

Q. P. Code: 23817

Time: 2:30 Hours

Marks: 75

Q.1. (A) Multiple Choice questions (any 8)**(8)**

- 1) Dividend is _____ out of profit. (a) Net profit (b) Appropriation (c) Interest (d) None of these
- 2) If Sales for the 2016 is Rs.20,000 and sales for 2017 is 50,000; the company is said to be grown by ____% over previous year. (a) 150% (b) 50% (c) 100% (d) 15%
- 3) Own Funds consists of _____ (a) Working capital + Loans (b) Bank loan + preliminary expenses (c) Shareholder's equity + Reserves & surplus (d) None of these
- 4) Cash & Bank is an element of _____ (a) Current Asset (b) Current Liability (c) Debt (d) CRR
- 5) Stock turnover ratio is calculated to find out the efficiency of (a) Payable department (b) Receivable department (c) Converting stock into sales (d) All of these
- 6) Standard current ratio is considered as _____ (a) 2:1 (b) 1:1 (c) 5:1 (d) 3:2
- 7) Operating cost includes _____ (a) Operating expenses only (b) Cost of goods only (c) Non operating expenses (d) both (a) & (b)
- 8) In cash flow statement, reduction in Creditors balance is _____ (a) Inflow (b) Outflow (c) No effect on cashflow (d) Positive effect on cashflow
- 9) Quick Assets are equal to (a) Current assets (b) Current assets less stock (c) Stock (d) None of these
- 10) Seasonal working capital is _____ (a) Permanently required (b) Fluctuating in nature (c) required to meet seasonal needs of the organisation (d) None of the above

Q.1 (B) True / False (any 7)**(7)**

- 1) Comparative income statement shows comparative performance of two years.
- 2) Trend analysis shows the trend in financial performance of an organisation.
- 3) Excess of sales over cost of goods sold is operating profit.
- 4) Interest coverage ratio indicates firm's ability to meet the interest.
- 5) Changes in working capital are considered while calculating cash from operations.
- 6) Temporary working capital is known as core working capital.
- 7) In working capital, debtors are valued at cost or selling price.
- 8) Quick ratio of 2:1 is considered as standard.
- 9) Capital employed is calculated as fixed assets plus working capital.
- 10) The focus of management accounting is on Internal reporting.

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Q.2 From the following financial statement of PAPL limited, prepare a Common size financial statement in Vertical form and offer your comments in brief: (15)

Trading, Profit and Loss Account for the year ended 31st December					
Particulars	2001 (Rs.)	2002 (Rs.)	Particulars	2001 (Rs.)	2002 (Rs.)
To Opening stock	40,000	60,000	By Sales	8,00,000	10,00,000
To Purchases	4,95,000	6,20,000	By Closing stock	60,000	80,000
To Wages	1,25,000	2,00,000			
To Gross Profit	2,00,000	2,00,000			
	8,60,000	10,80,000		8,60,000	10,80,000
To Admin expenses	50,000	60,000	By Gross Profit	2,00,000	2,00,000
To Selling expenses	25,000	30,000	By Non-operating Income	10,000	50,000
To Distribution expenses	-	10,000			
To Provision for tax	54,000	60,000			
To Proposed dividend	20,000	25,000			
To Net Profit (Retained earnings)	61,000	65,000			
	2,10,000	2,50,000		2,10,000	2,50,000

OR

Q.2 Calculate Trend percentage from the following information extracted and prepare Vertical balance sheet from the financial statements of different entities. Give your appropriate comments. (15)

Particulars	2002 (Rs.)	2003 (Rs.)	2004 (Rs.)	2005 (Rs.)
Assets				
Fixed Assets	2,11,696	2,08,694	2,04,580	1,84,122
Investments	20,000	15,000	10,000	9,000
Cash in Hand	41,680	30,472	20,346	18,312
Sundry Debtors	1,85,040	1,31,346	85,750	77,175
Stock	1,31,474	1,34,684	1,45,172	1,30,655
Prepaid expenses	1,690	3,236	2,440	2,196
	5,91,580	5,23,432	4,68,288	4,21,460
Liabilities				
Sundry Creditors	1,40,712	1,32,684	1,17,410	1,05,669
Liability for expenses	5,640	4,094	2,490	2,240
Share Capital	4,45,228	3,86,654	3,48,388	3,13,551
	5,91,580	5,23,432	4,68,288	4,21,460

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Q.3 Following is the summarized balance sheet and revenue statement of FIAT limited for the year ended 31st March, 2015. (15)

Liabilities	Rs.	Assets	Rs.
Share Capital	80,000	Fixed Assets	75,000
Reserves	20,000	Current Assets	1,00,000
10% Debentures	25,000		
Current Liabilities	50,000		
	1,75,000		1,75,000

