VC – D – 17-03-2015- MANAGEMENT ACCOUNT – SYBAF – SEM IV – 75 MARKS – 2 ½ HOURS – 230

Q – 1 State whether the following statement is TRUE / FALSE (Any 8) (08)

1. For Oil company stock is a liquid asset.
2. Owed funds is an internal source of finance.
3. While comparative statement shows the size of change, trend statement shows the direction of change.
4. Tax refund is non operating cash flow.
5. Only the balance sheet is used to prepare cash flow statement.
6. Interest paid on loan reduces the cash flow for operating activity.
7. The Term Net working capital term refers to the liquid assets.
8. Gross working capital is the sum of the total current assets.
9. Working capital estimations involve the estimation of all the firm's assets and liabilities.
10. Operating ratio = Operating expenses / profits

B] Select correct alternative and rewrite the sentence (Any 7) (07)

1. Total assets are equals to ____________
   a. Fixed Assets + Investment + Current Assets
   b. Fixed Assets + Investment + Working Capital
   c. Fixed Assets + Investment + Current Liabilities
   d. None of the above
2. Short term investments are shown in the vertical financial statements as____________
   a. Investment
   b. Loans and advances
   c. Current Assets
   d. None of the above
3. Cost of Goods =
   a. Opening stock +Purchases – Direct Expenses + Closing Stock
   b. Opening stock +Purchases + Direct Expenses - Closing Stock
   c. Sales – Opening Stock + Purchases – Direct Expenses + Closing Stock
   d. Opening stock +Purchases – Direct Expenses - Closing Stock
4. The acquisition and disposal of long term assets and investments is ____________
   a. Investing activity
   b. Financing activity
   c. Operating activity
   d. None of the above
5. Cash proceeds from issuing shares at premium will be shown in the cash flow statement as ____
   a. Investing activity
   b. Financing activity

c. Operating activity
d. None of the above

6. Sale of land will be shown in the cash flow statement as ____________
   a. Investing activity
   b. Financing activity
   c. Operating activity
   d. None of the above
7. Cash working capital includes____________
   a. Fixed Assets less Depreciation
   b. Debtors at sales value
   c. Debtors at sales less profit margin
   d. Creditors at purchase cost less profit margin
8. Which of the following is not a factor that affects the composition of the working capital
   a. Nature of business
   b. Nature of Raw Material used
   c. Tax structure of the company
   d. Process technology used
9. Standard liquid ratio is____________
   a. 2 : 1 b. 1:1 c. 65 % d. 1.33 : 1
10. Capital Gearing ratio is a ____________
   a. Balance sheet ratio
   b. Revenue ratio
   c. Composite ratio
   d. None of the above

Q – 2 Following are the Profit And Loss Account and Balance Sheet of L & T Ltd. (15)

Profit and Loss Account for the year ended 31st December, 2004

Particulars	Amount Rs.	Amount Rs.	Particulars	Amount Rs.
To cost of sales			By Sales	4,00,000
Opening Stock	30,000			
Add: Purchases	3,00,000			
	3,30,000			
Less: Closing Stock	50,000			
		2,80,000		
To Gross Profit c/d		1,20,000		

		4,00,000		4,00,000
To Expenses		20,000	By Gross Profit b/d	1,20,000
To Net Profit c/d		1,00,000		
		1,20,000		1,20,000
To Provision for Tax		40,000	By Net Profit b/d	1,00,000
To Dividend		20,000		
To Net Profit		40,000		
		1,00,000		1,00,000

Balance Sheet as on 31st December, 2004

Liabilities	Rs.	Assets	Rs.
Share Capital (Rs. 10 each)	2,00,000	Plant and Machinery	80,000
Reserve and Surplus	10,000	Land and Building	20,000
Profit and Loss Account	30,000	Stock	50,000
Creditors	50,000	Debtors	80,000
		Cash at Bank	60,000
	2,90,000		2,90,000

Calculate the following ratios and comment:

(a) Stock Turnover Ratio (b) Debtors Turnover Ratio

(c) Creditors Turnover Ratio (d) Current Ratio

(e) Proprietary Ratio Capital

OR

Q-2 M/s. Tasty Bites Ltd gives you the following Financial Statements for the year ended 31-3-2003 and 31-3-2004. You are required to (15)

a) Commonsize Income Statements
b) Commonsize Balance Sheets

Balance Sheet as at 31st March

Liabilities	2003	2004	Assets	2003	2004
Equity Share Capital	20,00,000	20,00,000	Land	5,00,000	5,00,000
9% Preference Share Capital	15,00,000	15,00,000	Building	15,00,000	13,50,000
General Reserve	10,00,000	12,25,000	Machinery	15,00,000	13,50,000
12% Debentures	5,00,000	7,50,000	Furniture	5,00,000	7,00,000
Creditors	7,50,000	10,00,000	Stock	10,00,000	15,00,000
Bills Payable	2,50,000	3,75,000	Debtors	10,00,000	15,00,000
Tax Payable	5,00,000	7,50,000	Cash	5,00,000	7,00,000
	65,00,000	**76,00,000**		**65,00,000**	**76,00,000**

