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185

Time Allowed -3hrs

Total Marks -100

1. All questions are compulsory.
2. Working notes should form part of your answer.
3. Proper presentation and neatness is essential.
4. Use of simple calculator is allowed.
5. Figure to the right indicate full marks.

Q.1. A. Select the most appropriate answer from the following: (Any 10)

(10)

- 1) The functions of management accounting include _____
 - a. Collection of data
 - b. Analysis of data
 - c. Presentation of data
 - d. All of the above
- 2) Balance Sheet is a statement of _____
 - a. Assets & Liabilities
 - b. Working capital
 - c. Operating Results
 - d. None of the above
- 3) Comparative Statement shows _____
 - a. One year's performance
 - b. Financial performance
 - c. Comparative performance
 - d. Profitability performance
- 4) Current Ratio shows _____
 - a. Short term financial position
 - b. Collection efficiency
 - c. Financial stability
 - d. Higher profitability
- 5) Working Capital is the capital required to finance _____
 - a. Day to day operations
 - b. Purchase of fixed assets
 - c. Settlement of long term liabilities
 - d. None of the above
- 6) Long term decisions are called as _____
 - a. Profit volume analysis
 - b. Working capital decisions
 - c. Future decisions
 - d. Capital budgeting decisions
- 7) Management Accounting relates to _____
 - a. Recording of accounting data
 - b. Recording of costing data
 - c. Presentation of accounting data
 - d. None of the above
- 8) General Reserve is created out of _____
 - a. Profit
 - b. Income
 - c. Expenditure
 - d. Dividend received

- 9) Earliest year is to be considered as base year, the values of which are taken as 100 in _____.
- Balance Sheet
 - Income statement
 - Trend Analysis
 - Comparative Statement
- 10) Net profit ratio indicates _____.
- Status of assets and liabilities
 - Profitability
 - Trading Efficiency
 - Liquidity
- 11) Margin of safety is provided to _____.
- Cover possible variations in estimation
 - Provide safety in management of working capital
 - Ensure safety in estimation of working capital
 - All of the above
- 12) Payback period is the time required to _____.
- Recover the original investment
 - Depreciate asset
 - Pay the creditors
 - Recovery from debtors

Q.1. B. State whether the following statements are true or false: (Any 10) (10)

- Depreciation is a non cash cost.
- Provision for contingency is added to net current assets to get working capital requirement.
- Analysis is a must for interpretation.
- Current ratio is also known as working capital ratio.
- Patents & copyrights are intangible assets.
- Publication of Management Accounting Report is not compulsory.
- Capital Budgeting decisions are very easy to take.
- Inadequate working capital increases efficiency of the management.
- Stock Turnover ratio indicates the speed of collection of debt.
- In comparative income statement capital employed is considered equal to 100.
- Calls in arrears is calls in advance.
- Focus of Management Accounting is on external reporting.

Q2. A. Complete the following comparative Income statement of A Limited. (08)

	Particulars	2016-17	2017-18	Difference in amount (in Rs.)	Difference in Percentage (%)
	Sales	5,00,000	10,00,000	500,000	?
Less:	Cost of Goods Sold	3,00,000	5,00,000	?	66.67
	Gross Profit	2,00,000	5,00,000	?	?
Less:	Operating Expenses				
	Administrative Expenses	20,000	30,000	?	?
	Selling Expenses	10,000	20,000	?	?
	Finance Expenses	10,000	10,000	?	?
	Total Operating Expenses	40,000	60,000	?	?
	Operating Profit	1,60,000	4,40,000	?	?
Less:	Tax @ 50%	80,000	2,20,000	?	175
	Net Profit after Tax	80,000	2,20,000	1,40,000	?

