

25/3/14

Ty Bloom

Financial Accounting & Auditing

QP Code : AE-6970 Paper - I

Theory - Accounts

[Total Marks : 100

(REVISED COURSE-OLD PATTERN)

(3 Hours)

- I.B. :** (1) Question No.1 and 2 are **compulsory** and carry 20 marks and 16 marks respectively.
- (2) Attempt any **four** questions from the rest, carrying 16 marks each.
- (3) **Working Notes** should form **part** of your answer.
- (4) **Proper presentation** and neatness is **essential**.
- (5) Use of **simple calculator** is **allowed**.

Following is the Profit & Loss A/c of Manali Limited for the year ended 31st March, 2013 :— 20

Profit & Loss A/c
for the year ended 31st March, 2013

Debit	₹	Credit	₹
To Opening Stock	44,000	By Sales less Returns	2,00,000
To Purchases less Returns	82,000	By Closing Stock	60,000
To Wages	40,000	By Interest Received	20,000
To Carriage Inward	12,000		
To Office Expenses	12,000		
To Administrative Expenses	8,000		
To Finance Expenses	12,000		
To Advertisement	14,000		
To Show Room Expenses	6,000		
To Depreciation	16,000		
To Loss on Sale of Furniture	4,000		
To Income Tax	10,000		
To General Reserve	12,000		
To Proposed Dividend	6,000		
To Net Profit	2,000		
	2,80,000		2,80,000

Calculate following Income Statement Ratios :—

1. Gross Profit Ratio
2. Operating Ratio
3. Net Profit Ratio - After Tax
4. Net Operating Profit Ratio
5. Stock Turnover Ratio
6. Operating Expenses Ratio
7. Selling Expenses Ratio

Vertical Statement not expected.

(a) State whether the following statements are **True** or **False** :—

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- All Fixed assets are subject to depreciation.
- Owed Fund is an internal source of finance.
- Discounted cash flow technique takes into account time value of money.
- Current ratio indicates short term financial position of the concern.
- Gross working capital means current assets less current liabilities.
- In cash flow statement issue of bonus shares is shown under financing activity.
- Computer has no role to play in MIS.
- Data requires processing before it becomes information.

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(b) Fill in the blanks :—

- Capital Work In Progress is treated as _____ asset.
- In Common Size income statement _____ is taken as 100.
- Total of Cost of Goods Sold and Operating expenses is known as _____ Cost.
- Total of net profit and _____ items debited to P & L Account is known as Cash Profit.
- In Capital Budgeting _____ period is usually expressed in years.
- As per MIS tactical decisions are taken by _____ level managers.
- Undistributed profits are called as _____.
- Standard Current Ratio is _____.

3. The following balances appear in the books of Shyam Ltd. for the year ended 31st March, 2013. 16
You are required to prepare the Balance Sheet in Vertical Form :—

Particulars	₹	Particulars	₹
Calls in Arrears	20,000	Cash in Hand	34,000
Furniture	64,000	Equity Share Capital	4,00,000
Closing Stock	3,20,000	Preference Share Capital	1,00,000
Provision for Bad Debts	10,000	General Reserve	1,00,000
Plant and Machinery	1,60,000	Long Term Loans	1,20,000
Bills Receivable	52,000	Investments	80,000
Sundry Creditors	2,52,000	Bills Payable	42,800
Bank Balance	80,000	Profit and Loss Account (Cr)	3,70,400
Preliminary Expenses	20,000	Sundry Debtors	2,00,000
Goodwill	80,000	Land and Building	3,40,000
Liability for Expenses	4,800	Capital Reserve	26,000
8% Debentures	50,000	Prepaid Expenses	11,000
Provision for Tax	10,000	Proposed Dividend	20,000
Advance Tax	15,000	Marketable Investments	20,000
Unsecured Loans	10,000	Vehicle	20,000

4. From the following information prepare Trend Revenue Statement of Rami Limited after 16
arranging in Vertical Form. Ignore decimals.

