

Q. No. 4.

- (a) What is motivation? What are the Popular Motivational Strategies?
 - (b) To get better efficiency, reward system is essential for motivation. Illustrate with examples.
- [Marks: (8+8) = 16]

Q. No. 5.

- (a) Distinguish between “a committee”, “a team” and “a group”.
 - (b) How do you ensure successful operation of committees? Explain the nature of various types of committees.
- [Marks: (8+8) = 16]

Two marks are reserved for neatness and relevance.

PART-B: MARKETINGMANAGEMENT (TOTAL-50)

Q. No. 6.

- (a) What is Marketing Management?
- (b) Define Marketing Mix. What are the 4P's associated with it?
- (c) Differentiate between customer's profitability and a profitable customer.

[Marks: (5+5+6) = 16]

Q. No. 7.

- (a) What are the challenges of new product development?
- (b) How would you manage the new product development process?
- (c) Describe the stages of product life cycle.

[Marks: (5+5+6) = 16]

Q. No. 8.

- (a) Discuss the methods of sales promotion.
- (b) What is Target Market? What is market segmentation?
- (c) Point out the advantages of Target Market and market segmentation.

[Marks: (5+5+6) = 16]

Q. No. 9.

- (a) Sales promotion and public relation are the key factors of creating demand, specially for new products. Explain.
- (b) Define with example, direct and indirect marketing.

[Marks: (8+8) = 16]

Q. No. 10.

Write short notes on (any four):

- (a) Customer Relationship.
- (b) Marketing Concept.
- (c) Marketing Intelligence.
- (d) Market Logistics.
- (e) Market Research.
- (f) Market Report.

[Marks: (4 x 4) = 16]

Tow marks are reserved for neatness and relevance.

= THE END =

THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH
CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-I
SUBJECT: 104. INFORMATION TECHNOLOGY.

Time: 2 hours 30 minutes

Full Marks: 80

-
- ❖ **Start answering each question from a fresh sheet.**
 - ❖ All questions are to be attempted.
 - ❖ Show computations, where necessary.
 - ❖ Answer must be brief, relevant, neat and clean.
-

Q. No. 1.

- (a) What is the significant of Telecommunication for managers and organizations?
- (b) Name and briefly describe each of the components of a telecommunication system.
- (c) What are the principle factors to consider when designing and developing a good and sound telecommunication plan?

[Marks: (6+4+6) = 16]

Q. No. 2.

- (a) Describe Internet, Intranet and extranet.
- (b) Describe HTML, http, FTP and URL.
- (c) Write down the business and customer value of internet.
- (d) What is the difference between e-Business and e-Commerce?

[Marks: (4 x 4) = 16]

Q. No. 3.

- (a) How can information systems help individual managers taking better decisions when the problems are non-routine and constantly changing?
- (b) What are the components of a decision support system?
- (c) What is a group decision-support system (GDSS)? How does it differ from a DSS?

[Marks: (6+4+6) = 16]

Q. No. 4.

- (a) What is object oriented programming? How does it differ from conventional software development?
- (b) How do you choose the appropriate software and programming language of your company?

[Marks: (8+8) = 16]

Q. No. 5.

Write short notes on:

- (a) Data Warehousing.
- (b) Call Center & Contact Center.
- (c) Volatile Memory.
- (d) Tablet PC.

[Marks: (4 x 4) = 16]

= THE END =

THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH
CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-II
SUBJECT: 201. ADVANCED FINANCIAL ACCOUNTING-I.

Time: Three hours

Full Marks: 100

- ❖ All questions are to be attempted.
- ❖ Show computations, where necessary.
- ❖ Answer must be brief, relevant, neat and clean.
- ❖ Start answering each question from a fresh sheet.

Q. No. 1.

- (a) Why are accounting concepts and conventions required? How do you distinguish between accounting concepts and conventions?
- (b) Mr. A and Mr. B entered into a Joint venture for underwriting 100,000 shares of Tk.10 each at par issued by a company. The consideration for underwriting the share was 5% in cash and 2,500 shares of Tk.10 each fully paid to be issued to them.

The public took up 90,000 shares and the balance of the guaranteed issue were taken up by Mr. A and Mr. B. who provided cash equally. The entire share holding of Joint venture was then sold through brokers as: 50% at price of Tk.10 less brokerage 50 paisa per share.

20% at Tk.9.50 each less brokerage 50 paisa per share and the balance were taken over by the co-ventures @Tk.9 per share. Expenses of the venture were advertisement Tk.750 and other expenses Tk.250.

Required: Joint venture Accounts, Co-ventures' Accounts and Joint Bank Accounts.

[Marks: (5+15) = 20]

Q. No. 2.

- (a) Mention four transactions originating with the home office that affect the reciprocal accounts.
- (b) Barnali Corporation has its Home Office in Dhaka and a Branch in Chittagong. The following information were available from the books of Home Office and the Branch as on 31 December 2010:

	Home Office Tk.	Branch Tk.
Inventories as on 1 January 2010	200,000	90,000
Purchases	2,300,000	-
Sales	4,100,000	3,100,000
Other Expenses	304,000	124,000
Inventories as on 31 December 2010	104,000	62,000

The Branch books show the Home Office Account at Tk. 180,000 (Cr.) and the Home office books show the Branch Account at Tk. 600,000(Dr.). The Branch receives all its supplies from the Home Office, which are invoiced at 25% over cost. During the year, the Home Office sent invoices to the Branch to the tune of Tk. 2,090,000. The Home Office credits its sales account with the invoice price of the goods sent to the Branch. The Home office billed the Branch for Tk. 240,000 on 31 December, 2010 representing the Branch's share of expenses incurred by the Home office. The said expenses had not been recorded in the books of the Branch.

All cash collections made by the Branch are deposited in a local bank in the account of Home office. Deposits of this nature included the following:

Amount	Date of deposit by Branch	Date Receipt of Home Office
100,000	25 December 2010	31 December 2010
40,000	28 December 2010	02 January 2011
80,000	31 December 2010	03 January 2011

CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-II
SUBJECT: 201. ADVANCED FINANCIAL ACCOUNTING-I.

Q. No. 2. (Contd..)

The expenses of the Branch are met by the Home Office from time to time for which amounts are sent in advance to the Branch. A sum of Tk. 60,000 sent to the Branch by Home Office on 29 December 2010, in this connection, was received by the Branch on 3 January 2011.

Required: Prepare Income Statement, in columnar form after showing the reconciliation of Branch Account and Home Office Account balance.

[Marks: (4+16) = 20]

Q. No. 3.

- (a) Bring out the distinction between a Receipt and Payment Account and an Income and Expenditure Account. Is it possible for one hospital to have an Income and Expenditure account while another one has a Profit and Loss Account? If yes, how?
- (b) The Rising Sun Company Ltd. has an issued, subscribed and paid up share capital comprising of 5000 equity shares of Tk. 100 each and 1000, 9% preference shares of Tk. 100 each. The following information is supplied:

	Average Network (Excluding investment)	Adjusted Taxed profits
2008	Tk. 930,000	Tk. 95,000
2009	10,75,000	105,000
2010	10,95,000	125,000

As at the valuation date, the company has investment of the market value of Tk. 140,000, the yield in respect of which has been excluded in arriving at adjusted taxed figures.

The company sets apart 25% of taxed profit as rehabilitation and replacement reserve.

On the valuation date, networth (excluding investments) amounts to Tk. 11,25,000. The expected rate of return in the market is 9%. The company has consistently maintained dividend levels of 8% to 10% in the past and is known for its consistency.

Required:

Ascertain the value of each equity share on the basis of productivity applying suitable weighted averages.

[Marks: (5+15) = 20]

Q. No. 4.

- (a) Mention the two methods of recognizing profit from a long-term construction contract, which method is supported by the IAS-11? Why?
- (b) Mr. Rahman has a five-acre farmland. He grows rice on four acres. The balance area has mango trees. Other particulars about his activities 2010 are:

	Amount in Taka
Opening stock of fertilizer	30,000
Rice saplings purchased	50,000
Water charges	12,000
Sprinkler system	60,000
Pump	30,000
Fertilizer purchase	90,000
Insecticide spraying charges	9,000
Wooden boxes purchased during the year	6,000
Jute bags purchased during the year	48,000
Agriculture labour wages	60,000
Orchard labour wages	24,000
Threshing machine	10,000
Dead trees sold	5,000
Salary to Manager	6,000

CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-II
SUBJECT: 201. ADVANCED FINANCIAL ACCOUNTING-I.

Q. No. 4. (Contd..)

During the year he obtained 90,000 mangoes from his trees which he disposed off at Tk. 10 per dozen. All the boxes were used for packing.

He also obtained 10,000 kg rice per acre, half of which fetched him Tk. 7 per kilo and the rest Tk. 5 per kilo. One tenth quantity of the bags purchased remained unutilized.

Fertilizers worth Tk. 20,000 remained in stock at the end of the year. Depreciation is to be provided at 10 percent. BADC of his region monitors his performance and he needs to provide product wise income statement to them. He apportions common expenses in proportion of the area under each product. Insecticide is required to be sprayed once in every three months on mango trees to keep them free from harmful insects.

Prepare product-wise Income Statement in columnar form

[Marks: (5+15) = 20]

Q. No. 5.

- (a) State the features of Accounting Standards as to disclosure in Balance Sheet.
(b) Given below the profit and loss account, balances of different accounts and additional information of the South-East Bank Ltd. for the year ended 31st December, 2010:

South-East Bank Ltd.
Profit and Loss Account
For the year ended 31st December, 2010

<u>Income and Expenditure</u>	<u>Taka</u>	<u>Taka</u>
Interest and Discount (after adjusting unexpired discount)	6,45,000	
(-) Interest accrued and paid	<u>2,00,000</u>	
		4,45,000
(+) Commission, Exchange and Brokerage, etc.		<u>15,000</u>
Total operating income		4,60,000
(-) Operating Expenses:		
Salary	80,000	
Rent	20,000	
General expenses	15,000	
Stationary	8,000	
Auditor's fees	2,000	
Depreciation-premises	<u>65,000</u>	
Total operating expenses		<u>1,90,000</u>
Profit before provision		2,70,000
(-) Provision for doubtful debts		<u>25,000</u>
Profit before taxation		2,45,000
(-) Provision for taxation		<u>1,00,000</u>
Profit after tax		1,45,000
(-) Appropriations:		
Statutory reserve	49,000	
Proposed dividend	<u>75,000</u>	
		<u>1,24,000</u>
Retained earnings		21,000
(+) Profit of last year		<u>2,10,000</u>
		2,31,000
(-) Dividend for last year		<u>50,000</u>
Surplus profit		<u>1,81,000</u>

CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-II
SUBJECT: 201. ADVANCED FINANCIAL ACCOUNTING-I.

