

Management Accounting (Sem-V)

October - 2014

N.B.: (1) All questions are **compulsory** and carry 15 marks each. (2) Question Nos. 2 to 5 have internal option. (3) Working notes should **Form Part** of your answer. (4) Proper presentation and neatness is **essential**. (5) Use of simple calculator is **allowed**. (6) Figures to the **right** indicate full marks.

- (1) (a) Rewrite the full sentences with most appropriate alternative (Any Eight): (8)
- (i) Sale of long term Investment at a loss _____ the cash balance.
◆ decreases ◆ increases ◆ makes no change in ◆ none of these
- (ii) Balance Sheet provides a statement of _____ at a point of time.
◆ Assets position ◆ Liabilities position
◆ Financial position ◆ Performance position
- (iii) Amortisation of goodwill will _____ the net cash from operating activities in cash flow statement.
◆ not change ◆ increase ◆ reduce ◆ none of these
- (iv) Estimation of working capital deals with expected net investment in _____.
◆ Current assets ◆ Fixed assets ◆ Current liabilities ◆ Intangible assets

- (v) In vertical Revenue statement interim dividend paid is classified as _____
 ♦ Finance expenses ♦ Selling expenses
 ♦ Appropriation of profit ♦ Non-operational expenses
- (vi) _____ is calculated to find out the efficiency of collection department.
 ♦ Acid test ratio ♦ Dividend payout ratio
 ♦ Creditors turnover ratio ♦ Debtors turnover ratio
- (vii) If profit before Tax Ratio is 25% and the company is subject to income tax rate of 30%, then the profit after tax ratio will be _____
 ♦ 7.5% ♦ 32% ♦ 24.5% ♦ 17.5%
- (viii) In comparative income statement, net profit in 2014 showed decline of 20% as compared to 2013. If the net profit in 2014 is ₹ 15,00,000, then net profit in 2013 was _____
 ♦ ₹ 11,25,000 ♦ ₹ 18,75,000 ♦ ₹ 18,00,000 ♦ ₹ 12,00,000
- (ix) If expected sales are only against cash, then working capital required will be _____
 ♦ more ♦ less ♦ maximum ♦ none of the above
- (x) In common size income statement, the direct wages component amounting to ₹ 18,00,000 was 20% of turnover then the selling expenses amounting to ₹ 22,50,000 would be _____ of turnover.
 ♦ 22% ♦ 25% ♦ 30% ♦ 40%

(b) Match the columns with most appropriate choice and re-write (Any Seven): (7)

Column 'A'	Column 'B'
(1) Loss due to Earthquake	(a) Capital Gearing Ratio is High
(2) Return on Net Worth	(b) Non-Quick Liability
(3) Trading on Equity	(c) Top Management
(4) Acid Test Ratio	(d) Non-operational Loss
(5) Strategic Information	(e) Dividend Payout Ratio is Low
(6) Bank Overdraft	(f) Combined Ratio
(7) Restrictive Dividend Policy	(g) Liquid Ratio
(8) Tax paid on Capital Gain	(h) Current Assets minus Current Liabilities
(9) Net Current Assets	(i) Investing Activity
(10) Cash Received from Debtors	(j) Financing Activity
	(k) Operating Activity
	(l) Non-cash Item

(2) Following is the Trial balance of Goodluck Ltd. as on 31st March, 2014. (15)

Trial Balance			
Particulars	₹	Particulars	₹
Preliminary Expenses - (P/S) C.		Equity Share Capital (₹ 100) SL	7,00,000
(Not yet written off)	20,000	Gross Sales SL	20,40,000
Administrative Expenses	4,00,000	General Reserve (P/S)	3,20,000
Land and Building	8,00,000	Profit and Loss A/c (or) (P/S)	2,00,000
Plant and Machinery	6,00,000	12.5% Debentures SL	4,00,000
Selling Expenses	1,00,000	Depreciation Provision	
Furniture	3,00,000	On Land and Building	2,00,000
Cost of Production	9,60,000	On Plant and Machinery	1,00,000
Return Inward	40,000	On Furniture	80,000
Finished Goods - F. P/S	2,40,000	Trade Payables SL	4,00,000
Government Bonds - F. S. L	2,80,000		
Advance Tax R. L	2,00,000		
Trade Receivables a/c	5,00,000		
Total	44,40,000	Total	44,40,000

Other information:

- (a) Closing stock of Finished Goods as on 31st March, 2014 was ₹ 1,60,000.
 (b) Provide dividend on Equity Shares at 10%.
 (c) Make provision for Income Tax of ₹ 2,00,000.

