

Duration: 2 ½ Hours

Maximum Marks: 75

- Note: 1) All Questions are compulsory carrying 15 marks each.  
2) Use of simple calculator is allowed  
3) Working notes should be made part of main answer

Q1A) Select the correct answer ( any 8 ) :-

(8)

- 1) Working Capital Statement is prepared to meet day-to day current obligations
- 2) If sales are Rs. 7,50,000, Gross Profit is 25% on Sales. The amount of gross profit will be Rs. 1,87,500
- 3) % Increase/ Decrease is a method in the preparation of Comparative statement
- 4) Liquid ratio is quick assets / quick liabilities
- 5) Debt equity ratio is a relationship between Long Term debt & equity
- 6) Sale of Furniture is recorded under Cash from Investing Activity.
- 7) Interest received is cash flow from Financing Activity
- 8) Auditors Fees paid is a type of Office and Administration expenses.
- 9) Management accounting is Voluntary and optional
- 10) Working Capital is Excess of Current Assets over Current Liabilities

Q.1B) State whether the following statements are True or False (any 7):-

(7)

- |   |       |
|---|-------|
| 1 Management accounting is known as corporate accounting                          | False |
| 2 Ratio is expressed by dividing one figure by the other unrelated figure.        | True  |
| 3 Operating Cost means Cost of goods sold plus Operating Expenses.                | True  |
| 4 Net Working Capital is Current Assets Less Current Liabilities                  | True  |
| 5 Issue of Shares, Issue of Debentures and short term borrowings are cash inflows | True  |
| 6 Fictitious assets can be realized   | False |
| 7 Management accounting aims to report the outsiders                              | False |
| 8 Current ratio is also called as acid test ratio                                 | False |
| 9 Gross profit shows the trading efficiency.                                      | True  |
| 10 An increase in an item of current assets causes a decrease in cash inflow.     | True  |

Q2)

**In the books of A ltd.  
Common size Vertical Income Statement**

Particulars	Rs	Rs.	%	%
<b>Sales</b>		20,00,000		100
<b>Less: Cost of Goods Sold</b>				
opening stock	2,40,000		12	
purchases	16,00,000		80	
	18,40,000		92	
Less: Closing stock	(6,00,000)		30	
	(A) 12,40,000		62	
<b>Add: Direct Expenses</b>				
Factory Expenses	2,00,000		10	
Wages	3,20,000		16	
	(B) 5,20,000		26	
<b>Total Cost of Goods Sold (A + B)</b>		17,60,000		88
<b>Gross Profit</b>		2,40,000		12
<b>Less : Operating expenses</b>				
<b>Administrative expenses</b>				
Staff Salaries	24,000		1.2	
Rent	20,000		1.0	
<b>Total Administrative expense (C)</b>	44,000		2.2	
<b>Selling Expenses</b>				

Each item 1/2 mark, Total 5 marks.

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Delivery Expenses	6,000		0.3	
Advertising	20,000		1.0	
Carriage Outwards	20,000		1.0	
<b>Total Selling Expenses (D)</b>	<b>46,000</b>		<b>2.3</b>	
<b>Financial expenses (E)</b>	<b>-</b>			
<b>Total Operating Expense (C+D+E)</b>		<b>(90,000)</b>		<b>4.5</b>
<b>Operating Net Profit</b>		<b>1,50,000</b>		<b>7.5</b>
<b>Add: Non operating Income</b>				
Interest Received		1,000		0.05
		<b>1,51,000</b>		<b>7.55</b>
<b>Less : Non Operating Expenses</b>				
Loss on Sale of assets		(20,000)		1.0
<b>Net Profit Before Interest and Tax</b>		<b>1,31,000</b>		<b>6.55</b>
<b>Less : Interest on loans</b>		<b>(6,000)</b>		<b>0.3</b>
		<b>1,25,000</b>		<b>6.25</b>
<b>Less: Provision for tax</b>		<b>56,000</b>		<b>2.8</b>
<b>Retained Earnings</b>		<b>69,000</b>		<b>3.45</b>