Q.2 B. Complete the following Common Size Balance Sheet of B Limited. (07)

Particulars	Rs.	%
Sources of Funds		
Equity Share Capital	1,00,000	?
General Reserve	30,000	?
Fictitious assets not written off	-10,000	?
Net worth	1,20,000	?
9% Debentures	80,000	?
Capital Employed	2,00,000	?
Application of Funds		
Fixed Assets	70,000	?
Long term Investments	30,000	?
Working Capital		
Cash/Bank	65,000	?
Other Current Assets	60,000	?
Total Current Assets	1,25,000	?
Sundry Creditors	-25,000	?
Working Capital	1,00,000	?
Capital Employed	2,00,000	?

OR

Q.2. Calculate the Trend Analysis for the following balance sheet of C Limited. (15)

	Particulars	Amounts in Rs.			Trend Percentage		
		31.03.2016	31.03.2017	31.03.2018	31.03.2016	31.03.2017	31.03.2018
I	<u>Sources of funds</u>						
	Equity share capital	4,50,000	6,00,000	6,00,000	?	?	?
	10% Debentures	2,00,000	4,00,000	12,00,000	?	?	?
	Capital Employed	6,50,000	10,00,000	18,00,000	?	?	?
II	<u>Application of funds</u>						
	Fixed Asset	2,50,000	5,00,000	10,00,000	?	?	?
	Investments	1,00,000	1,00,000	2,00,000	?	?	?
	Current Assets						
	Bank	4,00,000	5,00,000	2,00,000	?	?	?
	Other Current Assets	80,000	20,000	5,00,000	?	?	?
	Total Current Assets	4,80,000	5,20,000	7,00,000	?	?	?
Less	Current Liabilities	1,80,000	1,20,000	1,00,000	?	?	?
:	Working Capital	3,00,000	4,00,000	6,00,000	?	?	?
	Capital Employed	6,50,000	10,00,000	18,00,000	?	?	?

Q. 3 Following is the information extracted from the books of M Ltd (15)

Particulars		31.03.2018
I	<u>Sources of funds</u>	
1	Equity share capital	4,00,000
2	Bank Loan	1,00,000
	Capital Employed	<u>5,00,000</u>
II	<u>Application of funds</u>	
1	Fixed Asset	2,00,000
2	Investments	1,50,000
3	Current Assets	
	Inventories	5,00,000
	Cash	20,000
	Total Current Assets	5,20,000
4	Trade payables	<u>3,70,000</u>
5	Working Capital (3-4)	1,50,000
	Capital Employed	<u>5,00,000</u>

Particulars		31.03.2018
	Sales	30,00,000
Less:	Cost of Goods Sold	15,00,000
	Gross Profit	15,00,000
Less:	Interest Expense	2,00,000
	Net Profit Before Tax	13,00,000
Less:	Tax	6,50,000
	Net Profit after Tax	6,50,000

Compute the following Ratios:

1. Debt- Equity Ratio
2. Current Ratio
3. Gross Profit Ratio
4. Liquid Ratio
5. Net Profit Ratio
6. Stock Turnover Ratio
7. Return on Equity

Preparing Vertical Balance Sheet is not expected

OR

Q.3 Following is the Summarized Balance Sheet of M/s N Limited as on 31st March, 2018. (15)

Liabilities	Amount	Assets	Amount
Equity Share Capital (Rs. 10/- Each)	7,00,000	Goodwill	2,18,750
9% Preference Share Capital (Rs. 100/- each)	3,50,000	Furniture & Fittings	5,25,000
General Reserve	1,75,000	Land & Building	7,00,000
Profit & Loss Account	1,75,000	Stock	1,75,000
10% Mortgage Loan	3,50,000	Debtors	3,50,000
Accounts Payable	1,75,000	Cash & Bank Balances	1,05,000
Advance from Customers	87,500	Prepaid Expenses	70,000
Provision for Taxation	1,05,000	Preliminary Expenses	26,250
Proposed Dividend	70,000	Discount on issue of Debentures	17,500
Total	21,87,500	Total	21,87,500

The following further information is also given for the year			
Total Sales	17,50,000		
Purchases	8,75,000		
Net Profit rate	15%		
Number of Days in a year	360		
Out of Total Sales, 20% are Cash Sales			

