

Time: 2½ hrs.

Note:

1. All questions are compulsory with internal options.
2. Figures to the right indicate full marks.
3. Draw neat diagram wherever necessary.

Q. 1 (A) Fill in the blanks with the correct answer from the alternatives given below. (Attempt any 8) (08)

- 1) Management account is also called _____.
 - a) Managerial accounting
 - b) Internal accounting
 - c) Analytical accounting
 - d) Corporate accounting
- 2) Management accounting applies to _____.
 - a) Service firms only
 - b) Not for profit entities only
 - c) Manufacturing firms only
 - d) All types of entities
- 3) Capital employed is equal to _____.
 - a) Fixed assets + Investment + current assets
 - b) Fixed assets + Investment + working capital
 - c) Fixed assets + Investment + current liability
 - d) None of the above
- 4) Owners' funds are equal to _____.
 - a) Capital employed
 - b) Fixed assets + Investment + working capital
 - c) Total assets - current liability - loan fund
 - d) None of the above
- 5) Operating ratio is _____.
 - a) Balance sheet ratio
 - b) Revenue statement ratio
 - c) Composite ratio
 - d) None of the above
- 6) Debt equity ratio is _____.
 - a) Balance sheet ratio
 - b) Revenue statement ratio
 - c) Composite ratio
 - d) None of the above
- 7) Cash payments of salaries and wages to employees will be shown in the cash flow statement as _____.
 - a) Operating activity
 - b) Investing activity
 - c) Financing activity
 - d) Cash or cash equivalent
- 8) Cash payment to acquire a fixed assets like machinery will be shown in the cash flow statement as _____.
 - a) Operating activity
 - b) Investing activity
 - c) Financing activity
 - d) Cash or cash equivalent
- 9) Permanent working capital is also known as _____.
 - a) Gross working capital
 - b) Net working capital
 - c) Core working capital
 - d) Fixed capital
- 10) Cash working capital includes _____.
 - a) Fixed assets - depreciation
 - b) Debtors at sales value
 - c) Debtors at sales less profit margin
 - d) Creditors at purchase cost less profit margin

- (B) State whether the following statements are true or false. (Attempt any 7) (07)
- (1) Budgets contain the plans of management.
 - (2) Management accounting reports may be prepared as and when needed.
 - (3) Goodwill is shown under application of funds in the vertical balance sheet.
 - (4) Unclaimed dividends are classified as current liability in vertical financial statements.
 - (5) Bank overdraft = current liabilities - quick liabilities.
 - (6) High proprietary ratio indicates low risk for the creditors.
 - (7) For the purpose of cash flow statements deposits kept with bank for 30 days will be classified as investing activity.
 - (8) Interest paid on loans reduces the cash flow for operating activity.
 - (9) In public utility concerns like railways, electricity boards their most transactions are in cash, working capital requirement are low.
 - (10) Working capital requirement is high when the supply of raw material is irregular.

Q.2

Following is a profit and loss account summary of well balanced limited for the year ended 31st March 2020. You are required to prepare vertical income statement for purpose of analysis. (15)

Particulars	Amount	Particulars	
To Opening stock	700000	By sales	2000000
To Purchase	900000	By Closing stock	600000
To Wages	150000	By Dividend Income	10000
To Factory Exp	350000	By Profit on sale of furniture	20000
To Office salary	25000		
To office rent	39000		
To Postage	5000		
To Director fees	6000		
To salesman salary	12000		
To Advertising	18000		
To Delivery Expenses	20000		
To Debenture Interest	20000		
To Depreciation			
- Office furniture	10000		
- Plant	30000		
- Delivery Van	20000		
To loss on sale of van	5000		
To Income tax	175000		
To Net profit	145000		
	2630000		2630000

OR

Q.2

From the following income statement of Lalit Limited., prepare the common size revenue statement with amount and percentage in vertical form suitable for analysis. (15)

Income statement for the year ended 31st March 2020

Particulars	Amount	Particulars	Amount
To Opening stock of finished goods	200000	By sales of finished goods	1000000
To Material Consumed	600000	By Closing stock of finished goods	45000

