

Q. P. Code: 23819

Time: 2:30 Hours

Marks : 75

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

- 1) Dividend payment on preference shares is _____ (a) Optional (b) Mandatory (c) Both optional & mandatory (d) None of these
- 2) If Sales for the 2016 is Rs.40,000 and sales for 2017 is 1,00,000; the company is said to be grown by ____% over previous year. (a) 150% (b) 50% (c) 100% (d) 15%
- 3) Capital Employed is _____ (a) Fixed Assets + Working capital (b) Shareholders equity + long term borrowings (c) Shareholder's equity + Reserves & surplus (d) both a & b
- 4) Prepaid expenses an element of _____ (a) Current Asset (b) Current Liability (c) Debt (d) Investment
- 5) Inventory 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) In cash flow statement, reduction in stock is _____ (a) Inflow (b) Outflow (c) No effect on cashflow (d) Negative effect on cashflow
- 7) Positive working capital is _____ (a) Permanently required (b) Fluctuating in nature (c) Current liabilities more than Current assets (d) Current Assets more than Current Liabilities
- 8) Owed Funds consists of _____ (a) Working capital + Loans (b) Bank loan + preliminary expenses (c) Shareholder's equity + Reserves & surplus (d) Term Loan + Debentures
- 9) Outstanding expenses are part of _____ (a) Current Asset (b) Current Liability (c) Debt (d) CRR
- 10) Current ratio is calculated to find out (a) Short term solvency (b) Receivable position (c) Cash position (d) All of these

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

- 1) Management Accounting is related to internal reporting for top management.
- 2) Trend analysis allows the company to see the trend of its financial performance.
- 3) Excess of sales over cost of goods sold is gross profit.
- 4) Interest coverage ratio indicates firm's ability to meet the interest and principal.
- 5) Changes in working capital are considered while calculating cash from Investing activities.
- 6) Cyclical working capital is also known as zero working capital.
- 7) The main purpose of debt service coverage ratio is to show the extent to which own capital is used for running the business.
- 8) In Common size Income statement profit is considered as 100%.

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9) In cashflow statement, depreciation is deducted from Net profit for calculating cash from operations.

10) Debtors under principle of conservatism are valued at cost.

Q.2 Management of M&M limited has appointed you as management accountant and asked you to comment on the financial health of the company on the basis of available data. The income statement for 2 years is provided to you. You are required to prepare Comparative Income statement and offer your comments on the financial health of the company. (15)

	Particulars	2015	2016
	Sales	28,57,143	40,00,000
Less:	Cost of Goods sold	14,28,571	21,42,857
	Gross Profit	14,28,571	18,57,143
Less:	Operating expenses	4,57,143	4,28,571
	Operating Profit	9,71,429	14,28,571
Less:	Non Operating Expenses	2,85,714	4,00,000
Add:	Non Operating Income	1,71,429	2,85,714
	Profit Before Interest & Tax	8,57,143	13,14,286
Less:	Interest	4,57,143	5,14,286
	Profit Before Tax	4,00,000	8,00,000
Less:	Tax @ 30%	1,20,000	2,40,000
	Profit After Tax	2,80,000	5,60,000
Less:	Dividend	68,571	1,37,143
	Retained Earnings	2,11,429	4,22,857

OR

Q.2 From the following financial statement of CIPL 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	80,000	1,20,000	By Sales	16,00,000	20,00,000
To Purchases	9,90,000	12,40,000	By Closing stock	1,20,000	1,60,000
To Wages	2,50,000	4,00,000			
To Gross Profit	4,00,000	4,00,000			
	17,20,000	21,60,000		17,20,000	21,60,000
To Admin expenses	1,00,000	1,20,000	By Gross Profit	4,00,000	4,00,000
To Selling expenses	50,000	60,000	By Non-operating Income	20,000	1,00,000
To Distribution expenses	-	20,000			
To Provision for tax	1,08,000	1,20,000			
To Proposed dividend	40,000	50,000			
To Net Profit (Retained earnings)	1,22,000	1,30,000			
	4,20,000	5,00,000		4,20,000	5,00,000

