Professor Vishwanathan Iyer's

HERAMB COACHING CLASSES

Yogeshwar Towers, Katemanivali, Kalyan (E)

DATE:08.11.17

SYBCOM/MANAGEMENT ACCOUNTING MARKS:100 DURATION: 3HOURS

Q.1. (a) Multiple Choice questions: **(10)**

1) The shareholder funds consist of
   a) Only preference capital b) Only equity shares
   c) Only reserve and surplus d) all of the above

2) The proprietary ratio shows the relation between proprietor's funds and __________.
   a) Total Assets b) total tangible assets c) Total capital d) total fixed assets

3) ______ will ensure high return on investment.
   a) Adequate working capital b) surplus working capital
   c) Shortage of working capital d) none of these

4) The comparative income statement shown the increase or decrease of previous year.
   a) Only sales b) Only profit c) Only expenses d) All of the above.

5) What ratio indicates the relationship between shareholder fund & outsider fund?
   a) Proprietary ratio b) operating ratio c) debt-equity ratio d) none of these

6) The rate of dividend on equity capital is
   a) Predetermine b) subject to available profits c) guaranteed d) none of these

7) In common-size analysis the items in the income statement are expressed as % of
   a) Total asset (b) net sales c) Total expenses (d) Gross sales.

8)

9)

10)

(b) Fill in the blanks: **(10)**

1. _____working capital means the total Current Assets without deducting the current liabilities.
2. In a vertical Income Statement, Operating Profit = ________ Less Operating Expenses.
3. When opening stock is Rs. 50,000, closing stock is Rs. 60,000, and the cost of goods sold Rs. 2,20,000, the stock turnover ratio is _____ times.
4. ROI - Return on investment is equal to ________/ Net Tangible Assets.
5. Cost of Goods Sold = Opening Stock + Purchased + Direct Expenses - ___________
6. Net working capital is equal to _______ Working Capital - Current Liabilities.
7. Quick Assets = Current Assets Less _________ and ________
8. When net profit is Rs. 2, 25,000, taxes Rs. 25,000 and net worth Rs. 10, 00,000 the rate of return on shareholder equity is _______.

   9)

   10)

Q.2. Mahad Engineering Co. is considering purchase of a machine costing Rs 5,00,000. Machine is expected to 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 Rs 1 at 10% rate for the next five years is as follows: **(15)**

Year	PV of Rs 1 Rs	N.P. after Dep. But before Tax Rs
1	0.909	1,20,000
2	0.826	1,60,000
3	0.751	2,00,000
4	0.683	2,40,000
5	0.621	2,80,000

You are required to calculate:

1. ARR
2. Pay Back Period
3. Net Present Value

4 Profitability Index

OR

Q.2. Chetan Ltd. is considering purchase of a machine two machines-LPX machine and GPX machine are available, each costing Rs 5,00,000. **(15)**

In comparing profitability of machine, a discounted rate of 10% is to be considered.

Expected Profits after tax and before depreciation are as follows:

Year	**1**	**2**	**3**	**4**	**5**
LPX machine profit	160000	200000	250000	150000	200000
GPX machine profit	60000	150000	200000	300000	200000

Indicate which machine would be more profitable under following methods:

1. ARR
2. Pay Back Period
3. Net Present Value

4 Profitability Index

The net present value of Rs 1 @ 10% discounting factor is as follows:

Year	**1**	**2**	**3**	**4**	**5**
Present value factor	0.909	0.826	0.751	0.683	0.621

Q.3. The following information is submitted by M/s Ashok & Co. **(15)**

Particulars	Rs.
Selling Price Per Unit	Rs.30
Expect Margin on sales (Profit)	10%
<u>Expected ratios of:</u>	
(a) Raw Materials to sales	60%
(b) Direct Wages to sales	10%
Expected level of production for the year	48,000 units
Average stock of Raw Materials	2 months
Average Processing Period	1 month
Finished goods to remain in stock on an average	3 months

Credit allowed to customers from the date of dispatch Cash Sales Credit allowed by suppliers	3 Months 25% of credit 1 month

You are required to determine working capital requirements of M/s Ashok & Co. assuming that minimum cash and bank balance of Rs.5,000 is required.

OR

Q.3. Prepare Common Size Financial Statements (15)

Balance Sheet as on

Liabilities	Year 1 (Rs.)	Year 2 (Rs.)	Assets	Year 1 (Rs.)	Year 2 (Rs.)
Creditors	33,800	36,400	Land	49,400	49,400
Loans	54,000	37,000	Building	273,000	247,000
Share Capital	520,000	520,000	Machinery	158,600	145,000
Reserves	148,200	177,650	Inventory	210,600	234,000
Proposed Dividend	9,000	7,000	Prepaid Expenses	28,600	26,000
Tax Provisions	59,400	36,450	Cash	18,200	33,800
			Bank	--	1,300
			Debtors	86,000	78,000
	824,400	814,500		824,400	814,500