To Wages	125000	By Goods distributed as free samples	5000
To Factory overhead	125000		
	1050000		1050000
To staff salaries	17500	By Commission	265000
To Telephone charges	10000		
To Directors Fees	10000		
To Depreciation on office furniture	32500		
To Advertisement	12000		
To Free samples	5000		
To Publicity expenses	80000		
To Interest on debenture	5000		
To Interest on loan	5000		
To Net profit	88000		
	265000		265000
To Transfer to reserve	70000	By Balance c/d	100000
To Balance to balance sheet	118000	By Net profit	88000
	188000		188000

Q.3

M/s C Ltd

(15)

Balance sheet as on 31st March 2017

Liabilities	Amount	Assets	Amount
Equity share capital	330000	Debtors	68000
5% Preference share capital	100000	Bills Receivables	12000
Reserve	68000	Cash	32000
Profit and loss A/c	32000	Stock	38000
Creditors	48000	Other current assets	68000
5% Debenture	110000	Preliminary Expenses	12000
Provision for Income tax (Current Year)	20000	Fixed Assets	547000
Bills payable	32000	Prepaid Expenses	5000
Bank Overdraft	22000		
Proposed Dividend	20000		
	782000		782000

Other details of the company for the year 2016-2017:

1. sales ₹8,00,000 (80% Credit)
2. credit purchase ₹4,00,000.
3. Net profit before tax ₹60,000
4. Dividend on equity shares ₹15,000

You are required to calculate:

1. Liquid ratio
2. Creditors turnover ratio
3. Stock working capital ratio

4. Debtors turnover ratio
5. Capital gearing ratio
6. Return on capital employed

OR

Q.3

From the following data provided by alpha limited estimate working capital requirement for the year ended 31st March 2020. (15)

1. Estimated activity for the year 2,60,000 units (52 weeks)
2. Raw material remains in stock for two weeks and production cycle takes 2 weeks.
3. Finished goods remains in stock for two weeks.
4. Two weeks credit is allowed by suppliers
5. Four weeks credit is allowed to debtors.
6. Time lag in payment of wages and overhead is 2 weeks each
7. Cash and bank balance to be maintained at ₹25,000.
8. Selling price per unit is ₹15.
9. Analysis of cost per unit as follows:
Raw material 33.33% of sales
Labour and overhead in the ratio of 6:4 per unit.
Profit is at ₹ 5 per unit.

Assume that operations are evenly spread throughout the year. Wages and overhead accrue similarly. Manufacturing process required feeding of material fully at the beginning. Degree of work in progress is 50%. Debtors are to be estimated at selling price

Q.4

Following are the summary balance sheet of young India limited.

(15)

Liabilities	2017 (₹)	2016 (₹)	Assets	2017 (₹)	2016 (₹)
Share capital	700000	600000	Fixed Assets	650000	400000
General Reserve	200000	150000	Debtors	350000	200000
Profit and loss A/c	280000	170000	Stock	250000	150000
14% Debenture Issued for purchase of fixed assets	200000	Nil	Cash	130000	100000
			Underwriting commission	Nil	70000
	1380000	920000		1380000	920000

Assuming the depreciation for the year to be ₹50,000 and interim dividend paid during the year to be 5% on opening capital. Prepare cash flow statement.

OR

Q.4

From the following figures of beta limited prepare an estimate of working capital required: (15)

1. Production 30,000 units
2. Selling price per unit is ₹10.
3. Raw material 60% of selling price.
4. Direct wages 1/6th of raw material.
5. Overheads is twice the direct wages.
6. Material in hand two months requirement.
7. Production time takes one month.
8. Finished goods in stores is for three months.
9. Credit for material is 2 months.
10. Credit allowed to customers is 3 months.

11. Average cash balance should be ₹ 40,000.

Wages and overheads are paid in the beginning of next month. In production all the materials are charged in the initial stage and wages and overheads accrue evenly

- Q.5 (a) Distinguish between owner's fund and owed funds. (08)
(b) Distinguish between debtor's turnover ratio and creditors turnover ratio. (07)

OR

- Q.5 Write short notes on (Attempt any 3) (15)
(1) Write any five functions of management accounts.
(2) Proprietary ratio
(3) Forms of expressing ratios
(4) Cash flow from financing activity
(5) Working capital

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