



THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH  
CMA DECEMBER 2013, 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.

The following is the Trial Balance of M/S Aziz & Co. as on December 31, 2010:

	Debit(Tk.)	Credit(Tk.)
Capital		7,05,000
Sales		18,98,550
Purchase	12,97,500	
Sales Returns	5,250	
Accounts Receivable	1,24,500	
Cash	63,000	
Petty Cash	7,500	
Bank Account	3,67,500	
Notes Receivable	18,000	
Notes Receivable Discounted		15,000
Office Supplies	25,500	
Prepaid Insurance	15,750	
Accounts Payable		1,87,500
Notes Payable		75,000
Allowance for Bad Debts		9,000
Inventory (1-1-2010)	3,75,000	
Delivery Equipment	4,05,000	
Accumulated Depreciation- Delivery Equipment		2,02,500
Furniture and Fixtures	1,12,500	
Accumulated Depreciation – Furniture and Fixtures		22,500
Machinery and Equipment	3,75,000	
Accumulated Depreciation – Machinery and Equipment		75,000
Retained Earnings		69,000
Advertising	18,000	
Delivery Salaries	54,000	
Office Salaries	39,000	
Interest Income		15,450
Interest Expenses	24,000	
Suspense Account		52,500
	<b>33,27,000</b>	<b>33,27,000</b>

The following adjustments are to be made on December 31, 2010 before closing the books:

1. Inventory on hand at December 31, 2010 Tk. 3,90,000
2. Office supplies Tk. 10,500
3. Bad debt allowance is to be increased by Tk. 12,000
4. Depreciation is to be charged: Delivery Equipment-10%, Furniture & Fixture-15% and Machinery & Equipment-5%
5. Accrued delivery salaries Tk. 18,000
6. Pre-paid insurance Tk. 5,250
7. Unearned interest income Tk. 1,500
8. Delivery Equipment purchased 5 years back, with Book Value of Tk. 37,500 sold out at Tk. 52,500 and erroneously credited the sale proceeds to Suspense Account.
9. Advertising expense includes Tk. 8,100 for new product to be sold in 2011.

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Q. No. 1. (cont'd.....)

**Required:**

- (i) Prepare a multiple- step income statement for the year and a classified balance sheet as on December 31, 2010.
- (ii) Pass adjusting and closing entries. [Marks: (15+5) = 20]

Q. No. 2.

- (a) Define Revenue as per IAS 18.
- (b) A Tk. 210,000 fixed-price contract is entered into for the provision of services. At the end of 2007, the first accounting period, the contract is thought to be 33% complete and costs of Tk. 45,000 have been incurred in performing that 33% of the work.

**Required:**

Calculate the revenue to be recognized in 2007 on the alternative assumptions that:

- (i) The costs to complete are reliably estimated at Tk. 90,000; and
- (ii) The costs to complete cannot be reliably estimated and it is thought that Tk. 40,000 of the costs incurred are recoverable from the customer.

Fill in the proforma below:

- (i) Cost to complete are Tk. 90,000.
- (ii) Cost to complete cannot be estimated reliably.

(c) **LATENTILE LTD**

Latentile Ltd. is a newly-formed company, which uses a chemical process to manufacture a revolutionary new roof covering, which it sells at a mark-up of 25% on cost. Its inventories consist of raw material, work in progress and finished goods, and at the end of its first year of trading, it is having problems valuing inventories.

You ascertain the following information:

**(1) Raw material**

- (i) The process needs at least 100,000 kgs of clay to continue working, but a physical inventory count reveals that the machinery contains 108,000 kgs.
- (ii) The original cost of the initial 100,000 kgs to set up the process was 30p per kg and you find an invoice to show that the last consignment of 20,000 kgs cost 31p per kg. All other consignments in the year (a total of 200,000 kgs) cost 32p per kg.

**(2) Work in progress**

- (i) The work in progress is currently all 60% complete and you discover that there are 50,000 units currently going through the process.
- (ii) The total number of complete units for the period was, as anticipated, 800,000.
- (iii) The costs for the process for the period were as follows.

	<u>Tk. '000</u>
Raw materials	200
Direct labour	242
Factory overheads	191
Administrative expenses attributable to production	114
Distribution costs	90

**(3) Finished Goods**

- (i) There were 70,000 units in inventories.
- (ii) Of (i) above, it was intended to sell 20,000 units at 75p per unit, a discount of one third on normal selling price, in a future promotional campaign (a further 10p per unit distribution costs is to be incurred).

**Required:**

- (i) Explain how BAS 2 Inventories applies the accrual and the going concern bases of accounting.

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Q. No. 2.(cont'd.....)

- (ii) For each of the above categories of inventory, suggest a method of valuation and show the value as it would appear in the balance sheet.
- (iii) If the information regarding costs for the period were not available, suggest an alternative method of valuing finished goods.

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

Q. No. 3.

- (a) Explain the term "bank reconciliation" and state the reasons for its preparation.
- (b) ABC, a sole trader received his bank statement for the month of June 2001. At that date the bank balance was Tk. 706,500 whereas his cash book balance was Tk. 2,366,500. His accountant investigated the matter and discovered the following discrepancies:
  - 1. Bank charges of Tk. 3,000 had not been entered in the cashbook.
  - 2. Cheques drawn by ABC totaling Tk. 22,500 had not yet been presented to the bank.
  - 3. He had not entered receipts of Tk. 26,500 in his cashbook.
  - 4. The bank had not credited Mr. ABC with receipts of Tk. 98,500 paid into the bank on 30 June 2001.
  - 5. Standing order payments amounting to Tk. 62,000 had not been entered into the cashbook.
  - 6. In the cashbook ABC had entered a payment of Tk. 74,900 as Tk. 79,400.
  - 7. A cheque for Tk.15,000 from a debtor had been returned by the bank marked "refer to drawer" but had not been written back into the cashbook.
  - 8. ABC had brought forward the opening cash balance of Tk. 329,250 as a debit balance instead of a credit balance.
  - 9. An old cheque payment amounting to Tk. 44,000 had been written back in the cashbook but the bank had already honored it.
  - 10. Some of ABC's customers had agreed to settle their debts by paying directly into his bank account. Unfortunately, the bank had credited some deposits amounting to Tk. 832,500 to another customer's account. However acting on information from his customers ABC had actually entered the expected receipts from the debtors in is cashbook.

**Required:**

- (i) A statement showing ABC's adjusted cashbook balance as at 30 June 2001.
- (ii) A bank reconciliation statement as at 30 June 2001.

[Marks: 5+15 = 20]

Q. No. 4.

- (a) Briefly explain the nature and purpose of accounting for depreciation.
- (b) (i) A motor van was bought for Tk. 20,000 on 1 September 2005 with a residual value of Tk. 2,000. Depreciation was charged at 20% by the reducing balance method on yearly basis. It was sold for Tk. 18,000 after three years of use on 30 September 2008. Compute the profit on sale of asset.
- (ii) A company is exploring the impact of the two method of depreciation. On 1 January, it bought machinery for Tk.15,000. The methods are (i) straight line where useful life is 4 years and residual value is Tk. 2,000 and (ii) Reducing balance method - at the rate of 20% per annum. Show how the company's profit be affected if the straight line method is used rather than the reducing method?
- (iii) A machine was bought for Tk.100,000. Its estimated useful life is four years with a residual value of Tk.10,000. Depreciation is charged on the straight line method. What is the percentage of depreciation rate on an annual basis?

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Q. No. 4. (cont'd.....)

- (iv) A machine which was bought for Tk.180,000 on 30 April 2008. The residual value was Tk. 5,000 and depreciation rate was 25%. Depreciation is to be charged under the reducing balance method on month to month basis. Compute the depreciation at 31st December 2008.
- (v) A fixed asset cost Tk.100,000 had a book value of Tk. 40,000. It was sold for Tk.10,000. What is the provision for depreciation sold?

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

**Q. No. 5.**

Careg Ltd manufactures and sells heavy plant. The company also hires out plant for monthly periods (or multiples thereof). You ascertain the following details:

**(1) Freehold land:**

Freehold land was acquired on 1 February 2008 for Tk. 100,000 to build a new factory. Due to planning difficulties, building has not yet been started. The directors wish to revalue the land to its fair value of Tk.130,000 at 30 September 2009.

**(2) Buildings:**

On 1 October 2008 the directors reviewed the useful life of the buildings and determined that the remaining life was 56 years. The buildings were acquired for Tk. 200,000 on 1 October 2004, when their useful life was estimated at 40 years.

**(3) Plant and Machinery:**

Plant and machinery is accounted for under the cost model accounting policy and is depreciated at the rate of 40% per annum based on carrying amount. Such plant has an estimated life of five years.

- (i) Plant which cost Tk. 20,000 on 1 October 2006 was classified as held for sale on 1 February 2009. The sale was agreed at Tk. 5,600 and completed on 31 March 2009.
- (ii) New plant acquired cost Tk. 60,000 on 1 January 2009.

At 1 October 2008 the cost of plant and machinery (not leased) was Tk. 200,000, with accumulated depreciation of Tk. 72,000.

**(4) Computer:**

Previously this has been depreciated on a straight-line basis at the rate of 10% per annum on cost. The computer was acquired on 1 January 2007 for Tk. 60,000, and by the beginning of this accounting year Tk.10,500 of depreciation had been charged. In an effort to charge out computer time to departments, a record is now kept of computer time used. Management wishes to depreciate the computer on a usage basis. The manufacturer's estimate of total usage time of the computer's life is 40,000 hours. The data processing manager estimates that some 10,000 hours have been worked prior to the current accounting period. During the current year the record shows 4,800 hours worked. The computer will have a scrap value of Tk. 4,500 at the end of its useful life.

**Required:**

- (i) Prepare the schedule of non-current assets which will form the note to the company's published balanced sheet at 30 September 2009.
- (ii) Briefly explain the qualitative characteristics contained in BFRS-1 *Framework for the Preparation and Presentation of Financial Statements* illustrating your answer with reference to the provisions of BAS 16 *Property, Plant and Equipment*.

[Marks: (16+4) = 20]

=THE END =



THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH  
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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 fresh sheet for answering each question.

**GROUP – A : BUSINESS COMMUNICATION**

Q. No. 1.

- (a) Define Business Communication. What are the conditions of communication?
- (b) Discuss the requirements of effective Communication.
- (c) What are the main problems of communication in the business enterprise of Bangladesh?

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

Q. No. 2.

- (a) What are the forms of upward communication?
- (b) Discuss the process to write a Cover Letter.
- (c) XYZ Enterprise wishes to place an order with Asian Paints Ltd. for various paints. Prepare an order using imaginary terms and conditions.

[Marks: (4+5+6) = 15]

Q. No. 3.

- (a) Write your resume with a forwarding letter to the H.R. department of XYZ. Ltd. for the suitable post in Finance department.
- (b) What is corporate annual report? What is the difference between statutory meeting and statutory reports?
- (c) Write a business report to be placed on the board meeting regarding the market position of an export oriented manufacturing industry.

[Marks: (4+5+6) = 15]

Q. No. 4.

Write short notes on any FIVE of the following:

- (a) Short Analytical Report;
- (b) Oral Communication;
- (c) Bill of Exchange;
- (d) Central Depository system (CDS);
- (e) Organization chart;
- (f) Letter of credit;
- (g) Certificate of Incorporation;
- (h) EPB;
- (i) SAFA.

[Marks: (4 x 5) = 20]

**GROUP – B : OFFICE MANAGEMENT**

Q. No. 5.

- (a) Define the term “Inter office relationship”. Discuss the main features stating nature of office work.
- (b) Office management is the task of planning, coordinating and motivating the efforts towards the specific objective in the office. Discuss.
- (c) Why “noise control” is essential and how it can be achieved?

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

Q. No. 6.

- (a) What is the meaning of Industrial Engineering?
- (b) How “Time Study” and “Motion Study” increase the productivity of an organization?
- (c) What factors would you consider before selecting a suitable filing system?

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

Q. No. 7.

- (a) What is motivation? Discuss the business ethics in the office.
- (b) Describe the procedure for maintaining incoming and outgoing mail of an office.
- (c) Discuss the position of office manager in the organization.

[Marks: (6+5+4) = 15]

Q. No. 8.

Write short notes on any FIVE of the following:

- (a) Office automation.
- (b) Job description and Job Specification.
- (c) Security and secrecy.
- (d) File server & Exchange server.
- (e) Transference and good governance.
- (f) Code of conduct in the organization.
- (g) Scientific Office Management.
- (h) Page indexing.

[Marks: (4 x 5) = 20]

= THE END =



THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH  
CMA DECEMBER 2013, EXAMINATION  
FOUNDATION LEVEL  
SUBJECT: 003. QUANTITATIVE TECHNIQUES.

Time: Three hours

Full Marks: 100

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

**PART – A: BUSINESS MATHEMATICS**

Q. No. 1.

- (a) The universal set is given by

$$U = \{x : x \in \mathbf{N}, x < 20\}, \text{ and } A = \{2, 6, 8, 14\}, B = \{4, 8, 10, 14\}, \\ C = \{6, 10, 12, 14, 18\}.$$

Find (i)  $A' \cup B'$ , (ii)  $C \cap (A' \cup B')$ , (iii)  $A \cap (B - C)$ .

- (b) Out of the total 150 students who appeared in an examination, 45 failed in Accounting, 50 failed in Business Mathematics, and 45 in Costing. Those who failed both in Accounting and Business Mathematics were 30, those who failed both in Business Mathematics and Costing were 32, and those who failed both in Accounting and Costing were 35. The students who failed in all three subjects were 25. Find out the number of students who failed at least in any one of the subjects.

[Marks: (5+5) = 10]

Q. No. 2.

- (a) Income of a man from interest and wages is Tk.5000. He doubles his interest and also gets an increase of 50% in wages and his income increases to Tk.8000. What was his original income separately in terms of interest and wages?
- (b) Tk.15,000 is invested at the beginning of 1998. It remains invested and on 1<sup>st</sup> January each subsequent year, another Tk.600 is added to it. What sum will be available on 1<sup>st</sup> January 2005 if interest is compounded annually at the rate of 4% per annum?

[Marks: (5+5) = 10]

Q. No. 3.

- (a) A factory produces 400 bulbs for a total cost of Tk.1600 and 800 bulbs for a total cost of Tk.2400. Given that the cost curve is a straight line, find the equation of the straight line and use it to find the cost of producing 5000 bulbs.
- (b) A manufacturer has a fixed cost of Tk.60,000 and variable cost is Tk.9 per unit of production. Selling price is Tk.12 per unit.
- (i) Write the revenue and cost functions.
  - (ii) At what number of units will break-even occur?
  - (iii) At what sales (revenue) volume will break-even occur?

[Marks: (4+6) = 10]

Q. No. 4.

- (a) Differentiate the following with respect to x;
- (i)  $y = e^{4x} + \log(\sin x)$ .
  - (ii)  $\log(x \cos x)$ .
  - (iii)  $e^x(x^4 - 4x^3 + 9) \tan x$ .
- (b) A Man borrows Tk. 2,00,000 and repays the loan by yearly installments of Tk. 20,000. The first installment being paid one year after the loan. After how many years will the borrower be out of debt, interest being reckoned throughout at 5% per annum?

[Marks: (6+4) = 10]

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SUBJECT: 003. QUANTITATIVE TECHNIQUES.

Q. No. 5.

- (a) A company manufactures and sells  $x$  transistor radios per week. The weekly cost function and demand equation are  $C(x) = 90000 + 30x$ ,  $p = 300 - \frac{x}{30}$ ,  $0 \leq x \leq 9000$ . Find the maximum weekly revenue, the maximum weekly profits the production level at which the maximum profit is realized and the price the company should charge for the maximum profit.
- (b) Compute  $\frac{\partial u}{\partial x}$  and  $\frac{\partial u}{\partial y}$  for the functions (i)  $u(x, y) = e^{-xy}$ , (ii)  $u(x, y) = 3xy - x^3 - y^3 + 15$ .

[Marks: (6+4) = 10]

Q. No. 6.

- (a) If  $A = \begin{pmatrix} 1 & 1 & 1 \\ 1 & 2 & -3 \\ 2 & -1 & 3 \end{pmatrix}$ , then evaluate the matrix  $A^2 + 4A - 2I_3$ , where  $I_3$  is the identity matrix of order 3.

- (b) Solve the following system of linear equations by matrix method:

$$x + 2y - z = 5$$

$$3x - y + 2z = 9$$

$$5x + 3y + 4z = 15.$$

[Marks: (5+5) = 10]

Q. No. 7.

- (a) If  $2\cos^2 \theta + 2\sqrt{2} \sin \theta = 3$ , then find the value of  $\theta$ .

