

SYB Com
25/11/17
10 to 1
pages 7

Fa Acc & Aud
Sem III

Mc

2

Q.P. Code : 22501

350

[Time: 3 Hours]

[Marks: 100]

- N.B:
1. All question are compulsory.
 2. Figures to right indicates full marks.
 3. Working should form part of the answer.
 4. Simple calculator is allowed.

Q.1 A) Select the most appropriate answer [Any ten].

10

- (1) The basic function of management accounting is _____.
- a) To serve Government
 - b) To serve the management in performing if function effectively.
 - c) To serve the public
- (2) In the vertical Balance Sheet, Bank Overdraft is considered as _____.
- a) Current Asset
 - b) Quick Current Liability
 - c) Fixed Asset
- (3) _____ expresses all items of a financial statement as a percentage of some measure of the company.
- a) Commonsized statement
 - b) Comparative statement
 - c) Trend statement
- (4) Satisfactory level of Current Ratio is _____.
- a) 1:1
 - b) 3:1
 - c) 2:1
- (5) _____ shows how many times per period the company pays its average payable amount
- a) Creditors Turnover Ratio
 - b) Debtors Turnover Ratio
 - c) Stock Turnover Ratio
- (6) If cash flows are not uniform, the calculation of payback period takes a _____.
- a) Common profit
 - b) Favourable position
 - c) Cumulative form
- (7) The current worth of a sum of money to be received at a future date is called _____.
- a) Future value
 - b) Present value
 - c) Salvage value

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(8) Total cash outflow is ₹ 85,000 and present value of total cash inflow is ₹ 75,000. The

Net Present value is _____.

- a) ₹ 10,000
- b) ₹ (-)10,000
- c) ₹ 2,000

(9) Using Profitability Index, the preference rule for selection of the machine is _____.

- a) The lower Profitability Index
- b) The higher Profitability Index
- c) Both a and b

(10) Operating cycle refers to the time required to convert the _____ to be converted into products and the time it takes for those products to be sold and turned back into cash.

- a) Cash
- b) Assets
- c) Liabilities

11) Inventory is ₹ 20,000 and average stock held is ₹ 4,000. The stock holding period for 360 days in a year is _____.

- a) 72 days
- b) 180 days
- c) 5 days

(12) _____ provides information about financial position of the company.

- a) Revenue Statement
- b) Cashflow Statement
- c) Balance Sheet

Q.1 B) State whether the following statements are True or False. (Any ten)

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- 1) Financial statements of a company prepared at the end of the financial year provide information only to the owners of the business.
- 2) Combined ratios show the relationship between two figures which are taken from the Balance Sheet only.
- 3) Depreciation is a cash business expenditure.
- 4) Working capital means Net Current Assets.
- 5) Capital Budgeting decisions are long term investment decisions.
- 6) Trend Analysis shows the trend in the performance and position of an organisation.
- 7) When the comparison of financial data is over a number of accounting years relating to one company only it is called as inter company analysis.
- 8) In preparing the estimate of Working Capital, Debtors cannot be valued at cost.
- 9) Permanent Working Capital remains constant.
- 10) Net Profit Ratio is a measure of profitability.
- 11) Payback Method is a modern technique of Capital Budgeting.
- 12) Public Deposits accepted by a company are a part of Shareholders Fund.

Q.2 A) From the following details of A Ltd. prepare a Common Size Income Statement in vertical form suitable for analysis. 08

M/s A Ltd.
Revenue Statement for the year ending 31st March, 2017

Particulars	(₹)
Net Sales	?
Less : Cost of Sales	?
Gross Profit (25% on Sales)	4,00,000
Less : Operating Expenses	?
Operating Profit	?
Add : Non Operating Income	10,000
Less : Non Operating Expenses	40,000
Net Profit Before Tax	80,000
Less : Tax(50%) on Profit Before Tax	?
Net Profit After Tax	?