Q. No. 5. (Contd..)

Balances of different accounts:

Account Titles	Taka
Share capital-authorized and issued 10,000 shares of Tk.100 each, Tk.50 paid	5,00,000
Reserve Fund	3,50,000
Fixed deposits accounts	9,50,000
Savings bank deposits	30,00,000
Current accounts	80,00,000
Money at call and short notice	3,00,000
Investment (at cost)	30,00,000
Non-Banking Assets	50,000
Premises (Less depreciation upto 31.12.2010 Tk.100,000)	12,00,000
Cash in hand	60,000
Cash with B.B.	15,00,000
Cash with other Banks	13,00,000
Borrowed from Banks	7,00,000
Branch Adjustment (Cr.)	50,000
Bills discounted and purchased	5,00,000
Bills payable	8,00,000
Loans, cash credits and overdraft	70,00,000
Unclaimed dividends	30,000
Sundry creditors	30,000

Additional Information:

- (i) Rebate on bills discounted and purchased for unexpired terms amounted to Tk.5,000.
- (ii) A provision for doubtful debts amounting to Tk.25,000 is required.
- (iii) The market value of investments amounted Tk.34,50,000.
- (iv) Provide for taxation Tk.100,000.
- (v) The directors recommended 15% dividend for the year 2010.
- (vi) Allow 5% depreciation on premises on original cost.
- (vii) Bills for collection Tk.1,40,000.
- (viii) Acceptance and Endorsements on behalf of customers Tk.200,000.

Required: Balance sheet as at 31st December, 2010 as per IAS-30's format.

[Marks: (4+16) = 20]

= THE END =

THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH
CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-II
SUBJECT: 202. MANAGEMENT ACCOUNTING.

Time: Three hours

Full Marks: 100

- ❖ All questions are to be attempted.
- ❖ Show computations, where necessary.
- ❖ Answer must be brief, relevant, neat and clean.
- ❖ Start answering each question from a fresh sheet.

Q. No. 1.

Comilla University offers an extensive continuing education program in many cities throughout the state. For the convenience of its faculty and administrative staff and to save costs, the university employs a supervisor to operate a motor pool. The motor pool operated with 20 vehicles until February, when an additional automobile was acquired. The motor pool furnishes gasoline, oil and other supplies for its automobiles. A mechanic does routine maintenance and minor repairs. Major repairs are done at a nearby commercial garage.

Each year, the supervisor prepares an operating budget that informs the university administration of the funds needed for operating the motor pool. Depreciation (straight line) on the automobiles is recorded in the budget in order to determine the cost per mile of operating the vehicles.

The following schedule presents the operating budget for the current year, which has been approved by the university. The schedule also shows actual operating costs for March of the current year compared to one-twelfth of the annual operating budget:

UNIVERSITY MOTOR POOL				
<u>Budget Report for March</u>				
	Annual Operating <u>Budget</u>	Monthly <u>Budget**</u>	March <u>Actual</u>	(Over)Under <u>Budget</u>
Gasoline	Tk.42,000	Tk.3,500	Tk.4,300	Tk.(800)
Oil, minor repairs, parts	3,600	300	380	(80)
Outside repairs	2,700	225	50	175
Insurance	6,000	500	525	(25)
Salaries and benefits	30,000	2,500	2,500	-
Depreciation of vehicles	<u>26,400</u>	<u>2,200</u>	<u>2,310</u>	<u>(110)</u>
Total costs	<u>Tk.110,700</u>	<u>Tk.9,225</u>	<u>Tk.10,065</u>	<u>Tk.(840)</u>
Total miles	600,000	50,000	63,000	
Cost per mile	Tk.0.1845	Tk.0.1845	Tk.0.1598	
Number of automobiles in use	20	20	21	

** Annual operating budget ÷ 12 months.

The annual operating budget was constructed on the following assumptions:

- (a) Twenty automobiles in the motor pool.
- (b) Thirty thousand miles driven per year per automobile.
- (c) Fifteen miles per gallon per automobile.
- (d) Tk.1.05 per gallon of gasoline.
- (e) Tk.0.006 cost per mile for oil, minor repairs, and parts.
- (f) Tk.135 cost per automobile per year for outside repairs.
- (g) Tk.300 cost per automobile per year for insurance.

The supervisor of the motor pool is unhappy with the monthly report comparing budget and actual costs for March, claiming it presents an unfair picture of performance. A previous employer used flexible budgeting to compare actual costs to budgeted amounts.

CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-II
SUBJECT: 202. MANAGEMENT ACCOUNTING.

Q. No. 1. (Contd..)

Required:

- (i) Prepare a new performance report for March showing budgeted costs, actual costs, and variances. In preparing your report, use flexible budgeting techniques to compute the monthly budget figures.
- (ii) What are the deficiencies in the performance report presented above? How does the report that you prepared in (i) above overcome these deficiencies?

[Marks: (15+5) = 20]

Q. No. 2.

Mr. Hamid, Finance Officer, provides you with the following monthly data regarding product lines:-

	<u>Product-A</u>	<u>Product-B</u>
Unit manufactured and sold	30,000	10,000
	<u>Taka</u>	<u>Taka</u>
Selling price per unit	10	8
Unit standard production and selling costs:		
Direct material	2	3
Direct labour	1	1
Factory overhead	4	2
Selling commission	0.4	0.7
Sales discount and allowances	4,500	1,000
Advertising and sales production-(Fixed)	6,000	1,500

Variable overhead costs comprise 60% of the standard factory overhead. Marketing expenses of Tk.20,000 and Administrative expenses of Tk.10,000 were incurred by the central office. These are to be allocated to the product lines based on units sold.

Production cost variance not traceable to either product line are as follows:

	<u>Taka</u>	
Material price variance	5,000	favorable
Material quantity variance	10,000	favorable
Labor rate variance	16,000	unfavorable
Labor efficiency variance	8,000	unfavorable
Overhead controllable variance	800	favorable
Overhead volume variance	1,800	unfavorable

These variance are distributed between the two product lines on the basis of relative total standard direct labour and factory overhead per period.

Required:

- (1) Prepare a contribution analysis for each product line in total and on a per unit basis and for the overall company, including the allocation of non-traceable expenses so that income before taxes can be determined for each product line.
- (2) Management desires a 22% return on assets employed. Assets employed by product A total Tk.2,60,000 and Tk.87,500 for product B. In view of this, would you recommend discontinuation of either product line? Support your answer.

[Marks: (10+10) = 20]

CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-II
SUBJECT: 202. MANAGEMENT ACCOUNTING.

Q. No. 3.

- (1) The sale value at split-off method of Joint cost allocation is the best method for managerial decisions regarding whether a product should be sold or processed further” Do you agree?
- (2) The Keya Company operates a simple chemical process to reduce a single basic material in to as X, Y and Z (all three products being separated simultaneously at a single split-off point).

Product X and Y are ready for sale immediately upon split-off without further processing or any other additional cost. Product Z however is processed further before being sold. There is no available market price for Z at the split-off point.

The selling prices quoted bellow have not charged for three years and no future changes are foreseen during 2009, the selling prices of the items and the total number sold were as follows:

<u>Product</u>	<u>Quantity</u>	<u>Price</u>
X	120 tons	Tk. 1,500.00 per ton
Y	340 tons	Tk. 1,000.00 per ton
Z	475 tons	Tk. 700.00 per ton

There were no beginning inventories of X, Y or Z.

The total joint manufacturing costs for the year were Tk. 4,00,000.00. An additional Tk. 2,00,000.00 was spent in order to finish product Z.

At the end of the year, the following inventories of completed units were in hand: X, 180 tons: Y, 60 tons: Z, 25 tons. There was no beginning or ending work in process.

What will be the cost of inventories of X, Y and Z for balance sheet purpose and the cost of goods sold for income statement purposes as of December 31, 2009, using:

- (a) Estimated net realizable value joint cost allocation method?
- (b) Constant gross margin percentage cost allocation method?

[Marks: (5+7+8) = 20]

Q. No. 4.

- (a) “Absorption costing in come exceeds variable costing income when the number of units sold exceeds the number of units produced.” Do you agree? Explain.
- (b) Green Power Company makes a replacement part (a plastic ring) for large plastic injection molding machines. Each machine requires four new rings a year. In 2009 and 2010, the company had the following standard costs for production of rings were as follows:

<u>Basic Production Data at Standard Cost</u>	
Direct material	Tk. 13.00
Direct labor	Tk. 15.00
Variable manufacturing overhead	Tk. 2.00
Standard variable costs per ring	Tk. 30.00

The annual budget for fixed manufacturing overhead (fixed factory overhead) is Tk. 15,00,000 only. Expected (or budgeted) production is 1,50,000 rings per year, and the sales price is Tk. 50.00. The single cost driver for the 2.00 per ring variable manufacturing overhead is rings produced. Both budgeted and actual selling and administrative expenses are Tk. 6,50,000, yearly fixed cost plus sales commission at 5% of sales. Actual product quantities are:

<u>Details</u>	<u>2009</u>	<u>2010</u>
In unit (rings), Opening inventory	-	30,000
Production	1,70,000	1,40,000
Sales	1,40,000	1,60,000
Ending inventory	30,000	10,000

There are no variances from the standard variable manufacturing costs, and the actual fixed manufacturing overhead incurred is exactly Tk. 15,00,000 each year.

CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-II
SUBJECT: 202. MANAGEMENT ACCOUNTING.

Q. No. 4. (Contd..)

Required:

- (i) Prepare income statement for 2009 and 2010 under variable costing.
- (ii) Prepare income statement for 2009 and 2010 under absorption costing.
- (iii) Show a reconciliation of difference in operating income for 2009, 2010, and the two years as a whole.

[Marks: {4+ (6+6)+4} = 20]

Q. No. 5.

- (a) Which product should have a larger markup over variable cost, a product whose demand is elastic or a product whose demand is inelastic?
- (b) ABC company has asked your manager in determining the most profitable sales and production mix of its products. The company manufactures a line toys. The sales department has provided you the following budgeted data:

<u>Toy</u>	<u>Estimated Demand (in Unit)</u>	<u>Selling price per toy (in Tk.)</u>
A	60,000	14.50
B	1,00,000	7.90
C	70,000	16.60
D	45,000	25.20
E	2,20,000	6.00

The cost accountant has developed the following additional data from the accounting files:

- (i) Standard direct production cost per unit are as follows:

<u>Product (Toy)</u>	<u>Materials (in Tk.)</u>	<u>Labor (in Tk.)</u>
A	4.10	5.00
B	2.10	2.50
C	5.50	6.00
D	10.00	8.00
E	1.90	1.50

- (ii) The standard wages rate of Tk. 10.00 per hour is expected to continue unchanged throughout the year. The plant has an effective production capacity of 1,51,000 labor hours per year on a single shift. The current equipment can be used to produce any and all of the products (toys).
- (iii) Variable manufacturing overhead is budgeted at Tk. 3.00 per direct labor hour. Total fixed manufacturing overhead for the year is planned at Tk. 10,00,000.

Required:

- (1) Prepare a schedule that will be most useful to management in planning the product mix. Determine the amount of net income at such a product mix.
- (2) Is the present effective capacity on a single shift adequate to meet the estimated sales demand? If not, what will be the optimal product mix to keep production within the limits of a single shift?

[Marks: {5+ (7+8)} = 20]

= THE END =

THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH
CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-II
SUBJECT: 203. COMMERCIAL & INDUSTRIAL LAWS.

Time: Three hours

Full Marks: 100

-
- ❖ Answer FIVE questions taking at least TWO from each group “A” and “B”.
 - ❖ Answer must be brief, relevant, neat and clean.
 - ❖ Start answering each question from a fresh sheet.
-

GROUP-A: COMMERCIAL LAW

Q. No. 1.

- (a) The law of contract is not the whole law of agreements, nor the whole law of obligations. Analyze the statement.
- (b) Explain with example how an offer is made?
- (c) What are the essentials of a valid offer?

[Marks: (5+5+10) = 20]

Q. No. 2.

When a contract is said to be discharged? What are the various modes in which a contract may be discharged?

[Marks: 20]

Q. No. 3.

- (a) Define (i) arbitration, (ii) award, (iii) Caveat emptor; and (iv) merchantable quality.
- (b) When an agreement to sale become a sale.

[Marks: ((10+10) = 20]

Q. No. 4.

- (a) Define the term Principal and Agent. What are the essential contents of an Agency Agreement?
- (b) When does the property and the risks of goods passes from the seller to the buyer in a contract for sale of goods.

[Marks: (10+10) = 20]

Q. No. 5.

- (a) Who are common carriers? To what extent does Bangladesh Railway discharges the duties of a common carrier?
- (b) What is Associated Trade Marks? Distinguish between the registration of the assignments and the registration of transmission of Trade Marks?

[Marks: (10+10) = 20]

CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-II
SUBJECT: 203. COMMERCIAL & INDUSTRIAL LAWS.

GROUP-B: INDUSTRIAL LAW

Q. No. 6.

Discuss the provisions of leave and holidays under the provision of Bangladesh Labour Act 2006.

[Marks: 20]

Q. No. 7.

- (a) Distinguish between discharge from service and dismissal from service under the provision of Bangladesh Labour Act 2006.
- (b) Define adult, adolescent, child and young person according to Bangladesh Labour Act 2006.
- (c) State the rules of utilization of participation fund.

[Marks: (7+8+5) = 20]

Q. No. 8.

- (a) Discuss the following according to Bangladesh Labour Act 2006.
 - (i) Unfair labor practice on the part of the employer.
 - (ii) Unfair labor practice on the part of the workmen.
- (b) What is Lay off? Discuss the rate of compensation for lay off. Under what circumstance a laid off worker are not entitled to get any payment?

[Marks: (10+10) = 20]

Q. No. 9.

- (a) Write short notes on – (i) Commercial establishment (ii) Illegal Lockout (iii) Occupational disease (iv) Collective bargaining agent.
- (b) State the rules regarding fixation of wages periods.

[Marks: (10+10) = 20]

Q. No. 10.

- (a) Describe the grievance handling procedures.
- (b) What are the procedures of retrenchment? Is an employer under any obligation has to re-employ a retrench worker?
- (c) Discuss the provisions of providing drinking water as per Bangladesh Labour Act, 2006.

[Marks: (6+8+6) = 20]

= THE END =

THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH
CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-II
SUBJECT: 204. TAXATION.

Time: Three hours

Full Marks: 100

- ❖ All questions are to be attempted.
- ❖ Show computations, where necessary.
- ❖ Answer must be brief, relevant, neat and clean.
- ❖ Start answering each question from a fresh sheet.

Q. No. 1.

Differentiate between the following under the Income Tax Ordinance 1984:

- (a) Provisional assessment and Emergency assessment; and
- (b) Additional tax on undistributed profit and Excess profit tax.

[Marks: (5+5) = 10]

Q. No. 2.

- (a) Critically evaluate the following statements:
 - (i) "Income under the Income Tax Ordinance 1984 subject to taxation is not tainted with illegality."
 - (ii) "Foreigners being resident in Bangladesh are supposed to pay tax on the income earned in their own country."
- (b) What do you mean by horizontal equity? How has the minimum taxation under the Income Tax Laws distorted the assurance of horizontal equity? Explain.
- (c) What are the procedures regarding application of recognizing a Provident Fund for an employer?
- (d) What is the procedure to apply for Tax Holiday? What are the documents to be attached with such application?

[Marks: (4 x 5) = 20]

Q. No. 3.

The trading and profit and loss accounts of Khan Traders Ltd., a private limited company, not enlisted with any stock exchanges, for the year ended 31st December 2009 were as follows:

Trading Account for the year ended 31.12.2009

	Taka		Taka
To Opening stock	5,00,000	By Sales	92,50,000
" Purchases	50,00,000	" Closing stock	7,50,000
" Wages	15,00,000		
" Gross profit c/d	30,00,000		
	1,00,00,000		1,00,00,000

Profit and Loss Account for the year ended 30.06.2010

	Taka		Taka
To Salaries and allowances	5,00,000	By Gross profit b/d	30,00,000
" Rent, rates and taxes	1,75,000	" Income from	
" Law charges	1,00,000	compensation given by	
" Donation	2,00,000	insurance company	7,00,000
" Bad debts	1,00,000		
" Provision for bad debts	50,000		
" Depreciation	2,00,000		
" Miscellaneous expenses	4,50,000		
" Net profit	19,25,000		
	37,00,000		37,00,000

CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-II
SUBJECT: 204. TAXATION.

Q. No. 3. (Contd..)

The following further information has been furnished:

- (i) The company has valued the closing stock of Tk. 7,50,000 at cost price and opening stock would have been Tk. 4,00,000 if valued at cost price.
- (ii) Depreciation on fixed assets granted as per Third Schedule Tk. 1,80,000
- (iii) Law charges include Tk. 35,000 paid as compensation for injury received by a person run over by one of the directors of the company while coming to the office. The car belongs to the company.
- (iv) Donation was made to a Milad Celebration committee.
- (v) Bad debts include a loan of Tk. 80,000 made to a friend of one of the directors six years ago.
- (vi) Miscellaneous expenses include entertainment expenses of Tk. 1,50,000.

Required: Calculate the total income and tax payable by the company.

[Marks: 20]

Q. No. 4.

Mrs. Y is a Manager of a multinational company receiving Tk. 40,000 basic salary per month. She is entitled to receive the following benefits from her employer:

- (1) Mobile Phone allowance Tk. 1,000 p.m.
- (2) Entertainment allowance Tk. 1,000 p.m.
- (3) Bonus equivalent to 2 months' basic salary
- (4) Free accommodation (out of which 1 room was sub-let by Mrs. Y for Tk.3,000 p.m.)
- (5) Medical allowance Tk. 500 p.m.
- (6) Conveyance allowance Tk. 1,200 p.m.
- (7) Servant allowance Tk. 1,500 p.m.
- (8) Subscription to RPF @ 10% of basic salary per month (Employer's contribution is also the same). She had interest on savings certificate Tk. 2,25,000 net after deducting tax at source @10%. During the income years she purchased shares of listed companies of Tk. 50,000. Employer of Mrs. Y has already deducted tax on her salary income without considering her investment in shares and also disregarding her other income.

Required:

- (i) Compute the tax deducted at source by the employer of Mrs. Y on her salary income.
- (ii) If Mrs. Y has paid Tk. 10,000 as advance income tax other than the tax deducted at source, compute the net tax payable by Mrs. Y.

[Marks: 15]

Q. No. 5.

- (a) Define excise duty. Why is the excise duty still maintained in a limited scale?
- (b) Explain the procedures of VAT deducted at source. Your answer should reflect the recent changes in the Fiscal Budget 2010-2011.
- (c) What are the fiscal incentives available for exporters in Bangladesh under the VAT Act 1991?
- (d) A manufacturing company has imported 1 million pieces of a product at C&F cost of US\$ 75,000. Applicable exchange rate US\$ 1 = BDT 70. Insurance cost is 1% of C&F. Taxes applicable at import stage are: Customs Duty (CD) @ 15%, Supplementary Duty (SD) @ 35%, Value Added Tax (VAT) and Advance Income Tax (AIT). Determine the amount of each tax and the total import cost including all taxes and non-tax costs. Mention the implication of further tax liability, if the importer was a commercial importer.
- (e) Where are the Baggage Rules applicable? Mention any five consumable items which are tax free under the Baggage Rules.
- (f) Show distinctions among Antidumping Duty, Regulatory Duty and Supplementary Duty.