- (b) Compute  $\frac{\log \sqrt{27} + \log \sqrt{8} - \log \sqrt{125}}{\log 6 - \log 5}$ .

- (c) Evaluate  $\int_0^1 x e^x dx$ .

[Marks: (4+4+2) = 10]

### PART – B : BUSINESS STATISTICS

Q. No. 1.

- (a) Explain the meaning of Statistics. Write down the important characteristics of it.
- (b) Distinguish between the following terms:  
(i) Primary data and secondary data;  
(ii) Bar diagram and histogram; and  
(iii) Variable and attribute.

[Marks: (4+6) = 10]

Q. No. 2.

- (a) Define the terms skewness and kurtosis? Classify them with necessary graphs.
- (b) The daily wage of workers in a certain factory are the following:

Daily wage (\$)	11-13	13-15	15-17	17-19	19-21	21-23
No. of workers	3	4	5	10	6	4

If top 15% workers have to pay the income tax, then what is the minimum daily wage income people who has to pay this tax?

[Marks: (5+5) = 10]



CMA DECEMBER 2013, EXAMINATION  
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SUBJECT: 003. QUANTITATIVE TECHNIQUES.

Q. No. 3.

- (a) What is Central tendency of a variable? What are the usual measures of it? Which of them you think the most useful and why?  
(b) Calculate the arithmetic mean and mode from the following distribution given below:

Class boundary	Frequency	Class boundary	Frequency
49.5-99.5	110	499.5-749.5	10
99.5-199.5	60	749.5-999.5	8
199.5-299.5	30	999.5-1499.5	7
299.5-499.5	20	1499.5-2999.5	5

[Marks: (4+6) = 10]

Q. No. 4.

- (a) What are the differences between standard deviation and coefficient of variation?  
(b) How can you find median from a cumulative frequency curve?  
(c) The average marks of 50 students was found to be 65. Later on it was discovered that marks of two students were wrongly taken as 61 and 78 instead of 46 and 87. Find the correct average marks.

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

Q. No. 5.

- (a) Define correlation. Discuss different types of correlation with examples.  
(b) The following data gives the height of fathers and sons (in inches) in a research investigation.

Height of fathers: X	65	70	64	60	66	63
Height of sons: Y	67	71	62	58	65	65

Compute regression coefficients of Y on X and X on Y and estimate the probable height of son when his father's height is 68 inches.

[Marks: (3+7) = 10]

Q. No. 6.

- (a) What are the important components of a time series data? Discuss the importance of such type of data in business forecasting.  
(b) Using the following data, find the equation of trend line by least squares method and estimate the probable productions for the years 2015 and 2004.

Year	2006	2007	2008	2009	2010	2011	2012
Productions (in million tonnes)	22	26	25	31	35	39	44

[Marks: (4+6) = 10]

Q. No. 7.

- (a) What is statistical probability? Explain the additive and multiplicative rules of probability.  
(b) A cost accountant applies for a job in two firms X and Y. The probability of his being selected in firm X is 0.7 and being rejected at Y is 0.5. The probability of at least one of his applications being rejected is 0.6. What is the probability that he will be selected in one of the firms?

[Marks: (5+5) = 10]

=THE END=



THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH  
CMA DECEMBER 2013, 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”.
- ❖ Answer must be brief, relevant, neat and clean.
- ❖ Use fresh sheet for answering each question.

**GROUP – A : BUSINESS ECONOMICS**

Q. No. 1.

- (a) Explain the role of Business Economics in Managerial decision making.
- (b) Why economic profit is not always equal to accounting profit?
- (c) Differentiate between micro-economics and macro-economics.

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

Q. No. 2.

- (a) Distinguish between demand-pull and cost push inflation.
- (b) Do you think that inflation is always bad?
- (c) What is elasticity of demand? Calculate price elasticity, income elasticity, and cross elasticity from the following data of a firm.

Year	Sales of Qty. of X (No. of units)	Price per unit of X in Tk.	Price per unit of Y in Tk.	Per capita income in Tk.
2007	30,000	30	10	10,000
2012	60,000	20	15	20,000

[Marks: (6+2+12) = 20]

Q. No. 3.

- (a) Distinguish between:
  - (i) Direct cost and indirect cost.
  - (ii) Managerial revenue and average revenue.
  - (iii) Explicit and implicit cost.
- (b) Calculate average cost, marginal cost, marginal revenue and profit from the following data:

Units of output	Total cost (Tk.)	Variable cost (Tk.)	Fixed Cost (Tk.)	Total revenue (Tk.)
1	500	200	300	300
2	700	400	300	600
3	850	550	300	900
4	1000	700	300	1150
5	1100	800	300	1400
6	1200	900	300	1600

- (c) At what stage you will advise management to shut down production?

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

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SUBJECT: 004. BUSINESS ECONOMICS AND INTERNATIONAL BUSINESS.

Q. No. 4.

- (a) Define national income. Who does national income accounting?
- (b) Distinguish between GDP and GNP.
- (c) Calculate GNP, NNP, NI and DPI from the following information of XYZ Ltd.

Particulars	Tk. In Lacs
Consumption Expenses	1,000
Value of Common stock purchase	400
Gross domestic investment	300
Sales tax	50
Govt. purchase of goods & services	200
Corporate income tax	200
Personal income tax	100
Net of Export (Export minus import)	100
Depreciation	75
Business transfer Payment	100

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

Q. No. 5.

- (a) What is break-even point? Calculate breakeven point from the following:-  
A company manufactures one single product. Selling price per unit is Tk. 200/, variable cost is Tk. 125/- per unit. Total fixed cost is Tk. 1,20,000/-
- (b) What are the major sources of revenue of govt. budget? Do you support proportionate system of taxation? Why?
- (c) Explain the functions of money. Why money is so important ?

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

**GROUP – B : INTERNATIONAL BUSINESS**

Q. No. 6.

- (a) What is International Business? Distinguish between the theory of “Absolute Advantage” and the theory of the “Comparative Advantage”.
- (b) In the context of trade liberalization, explain your views on “Infant Industry Argument”.

[Marks: (12+8) = 20]

Q. No. 7.

- (a) What is ‘Foreign Direct Investment (FDI)’? Describe the role of FDI in the economic development of Bangladesh with special reference to its challenges and prospects.
- (b) What are the major constraints for export expansion in Bangladesh? Give your suggestions for improvement.

[Marks: (12+8) = 20]

Q. No. 8.

Write short notes on any FIVE from the following:

- i) Opportunity cost.
- ii) WTO.
- iii) Back to back letter of credit.
- iv) Franchising.
- v) Dumping.
- vi) Balance of Trade.
- vii) Globalization.
- viii) Technology transfer.

[Marks: (4 x 5) = 20]

=THE END=



THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH  
CMA DECEMBER 2013, 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.

**Question # 1.**

Square Services Ltd. has the following post-closing trial balance for 2011:

Cash	2,200
Accounts Receivable	4,400
Supplies inventory, feed	24,100
Supplies inventory, straw	3,700
Land	1, 67,000
Buildings	1, 15,000
Accumulated depreciation, buildings	36,000
Equipment	57,000
Accumulated depreciation, equipment	16,500
Accounts payable	23,700
Income taxes payable	15,100
Interest payable	4,200
Wages payable	14,200
Notes payable (due in 2015)	60,000
Capital stock	1, 50,000
Retained earnings	53,700

During 2012, the following transactions occurred:

- (a) Square Services Ltd. provided services, all on credit, for TK 2,10,300. It rented some facilities to customers and received cash TK 20,500. It earned TK 41,800 in cash by providing miscellaneous services.
- (b) It collected all the account receivable outstanding at December 31, 2011. There remains TK 15,600 of account receivable to be collected at December 31, 2012.
- (c) Feed amounting TK 62,900 was purchased on credit during the year 2012.
- (d) Straw was purchased for TK 7,400 cash during the year 2012.
- (e) Wages payable at the beginning of 2012 were paid in 2012. Wages were earned and paid during 2012 amounting TK 1,12,000.
- (f) The income taxes payable for 2011 were paid in 2012. The account payable remains unpaid at year end TK 13,600.
- (g) One year's interest @14% was paid on notes payable on July 1, 2012.
- (h) Property taxes were paid on Land and Buildings in the amount of TK. 14,000.
- (i) Dividends were declared and paid amounting TK. 7,200.

The following data are available for adjustments:

- (a) Feed of an amount of TK 26,000 remained unused at year-end. Straw of an amount of TK 4,400 remained unused at year-end.
- (b) The buildings are being depreciated over 15 years, with a residual value of TK 25,000.
- (c) The equipment is being depreciated over 10 years, with a residual value of TK 2,000.
- (d) Wages of TK 4,000 were unrecorded and unpaid at year-end.
- (e) Interest for 6 months @14% on notes payable is unpaid and unrecorded at year-end.
- (f) The income tax rate is 30%.

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PROFESSIONAL LEVEL-I  
SUBJECT : 101. INTERMEDIATE FINANCIAL ACCOUNTING

Q. No. 1. (contd.....)

**Required:**

- (i) Give journal entries for the transactions of 2012.
- (ii) Prepare the adjusting entries.
- (iii) Prepare Comprehensive Income Statement.

[Marks: (10+5+10) = 25]

**Question # 2.**

- (a) Explain investment in securities available-for-sale and trading securities.
- (b) Diversified Services, Inc. offers a verity of business services, including financial services through its escrow division. Diversified entered into the following investment activities during the last month of 2003 and the first week of 2004. Diversified's fiscal year ends on December 31, The only securities held by Diversified at December 1 were 12 million common shares of Shelby Laminations Inc., purchased in November for Tk. 48 million.

2003

- |     |    |                                                                                                                                                                                                                                                                                           |
|-----|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Dec | 1  | Purchased TK. 30 million of 12% bonds of Vince-Gill Amusement Corporation and TK. 24 million of 10% bonds of Eastern Waste Disposal Corporation, both at face value and both to be held until they mature. Interest on each bond issue is payable semiannually on November 30 and May 31. |
|     | 9  | Sold one half of the Shelby Laminations common shares for TK. 25 million.                                                                                                                                                                                                                 |
|     | 29 | Received cash dividends of TK. 0.5 million from the Shelby Laminations common shares.                                                                                                                                                                                                     |
|     | 30 | Purchased Treasury bonds for TK. 5.8 million as trading securities hoping to earn profits on short term differences in prices                                                                                                                                                             |
|     | 31 | Recorded the necessary adjusting entry(s) relating to the investment                                                                                                                                                                                                                      |

The year end market price of the Shelby Laminations common stock was TK 4.25 per share. The fair values of the bond investments were TK. 32 million for Vince-Gill Amusement Corporation and TK. 20 million for Eastern Waste Disposal Corporation. A sharp rise in short-term interest rates on the last day of the year caused the fair value of the Treasury bonds to fall to TK. 5.7 million.

2004

- |     |   |                                                                        |
|-----|---|------------------------------------------------------------------------|
| Jan | 7 | Sold the remaining Shelby Laminations common shares for TK 26 million. |
|-----|---|------------------------------------------------------------------------|

**Required:**

Prepare the appropriate Journal entry for each transaction or event and show the amounts that would be reported in the company's 2003 income statement relative to these investments.

[Marks: (5+20) = 25]

**Question # 3.**

- (a) Define cash, cash equivalents, cash flows and operating activities and your definitions will be given in the light of IAS 7 and no explanation is required.
- (b) The following is Method Man Corp.'s comparative balance sheets accounts work sheet at December 31, 2005 and 2004, with a column showing the increase (decrease) from 2004 to 2005.

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PROFESSIONAL LEVEL-I  
SUBJECT : 101. INTERMEDIATE FINANCIAL ACCOUNTING

Q. No. 3. (contd.....)

**COMPARATIVE BALANCE SHEETS**

Amount in Taka

	Taka 2005	Taka 2004	Increase (Decrease)
Cash	807,500	700,000	107,500
Account receivable	1,128,000	1,168,000	(40,000)
Inventories	1,850,000	1,715,000	135,000
Property, plant and equipment	3,307,000	2,967,000	340,000
Accumulated depreciation	(1,165,000)	(1,040,000)	(125,000)
Investment in Blige Co.	305,000	275,000	30,000
Loan receivable	<u>262,500</u>	<u>-</u>	<u>262,500</u>
<b>Total assets</b>	<b><u>6,495,000</u></b>	<b><u>5,785,000</u></b>	<b><u>710,000</u></b>
Accounts payable	1,015,000	955,000	60,000
Income taxes payable	30,000	50,000	(20,000)
Dividends payable	80,000	100,000	(20,000)
Capital lease obligation	400,000	-	400,000
Capital stock, common. Tk.1 par	500,000	500,000	-
Additional paid-in capital	1,500,000	1,500,000	-
Retained earnings	<u>2,970,000</u>	<u>2,680,000</u>	<u>290,000</u>
<b>Total liabilities and stockholders' equity</b>	<b><u>6,495,000</u></b>	<b><u>5,785,000</u></b>	<b><u>710,000</u></b>

Additional information:

- On December 31, 2004, Method Man acquired 25% of Blige Co.'s common stock for Tk. 275,000. On that date, the carrying value of Blige's assets and liabilities, which approximated their fair values, was Tk.1,100,000. Blige reported income of Tk.120,000 for the year ended December 31, 2005. No dividend was paid on Blige's common stock during the year.
- During 2005, Method Man loaned Tk. 300,000 to TLC Co., an unrelated company. TLC made the first semi-annual principal repayment of Tk. 37,500, plus interest at 10%, on December 31, 2005.
- On January 2, 2005, Method Man sold equipment costing Tk. 60,000, with a carrying amount of Tk. 35,000, for Tk. 40,000 cash.
- On December 31, 2005, Method Man entered into a capital lease for an office building. The present value of the annual rental payments is Tk. 400,000, which equals the fair value of the building. Method Man made the first rental payment of Tk. 60,000 when due on January 2, 2006.
- Net income for 2005 was Tk. 370,000.
- Method Man declared and paid cash dividends for 2005 and 2004 as follows:

	2005	2004
Declared	December 15, 2005	December 15, 2004
Paid	February 28, 2006	February 28, 2005
Amount	Tk.80,000	Tk.100,000

Required:

Prepare a statement of cash flows for Method Man, Corp. for the year ended December 31, 2005, using the indirect method.

[Marks: (5+20) = 25]

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PROFESSIONAL LEVEL-I  
SUBJECT : 101. INTERMEDIATE FINANCIAL ACCOUNTING

**Question # 4.**

- (a) Discuss the measurement bases of the assets  
(b) Listed below are selected items from the financial statements of RFL Ltd. for the year ended December 31, 2012:

	TK.
Notes payable to prime bank	99,000
Income taxes payable	63,000
Loss contingency related to law suit	2,00,000
Accounts payable and accrued expenses	1,63,230
Mortgage note payable	2,40,864
Bond Payable	22,00,000
Premium on bonds payable	1,406
Accrued bond interest payable	1,10,000
Pension expenses	61,400
Unearned revenue	25,300

Other information:

- The note payable owed to Prime Bank is due in 30 days. RFL Ltd. has arranged with this bank to renew the note for an additional two years.
- RFL Ltd. has been sued for TK. 2,00,000 by someone claiming the company's products are excessively noisy. It is reasonable possible, but not probable, that a loss has been sustained.
- The mortgage note payable at TK. 8,000 per month over the next three years. During the next 12 months, the principal amount of this note will be reduced to TK 1,69,994.
- The bonds payable mature in seven months. A sinking fund has been accumulated to repay the full maturity of this bond issue.

**Required:**

- Using this information, prepare the current liabilities and long term liabilities sections of a classified balance sheet at December 31, 2012.
  - Explain briefly how the information in each of the four numbered paragraph under the title of other information affected your presentation of company's liabilities.
- (c) The Ivar Company's accounts receivable subsidiary ledger reveals the following information.

<u>Buyer</u>	<u>Account Balance</u> <u>December 31, 1984</u>	<u>Invoice Amounts</u>	<u>Dates</u>
Alford Inc.	Tk.8,795	Tk.3,500	6/12/84
		5,295	29/11/84
Banks Bros. Inc.	Tk.5,230	3,000	27/9/84
		2,230	20/08/84
Krop & Co.	Tk.7,650	5,000	8/12/84
		2,650	25/10/84
Marr Inc.	Tk.11,285	5,785	17/11/84
		5,500	9/10/84
Sage Inc.	Tk.7,900	4,800	12/12/84
		3,100	2/12/84
Westring Co.	4,350	4,350	12/9/84

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PROFESSIONAL LEVEL-I  
SUBJECT : 101. INTERMEDIATE FINANCIAL ACCOUNTING

Q. No. 4(c). (contd.....)

Ivar Company's receivable collection experience indicates that losses have occurred as follows:

<u>Age of Accounts</u>	<u>Uncollectible Percentage</u>
0-30 days	0.7%
31-60 days	1.4%
61-90 days	3.5%
91-120 days	10.2%
121 days and over	60.0%

The Allowance for Doubtful Accounts balance on December 31, 1984, was Tk.2,245 before adjustment.