Q.2.B) From the following prepare a Comparative Balance Sheet of B Ltd. in a vertical form suitable for analysis. 07

Balance Sheets

Liabilities	31/3/17	31/3/16	Assets	31/3/17	31/3/16
	(₹)	(₹)		(₹)	(₹)
Share Capital	1,43,500	1,20,000	Fixed Assets	1,05,000	88,500
Bank Loan	28,000	21,000	Investment	24,000	18,000
Current Liabilities	76,000	69,000	Current Assets	1,18,500	1,03,500
	2,47,500	2,10,000		2,47,500	2,10,000

OR

Q.2 You are required to prepare Trend Income Statement in vertical form suitable for analysis. 15

M/s C Ltd.
Balances for the year ending on 31st March of each year

	(₹)	(₹)	(₹)
	31/3/15	31/3/16	31/3/17
Net Sales	60,000	80,000	1,00,000
Opening Stock	6,000	10,000	14,000
Purchases	34,000	38,000	40,000
Wages	3,000	6,000	4,000
Carriage Inward	4,000	8,000	8,000
Closing Stock	?	?	12,000
Office Expenses	2,000	2,400	3,000

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Administrative Expenses	2,000	2,000	2,000
Selling Expenses	1,400	1,800	2,000
Distribution Expenses	1,000	800	1,200
Finance Expenses	1,200	800	2,000
Interest received	3,000	4,000	6,000
Loss on sale of Investment	1,000	600	1,000

Make provision for Income Tax at the rate of 40% on Net Profit Before Tax of each year.

Q.3

M/s C Ltd.
Balance Sheet as on 31st March, 2017

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Liabilities	Amount (₹)	Assets	Amount (₹)
Equity Share Capital	3,30,000	Debtors	68,000
5% Preference Share Capital	1,00,000	Bills Receivables	12,000
Reserves	68,000	Cash & Bank Balance	32,000
Profit & Loss Account	32,000	Stock	38,000
Creditors	48,000	Other Current Assets	68,000
5% Debentures	1,10,000	Preliminary Expenses	12,000
Provision for Income Tax (current year)	20,000	Fixed Assets	5,47,000
Bills Payable	32,000	Prepaid Expenses	5,000
Bank Overdraft	22,000		
Proposed Dividend	20,000		
	7,82,000		7,82,000

Other details of the company for the year 2016-17:

- 1) Sales ₹ 8,00,000 (80% on credit)
- 2) Credit Purchases ₹ 4,00,000
- 3) Net Profit Before Tax ₹ 60,000
- 4) Dividend on Equity Shares ₹ 15,000

Calculate:-

- 1) Liquid Ratio
- 2) Creditors Turnover Ratio
- 3) Stock Working Capital Ratio
- 4) Debtors Turnover Ratio
- 5) Capital Gearing Ratio
- 6) Dividend Payout Ratio
- 7) Return on Capital Employed

OR

Q.3 From the following details calculate:

15

- 1) Gross Profit Ratio
- 2) Office & Administrative Expense Ratio
- 3) Selling & Distribution Expense Ratio
- 4) Operating Expense Ratio
- 5) Operating Ratio
- 6) Net Profit Before Tax Ratio
- 7) Stock Turnover Ratio

M/s D Ltd.

Trading and Profit & Loss Account for the year ending on 31st March, 2017.

Dr.

Cr.

Particulars	(₹)	Particulars	(₹)
To Opening Stock	1,30,000	By Sales	65,00,000
To Purchases	55,70,000	By Closing Stock	2,55,000
To Direct Expenses	1,70,000	By Interest	15,000
To Salaries	1,78,000		
To Office Expenses	1,38,000		
To Selling Expenses	1,18,000		
To Distribution Expenses	98,000		
To Interest	48,000		
To Provision for Income Tax	95,000		
To Net Profit	2,25,000		
	67,70,000		67,70,000

Q.4 F Ltd. is considering the purchase of a machine. Two models, Model A and Model B are available each costing ₹ 1,50,000.