Profit and Loss Account for the year ended 31st March

Particulars	2003	2004	Particulars	2003	2004
To Cost of Goods Sold	30,00,000	37,50,000	By Sales	40,00,000	50,00,000
To Overheads:					
Administration Expenses	1,50,000	2,50,000			
Selling Expenses	1,00,000	1,50,000			
To Depreciation	3,00,000	3,50,000			
To Net Profit	4,50,000	5,00,000			
	40,00,000	**50,00,000**		**40,00,000**	**50,00,000**

Q – 3 Following are the Balance Sheets as at 31st March, 2013 and 2014. (15)

Liabilities	2013	2014	Assets	2013	2014
Equity Share Capital	1,00,000	150,000	Land & Building	80,000	75,000
General Reserve	60,000	10,000	Furniture & Fixtures	7,000	6,000
P / L A/c	5,000	30,000	Investments	6,000	12,000
Bank Overdraft		65,000	Stock	27,500	94,500
Loan against	----	40,000	Sundry Debtors	46,500	77,250

Mortgage of Plant & Machinery					
Provision for Taxation	10,000	15,000	Cash	2,000	7,250
Sundry Creditors	30,000	20,000	Preliminary Expenses	4,000	3,000
Bills Payable	10,000	30,000	Plant & Machinery	42,000	83,000
	2,15,000	360,000		2,15,000	3,60,000

During the year ended 31st March, 2014 following transactions took place.

(i) Dividend paid Rs.15,000/-.

(ii) Furniture purchased during the year for Rs.1,500/-.

Prepare Cash Flow Statement

OR

Q – 3 The following are the summarised balance sheets of Kevin Ltd as on 31st March, 2013 and 2014. (15)

Particulars	2013 (in Rs.)	2014 (in Rs.)
Liabilities:		
Share Capital	2,00,000	2,50,000
General Reserve	50,000	60,000
Profit and Loss	30,500	30,600
Bank Loan (Long Term)	70,000	-
Sundry Creditors	1,50,000	1,35,200
Provision for Taxation	30,000	35,000
	5,30,500	**5,10,800**
Assets:		
Land and Buildings	2,00,000	1,90,000
Machinery	1,50,000	1,69,000
Stock	1,00,000	74,000
Sundry Debtors	80,000	64,200
Cash	500	800
Bank	-	7,800
Goodwill	-	5,000
	5,30,500	**5,10,800**

Additional Information:

During the year ended 31st March, 2014:

a) Dividend of Rs. 23,000 was paid.

b) Depreciation written off on machinery Rs. 12,000.

c) Income-tax provided during the year was Rs. 33,000.

You are required to prepare a Cash Flow Statement.

Q – 4 You are required to prepare a statement showing the estimate of working capital required to finance the level of activity of 18,000 units per year from the following information, obtained from the Books of BAJAJ AUTO LTD. (15)

Particulars	Per Unit Rs.
Raw Materials	12
Direct Labour	3
Overheads	9
Total Cost	24
Profit	6
Selling Price	30

(i) Raw materials are in stock on an average for two months.
(ii) Materials are in process on average for half a month.
(iii) Finished Goods are in stock on average for two months.
(iv) Credit allowed by creditors is two months.
(v) Credit allowed to Debtors is three months.
(vi) Lag in payment of wages is half month.
(vii) Cash on hand and at bank is expected to be Rs.7,000/-.

OR

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

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

Other Information:

a) Raw materials are held in stock for a period of 4 weeks.
b) Materials remain in process for 2 weeks requiring 50% wages and 40% overheads.
c) Finished goods remain in stock for a period of 4 weeks.
d) Credit allowed to customers is 8 weeks but 20% of the invoice price is collected immediately.
e) Time lag in payment of wages is 1.5 weeks and in overheads is 4 weeks.
f) Credit available from suppliers is 4 weeks but 20% of the creditors are paid 4 weeks in advance.
g) Bank balance is to be maintained at Rs. 60,000.
h) Margine of safety is maintained at 10 % of Working capital.

Q – 5 a] Explain the nature and scope of management accounting (08)

b] Explain need of Balance sheet rations. Give formula's of Balance sheet ratio (07)

OR

Q – 5 Write Short Notes (Any 3) (15)

1. Working capital cycle
2. AS 3 Cash flow statement
3. Factors affecting working capital
4. Revenue ratios
5. Distinguish between Financial Accounting and Management Accounting