**Requirements:**

- (i) Prepare an accounts receivable aging schedule.
- (ii) Using the aging schedule from part (1), compute the Allowance for Doubtful Accounts balance as of December 31, 1984.
- (iii) Prepare the end-of-year adjusting entry.
- (iv) (a) Where accounts receivable are few in number, what are some possible weaknesses in estimating doubtful accounts by the aging method?
  - (b) Would the other methods of estimating doubtful accounts be subject to these same weaknesses? Explain.

[Marks: 5+10+10) = 25]

= THE END =





THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH  
CMA DECEMBER 2013, 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) "Cost of Abnormal Spoilage is losses". Explain.
- (b) The Ariston Company operates under a weighted average method of process costing. It has two departments, Cleaning and Milling. For both departments, conversion costs are added evenly during the process. However, direct materials are added at the beginning of the process in the Cleaning department, and additional direct materials are added at the end of the Milling process. The costs and unit production statistics for May follow. All unfinished work at the end of May is 25% complete as to conversion costs. The beginning inventory (May 1) was 80% complete as to conversion costs as of May 1.

	Cleaning	Milling
<b>Beginning Inventories:</b>		
Cleaning: Tk.1,000 direct materials, Tk.800 conversion costs	1,800	
Milling: Tk.6,450 transferred-in costs, Tk.2,450 conversion costs		8,900
<b>Costs Added During Current Period:</b>		
Direct Materials	9,000	640
Conversion costs	8,000	4,950
<b>Physical Units:</b>		
Units in beginning inventory	1,000	3,000
Units started this month	9,000	7,400
Good unit completed and transferred out	7,400	6,000
Normal spoilage	-	-
Abnormal spoilage	260	100

Normal spoilage in Cleaning Department is 10% of good units completed and transferred out.

Normal spoilage in Milling Department is 5% of good units completed and transferred out.

**Additional Information**

- Spoilage is assumed to occur at the end of each of the two processes when the units are inspected. Spoiled units are disposed of at zero net disposal prices.
- Assume that there is no shrinkage, evaporation or abnormal spoilage other than that indicated in the information given.
- Carry unit-cost calculations to four decimal places where necessary. Calculate final totals to the nearest dollar.

**Required:** For those prepare cost of production report mentioning the 5 steps.

[Marks: (5+15) = 20]

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PROFESSIONAL LEVEL-I  
SUBJECT : 102. COST ACCOUNTING.

Q. No. 2.

- (a) What are several steps to be followed in establishing departmental factory overhead rates?  
(b) The Cost Department of Walton Co. applies factory overhead to jobs and products on the basis of predetermined factory overhead rates. In each of the two producing departments, two cost centers have been set up. For the coming year, the following estimates and other data have been made available:

	Estimated annual Factory Overhead			Estimated Annual
Department 10	Fixed	Variable	Total	Hours
Cost Center 10-1	Tk.14,040	Tk.23,400	Tk.37,440	15,600
Cost Center 10-2	26,910	43,290	70,200	23,400
Department 20				
Cost Center 20-1	Tk.8,320	Tk.21,580	Tk.29,900	26,000
Cost Center 20-2	6,240	19,760	26,000	20,800

**Required:**

- (i) Compute the annual normal cost center overhead rates, based on the estimated machine hours in Department 10 and the estimated direct labour hours in Department 20.  
(ii) Apply factory overhead to the four cost centers on the basis of these actual machine or labour hours used or worked during February:

Cost Centers	10-1	10-2	20-1	20-2
Machine hours	1,220	2,000		
Labour hours			2,250	1,650

- (iii) Compute the spending and the idle capacity variances for two producing departments. Actual factory overhead in Department 10 amounted to Tk.9,430 and in Department 20 to Tk.4,005.  
(iv) Analyze the total idle capacity variance of Department 10, determining the idle capacity variances of the two cost centers. Use 1/12 of the total annual estimated hours as normal monthly hours.

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

Q. No. 3.

- (a) What is productivity? Why productivity measurement is so important?  
(b) Rose Inc. manufacturers of standard pipe fittings for water and sewerage lines, pay a bonus to their employees, based upon the production recorded each calendar quarter. Normal production is set at 2,40,000 units per quarter. A bonus of Tk.0.50 per unit is paid for any units in excess of the normal output for each quarter. Distribution of the bonus is made on the following point basis:

	Employees Participation	Points Allowed for each employee
1	Works manager	250
2	Production Engineers	200
5	Shop supervisors	200
1	Storekeepers	100
5	Factory office clerks	10
150	Factory workers	20

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PROFESSIONAL LEVEL-I  
SUBJECT : 102. COST ACCOUNTING.

Q. No. 3. *contd.....*)

The employee earnings are not penalized for any month in which the actual output falls below the monthly average of the normal quarterly production. In such a case, the deficiency is deducted from any excess in subsequent months before any bonus is earned by and paid to the employees.

At the end of March, cumulative actual production is 2,70,000 units.

**Required:**

- (i) Calculate the amount of bonus payable to each group of employees. (Carry all calculations to 3 decimal places).
- (ii) Prepare journal entries at the end of each month to record the bonus liability on the basis of the following production figures: January, 75,000 units; February 94,000 units; March, 101,000 units. Assume that the entire bonus is charged to Factory Overhead Control.

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

Q. No. 4.

- (a) Discuss about the material-planning requirements and the stages involved in this planning.
- (b) A company requires 48,000 components per year which will be used as a constant rate. Carrying costs are Tk. 6.00 per unit.

Per annum the cost per reorder is Tk. 1000 irrespective of order size. Purchased orders are placed on the assumption that delivery will be received when stock component falls to zero.

**Required:**

- (i) Calculate the cost per annum of pursuing purchase order policies where the order size may be from 2000 to 6000 components in multiplies of 1000 components and hence state the purchase order quantity which will minimize cost.
- (ii) Use the economic order quantity formula to calculate the purchase order quantity that will minimize cost.
- (iii) Use the economic order quantity formula to calculate the EOQ where annual demand has risen to 96,000 components.
- (c) The following information has been gathered with regard to material X:

Normal monthly usage	1400 units
Maximum anticipated monthly usage	2000 units
Minimum anticipated monthly usage	600 units
Delivery period from suppliers:	
Maximum 4 months;	Normal: 3 months; Minimum 2 months
Economic order quantity 6000 units.	

**Required:**

- (i) Reorder point or level
- (ii) Maximum Stock level
- (iii) Minimum Stock level

Marks: {5+ (5+2+2) + (2+2+2)} = 20]

CMA DECEMBER 2013, EXAMINATION  
PROFESSIONAL LEVEL-I  
SUBJECT : 102. COST ACCOUNTING.

Q. No. 5.

- (a) Why is direct labor a poor base for allocating overhead in many companies? What types of costs should not be assigned to products in an Activity- Based Costing system?
- (b) Advance Products Corporation has supplied the following data from its activity based costing system:

<u>Overhead Costs</u>		
Wages and salaries		Tk.3,00,000
Other overhead costs		<u>1,00,000</u>
Total overhead costs		Tk.4,00,000

  

<u>Advance Cost Pool</u>	<u>Activity Measure</u>	<u>Total Activity for the Year</u>
Volume related	Number of direct labor-hours	20,000 DLHs
Order related	Number of customer orders	400 orders
Customer support	Number of customers	200 customers
Other	These costs are not allocated to products or customers	Not applicable

Distribution of Resource Consumption Across Activities

	<u>Volume Related</u>	<u>Order Related</u>	<u>Customer Support</u>	<u>Other Activities</u>	<u>Total</u>
Wages and salaries	40%	30%	20%	10%	100%
Other overhead costs	30%	10%	20%	40%	100%

During the year, Advanced Products completed one order for a new customer, Shenzhen Enterprises. This customer did not order any other products during the year. Data concerning that order follow:

Data concerning the Shenzhen Enterprises Order

Units ordered	10 units
Direct labor-hours per unit	2 DLHs
Selling price	Tk.300 per unit
Direct materials	Tk.180 per unit
Direct labor	Tk.50 per unit

**Required**

- (1) Prepare a report showing the first-stage allocations of overhead costs to the activity cost pools.
- (2) Compute the activity rates for the activity cost pools.
- (3) Prepare a report showing the overhead costs for the order from Shenzhen Enterprises.
- (4) Prepare a report from the activity viewpoint showing the product margin for the order and the customer margin for Shenzhen Enterprises.
- (5) Prepare an action analysis of the order from Shenzhen Enterprises. For purposes of this report, direct materials should be coded as a Green cost, direct labor and wages and salaries as Yellow costs, and other overhead costs as a Red cost.

Marks: {3+ (3 +3+3+4+4)} = 20]

= THE END =



THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH  
CMA DECEMBER 2013, EXAMINATION  
PROFESSIONAL LEVEL-I  
SUBJECT: 103. MANAGEMENT AND MARKETING MANAGEMENT.

Time: Three Hours

Full Marks:100

- ❖ Answer **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 MARKS – 50)**

Q.No.1.

- (a) “Management is managing resources”. Do you agree? why or why not?
- (b) Explain the four basic activities that comprise the ‘Management Process’? How are they interrelated?
- (c) What is ‘Managerial Ethics’? Describe its importance in an organization.

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

Q.No.2.

- (a) What are the elements of ‘Leadership’? Could someone be a manager but not a leader? Why or why not?
- (b) “Motivated employees are the core assets of a company”- In view of the statement link motivation, job satisfaction and productivity”
- (c) To what extent and how money is an effective motivator.

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

Q. No. 3.

- (a) Briefly discuss human resource management process.
- (b) Distinguish between recruitment & selection.
- (c) You are planning to recruit some CMAs in your organization. Accordingly you have prepared an advertisement content highlighting **job description** and **job specification**. Distinguish between job description & job specification.

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

Q. No. 4.

- (a) What is productivity?
- (b) How effective supply chain management help increase organizational productivity?
- (c) Discuss the functions of supply chain management.

[Marks: (3+7+6) = 16]

Q. No. 5.

- (a) What is non-budgetary control?
- (b) Distinguish budgetary and non-budgetary control.
- (c) How feed-back and feed-forward control help achieve organizational objective?

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

\* **Two Marks are reserved for neatness and relevance.**

**PART – B : MARKETING MANAGEMENT (TOTAL MARKS – 50]**

Q.No.6.

- (a) Define the term 'Marketing', 'Marketer', 'Prospect' and 'Marketing Management'?
- (b) What is 'Marketing Mix'? What are the 4P's associated with marketing mix? Discuss.
- (c) As a CMA professional why do you need to understand Marketing?

[Marks: (8+4+4) = 16]

Q.No.7.

- (a) Discuss the different methods of Sales Promotion?
- (b) As a professional accountant how could you help selecting an effective method of sales promotion for perishable goods?
- (c) Do you think that only a target can satisfy a firm to sell its product or service? Explain.

[Marks: (5+6+4) = 16]

Q.No.8.

- (a) Describe the stages of 'Product Life Cycle'.
- (b) How should a company set the 'Price' for a product over the stages of its life cycle?
- (c) Describe the marketing strategies that you would recommend in each stage of product life cycle.

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

Q.No.9.

- (a) What is a 'Marketing Report'?
- (b) How can a Marketing Report assist to evaluate and control marketing management activities?
- (c) Discuss how a marketing report helps the finance department in developing the budget of a company.

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

Q. No. 10.

Write short note on the following:

- (a) Product positioning.
- (b) Market Niche.
- (c) B<sub>2</sub>B Marketing.
- (d) Market challengers.

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

**\* Two Marks are reserved for neatness and relevance.**

= THE END =



THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH  
CMA DECEMBER 2013, EXAMINATION  
PROFESSIONAL LEVEL-I  
SUBJECT: 104. INFORMATION TECHNOLOGY

Time: 2 hours 30 minutes

Full Marks: 80

- ❖ Answer any FOUR of the following questions.
- ❖ Answer must be brief, relevant, neat and clean.
- ❖ Start answering each question from a fresh sheet.

Q. No. 1.

- (a) What are your career goals and how can a computer-based Information System be used to achieve them?
- (b) How can you distinguish Data and Information? Information and Knowledge .
- (c) What is Knowledge Management System? Give an Example.
- (d) Briefly describe the evaluation of Personal Computer.

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

Q. No.2.

- (a) What steps are performed by a computer during execution phase?
- (b) Discuss some common forms of secondary storage.
- (c) What is the difference between System Software and Application Software?
- (d) What are the components of 'Database Management System'?

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

Q. No.3.

- (a) Give a summary of Internet, Intranet and Extranet users.
- (b) Provide some suggestions for creating a web page.
- (c) Discuss about 3G Wireless Communications.
- (d) What is 'Star Networking'?

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

Q. No.4.

- (a) Discuss threats to electronic and mobile commerce.
- (b) How will you develop a Disaster Recovery plan'?
- (c) What are the major challenges of B2C?
- (d) What is Electronic Payment System?

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

Q. No. 5.

- (a) What do you mean by Expert System? Identify the basic components of an Expert System and describe the role of each.
- (b) Identify and briefly describe three specific virtual reality applications
- (c) What is Information System planning? Describe the Short and long range technology planning.

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

Q. No. 6.

Write short notes on (any five):

- (a) TCP/IP;
- (b) Primary and Foreign Key;
- (c) DBA;
- (d) Bandwidth and Speed;
- (e) Personal Digital Assistant (PDA);
- (f) Voice Mail.

[Marks: (5x4) = 20]

=THE END=



THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH  
CMA DECEMBER 2013, 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.

**Question # 1.**

- (a) Distinguish between a timing difference and permanent difference between taxable income and book income.
- (b) Under what circumstances will a Deferred Income Tax credit balance be reduced to zero? Why do most companies report an increasing balance to this account?
- (c) On 31<sup>st</sup> December 2012 Fariduddin files his petition in bankruptcy on which date the Receiving Order was made. You are instructed by the Official Receiver in Bankruptcy to assist the debtor in the preparation of the Statement of Affairs and Deficiency Account. Your investigations disclosed the following :

Assets	Book value	Estimated to Produce
Freehold property of a book value of Tk. 1,20,000 estimated to produce Tk. 1,00,000 a first mortgage thereon having been given to fully secured creditors and a second charge limited to Tk. 10,000 to partly secured creditors :	Tk.	Tk.
Stock in trade	57,840	39,000
Trade fixtures and fittings	7,000	3,000
Book debts : Good	61,410	61,410
Doubtful	27,010	20,000
Bad	17,330	Nil
Bills receivable	3,000	Nil
Cash in hand	270	270

**Liabilities:** His liabilities amounted to Tk. 3,54,500 of which Tk. 74,000 was fully secured, Tk. 38,000 partly secured and Tk. 2,500 was preferential. There was also a contingent liability on bills under discount of Tk. 27,400 of which Tk. 2,000 was expected to rank. He has household furniture of the estimated value of Tk. 2,500 and Life Policies of the surrender value of Tk. 6,000. A creditor for Tk. 5,000 gave up his claims against Fariduddin.

On 1<sup>st</sup> January 2010 his capital was Tk. 1,30,000.

During the three intervening years, trading results, interest on capital and drawings were as follows :

Year ending	Trading Results	Drawings	Interest Capital
31 <sup>st</sup> December, 2010	Tk. 3,760 (Profit)	Tk. 8,400	Tk. 6,500
31 <sup>st</sup> December, 2011	Tk. 75,230 (Loss)	Tk. 10,000	Tk. 6,000

Accounts for 2012 were not made up; but he had withdrawn Tk. 15,000 for domestic use.

**Required:**

Prepare the Statement of Affairs and Deficiency Account.