Particulars	31st March 11 ₹	31st March, 12 ₹	31st March, 13 ₹
Sales	10,00,000	12,00,000	15,00,000
Opening Stock	18,000	20,000	30,000
Purchases	4,50,000	3,50,000	3,00,000
Direct Wages	30,000	25,000	28,000
Direct Expenses	7,000	6,500	7,500
Administration Expenses	38,000	36,000	34,000
Selling and Distribution Expenses	20,000	25,000	30,000
Debenture Interest	5,000	5,000	5,000
Other Finance Expenses	6,000	5,000	5,000
Interest Received	4,000	6,000	4,000
Closing Stock	?	?	40,000
Provision for Tax	50%	40%	40%

Balance Sheet
As on 31st March, 2013

Liabilities	₹	Assets	₹
Equity Share Capital	1,00,000	Goodwill	60,000
8% Preference Share Capital	60,000	Land & Building	1,40,000
Profit & Loss A/c	30,000	Plant & Machinery	70,000
Capital Reserves	40,000	Furniture	20,000
Other Reserves	10,000	5% Government Bonds	10,000
8% Debentures	1,00,000	Stock	40,000
Term Loans	50,000	Sundry Debtors	60,000
Sundry Creditors	20,000	Prepaid Expenses	10,000
Cash Credit	15,000	Cash on Hand	6,000
Provision for Income Tax	10,000	Cash at Bank	14,000
Expenses Due	5,000	Preliminary Expenses	10,000
	4,40,000		4,40,000

You are required to calculate following Ratios :—

- (1) Current Ratio
- (2) Liquid Ratio
- (3) Stock Working Capital Ratio
- (4) Proprietary Ratio
- (5) Debt Equity Ratio

Write short comment on current ratio.

Vertical Statement not expected.

6. From the following Balance Sheets of Sudesh Ltd., prepare Cash Flow Statement as per 16 AS-3, for the year ended 31st March, 2013 :—

Assets	31-03-2013 ₹	31-03-2012 ₹
Fixed Assets	15,00,000	10,00,000
Cash and Bank	3,60,000	3,00,000
Accounts Receivable	7,50,000	4,50,000
Bills Receivable	1,00,000	1,50,000
Stock	5,20,000	3,20,000
Underwriting Commission	—	1,40,000
	32,30,000	23,60,000
Liabilities	₹	₹
Equity Share Capital	16,00,000	14,00,000
General Reserves	4,50,000	3,50,000
Profit & Loss A/c	5,00,000	3,00,000
Bank Loan	4,00,000	—
Creditors for Goods	70,000	60,000
Bills Payable	30,000	90,000
Proposed Dividend	1,10,000	1,00,000
Tax Provision	70,000	60,000
	32,30,000	23,60,000

Additional information :—

- (1) During the year some of the Fixed Assets were acquired against issue of Equity Shares.
- (2) Depreciation amounting to ₹ 1,00,000/- was charged on Fixed Assets.

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7. Honali & Company provides the following information. You are required to prepare an estimate of working capital requirements for the year 2013-14 :—

(1) Estimates for the year 2013-14

Total Sales - 30,000 Units

Cost Sheet per unit	
Particulars	₹
Sales	120
Raw Materials	50
Direct Labour	30
Overheads	20

- (2) Raw materials are in stock 4 weeks
 (3) Processing period- 2 weeks
 (4) Finished goods are in stock- 8 weeks
 (5) Credit allowed by suppliers- 6 weeks
 (6) Credit allowed to customers- 8 weeks
 (7) Lag in payment of labour- 4 weeks
 (8) Lag in payment of overheads- 2 weeks
 (9) Cash & bank balance- ₹ 10,000
 (10) The company has production and sales evenly spread during the year.
 (11) The company works for 50 weeks in a year.
 (12) Calculate debtors on sales.
8. Tushar Ltd. is considering two proposals for investment of ₹ 50.00 lakh each on development of a new product which are expected to generate net cash inflows for 8 years as under :—

Year end	Proposal-1 Net Cashflows ₹	Proposal-2 Net Cashflows ₹
1	6,00,000	7,00,000
2	8,00,000	7,50,000
3	10,00,000	9,00,000
4	11,50,000	9,50,000
5	12,10,000	12,00,000
6	11,25,000	11,50,000
7	11,00,000	13,00,000
8	37,19,823	40,00,000

The expected rate of return is @ 15% p.a.

You are required to advice the company using NPV method which proposal they should accept ?

Note : Following is the Table showing Present Value factors @ 15%.

Year	1	2	3	4	5	6	7	8
PV of Re. 1	0.870	0.756	0.658	0.572	0.497	0.432	0.376	0.284

9. Write short notes on any four of the following :—

- Concept of MIS
- MIS and Computer
- Earning Per Share
- Dividend Pay Out Ratio
- Common Size Statement.