OR

**In The Books Of D. Ltd.**  
**Balance Sheet as on 31-3-2014**

Particulars	Rs	Rs.	Rs.
<b>Sources Of Funds</b>			
<b>Owners Funds</b>			
Equity Shares Capital	1,25,000		
10% Preference shares Capital	50,000	1,75,000	
<b>Add: Reserves &amp; Surplus</b>			
General Reserve 2,00,000			
Profit & Loss A/C 25,000			
	2,25,000		
<b>Less: Fictitious Assets</b>			
Preliminary expenses	19,500	2,05,500	
<b>Total Owners funds</b>			<b>3,80,500</b>
<b>Borrowed Funds</b>			<b>-</b>
14% Debentures		5,00,000	
<b>Total Borrowed Funds</b>			<b>5,00,000</b>
<b>Total Funds Available</b>			<b>8,80,500</b>
<b>Application of Funds</b>			
<b>Fixed Assets</b>			
Land & Building.		2,50,000	
Plant & Machinery		4,00,000	
Furniture		1,85,000	
<b>Total Fixed Assets</b>			<b>8,35,000</b>
Investments			<b>-</b>
<b>Working capital</b>			
<b>Current Assets</b>			
Stock	40,000		
Debtors	2,00,000		
Bills Receivable	50,000		

(03)

Bank	35,500		
Cash	15,000		
<b>Total Current Assets</b>		3,40,500	
<b>Less : Current Liabilities</b>			
Creditors	1,50,000		
Bank Overdraft	75,000		
Outstanding Expenses	20,000		
Bills Payable	50,000		
<b>Total Current Liabilities</b>		2,95,000	
<b>Net Working Capital</b>			45,500
<b>Total Funds Employed</b>			8,80,500

*Each item 1/2 mark, Total 1 mark*

Q3) From the following information you are required to calculate the following Ratios.

- a) Gross Profit Ratio                      b) Stock Turnover Ratio                      c) Debt Equity Ratio  
d) Creditors turnover Ratio              e) Operating Ratio

Sr. No.	Ratio	Formulas	Calculation	Answer
1)	Gross Profit Ratio	$\frac{\text{Gross Profit} \times 100}{\text{Net Sales}}$	$\frac{2,10,000 \times 100}{15,00,000}$	14%
2)	Stock Turnover Ratio	$\frac{\text{COGS}}{\text{Average Stock}}$	$\frac{12,90,000}{1,50,000}$	8.6 times
3)	Debt Equity Ratio	$\frac{\text{Debt}}{\text{Equity}}$	$\frac{3,50,000}{5,00,000}$	0.7 :1
4)	Creditors Turnover Ratio	$\frac{\text{Credit Purchases}}{\text{Creditors} + \text{Bills Payable}}$	$\frac{12,90,000}{30,000}$	43 times
5)	Creditors Velocity	$\frac{\text{Days in a year}}{\text{Creditors Turnover Ratio}}$	$\frac{365}{43}$	8.49 days (Approx)
6)	Operating Ratio	$\frac{\text{Operating Cost} \times 100}{\text{Net Sales}}$	$\frac{14,40,000 \times 100}{15,00,000}$	96.00%

2m  
3m  
2m  
3m  
2m  
3m

OR

Q.3) From the following information, you are required to calculate

- a) Current Ratio                              b) Capital Gearing Ratio                      c) Proprietary Ratio  
d) Stock working capital Ratio              e) Liquid Ratio

Sr. No.	Ratio	Formulas	Calculation	Answer
1)	Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	$\frac{1,10,200}{1,09,200}$	1.009:1
2)	Quick Ratio	$\frac{\text{Quick Assets}}{\text{Quick Liabilities}}$	$\frac{72,000}{1,09,200}$	0.66:1
3)	Proprietors Ratio	$\frac{\text{Shareholders funds} \times 100}{\text{Total Assets}}$	$\frac{14,39,200 \times 100}{16,48,000}$	87.33%
4)	Stock Working Capital Ratio	$\frac{\text{Closing Stock}}{\text{Working capital}}$	$\frac{38,200}{1,000}$	38.2 Times
5)	Capital Gearing Ratio	$\frac{\text{FIBS}}{\text{NFIBS}}$	$\frac{1,00,000}{14,39,000}$	0.07:1

*3 marks each.*

Q.4)

Step 1 : Statement of Working Capital Requirement :

Particulars	Amount (Rs.)	Amount (Rs.)
<b>Current Assets</b>		
1 Stock of Raw Materials	2,40,000	

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2	Stock of Work in Progress	2,90,000	
3	Stock of Finished Goods	10,20,000	
4	Debtors	8,00,000	
5	Cash and Bank Balance	2,00,000	
<b>Total Current Assets (A)</b>			25,50,000
<b>Less : Current Liabilities</b>			
1	Creditors	3,60,000	
2	Outstanding Wages	30,000	
3	Outstanding Overheads	20,000	
<b>Total Current Liabilities (B)</b>			4,10,000
<b>Working Capital (A - B)</b>			21,40,000
Add : Reserve for Contingencies			-
<b>Net Working Capital</b>			21,40,000