[Marks: (3+5+4+5+3.5+4.5) = 25]

CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-II
SUBJECT: 204. TAXATION.

Q. No. 6.

Mr. A has been working in a reputed organization and he is also the owner of a sole-proprietorship business entity. He has tried to fill up his Income Tax Return for the income year ending on 30 June 2010. Following is the partly filled-up return for assessment year 2010-2011.

Sl. No.	Particulars of Income	Amount in Taka
1.	Salaries: u/s 21	3,80,000
2.	Interest on securities: u/s 22	-
3.	Income from house property: u/s 24	1,56,000
4.	Agricultural income: u/s 26	36,000
5.	Income from business or profession: u/s 28	2,83,000
6.	Share of profit in a firm:	2,00,000
7.	Income of spouse or minor child as applicable: u/s 43(4)	80,000
8.	Capital Gains: u/s 31	1,55,000
9.	Income from other source: u/s 33	4,80,000
10.	Total (Serial 1-9)	17,70,000
11.	Foreign income	-
12.	Total income (Serial 10 and 11)	17,70,000
13.	Tax leviable on total income	
14.	Tax rebate u/s 44(2)(b)	
15.	Tax payable (difference between serial 13 and 14)	

- ❖ The entire capital gain arises from the sale of listed companies' shares.
- ❖ The entire income from other source is the after-tax income from prize bond on which tax has already been deducted at source @ 20%.

Mr. A has following particulars of his investment for tax credit:

	Taka
1. Employee's contribution to Recognized Provident Fund	28,000
2. Employer's contribution to Recognized Provident Fund	28,000
3. Purchase of shares of listed companies from primary market (IPO)	25,000
4. Purchase of shares of listed companies from secondary market	1,60,000
	2,41,000

Required: Compute the figures for serial 13, 14 and 15 in the above return.

[Marks: 10]

= THE END =

THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH
CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-III
SUBJECT: 301. ADVANCED FINANCIAL ACCOUNTING-II.

Time: Three hours

Full Marks: 100

- ❖ All questions are to be attempted.
- ❖ Show computations, where necessary.
- ❖ Answer must be brief, relevant, neat and clean.
- ❖ Start answering each question from a fresh sheet.

Q. No. 1.

- (a) On 01 January, 2009 CMA Ltd. buys equipment worth of Tk.10,000 and depreciate it in straight line method over its expected useful life of five years.

For tax purposes, the equipment is depreciated at 25% per annum on straight line method. Tax losses may be carried back against taxable profit of the previous five years. In the year 2009 CMA Ltd.'s profit before charging depreciation was Tk.5,000 and the figure was same in the year 2010. The tax rate is 40%.

You are required to-

- (i) Compute the carrying amount, tax base, temporary difference and deferred tax of the company for the year 2009 and 2010.
 - (ii) Prepare the Income Statement of CMA Ltd. for the year 2009 and 2010 with the above information.
- (b) Discuss the importance of observance of code of ethics by the Accountants particularly by the Cost and Management Accountants.
- (c) Do you think there should be separate code of ethics for the accountants in public practice? Why or why not?
- (d) What do you understand by the word "Due Care" with regard to the code of ethics for the accountants?

[Marks: {(6+6)+3+3+2} = 20]

Q. No. 2.

Given below is the position of M/S Ryian Ltd. as on 01 August, 2010 on which date it goes to liquidation:

	<u>Taka</u>	<u>Taka</u>
1. Share capital:		
(a) 10,000 preference shares of Tk. 10 each, fully paid	100,000	
(b) 5,000 Equity Shares of Tk. 10 each, Full called	50,000	
Less: Calls in arrear on 1,000 shares @ Tk. 1 per share	<u>1,000</u>	
	49,000	
(c) 10,000 equity shares of Tk. 10 each, Tk. 5 paid per share	50,000	
(d) 20,000 equity shares of Tk. 10 each, Tk. 3 paid per share	<u>60,000</u>	
		259,000
2. Secured finance from Bank:		
Against pledge of stock of raw materials		38,000
3. Unsecured dues		
Preference	1,200	
Other	<u>101,800</u>	
		<u>103,000</u>
		<u>400,000</u>
4. Cash and Bank		5,000
5. Stock of Raw Materials		50,000
6. Other Stocks		150,000
7. Other Assets		145,000
8. Profit and Loss Account (Debit balance)		<u>50,000</u>
		<u>400,000</u>

CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-III
SUBJECT: 301. ADVANCED FINANCIAL ACCOUNTING-II.

Q. No. 2. (Contd..)

Realizations were:

- (a) Stock of raw materials realized by Bank Tk. 30,000
- (b) Other Stocks Tk. 80,000
- (c) Remaining Assets Tk. 20,000

The liquidator is entitled to a fixed remuneration of Tk. 1,000 plus 3% of gross amounts realized by him. Other costs and charges amounted to Tk. 11,000. Equity shares carry the same right, regardless of the amount paid, as far as capital repayment is concerned.

Show the Liquidator's Final Statement of Account.

[Marks: 20]

Q. No. 3.

A firm in Dhaka, whose accounting year ends on 31 December, has two Branches one at Pabna and another at Jamalpur. The Branches keep a complete set of Books. On 31 December, 2010, the Pabna and Jamalpur Branch Accounts in the Dhaka books showed debit balance of tk. 54,500 and Tk. 47,250 respectively before taking the following information into account:

- (a) Goods valued at Tk. 3,500 were transferred from Pabna Branch to the Jamalpur Branch under instruction from Head Office.
- (b) A remittance of Tk. 5,000 made by the Pabna Branch to the HO on 30 December, 2010 was received in Dhaka on 03 January, 2011.
- (c) The Pabna Branch collected Tk. 2,300 from Pabna a customer of HO.
- (d) The Jamalpur Branch paid Tk. 4,500 for certain goods purchased by the HO at Jamalpur.
- (e) Goods worth Tk. 2,000 supplied by the HO to the Jamalpur Branch on 25th December, 2010 was received by the latter on 04 January, 2011.
- (f) The Pabna Branch received on behalf of the HO Tk. 1,000 as divided from a Company located at Pabna.
- (g) Depreciation of the fixed assets to Jamalpur Branch is Tk. 500. The accounts of these assets are kept in HO books.
- (h) For the year 2010, the Pabna Branch showed a net loss of Tk. 2,500 and the Jamalpur Branch a net profit of Tk. 18,500 (before charging depreciation stated in (g) above).

You are required to pass Journal entries to record these matters in the HO books, and then write up the Branch Accounts therein.

[Marks: { 10+(5+5) } = 20]

Q. No. 4.

The A & Co. Ltd. acquired 80 per cent of both classes of shares in the B & Co. Ltd. as at 1st January, 2010, at a total cost of Tk. 5,60,000 only. The Balance Sheets at 31st December, 2010 when accounts of both companies were prepared and audited, were as under:

Balance Sheet of A & Co. Ltd. as at 31st December, 2010

<u>Liabilities</u>	<u>Taka</u>	<u>Assets</u>	<u>Taka</u>
Share capital:		Land & buildings	5,15,000
Authorized & Issued-15,000 share		Plant & Machinery	1,50,000
of Taka 50 each, fully paid	7,50,000		
Creditors (a)	75,000	Debtors	1,40,000
General Reserve	4,75,000	Stock(b)	1,70,000
Profit & Loss Account (c)	4,00,000	Investments	5,60,000
		Cash at Bank	<u>1,65,000</u>
	<u>17,00,000</u>		<u>17,00,000</u>

CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-III
SUBJECT: 301. ADVANCED FINANCIAL ACCOUNTING-II.

Q. No. 4. (Contd..)

- (a) Includes Taka 30,000 for purchases from the B & Co. Ltd., on which the latter company made a profit of Taka 7,500.
- (b) Includes Taka 15,000 stock at cost purchased from the B & Co. Ltd., part of the Taka 30,000 purchases [see note (a).].
- (c) Includes dividend at the rate of 16% per annum from the B & Co. Ltd., the dividend was for the year 2009.

Balance Sheet of B & Co. Ltd. as at 31st December, 2010

	<u>Taka</u>		<u>Taka</u>
Share capital:		Land & buildings	1,50,000
1,000 6% Preference Shares of Taka		Plant & Machinery	1,35,500
100 each, fully paid	1,00,000		
30,000 ordinary shares of Taka 5 each	1,50,000	Stock	1,01,000
Creditors (a)	80,500	Debtors	79,000
General Reserve-as at 1 st Jan., 2010	10,000	Cash at Bank	55,000
Profit & Loss Account	<u>1,80,000</u>		
	<u>5,20,500</u>		<u>5,20,500</u>

Note: To Balance on Profit and Loss Account at 1st January, 2010 was Taka 80,000 out of which dividend at the rate of 16% was paid on Ordinary shares; The dividend in respect of Preference shares for 2010 is still payable.

Prepare Consolidated Balance Sheet as at 31st December, 2010, Ignore tax.

[Marks: 20]

Q. No. 5.

- (a) Distinction between fraudulent financial reporting and creative accounting.
- (b) Explain the accountability of independent branch and head office relating to financial reporting.
- (c) Make a comparative study of commercial accounting and government accounting in Bangladesh.
- (d) "People are the most important assets of an organization and yet the value of these assets does not appear in the financial statements". Explain.

[Marks: (4 x 5) = 20]

= THE END =

THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH
CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-III
SUBJECT: 302. ADVANCED COST ACCOUNTING.