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



CMA DECEMBER 2013, EXAMINATION  
PROFESSIONAL LEVEL-II  
SUBJECT : 201. ADVANCED FINANCIAL ACCOUNTING-I

**Question # 2.**

- (a) Describe the specific disclosure requirements for lessees under capital leases.
- (b) The Irfan Equipment Company both leases and sells its equipment to its customers. The most popular line of equipment includes a machine that costs Tk. 140,000 to manufacture. The standard lease terms provide for five annual payments of Tk. 55,000 each (excluding executory costs), with the first payment due when the lease is signed and subsequent payments due of December 31 of each year. The implicit rate of interest in the contract is 10% per year. Ahnaf Powder Co, Leases one of these machines on January 2, 2012. Initial direct costs of Tk. 10,000 are incurred by Irfan on January 2, 2012 to obtain the lease Ahnaf's incremental borrowing rate is determined to be 12%. The equipment is very specialized, and it is assumed it will have no salvage value after five years. Assume the lease qualifies as a capital lease and a sales- type lease for lessee and lessor respectively. Also assume that both the lessee and the lessor are on a calendar-year basis and that the lessee is aware of the lessor's implicit interest rate.

**Required:**

- (i) Give all required of the books of Ahnaf Powder Co. to record the lease of equipment from Irfan Equipment Company for the year 2012. The depreciation of owned equipment is computed once a year on the straight-line basis.
- (ii) Give entries required on the books of Irfan Equipment Company to record the lease of equipment to Ahnaf Powder Co, for the year 2012.
- (iii) Prepare the balance sheet section involving lease balances for both the lessees and lessor's financial statements at December 31, 2012.
- (iv) Determine the amount of expense Ahnaf Powder Co. will report relative to the lease for 2012 and the amount of revenue Irfan Equipment Company will report for the same period.
- (c) Rupa Electric Company has a policy of acquiring its equipment by leasing. On January 2, 1999, the company signed a lease for a coiling machine. The lease stipulates that payments of Tk. 45,000 (excluding executory costs) will be made annually for five years. The payments are to be made in advance of December 31 of each year. At the end of the five-year period, the company may purchase the machine for Tk.20,000. Its estimated fair market value at that date is Tk.75,000. The Company's incremental borrowing rate is 12%, which is less than the implicit interest rate. The estimated economic life of the equipment is eight years. Rupa uses straight-line depreciation for all equipment and uses the calendar year for reporting purposes.

**Required:**

- (i) Compute the amount to be capitalized as an asset for the lease of the coiling machine.
- (ii) Prepare a table showing the computation of the interest expenses for each period.
- (iii) Give the journal entries that would be made on Rupa Electric Company's books for the first two years of the lease.
- (iv) Assume on December 31, 2012 the purchase option is exercised, Give the journal entry to record the exercise of the option on Rupa Electric Company's books.

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

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**Question # 3.**

Following is the Receipt & Payment Account of Chittagong Club for the year ending 31<sup>st</sup> December 2012:

Receipts	Taka	Payments	Taka
Balance at Bank and in hand	2,000	Salaries	5,600
Subscriptions, Arrears	200	Printing and Stationary	1,750
Subscriptions, Current year	7,500	Investments (at par)	4,000
Subscriptions, Next year	400	Expenditure on Refreshments	3,200
Sale of Furniture at book value	200	Expensed of last year	200
Donation for a stage	4,000	Improvements to Buildings	3,000
Interest on Investments	900	Cost of Gold Medal	350
Charges for Refreshments	4,300	Balance at Bank and in hand	1,400
<b>Total</b>	<b>19,500</b>	<b>Total</b>	<b>19,500</b>

In addition to the above, the following further information is available from the accounts of the club:-

- (1) The assets on 1<sup>st</sup> January 2012 include Building Tk.20,000, 6% Investments Tk.10,000 at par (including Prize Fund) and Furniture Tk.1,000. Liabilities as on 1<sup>st</sup> January 2012 include an account styled "Prizes Fund Account" Tk.8,000.
- (2) Of salaries Tk.400 pertains to last year and Tk.500 still owes. As regards subscriptions in arrears of Tk.200 received during the year, a provision of Tk.150 was made in the accounts last year. Tk.400 subscriptions for 2012 are outstanding.
- (3) Stock of Refreshments at the end of the year was valued at Tk.100.
- (4) Sports Equipment worth Tk.1,000 was donated during the year by a member.
- (5) Printers bill Tk.100 is outstanding on 31-12-2012.
- (6) A bill for Tk.500 for purchase of furniture is outstanding.
- (7) The investments (6%) were purchased during the second half and the interest has not been collected.
- (8) The opening balance of general fund on 1<sup>st</sup> January 2012 was Tk.24,850.

**Required:**

- (i) An Income and Expenditure Account for the year ending 31<sup>st</sup> December 2012.
- (ii) A Balance Sheet as at 31<sup>st</sup> December 2012.

[Marks: (10+10) = 20]

**Question # 4.**

- (a) Give the particulars of 'Loans and Advances' of commercial bank to be disclosed in published accounts.
- (b) Following is balances of Popular Commercial Bank Ltd as on December 31, 2011. Prepare Profit and loss Account for the year ended December 31, 2011 and a Balance Sheet as on that date from the balances and other information mentioned below.

Particulars	Amount (Tk)
Cash in Hand	473,828
Salaries and Allowances	593,257
Borrowing from other banks and financial institutions	2,178,448
Interest income	6,247,494
Rent, Taxes, Insurances, Electricity etc.	119,729

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Q. No. 4. (contd.....)

Current deposits and other accounts	5,325,633
Provision for income tax	2,617,154
Balance with Bangladesh Bank and its Agent Bank	3,286,540
Investment income	1,012,991
Legal Expenses	4,528
Bills payable	724,131
Savings bank deposits	4,935,720
Commission, exchange and brokerage	1,177,502
Provision for off-balance exposures	246,021
Auditors fees	365
Interest paid on deposits and borrowings	4,498,017
Balance with Other Banks & Financial Institutions	1,346,434
Other operating income	189,532
Postage, Stamps, Telecommunication etc	32,038
Money at call and on short notice	1,524,305
Directors' fees	832
Fixed deposits	43,847,332
Loans, Cash Credit, Overdrafts etc.	45,805,970
Other Liabilities	1,591,267
Stationery, Printing, Advertising etc.	55,612
Interest Payable	
Bills Purchased and Discounted	4,461,948
Investments	9,663,097
Provision for loans and advances	978,311
Share capital (Authorized- 445,000, shares of Tk. 10 each; Issued, Subscribed and Paid up -214,481 of Tk.10 each – fully paid)	2,144,810
Statutory reserve	1,557,013
Revaluation reserve	306,401
Fixed Assets including Premises, Furniture & Fixtures	1,374,805
Accumulated Depreciation on fixed assets	356,430
Exchange equalization reserve	3,339
Other Assets	2,607,007
Other expenses	530,344
Managing Director's salaries and fees	3,452
Retained earnings	942,579

Other information :

- 1) Depreciate Tk. 143,774 for fixed assets.
- 2) Make general provision of Tk. 128,410 and specific provision of Tk. 119,009 against loans and advances and make provision for off-balance sheet item of Tk. 83,425.

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SUBJECT : 201. ADVANCED FINANCIAL ACCOUNTING-I

Q. No. 4. (contd.....)

3) The off-balance sheet items of the bank were :

Acceptance and endorsement	5,970,538
Irrevocable Letter of credit	15,668,004
Letter of guarantee	3,182,998
Bill for collection	3,157,281

4) Provide Tk. 1,040,600 for income tax.

5) Provide 20% of pretax profit as statutory reserve.

[Marks: (5 + 15) = 20]

**Question # 5.**

The following are account balances and other information of Godhuli General Insurance Co. Ltd as on December 31, 2012. Prepare Revenue Accounts, Profit & Loss Account, Profit & Loss Appropriation Account for the Year ended December 31, 2012 and a Balance Sheet as on that date.

Particulars	
Share Capital (Authorized-100,000,000 shares of Tk. 10 each; Issued, Subscribed and Paid up- 19,965,000 shares of Tk. 10 each- fully paid)	199,650,000
Profit and Loss Appropriation Account	13,865,000
Amount Due to Other Persons or Bodies Carrying on Insurance Business	61,284,000
Amount Due from Other Persons or Bodies Carrying on Insurance Business	70,543,000
Deposit Premium	43,336,000
Sundry Creditors	24,983,000
Statutory Deposit with Bangladesh Bank	9,000,000
Investment in shares	4,536,000
Advance, Deposits and Prepayments	100,212,000
Fixed Deposits with Banks	273,905,000
Cash in hand and with banks	53,421,000
Fixed Assets Less Depreciation	28,825,000
Stock of Printing, Stationery and Stamp	1,219,000
Reserve for Unexpired Risk-Fire (01.01.2012)	20,294,000
Reserve for Unexpired Risk-Marine (01.01.2012)	35,367,000
Reserve for Unexpired Risk-Motor (01.01.2012)	10,658,000
Reserve for Unexpired Risk-Misc. (01.01.2012)	5,590,000
Premium less Re-Insurance- Fire	110,978,000
Premium less Re-Insurance- Marine	131,399,000
Premium less Re-Insurance- Motor	35,459,000
Premium less Re-Insurance- Misc.	7,168,000
Outstanding claim- Fire ( 01.01.2012)	2,959,000
Outstanding claim- Marine ( 01.01.2012)	1,817,000

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SUBJECT : 201. ADVANCED FINANCIAL ACCOUNTING-I

Q. No. 5. (contd.....)

Outstanding claim- Motor ( 01.01.2012)	385,000
Outstanding claim- Misc. ( 01.01.2012)	33,000
Commission on Re-Insurance Ceded- Fire	13,221,000
Commission on Re-Insurance Ceded-Marine	14,714,000
Commission on Re-Insurance Ceded-Motor	62,000
Commission on Re-Insurance Ceded-Misc.	1,702,000
Commission- Fire	22,542,000
Commission-Marine	24,480,000
Commission-Motor	5,347,000
Commission-Misc.	1,073,000
Claims Paid - Fire	4,514,000
Claims Paid -Marine	37,794,000
Claims Paid -Motor	11,582,000
Claims Paid -Misc.	8,174,000
Expenses of Management-Fire	34,657,000
Expenses of Management-Marine	39,974,000
Expenses of Management-Motor	8,253,000
Expenses of Management-Misc.	5,979,000
Insurance Stamp Consumed-Fire	361,000
Insurance Stamp Consumed-Motor	125,000
Insurance Stamp Consumed-Misc	21,000
Interest Income	30,818,000
Other Income	372,000
Advertisement	4,075,000
Audit Fee	207,000
Bima Fee	19,000
Directors' Fee	38,000
Donation and Subscription	840,000
Renewal and Registration Fee	2,037,000
Depreciation	10,001,000
Fees and Charges	2,360,000

Other Information:

- 1) Provide Tk. 86,25,000 for Exceptional Loss.
- 2) Provide Tk. 16,500,000 for income tax.
- 3) Estimated liability in respect of outstanding claim as on 31.12.2012: Fire- Tk. 5,366,000, Marine- Tk. 751,000, Motor- Tk. 2,287,000 and Misc.- Tk. 234,000.
- 4) Maintain reserve for unexpired risk @ 40% of premium income.
- 5) The company declared a dividend of 5% on paid up capital.

[Marks: 20]

= THE END =



THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH  
CMA DECEMBER 2013, 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.

- (a) Briefly state the standards of ethical conduct for practitioners of Management Accounting working in Bangladesh.
- (b) Justify the use of linear cost and revenue functions in the management accountant's model.
- (c) "Because of the possibility of goal incongruence, an optimal plan can be achieved if divisional budgets are constructed by a central planning department, but this means that divisional independence is a pseudo-independence."  
Discuss the problems of establishing divisional budgets in the light of the above stated quotation.

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

Q. No. 2.

- (a) Dhaka General Sweets Manufacturing Company makes candybars and sells them to vendors in cases of 30 bars per case. Although the Company makes a variety of candybars the cost differences are insignificant, and all the cases are sold for the same price.  
The total investment in capital is Tk. 1,50,00,000/- and the Company requires 10% target rate of return. Considering the constant sales over the past few years, it expects to sell 5,00,000 cases of candybars in the next year.

Expected costs in the next year:

Variable production costs	Tk. 3.50/case
Variable marketing and distribution costs	Tk. 1.50/case
Fixed production costs	Tk. 10,00,000/-
Fixed marketing and distribution costs	Tk. 8,00,000/-
Other fixed costs	Tk. 7,00,000/-

The Company has the policy of pricing the cases of candybars at full costs plus mark up to generate profit equal to the target rate of return.

**Required:**

- (i) What is the target operating income?
- (ii) What is the selling price the company needs to charge to earn the target operating income? Compute the mark-up percentage on full costs.
- (iii) The company's closest competitor has just increased its candy case price to Tk. 15, although it sells 36 candybars per case. The company is considering increasing its selling price to Tk. 14.50 per case, assuming that the sales will be decreased by 5%. Is increasing the selling price a good idea? Please give your recommendation. Compute the rate of return on investment.
- (b) Describe value engineering and its role in target costing.

[Marks: {(2+8+5) + 5} = 20]

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SUBJECT : 202. MANAGEMENT ACCOUNTING.

Q. No. 3.

The National Export Company Ltd. is operating right now at 75% level of activity. The company produces and sells two products: Product–A and Product–B.

The chief cost accountant prepares the following cost sheet of these two products.

	Product – A	Product – B
Units produced & sold (units)	<u>6,000</u>	<u>4,000</u>
Direct materials	Tk. 20.00	Tk. 40.00
Direct labour	40.00	40.00
Factory overhead (40% fixed)	50.00	30.00
Selling & distribution and administrative (60% fixed)	<u>80.00</u>	<u>50.00</u>
Total cost per unit	<u>190.00</u>	<u>160.00</u>
Selling price per unit	230.00	190.00

Other information:

- (1) Factory overheads are absorbed on the basis of machine hour, which is the limiting factor. The machine hour rate is Tk. 20 per hour.
- (2) The company receives an offer from Canada for the purchase of product A at a price of Tk. 175.00 per unit.
- (3) The company has also another offer from the USA for the purchase of product B at price of Tk. 155.00 per unit.
- (4) In both the cases a special packing charge of Tk. 5.00 per unit has to be borne by the company.
- (5) The company can accept either of the two export orders and in either case the company can supply such quantities that may be produced by utilizing the balance 25% of its capacity.

**Required:**

- (i) A profitability statement showing economics of the two export orders giving your recommendation as to which proposal should be accepted.
- (ii) A statement showing the overall profitability of the company after incorporating the export recommendation by you. Assume that export offer may be of any number of units and the company wants to maximize its net income.
- (iii) "A customer profitability profile highlights those customers who should be dropped to improve profitability." Do you agree? Explain.

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

Q. No. 4.

Ayman Household Manufacturing (AHM) manufactures and sells a small range of kitchen equipment. Specifically the product range contains a dish cleaner (DC), a dish dryer (DD) and a dish cabinet (DCB). The DCB is of a rather old design and has for sometimes generated negative contribution. It is widely expected that in one year's time the market for this design of DCB will cease, as people switch to a more modern cabinet, which is attractive to look and has high durability.

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SUBJECT : 202. MANAGEMENT ACCOUNTING.

Q. No. 4. (contd.....)

AHM is trying to decide whether or not to cease the production of DCB now or in 12 months' time when the new type of cabinet will be ready. Following information has been provided for your decision.

(a)	DC	DD	DCB
Selling price per unit	<u>Tk. 200</u>	<u>Tk. 350</u>	<u>Tk. 80</u>
Material cost per unit	70	100	50
Labour cost per unit	<u>50</u>	<u>80</u>	<u>40</u>
Contribution per unit	<u>Tk. 80</u>	<u>Tk. 170</u>	<u>Tk. (10)</u>
Annual sales (units)	5000 units	6000 units	1200 units

- (b) It is thought that some of the customers that buy a DCB also buy a DC and DD. It is estimated that 5% of the sales of DC and DD will be lost if the DCB ceases to be produced.
- (c) All the direct Labor force currently working on the DCB will be made redundant immediately if DCB is ceased now. This would cost Tk. 6,000 in redundancy payments. If AHM waited for 12 months the existing labor force would be retained and retrained at a cost of Tk. 3,500 to enable them to produce the new cabinet product. Recruitment and training cost of labor in 12 months' time would be Tk. 1,200 in the event that redundancy takes place now.
- (d) AHM operates a JIT policy and so all material costs would be saved on the DCB for 12 months if DCB production ceases now. Equally the material cost relating to the lost sales on the DC and DD would also be saved. However, the material supplier has a volume based discount scheme in place as follows:

Annual Expenditure (Tk.)			Discount
0	-	6,00,000	0%
6,00,001	-	8,00,000	1%
8,00,001	-	9,00,000	2%
9,00,001	-	9,60,000	3%
9,60,000 and above			5%

AHM uses this supplier for all its materials for all the products it manufactures. The figures given above in the cost per unit table for material cost per unit are net of any discount AHM already qualified for.