From the above information you are required to prepare Income Statement for the year ended 31st March, 2014 and Balance Sheet as on that date in vertical form suitable for analysis.

OR

(2) (a) Following are the Balance Sheet of Sanjay Ltd. as on 31st March, 2013 and 2014. (8)

Balance Sheet as on 31st March

Liabilities	2013 ₹	2014 ₹	Assets	2013 ₹	2014 ₹
Equity Share Capital	200	200	Fixed Assets	300	400
12% Pref. Share Capital	100	150	Investments	30	20
General Reserve	10	15	Current Assets	75	80
10% Debentures	50	75	Preliminary Exp.	05	-
Current Liabilities	50	60			
Total	410	500	Total	410	500

Prepare a Comparative Balance Sheet from the above in vertical form.

(b) Complete the following Common Size Income Statement of Alpina Ltd. by ascertaining the missing figures/ percentages:

Common Size Income Statement as on 31st March, 2014			
Particulars	Common Size		%
	₹	₹	
Sales		20,00,000	100
Cost of Goods Sold:			
Opening Stock	?		60.00
Purchases	?		?
Wages	2,50,000		12.50
Factory Overheads	?		105.00
Closing Stock	6,00,000	?	30.00
Profit		5,00,000	25.00
Operating Expenses			7.00
(a) Administrative Expenses	?		2.50
(b) Selling Expenses	50,000		?
(c) Finance Expenses	?	2,10,000	10.50
Operating Profit		?	?
Non-Operating Income		50,000	2.50
Non-Operating Expenses		?	1.00
Profit Before Tax		3,20,000	16.00

(15)

Complete the following Income Statement Trend Analysis for three years of Honesty Enterprises Limited.

Income Statement Trend Analysis for three years ended 31st March						
Particulars	Amounts			Trend Percentages		
	2011 (₹)	2012 (₹)	2013 (₹)	2011(%)	2012(%)	2013(%)
Sales	?	5,50,000	6,50,000	100	?	130
Cost of Goods Sold	?	2,50,000	?	100	125	?
Gross Margin	?	?	?	100	?	120
Operating Expenses	60,000	?	?	100	115	125
Financing Expenses	?	50,000	?	100	125	150
Interest Charges	?	31,000	?	100	?	?
Operating Profit	?	?	?	100	?	?
Non-Operating Income	?	?	?	100	100	120
Profit Before Tax	?	?	1,80,000	100	?	120
Income Tax	60,000	?	?	100	?	120
Profit After Tax	?	75,000	?	100	?	120

OR

Following is the Trading and Profit and Loss Account for the year ended 31st March, 2014 and Balance Sheet as on that date of Sudarshan Ltd. (15)

Trading and Profit and Loss Account for the years ended 31st March 2014

Liabilities		₹	Assets		₹
Opening Stock		2,50,000	By Sales (Credit)		37,00,000
Purchases		26,00,000	By Closing Stock		5,00,000
Gross Profit c/d		13,50,000			
Total		42,00,000	Total		42,00,000
Administrative Expenses		2,70,000	By Gross Profit b/d		13,50,000
Interest		72,000	By Profit on Sale of Assets		50,000
Dividend		60,000			
Selling Expenses		1,00,000			
Depreciation		1,20,000			
Provision for Income Tax		2,78,000			
Proposed Dividend		1,00,000			
Net Profit c/d		4,00,000			
Total		14,00,000	Total		14,00,000

