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 (Not yet written off)	20,000	Equity Share Capital (₹ 100)	7,00,000
Administrative Expenses	4,00,000	Gross Sales	20,40,000
Land and Building	8,00,000	General Reserve	3,20,000
Plant and Machinery	6,00,000	Profit and Loss A/c (or)	2,00,000
Selling Expenses	1,00,000	12.5% Debentures	4,00,000
Furniture	3,00,000	**Depreciation Provision**	
Cost of Production	9,60,000	On Land and Building	2,00,000
Return Inward	40,000	On Plant and Machinery	1,00,000
Finished Goods	2,40,000	On Furniture	80,000
Government Bonds	2,80,000	Trade Payables	4,00,000
Advance Tax	2,00,000		
Trade Receivables	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 Alpana Ltd. by ascertaining the missing figures/ percentages: (15)

Common Size Income Statement as on 31st March, 2014

Particulars	₹	₹	Common Size %	%
Sales		20,00,000		?
s: Cost of Goods Sold:				
Opening Stock	?		20.00	
Purchases	?		60.00	
Wages	2,50,000		?	
Factory Overheads	?		12.50	
	?		105.00	
s: Closing Stock	6,00,000	?	30.00	75.00
ss Profit		5,00,000		25.00
s: Operating Expenses				
(a) Administrative Expenses	?		7.00	
(b) Selling Expenses	50,000		2.50	
(c) Finance Expenses	?		?	
		2,10,000		10.50
rating Profit		?		?
: Non-Operating Income		50,000		2.50
s: Non-Operating Expenses		?		1.00
Profit Before Tax		3,20,000		0.16 ?

4 Complete the following Income Statement Trend Analysis for three years of Honesty Enterprises Limited. (15)

Income Statement Trend Analysis for three years ended 31st March

Particulars	Amounts 2011 (₹)	Amounts 2012 (₹)	Amounts 2013 (₹)	Trend Percentages 2011(%)	Trend Percentages 2012(%)	Trend Percentages 2013(%)
Ts	?	5,50,000	6,50,000	100	?	130
T of Goods Sold	?	2,50,000	?	100	125	?
Ts Margin	?	?	?	100	?	120
e Expenses	60,000	640000 ?	?	100	115	125
Tng Expenses	?	50,000	?	100	125	150
Tnce Charges	?	31,000	?	100	?	?
Tl Operating Tenses	?	?	?	100	?	?
Tt Before Tax	?	?	1,80,000	100	100	120
ne Tax	60,000	?	?	100	?	120
t 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	₹
pening Stock	2,50,000	By Sales (Credit)	37,00,000
urchases	26,00,000	By Closing Stock	5,00,000
ross Profit c/d	13,50,000		
Total	42,00,000	Total	42,00,000
dministrative Expenses	2,70,000	By Gross Profit b/d	13,50,000
terest	72,000	By Profit on Sale of Assets	50,000
ent	60,000		
elling Expenses	1,00,000		
epreciation	1,20,000		
rovision for Income Tax	2,78,000		
roposed Dividend	1,00,000		
et Profit c/f	4,00,000		
Total	14,00,000	Total	14,00,000

Balance Sheet as on 31st March, 2014

Liabilities	₹	Assets	₹
y 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
ral 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
sed Dividend	1,00,000	Discount on Issue of Debentures	60,000
overdraft	2,00,000		
sion for Depreciation	4,00,000		
sion for Income Tax	2,00,000		
Total	30,00,000	Total	30,00,000

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. (v) Capital Gearing Ratio. (vi) Dividend Payout Ratio.
Assume 360 days in a year.
Note: Drafting of vertical Financial Statements is not expected.

(4) Asmita Ltd. furnishes you the following summarised financial position as on 31st March: (15)

Particulars	2014 ₹	2013 ₹
Equity and Liabilities:		
Equity Share Capital	3,00,000	2,80,000
10% Preference Share Capital	2,00,000	1,70,000
General Reserve	1,20,000	95,000
Profit and Loss Account	1,48,000	1,39,000
12% Debentures	3,50,000	3,00,000
Creditors	1,43,000	1,20,000
Expenses Payable	84,000	77,000
Provision for Taxation	92,000	67,000
Proposed Dividend	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:
(1) Issue of shares, debentures and additions to the assets were made on 1st April, 2013.
(2) Depreciation @ 10% p.a. was charged on Land and Building and Furniture.
(3) Plant and Machinery and Motor Vehicles, both were depreciated by 15% p.a.
(4) 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:
(i) Raw Materials cost per unit will reduce to ₹ 100 and all overheads will increase by 10%.
(ii) Selling Price will remain unchanged.

It is further informed that:
(a) Raw Materials will be in stock on an average equal to one month's consumption.
(b) Processing time required is 1/4 month.
(c) Finished Goods in stock - 1/2 month's requirement.
(d) Credit allowed by suppliers one month.
(e) Credit allowed to customers - 1/2 month.
(f) Time lag in payment of wages and both the overheads - one month.
(g) Cash balance required for smooth operation is expected to be ₹ 75,000.
(h) Production and sales are carried on evenly throughout the year.
(i) Provide margin of safety of 10%.
(j) Debtors are to be calculated at Selling Price.
(k) 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.

(5) (a) Describe the factors that affect the requirement of working capital (8)
(b) Define Asset. Explain various types of Assets. (7)

OR

(5) **Write a short note on (Any Three):** (15)
(a) Strategic information. (b) Own fund. (c) Cash flow from financing activities. (d) Common size income statement.
(e) Cash and cash equivalent.