- (e) The space in the factory currently used for the DCB will be sublet for 12 months on a short-term lease contract if production of DCB stops now. The income from that contract will be Tk. 12,000.
- (f) The supervisor (currently classed as an overhead) supervises the production of all three products spending approximately 20% of his time on the DCB production. He would continue to be fully employed if the DCB ceases to be produced now.



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SUBJECT : 202. MANAGEMENT ACCOUNTING.

Q. No. 4. (contd.....)

**Required:**

- (i) Calculate whether or not it is worthwhile ceasing to produce the DCB now rather than waiting 12 months (Ignore time value of money).
- (ii) Explain two pricing strategies that could be used to improve the financial position of the business in the next 12 months assuming that the DCB continues to be made in that period.
- (iii) Briefly describe three issues that AHM should consider if it decided to outsource the manufacture of one of its future products.

[Marks: (17+4+4) = 25]

Q. No. 5.

- (a) Discuss the following statement: "Full cost can be viewed as a floor of protection. If a firm always sets its prices above full cost, it will never have to worry about operating at a loss."
- (b) The budgeted prices for direct materials and labor per unit of finished product are Tk 13.00 and Tk 5.00 respectively. The production manager is delighted about the following data:

	Master (Static) Budget	Actual Costs	Variance
Direct material	Tk. 10,40,000	Tk. 9,80,000	Tk. 6,0000F
Direct labor	Tk. 4,00,000	Tk. 3,76,000	Tk. 2,4000F

Is the manager's happiness justified?

**Required:**

Prepare a report that might provide a more detailed explanation of why the static (master) budget was not achieved. Good output was 68,000 units.

- (c) Why is process reengineering & plan-do-check-act (PDCA) cycle a more radical approach to improvement than total quality management (TQM)?
- (d) What is meant by the "bag" or "basket" assumption and why it is necessary in a multi-product firm? What additional assumption must be made in multi-product CVP analysis that doesn't pertain to a single-product CVP situation?
- (e) The human factors in budget preparation are more important than its technical aspects. Explain the statement in brief.

[Marks: (3+7+5+4+4) = 23]

= THE END =



THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH  
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PROFESSIONAL LEVEL-II  
SUBJECT: 203. COMMERCIAL AND INDUSTRIAL LAWS.

Time: Three Hours

Full Marks:100

- ❖ Answer THREE questions from each part, where Q. No. 5 and 10 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: COMMERCIAL LAWS**

Q. No. 1.

- (a) "To be a contract an agreement must satisfy some conditions"-What are those conditions?
- (b) Specify the points of distinction between a Contract of Indemnity and a Contract of Guarantee.

[Marks: (8+7) = 15]

Q. No. 2.

- (a) Who is Sub-Agent? What is the legal position of a sub-agent to (i) the agent and (ii) the principle?
- (b) Enumerate the rights and obligation of a buyer and a seller to each other.

[Marks: (8+7) = 15]

Q. No. 3.

- (a) "To be a Promissory Note an instrument must fulfill some essentials"- What are those essentials?
- (b) Give answer with reason whether a finder of lost instrument or a thief be a holder of negotiable instruments?

[Marks: (10+5) = 15]

Q. No. 4.

- (a) Under what circumstances the judicial authority may refer the parties to court of arbitration?.
- (b) When a common carrier is lawfully justified in refusing to carry goods?
- (c) What is Patent? State the salient features of Patent.

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

Q. No. 5

Write short notes on any four of the following:

- (a) Anticipatory breach of contract;
- (b) Trade Mark;
- (c) Crossing after issue;
- (d) Inchoate Instrument;
- (e) Charter Party.

[Marks: (5 X 4) = 20]

**GROUP- B: INDUSTRIAL LAWS**

Q. No. 6.

- (a) Describe the provisions of Stoppage of work and closure of establishment as per BLA – 2006.
- (b) Narrate shortly Retrenchment and re-employment of retrenched workers as per BLA – 2006.

[Marks: (8 + 7) = 15]

Q. No. 7.

- (a) Describe the procedures to establish Minimum Wages Board as per BLA – 2006.
- (b) What factors were considered in making recommendation of minimum wages?
- (c) Do you think Tk. 5,300.00 as minimum wages per month for garment workers is justified basing on above factors?

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

Q. No. 8.

What is industrial dispute? State the procedures for settlement of an industrial dispute.

[Marks: 15]

Q. No. 9.

- (a) Differentiate between festival holidays and leave.
- (b) Briefly state the different kinds of leave provisions as stated in Bangladesh BLA – 2006.

[Marks: (5+10) = 15]

Q. No. 10.

Write short notes on the followings:

- (a) Public Utility Service;
- (b) Adolescent;
- (c) Certificate of fitness;
- (d) Rooms for children;
- (e) Weekly hours.

[Marks: (5 x 4) = 20]

= THE END =



THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH  
CMA DECEMBER 2013, 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.

- (a) Give your critical comments on the recent tax structure in Bangladesh.
- (b) Write short note on the following:-
- (i) Alternative Dispute Resolution (ADR);
  - (ii) Arm's length price; and
  - (iii) Associated enterprise.
- (c) Briefly explain the tax implications in the following cases:-
- (i) Income from production of fish feed;
  - (ii) Club registered under the Companies Act, 1994; and
  - (iii) Political party.

[Marks: {5+ (3 x 3) + (3 x 3)} = 23]

Q. No. 2.

Mr. Jamshed Sowdagor reports the following income for the income year ended on June 30, 2013.

Income from Business and Profession	Tk. 500,000
Income from House Property	100,000
Capital Gain	50,000
Income from Speculative Business	80,000

However, he has some losses to be carried forward from earlier years (income years) with the following details:

Heads	Amount of Losses	Year of Origination
Loss from Business and Profession	Tk. 80,000	2009-10
Capital Loss	50,000	2004-05
Loss from Speculative Business	40,000	2006-07
Unabsorbed depreciation	50,000	2003-04

[Marks : 10]

Q. No. 3.

Mr. Joynal Abedin works in Bangladesh as an officer in a Multinational Company, headquartered in the USA. His sources of income for the year ended on 30<sup>th</sup> June, 2013 were as follows:

a. **Income from Salary:**

- 1. Basic Salary Tk. 15,000 per month.
- 2. Dearness allowance 10% of the basic salary
- 3. Two bonuses equivalent to two months' basic salary.

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SUBJECT : 204. TAXATION

Q. No. 3. (contd.....)

4. Medical allowance Tk. 1,000 per month (actual expense for the year Tk. 10,000)
5. Entertainment allowance Tk. 200 per month
6. He has been provided with a free car both for official and personal uses.
7. He has also been provided with a rent free quarter municipal value of which is Tk. 80,000.
8. Travel allowance as a part of his contract Tk. 1,00,000; from where he saved Tk. 10,000.
9. He contributes 10% of his basic salary to a Recognized Provident Fund (RPF). His employer also contributed the same
10. During the year, he received interest of Tk. 1,800 @ 12% on RPF.
11. He has taken one month's basic salary as advance in the month of June to meet up some of his financial difficulties.

b. **Interest on Securities:**

1. Interest on tax-free government securities Tk. 3,000.
2. Interest on less-tax government securities Tk. 2,700.
3. Interest on approved debentures Tk. 27,300. He has borrowed Tk. 20,000 @ 10% interest to purchase it. Bank also charged Tk. 400 to collect the interest.

c. **Income from House Properties:**

He owns a two-storied house in Dhanmondi. He stays in one floor with his family and another floor is let out for residential purpose at a rate of Tk. 9,000 per month. The municipal value of the house is Tk. 2,00,000 per annum. During the year he spent the following expenses for the whole house:

Repair expense	Tk. 2,000
Insurance expense	Tk. 4,000
Land development tax	Tk. 1,500
Sewerage and utilities expense	Tk. 1,000
Payment of DBH Loan installment (including interest of Tk. 500)	Tk. 5,000

During the year, the house has remained vacant for two months.

d. **Agricultural income:**

Sale of crops	Tk. 5,000
Income from <i>barga</i>	Tk. 2,000

e. **Share of profit from a partnership firm** Tk. 10,000 (firm paid no tax thereon)

f. **Income of spouse and minor child** Tk. 40,000

g. He won Prize Bond lottery of Tk. 3,00,000 [tax deducted at source (TDS) @ 20% - from it]

h. During the year Mr. Abedin visited South Korea as a consultant and generated income of Tk. 5,00,000 and he paid income tax @ 25% in South Korea. He brought 2,50,000 to Bangladesh through bank. From another visit to Russia he generated income of Tk. 3,00,000 and paid income tax there @ 20%. Bangladesh has DTAA (Double Taxation Avoidance Agreement) with South Korea, but not with Russia.

i. **Income from business and profession**

Profit from sole-proprietorship business Tk. 4,000; last year's loss carried forwarded Tk. 1,000.

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PROFESSIONAL LEVEL-II  
SUBJECT : 204. TAXATION

Q. No. 3. (contd.....)

j. **Income from other sources:**

1. Interest income from fixed deposit account	Tk. 4,500 (net of TDS @ 10%)
2. Profit from Islami bank	Tk. 900 (net of TDS @ 10%)
3. Dividend from ICB Mutual Fund	Tk. 31,500 (net of TDS @ 10%)
4. Dividend from a listed company share	Tk. 1,800 (net of TDS @ 10%)
5. Sale of forest timber	Tk. 2,000

**Investment claimed by Mr. Abedin:**

1. Payment of life insurance premium Tk. 8,000 (Policy value Tk. 100,000)
2. Purchase of a listed company's primary share Tk. 5,000
3. Purchase of books and magazines Tk. 1,000
4. Purchase of a share of co-operative society Tk. 2,000
5. Contribution to Government Zakat Fund Tk. 2,500
6. Purchase of Furniture Tk. 15,000

Based on the above information, calculate Mr. Abedin's total income and tax liability for the assessment year 2013 -14.

[Marks: 20]

**Q. No. 4**

The profit and loss account of Care Pharmaceuticals for the year ended on June 30, 2013 reports net income of Tk. 20,00,000. A careful scrutiny of accounts and supporting documents revealed the following facts:

- (a) During the year the company sold some of its pharmaceutical supplies that remained unused for a long time in the storeroom. The company sold the supplies for a loss of Tk. 150,000 as the expiry period is very close and charged such loss against current year's profit.
- (b) The company recovered Tk. 20,000 from bad debt that was written off earlier and was allowed. The amount so recovered was credited to sundry debtors account.
- (c) The company had Tk. 80,000 interests due to Bangladesh Development Bank Ltd. in the income year 2008-09 and such interest was shown as allowable deduction in that year. Still, such interest remains unpaid.
- (d) The company has a trading liability with one overseas company to the tune of Tk. 1,50,000 which has been totally waived by the overseas company under special agreement during this year.
- (e) During the year, the company sold one equipment for Tk. 1,80,000 which was purchased at a total cost of Tk. 1,30,000 and had a written down value of Tk. 90,000 on the date of sale. The company reports Tk. 90,000 as gain on sale of equipment in the credit side of profit and loss account.
- (f) Due to a sudden fire on the factory building, the extended portion of the building is totally destroyed and compensation received from the insurance company totaled Tk. 2,50,000. In addition, the company realized an additional sum of taka 30,000 by selling the scrap. The extension was constructed at a total cost of Tk. 4,00,000 and depreciation charged to date amounts to Tk. 50,000.

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SUBJECT : 204. TAXATION

Q. No. 4. (contd.....)

- (g) The company sold a scientific apparatus used for scientific research for Tk. 80,000 which was originally purchased at Tk. 1,50,000 and fully depreciated. The sale proceed is not recorded at all.
- (h) The company have had export quota for exporting garments to EU countries. As the company has recently changed the line of operation (switched from garments manufacturing to pharmaceuticals), it transferred the export quota to another garments manufacturer for an annual sum of Tk. 70,000. Such income is not reported at all.
- (i) The company claimed investment allowance for new machinery installed during the year costing Tk. 10,00,000 which is entitled to accelerated depreciation.
- (j) Bonus and commission to the field representatives at the rate of 4 months pay Tk. 3,00,000 including 1 month's pay as festival bonus. But the general practice of bonus and commission for the similar business is two months pay.
- (k) Sum of Tk. 1,20,000 paid to an institution for scientific research which is not approved by NBR.
- (l) Sum of Tk. 5,00,000 expended for establishing a hospital for the benefit of employees without any charge. The company has not claimed any other deduction or allowance.
- (m) Salary of Tk. 5,00,000 and rent of Tk. 80,000 were paid without deducting tax at source.
- (n) Payment of brokerage and commission of Tk. 60,000 made to a non-resident without deducting tax at source.
- (o) Annual perquisites enjoyed by MD, Chairman and 5 members of Board of Director amounts to Tk. 22,00,000.
- (p) Accounting depreciation charged to the account is Tk. 2,50,000 but tax depreciation amounts to taka 3,00,000 excluding the amount of accelerated depreciation on machinery.
- (q) Value of the free sample distributed was Tk. 2,00,000. Annual turnover during the year was Tk. 80,00,000.
- (r) Expenditure on foreign travels for holidaying and recreation of the employees and their dependants to the extent of the amount equivalent to three months basic salary of Tk. 3,60,000; actual expenditure being Tk. 4,00,000 and that the travel was not oftener than once in two years.
- (s) Sum of Tk. 50,000 expended to train employees (Bangladeshi citizen) in connection with a scheme approved by the Board.
- (t) The company expensed a sum of Tk. 2,00,000 for visits abroad as a member of trade delegation sponsored by the government.
- (u) Annual membership fee of Tk. 1,50,000 is paid to Bangladesh Pharmaceutical Society which is a professional institution recognized by the Board.
- (v) Expenditure on publicity and advertisement, Tk. 3,00,000.
- (w) Entertainment expenditure, Tk. 1,50,000.

**Required:** Compute the total income of the company.

[Marks: 25]

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SUBJECT : 204. TAXATION

Q. No. 5.

Regent Company produces different consumer products. To produce their products they import some ingredients from China and use some local ingredients. To produce 10000 pieces(pcs) of AAA Makeup Box for November 2013 they procured and used following ingredient as per standard practice:

Ingredient A 1200 kgs by Tk. 517,440 where VAT was Tk. 65,340, AIT (advance income tax) Tk. 16,500, Customs Duties (CD) Tk. 33,000 and Supplementary Duty (SD) Tk. 72,600;

Ingredient B 600 kgs by Tk. 356,345 where VAT was Tk. 45,045, AIT Tk. 11,000, CD Tk. 66,000 and SD Tk. 14,300;

Ingredient C 800 kgs by Tk. 1,50,000 (VAT-exempted); and

Ingredient D 10,050 pcs by Tk. 138,000 where VAT was Tk. 18,000.

Ingredient A and B were imported items and Ingredient C and D were locally procured from wholesale market.

Standard Gas bill for such quantity of products was Tk. 1,20,000 and Electricity bill was Tk. 55,000 excluding VAT.

Per Unit costs were: Labor cost Tk. 80, factory overhead Tk. 90. Standard marketing overhead cost in total was Tk. 50,000 and bank interest Tk. 45,000 for November 2013.

Company profit markup policy is 30% after charging all costs.

Company produced and sold 1000 pcs AAA Makeup Box in November 2013.

As a Manager (Costing & VAT) of the company you are required to submit Form VAT-1 for Product AAA and Form VAT-19 for the month of November 2013.

**Required:**

- (i) Find out per unit AAA Makeup Box cost for Form VAT-1 and selling price.
- (ii) Determine the amount of input VAT will be allowed as rebate in Form VAT-19 and net VAT payable for November 2013.

[Marks : (8+4) = 12]

**Q. No. 6**

- (a) Distinguish between “Zero-rate” and “exemption” under the VAT Act 1991.
- (b) What documents are required to be submitted for VAT registration?
- (c) Mention the tax-base of following taxes: Supplementary duty, Turnover tax, Gift-tax, Excise duty and Travel tax.

[Marks: 3+3+4 = 10]

= THE END =





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CMA DECEMBER 2013, 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.

**Question # 1.**

- (a) How would you determine whether potential ordinary shares are dilutive? When should both basic and diluted EPS be disclosed?
- (b) For the year ending 30 June 2011, Kirra Ltd. reported net profit after tax of Tk. 130,000. As at 1 July 2010 Kirra Ltd. had 20,000 fully paid ordinary shares of Tk. 10 each. The following issues and purchases were subsequently made during the year:
- \* 10,000 fully paid ordinary shares issued on 1 September 2010 at the prevailing market price;
  - \* 2,500 fully paid ordinary shares purchased back on 1 February 2011 at the prevailing market price;
  - \* 7,000 partly paid ordinary shares issued on 1 April 2011 at an issue price of Tk. 20.00. The shares were partly paid to Tk. 13.00. The partly paid shares carry the right to participate in dividends in proportion to the amount paid as a fraction of the issue price.