Balance Sheet as on 31st March, 2014

Liabilities		₹	Assets		₹
Share capital (₹ 10 each)		5,00,000	Fixed Assets (at cost)		12,40,000
Preference share capital		3,00,000	Short Term Investments		1,00,000
Reserve		4,00,000	Trade Receivables (last year ₹ 9,00,000)		9,50,000
Debentures		6,00,000	Inventories		5,00,000
Payables		3,00,000	Cash and bank Balance		1,50,000
Dividend		1,00,000	Discount on Issue of Debentures		60,000
Overdraft		2,00,000			
Provision for Depreciation		4,00,000			
Provision for Income Tax		2,00,000			
Total		30,00,000	Total		30,00,000

October 2014



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From the above information calculate following ratios and comment on current ratio.
(i) Current Ratio. (ii) Inventory Turnover Ratio. (iii) Return on Proprietors Fund. (iv) Operating Ratio. (v) Debtors Turnover Ratio. (vi) Capital Gearing Ratio. (vii) Dividend Payout Ratio.
Assume 360 days in a year.

Note: Drafting of vertical Financial Statements is not expected.
Asmita Ltd. furnishes you the following summarised financial position as on 31st March.

Particulars	2014 ₹	2013 ₹
Equity and Liabilities:		
Equity Share Capital		
10% Preference Share Capital	3,00,000	2,80,000
General Reserve	2,00,000	1,70,000
Profit and Loss Account	1,20,000	95,000
12% Debentures	1,48,000	1,39,000
Creditors	3,50,000	3,00,000
Expenses Payable	1,43,000	1,20,000
Provision for Taxation	84,000	77,000
Proposed Dividend	92,000	67,000
	80,000	73,000
Total	15,17,000	13,21,000
Assets:		
Land and Building	5,40,000	3,20,000
Plant and Machinery	2,55,000	1,80,000
Furniture	1,08,000	36,000
Motor Vehicles	85,000	1,00,000
Stock	2,20,000	2,85,000
Account Receivables	2,45,000	3,44,000
Cash and cash equivalents	64,000	58,000
Total	15,17,000	13,21,000

Additional Information:

- Issue of shares, debentures and additions to the assets were made on 1st April, 2013.
- Depreciation @ 10% p.a. was charged on Land and Building and Furniture.
- Plant and Machinery and Motor Vehicles, both were depreciated by 15% p.a.
- Income Tax paid and Proposed Dividend during the year were ₹ 69,000 and ₹ 80,000 respectively.

Prepare Cash Flow Statement as per AS-3 for the year ended 31st March, 2014 using indirect method.

OR

- (4) Ajeet Ltd. produced and sold 60,000 Cellular Phones in the year 2013-14 and their cost structure was as under: (15)

Particulars	₹ (per unit)
Raw Material	120
Labour	90
Manufacturing Overheads	80
Administration and Selling Overheads	30
Profit	20% of Selling Price

In the year 2014-15 they plan to produce and Sale 72,000 Cellular Phones and they estimate that:

- Raw Materials cost per unit will reduce to ₹ 100 and all overheads will increase by 10%.
- Selling Price will remain unchanged.

It is further informed that:

- Raw Materials will be in stock on an average equal to one month's consumption.
- Processing time required is 1/4 month.
- Finished Goods in stock - 1/2 month's requirement.
- Credit allowed by suppliers one month.
- Credit allowed to customers - 1/2 month.
- Time lag in payment of wages and both the overheads - one month.
- Cash balance required for smooth operation is expected to be ₹ 75,000.
- Production and sales are carried on evenly throughout the year.
- Provide margin of safety of 10%.
- Debtors are to be calculated at Selling Price.
- 40% of purchases and 60% of sales are against cash.

You are required to prepare a statement showing working capital requirement for the year 2014-15.

- Describe the factors that affect the requirement of working capital
 - Define Asset. Explain various types of Assets.

OR

- (5) Write a short note on (Any Three):

- Strategic information.
- Own fund.
- Cash flow from financing activities.
- Common size income statement.
- Cash and cash equivalent.