Time: Three hours

Full Marks: 100

-
- ❖ All questions are to be attempted.
 - ❖ Show computations, where necessary.
 - ❖ Answer must be brief, relevant, neat and clean.
 - ❖ Start answering each question from a fresh sheet.
-

Q. No. 1.

- (a) Express an opinion as to the usefulness of data, derived from process costing, for the control of costs.
- (b) M/s. Pahartoli Company produces three products, Alpha, Beta, and Gamma. Alpha and Gamma are joint products, while Beta is a by-product of Alpha. No joint cost is to be allocated to the by-product. The production processes for a given year are as follows:
- (a) In Department 1, 1,10,000 (one lac ten thousand) pounds of material, Rho, are processed at a total cost of Tk. 1,20,000. After processing, 60% of the units are transferred to Department 2 and 40% of the units (now Gamma) are transferred to Department 3.
 - (b) In Department 2, the material is further processed at a total additional cost of Tk. 38,000. Seventy percent of the units (now Alpha) are transferred to Department 4 and 30% emerge as Beta, the by-product, to be sold at Tk. 1.20 per pound. The marketing expense relating to Beta is Tk. 8,100.
 - (c) In Department 4, Alpha is processed at a total additional cost of Tk. 23,660. After processing, Alpha is ready for sale at Tk. 5 per pound.
 - (d) In Department 3, Gamma is processed at a total additional cost of Tk. 1,65,000. In this Department, a normal loss of units of Gamma occurs, which equals 10% of the goods output of Gamma. The remaining goods output is sold for Tk. 12 per pound.

Required:

- (a) Prepare a schedule showing the allocation of the Tk. 1,20,000 joint cost between Alpha and Gamma, using the market value at split off point and treating the net realizable value of Beta as an addition to the sales value of Alpha.
- (b) Prepare a statement of gross profit for Alpha, independent of the answer to requirement (a), assuming that:
 - (i) Tk. 1,02,000 of total joint cost was appropriately allocated Alpha.
 - (ii) 48,000 pounds of Alpha and 20,000 pounds of Beta were available for sale.
 - (iii) During the year, sales of Alpha were 80% of the pounds available for sale. There was no beginning inventory.
 - (iv) The net realizable value of Beta available for sale is to be deducted from the cost of producing Alpha. The ending inventory of Alpha is to be based on the net cost of production.
 - (v) All other costs, sales prices, and marketing expenses are those presented in the facts of the original problem.

[Marks: {5+5+(5x2)} = 20]

Q. No. 2.

- (a) Explain how normal and abnormal spoilage should be reported for management purpose.
- (b) Karnaphully Chemical Company produces two principal products known as XO and MO. Incidental to the production of these products, it produces a by-product known as Bypo. The company has three producing departments, which it identifies as Departments 101, 201, and 301. Raw materials A and B are started in process in Department 101. Upon completion of

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PROFESSIONAL LEVEL-III
SUBJECT: 302. ADVANCED COST ACCOUNTING.

Q. No. 2. (Contd..)

processing in that departments, one fifth of the material is by-product and is transferred directly to stock. One third of the remaining output of Department 101 goes to Department 201, where it is made into XO, and other two thirds goes to Department 301, where it becomes MO. The processing of XO in Department 201 results in a 50% gain in weight of materials transferred into the department due to addition of water at the start of the processing. There is no gain or loss of weight in the other processes.

The company considers the income from Bypro, after allowing Tk.05 per pound for estimated selling and delivery costs, to be a reduction of the costs of the two principal products. The company assigns Department 101 costs to the two principal products in proportion to their net sales value at the point of separation, computed by deducting costs to be incurred in subsequent processes from the sales value of the products.

The following information concerns operations during April:

Inventories	March 31		April 30
	Quantity(Pounds)	Cost(Taka)	Quantity(Pounds)
Department 101	---	---	----
Department 201	800	17,160	1,000
Department 301	200	2,340	360
Finished stock –XO	300	7,260	80
Finished stock – MO	1,200	18,550	700
Finished stock - Bypro	---	---	---

Inventories in process are estimated to be one-half complete in Departments 201 and 301, both at the beginning and at the end of the month. The company uses the FIFO method for inventory costing.

Costs	Material Used (Taka)	Labor and Factory Overhead(Tk.)
Department 101	1,34,090	87,418
Department 201	---	31,950
Department 301	----	61,880

The materials used in Department 101 weighed 18,000 pounds.

Sales prices

XO-----Tk.29.50 per pound

MO-----Tk.17.50 per pound

Bypro-----Tk.0.50 per pound

Prices as of April 30 are unchanged from those in effect during the month.

Required: Prepare a departmental cost of production report for April. (Carry unit cost computations to three decimal places and round off total amounts to the nearest Taka.)

[Marks: (5+15) = 20]

Q. No. 3.

- (a) Rahul Company had a production run of 8,000 pairs of slacks during the last week of June, 2010 at the following costs:

Per pair

Materials----- Tk.5

Labor Tk.4

Factory overhead (including Tk.0.70..... allowance for spoiled work) Tk.3

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PROFESSIONAL LEVEL-III
SUBJECT: 302. ADVANCED COST ACCOUNTING.

Q. No. 3. (Contd..)

Final inspection revealed 600 pairs as not meeting quality standards, salable as seconds at Tk.4 a pair.

Required: Prepare entries to record all related costs if:

- (1) The loss is to be charged to the production run.
- (2) The loss is to be charged to all production of the fiscal period.

- (b) Mohona Company has two producing departments, Planers and Radial Drills, and two service departments, Maintenance and Utilities. The Cost Department collected the following data:

	Producing Departments		Service Departments	
	Planers (Taka)	Radial Drills (Taka)	Maintenance (Taka)	Utilities (Taka)
<u>Estimated date for 2010:</u>				
Fixed overhead	18,000	15,000	6,000	4,800
Variable overhead	15,000	9,000	4,500	3,600
	-----	-----	-----	-----
Total	33,000	24,000	10,500	8,400
	=====	=====	=====	=====
Direct labor hours	12000	7500	---	---
Maintenance hours	2500	1000	3500	---
Kilowatt-hours	<u>45000</u>	<u>25000</u>	----	<u>70000</u>
<u>Actual data for January 2010:</u>				
Fixed overhead	1,500	1,250	500	400
Variable overhead	1,620	1,050	670	310
	-----	-----	-----	-----
Total	3,120	2,300	1,170	710
	=====	=====	=====	=====
Direct labor hours	1020	680	----	---
Maintenance hours	320	80	400	----
Kilowatt-hours	4100	2000	----	6000

Required:

- (1) Compute the billing (or charging) rate for each of two service departments.
- (2) Calculate the total predetermined factory overhead for each of the two producing departments and their departmental factory overhead rates based on direct labor hours. Service department expenses are to be distributed on the basis of the billing rates calculated in (1). (Carry all computations to three decimal places).
- (3) Prepare an analysis of the over-or under applied factory overhead of each of the two producing departments for January, including the spending and idle capacity variances. Service department expenses are to be charged on the basis of actual hours (maintenance or kilowatt) multiplied by the billing rate. This method treats these expenses as being wholly variable.
- (4) Prepare a calculation and analysis of the over-or under distributed factory overhead in each of the two service departments, including the spending and idle capacity variances. (Round off all amounts to four decimal places.)
- (5) Prepare a reconciliation of the total variances.

[Marks: {3+3+(3+3+3+3+2)} = 20]

Q. No. 4.

- (a) Does a standard cost system increase or decrease the amount of accounting and clerical effort and expense required to prepare cost reports and financial statements.
- (b) In a standard cost system, the computation of variance in a first step. What steps should follow?

CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-III
SUBJECT: 302. ADVANCED COST ACCOUNTING.

Q. No. 4. (Contd..)

- (c) Klineline Board Manufacturing Company manufactures a single product. The standard cost of one unit of this product is as follows:

Direct materials	:	6 feet at Tk. 1.00	Tk. 6.00
Direct labour	:	1 hour at Tk. 4.50	4.50
Variable manufacturing overhead	:	1 hour at Tk. 3.00	<u>3.00</u>
Total standard variable cost per unit			Tk. 13.50

During October, 6,000 units were produced. Selected cost data relating to the month's production follow:

Material purchased	:	60,000 feet at Tk. 0.95	Tk. 57,000
Material used in production	:	38,000 feet	-
Direct labour	:	6,500 hours at Tk. 4.30 per hour	27,950
Variable manufacturing cost incurred			20,475
Variable manufacturing overhead efficiency variance			1,500 (Un)

There was no beginning inventory of raw materials. The variable manufacturing overhead rate is based on direct labour hours.

Required:

- (a) For direct materials;
- Compute the price and quantity variance for October;
 - Prepare journal entries to record activity for October;
- (b) For direct labour:
- Compute the rate and efficiency variances for October;
 - Prepare journal entry to record activity for October.
- (c) For variable manufacturing overhead:
- Compute the spending variance for October, and verify the efficiency variance given above.
- (d) State possible causes of each variance that you have computed.

[Marks: (4+3+4+3+3+3) = 20]

Q. No. 5.

- (a) Padma Milling Company produces one product, processed in three departments. During May, 1,10,000 units were completed in Department One at a total cost of Tk.1,76,000 and were transferred to the next department. From this quantity, Department Two completed and transferred out 85,000 units. The May 31 work in process inventory of Department Two is 22,000 units, $\frac{1}{4}$ completed as to labor and factory overhead. Department Two's labor and factory overhead costs for May were Tk.26,245 and Tk.12,670, respectively, and the department's spoilage was normal and occurred during processing.

Required: Prepare a cost of production report for Department Two. Compute the adjustment for loss units.

- (b) Anwar Paper Company manufactures a high quality paper box. The Box Department applies two separate operations- cutting and folding. The paper is first cut and trimmed to the dimensions of a box from by one machine group. One square foot of paper is equivalent to four box forms. The trimmings from this process have no scrap value. Box forms are then creased and folder (i.e., completed) by a second machine group. Any partially processed boxes in the Box Department are cut box forms that are ready for creasing and folding. These partly processed boxes are considered 50% complete as to labor and factory overhead. The Materials Department maintains an inventory of paper in sufficient quantities to permit continuous processing, and transfer to the Box Department are made as needed. Immediately after folding, all satisfactory boxes are transferred to the Finish Goods Department.

CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-III
SUBJECT: 302. ADVANCED COST ACCOUNTING.

