

SYBCOM/SEM III/ATKT/FAA

Time: 3 hrs.

Marks:100

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

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

- (1) \_\_\_\_\_ is not an item of current liability
  - (a) creditors
  - (b) advance from customers
  - (c) unclaimed dividend
  - (d) debenture
- (2) \_\_\_\_\_ is not a quick asset.
  - (a) Loose tools
  - (b) Interest accrued
  - (c) Bills Receivable
  - (d) advance tax
- (3) Provision for depreciation is \_\_\_\_\_.
  - (a) shown under provision
  - (b) shown under secured loans
  - (c) ignored
  - (d) deducted from cost of fixed assets
- (4) General reserve is created out of \_\_\_\_\_.
  - (a) dividend received
  - (b) income
  - (c) expenditure
  - (d) profits
- (5) Return on Investment = \_\_\_\_\_ ÷ Capital Employed X 100
  - (a) NPBT
  - (b) NPAT
  - (c) NPBITD
  - (d) NPBIT
- (6) Cash working capital includes \_\_\_\_\_.
  - (a) Fixed assets less depreciation
  - (b) debtors at sales value
  - (c) debtors at sales less profit margin
  - (d) creditors at purchase cost less profit margin
- (7) Current ratio shows \_\_\_\_\_.
  - (a) Higher profitability
  - (b) Collection efficiency
  - (c) Financial stability
  - (d) Short term financial position
- (8) The total current assets without deducting the current liabilities is \_\_\_\_\_.
  - (a) Net working capital
  - (b) Permanent working capital
  - (c) Temporary working capital
  - (d) Gross working capital
- (9) Underwriting commission is a \_\_\_\_\_.
  - (a) tangible asset
  - (b) Intangible asset
  - (c) fixed assets
  - (d) fictitious assets
- (10) Permanent working capital is also known as \_\_\_\_\_.
  - (a) Gross working capital
  - (b) Net working capital

- (c) Permanent working capital  
(d) core working capital
- (11) Working capital is the capital required to finance \_\_\_\_\_.  
(a) None of the above  
(b) Purchase of fixed assets  
(c) Settlement of long term liabilities  
(d) Day to day operations
- (12) Short term investments are shown in the vertical financial statement as part of \_\_\_\_  
(a) investment  
(b) loans and advances  
(c) current liabilities  
(d) current assets

**Q.1. (B) State whether the following statements are True or False.(Any 10) (10)**

- (1) Depreciation is a non cash cost.
- (2) Provision for contingency is added to net current assets to get working capital requirements.
- (3) Payback period is the period required to recover the initial investment outlay.
- (4) Preliminary expenses are shown under miscellaneous expenditure.
- (5) Fictitious assets are intangible.
- (6) NPV method considers time value.
- (7) Financial Accounting is future oriented.
- (8) Strategic information is obtained from external sources only.
- (9) Operational information is required by top managers.
- (10) Inter firm and inter period comparisons are made with the help of common size statements.
- (11) In trend analysis, the trend of each item is calculated on the basis of sales of the base year.
- (12) Calls in arrears are calls in advance.

**Q.2. (A) From the following particulars prepare a vertical common size income statement of(10)  
Raj Ltd. for the year ending 31st March 2019.**

Particulars	Amount (₹)
Sales	19,82,800
Return Inward	37,800
COGS	10,93,500
Administration expenses	1,83,600
Selling Expenses	3,56,400
Non - operating expenses	32,640
Tax paid	1,18,800
Dividend	8,000
Non- operating income	21,860

**Q.2 (B) Following is the summary balance sheet of Rajnikanth Ltd. as at 31st March. (10)**

Liabilities	2017	2018	Assets	2017	2018
Share Capital	50,000	80,000	Fixed Assets	60,000	75,000
Reserves and Surplus	15,000	20,000	Investment	10,000	20,000
12% Debentures	30,000	24,000	Current Assets	50,000	40,000
Current Liabilities	30,000	15,000	Miscellaneous Expenditure	5,000	4,000
	<b>1,25,000</b>	<b>1,39,000</b>		<b>1,25,000</b>	<b>1,39,000</b>

From the above information prepare Comparative Balance Sheets in vertical form. Do not write comments.

OR

**Q.2. Charles Ltd. request you to prepare trend analysis statement from the following information: (20)**

Particulars	2015(₹)	2016(₹)	2017 (₹)
Equity share capital (₹ 10 each)	1,00,000	1,40,000	1,70,000
Profit and loss account	59,000	2,00,000	1,50,000
Creditors	75,000	1,00,000	Nil
General Reserve	60,000	2,00,000	1,10,000
Bills Receivable	10,000	20,000	40,000
Fictitious assets	20,000	32,000	Nil
Trade Investments	Nil	2,00,000	1,00,000
10% Preference share capital	50,000	1,00,000	2,00,000
13% Debentures	50,000	1,20,000	1,00,000
Building	1,00,000	2,50,000	4,00,000
Plant & Machinery	64,000	1,50,000	2,30,000
Marketable Investments	50,000	60,000	Nil
Debtors	25,000	30,000	50,000
Bills Payable	75,000	82,000	90,000
Bank	2,00,000	2,00,000	Nil

Q.3.

Following is the trading and profit and loss account for the year ended 31st March 2018 and Balance sheet as on that date of Abhijeet Ltd.

