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Sub: MgmtA/c

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QP CODE : 06203

REVISED COURSE (NEW PATTERN) (75:25)  
(2½ Hours)

[ Total Marks : 75

- 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) Fill in the blanks with most appropriate option and rewrite complete sentences serially (any eight) :- 8

(1) In cash flow statement conversion of preference share capital into equity share capital is \_\_\_\_\_ activity.

- Financing
- Investing
- Operating
- None of these

(2) Decrease in bills payable will result in \_\_\_\_\_.

- Increase in operating profit
- Decrease in operation profit
- Increase in working capital
- Decrease in working capital

(3) Payment for \_\_\_\_\_ is financing activity.

- Purchase of fixed assets
- Purchase of materials
- Under writing commission
- Purchase of Government Bonds

(4) \_\_\_\_\_ is/are not shown in cash flow statement as cash & cash equivalent.

- Bank Balance
- Bank overdraft
- Marketable securities
- Public Deposits

(5) Dividend Pay-Out Ratio brings out the relationship between profit available for equity shareholders and \_\_\_\_\_.

- Preference Dividend
- Equity Dividend
- Debenture interest
- Interest on loan

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- (6) \_\_\_\_\_ will decline due to decrease in debtors and stock value.
- Current ratio
  - Operating ratio
  - Net profit ratio
  - None of these ratio
- (7) \_\_\_\_\_ ratio intends to reflect the over all efficiency of the organisaiton.
- Liquidity
  - Solvency
  - Profitability
  - Current
- (8) Generally \_\_\_\_\_ are incurred for the purpose of increasing and maintaining the sales.
- Finance expenses
  - Operating expenses
  - Selling & Distribution expenses
  - All of these expenses
- (9) Compensation received from Government for acquisition of land is a cash inflow from \_\_\_\_\_.
- Operating activity
  - Investing activity
  - Financing activity
  - None of these
- (10) An increase in Stock by Rs. 5,000 and decrease in Bank balance by Rs. 3,000 will result in \_\_\_\_\_.
- Decrease in working capital by Rs. 3,000
  - Decrease in working capital by Rs. 2,000
  - Increase in working capital by Rs. 2,000
  - Increase in working capital by Rs. 3,000
- (B) Rewrite the following statements serially and state whether they are true or false: **(any seven)**
- (1) Financial statements of companies are prepared on accrual basis.
  - (2) Break-even point is the level of activity where total cost is equal to total revenue.
  - (3) Quantitative techniques are used in modern times to reduce the uncertainty and risk.
  - (4) Balance Sheet is a historical statement indicating the financial performance of an organisation as at a particular date.
  - (5) In management accounting, publication of reports is compulsory.

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- (6) Operating cycle period will be reduced by increasing the period of the credit allowed by creditors.
- (7) Cash received from sale of furniture is treated as cash inflow from investing activities.
- (8) Return on capital employed is also known as return on investment.
- (9) Management accounting includes budgetary control.
- (10) In cash flow statement an increase in security premium is an operating activity.

2. Sanjana Ltd. furnishes the following information for the year ended 31<sup>st</sup> March 2016. 15

Annual sales for the year	Rs. 25,00,000
Level of activities	1,00,000 units p.a.
Raw materials	Rs. 10,00,000 p.a.
Direct wages	Rs. 8,00,000 p.a.
Overheads	Rs. 5,00,000 p.a.

During the year 2016-17, it is expected that:-

- (a) The activities will increase by 20%
- (b) The cost per unit of -
- Raw materials will increase by 20%
  - Direct wages will increase by 25%
  - Overheads will decrease by 20%
  - Selling price will increase by 20%

Following further information is available :-

- The raw materials ordinarily remain in stores for 3 months before production.
- Every unit of production remains in the process for 2 months.
- Finished goods remain in warehouse for 2 months.
- Credit allowed by the creditors is 3 months from the date of the delivery of raw material.
- Credit given to customers is 3 months from the date of dispatch.
- Cash at Bank balance is expected to be Rs. 73,000.
- Time lag in payment of wages is one month.

