2011 - Dec [1]

Answer :

(a) (i) The statement is true:– The profits which are available legally for distribution of dividend are called distributable profit. The profits which the law allows the company to distribute to the share holders by may of dividend. In other words, dividend is nothing but the distribution of divisible or distributable profits of a company among its share holders.

(ii) The statement is true:– The most important purpose for the creation of capital redemption reserve is to maintain the capital intact. The capital structure of the company will remain unaffected even after the redemption of redeemable preference shares. Therefore, the capital redemption reserve can be used only for issue of bonus shares, other wise its amount has to be kept intact.

(iii) The statement is false:– Underwriting commission is the consideration payable to the underwriters for underwriting the issue of shares or debentures of a company.

The commission payable to brokers who induce their constituents to subscribe for the shares is terms as brokerage but they do not take any responsibility of subscribing to the shares or debentures of the company.

(iv) The statement is false:– The debentures issued at a discount can be redeemed at a premium. The loss to be recognized at the time of the issue of such debentures will be equal to the total of the amount on issue and the amount of premium on redemption.

(v) The statement is false:– International accounting standard 1 deals with the financial statement the standard provides the minimum structure and contend of the basic financial statements.

(b) (i) (b) General reserve account.

(ii) (d) Interest on own debenture account.

(iii) (b) Preliminary expenses.

(iv) (d) Current liabilities and provision.

(v) (a) Issue of bonus shares.

(c) (i) Addition.

(ii) International accounting standard.

(iii) Miscellaneous expenditure.

(iv) Eight years.

(iv) Twenty years.

2011 - Dec [2] (a)

Answer :

Consolidated Balance Sheet of H Ltd. and its Subsidiary S Ltd.
as on 31st March 2011

Liabilities	Amount (`)	Amount (`)	Assets	Amount (`)	Amount (`)
Share capital			**Fixed Assets**		60,000
30,000 Equity shares @ ` 100 each			Goodwill		
Minority Interest		30,00,000	Premises		
Reserves and		4,60,000	H. Ltd.	14,00,000	
Surplus			S Ltd.	9,00,000	23,00,000
General Reserve		8,00,000			
Profit & Loss A/c		8,00,000	Machinery		
Secured Loans			H Ltd.	12,00,000	
15% Debentures		10,00,000	S Ltd.	7,00,000	19,00,000
Current Liabilities			**Current Assets**		
and Provisions			**Loans and**		
Creditors:			**Advances**		
H Ltd.	4,00,000		Inventories		
S Ltd.	2,70,000		H Ltd.	7,00,000	
	6,70,000		S Ltd.	4,50,000	
				11,50,000	
			Less: Profit on		
			Unrealized Stock	20,000	11,30,000
Less: Mutual Owings	1,00,000	5,70,000	Debtors		
Bills Payable:					
H Ltd.	60,000		H Ltd.	5,00,000	
S Ltd.	30,000		S Ltd.	4,20,000	
	90,000			9,20,000	
Less: Mutual Owings	30,000	60,000	*Less:* Mutual Owings	1,00,000	8,20,000
Proposed Dividend		3,30,000	Bills Receivable:		
			H Ltd.	1,80,000	
			S Ltd.	80,000	
			Less: Mutual Owings	2,60,000	
				30,000	2,30,000
			Cash and Bank		
			H Ltd.	3,80,000	
			S Ltd.	2,00,000	5,80,000
	70,20,000				70,20,000

Working Notes:

(1) Pre-acquisition profits and reserves of S Ltd.

	`
Profit & Loss A/c as on 1st April 2010	2,50,000
Add: General Reserves as on 1st April 2010	4,00,000
Total	6,50,000