**Trading and Profit and Loss account for the year ended 31st March, 2018**

Particulars	₹	Particulars	₹
To opening stock	2,50,000	By Sales	37,00,000
To Purchases	26,00,000	By closing stock	5,00,000
To gross profit c/d	13,50,000		
<b>Total</b>	<b>42,00,000</b>	<b>Total</b>	<b>42,00,000</b>
To Administrative expenses	2,70,000	By gross profit b/d	13,50,000
To interest	72,000	By Profit on sale of assets	50,000
To rent	60,000		
To selling expenses	1,00,000		
To Depreciation	1,20,000		
To provision for income tax	2,78,000		
To net profit c/f	5,00,000		
<b>Total</b>	<b>14,00,000</b>	<b>Total</b>	<b>14,00,000</b>

**Balance Sheet as on 31st March, 2018**

Liabilities	₹	Assets	₹
Equity share capital	5,00,000	Fixed Assets (at cost)	12,40,000
11% Preference share capital	3,00,000	Short term investments	1,00,000
Reserves and Surplus	5,00,000	Trade receivables (last year ₹ 9,00,000)	9,50,000
12% Debentures	6,00,000	Inventories	5,00,000
Trade payables	3,00,000	Cash and bank balance	1,50,000
Bank overdraft	2,00,000	Discount on issue of debentures	60,000



Provision for depreciation	4,00,000		
Provision for tax	2,00,000		
<b>Total</b>	<b>30,00,000</b>	<b>Total</b>	<b>30,00,000</b>

From the above information calculate following ratios:

1. Current ratio
2. Inventory Turnover ratio
3. Return on Proprietors Fund
4. Operating Ratio
5. Debtors Turnover Ratio
6. Capital gearing ratio
7. Creditors Turnover ratio
8. Stock to working capital ratio

Assume 360 days in a year

Drafting of vertical financial statements is not expected.

(OR)

- Q.3.** The management of A Ltd. has asked you to prepare an estimate showing the working capital requirement for 2017-2018, along with an estimated cost sheet. (20)

Present position - 2016-17:

**Operating capacity - 40%, giving output of 40,000 units for the year.**

Cost Structure per unit

Raw material	₹ 20
Direct Labour	₹ 15
Overheads	₹ 10
Profit	₹ 5

Estimates for the next year 2017-2018:

Operating capacity- 60%

Cost Structure:

Raw material cost to increase by 10%

Direct Labour cost to increase by 20%

Overheads to increase by 20%

Selling Price to increase by 20%

The following further information is available:

1. The purchase, production and sales pattern is assumed to be even throughout the year.
2. The raw materials will remain in stock for 1 month.
3. The production process will take 1 month wherein labour and overheads will accrue evenly during the process.
4. The finished goods will remain in the stock for 2 months.

5. The customers will be allowed a credit of 2 months.
6. The suppliers will allow a credit of 1 month.
7. The time-lag in payment of labour will be 1 month.
8. The time-lag in payment of overheads will be half a month.
9. The cash and bank balance is expected to be ₹25,000/-
10. Calculate debtors on cost basis.
11. 20% of the purchase will be on a cash basis.

Q.4.

AB Ltd. is considering the purchase of a machine. Two machines PQ and Machine XY are available.

From the following details calculate:

1. Payback period
2. Net present value @ 10% discount factor.

Year	Cash Inflow (₹)		PV @ 10% (of ₹ 1)
	Machine PQ	Machine XY	
1	85,000	75,000	0.909
2	87,000	97,000	0.826
3	90,000	1,27,000	0.751
4	92,000	1,48,000	0.683
5	1,00,000	98,000	0.621
6	1,22,000	96,000	0.564
7	1,00,000	90,000	0.513
8	78,000	70,000	0.467
Cost of machine	₹2,88,000	₹3,33,000	
Scrap value	₹ 8,000	₹ 3,000	

Also advise which machine will be selected applying the above methods.

(OR)

Q.4.

The following is the summarized balance sheet of Mercury Ltd. as on 31<sup>st</sup> March 2018. (20)

Liabilities	₹	Assets	₹
Equity share capital(₹ 10 each)	4,00,000	Goodwill	1,25,000
9% Preference share capital (₹ 100 each)	2,00,000	Furniture and fittings	3,00,000
General reserve	1,00,000	Land & Building	4,00,000
Profit and loss account	1,00,000	Stock	1,00,000
10% Mortgage loan	2,00,000	Debtors	2,00,000
Accounts payable	1,00,000	Cash and Bank Balances	60,000
Advance from customers	50,000	Prepaid expenses	40,000
Provision for taxation	1,00,000	Preliminary expenses	15,000
		Discount on issue of debentures	10,000
	12,50,000		12,50,000

The Following further information is also given for the year:

Total Sales Rs. 10,00,000/-

Net Profit Rate - 15%

Out of sales 20% are cash sales.

Purchases - Rs. 500,000/-

No. Of days in a year - 360

Calculate the following ratios:

1. Proprietary ratio
2. Capital Gearing ratio
3. Acid test ratio
4. Operating ratio
5. Creditors Turnover ratio
6. Current ratio

Preparing the Balance sheet in vertical form is not expected.

Q.5. (A) Distinguish between own fund and owed funds (10)

(B) Explain Common size financial statements. (10)

(OR)

Q.5. Short notes (any 4) (20)

- (a) Scope of management accounting
- (b) Distinguish between Financial accounting and Management accounting
- (c) Operating Expenses
- (d) Gross working capital
- (e) Operating Cycle
- (f) Tools of analysis of financial statements.

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