Q. No. 5. (Contd..)

During June, the Materials Department purchased 12,10,000 square feet of unprocessed paper of Tk.2,44,000. Conversion cost for June was Tk.2,26,000. A quantity equal to 30,000 boxes was spoiled during paper cutting, and 70,000 boxes were spoiled during folding. All spoilage has a zero salvage value, is considered normal, and cannot be reprocessed. All spoilage loss is allocated between the completed units and partially processed boxes. The company applies the weighted average costing method to all inventories. Inventory data for June are:

Inventory		June 1		June 30
	Physical Unit	Units on Hand	Cost (Taka)	Units on Hand
<u>Material Department:</u>				
Paper	square feet	3,90,000	76,000	2,00,000
<u>Box Department:</u>				
Boxes cut (not folded)	number	8,00,000	55,000 *	3,00,000
<u>Finish Goods Department:</u>				
Completed boxes on hand	number	2,50,000	18,000	50,000
*Materials ----- Tk.35,000				
Conversion cost----- <u>Tk.20,000</u>				
<u>Tk.55,000</u>				

Required: Prepare the following:

- (1) A report of cost of paper used in June by the Materials Department.
- (2) A schedule showing the physical flow of units (including beginning and ending inventories) in the Materials Department, in the Box Department, and in the Finished goods Department.
- (3) A schedule showing the computation of equivalent units produced in June for materials and conversion cost in the Box Department.
- (4) A schedule of the computation of unit costs for the Box Department.
- (5) A report of inventory cost and cost of completed units for the Box Department.
- (6) A Schedule showing the computation of unit costs for the Finished Goods Department.
- (7) A report of inventory cost and cost of units sold for the Finished Goods Department.

[Marks: (5+15) = 20]

= THE END =

THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH
CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-III
SUBJECT: 303. CORPORATE LAWS, GOVERNANCE & SECRETARIAL PRACTICES.

Time: Three hours

Full Marks: 100

- ❖ Answer FIVE questions taking any THREE from Part-A and TWO from Part-B including question No.5 which is compulsory.
- ❖ Answer must be brief, relevant, neat and clean.
- ❖ Start answering each question from a fresh sheet.

PART-A: CORPORATE LAWS

Q. No. 1.

Briefly explain the following statements:

- (a) "Securities & Exchange Commission is the regulating body of the country's stock market".
- (b) "A Company is an artificial person created by law with a perpetual succession and a common seal".
- (c) "Buy shares when the market is down and sell when the market is in the upward trend".
- (d) "Never be too greedy in the capital market".

[Marks: (5x4) = 20]

Q. No. 2.

Briefly state the procedures to form a Public Ltd. Co.

[Marks: 20]

Q. No. 3.

Explain the role of an Issue Manager in public offerings of shares of a public limited company.

[Marks: 20]

Q. No. 4.

- (a) What is Cost Audit and describe the qualifications and obligations of a Cost Auditor?
- (b) What do you mean by corporate culture?

[Marks: (10+10) = 20]

Q. No. 5.

Write short notes on any 4 (four) of the followings:

- (a) Fixed charge and Floating charge.
- (b) Articles of Association.
- (c) Share holders' Register.
- (d) Salient features of Insurance Corporation Act, 1973.
- (e) SEC's directives for submission of Accounts (Un-audited & Audited).

[Marks: (4x5) = 20]

PART-B: CORPORATE GOVERNANCE & SECRETARIAL PRACTICES.

Q. No. 6.

- (a) What do you mean by share market index?
- (b) What are the factors responsible for declining share prices?
- (c) How the interest of small investors can be protected in the share market?

[Marks: (6+7+7) = 20]

Q. No. 7.

- (a) Draft a Notice for the forth coming Annual General Meeting of a Public Limited Company with common agendas.
- (b) What are the provisions that have to be complied in carrying out Cost Audit in a Large Pharmaceutical Industry? State the penalty provisions for non compliance of Cost Audit.

[Marks: (10+10) = 20]

Q. No. 8.

- (a) What is Right Share? What are the procedures in offering right share?
- (b) What are the responsibilities and duties of a Company Secretary?

[Marks: (10+10) = 20]

= THE END =

THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH
CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-III
SUBJECT: 304. AUDITING.

Time: Three hours

Full Marks: 100

-
- ❖ All questions are to be attempted.
 - ❖ Show computations, where necessary.
 - ❖ Answer must be brief, relevant, neat and clean.
 - ❖ Start answering each question from a fresh sheet.
-

Q. No. 1.

- (a) “Practice is fact and action; theory consists of explanations and reasons.” In the light of this statement, do you feel there is a need for a comprehensive theory of auditing?
- (b) Describe the advantages of having the accounts audited by an independent auditor.
- (c) Is it possible to remove an auditor before expiry of his term? What are the rights of auditor who is sought to be removed?

[Marks: (3+3+6) = 12]

Q. No. 2.

- (a) “Management representation is an important source of audit evidence and included the same in working paper as audit evidence.” Is it reduce the risk and responsibilities of an auditor?
- (b) What do you understand by the term “going concern”. Briefly discuss how you would as an auditor, evaluate managements assessment of the entity’s ability to continue as a going concern.
- (c) Write some examples of events or conditions which individually or collectively may cast significant doubt about the going concern assumption.

[Marks: (5+5+5) = 15]

Q. No. 3.

- (a) In the context of BSA 400: Risk Assessments and Internal Control – describe three types of “Audit Risk” identified by the Standard which need assessment by the auditor for planning and execution the audit.
- (b) In the context of BSA 320: Audit Materiality-briefly explain the concept of materiality and its application for planning processes and evaluating the results of audit procedures.

[Marks: (6+6) = 12]

Q. No. 4.

- (a) Explain the need of code of professional ethics for auditors. Explain briefly the principles of professional ethics?
- (b) Describe the effects on the auditors’ independence when a large firm of auditors auditing a small company and vice versa.
- (c) Define what is meant by an audit trail and explain how the client’s introduction of Electronic Data Processing (EDP) can alter it. How does this change affect the auditor?

[Marks: (5+5+6) = 16]

Q. No. 5.

- (a) What steps an auditor should take to minimize sampling risk.
- (b) Describe the factors which may influence the size of sample.
- (c) “Certain sampling risks are associated with test of control procedures and substantive procedures adopted in carrying out the Audit.” – Briefly explain.

[Marks: (4+4+6) = 14]

CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-III
SUBJECT: 304. AUDITING.

Q. No. 6.

You are an auditor of a company listed in both stock exchanges of Bangladesh. During the audit of financials of December 31, 2010 you have identified the following:

- (i) The sales reported in accounts and in VAT returns were not in agreement. If they disclose the sales as per accounts in VAT returns, it will cost about Tk.10 million as out put VAT.
- (ii) The income Tax assessment order depicts, there was Tk.2.00 million as interest for non-payment of advance tax in the last year as per provision of ITO-1984. They didn't pay any advance tax for the year under review.
- (iii) The company paid Tk.1.00 lac as fine for half yearly financials not being submitted to Stock Exchanges in due time.
- (iv) The production process of the company produces some effluents e.g. gas, acid and waste water. The company is not complying the rules of environment of GOB.
- (v) The company employed about 1,000 employees and made profit of Tk.1,000 million in the last year but didn't pay for any workers' profit participation fund and welfare fund as per Labour Law 2006.

In the above situation what would be your position as an auditor of the company.

[Marks: (3 x 5) = 15]

Q. No. 7.

- (a) Briefly describe the manner in which the auditor gains satisfaction as to the physical existence of stocks.
- (b) Should the auditor give an unqualified opinion on Financial Statement in case of following:
 - (i) Stocks not properly kept by the management.
 - (ii) Auditors are appointed after stock taking program but management representation letter are provided by the management during the time of audit.
- (c) What are the factors that should be consisted in determining the use of CAATs?

[Marks: (4+4+4) = 16]

= THE END =

THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH
CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-IV
SUBJECT: 401. FINANCIAL MANAGEMENT.

Time: Three hours

Full Marks: 100

- ❖ All questions are to be attempted.
- ❖ Show computations, where necessary.
- ❖ Answer must be brief, relevant, neat and clean.
- ❖ Start answering each question from a fresh sheet.

Q. No. 1.

- (a) What synergies exist in (i) Horizontal merger; (ii) Vertical merger; and (iii) Conglomerate mergers?
- (b) “No body would want to buy a firm with a large loss carry forward, since this is an indication of an unprofitable business.” Examine the statement.
- (c) In a recent meeting of the board of directors of ABC Ltd. the Chairman proposed the acquisition of XYZ Ltd. During his presentation the Chairman state that: As a result of this taken over we will diversify our operation and our earnings per share will rise by 13% bringing great benefits to our shareholders. No bid has yet been made and ABC Ltd. currently owns only 2% of XYZ Ltd. A bid would be based on a share for share exchange which would be ABC share for every six XYZ shares. Financial data for the two companies includes:-

	ABC Ltd. Tk. In million	XYZ Ltd. Tk. In million
Turnover	560	420
Profit before tax	120	100
Profit available to shareholders	75	65
Dividends	32	34
Retained earnings	46	31
Issued ordinary share (Tk. In million)	200	150
Market price per share	32	4.5

Note-1: ABC Ltd. Tk.5 per value.

XYZ Ltd. Tk.1 per value.

Required:

- (i) Explain whether you agree with the Chairman of ABC Ltd. when he says that the taken over would bring “great benefits to our investors”. Support your explanation with relevant calculations. State any assumptions that you make.
- (ii) On the basis of the information provided, calculate the likely post-acquisition share price of ABC Ltd. if the bid price is successful.

[Marks: (4+4+8+4) = 20]

Q. No. 2.

- (a) Discuss the usefulness and limitations of CAPM for capital budgeting decisions.
- (b) XYZ Ltd. is considering investing in a risky new project which will have a life of one year only. Since the capital asset pricing model is a single period model capable of handling risk, the manager of XYZ Ltd. Mr. Khan, is interested to use it to evaluate the project. To this end, he has estimated the returns on existing operations, the new project, the market portfolio and the risk free security in three future ‘state of the world’ and these are set put below:

State of the world	Probability of occurrence	Existing project	New project	Market portfolio	Risk-free security
1	0.25	.12	.10	.12	.03
2	0.50	.10	.17	.10	.03
3	0.25	.16	.16	.16	.03

CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-IV
SUBJECT: 401. FINANCIAL MANAGEMENT.