Calculate the following Ratios:

1. Proprietary Ratio
 2. Net Profit Ratio
 3. Quick Ratio
 4. Operating Ratio
 5. Creditors Turnover Ratio
 6. Debtors Turnover Ratio
 7. Capital Gearing Ratio
- Preparing Vertical Balance Sheet is not expected

Q.4. The Cost of Machinery is Rs. 200,000

(15)

Year	Net Cash Inflow in Rs.
1	1,11,995
2	1,25,439
3	1,40,489
4	1,57,356
5	1,76,243

Round off each of the Present values to the nearest Rupee

Year	1	2	3	4	5
Discounting Factor @ 12 %	0.8929	0.7972	0.7118	0.6355	0.5674

Using Discounting Factor @ 12% (up to 4 decimal places) calculate:

1. Discounted Payback Period
2. Net Present Value
3. Profitability Index
4. Payback Period

OR

Q4. The Cost of Machinery A is Rs. 10,00,000 & Cost of Machinery B is Rs. 20,00,000.

Depreciation has been applied on a Straight Line Method with no salvage value.

(15)

Year	Net Profit after depreciation & Tax of Machine A in Rs.	Net Profit after depreciation & Tax of Machine B in Rs.
1	5,00,000	12,00,000
2	6,00,000	12,00,000
3	7,00,000	15,00,000
4	8,00,000	16,00,000
5	7,00,000	15,00,000

1. Using Average Rate of Return method analyse which machine should be accepted.
2. Using Payback Period Method which machine should be accepted.

Q.5 The management of Z Industries has called for a statement showing the working capital to finance a level of activity of 1,80,000 units of output for the year. The cost structure for the company's product for the above mentioned activity level is detailed below: (15)

	Cost Per Unit
Raw Material	Rs. 20
Direct Labour	Rs. 5
Overheads (Including Depreciation of Rs. 5 per unit)	<u>Rs. 15</u>
	Rs. 40
Profit	<u>Rs. 10</u>
Selling Price	<u>Rs. 50</u>

Additional Information:

- a) Minimum desired cash balance is Rs. 30,000.
 - b) Raw material are held in stock, on an average, for two months.
 - c) Work-in-progress (assume 50% completion stage) will approximate to half-a-month's production.
 - d) Finished goods remain in warehouse, on an average, for a month.
 - e) Suppliers of materials extend a month's credit and debtors are provided two months' credit; cash sales are 25% of total sales.
 - f) There is a time-tag-in payment of wages of a month and half-a-month in the case of overheads.
- From the above facts, you are required to prepare a statement showing working capital needs.

OR

Q5 The management of Y Industries has called for a statement of estimated working capital to finance a level of activity of 3,60,000 units of output for the year. The cost structure for the company's product for the above mentioned activity level is detailed below : (15)

- a) Analysis of Cost per unit is as follows.
 - Raw material is 40% of sales
 - Labour and overheads are 10% and 30% of sales respectively.
 - Selling Price is Rs 100 per unit.
 - b) Minimum desired cash balance is Rs. 60,000.
 - c) Raw material are held in stock, on an average, for two months.
 - d) Work-in-progress (assume 50% completion stage) will approximate to half-a-month's production.
 - e) Finished goods remain in warehouse, on an average, for a month.
 - f) Suppliers of materials extend a month's credit and debtors are provided two months' credit.
 - g) There is a time-tag-in payment of wages of a month and half-a-month in the case of overheads.
- From the above facts, you are required to prepare a statement showing estimated working capital needs.

Q.6 Answer the Following (20)

- a. Explain Payback Period and Profitability Index Methods of Capital Budgeting?
- b. Distinguish between Financial Accounting and Management Accounting?

OR

Q6. Short Notes (Any Four) (20)

1. Functions of a Management Accountant
2. Net Present Value
3. Combined Ratios
4. Gross Working Capital
5. Current Liabilities and Quick Liabilities.
6. Operating Expenses