	H Ltd.'s share (4/5th of 6,50,000)	5,20,000
	Minority Interest (1/5th of 6,50,000)	1,30,000
(2)	**Post-acquisition profits of S Ltd.**	`
	Profit for the year ending 31st March 2011	4,00,000
	Less: Proposed Dividend (10% of 15,00,000)	1,50,000
		2,50,000
	H Ltd.'s share (4/5th of 2,50,000)	2,00,000
	Minority Interest (1/5th of 2,50,000)	50,000
(3)	**Calculation of Cost Control or Goodwill**	`
	Paid up value of 12,000 equity shares held by H Ltd. (12,000 × 100)	12,00,000
	Add: 4/5th share in Pre-acquisition profits and reserves	5,20,000
		17, 20,000
	Less: 4/5th share of Miscellaneous Expenditure	80,000
	Intrinsic value of shares on the date of acquisition	16,40,000
	Investments by H Ltd. in S Ltd. for 12,000 shares	17,00,000
	Less: Intrinsic value of shares on the date of acquisition	16,40,000
	Goodwill	60,000
(4)	**Calculation of Minority Interest**	`
	paid up value of 3,000 equity shares (3,000 × 100) held by outsiders	3,00,000
	Add: 1/5th share in Pre-acquisition profits and reserves	1,30,000
	1/5th share in Post-acquisition profits	50,000
		4,80,000
	Less: 1/5th share of Miscellaneous Expenditure	20,000
		4,60,000
(5)	**Unrealised profit on Stock**	`
	Value of Unsold Stock	1,25,000
	Profit on unsold stock (20% of Selling Price) = (20% of 1,25,000)	25,000
	H Ltd.'s share (4/5th of 25,000)	20,000
(6)	**Profit & Loss A/c of H Ltd.**	`
	Profits for the year ending 1st April 2010 of H Ltd.	2,00,000
	Add: Profits of the year ending 31st March 2011 of H Ltd.	6,00,000
		8,00,000
	Less: Proposed Dividend (10% of 30,00,000)	3,00,000
		5,00,000
	Less: Unrealised Profit on Stock	20,000
		4,80,000
	Add: H Ltd.'s share in Post-acquisition profits of S Ltd.	2,00,000
	Add: H Ltd.'s share in Proposed Dividend of S Ltd. (4/5th of 1,50,000)	1,20,000
		8,00,000
(7)	**Proposed Dividend**	`
	Dividend Proposed by H Ltd.	3,00,000
	Minority shareholders' share in Proposed Dividend of S Ltd.	

(1/5th of 1,50,000)	30,000
Total	3,30,000

2011 - Dec [2] (b)

Answer :

Any profit arising during the period prior to incorporation, being capital in nature, is credited to capital reserve account. Such capital reserve may be utilized for writing off goodwill created at the time of acquisition of business or capital losses such as preliminary expenses, discount on issue of shares or debentures or underwriting commission etc.

Accounting Treatment of pre Incorporation profit:-

Any profit prior to incorporation may be dealt with as follows:-

(i) Credited to capital reserve account

(ii) Credited to Goodwill account to reduce the amount of goodwill arising from acquisition of business.

(iii) Utilize to write down the value of fixed assets acquired.

NOTE:- The apportionment of profits between the pre-incorporation and post incorporation periods can be done on any one of the following basis.

(i) On the basis of time:- Under this approach it is assumed that profits have been earned evenly throughout the year. Therefore, net profit or net loss for the year is divided between pre and post incorporation periods in the ratio of time.

(ii) On the basis of sales:- Under this approach it is assumed that sales (turnover) is spread evenly throughout the year. Therefore, profit or loss of the whole year is allocated between pre and post incorporation period in the ratio of sales.

(iii) Equitable Basis:- The assumptions under the above two approaches are not realistic. Under the equitable basis method each item of income and expenses is allocated between pre and post incorporation periods on a base suitable to its nature. The expenses of fixed nature are allocated in the ratio of time and expenses which vary with sales, are allocated in the ratio of turnover.

2011 - Dec [3] (a)

Answer :

In the books of Rosy Ltd.

Journal Entries

Date	**particulars**	**Debit Amount (`)**	**Credit Amount (`)**
1/04/2010	Bank Dr. To Debentures Application & Allotment A/c (Being application money received on 20,000 debentures @ ` 95 each)	19,00,000	 19,00,000

1/04/2010	Debentures Application & Allotment A/c Dr. Discount on Issue of Debentures A/c Dr. To 13% Debentures A/c (Being the issue of 20,000, 13% Debentures of ` 100 each at 5% discount)	19,00,000 1,00,000	 20,00,000
31/03/2011	Debenture Interest A/c Dr. To Debentureholders A/c (Being interest due on 2,000 debentures of ` 100 @ 13%)	2,60,000	 2,60,000
31/03/2011	Profit and Loss A/c Dr. To Debentures Interest A/c (Being transfer of debenture interest account to Profit and Loss A/c)	2,60,000	 2,60,000
31/03/2011	13% Debentures A/c Dr. To 14% preference Share Capital A/c To Premium on issue of Preference shares A/c To Discount on Issue of Debentures A/c (Being conversion of 100, Debentures of ` 100 each at 5% discount to Preference Shares of ` 100 each issued at 5% premium)	10,000	 7,600 1,900 500

