

Note:

1. All questions are compulsory with internal options.
2. Working should form part of your answer.
3. Figures to the right indicate full marks.

Q. 1 (A) Fill in the blanks with the appropriate answer from the alternative given below. (attempt any 10)

- (1) Net profit ratio indicates _____.
 - (a) liquidity
 - (b) trading efficiency
 - (c) status of assets and liabilities
 - (d) profitability
- (2) Balance sheet is a statement of _____.
 - (a) working capital
 - (b) operating results
 - (c) expenses
 - (d) assets and liabilities
- (3) Payback period is the time required to _____.
 - (a) depreciate asset
 - (b) pay the creditors
 - (c) recovery from debtors
 - (d) recover original investment
- (4) Inventory is ₹20,000 and average stock held is ₹4000. The stock holding period for 360 days in year is _____.
 - (a) 10 days
 - (b) 5 days
 - (c) 180 days
 - (d) 72 days
- (5) Assets which can be converted into cash within one year are _____.
 - (a) fixed assets
 - (b) fictitious assets
 - (c) current liabilities
 - (d) current assets
- (6) Underwriting commission is a _____.
 - (a) fixed assets
 - (b) current liabilities
 - (c) current assets
 - (d) fictitious assets
- (7) Operating Cost Ratio is _____.
 - (a) balance sheet ratio
 - (b) revenue statement ratio
 - (c) composite ratio
 - (d) none of the above
- (8) If cash flows are not uniform, the calculation of payback period takes a _____.
 - (a) common profit
 - (b) favourable position
 - (c) unfavourable position
 - (d) cumulative form
- (9) _____ is not a quick asset.
 - (a) cash

- (b) marketable securities
(c) debtors
(d) advance tax
- (10) _____ are the techniques of Capital Budgeting.
(a) Payback Period
(b) Accounting Rate of Return
(c) Net Present Value
(d) all of the above
- (11) The current worth of a sum of money to be received at a future date is called _____.
(a) future value
(b) salvage value
(c) capital value
(d) present value
- (12) The functions of management accounting include _____.
(a) collection of data
(b) analysis of data
(c) presentation of data
(d) all of the above

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

(10)

- (1) Financial Accounting is future oriented.
- (2) Operational information is required by top managers.
- (3) In comparative income statements, capital employed is considered equal to 100.
- (4) Inadequate working capital increases efficiency of the management.
- (5) Stock Turnover ratio indicates the speed of collection of debt.
- (6) Strategic information is obtained from external sources only.
- (7) Publication of management accounting reports is not compulsory.
- (8) Patents and copyrights are intangible assets.
- (9) Permanent working capital remains constant.
- (10) There is a time element involved in capital budgeting.
- (11) Revenue statement indicates operating performance of a company.
- (12) Depreciation is a non-cash cost

Q.2 M/s. Sudesh Ltd. carrying on business furnishes their position as on 31st December 2015, 2016 and 2017(20) as under.

| Liabilities | 2015 ₹ | 2016 ₹ | 2017 ₹ | Assets | 2015 ₹ | 2016 ₹ | 2017 ₹ |
|--------------------------------|-----------|-----------|-----------|--------------|-----------|-----------|-----------|
| Equity Share Capital | 3,00,000 | 3,00,000 | 4,00,000 | Fixed Assets | 3,00,000 | 3,00,000 | 4,00,000 |
| Preference share capital | 2,00,000 | 2,00,000 | 2,50,000 | Investment | 1,00,000 | 1,00,000 | 1,00,000 |
| General Reserve | 50,000 | 1,00,000 | 1,00,000 | Debtors | 1,00,000 | 1,50,000 | 2,00,000 |
| Secured loan | 1,00,000 | 1,00,000 | 50,000 | Stock | 50,000 | 1,00,000 | 50,000 |
| Sundry Creditors | 40,000 | 80,000 | 80,000 | Advance paid | 50,000 | 50,000 | 50,000 |

| | | | | | | | |
|---------------|----------|----------|----------|---------------------|----------|----------|----------|
| Bills payable | 10,000 | 20,000 | 20,000 | Cash | 50,000 | 50,000 | 50,000 |
| | | | | Bank | 25,000 | 40,000 | 45,000 |
| | | | | Preliminary expense | 25,000 | 10,000 | 5,000 |
| | 7,00,000 | 8,00,000 | 9,00,000 | | 7,00,000 | 8,00,000 | 9,00,000 |

Prepare a vertical trend balance sheet.

OR

Q.2.A Convert the following income statement into common size vertical form.

(10)

| Particulars | Amount (₹) |
|-------------------------|------------|
| Gross Sales | 2,03,000 |
| Sales Return | 3,000 |
| Cost of Goods sold | 1,20,000 |
| Administration Expenses | 25,000 |
| Selling Expenses | 15,000 |
| Non-operating Income | 5,000 |
| Non-operating expenses | 3,000 |
| Provision for tax | 50% |

Q.2.B Following are the balance sheets of Nileema Ltd. as on 31st March 2021 and 2022.