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- (8) Time lag in payment of overheads is half month.
- (9) 20% of the purchases and 25% of sales will be on cash basis.
- (10) Sundry Debtors are valued at selling price.
- (11) There is regular production and sales cycle.
- (12) You are required to make provision of 10% for contingency on net working capital before contingency provision.
- (13) During the processing wages & overheads accrue evenly.

Estimate working capital requirements for the year ended 31<sup>st</sup> March 2017.

OR

2. (A) Complete the following comparative Balance Sheets of Sundar Ltd. by ascertaining the missing figures and prepare in vertical form.

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Particulars	2015 Rs.	2016 Rs.	Increase/ Decrease Rs.	Increase/ Decrease %
11% Pref. Sh. Capital	?	?	2,00,000	25%
Equity Share Capital	?	12,00,000	?	20%
Secured Loan	12,00,000	?	(2,00,000)	?
Fixed Assets	?	?	2,00,000	10%
Current Assets	?	20,00,000	5,00,000	?
Current Liabilities	?	?	5,00,000	100%
Total Funds Employed	30,00,000	?	2,00,000	?

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- (B) Complete the following common size revenue statement of Mrunal Ltd. for the year ended 31<sup>st</sup> March 2016.

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Particulars	Rs.	Common Size %
Net Sales	?	?
Cost of goods sold	6,00,000	?
Gross Profit (25% on sale)	?	?
Operating Expenses	?	?
Operating Profit	1,40,000	?
Non Operating Income	20,000	?
Non Operating Expenses	?	?
Net Profit Before Tax	?	?
Income Tax (40% on NPBT)	?	?
Net Profit After Tax	90,000	?

3. Arvind Ltd., furnishes you their Balance Sheet as on 31<sup>st</sup> March, 2016 with some additional information.

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Balance Sheet as at 31<sup>st</sup> March, 2016

Equity & Liabilities	Rs.	Assets	Rs.
Eq.Sh. Capital (Rs.10 each)	8,00,000	Fixed Assets (at Cost)	19,05,000
10% Pref. Share Capital	4,00,000	Less : Depreciation Provision	(3,00,000)
Reserve & Surplus	1,65,000	Net Block	16,05,000
12% Debentures	4,50,000	Accounts Receivable	
13% Public Deposits	3,00,000	(P.Y. Rs. 4,35,000)	6,15,000
Accounts Payable		Inventories (P.Y. Rs. 2,10,000)	1,50,000
(P.Y. Rs.1,65,000)	2,00,000	Cash and Bank Balance	1,80,000
Bank Overdraft	55,000	Expenses paid in Advance	15,000
Provision for Income Tax	1,50,000	Advance Income Tax	1,20,000
Proposed Dividend	1,80,000	Preliminary Expenses	15,000
Total Rs.	27,00,000	Total Rs.	27,00,000

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## Further Information:

(a) Sales for the Year: Cash Sales Rs. 16,00,000 and Credit Sales Rs. 34,00,000.

(b) Gross Profit Rate: 30%

(c) Profit Before Tax: Rs. 6,20,000

From the above information you are required to calculate the following and offer your comments on Debt Equity Ratio.

(i) Operating Ratio

(ii) Stock-Working Capital Ratio

(iii) Return on Proprietors' Fund

(iv) Debt Equity Ratio (Loan Funds : Equity)

(v) Capital Gearing Ratio

(vi) Credit period allowed by Suppliers

(vii) Credit period allowed to Customers

Note : Vertical statement not expected.

OR

3. Following are the Balance Sheets of Honesty Enterprises Ltd., as at 31<sup>st</sup> March, 2015 and 2016. 15

Liabilities	As on 31.3.15 Rs.	As on 31.3.16 Rs.	Assets	As on 31.3.15 Rs.	As on 31.3.16 Rs.
Equity Share Capital	5,00,000	9,00,000	Gross Fixed Assets	5,40,000	9,30,000
10% Pref. Shares Capital	4,00,000	2,00,000	Investments	2,00,000	3,75,000
General Reserves	1,10,000	1,30,000	Inventory	2,80,000	4,60,000
12% Debentures	1,60,000	1,20,000	Trade Receivables	4,95,000	6,60,000
Profit and Loss A/c	--	2,50,000	Prepaid Expenses	20,000	50,000
Trade Payables	1,50,000	2,30,000	Bank Balance	1,25,000	1,75,000
Provision for depreciation	2,20,000	3,50,000	Advance Income Tax	1,10,000	1,30,000
Proposed dividend	1,20,000	2,40,000	Profit and Loss A/c	75,000	--
Provision for Taxation	1,00,000	1,60,000			
Bank Overdraft	85,000	2,00,000			
<b>TOTAL</b>	<b>18,45,000</b>	<b>27,80,000</b>	<b>TOTAL</b>	<b>18,45,000</b>	<b>27,80,000</b>