For the entire financial year Kirra Ltd. had 5,000 preference shares of Tk. 100 each, which provide dividends at a rate of 10 per cent per year. The dividend rights are cumulative.

***Required:***

Compute the basic earnings per share amount for 2011.

- |                                                               |                |
|---------------------------------------------------------------|----------------|
| (c) Net profit of A Ltd. for the year 2012                    | Tk. 3 million. |
| Ordinary shares outstanding during 2012                       | 10 million     |
| Average fair value of one ordinary share in 2012              | Tk. 8          |
| Share under option during 2012 convertible at Tk. 6 per share | 2 million      |

***Required:***

Calculate basic and diluted earnings per share.

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

**Question # 2.**

- (a) What is a 'temporary difference' and why does it arise?
- (b) Can deferred tax asset be offset against deferred tax liability?
- (c) Delta Ltd. owns the following property, plant and equipment at December 31, 2010.

Items	Cost (Tk.)	Accumulated Depreciation (Tk.)	Carrying amount (Tk.)	Tax base amount (Tk.)
Machinery	900,000	180,000	720,000	450,000
Land	500,000	-	500,000	-
Buildings	1,500,000	300,000	1,200,000	-

***In addition:***

- (i) Machinery is depreciated on straight line basis over 5 years. It was acquired on January 1, 2010.
- (ii) Land is not depreciated.
- (iii) Buildings are depreciated on straight line basis over 25 years.

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*Q. No. 2. (contd.....)*

- (iv) Depreciation of land and office buildings is not deductible for tax purposes. For machinery tax depreciation is granted over a period of 3 years in the ratio of 50:30:20 of cost consecutively.
- (v) The accounting profit before tax including non-taxable revenue of Tk. 80,000 amounted to Tk. 300,000 for the year 2011. For 2012, the accounting profit before tax including non-taxable revenue of Tk. 100,000 amounted to Tk. 400,000.
- (vi) Delta Ltd. had a tax loss on December 31, 2010 of Tk. 250,000. The tax rate for 2010 was 35 percent and for 2011 and 2012 it was 30 percent.

***Required:***

Calculate the deferred tax liability of Delta Ltd. as on December 31, 2012 showing the movement of deferred tax balance from January 01, 2011 to December 31, 2012. Show necessary workings including income tax expenses for 2011 and 2012.

[Marks: (3+3+10) = 16]

**Question # 3.**

The following financial statements of Mungo Ltd. and its subsidiary Barry Ltd. have been extracted from their financial records at 30 June, 2013.

**Income Statements**  
**For the year ended on 30 June, 2013**

	<b>Mungo Ltd.</b>	<b>Barry Ltd.</b>
Sales revenue	\$ 1,380,000	\$ 1,160,000
Cost of goods sold	<u>(928,000)</u>	<u>(476,000)</u>
Gross profit	452,000	684,000
Dividends received from Barry Ltd.	186,000	-
Management fee revenue	53,000	-
Profit on sale of plant	70,000	-
<i>Expenses:</i>		
Administrative expenses	(98,800)	(77,400)
Depreciation	(49,000)	(113,600)
Management fee expense	-	(53,000)
Other expenses	<u>(202,200)</u>	<u>(154,000)</u>
Profit before tax	411,000	286,000
Tax expense	<u>(123,000)</u>	<u>(84,400)</u>
Profit for the year	<u>\$ 288,000</u>	<u>\$ 201,600</u>

**Statement of Retained Earnings**  
**For the year ended 30 June, 2013**

	<b>Mungo Ltd.</b>	<b>Barry Ltd.</b>
Retained earnings – 30 June, 2012	\$ 638,800	\$ 478,400
Profit for the year	288,000	201,600
Dividends paid	<u>(274,800)</u>	<u>(186,000)</u>
Retained earnings – 30 June 2013	<u>\$ 652,000</u>	<u>\$ 494,000</u>

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SUBJECT : 301. ADVANCED FINANCIAL ACCOUNTING-II

Q. No. 3. (contd.....)

**Balance sheet**  
**as at 30 June, 2013**

	<b>Mungo Ltd.</b>	<b>Barry Ltd.</b>
<i>Shareholders' equity:</i>		
Share capital	\$ 700,000	\$ 400,000
Retained earnings	652,000	494,000
<i>Current liabilities:</i>		
Accounts payable	109,400	92,600
Tax payable	82,600	50,000
<i>Non-current liabilities</i>		
Loans	<u>347,000</u>	<u>232,000</u>
<b><i>Shareholders' equity and liabilities</i></b>	<b>\$ <u>1,891,000</u></b>	<b>\$ <u>1,268,600</u></b>
<i>Current assets:</i>		
Accounts receivable	\$ 118,800	\$ 124,600
Inventory	184,000	58,000
<i>Non-current assets:</i>		
Land and buildings	448,000	652,000
Plant-at cost	599,700	711,600
Accumulated depreciation	(171,500)	(277,600)
Investment in Barry Ltd.	<u>712,000</u>	<u>-</u>
<b><i>Total assets</i></b>	<b>\$ <u>1,891,000</u></b>	<b>\$ <u>1,268,600</u></b>

***Other information:***

- (i) Mungo Ltd. acquired its 100 per cent interest in Barry Ltd. on 1 July 2009, that is four years earlier. At that date the capital and reserves of Barry Ltd. were.

Share capital	\$400,000
Retained earnings	<u>\$250,000</u>
	<u>\$650,000</u>

At the date of acquisition all assets were considered to be fairly valued.

- (ii) During the year Mungo Ltd. made total sales to Barry Ltd. of \$130,000, while Barry Ltd. sold \$104,000 in inventory to Mungo Ltd.
- (iii) The opening inventory in Mungo Ltd. as at 1 July 2012 included inventory acquired from Barry Ltd. for \$84,000 that had cost Barry Ltd. \$70,000 to produce.
- (iv) The closing inventory in Mungo Ltd. includes inventory of \$67,200 acquired from Barry Ltd. This cost Barry Ltd. \$52,000 to produce.
- (v) The closing inventory of Barry Ltd. includes inventory of \$24,000 acquired from Mungo Ltd. This cost Mungo Ltd. \$19,200 to produce.
- (vi) The management of Mungo Ltd. believe that goodwill acquired was impaired by \$5,000 in the current financial year. Previous impairments of goodwill amounted to \$10,000.

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*Q. No. 3. (contd.....)*

- (vii) On 1 July 2012 Mungo Ltd. sold an item of plant to Barry Ltd. for \$100,000 when its carrying value in Mungo Ltd's accounts was \$80,000 (cost \$120,000, accumulated depreciation \$40,000). This plant is assessed as having a remaining useful life of six years from the date of sale.
- (viii) Barry Ltd. paid \$20,000 in management fees to Mungo Ltd.
- (ix) The tax rate is 30 per cent.

**Required:**

- (a) Prepare the consolidation worksheet entries for the preparation of the consolidated financial statements for Mungo Ltd. and subsidiary, Barry Ltd., as at 30 June, 2013.
- (b) Prepare the consolidated income statement and balance sheet of Mungo Ltd. and Barry Ltd. as at 30 June 2013.

[Marks: (14+8+13) = 35]

**Question # 4.**

On 31 December, 2012, the following balances appeared in the books of Dhaka Branch of an American Firm having its Head Office at New York in USA:

Particulars	Debit (Tk.)	Credit(Tk.)
Inventories on January 1, 2012	93,600	-
Purchases and Sales	625,000	937,000
Debtors and Creditors	306,000	204,000
Bills Receivables and Bills Payable	81,600	71,400
Salaries and Wages	40,000	-
Rent, Rates and Taxes	42,500	-
Office Furniture	36,400	-
Bank Account	227,460	-
New York Account	-	240,160
<b>Total</b>	<b>Tk. 14,52,560</b>	<b>Tk. 14,52,560</b>

***Other relevant information:***

- (1) Inventories on December 31, 2012 was Tk. 255,000.
- (2) Branch Account in New York books showed a debit balance of US\$3,000 on December 31, 2012.
- (3) Furniture appeared in the Head Office books at US\$500.
- (4) Rate of exchange on December 31, 2011 was Tk. 81 for one US Dollar.
- (5) Rate of exchange on December 31, 2012 was Tk. 82 for one US Dollar.
- (6) The average rate for the year was Tk. 80 for one US Dollar.

**Required:**

In the books of Head Office,

- (i) Prepare a converted Trial Balance of Dhaka Branch in US Dollar as at 31 December, 2012.
- (ii) Prepare an Trading and Profit and Loss Account for the year ended 31 December, 2012 of Dhaka Branch, and
- (iii) Prepare a Balance Sheet of Dhaka Branch as at 31 December, 2012.

[Marks: 14]

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SUBJECT : 301. ADVANCED FINANCIAL ACCOUNTING-II

**Question # 5.**

H Ltd. is seeking to expand its share of the furniture market and negotiated to take over the operations of T Ltd. on 1 January 2013. The balance sheets of two companies as at 31 December 2012 were as follows:

	<i>H Ltd (Tk.)</i>	<i>T Ltd (Tk.)</i>
Cash	23,000	12,000
Accounts Receivables	25,000	34,700
Inventory	35,500	27,600
Freehold Land	150,000	100,000
Buildings (net)	60,000	30,000
Plant and equipment (net)	65,000	46,000
Goodwill	<u>25,000</u>	<u>2,000</u>
<b>Total Assets</b>	<b><u>383,500</u></b>	<b><u>252,300</u></b>
Accounts Payable	56,000	43,500
Mortgage Loan	50,000	40,000
Debentures	100,000	50,000
Share Capital @ Tk.10 each	100,000	60,000
Other Reserves	28,500	26,800
Retained Earnings	<u>49,000</u>	<u>32,000</u>
<b>Liabilities and Shareholders' Equity</b>	<b><u>383,500</u></b>	<b><u>252,300</u></b>

H Ltd. is to acquire all the assets, except cash, of T Ltd. The assets of T Ltd. are all recorded at fair value except:

	<i>Fair Value</i>
	<i>Tk.</i>
Inventory	39,000
Freehold Land	130,000
Building	40,000

In exchange, H Ltd. is to provide sufficient extra cash to allow T Ltd. to repay all of its outstanding debts and its liquidation costs of Tk. 2,400, plus two fully paid shares in H Ltd. for every three shares held in T Ltd. The fair value of a share in H Ltd. is Tk.32. An investigation by the liquidator of T Ltd. reveals that at 31 December 2012 the following debts were outstanding but had not been recorded:

Accounts Payable .....	Tk.1,600
Mortgage Interest .....	Tk.4,000

The debentures issued by T Ltd. are to be redeemed at a 5% premium. Cost of issuing the shares were Tk. 1,200.

***Required:***

Prepare the Liquidation, Liquidators' Cash and Shareholders' Distribution accounts for T Ltd.

[Marks: 15]

= THE END =



THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH  
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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.

The Navana Company is a furniture manufacturer with two departments molding and finishing. The company uses the weighted average method of process costing. In October 2013, the following data were recorded for the Finishing Department.

Units of beginning work in process inventory	10,500
Percentage completion of beginning work in process units	55%
Cost of direct materials in beginning work in process	Tk. 0
Units started	79,500
Units completed	62,500
Percentage completion of ending work in process units	75%
Spoiled units	7,500

**Total costs added during current period**

Direct materials	Tk.721,375
Direct manufacturing labor	Tk.794,500
Manufacturing overhead	Tk. 503,800

**Work in process, beginning**

Transferred in costs	Tk.103,625
Direct Material	Tk.115,625
Conversion costs	Tk.104,500

**Cost of units transferred in during current period** Tk.809,875

Conversion costs are added evenly during the process. Direct material costs are added when production is 50% complete. The inspection point is at the 80% stage of production. Normal spoilage is 10% of all good units that pass inspection. Spoiled units are disposed of at zero net disposal value.

**Required:**

For October 2013, summarize total costs to account for, and assign these costs to units completed and transferred out (including normal spoilage), to abnormal spoilage and to units in ending work in process.

[Marks: 20]

Q. No. 2.

- (a) "Managers should consider only additional revenue and separable costs when making decisions" do you agree? Explain.
- (b) Describe two major methods to account for by product.
- (c) Midwest Mills has a plant that can mill wheat grain, into a cracked wheat cereal and then further mill the cracked wheat into flour. The company can sell all the cracked wheat cereal that it can produce at a selling price of Tk. 490 per ton. In the past, the company has sold only part of its cracked wheat as cereal and has retained the rest for further milling into flour. The flour has been selling for Tk. 700 per ton, but recently the price has become unstable and has dropped to Tk. 625 per ton. The cost and revenues associated with a ton of flour follow:

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SUBJECT: 302. ADVANCED COST ACCOUNTING

Q. No. 2. (Cont'd.....)

**Per ton of Flour**

Selling price		Tk. 625
Cost to manufacture:		
Raw materials:		
Enrichment materials	Tk. 80	
Cracked wheat:	<u>470</u>	
Total raw materials	550	
Direct labor	20	
Manufacturing overhead	<u>60</u>	<u>630</u>
Manufacturing profit (loss)		<u>(5)</u>

Because of the weak price for flour, the sales manager believes that the company should continue milling flour and use its entire milling capacity to produce cracked wheat to sell as cereal (The same milling equipment is used for both products.) Current cost and revenue data on cracked wheat cereal follow:

**Per ton of cracked wheat**

Selling price		Tk. 490
Cost to manufacture:		
Wheat grain	Tk. 390	
Direct labor	20	
Manufacturing overhead	<u>60</u>	<u>470</u>
Manufacturing profit		<u>20</u>

The sales manager argues that since the present Tk. 625 per ton price for the flour results in a Tk. 5 per ton loss, the milling of flour should not be resumed until the price per ton rises above Tk. 630. The company assigns manufacturing overhead cost to the two products on the basis of milling hours. The same amount of time is required to mill either a ton of cracked wheat or a ton of flour. Virtually all manufacturing overhead costs are fixed. Materials and labor costs are variable. The company can sell all of the cracked wheat and flour it can produce at the current market prices.

**Required:**

- Do you agree with the sales manager that the company should discontinue milling flour and use the entire milling capacity to mill cracked wheat if the price of flour remains at Tk. 625 per ton? Support your answer with appropriate computations and explanations.
- What is the lowest price that the company should accept for a ton of flour? Again support your answer with appropriate computations and explanations.

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

**Q. No. 3.**

- Compare and contrast the value chain of a typical manufacturing organization with the value chain of a typical service organization.
- Hampton enterprises has decided to introduce a new printer for desktop computers. This printer is expected to compete successfully with other models that are anticipated to sell for Tk. 300. Hampton's printer has several unique features and management believes that a slightly higher price (10 per cent) is justified. The company's normal profit margin is 25 per cent of selling price.

**Required:**

- What is the printer's target selling price, target cost and target profit?
- Suppose that Hampton's engineers and cost accountants conclude that the present design of the printer will result in a unit cost of Tk. 260. Explain the concept of value engineering and how it may assist Hampton to achieve its goals.
- Describe two alternative cost reduction methods that could be used to reduce the actual cost of the printer to the desired target.

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

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PROFESSIONAL LEVEL-III  
SUBJECT: 302. ADVANCED COST ACCOUNTING

Q. No. 4.

Ahmed & Co. is a firm of chartered accountants specializing in the preparation of income tax returns for medical practitioners. By specializing, the firm has been able to build up expertise in the accounting for medical practices as well as charge a healthy fee because of its in depth knowledge in the area. Among the firm's clients are Dr. Chowdhury and Dr. Haque, two general practitioners. The size and structure of their business are approximately same.

Dr. Chowdhury and Dr. Haque were at medical school together but have not kept in touch. Recently they bumped into each other at a Bangladesh Medical association's party. During the evening the conversation turned to tax and then to tax returns. Dr. Chowdhury and Dr. Haque were amazed to find that they paid significantly different amounts to have their tax returns prepared. They use the same accountants and have the same billing system, roughly the same number of patients and even the same number of staff.

The next day Dr. Chowdhury, who last year paid nearly 50 per cent more than Haque, challenged the managing partner, S.K. Ahmed, over the charges. He assured Dr. Chowdhury that the firm uses a very accurate costing system that tracks costs for five different categories of professional labour to individual clients. Professional labour costs are marked up by 150 per cent to cover other costs and generate a profit. He promises to investigate the problem.