(10)

Balance Sheets as on 31st March

| Liabilities | 2021 | 2022 | Assets | 2021 | 2022 |
|------------------------------|-----------------|-----------------|----------------------|-----------------|-----------------|
| Equity share capital | 70,000 | 70,000 | Fixed Assets | 80,000 | 90,000 |
| 11% Preference share capital | 50,000 | 60,000 | Investments | 50,000 | 40,000 |
| General Reserve | 22,000 | 24,000 | Current Assets | 57,000 | 32,000 |
| 10% Debentures | 30,000 | - | Preliminary expenses | 10,000 | 8,000 |
| Current Liabilities | 25,000 | 16,000 | | | |
| Total | 1,97,000 | 1,70,000 | Total | 1,97,000 | 1,70,000 |

Prepare a comparative balance sheet from the above in vertical form

Q.3 Sachin Ltd. furnishes you their Balance Sheet as on 31st March, 2017 with some additional information. (20)

| Liabilities | ₹ | Assets | ₹ |
|------------------------------|---------|---------------------|---------|
| Equity share capital | 200,000 | Goodwill | 85,000 |
| 10% Preference share capital | 200,000 | Building (at cost) | 200,000 |
| Reserves | 30,000 | Machinery (at cost) | 100,000 |

| | | | |
|------------------------------------|-------------------------|--------------------------------------|-------------------------|
| Profit and loss account | 25,000 | Furniture (at cost) | 75,000 |
| 12% Debentures | 150,000 | Vehicle (at cost) | 175,000 |
| 15% Public Deposits | 100,000 | Debtors (last year ₹80,000) | 110,000 |
| Creditors (last year ₹ 30,000) | 40,000 | Bills Receivable (last year ₹65,000) | 95,000 |
| Bills payable (last year ₹ 25,000) | 35,000 | Inventories (last year ₹70,000) | 50,000 |
| Bank Overdraft | 70,000 | Cash & Bank Balance | 60,000 |
| Depreciation provision | 100,000 | Prepaid Insurance | 5,000 |
| Provision for income tax | 50,000 | Advance Income tax | 40,000 |
| | | Preliminary expenses | 5,000 |
| Total | <u>10,00,000</u> | Total | <u>10,00,000</u> |

Further Information:

a). Total Sales for the year ₹24,00,000 (70% on credit)

b). Gross Profit rate: 25%

c). Profit before tax: ₹140,000

Calculate the following ratios and offer your comments only on Current ratio:

1. Current ratio
2. Proprietary ratio
3. Return on capital employed
4. Debt Service ratio
5. Capital gearing ratio
6. Creditors turnover ratio
7. Debtors turnover ratio

NOTE: Converting statement in vertical form is not expected

OR

Q.3 From the following estimates and information relating to Nirmala Products Private Limited. Calculate working capital requirement for the year 2016-17. (20)

- 1) Expected level of production and sale of the year - 1,80,000 units.
- 2) Cost per unit - Raw materials ₹ 9, Direct labour ₹4 and Overheads ₹6.
- 3) Selling price per unit ₹22.
- 4) Raw Materials in stock on an average for 30 days.
- 5) Materials are in process on an average for 15 days.
- 6) Finished goods in stock on an average for 30 days.
- 7) Credit allowed by suppliers is 30 days.
- 8) Time lag in payment from customers is 60 days.
- 9) Time lag in payment of labour is 15 days.
- 10) Time lag in payment of overheads is 30 days.
- 11) All the sales are on credit except 10% sales which are on cash basis.
- 12) Cash and Bank balance is expected to be ₹67,000/-
- 13) The production and sales are evenly spread throughout the year.
- 14) Labour and Overheads accrue evenly during processing period.

15) Company works for 360 days during an accounting year.

16) Estimate debtors on cost basis.

Q.4 Ruby manufacturing company gives the following details. Estimated level of activity 26,000 units of (20) production for the year 2016-17.

Estimated Cost per Unit is:

| | ₹ |
|---------------|----|
| Raw materials | 20 |
| Direct wages | 8 |
| Overheads | 16 |
| Selling Price | 50 |

Further information:

1. Raw material in stock average 4 weeks consumption.
 2. Work-in-Progress 2 weeks.
 3. Finished Goods in stock for 2 weeks.
 4. Credit allowed by suppliers for 2 weeks.
 5. Credit allowed to debtors 3 weeks.
 6. Lag in payment of wages and overheads 1 week.
 7. Cash at the Bank for smooth operation is expected to be 24,000.
 8. Production is carried on evenly throughout the year.
 9. Provide a margin of safety at 10%.
 10. Debtors are to be calculated at selling price.
 11. 25% purchases and 20% sales are against cash.
- You are required to prepare a statement showing working capital requirements for the year 2016- 17.

OR

Q.4 Mahad Engineering Co. is considering purchase of a machine costing ₹500,000. Machine is expected to (20) have five years of life with no scrap value. Company provides depreciation on straight line method. Income Tax rate is 30%. Expected profit after depreciation but before tax and present value of ₹1 at 10% rate for the next five years is as follows:

| Year | PV of ₹1 | N.P. after dep. But before tax |
|------|----------|--------------------------------|
| | ₹ | ₹ |
| 1 | 0.909 | 120,000 |
| 2 | 0.826 | 160,000 |
| 3 | 0.751 | 200,000 |
| 4 | 0.683 | 240,000 |
| 5 | 0.621 | 280,000 |

You are required to calculate:

1. Average rate of return on average investment

2. Payback period

3. Net present value

- Q.5 a) Explain the scope of management accounting. (10)
 b) Different types of information within an organization (10)

OR

Q.5 Write short notes on: (attempt any 4) (20)

- a) Distinguish between own fund and owed funds
- b) Gross working capital
- c) Operating Expenses
- d) Temporary working capital
- e) Capital budgeting process
- f) Stock turnover ratio
- g) Gross working capital

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