

Date - 4/3/2020

# Management Account SY. FMG. SEM III

Marks : 75

Q.1) (A) State Whether True or False. (Any 8)

(08)

1. Long term loans given by a bank is financial activity in cash flow statement of Bank.
2. Unclaimed dividend is contingent liability.
3. Advance paid is an item of non-quick asset.
4. If sales are against advance cash receipts only, then the working capital requirement will be high.
5. Acid test ratio depicts liquidity position of the company.
6. Fictitious assets are shown under tangible assets.
7. Machinery scrap is an example of wasting assets.
8. Accounting standards are required to be followed while preparing Management Accounting Reports.
9. Amortization of share issue expenses is considered under non-operating expenses.
10. Common-size statement is a short cut for quick comparison of item in financial statements shown in Odd amounts.

(B) Match the columns. (Any 7)

(07)

Group A	Group B
1. Discount on issue of Debentures	(a) Balance Sheet Ratio
2. Staff Advanced	(b) Financing Outflow
3. Goodwill	(c) Tangible Fixed Asset
4. Temporary Working Capital	(d) Revenue Statement Ratio
5. Preference Dividend Paid	(e) Combined Ratio
6. Calls received in advanced	(f) Current Liability
7. Operating Ratio	(g) Financing Inflow
8. Issue of Rights Shares	(h) Current Asset
9. Debt-Equity Ratio	(i) Fictitious Asset
10. Debt Service Ratio	(j) Financed through Bank Overdraft
	(k) Intangible Fixed Asset
	(l) Wasting Asset
	(m) Operating Outflow

Q.2) Summary Balance Sheet of star Ltd. for the year ended 31<sup>st</sup> December, 2016 and 31<sup>st</sup> December 2017 are as follows:

Liabilities	31-12-16 Rs	31-12-17 Rs	Assets	31-12-17 Rs	31-12-17 Rs
Equity share Capital	8,00,000	8,00,000	Building	6,00,000	5,40,000
10% Pref. Share Capital	6,00,000	6,00,000	Land	2,00,000	2,00,000
General Reserves	4,00,000	4,90,000	Plant	6,00,000	5,40,000
15% Debentures	2,00,000	3,00,000	Furniture	2,00,000	2,80,000
Creditors	3,00,000	4,00,000	Stock	4,00,000	6,00,000
Bills Payable	1,00,000	1,50,000	Debtors	4,00,000	6,00,000
Tax Payable	2,00,000	3,00,000	Cash	2,00,000	2,80,000
	26,00,000	30,40,000		26,00,000	30,40,000

Prepare Comparative Balance Sheet in Vertical from suitable for analysis.



Q.2) Following is the Balance Sheet of Pratikraj Ltd. as on 31<sup>st</sup> March, 2017.

(07)

Balance Sheet as on 31<sup>st</sup> March, 2017.

Liabilities	Rs	Assets	Rs
Equity Share Capital	3,00,000	Fixed Assets	4,00,000
8% Preference Share Capital	2,00,000	Investments	1,50,000
General Reserves	20,000	Stock	25,000
Profit and Loss Account	50,000	Debtors	75,000
10% Debentures	1,00,000	Bills Receivable	30,000
Creditors	20,000	Cash	15,000
Bills Payable	7,000	Preliminary Expenses	5,000
Outstanding Expenses	3,000		
	7,00,000		7,00,000

Prepare a Common-Size Balance Sheet from the above in vertical form.

OR

Q.2) Calculate Trend Percentage from the following information extracted from financial statements of M/s. Pranita Ltd., after arranging in Vertical Form. (15)

Balance Sheet as on 31<sup>st</sup> March.....

Particulars	2015 Rs	2016 Rs	2017 Rs
<b>Assets:</b>			
Fixed Assets	43,200	45,360	54,000
Investments	3,600	1,800	3,600
Current Assets	48,600	60,408	70,380
	95,400	1,07,568	1,27,980
<b>Liabilities:</b>			
Share Capital	52,200	61,200	73,800
Bank Loan	10,800	10,800	14,580
Current Liabilities	32,400	35,568	39,600
	95,400	1,07,568	1,27,980

Income Statement for the year ended 31<sup>st</sup> March.....

Particulars	2015 Rs	2016 Rs	2017 Rs
Net sales	40,000	44,000	48,000
Less: Cost of sales	30,000	36,000	36,000
Gross Margin	10,000	8,000	12,000
Less: Operating Expenses	4,000	2,000	3,600
Operating Profit	6,000	6,000	8,400

Q. 3) Comment on the position of Commentary Ltd. from the following Profit and Loss Accounts and Balance Sheets after calculating following ratios: (15)

- |  |                                     |
|--|-------------------------------------|
| (1) Current ratio.                     | (5) Proprietary ratio               |
| (2) Debt-Equity ratio                  | (6) Stock working capital ratio     |
| (3) Liquid ratio                       | (7) Cost of sales to sales ratio    |
| (4) Administrative exp. to sales ratio | (8) Selling expenses to sales ratio |

Balance Sheet

Liabilities	2017 Rs	2016 Rs	Assets	2017 Rs	2016 Rs
Capital of Rs 10 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 and Advances	52,000	40,000
Current Liabilities	26,000	30,000			
Provisions	54,000	52,000			
	2,52,000	2,44,000		2,52,000	2,44,000