Working Notes:

Calculation of Number of Preference shares to be issued:

Nominal Value of 100, 13% Debentures (` 100 × 100)	` 10,000
Less: 5% Discount	` 500
Amount Received for 100 Debentures	` 9,500
Issue Price of Preference Shares (` 100 + 25)	` 125
Number of Preference Shares to be issued (` 9,500/125)	76
Face Value of Preference Shares (100 × 76)	` 7,600
Premium on issue of Preference shares	` 1,900

2011 - Dec [3] (b)

Answer :

In the books of Reliable Ltd.

Journal Entries

` in crores

Date	Particulars	Debit Amount (`)	Credit Amount (`)
	12% Redeemable Preference Share Capital A/c Dr. To Preference Shareholders A/c (Being preference shares redeemed)	75	 75

Revenue Reserves A/c Dr. To Capital Redemption Reserve A/c (Being amount equal to par value of preference shares redeemed out of profits, transferred to capital redemption reserve)	75		75
Preference Shareholders A/c Dr. To Bank A/c Being amount paid to preference shareholders)	75		75
Equity Share Capital A/c Dr. Securities Premium a/c Dr. To Equity shareholders A/c (Being cancellation of 5% lakh equity shares of ` 10 each @ ` 50 each , premium paid out of securities premium)	5 20		25
Securities Premium A/c Dr. To Capital Redemption Reserve A/c (Being transfer made to Capital Redemption Reserve on buy back as required by section 77AA)	5		5
Equity Shareholders A/c Dr. To Bank (Being amount paid to equity shareholders)	25		25

Balance Sheet of Reliable Ltd.
as on 1st April 2011

Liabilities	`	Assets	`
Share Capital		**Fixed Assets**	NIL
Equity Shares of ` 10 each fully paid up	20	Investments (Market value ` 400 crores)	100
Reserves and Surplus		Current Assets	240
Capital Reserve	15		
Capital Redemption Reserve	80		
Current Liabilities and Provisions			
Current Liabilities 40			
	340		340

2011 - Dec [4] (a)

In the books of Ashoka Ltd.
Journal Entries

Date	particulars		Debit Amount (`)	Credit Amount (`)
	Equity Share Final Call A/c To Equity Share Capital A/c (Being the final call money due on 80,000 shares @ ` 2.50 per share as per Board's resolution no. dated________________)	Dr.	2,00,000	 2,00,000
	General Reserve A/c To Equity Share Final Call A/c (Being bonus issue made to make partly paid up shares full paid.)	Dr.	2,00,000	 2,00,000
	Capital Redemption Reserve A/c Securities Premium A/c General Reserve A/c To bonus to shareholders A/c (Being one bonus share payable for two shares held as per shareholders resolution no. dated______)	Dr. Dr. Dr.	1,50,000 1,50,000 1,00,000	 4,00,000
	Bonus to shareholders A/c To Equity Share Capital A/c (Being issue of 4,00,000 shares of ` 10 each as per Board's resolution no. dated____________)	Dr.	4,00,000	 4,00,000

Amended Balance Sheet of Ashoka Ltd.
as on 31st March 2011

Liabilities	`	Assets	`
Authorised Capital 1,50,000 Equity Shares of ` 10 each	15,00,000	Sundry Assets	17,00,000
Issued, Subscribed and Profit Up 1,20,000 Equity Shares of ` 10 each (including 40,000 bonus shares)	12,00,000		
Reserves and Surplus:			
Plant Revaluation Reserve	20,000		
Development Rebate Reserve	2,30,000		
Investment Allowance Reserve	2,50,000		
	17,00,000		17,00,000

2011 - Dec [4] (b)

Answer :

(i) **Provision for Taxation:-** Provision for income. Tax to be created for current year is shown in the debit side of profit and loss account as well as under provision in liabilities side in the balance sheet. If rate of Income Tax is given it will be applied on net profit. Surcharge if any, will be calculated on Income Tax, while calculating income tax provision as a percentage of net profit. Some adjustment may be required. Net profit as shown by profit and loss account may be different from the taxable profit.