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Q.3 Following is the Balance sheet of Marico limited for the year ending December 31st 2005. (15)

Balance sheet as on 31st December, 2005			
Liabilities	Rs.	Assets	Rs.
Equity Share capital	5,00,000	Land & Buildings	3,50,000
5% Debentures	2,00,000	Plant & Machinery	2,50,000
Bank Loan	1,50,000	Cash in hand	25,000
Sundry Creditors	75,000	Cash at Bank	55,000
Bills payable	50,000	Sundry Debtors	85,000
Outstanding expenses	5,000	Bills Receivable	1,05,000
		Stock	1,00,000
		Prepaid Expenses	10,000
	9,80,000		9,80,000

From the information given above, prepare vertical balance sheet, calculate following ratios

- 1) Current Ratio 2) Acid test ratio 3) Absolute liquid ratio 4) Comment on short-term financial position

OR

Q.3 Following are the Trading, P&L account and Balance sheet of Essar limited. (15)

Balance Sheet			
Liabilities	Rs.	Assets	Rs.
1200 Equity shares of Rs.50 each	60,000	Fixed Assets	55,000
10% Debentures	10,000	Debtors	10,000
Reserves	5,000	Bills Receivable	8,000
Profit for the current year	7,000	Stock	16,500
Bank Overdraft	3,500	Cash & Bank	12,000
Creditors	16,000		
	1,01,500		1,01,500

Calculate: 1) Stock turnover ratio 2) Creditors turnover ratio (all purchases are on credit) 3) Return on Capital employed 4) Price Earning ratio, current market price of the equity share is Rs.125 per share. 5) Current ratio

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Q.4 The summarised Balance sheet of SJ limited for the year ended 31st March, 2002 and 31st March, 2001 were as follows: (15)

Balance sheet					
Liabilities	31.03.2002 Rs. in Thousand	31.03.2001 Rs. in Thousand	Assets	31.03.2002 Rs. in Thousand	31.03.2001 Rs. in Thousand
Share Capital	500	500	Land & Buildings	200	180
General Reserve	220	200	Plant & Machinery	276	210
Profit & Loss account	32	40	Other Fixed assets	45	30
Term Loan	100	-	Investments	50	50
Creditors	172	158	Stock	190	200
Provision for taxation	30	45	Debtors	195	170
			Bank	98	103
	1,054	943		1,054	943

The following additional information is given to you:

- 1) Dividend amounting to Rs.30,000 was paid during the year.
- 2) Provision for tax made during the year was Rs.12,000.
- 3) Machinery with a book value of Rs.15,000 was sold at a loss of Rs.3,000.
- 4) Investment costing Rs.10,000 was sold for Rs.12,000
- 5) Depreciation provided on Land & Building Rs.5,000 & on Plant & machinery Rs.20,000.

Prepare Cash flow statement for the period ended 31st March, 2002 using Indirect Method.

OR

Q.4 From the following information, prepare an estimate of working capital required to finance a level of activity of 3,12,000 units p.a. (52 weeks). (15)

Particulars	Rs. per unit
Raw Materials	90
Wages	40
Overheads:	
Manufacturing	30
Administrative	40
Selling	10
	210
Profit	40
Selling Price	250

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Other Information:

- 1) Raw materials are held in stock for a period of 4 weeks.
- 2) Materials remain in process for 2 weeks requiring 100% of material, 50% of wages and 40% of overheads.
- 3) Finished goods remain in stock for a period of 4 weeks.
- 4) Credit allowed to customers is 8 weeks but 20% of the invoice price is collected immediately.
- 5) Time lag in payment of wages is 1.5 weeks and in overheads 4 weeks.
- 6) Credit available from suppliers is 4 weeks but 20% of the creditors are paid 4 weeks in advance.
- 7) Bank balance is to be maintained at Rs.60,000.

Q.5 (A) Explain the concept of Operating cycle with the help of diagram & examples (8)

(B) Explain the concept of Controller & Treasurer (7)

OR

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

- 1) Current Ratio & Quick Ratio
- 2) Cash from Investing activities
- 3) Trend Analysis
- 4) Stock turnover Ratio
- 5) Types of working capital
