

VCD-19/10/19

Management Accounting
SYBBI (Sem III)

[2Hrs 30Mins]

Total Marks: 75

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Instructions:

1. All questions are compulsory subject to internal choice.
2. Working notes form part of your answer.
3. Use of simple calculator is permitted.

Q.1 a) Multiple Choice Questions: (Any 8)

(8)

- (1) Debentures is a _____ securities.
 - (a) Ownership.
 - (b) Creditorship.
 - (c) Government.
 - (d) None of the above.
- (2) Which of the following is a tax-deductible expenditure?
 - (a) Interest on Debt.
 - (b) Preference Dividend.
 - (c) Equity Dividend.
 - (d) All of the above.
- (3) Which of the following is an item of Current Assets?
 - (a) Bank Overdraft,
 - (b) Receivables.
 - (c) Outstanding Expenses,
 - (d) Short Term loan taken.
- (4) Inventories are also termed as _____.
 - (a) Stock
 - (b) Fixed assets.
 - (c) Current Assets.
 - (d) Shares.
- (5) Working Capital source of finance is a _____.
 - (a) Short Term Source.
 - (b) Medium Term source.
 - (c) Long Term Source.
 - (d) None of the above.
- (6) In the Balance - Sheet _____ stock is indicated.
 - (a) Opening.
 - (b) Closing.
 - (c) Average.
 - (d) Finished Goods.
- (7) The abbreviation "NAV" in a mutual fund stands for _____.
 - (a) New Asset Value.
 - (b) Non - Achievable Value.
 - (c) Net Asset Value.
 - (d) Net Annual Value.
- (8) The abbreviation "SIP" in Mutual Funds stands for _____.
 - (a) Simple Investment Plan.
 - (b) Systematic Investment Plan.
 - (c) Small Investment Plan.
 - (d) Social Investment Programme.
- (9) Present Value of Re. 1 discounted @ 10% for "0" years is _____.
 - (a) Zero.
 - (b) 1.
 - (c) 0.909.
 - (d) 0.1.
- (10) Share Certificates can be issued in _____.
 - (a) Dematerialized form.
 - (b) Physical form.

- (c) Both (a) and (b).
(d) Credited to Bank A/c.

b) State whether the following statements are true or false. (Any 7)

(7)

- 1) All current liabilities are quick liabilities
- 2) Bills payable is show under Quick Liabilities.
- 3) Floating assets mean fixed assets.
- 4) The standard for current ratio is 2.
- 5) Owed funds are internal source of finance.
- 6) Advance to suppliers are classified as Quick assets in vertical Statements.
- 7) When the processing time is not given, calculation of stock of work-in-progress should be ignored.
- 8) If wages are paid at the beginning of every month for the previous month then the period of lag in payment of wages is one month.
- 9) Working capital requirement is high when supply of Raw Material is low.
- 10) Gross working capital = Current Assets- Current Liabilities.

Q.2 ABC Ltd. furnishes you their Balance Sheet as on 31st March, 2017 with some additional information. (15)

Balance Sheet as on 31st March, 2017

Equity & Liabilities	Rs..	Assets	Rs.
Equity Share Capital	2,00,000	Goodwill	85,000
10% Preference Share Capital	2,00,000	Building (at cost)	2,00,000
Reserves	30,000	Machinery (at cost)	1,00,000
Profit and Loss Account	25,000	Furniture (at cost)	75,000
12% Debentures	1,50,000	Vehicle (at cost)	1,75,000
15% Public Deposits	1,00,000	Debtors (Last Year Rs. 80,000)	1,10,000
Creditors (Last Year Rs. 30,000)	40,000	Bills Receivable (Last Year Rs. 65,000)	95,000
Bills Payable (Last Year Rs. 25,000)	35,000	Inventories (Last Year 70,000)	50,000
Bank Overdraft	10,000	Cash & Bank Balance	60,000
Depreciation provision	1,00,000	Prepaid Insurance	5,000
Provision for Income Tax	50,000	Advance Income-Tax	40,000
Provision for Dividend	60,000	Preliminary Expenses	5,000
Total	10,00,000	Total	10,00,000

Further information:-

- (a) Total Sales for the year Rs. 24, 00,000 (70% on Credit)
(b) Gross Profit Rate: 25%
(c) Profit before tax: Rs. 1, 40,000

Calculate the following ratios and offer your comment only on Current Ratio,

- (i) Current Ratio
- (ii) Proprietary Ratio
- (iii) Return on Capital Employed
- (iv) Debt Service Ratio
- (v) Capital Gearing Ratio
- (vi) Creditors Turnover Ratio and
- (vii) Debtors Turnover

Note: - Converting statement in vertical form is not expected.