## Additional Information:

- Half of 10% Preference Shares were converted into Equity Shares on 01.04.2015.
- 12% Debentures were redeemed on 31.03.2016.

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3. Preference Dividend and Debenture interest are paid on 31.03.2016.
  4. Last Year's Equity Dividend is paid on 31.12.2015.
  5. Additional Equity Shares were issued on 01.04.2015.
  6. Fixed Assets costing Rs.1,40,000 on which depreciation provided Rs.70,000, were sold for Rs. 80,000.
  7. Investments of Rs. 40,000 were sold for Rs.25,000
  8. Income Tax paid during the year was Rs. 1,20,000.
- Prepare Cash Flow Statement by Indirect Method as per AS-3.

4. Following balances as on 31<sup>st</sup> March, 2016 are extracted from the books of Ajanta Ltd. 15

Particulars	Rs.	Particulars	Rs.
6% Secured Debentures	6,00,000	Income Tax	15,000
12% Preference Share Capital	2,25,000	Dividend Received	9,000
Advertising & Publicity	37,500	Land & Building	10,50,000
Bad debts	7,500	Machinery	11,25,000
Bills Payable	64,500	Opening Stock	75,000
Cash on Hand	45,000	Expenses Payable	37,500
Accounts payable	1,50,000	Share Issue Expenses (not yet w/o)	15,000
Debenture Interest	36,000	Profit & Loss Account (Cr)	1,95,000
Account receivable	3,00,000	Purchases	9,00,000
Equity Share Capital (Rs. 10 each)	13,50,000	Salaries	2,70,000
Furniture & Fixtures	3,00,000	Sales	18,90,000
General Reserve	75,000	Sales Return	15,000
Capital Reserve	37,500	Wages	2,77,500
Bank Balance	75,000	Long Term Investments	90,000

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Additional information :-

- (i) Closing Stock on 31<sup>st</sup> March, 2016 was Rs. 90,000.  
(ii) Proposed dividend Rs. 2,29,500.

You are required to prepare Vertical Income Statement for the year ended 31st March, 2016 and Vertical Balance Sheet as on that date for Analysis.

OR

4. Complete the following Trend Analysis of Balance Sheets for three years of Sanskar Enterprises Ltd. 15

Balance Sheets as at 31.03...

Particulars	Amount (in Rupees)			Trend Percentage %		
	2014	2015	2016	2014	2015	2016
<b>Sources of Funds :</b>						
Equity Share Capital	?	?	8,00,000	100	140	160
10% Preference Share Capital	?	2,00,000	?	?	125	150
General Reserves	50,000	?	?	?	120	160
Net worth	?	?	?	?	?	?
15% Debentures	4,40,000	?	?	?	100	75
<b>Total Sources Funds</b>	?	?	?	100	?	?
<b>Application of Funds:</b>						
Net Fixed Assets	?	6,50,000	?	?	130	160
Long Term Investments	1,00,000	?	?	?	50	NIL
Current Assets	9,00,000	?	?	?	?	100
Less: Current Liabilities	?	?	?	?	100	?
Working Capital (CA-CL)	?	?	?	100	?	?
<b>Total Application of Funds</b>	?	?	?	100	?	?

Note: Write the trend percentages in whole numbers (without decimal points).

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5. (A) Distinguish between Long Term Investments and Short Term Investments. 8
- (B) What are the limitations of Trend Analysis? 7
- OR
5. Write short notes on (any three) :- 15
- (1) Negative working capital
  - (2) Liquid Assets
  - (3) Functions of management accounting
  - (4) Cash flow from financing activities
  - (5) Different types of financial analysis

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