Q. No. 2. (Contd..)

Acceptance of the new project will have a negligible impact upon the returns from the market portfolio; it will, however, comprise 10% of the modified total of operations of XYZ Ltd. if accepted.

You are to required:

- (i) to calculate the beta factor of the new project.
- (ii) to advice Mr. Khan whether the new project is worth while, using the capital asset pricing model.
- (iii) to calculate the minimum required rate of return for XYZ Ltd. assuming all future projects will have the same risk on average as.
 - (1) Existing operation
 - (2) Existing operations plus the new project.

[Marks: (6+4+4+6) = 20]

Q. No. 3.

- (a) Discuss the relationship between working capital management and business solvency.
- (b) The management of X-Ceramics Ltd. has called for a statement showing the working capital needed to finance a level of activity of 300,000 units of out put for the year. The cost structure for the company's product, for the above mentioned activity level, is detailed below:

	<u>Cost per unit (Tk.)</u>
Raw materials	20.00
Direct labour	5.00
Overheads	<u>15.00</u>
Total costs	40.00
Profit	10.00
Selling price	50.00

Past trends indicate that raw materials are held in stock, on an average, for two months. Work in process will approximate to half-a-month's production. Finished goods remain in warehouse, on an average for a month. Suppliers of materials extend a month's credit. Two month's credit is normally allowed to debtors. A minimum cash balance of Tk.25,000 is expected to be maintained. The production pattern is assumed to be even during the year.

Required: Prepare the statement of working capital determination.

[Marks: (5+15) = 20]

Q. No. 4.

Burse Co wishes to calculate its weighted average cost of capital and the following information relates to the company at the current time:

Number of ordinary shares	20 million
Book value of 7% convertible debt	Tk. 29 million
Book value of 8% bank loan	Tk. 2 million
Market price of ordinary shares	Tk. 5.50 per share
Market value of convertible debt	Tk. 107.11 per Tk. 100 bond
Equity beta of Burse Co	1.2
Risk-free rate of return	4.7%
Equity risk premium	6.5%
Rate of taxation	30%

Burse Co expects share prices to rise in the future at an average rate of 6% per year. The convertible debt can be redeemed at par in eight years' time, or converted in six years' time into 15 shares of Burse Co per Tk. 100 bond.

CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-IV
SUBJECT: 401. FINANCIAL MANAGEMENT.

Q. No. 4. (Contd..)

Required:

- (a) Calculate the market value weighted average cost of capital of Burse Co. State clearly any assumptions that you make.
- (b) Discuss the circumstances under which the weighted average cost of capital can be used in investment appraisal.
- (c) Discuss whether the dividend growth model or the capital asset pricing model offers the better estimate of the cost of equity of a company.

[Marks: (9+5+6) = 20]

Q. No. 5.

- (a) Explain what you understand by the option theory? State the characteristics by put and call option.
- (b) Explain what you understand by the option strategy termed a “Straddle”. Why might an investor use a straddle?
- (c) Calculate the value of a call option using the Black and Scholes model given the following information:-

Current market price of share(s) Tk.75

Volatility (standard deviation)s: 0.45

Exercise price (E) Tk.80

Risk free (rf) rate Tk.0.12

Time to expiration(t) 6 months 0.5 years.

If an investor wants to buy a put with same exercise price and expiration date as call option, what will be the value of put?

[Marks: (5+5+10) = 20]

= THE END =

THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH
CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-IV
SUBJECT: 402. STRATEGIC MANAGEMENT ACCOUNTING.

Time: Three hours

Full Marks: 100

- ❖ All questions are to be attempted.
- ❖ Show computations, where necessary.
- ❖ Answer must be brief, relevant, neat and clean.
- ❖ Start answering each question from a fresh sheet.

Q. No. 1.

- (a) “The powerful combination of lean manufacturing and Six Sigma is what we are speaking about when we use the term Lean Six Sigma.” Please elaborate your understanding about six sigma and lean manufacturing. How does an organization benefit when Six Sigma approach and Lean Manufacturing approach work together?
- (b) Global climate change has become the buzzword of this century necessitating the importance of Environmental Management Accounting (EMA). What role do you think that ICMA Bangladesh should play to bring the EMA into light?
- (c) From a financial reporting standpoint, what form of compensation is the most desirable to the firm?
- (d) Novex Company keeps careful track of time relating to orders and their production. During the most recent quarter, Q1, the following average times were recorded for each unit or order:

Wait time	17.0 days
Inspection time	0.4 day
Process time	2.0 days
Move time	0.6 day
Queue time	5.0 days

Required:

- (i) Compute the throughput time or velocity of production time.
- (ii) Compute the Manufacturing Cycle Efficiency (MCE).
- (iii) What percentage of the production time is spent in non-value added activities?
- (iv) Compute the delivery cycle time.

[Marks: (7+6+4+8) = 25]

Q. No. 2.

Auto Equipments, a manufacturer of electronic fitness equipment, wishes to evaluate two alternative plans for increasing its production capacity to meet the rapidly growing demand for its key product—the Cardiocycle. After months of investigation and analysis, the firm has pruned the list of alternatives down to the following two plans, either of which would allow it to meet the forecast product demand.

Plan X Use current proven technology to expand the existing plant and semi-automated production line. This plan is viewed as only slightly more risky than the firm’s current average level of risk.

Plan Y Install new, just-developed automatic production equipment in existing plant to replace the current semi-automated production line. Because this plan eliminates the need to expand the plant, it is less expensive than plan X, but it is believed to be far more risky because of the unproven nature of technology.

Auto, which routinely uses NPV to evaluate capital budgeting projects, has a cost of capital of 12%. Currently the risk free rate of interest, R_F , is 9%. The firm has decided to evaluate the two plans over a 5-year time period, at the end of which each plan would be liquidated. The relevant cash flows associated with each plan are summarized on the next page:

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Q. No. 2. (Contd..)

Particulars	Plan X (Tk.)	Plan Y (Tk.)
Initial investment (CF_0)	2,700,000	2,100,000
Year (t)	Cash inflows (CF_t)	
1	470,000	380,000
2	610,000	700,000
3	950,000	800,000
4	970,000	600,000
5	1,500,000	1,200,000
Risk-adjusted discount rate (RADR)	13%	15%

Further analysis of the two plans has disclosed that each has a real option embedded within the cash flows as shown below:

- Plan X Real Option At the end of 3 years, the firm could abandon this plan and then install the automatic equipment, which would then have a proven track record. The **abandonment option** is expected to add Tk. 100,000 of NPV and has a 25% chance of being exercised.
- Plan Y Real Option Because Plan Y does not require current expansion of the plant, it creates an improved opportunity for future plant expansion. This option allows the firm to grow its business into related areas more easily if the business and economic conditions continue to improve. This expansion option is estimated to be worth Tk. 500,000 of NPV and has a 20% chance of being exercised.

Required:

- Assuming that the two plans have same risk as the firm, use the following capital budgeting techniques and the firm's cost of capital to evaluate their acceptability and relevant ranking.
 - Net Present Value (NPV)
 - Internal Rate of Return (IRR)
- Recognize the differences in plan risk, use the NPV method, the risk-adjusted discount rate (RADR) and the data given earlier to evaluate the acceptability and relative ranking of the two plans.
- Use real options data given above for each plan to compute the strategic NPV ($NPV_{strategic}$) for each plan.
- Compare and contrast your findings in a and b, and c. Which plan would you recommend? Did the explicit recognition of the risk differences of the plans affect this recommendation based on NPV? Did the explicit recognition of the real options in each plan again affect your recommendation based on Strategic NPV?

[Marks: (6+6+6+7) = 25]

Q. No. 3.

Our Timbers Ltd. is a market leader in the supply of timber-based products to the construction industry. The company has two divisions, namely the RP division which manufactures products used in the construction of residential properties and the IP division which manufactures products used in construction of industrial properties.

The following information is available in respect of the three year period ended 30 November 2009:

- (1) (i) Net Assets as at 30 November were as follows:

	<u>2009</u> Tk. in '000	<u>2008</u> Tk. in '000	<u>2007</u> Tk. in '000
Fixed Assets (net book value)	75,600	64,800	54,000
Net Current Assets	64,400	55,200	56,000
Net Assets	<u>140,000</u>	<u>120,000</u>	<u>110,000</u>
Fixed Assets acquired during year	19,200	18,000	

Note: No disposals of fixed assets took place during the above periods.

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Q. No. 3. (Contd..)

- (ii) The total capital employed of Our Timbers Ltd. was invested in the divisions during each year as follows:

<u>Division</u>	<u>% of total capital employed</u>
RP	40
IP	60

- (iii) Depreciation is charged at 10% per annum on a reducing balance basis.

- (2) Operating cash flows were as follows:

<u>Division</u>	<u>2009</u> <u>Tk. in million</u>	<u>2008</u> <u>Tk. in million</u>
RP	14.4	13.1
IP	20.0	18.0

- (3) Each division has a target rate of return of 22.5% on average capital employed throughout each year. Divisional managers are eligible to receive an annual bonus amounting to 10% of annual salary if the target rate of return is achieved.