*> 1/2 mark each figure = 06 marks*

**Step 2 : Calculation of Monthly Production:**

Monthly Production =  $\frac{\text{Annual Production}}{\text{Number of Months}} = \frac{96,000 \text{ units}}{12 \text{ Months}}$

*1 mark*

Monthly Production = **8,000 units per Month**

**Step 3 : Calculation of Monthly Cost Sheet :**

Particulars				Amount (Rs.)
Raw Materials	60% of Rs.50	Rs.30.0	(8,000 units x Rs.30)	2,40,000
Labour	15% of Rs.50	Rs. 7.5	(8,000 units x Rs.7.5)	60,000
Overheads	10% of Rs.50	Rs. 5.0	(8,000 units x Rs.5)	40,000
Cost of Production	85% of Rs.50	Rs.42.5	(8,000 units x Rs.42.5)	3,40,000
Profit	15% of Rs.50	Rs. 7.5	(8,000 units x Rs.7.5)	60,000
Sales		Rs.50.0	(8,000 units x Rs.50)	4,00,000

*2 marks*

**Step 4 : Working Notes :**

Working Note 1 : Stock of Raw Material = Cost of Raw Material x Number of months  
 = Rs. 2,40,000 x 1 month  
 Stock of Raw Material = Rs.2,40,000

*1 mark*

Working Note 2 : Stock of Work in Progress

Raw Materials (100%)	2,40,000
Wages (50%)	30,000
Overheads (50%)	<u>20,000</u>
	<b>2,90,000</b>

Stock of Work in Progress = Rs.2,90,000 x 1 month = Rs.2,90,000

*1 mark*

Working Note 3 : Stock of Finished Goods = Cost of Production x Number of months  
 = Rs.3,40,000 x 3 months  
 Stock of Finished Goods = Rs.10,20,000

*1 mark*

Working Note 4 : Debtors = Credit Sales x Number of months  
 = Rs.4,00,000 x 2 months = Rs.8,00,000

*1 mark*

Working Note 5 : Creditors = Cost of Raw Materials x Number of months

*1 mark*

05

Creditors = Rs.2,40,000 x 1.5 months  
 = Rs.3,60,000

Working Note 6 : Outstanding Wages = Wages x Number of months  
 = Rs.60,000 x 0.5 months  
 Outstanding Wages = Rs.30,000

Working Note 7 : Outstanding Overheads = Overheads x Number of months  
 = Rs.40,000 x 0.5 months  
 Outstanding Overheads = Rs.20,000

} -1 mark

OR

Q.4)

Cash flow Statement (Indirect Method)  
 For the year ended march, 31, 2016

Particulars	Amount	Amount	Amount
<b>Cash from operating activities</b>			
Net profit (2.10 – 3.0)			(90,000)
Adjustment: Non cash & non operating			
Provision for tax	20,000		
Depreciation on machinery	1,75,000		
Profit on sale of machinery	(15,000)		
		1,80,000	
Working Capital Changes			
Decrease in proposed dividend	(1,00,000)		
Increase in creditors	1,20,000		
Increase in debtors	(2,00,000)		
Decrease in stock	2,00,000		
		20,000	
			2,00,000
Cash generated from operations			1,10,000
Tax Paid			(50,000)
			60,000
<b>Cash from Investing activities</b>			
Sale of Investments		1,00,000	
Sale of Building		2,00,000	
Sale of Machinery		35,000	
Sale of machinery		5,000	
Cash generated from Investing activities			3,40,000
<b>Cash from financing activities</b>			
Redemption of shares capital		(2,00,000)	
Redemption of Debentures		(2,00,000)	
Cash lost in financing activities			(4,00,000)
<b>Total cash generated</b>			0
Cash & Bank Balance			
Opening			2,00,000
Closing			2,00,000

1/2 mark each  
 figure

Working Notes

Machinery A/c

Particulars	Amount	Particulars	Amount
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06

To balance b/d	7,00,000	By Depreciation(7 x 25%)	1,75,000
To Profit & loss a/c	15,000	By Cash	35,000
		By Cash *	5,000
		By balance c/d	5,00,000
	<u>7,15,000</u>		<u>7,15,000</u>

- 2 marks

Provision for Tax account (Tax payable A/c)

Particulars	Amount	Particulars	Amount
To Cash (Tax paid)	50,000	By balance b/d	1,00,000
To Balance c/d	70,000	By Profit & Loss A/c( Bal fig)(Prov. Made during year)	20,000
	<u>1,20,000</u>		<u>1,20,000</u>

1 mark

Q.5) Write short notes on ( any 3): -

Check the concepts and minimum points should be covered.....

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(15)

=> 5 marks each