The following are the records for Dr. Chowdhury and Dr. Haque for last year:

	<u>Chowdhury</u>	<u>Haque</u>
Senior partner (@ Tk. 150 per hour)	Tk. 300	Tk. 75
Partner (@ 125 per hour)	250	125
Manager (@ Tk. 80 per hour)	80	80
Supervisor (@ Tk. 50 per hour)	100	150
Graduate (@ Tk. 30 per hour)	<u>15</u>	<u>90</u>
Total cost of labour	745	520
Markup (covering overhead costs and a profit margin)	<u>1,118</u>	<u>780</u>
Total charge to client	<u>Tk.1,863</u>	<u>Tk.1,300</u>

Mr. Ahmed investigated both jobs and found that they had involved similar work but that Dr. Chowdhury's job had used more senior staff because, at the time junior staff were tied up on other projects, including completing Haque tax return! Both projects had also made similar use of resources other than professional labour.

**Required:**

- (i) Does the costing system used by Ahmed & Co. provided a reliable estimate of:
  - (a) Professional labour costs?
  - (b) Cost other resources used in preparing client's tax returns?
- (ii) Does the costing system provide a reasonable basis for estimating the charges to clients? Explain
- (iii) How could Ahmed and Associates improve their costing charge out system?
- (iv) If you were S.K. Ahmed, how would you respond to Chowdhury's query?

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



CMA DECEMBER 2013, EXAMINATION  
PROFESSIONAL LEVEL-III  
SUBJECT: 302. ADVANCED COST ACCOUNTING

Q. No. 5.

Van Hensen Company sells women's clothing. Van Hensen's strategy is to offer a wide selection of clothes and excellent customer service, and to charge a premium price. Van Hensen presents the following data for 2011 and 2012. For simplicity, assume that each customer purchases one piece of clothing.

	<u>2011</u>	<u>2012</u>
1. Pieces of clothing purchased and sold	40,000	40,000
2. Average selling price	Tk. 600	Tk. 590
3. Average cost per piece of clothing	Tk. 400	Tk. 410
4. Selling and customer-service capacity	51,000 customers	43,000 customers
5. Selling and customer-service costs	Tk. 35,70,000	Tk. 29,67,000
6. Selling and customer-service capacity cost per customer (Line -5 Line – 4)	Tk. 70 per customer	Tk. 69 per customer
7. Purchasing and administrative capacity	980 designs	850 designs
8. Purchasing and administrative costs	Tk. 24,50,000	Tk. 20,40,000
9. Purchasing and administrative capacity cost per distinct design	Tk. 2,500 per design	Tk. 2,400 per design

Total selling and customer-service costs depend on the number of customers that Van Hensen has created capacity to support, not the actual number of customers that Van Hensen serves. Total purchasing and administrative costs depend on purchasing and administrative capacity that Van Hensen has created (defined in terms of the number of distinct clothing designs that Van Hensen can purchase and administer). Purchasing and administrative costs do not depend on the actual number of distinct clothing designs purchased. Van Hensen purchased 930 distinct designs in 2011 and 820 distinct designs in 2012.

At the start of 2012, Van Hensen planned to increase the operating income by 10% over the operating income in 2011

**Required:**

- Is Van Hensen's strategy one of product differentiation or cost leadership? Explain.
- Calculate Van Hensen's operating income in 2011 and 2012.
- Calculate the growth, price-recovery, and productivity components of change in operating income between 2011 and 2012.

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

=THE END =



THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH  
CMA DECEMBER 2013, EXAMINATION  
PROFESSIONAL LEVEL-III  
SUBJECT: 303.CORPORATE LAWS, GOVERNANCE & SECRETARIAL PRACTICE.

Time: Three Hours

Full Marks:100

- ❖ Answer THREE questions from each part, where Q. No. 5 and 10 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.

**PART – A: CORPORATE LAWS**

Q. No. 1.

- (a) What are the responsibilities of the “Chairman of an Audit Committee”? Who should be the Chairman of an Audit Committee?
- (b) Is a prospectus is mandatory to offer shares of a public Limited Company to the public if so when and why a statement in lieu of prospectus is needed?

[Marks: (8+7) = 15]

Q. No. 2.

- (a) What do you understand by Demutualization?
- (b) What are the benefits for the investors on demutualization shares?

[Marks: (5+10) = 15]

Q. No. 3.

Critically examine the following statements:

- (a) Managing Director cannot be appointed for more than five years.
- (b) Dividends once declared become debts of the company.
- (c) On winding up a company it ceases to be a legal entity.

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

Q. No. 4.

- (a) Briefly mention the provisions of the Companies Act 1994 and Bangladesh Securities and Exchange Commission (BSEC) relating to appointment and re-appointment of Statutory Auditors of a listed company.
- (b) What is Cost Audit? How are Cost Auditors appointed? Draft a Cost Audit Report for the year ended June 30, 2013 of Smokers Limited, a tobacco manufacturing company.

[Marks: (6+9) = 15]

Q .No. 5.

Write short notes on the followings:

- (i) Managing Agent;
- (ii) CDS;
- (iii) Interim dividend;
- (iv) Alternate director;
- (v) Floating Charges.

[Marks: (5 x 4) = 20]

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PROFESSIONAL LEVEL-III  
SUBJECT: 303.CORPORATE LAWS, GOVERNANCE & SECRETARIAL PRACTICE.

**PART B : CORPORATE GOVERNANCE & SECRETARIAL PRACTICE**

Q. No. 6.

- (a) Draft a Notice of the First Meeting of Board of Directors of BRIGHTLIFE ELECTRONICS LIMITED.
- (b) Draft Minutes of the First Meeting of Board of Directors of BRIGHTLIFE ELECTRONICS LIMITED.

[Marks: (6+9) = 15]

Q. No. 7.

- (a) What are the duties and functions of a Company Secretary in a listed company?
- (b) How does a Company Secretary assist the Chairman and the Managing Director in a Public Listed Company?

[Marks: (7+8) = 15]

Q. No. 8.

As a Company Secretary advise the Chairman of Sonar Bangla Pharmaceuticals Limited what would be the procedures on the following:

- (a) The Board of Directors would like declare Bonus shares against Revaluation Reserve.
- (b) The Company wishes to go for Rights Issue.

[Marks: (6+9) = 15]

Q. No. 9.

- (a) Discuss the various Returns to be filled to different Authorities every year by a Public Limited Company and penalties for non compliance thereof.
- (b) Do you think that the capital market is over or under regulated by the Government. Give reasons to your answers.

[Marks: (8 + 7) = 15]

Q. No. 10.

Write Short notes on the following:

- (i) Special Resolution.
- (ii) Resolution by Circulation.
- (iii) CSR.
- (iv) Agenda of the AGM.
- (v) Annual Return.

[Marks: (5 x 4) = 20]

= THE END =



THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH  
CMA DECEMBER 2013, 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) As stated in BSA 200, what are the overall objectives of the auditors?
- (b) BSA 580, Written Representations provides guidance on the use of written representations as audit evidence. List six items that could be included in a representation letter.
- (c) Under BSA 200, what are the inherent limitations of an audit?
- (d) ABC & Co., Chartered Accountants, was the auditor of Crystal Ltd. for the year 2012. After completion of audit for the year 2012, the auditor did not send any consent letter for re-appointment for the year 2013.  
Shall ABC & Co. be eligible for re-appointment? Answer the question as per the relevant provision of the Companies Act 1994.
- (e) Discuss the implications for the auditor of a small company, if the directors refuse to sign the letter of representation.

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

Q. No. 2.

- (a) Explain the concept of True and Fair presentation.
- (b) BSA 230, Audit documentation deals with the auditor's responsibility to prepare audit documentation for an audit of Financial Statements". State five benefits of documenting the audit work.
- (c) "Auditors are required to document their understanding of the client's internal controls. There are various options available for recording the internal control system. Two of these options are narrative notes and Internal control Questionnaires". Describe the advantages and disadvantages to the auditor of narrative notes and ICQ as methods of documents the system.

[Marks: (4+5+6) = 15]

Q. No. 3.

- (a) Explain the meaning of the term 'materiality' and discuss its significance for an auditor.
- (b) What do you understand by the term 'Audit Planning'? Briefly write the elements of planning and supervision are considered mostly essential.
- (c) "Auditor bound to detect fraud and error" Do you agree with the statement? Briefly describe in favour of your answer.

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

Q. No. 4

- (a) What is accounting estimate? What will be auditor's approach to audit of accounting estimates?
- (b) Why is confidentiality important? Discuss the security procedures which might be wise to prevent accidental disclosure of information?
- (c) What is money laundering? What is your responsibilities and duty to report, as auditor when you suspect or find any issue of money laundering?

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

CMA DECEMBER 2013, EXAMINATION  
PROFESSIONAL LEVEL-III  
SUBJECT: 304. AUDITING.

Q. No. 5

- (a) Difference between Audit Report and Review Report.
- (b) Explain the basic elements of an audit report under BSA-700.
- (c) In what situation under BSA-700 an auditor's report is considered to be modified?
- (d) In case of material disagreement with management to the financial statement, what kind of opinion an auditor should express?

[Marks: (3+5+4+3) = 15]

Q. No. 6.

- (a) List and explain four factors that will influence the auditor's judgment regarding the sufficiency of the evidence obtained.
- (b) After performing tests of controls, the auditor is of the opinion that audit evidence is not sufficient to support the audit opinion; in other words many control errors were found. Explain three actions that the auditor may now take in response to this problem.
- (c) You are the audit manager of an audit engagement. During the year under audit you have noted that in the comprehensive income statement of your client legal expenses amounting to Tk.15,000/= was charged. Your audit team leader has not performed any audit procedure on the same as the amount is insignificant. As the audit manager, do you agree with the view of your audit junior? If not explain the reason for disagreement and advise the courses of actions to be taken in the situation.
- (d) Why changes to the audit plan and audit program is required? What an auditor should do in this respect?

[Marks: (4+3+5+3) = 15]

Q. No. 7.

- (a) Your firm has just been appointed auditors of X Logistics Ltd. after the previous auditors were removed following a dispute with the Directors. This dispute related to certain cost capitalized by the directors, which the auditors believed should have been written off (the audit report was qualified).  
State the procedure; you would carry out regarding the opening balances.
- (b) While planning the audit of Rich Ltd. for the year ending 31 December 2012 the Finance Director informed you that the company had introduced an incentive scheme under which the directors are entitled to a bonus on achieving a certain level of profit. The bonus will be paid 30days after audited accounts are available.  
Identify the audit risks in respect of the above matter, and state how you would address these risks.

[Marks: (5+5) = 10]

= THE END =



THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH  
CMA DECEMBER 2013, 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.

Gelo Ltd. is a manufacturer of high end roller pens. It is a well reputed firm for its outstanding quality and varieties of pens that it offers to its customers. Due to its outstanding innovativeness in pen design, it has a wide range of customers both inside and outside the country. Gelo arranges most of the raw materials locally and its major supplier of materials is ABC Company which is also a large company and well reputed for providing top quality pen production materials. Gelo maintains a very good supplier – customer relationship with ABC Ltd. and thus it also enjoys a liberal credit term for purchasing materials. Generally 15% of a year's purchase is paid in the year of purchase and the rest is paid in the following year.

Émigré, Nouveau & special are the three most renowned models of Gelo which mostly attracts upper middle class people and a very small portion of upper class consumers. In recent years, extensive use of technology along with a turbulent economy of the country caused the firm to suspect a decline in sales. Due to the suspected fall of demand of the product, Gelo's CFO is also expecting a significant increase in its collection period. Expected average collection period in 2013 will be double of what it was in 2012. To make the situation worse, ABC, the major supplier of materials, has also recently informed that due to its bad economic condition it may have to go for a tighter policy on credit purchase and thus Gelo may be required to pay 95% of a year's purchase in the year of purchase. Gelo's CFO is extremely worried and wants to plan ahead of any future unfavorable situation. Excerpts of Gelo's major statements, some projections for the year 2013 and other useful information for 2012 are given below:

Excerpt of Balance sheet as on Dec. 31, 2012.		Excerpt of Income Statement for the year ended Dec. 31, 2012.	
Particulars	Tk.	Particulars	Tk.
Cash	50,000	Sales*	800,000
Accounts Receivables	100,000	Cost of goods sold	200,000
Inventories	200,000	Depreciation	10,000
Net Fixed Assets	600,000	Net Operating Income	300,000
Accounts Payable	118,750		
Notes Payable	235,000		

\*assume all sales are on account

**Additional Information:**

- ❖ Gelo had a total annual purchase of Tk. 375,000 in 2012.
- ❖ Gelo is expecting an inventory ending balance of Tk. 100,000 in 2013.
- ❖ Expected ending notes payable balance of 2013 is Tk. 35,000.
- ❖ Gelo maintains a minimum cash balance of Tk. 50,000 per year.

**Required:**

- (1) Prepare Gelo's income statement for 2012 and also a projected income statement for 2013, assume sales of 2013 along with all the expenses (except for depreciation) decreases at a rate of 25%. Depreciation is expected to remain same.

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PROFESSIONAL LEVEL-IV  
SUBJECT : 401. FINANCIAL MANAGEMENT.

Q. No. 1. (contd.....)

- (2) Determine the accounts payable for 2013 considering **(a)** ABC is not going to impose a tighter policy **(b)** ABC is going to impose a tighter policy [Assume all the purchases are credit purchases].
- (3) Determine the company's average collection period and ending balance of accounts receivables for 2013.
- (4) To help Gelo's CFO, identify any need of borrowing for 2013 considering **(a)** ABC is not going to impose a tighter policy **(b)** ABC is going to impose a tighter policy.

[Marks: (3+3+4+10) = 20]

Q. No. 2.

- (a) "Credit default swap (CDS) is the trigger of current worldwide financial crisis" explain
- (b) ACI is considering undertaking a new investment which requires Tk. 1,000,000. To finance the project, the company wishes to issue bonds for 10 years paying semi-annual floating-rate coupon. For the same purpose, Square Pharmaceuticals wants to issue new fixed-rate semi-annual coupon bearing bonds equivalent to the same amount as that of ACI for 10 years. Since Square Pharmaceuticals is more credit worthy than ACI, the former is required to pay less interest rate than the latter. The rates at which they can issue bond are shown below-

	Floating rate	Fixed rate
Square Pharmaceuticals	LIBOR-20 bp	5.5%
ACI	LIBOR+50 bp	7.2%

Both firms have consulted to Dhaka Bank for issuing bonds. Instead of initiating issue process, Dhaka Bank has advised Square Pharmaceuticals to issue bond at fixed rate instead of floating rate and will swap this fixed rate with Dhaka Bank as follows: Square Pharmaceuticals will pay Dhaka Bank LIBOR-60 basis points (bp) and will receive the due fixed rate. On the other hand, ACI has been advised to issue bond at floating rate (instead of fixed rate) on the condition that it will receive appropriate floating rate from Dhaka Bank by paying 6.8% fixed rate.

**Required:**

- (i) Why did Dhaka Bank advise both firms to issue bonds in rates which they did not initially want to?
- (ii) Assume that both firms agree on the swap deal for 10 years; calculate the total savings for banks, ACI, and Square Pharmaceuticals.

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

Q. No. 3.

Nova Corporation is interested in measuring the cost of each specific type of capital as well as the weighted average cost of capital. Historically, the firm has raised capital in the following manner:

Source of capital	Weight (%)
Long – term debt	30
Preferred Stock	20
Common Stock equity	50

The tax rate of the firm is 40%. The needed financial information and data are as follows:

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SUBJECT : 401. FINANCIAL MANAGEMENT.

Q. No. 3. (contd.....)

**Debt:** Nova can raise an unlimited amount of debt by selling Tk. 1,000 par value, 8% coupon interest rate, 20-year bonds on which annual interest payments will be made. To sell the issue, an average discount of Tk. 30 per bond has to be given. There is an associated floatation cost of Tk. 30 per bond.

**Preferred Stock:** The firm can sell 8% preferred stock at its Tk. 95 per-share par value. The cost of issuing and selling the preferred stock is expected to be Tk. 5 per share. An unlimited amount of preferred stocks can be sold under these terms.

**Common Stock (New issue):** The current price of Nova's common stock is Tk. 90 per share. The cash dividend is expected to be Tk. 7 per share next year. The cash dividends have grown at a rate of 6%, and it is expected that the dividend will continue at this rate for foreseeable future. The stock must be underpriced by Tk. 7 per share and floatation costs are expected to be approximately Tk. 5 per share. Nova can sell an unlimited amount of new common stocks under these terms.