Advance Tax:- Any advance tax paid by company will be shown on the assets side of the balance sheet under 'Loans and Advances'. Alternatively, it may be shown as a deduction from provision for Income Tax. If amount of advance tax is more than the amount of tax assessed, the excess is refundable by income. Tax department. This excess will be shown in the assets side under 'Loans and Advances' until refund is received.

(ii) *Please refer 2004 - Dec [2] (b) on page no. 226*

(iii) *Please refer 2002 - June [1] {C} (iv) on page no. 225*

(iv) *Please refer 2010 - June [2] (a) on page no. 112*

2011 - Dec [5] {C}

Answer :

(a) (i) **The statement is false:**

Semi - Variable cost should not be ignored in the marginal costing.

Semi – Variable cost are classified into fixed cost and variable cost keeping in view the variable proportion by the appropriation method.

(ii) **The statement is true:-** Cost volume profit relationship is more comprehensive term because its determination includes marginal cost approach, break even analysis, profit volume ratio etc.

(iii) **The statement is true:-** A sunk cost cannot be avoided it has already been incurred in the future as it refers to past cost it is called as avoidable cost. This cost is not so important for decision making. Therefore, past cost are irrelevant.

(iv) **The statement is false:-** Cost accounting and costing are two different terms. Costing provides only the basis and information for ascertainment of cost. Whereas the cost accounting is classifying, recording and allocating expenditure for determination of cost of product or services and for the preparation of data for the purpose of control and guidance of management.

(v) **The statement is false:-** The high or low cost of production depends upon the efficiency and effectiveness of workers.

(b) (i) (c) Making management decisions

(ii) (a) Production volume decreases

(iii) (c) Absorption costing
(iv) (a) Short range
(v) (a) Normal spoilage

(c) (i) Fixed cost
(ii) Flexible budget
(iii) Negative
(iv) Perpetual inventory system
(v) Contract

2011 - Dec [6] (a)

Answer :

Cash Flow Statement of X Ltd.
for the year ended 31.3.2011

	Particulars	`	`
I.	**Cash Flows from Operating Activities:**		
	Closing balance as per Profit & Loss A/c	1,60,000	
	Less: Opening balance as per Profit & Loss A/c	(1,00,000)	
	Add: Transfer to reserve	20,000	
	Net profit before taxation and extra ordinary items		80,000
	Add: Adjustment for Depreciation	50,000	
	Less: Profit on Sale of Machinery	(3,000)	47,000
	Operating profit before Working Capital Changes		1,27,000
	Add: Decrease in current assets & increase in current liabilities:		
	Decrease in stock	25,000	
	Increase in creditors	37,000	
	Increase in Bills payable	10,000	72,000
	Less: Increase in current Assets & decrease in current liabilities		
	Increase in sundry debtors	10,000	
	Decrease in Outstanding Expenses	2,000	(12,000)
	Net cash from operating activities	1,87,000	
II.	**Cash Flow from Investing Activities:**		
	Purchase of Land and Building	(40,000)	
	Purchase of Plant & machinery	(3,55,000)	
	Proceeds from sale of machine	8,000	
	Net cash used in investing activities		(3,87,000)
III.	**Cash Flow from Financing Activities:**		
	Proceeds from issue of share capital	2,00,000	
	Net cash from financing activities		2,00,000

IV.	**Net increase in cash and cash equivalents** [I + II + III]		NIL
V.	*Add:* Cash and cash equivalents at the beginning of the period		20,000
VI.	Cash and cash equivalents at the end of the period (IV + V)		20,000

Working Notes:

Dr. **Plant & Machinery A/c** **Cr.**

Particulars	`	**Particulars**	`
To Balance b/fd	5,00,000	By Depreciation A/c	50,000
To Profit & Loss A/c (Profit on sale)	3,000	By Bank	8,000
To Bank (Purchases) (Balancing figure)	3,55,000	By Balance c/fd	8,00,000
	8,58,000		8,58,000

Book Value of machinery sold = Original Cost - depreciation
= ` 12,000 - ` 7,000
= ` 5,000

Profit on sale of machinery = 60% of ` 5,000 = ` 3,000

Sale proceeds of machinery = Book Value + Profits
= ` 5,000 + 3,000
= ` 8,000

2011 - Dec [6] (b)

Answer :

Economic Order Quantity (EOQ) = $\sqrt{\frac{2 \times A \times O}{C}} = \sqrt{\frac{2 \times 8{,}000 \times 50}{3.2}}$