Revenue statement for the year ended 31st March, 2015 is as under:

Sales	2,00,000
Less: Cost of goods sold	1,10,000
Gross Profit	90,000
Operating expenses	60,000
Operating Profit	30,000
Less: Non operating expenses	-
Add: Non operating incomes	-
Profit Before Tax	30,000
Less: Tax	15,000
Profit After Tax	15,000
Less: Dividend	8,000
Retained Earning	7,000

You are required to prepare vertical balance sheet & calculate the following ratios and comment on i) Current Ratio ii) Proprietary ratio, iii) Capital gearing ratio iv) Gross Profit ratio v) Operating Profit ratio vi) Return on Proprietor's equity ratio vii) Net Profit ratio.

OR

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Q.3 Following is the Trading P&L account of Sachin limited for the year ended 31st December, 2016 and the balance sheet as on that date. (15)

Trading, Profit and Loss Account for the year ended 31st December			
Particulars	(Rs.)	Particulars	(Rs.)
To Opening stock	72,500	By Sales	3,75,000
To Purchases	3,05,000	By Closing stock	77,500
To Gross Profit	75,000		
	4,52,500		4,52,500
To Sundry expenses	40,000	By Gross Profit	75,000
To Net Profit (Retained earnings)	35,000		
	75,000		75,000
Balance Sheet			
Liabilities	Rs.	Assets	Rs.
Share Capital	3,50,000	Fixed Assets	2,75,000
Reserves	25,000	Stock	77,500
Profit for the year	35,000	Debtors	90,000
Bank Overdraft	17,500	Cash	60,000
Creditors	75,000		
	5,02,500		5,02,500

You are required to prepare vertical Balance Sheet & P&L and calculate following ratios.

- (i) Return on Proprietor's funds (ii) Return on Capital Employed (iii) Return on Equity share capital (iv) Debtors turnover ratio (v) Creditors turnover ratio

Q.4 The balance sheet of RG limited is as under: (15)

Balance sheet as on 31st December					
Liabilities	2001 Rs.	2002 Rs.	Assets	2001 Rs.	2002 Rs.
Equity Share capital	1,50,000	2,50,000	Goodwill	55,000	45,000
General Reserve	-	30,000	Land & Buildings	80,000	90,000
Profit & Loss account	-	29,000	Plant & Machinery	40,000	1,00,000
Debentures	1,00,000	-	Stock	42,000	53,000
Sundry Creditors	57,000	46,000	Debtors	90,000	98,000
Bills Payable	30,000	6,000	Bills Receivable	8,000	12,000
Provision for Tax	-	25,000	Prepaid expenses	6,000	4,000
Proposed Dividend	-	20,000	Cash in Hand	10,000	4,000
			Profit & Loss A/c	6,000	-
	3,37,000	4,06,000		3,37,000	4,06,000

Additional Information:

- During the year 2002, Depreciation of Rs.8,000 and Rs.10,000 have been charged on Land & Building and Plant & Machinery respectively.
- An Interim Dividend of Rs.7,500 was paid during the year 2002.
- During the year 2002, Machinery having a Book value of Rs.8,000 was sold for Rs.7,000.

Prepare a Cash flow statement (by Indirect Method) for the year ended 31st December, 2002.

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Q.4 The board of directors of Madhuri limited require you to prepare a statement showing the working capital requirements forecast for a level of activity of 1,56,000 units of production per year. The following information is available for your calculation: (15)

Particulars	Rs. per Unit
Raw Materials	90
Direct Labour	40
Overheads	<u>75</u>
Total cost	205
Profit	60
Selling price per unit	265

- 1) Raw materials are in stock on average one month.
- 2) Materials are in process, on average two weeks.
- 3) Finished goods are in stock, on average one month.
- 4) Credit allowed by suppliers- one month.
- 5) Time lag in payment from debtors- two months.
- 6) Time lag in payment of wages- 1 ½ weeks.
- 7) Lag in payment of overheads- one month.

20% of the output is sold against the cash. Cash in hand and at bank is expected to be Rs.60,000. It is to be assumed that production is carried on evenly throughout the year. Wages and overheads accrue similarly and a time period of 4 weeks is equivalent to a month. Sundry debtors are to be valued at selling price.

Q.5 (A) Explain the factors determining Working capital requirements (8)

(B) Explain the functions of Management Accounting (7)

OR

Q.5 Short Notes (any 3) (15)

- 1) Working capital cycle
- 2) Cash from operating activities
- 3) Common size Income statement
- 4) Debt service coverage ratio
- 5) Maximum Permissible Bank Finance