**Profit and Loss Account for the year Ended.....**

Particulars	2017 Rs	2016 Rs	Particulars	2017 Rs	2016 Rs
To Opening Stock	44,000	40,000	By Sales	2,10,000	2,00,000
To Purchases	84,000	72,000	By Closing Stock	46,000	44,000
To Wages	40,000	36,000			
To Factory Expenses	32,000	28,000			
To Administrative Expenses	8,000	6,000			
To Selling Expenses	6,000	10,000			
To Managerial Remuneration	2,000	2,000			
To Tfd. To Reserve	2,000	2,000			
To Income Tax	28,000	32,000			
To Balance C/fd.	10,000	16,000			
	2,56,000	2,44,000		2,56,000	2,44,000

**OR**

Q.3) The summarized final accounts of two companies are as follows:

(15)

**Balance Sheet**

Liabilities	X Ltd. RS	Y Ltd. RS	Assets	X Ltd. Rs	Y Ltd. RS
Share Capital	88,000	88,000	Fixed Assets	1,21,000	96,800
Reserves	42,900	35,200	Current Assets	1,25,400	1,03,400
8% Debentures	22,000	22,000	Less: Current Liabilities	93,500	55,000
	1,52,900	1,45,200		1,52,900	1,45,200

**Revenue Statement for the year**

Particulars	X Ltd. RS	Y Ltd. RS
Sales	3,30,000	2,64,000
Less: Cost of sales	2,37,600	1,98,000
<b>Gross Profit</b>	92,400	66,000
Less: Operating Expenses	63,800	44,000
Net Profit before Tax	28,600	22,000
Less: Tax	12,100	9,240
<b>Profit after Tax</b>	16,500	12,760
Less: Dividend Paid	8,800	6,600
<b>Retained Earning</b>	7,700	6,160

You are required to calculate the following ratios.

- (1) Proprietary ratio. (2) Capital gearing ratio. (3) Gross profit ratio  
 (4) Operating ratio. (5) Return on capital employed ratio.  
 (6) Return on proprietor's equity ratio. (7) Expenses ratio. (8) Net profit ratio.

Q. 4) Following are summarized Balance Sheets of BDM Ltd. as on 31<sup>st</sup> Dec, 2004 and 2005.

(15)

**Balance Sheet**

Liabilities	2004 Rs	2005 Rs	Assets	2004 Rs	2005 Rs
Equity Share Capital	2,00,000	2,50,000	Bank	35,000	16,000
12% Debentures	1,00,000	80,000	Stock	40,000	75,000
10% Preference Share Capital	50,000	80,000	Debtors	90,000	1,50,000
Bank Loan	70,000	1,10,000	Machinery	75,000	60,000
Reserves	20,000	25,000	Furniture	10,000	8,000
			Land	1,70,000	2,80,000

P & L A/c	50,000	60,000	Building	1,40,000	99,000
Creditors	60,000	75,000	Goodwill	30,000	25,000
Bills Payable	40,000	33,000			
	5,90,000	7,13,000		5,90,000	7,13,000

Additional information:

- Depreciation charged during 2005 was Rs. 4,000 on Furniture, Rs. 12,000 on Machinery and Rs. 20,000 on Buildings.
  - Part of Machinery was sold for Rs. 15,000 at a loss of Rs. 4,000.
  - During 2005 interim dividend was paid Rs. 10,000 & Income Tax was paid Rs. 5,000.
  - During the year part of the Building was sold at book-value.
- You are required to prepare Cash Flow Statement as per AS-3(Use Indirect method).

OR

- Q. 4) From the following information provided by M/s. P & Co. Pvt. Ltd., Prepare a statement showing Working Capital requirements for the year 2013-14: (15)
- Estimated sales for the year 2013-14 Rs 21,60,000.
  - Estimated cost structure ratios to selling price-  
Raw Materials 60%, Labour 20% and Overhead 10%.
  - Selling price Rs 20 per unit.
  - Raw Materials remain in stock for 2 months.
  - Materials remain in process for 1 month.
  - Finished Goods remain in stock for 1 month.
  - Customers are allowed 2 months credit.
  - Suppliers allow 1 month credit.
  - Time lag in payment of wages is one month.
  - Time lag in payment of Overheads in half a month.
  - Cash and Bank Balance is expected to be 25% of the Debtors.
  - Provide a Margin of safety at 10%.
  - Debtors are to be calculated at selling Price.
  - During the manufacturing process Labour and Overhead accrue evenly.

- Q.5) (A) Limitations of Ratio Analysis (08)  
(B) Rewrite the Balance Sheet Ratio (07)
- Current Ratio
  - Quick Ratio
  - Stock working Capital Ratio
  - Properties Ratio
  - Debt Equity Ratio
  - Capital Gearing Ratio

B) Distinguish between Financial Account & Management Acc. (15)  
OR

Q.5) Short Notes:-

- Explain Cash flow from Investing Activity
- Explain Balance Sheet working capital & cash working Capital
- Factors affecting working capital
- Objectives of financial Statement
- Explain Limitation Due to Application of Accounting Policies.