= 500 kgs

Number of orders per Quarter = $\frac{\text{Quarterly Consumption}}{\text{EOQ}}$

= $\frac{2{,}000}{500}$

= 4 orders

Working Notes:

A = Annual Demand = 2,000 × 4 = 8,000 kgs

O = Ordering Cost = ` 50 per order

C = Carrying Cost = Cost per unit × Cost of Storage = 40 × 8% = ` 3.2

2011 - Dec [6] (c)

Answer :

Components of the total cost shown in the cost sheet are as follows:-

Prime cost = Direct materials + Direct labour + Direct (or chargeable) Expenses

Factory / works cost = Prime cost + factory overheads

Cost of production = factory / work cost + Administrative overheads

Total cost or cost = Cost of production + Selling of sales and Distribution overheads.

Uses of Cost Sheet:-

1. It reveals the total cost and cost per unit of production.
2. It discloses the break-up of the total cost is different elements of cost.
3. It facilitates comparison with previous years
4. It helps in the fixation of selling price.

2011 - Dec [7] (a)

Answer :

(i) **Replacement Method**

Labour Turnover Rate $= \dfrac{\text{No. of workers replaced} \times 100}{\text{average no. of workers on roll}}$

Or, $5 = \dfrac{30 \times 100}{\text{average no. of workers on roll}}$

Or, average no. of workers on roll = 3,000/5

= 600

(ii) **Separation Method**

Labour Turnover Rate $= \dfrac{\text{No. of workers left and discharged} \times 100}{\text{average no. of workers on roll}}$

Or, $3 = \dfrac{\text{No. of workers left and discharged} \times 100}{600}$

Or, no. of workers left and discharged = 18

(iii) **Flux Method**

Labour Turnover Rate

$= \dfrac{(\text{No. of workers left and discharged} + \text{No. of workers recruited and joined}) \times 100}{\text{Average no. of workers on roll}}$

Or, $10 = \dfrac{(18 + \text{No. of workers recruited} \wedge \text{joined}) \times 100}{600}$

Or, no. of workers recruited and joined = 60 - 18 = 42

2011 - Dec [7] (b)

Answer :

(i) **Fixed Costs:** Depreciation and Insurance

Variable Costs: Wages (` per unit)

Consumable Stores (` 1.5 per unit)

Semi-Variable Costs:

Maintenance

Variable = ` $\frac{1{,}500 - 1{,}100}{1{,}000 - 600}$

= ` 1 per unit

Fixed = ` 1,100 - ` 600 = ` 500

Power and Fuel

Variable = ` $\frac{2{,}000 - 1{,}600}{1{,}000 - 600}$

= ` 1 per unit

Fixed = ` 1,600 - ` 600 = ` 1,000

(ii) **Budget for 80% capacity (800 units)**

	`
Wages (` 2 per unit)	1,600
Consumable Stores (` 1.5 per unit)	1,200
Maintenance (` 1 per unit + 500)	1,300
Power and Fuel (` 1 per unit + 1,000)	1,800
Depreciation	4,000
Insurance	1,000
Total Cost	10,900

2011 - Dec [7] (c)

Answer :

Process of Budgetary Control

The installation of a budgetary control requires the following steps to be taken:-

1. **Establishment of Budget Centres:-** A budget centre is a section of the organization of a business for the purpose of budgetary control. The entire organization is divided into budget centers or departments and a budget is prepared for each centre.
2. **Introduction of an Adequate Accounting System:-** The accounting system should be so devised as to be able to record and analyze the information required for each budget centre.
3. **Preparation of Organisation Chart:-** An organization chart is prepared which defines the functions and responsibilities of each member of the organization.
4. **Establishment of Budget Committee:-** A budget committee consists of the several members of the top management group like general manager and departmental heads.
5. **Preparation of a Budget Manual:-** A budget manual lays down the details of the organization setup, the routine procedure and programme to be followed for developing budgets.
6. **Length of the Budget Period:-** A budget period is the length of time for which a budget is prepared and employed. The budget period depends upon many factors

like type of budget, general economic situation, length of the trade cycle, production cycle etc.

7. **Determination of Key Factor:-** It serves as the starting point for the preparation of budgets. Budget for the key factor is prepared first and it is followed by other budgets.

2011 - Dec [8] (a)

Answer :

In the books of ABC Ltd.

Dr. Trading and Profit & Loss Account for the year ended 31st March, 2011 Cr.