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Cash Inflows are expected as follows:

Year	Model A (₹)	Model B (₹)
1	45,000	15,000
2	60,000	45,000
3	75,000	60,000
4	45,000	90,000
5	60,000	60,000
6	40,000	50,000
7	30,000	30,000

With the discount factor of 12% , the Present Value of ₹ 1 is as follows:

Year	1	2	3	4	5	6	7
Present Value	0.893	0.797	0.712	0.636	0.567	0.507	0.452

Indicate the selection of the machine by applying

- 1) Payback Period
- 2) Net Present Value at 12% discount factor
- 3) Profitability Index.

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OR

- Q.4 M/s G Ltd. has two different alternatives to buy – Machine X and Machine Y. The expected Earnings Before Tax of the two machines are as follows: 15

Year	Machine X (₹)	Machine Y (₹)
1	4,00,000	4,35,000
2	5,00,000	4,90,000
3	6,00,000	5,80,000
4	5,50,000	6,80,000
5	4,50,000	7,00,000
6	4,20,000	6,80,000
7	3,00,000	5,00,000

Income Tax rate is to be considered at 20% on Earning Before Tax.
Initial Investment of Machine X is ₹ 1,45,000 and of Machine Y is ₹ 1,55,000.
The scrap value of Machine X and Machine Y is ₹ 5,000 and ₹ 15,000 respectively.
Calculate Accounting Rate of Return on the basis of Average Investment.

- Q.5 M/s H Ltd. gives the following details to prepare the statement of Working Capital requirement for the year 2016-17. 15

Projected Revenue Statement for the year 2016-17

	(₹)	(₹)
Sales		18,00,000
<u>Less:</u>		
Purchases	8,00,000	
Wages	2,00,000	
Overheads	<u>1,50,000</u>	<u>11,50,000</u>
		6,50,000
<u>Less: Expenses</u>		
Office and Administrative Expenses	1,80,000	
Selling and Distribution Expenses	<u>1,20,000</u>	3,00,000
		3,50,000

During the year 2016-17 it is estimated that

- 1) Raw materials will be in store for 30 days.
- 2) Finished goods will be in stock after production for 45 days.
- 3) The processing period will be 20 days.
- 4) 70% of purchases and sales will be on credit of 20 days and balance on cash.
- 5) Wages and Overheads will be paid at the time lag of 10 days.
- 6) Office and Administrative Expenses will be paid at the time lag of 20 days.
- 7) The expected Cash and Bank Balance will be ₹ 78,000.
- 8) Operations are evenly spread and expenses accrue evenly.
- 9) Debtors are estimated at selling price.
- 10) Company works for 300 days during the year.

OR

Q.5. M/s T Ltd. plans to produce 19,000 units during the year 2016-17 and to sell them for ₹ 150 per unit. 15

Cost structure of the product is

Raw Materials	60%
Labour	15%
Overheads	10%
	<u>85%</u>
Profit	15%
Selling Price	<u>100%</u>

Further details are available for the year 2016-17 :

- 1) Raw materials equivalent to 1 month's supply is stored in the godown.
- 2) Production process takes 1 month.
- 3) Finished goods equal to 3 month's production are carried in stock.
- 4) Customers get credit of 2 months and suppliers allow credit of 1½ months.
- 5) Time lag in payment of wages and overheads is ½ month .
- 6) 20% of sales are made on cash basis and balance on credit.
- 7) Cash and Bank balance will be maintained at ₹ 10,000 .
- 8) Operations are evenly spread throughout the year. Expenses accrue similarly.
- 9) Debtors are estimated at Selling Price .

Prepare the statement of Working Capital Requirement for the year 2016-17.

Q.6 A) Explain the meaning and functions of Management Accounting. 10

B) Explain the techniques of Capital Budgeting. 10

OR

Q.6 Write short notes (Any Four). 20

- 1) Tools of analysis of financial statements
- 2) Revenue Statement Ratios
- 3) Operating Cycle
- 4) Limitations of Ratio Analysis
- 5) Estimation of Working Capital requirement
- 6) Scope of Management Accounting