Required:

- (a) (i) Calculate the return on the average capital employed by each of the divisions during the years ended 30 November 2008 and 30 November 2009.
(ii) Comment briefly on how divisional managers might respond to the results achieved and ONE potential problem that might be experienced by Our Timbers Ltd.
- (b) Until 30 November 2009, the company outsourced its entire sales administration and would have incurred service costs amounting to Tk.3,855,000 and Tk.4,895,000 in respect of divisions RP and IP during the year ending 30 November 2010. However, a strategic decision was taken to establish an in-house division known as the 'Sales Division' which would be dedicated to servicing the needs of divisions RP and IP and, therefore, would not provide any service whatsoever to any other party. The Sales Division became operational on 1 December 2009.
- (1) Budgeted information in respect of the year ending 30 November 2010 is as follows:

<u>Division</u>	<u>RP</u> <u>Tk. in million</u>	<u>IP</u> <u>Tk. in million</u>	<u>Sales</u> <u>Tk. in million</u>
Average capital employed	52	78	9
Profit before service costs	12	16	

- (2) The management accountant has prepared a detailed analysis of the budget of the Sales Division for the year ending 30 November 2010 which is as follows:

	<u>Total</u> <u>Tk. 000</u>	<u>Quotation</u> <u>preparation</u> <u>Tk. 000</u>	<u>Order</u> <u>processing</u> <u>Tk. 000</u>	<u>Invoice</u> <u>generation</u> <u>Tk. 000</u>	<u>Customer</u> <u>visits</u> <u>Tk. 000</u>	<u>Management</u> <u>costs</u> <u>Tk. 000</u>
Salaries	4,100	1,400	1,500	250	200	750
Consumable	900	50	350	250	200	50
IT costs	1,000	200	400	50	50	300
Sundry costs	1,000	150	150	50	350	300
Total	7,000	1,800	2,400	600	800	1,400

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Q. No. 3. (Contd..)

Cost driver	Quotations	Sales Orders	Invoices	Visits
Activity volume	1,022,000	817,600	511,000	2,500

- (3) The estimated usage of the Sales Division by the RP and IP divisions is as follows:

Division	RP	IP
Number of quotations prepared	255,500	766,500
Number of sales orders processed	204,400	613,200
Number of invoices generated	102,200	408,800
Number of customer visits	2,000	500

- (4) The company owns tree plantations from which it satisfies 100% of its requirement for timber during each year.

The managing director of Our Timbers Ltd has proposed that all services provided by the Sales Division to the RP and IP divisions during the year ending 30 November 2010 should be invoiced on the basis of cost plus 30% with all costs, other than management costs, split according to the estimated usage data detailed in note (3) above. Management costs would be shared equally between divisions RP and IP.

Required:

- Evaluate the proposal of the managing director and comment on its likely acceptance by the managers of the three divisions.
- Comment briefly on the use of its own tree plantations as a source of raw materials by Our Timbers Ltd.

[Marks: (8+4+9+4) = 25]

Q. No. 4.

The Margo Corporation is an automotive supplier that uses automatic turning machines to manufacture precision parts from steel bars. Margo's inventory of raw steel averages Tk. 600,000. John Oates, president of Margo, and Helen Gorman, Margo's controller, are concerned about the costs of carrying inventory. The steel supplier is willing to supply steels in small lots at no additional charge. Helen Gorman identified the following effects of adopting a JIT inventory program to virtually eliminate steel inventory.

- ❖ Without scheduling any overtime, lost sales due to stockouts would increase by 35,000 per year. However, by incurring overtime premiums of Tk. 40,000 per year, the increase in lost sales could be reduced to 20,000 units. This would be the maximum amount of overtime that would be feasible for Margo.
- ❖ Two warehouses presently used for steel bar storage would no longer be need. Margo rents one warehouse form another company under a cancelable leasing arrangement at an annual cost of Tk. 60,000. The other warehouse is owned by Margo and contains 12,000 square feet. Three-fourths of the space in the owned warehouse could be rented for Tk. 1.50 per square foot per year. Insurance and property cost totaling Tk. 14,000 per year would be eliminated.

Margo's projected operating results for the year 2011 calendar year follow. Long term capital investments by Margo are expected to produce an annual rate of return of 20 percent. Margo Corporation's Budgeted Income Statement for the year ended 31 December 2011 (in thousands) is as follows:

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Q. No. 4. (Contd..)

Particulars	Taka	Taka
Revenue (900,000 units)		10,800
Cost of goods sold:		
Variable costs	4,050	
Fixed costs	<u>1,450</u>	
Total cost of goods sold		<u>5,500</u>
Gross Margin		5,300
Marketing and distribution cost		
Variable costs	900	
Fixed costs	1,500	
Total marketing and distribution cost		<u>2,400</u>
Operating income		<u>2,900</u>

Required:

- Compute the estimated amount of savings (loss) for the Margo Corporation that result in 2011 from the adoption of JIT inventory control method.
- Identify and explain other factors that Margo should consider before deciding whether or not to install JIT system.

[Marks: (15+10) = 25]

= THE END =

THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH
CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-IV
SUBJECT: 403. STRATEGIC MANAGEMENT AND ORGANIZATIONAL BEHAVIOR.

Time: Three hours

Full Marks: 100

-
- ❖ Answer any THREE questions from group-“A” and TWO questions from group-“B”.
 - ❖ All questions carry equal marks.
 - ❖ Answer must be brief, relevant, neat and clean.
 - ❖ Start answering each question from a fresh sheet.
-

PART-A: STRATEGIC MANAGEMENT

Q. No. 1.

- (a) What is strategic alliance?
- (b) Discuss the advantages and disadvantages of strategic alliance.
- (c) What factors need to be considered for successful joint venture with a foreign partner? Explain.

[Marks: (5+8+7) = 20]

Q. No. 2.

- (a) What is SWOT analysis?
- (b) Mention the objectives of SWOT analysis.
- (c) How SWOT analysis should be done to make it most effective?

[Marks: (5+7+8) = 20]

Q. No. 3.

- (a) Differentiate between business-level and corporate-level strategies.
- (b) Discuss some important corporate level strategies.
- (c) How does a manager decide about the business-level strategy?

[Marks: (6+7+7) = 20]

Q. No. 4.

- (a) How does multi-country strategy differ from global strategy? Give examples.
- (b) Distinguish between licensing and franchising. When will you use these types of strategies?
- (c) How does forward integration differ from backward integration? When will you suggest firms to go for backward integration? Give examples of some companies that follow backward integration in Bangladesh?

[Marks: (6+6+8) = 20]

Q. No. 5.

Write short notes on the followings (any four)

- (a) Strategic Business Unit (SBU).
- (b) Internet and Competitive environment.
- (c) Defensive strategy and Fast mover strategy.
- (d) Strategic Vision & Strategic Mission.
- (e) Unbundling and outsourcing.
- (f) Joint venture and Strategic partnership.

[Marks: (4 x 5) = 20]

PART-B: ORGANIZATIONAL BEHAVIOR

Q. No. 6.

- (a) What is Organizational Behavior?
- (b) What is indicated by positive organizational behavior and negative organizational behavior?
- (c) What techniques a manager can apply to obtain desired organizational behavior? Discuss in brief.

[Marks: (4+8+8) = 20]

Q. No. 7.

- (a) Explain the concept of organizational culture.
- (b) Why organizational culture is given so much importance?
- (c) Describe how to create customer responsive culture.

[Marks: (5+7+8) = 20]

Q. No. 8.

- (a) What are the purposes of creating work-team?
- (b) What points you need to consider in creating effective work-team?
- (c) State the role of Management Accountants in managing teams.

[Marks: (5+8+7) = 20]

Q. No. 9.

- (a) What behavioral challenges and opportunities are being faced and exploited by today's managers? Explain with examples.
- (b) Explain the dependent variables to develop an OB model. Give examples.
- (c) Why is it important to learn OB by the professional accountants?

[Marks: (10+5+5) = 20]

= THE END =

THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH
CMA APRIL, 2011 EXAMINATION
PROFESSIONAL LEVEL-IV
SUBJECT: 404. COST AND MANAGEMENT AUDITING.

Time: Three hours

Full Marks: 100

- ❖ All questions are to be attempted.
- ❖ Answer must be brief, relevant, neat and clean.
- ❖ Start answering each question from a fresh sheet.

PART-A: COST AUDITING (MARKS-50)

Q. No. 1.

- (a) What is the strategic importance of Cost Audit?
- (b) “Cost Audit plays a vital role in ensuring good governance, transparency, accountability and financial discipline in the business and industrial sectors of the country” – Briefly discuss.
- (c) Considering the ongoing competitive business environment, how does “efficiency Audit” can ensure sustainable leading position for an organization?

[Marks: (5+8+5) = 18]

Q. No. 2.

- (a) As a Cost Auditor how will you ensure an adequate cost accounting system available to provide accurate and authentic data?
- (b) Cost audit is important for evaluating the appropriate product cost and price. As a Cost auditor prepare an audit plan and program for the product costing and pricing of consumer and industrial products.
- (c) What are the key disclosure requirements for Cost Audit Report?

[Marks: (5+6+5) = 16]

Q. No. 3.

- (a) Briefly explain the key reporting areas in pursuance to the Cost Audit (Report) Rules 1997 which would help a business house to formulate decision in a textile industry.
- (b) Do cost center based accounting transaction recording system assist cost audit? Please defend your concern regarding this.
- (c) Briefly explain how “Familiarization” helps the Cost Audit process from its starting to ultimate outcome?

[Marks: (6+5+5) = 16]

PART-B: MANAGEMENT AUDITING (MARKS-50)

Q. No. 4.

- (a) Describe the roles and responsibilities of management and the management auditor in the detection of fraud.
- (b) Describe the main categories of computer fraud. Briefly outline the policies, procedures, and tools available to the management auditor in dealing with computer fraud.
- (c) As a management auditor of a manufacturing company, State the various techniques you would adopt in measuring the performance of resources of Factory.

[Marks: (4+6+4) = 14]

Q. No. 5.

- (a) What do you understand with the term “Corporate Policies”?
- (b) How corporate policies contribute towards corporate goals and objectives?
- (c) While preparing for management audit, how the audit planning deals with corporate policies?

[Marks: (3+5+4) = 12]

Q. No. 6.

- (a) What are the areas within an organization which suffer for not having a good Corporate Governance?
- (b) Being a management auditor, what you have to offer to an entrepreneur who seeks to have good corporate governance?
- (c) Define the scope and potentials of management audit for both manufacturing and service sector.

[Marks: (4+4+7) = 15]

Q. No. 7.

Write short notes on the following:

- (i) Assurance Service, (ii) Value for Money Audit, (iii) Corporate Social Responsibility.

[Marks: 3 x 3 = 9]

= THE END =