OR

Q.2 Comment on the position of Commentary Ltd. from the following: Profit and Loss Accounts and Balance

sheet after calculating stated ratios :

Balance Sheet					
Liabilities	31.3.2017 Rs	31.3.2016 Rs	Assets	31.3.2017 Rs	31.3.2016 Rs
Capital of Rs10 each	70,000	70,000	Fixed Assets	90,000	92,000
Reserves	80,000	68,000	Current Assets	1,10,000	1,12,000
Secured Loans	22,000	24,000	Loans & Advances	52,000	40,000
Current Liabilities	26,000	30,000			
Provisions	<u>54,000</u>	<u>52,000</u>		<u>2,52,000</u>	<u>2,44,000</u>
	<u>2,52,000</u>	<u>2,44,000</u>			

Profit and Loss A/c For the year ended					
Particulars	31.3.2017	31.3.2016	Particulars	31.3.2017	31.3.2016
Opening Stock	44,000	40,000	Sales	2,10,000	2,00,000
Purchases	84,000	72,000	Closing Stock	46,000	44,000
Wages	40,000	36,000			
Factory Expenses	32,000	28,000			
Administrative	8,000	6,000			
Selling Expenses	6,000	10,000			
Managerial	2,000	2,000			
Remuneration	2,000	2,000			
Transfer to Reserve	22,000	24,000			
Income-Tax	6,000	8,000			
Proposed Dividend	<u>10,000</u>	<u>16,000</u>		<u>2,56,000</u>	<u>2,44,000</u>
Balance c/fd	<u>2,56,000</u>	<u>2,44,000</u>			

1. Current ratio
2. Proprietary ratio
3. Debt Equity ratio
4. Earnings per share
5. Stock Working capital ratio
6. Liquid ratio
7. Cost of sales to sales ratio

Q.3 The following information is presented by Data and Sons Ltd. for the year 2016-17. Estimated Yearly Production = 15,000 units Estimated Cost Sheet per unit (15)

	Rs.
Raw Materials	10
Wages	6
Overheads	4
Selling Price	24

Further Information:

1. The company extends two months credit to the customers.
2. The company maintains one month's stock of raw materials.
3. The company maintains two month's stock of finished goods.
4. The processing period is half a month.
5. The company is allowed one month's credit by suppliers.
6. Wages and Overheads are paid one month in arrears.
7. The cash and bank balance is expected to be Rs. 16,250.
8. There is regular purchase, production and sales cycle.
9. During production process wages and overheads accrue evenly.
10. Debtors are to be calculated on sale price basis.

Prepare an estimate of Working Capital.

OR

Q3. A Factory produces 48,000 units during the year and sells them @Rs. 50 per unit. Cost structure of a product is as follows :

Raw Materials

55%

Labour	18%
Overheads	17%
	90%
Profit	10%
Selling Price	100%

The following additional information is available :

- (1) The activities of purchasing, producing and selling occur evenly throughout the year.
- (2) Raw Materials equivalent to 1 1/2 months supply is stored in godown.
- (3) The production process takes 15 days.
- (4) Finished goods equal to one month's production are carried in stock.
- (5) Debtors get 1 month credit.
- (6) Creditors allow 2 months credit.
- (7) Time lag in payment of wages and overheads is 1 month.
- (8) Cash & Bank Balance is to be maintained at 15% of the working capital.
- (9) 25% of purchases are for cash.

Draw a forecast of working capital requirements of the factory

Q4. A) Being a Company Secretary you are asked to calculate the revised Share capital for following companies using the information below -

(8)

Sr.no	Company	Existing Total Share Capital (Rs)	Proportion of Equity Capital to Preference Capital	Bonus Ratio
1.	Amit Ltd	45,00,000	3:2	1:1
2.	Sumit Ltd	2,25,00,000	2:1	3:2
3.	Nitin Ltd	75,00,000	1:1	1:1
4.	Chandu Ltd	1,50,00,000	3:1	2:1

Q4. B) Calculate the operating cycle for OM traders and JAY traders with the help of available information and also comment which company shall have higher working capital requirements.

(7)

Particulars	Ganesh Traders (Days)	Kartik Traders (Months)
Stock of Raw Material	90	2
Stock of WIP	65	2
Stock of Finished Goods	20	2
Average Collection Period	45	3
Average Payment Period	30	1.5

OR

Q4. A) From the information furnished below details regarding Stock Splits are given calculate the Revised Number of Shares and Share Capital -

(8)

Sr.No	Name of Company	Share Capital	Stock Split to (Value per share)	Face Value
1.	ABC	1,00,00,000	20	100
2.	DEF	2,00,00,000	50	100
3.	LMN	1,00,00,000	10	100
4.	POR	4,00,00,000	50	100
5.	STU	1,00,00,000	2	10
6.	VWX	2,00,00,000	3	10
7.	IJK	1,00,00,000	5	10
8.	QRS	3,00,00,000	6	10

Q4. B) Calculate Dividend Payout Ratio from the following data and advise which company is feasible for Investment from shareholders point of view

(7)

Particulars	Sangeeta Ltd	Kinjal Ltd
Net Profit	Rs 18,75,000	Rs 50,00,000
Provision for Tax	25% of Net Profit	25% of Net Profit
Preference Dividend	Rs 4,06,250	Rs 6,25,000
No of equity shares	2,50,000	4,37,500

Total Equity Dividend	Rs3,75,000	Rs 8,75,000
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Q5. A. Discuss the functions of Management Accountant in the public ltd company.

(8)

B. Discuss the steps involved in the issue of bonus shares as per SEBI guidelines

(7)

OR

Q5. Write Short notes. (any 3)

(15)

1. Importance of financial Statements
2. Profitability Ratios
3. Forms of Dividend
4. Components of Working Capital.
5. Components of Return on Capital Employed

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