Income Statement

Liabilities	Year 1 (Rs.)	Year 2 (Rs.)	Assets	Year 1 (Rs.)	Year 2 (Rs.)
To Cost of Sales	546,750	491,400	By Gross Sales	991,440	826,200
To Operating Exps			Less: Returns	18,900	16,200
Administrative	91,800	81,000	Net Sales	972,540	810,000
Sales	178,200	162,000	By Non-operating Income	10,930	8,100
To Non-operating Exps	16,320	10,800			
To Tax Provision	59,400	36,450			
To Proposed Dividend	9,000	7,000			
To Retained Earnings	82,000	29,450			
	983,470	818,100		983,470	818,100

Q.4. The following are the summarized Profit and Loss account of Siddhartha Product Ltd. for the year ended 31st December, 2001 and the balance sheet as on that date: (15)

Profit and Loss Account

Particulars	Rs.	Particulars	Rs.
To Opening Stock	99,500	By Sales	8,50,000
To Purchases	5,45,250	By Closing stock	1,49,000
To Incidental Expenses	14,250		
To Gross Profit c/d	3,40,000		
	9,99,000		9,99,000
To Selling and Distribution	30,000	By Gross profit b/d	3,40,000
To Administration exps	1,50,000	By Interest	3,000
To Finance exps	15,000	By Profit on sale of Shares	6,000
To Loss on Sale of Assets	4,000		
To Net Profit	1,50,000		
	3,49,000		3,49,000

Balance Sheet as at

Liabilities	Rs.	Assets	Rs.
2,000 Equity Shares of Rs.100	2,00,000	Land and Building	1,50,000
Reserves	90,000	Plant and Machinery	80,000

Current Liabilities Profit and Loss Account	1,30,000 60,000	Stock in Trade Sundry Debtors Cash and Bank Balance	1,49,000 71,000 30,000
	4,80,000		4,80,000

From the above statements you are required to calculate the following ratios and state the purposes they serve: (a) Current Ratio (b) Return on Capital employed (c) Operating Ratio (d) Stock Turnover (e) Operating profit Ratio.

OR

Q.4. The following is financial information of BHARVE LTD. Ltd. for 3 years ended on 31st December every year. (15)

Particulars	2005	2006	2007
Share Capital	1,50,000	1,80,000	1,90,000
Gross profit	3,50,000	3,50,000	4,00,000
Current liabilities	40,000	?	?
Fixed Assets	2,40,000	2,50,000	2,35,000
Long Term Loan	1,00,000	?	1,20,000
Cost of Goods Sold	?	4,00,000	3,00,000
Working Capital	60,000	45,000	1,40,000
Net Worth	2,00,000	2,20,000	2,55,000
Current Assets	?	1,20,000	2,00,000
Sales	5,50,000	7,50,000	?
Capital Employed	3,00,000	?	?
Reserve and Surplus	?	40,000	65,000

You are required to prepare vertical Trend Financial Statement taking 2005 as the Base.

Q.5. Analyse and interpret the following Balance Sheet of M/s A & B Ltd. by preparing Comparative Statement. (15)

Particulars	31-3-2002	31-3-2003
Current Assets:		
Cash in Hand and at Bank	1,18,000	1,00,000
Receivable on Customers' Accounts & Bills	2,09,000	1,00,000
Inventory Materials, Goods in process & Finished Goods	1,60,000	1,30,000
Prepaid Expenses	3,000	3,000
Other Current Assets	29,000	10,000
Total Current Assets	5,19,000	3,43,000
Fixed Assets:		
Land & Building	2,70,000	1,70,000
Plant & Machinery	3,10,000	7,86,000
Furniture & Fixtures	9,000	18,000
Other Fixed Assets	20,000	30,000
Total Fixed Assets	6,09,000	10,04,000
Long Term Loans	46,000	59,000
Total Assets	11,74,000	14,06,000
Liabilities & Capital:		
Current Liabilities:		
A/c payable (sundry creditors & bills payable)	2,55,000	1,17,000
Other short term liabilities	7,000	10,000
Total Current Liabilities	2,62,000	1,27,000
Debentures	50,000	1,00,000
Long Term Loans on mortgage	1,50,000	2,25,000

Total Liabilities	4,62,000	4,52,000
Capital:		
Equity Share Capital	4,00,000	6,00,000
Reserves & Surplus	3,12,000	3,54,000
Total Liabilities and Capital	11,74,000	14,06,000

OR

Q.5. Aryan ceramics is going to produce and sell 5000 units per month in the year 2004. The material required per unit is Rs.550/- the direct labour is Rs.12,00,000 per month. The expenses are Rs.1,26,00,000 per annum. The sale price is fixed by calculating profit at 20% on sale price. Calculate requirement of working capital for 2004 by taking into consideration following information:

1. Stock of raw material will be two months.
2. Process time is one month
3. Stock of finished goods will be 1.5 months
4. Credit allowed to 50% customers two months on acceptance of bill and balance 50% customers are given one month credit.
5. 25% of expenses are paid one month in advance and balance 75% is paid after one month.
6. Time lag in payment of wages is one month.
7. 20% of material is purchased on cash basis and suppliers of 80% material give 1.5 months credit.
8. Cash required is 15% of net working capital. **(15)**

Q.6. (A)What is working capital Management? **(10)**

(B) What is comparative statement? **(10)**

OR

Q.6. Write Short Notes (Any 4): (20)

(i) Current Ratio

(ii) Debt Equity Ratio

(iii) Debtors Turnover ratio

(iv) Importance of Management Accounting

(v) Limitation of Ratio Analysis