**Common Stock (Retained earnings):** The firm expects to have available Tk. 100,000 of retained earnings in this coming year. Once the retained earnings are exhausted, the firm will use new common stock equity financing.

**Required:**

- Calculate the specific cost of each source of financing.
- Calculate the single break point associated with the firm's financial situation. This point results from the exhaustion of the firm's retained earnings.
- Calculate the weighted average cost of capital associated with total financing bellow the break point calculated in part (b) above.
- Calculate the weighted average cost of capital associated with total financing above the break point calculated in part (b) above.

[Marks: (10+2+4+4) = 20]

Q. No. 4.

A newly formed company has applied for a short term loan for financing its working capital requirements. As a financial analyst you are requested by the bank to prepare a projection of the requirements of working capital for the company applied for. Add 10% to your estimated figure to cover unforeseen events. The information about the projected income statement of the company is as below:

	Amount(Tk.)
Sales	21,00,000
Less : Cost of goods sold	<u>15,30,000</u>
Gross Profit	5,70,000
Less:	
Selling & Adm. Expenses	<u>2,70,000</u>
Profit before Tax	<u>3,00,000</u>
Provision for Tax	<u>1,00,000</u>
<b>Cost of goods sold has been derived as follows:</b>	
Material used	8,40,000
Plus : Wages & Manufacturing	6,25,000
Plus: Depreciation	<u>2,35,000</u>
	17,00,000
Less: stock of finished goods	<u>(1,70,000)</u>
(10% produced not yet sold)	<u>15,30,000</u>



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SUBJECT : 401. FINANCIAL MANAGEMENT.

Q. No. 4. (contd.....)

The figures given above relate only to the goods that have been finished and not to those in process; goods equal to 15 per cent of the year's production (in terms of physical units) are in process, requiring on an average, full materials but only 40 per cent of the other expenses. The company believes in keeping two month's consumption of material in stock.

All expenses are paid one month in arrear; suppliers of material extend 1<sup>1/2</sup> months' credit; sales are at 20 per cent cash and the rest at two months' credit; 70 per cent of the income tax has to be paid in advance in quarterly installments. You can make other such assumptions as you deem necessary for the projecting working capital requirements.

[Mark: 20]

Q. No. 5.

Bengal Pharmaceuticals Ltd. needs to increase production capacity to meet increasing demand for an existing product, 'VitaGold'. A new machine, with a useful life of four years and a maximum output of 600,000 kg of VitaGold per year, could be bought for Tk. 800,000, payable immediately. The scrap value of the machine after four years would be Tk. 30,000. Forecast demand and production of VitaGold over the next four years is as follows:

Year	1	2	3	4
Demand (kg)	1.4 million	1.5 million	1.6 million	1.7 million

Existing production capacity for VitaGold is limited to one million kilograms per year and the new machine would only be used for demand additional to this.

The current selling price of VitaGold is Tk.8.00 per kilogram and the variable cost of materials is Tk.5.00 per kilogram. Other variable costs of production are Tk.1.90 per kilogram. Fixed costs of production associated with the new machine would be Tk. 240,000 in the first year of production, increasing by Tk. 20,000 per year in each subsequent year of operation.

Bengal Pharmaceuticals Ltd. pays tax at rate of 30%. Depreciation is charged on a 25% reducing balance basis. The balance of depreciation is charged in the final year of operation after deducting the scrap value.

Bengal Pharmaceuticals Ltd. uses its after-tax weighted average cost of capital when appraising investment projects. It has a cost of equity of 11% and a before-tax cost of debt of 8.6%. The long-term finance of the company, on a market-value basis, consists of 80% equity and 20% debt.

**Required:**

- Calculate the net present value of buying the new machine and advise on the acceptability of the proposed purchase.
- Calculate the internal rate of return of buying the new machine and advise on the acceptability of the proposed purchase.
- Explain the difference between risk and uncertainty in the context of investment appraisal, and describe how sensitivity analysis and probability analysis can be used to incorporate risk into the investment appraisal process.

[Marks: 20]

= THE END =



THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH  
CMA DECEMBER 2013, 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) Savitt Company manufactures stone tiles for kitchen counters and floors. Its strategy is to manufacture high quality products at reasonable prices and to rapidly deliver products following sales.

Savitt sells to both hardware stores and contractors. To avoid holding large inventories of finished goods, Savitt manufactures products based on orders from customers. The factory set up enables workers to perform multiple functions, including receiving orders, running different machines, inspecting for quality, packaging, and shipping the final product.

Given Savitt's strategy, describe the financial and nonfinancial measures that you would include in its balanced scorecard-based management control system.

- (b) Define Total Quality Management? Mention the obstacles associated with TQM implementation?

[Marks: (10+6) =16]

Q. No. 2.

- (a) How might a MNC use transfer pricing strategies? How do import duties affect transfer pricing policies?
- (b) The Pillercat Corporation is a highly decentralized company. Each division manager has full authority for sourcing decisions and selling decisions. The Machining Division of Pillercat has been the major supplier of the 2,000 crankshafts that the Tractor Division needs each year. The Tractor Division, however, has just announced that it plans to purchase all its crankshafts in forthcoming year from two external suppliers at \$200 per crankshaft. The Machining Division of Pillercat recently increased its selling price for the forthcoming year to \$220 per unit (from \$200 unit in the current year).

Robert Alveraze, manager of the Machining Division, feels that the 10% price increase is justified. It results from a higher depreciation charge on some new specialized equipment used to manufacture crankshafts and an increase in labour costs. Alveraze wants the president of Pillercat Corporation to force the Tractor Division to buy all its crankshafts from the Machining Division at the price of \$220. The following table summarizes the key data.

i.	Number of crankshafts purchased by Tractor Division	2,000
ii.	External supplier's market price per crankshaft	\$200
iii.	Variable cost per crankshaft in Machining Division	\$190
iv.	Fixed cost per crankshaft in Machining Division	\$ 20

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SUBJECT: 402. STRATEGIC MANAGEMENT ACCOUNTING.

Q. No. 2.(contd.....)

- (i) Compute the advantage or disadvantage in terms of annual operating income to the Pillercat Corporation as a whole if the Tractor Division buys crankshafts internally from the Machining Division under each of the following cases:
- The Machining Division has no alternative use for the facilities used to manufacture crankshafts.
  - The Machining Division can use the facilities for other production operations, which will result in annual cash operating savings of \$29,000.
  - The Machining Division has no alternative use for its facilities, and the external supplier drops the price to \$185 per crankshaft.
- (ii) As the president of Pillercat, how would you respond to Robert Alveraze request that you force the Tractor Division to purchase all of its crankshafts from the Machining Division? Would your response differ according to the three cases described in requirement (i)? Explain.

Marks: (7+12+5) = 24]

Q. No. 3.

Megamarket is a retailer of electrical products and has four divisions. At the end of each year the four divisional managers are evaluated and bonuses are awarded based on ROI. Last year, the company as a whole produced an ROI of 13 per cent.

During the past week, management of the company's South Division was approached about the possibility of buying the operations of a competitor, Lavender, which wished to cease its retail operations. The following data relate to recent performance of the South Division and Lavender.

	<u>South Division</u>	<u>Lavender</u>
Sales	\$ 8,400,000	\$5,200,000
Variable costs	70% of sales	65% of sales
Fixed costs	\$2,150,000	\$1,670,000
Invested capital	\$1,850,000	\$625,000

If the acquisition occurs, the operations of Lavender will be absorbed into the South Division. The operations of Lavender will need to be upgraded to meet the high standards of Megamarket, which would require an additional \$375,000 of invested capital.

**Required:**

- Calculate the current ROI and residual income of the South Division and the ROI of the Division if Lavender is acquired.
- What is the likely reaction of divisional management towards the acquisition? Why?

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PROFESSIONAL LEVEL-IV  
SUBJECT: 402. STRATEGIC MANAGEMENT ACCOUNTING.

Q. No. 3.(contd.....)

- (c) What is the likely reaction of Megamarket's corporate management to the acquisition? Explain why.
- (d) Would the division be better off if it did not upgrade the operation of Lavender to Megamarket's standards? Show calculations to support your answer.
- (e) Assume that Megamarket uses residual income to evaluate performance and desires a 12 per cent minimum return on invested capital. Calculate the current residual income of the division and the division's residual income if Lavender is acquired. Will divisional management be likely to change its attitude towards the acquisition? Explain why.

[Marks: (5+2+4+5+6) = 22]

Q. No. 4.

The management of Tahila Ltd. is proposing to enter into the digital watch market and is considering three systems. The operation will cease on 31<sup>st</sup> December 2016. The management prepared the following estimates relating to each system. The costs payable at January 1, 2014 are:

System A	Tk. 100,000
System B	Tk.130,000
System C	Tk.150,000

Annual revenue receipts will depend on how well the market responds and on the rate of inflation. Expected annual net receipts in 2014 will be:

	Low Demand	High Demand
System A	Tk. 20,000	Tk. 70,000
System B	Tk. 25,000	Tk. 70,000
System C	Tk. 32,000	Tk. 80,000

The management estimates that in each year there is a 60% chance of high demand and a 40% chance of low demand. The chance of particular demand in any one year is independent on the demand in other years. Inflation during 2015 and 2016 is expected to be either 15% per annum with a probability equal to 0.3 or 25% per annum with a probability equal to 0.7. Due to the extra space necessary, additional rent will be payable as follows:

System A	Tk. 4,000
System B	Tk. 5,000
System C	Tk. 8,000

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Q. No. 4.(contd.....)

The proceeds from the sale of systems at the end of 2016 will be:

System A	Tk. 10,000
System B	Tk. 15,000
System C	Tk. 15,000

Sale proceeds from the sale of the system and rent payable are not subject to inflation. Tahila Ltd has a cost of capital of 20 percent per annum in money terms.

**Required:**

Prepare calculations showing which machine should be purchased, assuming that the decision will be based on the expected present values of the costs of each system.

[Marks: 20]

Q. No. 5.

A small project is having seven activities. The relevant data about these activities is given below:

Activity	Dependence	Normal Duration (days)	Crash Duration (days)	Normal Cost (Tk.)	Crash Cost (Tk.)
A	-	7	5	500	900
B	A	4	2	400	600
C	A	5	5	500	500
D	A	6	4	800	1,000
E	B,C	7	4	700	1,000
F	C,D	5	2	800	1,400
G	E,F	6	4	800	1,600

- Draw the network diagram.
- Identify the critical path.
- Find out the normal duration and the minimum duration.
- What is the percentage increase in cost to complete the project in 21 days?

[Marks: 18]

= THE END =



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SUBJECT: 403. STRATEGIC MANAGEMENT AND ORGANIZATIONAL BEHAVIOUR

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.

**GROUP – A : STRATEGIC MANAGEMENT (TOTAL MARKS – 60)**

Q. No. 1.

- (a) How is strategic management related to uncertainty in the context of business environment?
- (b) Explain the benefits of strategic approach to managing business organizations.
- (c) Do you think strategy making is an on going process? Why or Why not?

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

Q. No. 2.

- (a) What is an emerging industry? Briefly describe the characteristics of an emerging industry.
- (b) Describe strategic options appropriate for an emerging industry.
- (c) Explain strategy making challenges in an emerging industry.

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

Q. No. 3.

- (a) What is corporate culture? How is corporate culture of a multinational company different from that of a transnational company?
- (b) Explain the factors that must be taken into consideration in developing a company's corporate culture.
- (c) How would you create a strong fit between corporate culture and corporate strategy?

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

Q. No. 4.

- (a) What is vertical integration? Discuss vertical integration strategies.
- (b) Narrate the advantages and disadvantages of vertical integration strategies.
- (c) How do vertical integration strategies increase competitive advantages?

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

Q. No. 5.

- (a) What is e-strategy?
- (b) Narrate the strategic features that a 'dot-com.' enterprise will incorporate as the strategies to make a successful business model.
- (c) Explain your view of a digital firm that uses e-strategy in all of its relationship.

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

**GROUP – B : ORGANIZATIONAL BEHAVIOUR (TOTAL MARKS – 40]**

Q. No. 6.

- (a) What are the factors that might motivate you to join a group? Discuss.
- (b) Describe the five stage group-development model.
- (c) How could you use the punctuated equilibrium model to better understand group behavior?

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

Q. No. 7.

- (a) What is leadership?
- (b) Explain the 'Managerial Grid' of Blake and Mouton on leadership with a diagram.
- (c) Suppose you are working in a multinational company, how can use 'managerial grid' technique to make your leadership more effective?

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

Q. No. 8.

- (a) Narrate planned change and unplanned change.
- (b) Suppose you are working in a private commercial bank. Name the forces that will influence change in your existing banking operations.
- (c) Individuals at all organizational levels are prone to resisting change. Explain five main reasons of individual resistance.

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

Q. No. 9

- (a) Define Group Cohesiveness.
- (b) Explain the relationship between Group Cohesiveness and Productivity.
- (c) Explain the factors that influence the Group Cohesiveness.

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

= THE END =



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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) Define Cost Audit. What are the differences between Cost Audit and Statutory Audit?
- (b) “Cost auditing helps entrepreneurs make their units profitable through controlling costs of production and reducing wastage and overhead expenses.” Describe the benefits of cost audit with the help of this statement.
- (c) “Cost Audit in Bangladesh is important to ensure appropriate product pricing.” Explain.

[Marks: 4+6+5=15]

Q. No. 2.

- (a) What are the conditions when a firm of Cost Accountants to be appointed as the Cost Auditors of a company?
- (b) What are the reasons for difference in the Profit & Loss account as per Cost Accounts and Financial Accounts? Discuss an audit procedure for reviewing reconciliation statement of these two sets of accounts.

[Marks: (4+6) = 10]

Q. No. 3.

Give examples of circumstances when a cost accountant will be adjudged to have committed misconduct in terms of:

- (i) being grossly negligent in the conduct of his professional duties;
- (ii) fails to report a material mis-statement known to him; and
- (iii) fails to obtain sufficient information.

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

Q. No. 4.

- (a) While conducting cost audit of a state owned sugar mill, you have observed that the Company did not maintain proper cost accounting records and you have also found some principle errors in calculating cost of production. In this context, you are required to mention relevant portion (extract only) of ‘Qualified’ cost audit opinion. (assume necessary audit objections).
- (b) “Utilization of installed capacity is one of the most vital aspects of operational management control and efficiency” – In light of this statement, describe the technique of verification of capacity utilization.

[Marks: (7+6) = 13]



**PART – B : MANAGEMENT AUDITING (MARKS – 50)**

Q. No. 5.

- (a) Today's customer is more demanding than the customer of yesterday. In view of this, how would you evaluate, as a management Auditor, the performance of "Customer Services Department"?
- (b) What is the scope of work for cost and management accountant in practice as a loss assessor? Give an illustrative list of type of claims and the role of the cost and management accountant in assessing the quantum of loss.

[Marks: (6+7) = 13]

Q. No. 6.

- (a) difference between Material Productivity Audit and Labor Productivity Audit.
- (b) What do you mean by Corporate Social Audit report?
- (c) Discuss the contribution of accounting and auditing professions in the "environmental protection" aspect.

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

Q. No. 7.

"The term corporate governance includes the systems, procedures and structure a company uses to convey authority, responsibility and accountability among stakeholders. Good corporate governance balances the interests of, and relationships between, a company's employees, owners and customers to ensure the long-term sustainability and success of a corporate venture".

- (i) Explain what you understand by the terms; authority, responsibility and accountability in the above statement of corporate governance.
- (ii) Who are the stakeholders of a listed public limited company in Bangladesh? List them.
- (iii) Describe how good corporate governance can balance the interest of different stakeholders of a listed public limited company.

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

Q. No. 8.

- (a) In the context of Rana plaza tragedy of Dhaka, where thousands of workers lost their lives. Wal-Mart, one of the leading super chain shops and garments buyers of USA, decided to buy garments products from selective manufacturers of Bangladesh. They appointed you as Management Auditors to conduct appraisal of some of their nominated garment manufacturers as a part of their social responsibilities.  
Describe the possible areas that you have to review for a Comprehensive report.
- (b) A government owned jute mills has been incurring loss for last five years. Having completed cost Audit by your firm it has been diagnosed and reported that the main reasons of loss are poor labor utilization, imbalanced machineries, high unplanned WIP and finished products, excessive quality rejections etc. After obtaining the Cost Audit Report, the board of directors again appointed your firm as Management Auditors with a view to get possible remedies of weaknesses. How would you analyze these areas to draw a recommendations to the Board of Directors?

[Marks : (6+7) = 13]

= THE END =