## 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

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(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.

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

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 | | | Trend Percentages | | |
|---|---|---|---|---|---|---|
| | 2011 (₹) | 2012 (₹) | 2013 (₹) | 2011(%) | 2012(%) | 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 | 60000 ? | ? | 100 | 115 | 125 |
| ng Expenses | ? | 50,000 | ? | 100 | 125 | 150 |
| nce Charges | ? | 31,000 | ? | 100 | ? | ? |
| l Operating | | | | | | |
| nses | ? | ? | ? | 100 | ? | ? |
| t 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 |
| e Payables | 3,00,000 | Cash and bank Balance | 1,50,000 |
| osed 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** |

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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. (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. (8)

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

**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.

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