Particulars	`	Particulars	`
To Opening Stock	1,05,000	By Sales	7,30,000
To Purchases (Balancing figure)	6,67,500	By Closing Stock	1,15,500
To Gross Profit c/d	73,000		
	8,45,500		8,45,500
To Opening Expenses (Balancing figure)	43,000	By Gross Profit b/d	73,000
To Net Profit c/d	30,000		
	73,000		73,000
To Balance c/d	50,000	By Balance b/d	20,000
		By Net Profit	30,000
	50,000		50,000

Summarised Balance Sheet as at 31st March, 2011

Particulars	`	Particulars	`
Share Capital	2,50,000	Fixed Assets	1,80,000
Reserves and Surplus :		**Current Assets:**	
Profit & Loss A/c	50,000	Stock	1,15,500
Current Liabilities:		Debtors	80,000
Bank overdraft	15,000	Other Current Assets	4,500
Other Current Liabilities	65,000		
	3,80,000		3,80,000

Working Notes:

(i) Current Liabilities and Current Assets:

Let Current Liabilities be x

Given Current Ratio = 2.5

Current Assets = 2.5x

Working Capital = 2.5x - x = 1.5x

Or, x $= \frac{1,20,000}{1.5}$

= ` 80,000

So, Current Liabilities = ` 80,000

Current Assets = ` 80,000 × 2.5 = ` 2,00,000

(ii) Closing Stock:

Given Quick Ratio = 1.3

Or, $\frac{\text{Current Assets} - \text{Closing Stock}}{\text{Quick Liabilities}} = 1.3$

Or, $\frac{2{,}00{,}000 - \text{Closing Stock}}{65{,}000} = 1.3$

Or, Closing Stock = 2,00,000 - 84,500 = ` 1,15,500

(iii) Opening Stock = ` 1,15,000 x 100/110 = ` 1,05,000

(iv) Debtors = ` 7,30,000 x 40/365 = ` 80,000

(v) Other current assets = Current Assets - Closing Stock - Debtors

= ` 2,00,000 1,15,000 - 80,000

= ` 4,500

(vi) Gross Profit = ` 7,30,000 x 10/100

= ` 73,000

(vii) Proprietors' Funds

Proprietary Ratio = 0.6

Or, $\frac{\text{Fixed Assets}}{\text{Proprietary Fund}} = 0.6$

Or, Working Capital = 0.4

Proprietary Fund = $\frac{1{,}20{,}000}{0.4}$

= ` 3,00,000

(vi) Fixed Assets = 3,00,000 x 0.6 = ` 1,80,000

(vii) Net Profit = 10% of proprietary funds = ` 30,000

(viii) Opening Balance of Profit and Loss Account:

	`	`
Proprietary Fund		3,00,000
Less: Share Capital	2,50,000	
Net Profit	30,000	(2,80,000)
		20,000

(xi) It is assumed that there was no general reserve or other reserves

2011 - Dec [8] (b)

Answer :

(i) P/V Ratio = $\frac{\text{Change in Profits}}{\text{Change in Sales}}$

$= \frac{42{,}00{,}000 \times 100}{6{,}00{,}00{,}000 - 4{,}50{,}00{,}000}$

= 28%

Break Even Sales $= \dfrac{\text{Fixed Costs}}{\text{P/V Ratio}}$

$= \dfrac{1,68,00,000}{28\%}$

= ` 6,00,00,000

(ii) Contribution for Sales Volume of ` 8,00,00,000 = P/V Ratio × Sales

= 28% × 8,00,00,000

= ` 2,24,00,000

Profits = Contribution - Fixed costs

= ` 2,24,00,000 - ` 1,68,00,000

= ` 56,00,000

(iii) If Selling Price is 100

Variable Cost is (100 - 28) 72

New Selling Price (100 -10%) 90

New Contribution (90 - 72) 18

New P/V Ratio = $\dfrac{18 \times 100}{90}$ 20%

Contribution for Sales Volume of ` 6,00,00,000 for the year 2010-11

= P/V Ratio × Sales

= 28% × ` 6,00,00,000

= ` 1,68,00,000

Desired Profits = Contribution - Fixed Costs

= ` 1,68,00,000 - ` 1,68,00,000

= Nil

Required Sales Volume $= \dfrac{\text{Fixed Costs} + \text{Desired Profits}}{\text{P/V Ratio}}$

= ` $\dfrac{1,68,00,000}{20\%}$

= ` 8,40,00,000