

**T.Y.B.Com {April – 2016}**

**Accounts Group (OLD) (Paper - V)**

**Financial Accounting & Auditing**

**Introduction to Management Accounting**

**QP Code : 17580**

Revised Course- Old pattern  
3 hours

Total Marks: 100

N.B.:

1. Question No. 1 & 2 are compulsory and carry 20 marks and 16 marks respectively.
2. Attempt any four questions from the rest, carrying 16 marks each.
3. Working notes should form part of your answer.
4. Proper presentation and neatness is essential.
5. Use of simple calculator is allowed.

Q1. Prepare an estimate of working capital as at the end of the year from the following particulars:

20 Marks

Budgeted Sales for the year	:	Rs.1200000
Ratio between Cash & Credit Sales	:	1 : 5
Debtors Turnover Ratio	:	73 days
Creditors Turnover Ratio	:	30 days
Estimated Gross Profit	:	30% on Sales
Proprietary Ratio to Fixed Assets	:	0.80
Operating Ratio	:	90%
Direct Expenses Ratio	:	75%
Stock Turnover Ratio	:	5 times
Lag in payment of Expenses (except wages)	:	36.5 days
Net Profit to Proprietor's Fund Ratio	:	10%
Liquid Ratio	:	2.5 : 1

Closing Stock will be Rs.20000/- more than the opening stock.

Q2. (a) State whether the following statements are True or False:

08 marks

- Current Ratio determines Short term solvency
- Trend statements are Horizontal analysis
- The capital required to ensure the effective use of fixed assets and support the normal operations of the business is known as Permanent working capital.
- Income earned from activities other than normal business is Non operating Income.
- Public Deposits accepted are Unsecured Loans.
- As per MIS tactical decisions are taken by Middle Level Managers.
- In Pay back period method, the annual cash inflow means the Net profit after tax plus depreciation.
- Reserves & surplus and Fictitious Assets are added and deducted respectively to determine Shareholders funds.

**[TURN OVER**

(b) Fill in the Blanks:

08 marks

- Underwriting commission is a \_\_\_\_\_ asset.
- Redemption of Debentures is a cash flow from \_\_\_\_\_ activities.
- Gross working capital = Total current \_\_\_\_\_.
- Margin of Safety is \_\_\_\_\_ to net current assets to get working capital.
- The project with \_\_\_\_\_ pay-back period should be accepted.
- Cost of goods sold is divided by average stock to get \_\_\_\_\_ ratio.
- MIS plays an \_\_\_\_\_ role in business.
- In common size income statement \_\_\_\_\_ is considered equal to 100.

Q3. From the following particulars relating to XYZ Co. Ltd. Prepare a Comparative Income statement & offer your comments.

16 marks

Particulars	2010 (Rs)	2011 (Rs)
Sales	58000	65200
Cost of Goods sold	47600	49200
Administration Expenses	1016	1000
Selling Expenses	1840	1920
Non operating Expenses	140	155
Non Operating Income	96	644
Sales Returns	2000	1200
Tax Rate	43.75%	43.75%

Q4. A & B are partners of a Firm carrying on business.

16 marks

a) Their position as on 31<sup>st</sup> December, 2009, 2010 & 2011 are as follows:

Liabilities	31/12/11 Rs.	31/12/10 Rs.	31/12/09 Rs.	Assets	31/12/11 Rs.	31/12/10 Rs.	31/12/09 Rs.
Partners Capitals	400000	340000	300000	Fixed Assets	400000	360000	280000
General Reserve	100000	100000	100000	Current Assets:			
Secured Loans	60000	60000	50000	Stock	160000	150000	135000
Unsecured Loans	160000	180000	140000	Debtors	200000	160000	140000
Sundry Creditors	160000	90000	45000	Loans & Advances	100000	80000	60000
				Cash & Bank Balances	20000	20000	20000
	<b>880000</b>	<b>770000</b>	<b>635000</b>		<b>880000</b>	<b>770000</b>	<b>635000</b>

[TURN OVER

b) Summarised Income Statement for the year ended:

Particulars	31/12/2011 Rs.	31/12/2010 Rs.	31/12/2009 Rs.
<b>Income</b>			
Sales	4000000	3600000	3000000
Less: Cost of Sales	<u>2800000</u>	<u>2400000</u>	<u>2000000</u>
Gross Profit	1200000	1200000	1000000
Less: Expenses	<u>800000</u>	<u>800000</u>	<u>700000</u>
Net Profit	<u>400000</u>	<u>400000</u>	<u>300000</u>

Work out trend percentages after converting into vertical statements & offer your comments.

Q5. A Company's Shareholders' Equity is Rs.1 lac. Following are the ratios relating to the Balance Sheet. 16 marks

- |                                   |   |         |
|-----------------------------------|---|---------|
| 1. Current debts to total debts   | : | 0.40    |
| 2. Total debts to owners' equity  | : | 0.60    |
| 3. Fixed assets to owners' equity | : | 0.60    |
| 4. Total assets turnover          | : | 2 times |
| 5. Inventory turnover             | : | 8 times |

From the above information prepare the Balance Sheet of the company.

Q6. From the following information pertaining to Amitabh Ltd. Prepare a statement showing the working capital requirements: 16 marks

Budgeted Sales	Rs.260000 per annum
Analysis of Sales (per unit) :	
Raw materials	Rs. 3
Direct Labour	Rs. 4
Overheads	<u>Rs. 2</u>
Total Cost	Rs. 9
Profit	<u>Rs. 1</u>
Sale Price	<u>Rs.10</u>

It is estimated that:

1. Raw materials remain in stock for three weeks and finished goods for two weeks.
2. Factory processing takes three weeks.
3. Suppliers allow five weeks credit.
4. Customers are allowed eight weeks credit.
5. Assume the production and overheads accrue evenly throughout the year.

**[TURN OVER**

Q7. Prepare Cash Flow statement from the following Balance sheets as on 31<sup>st</sup> December, 2011 & 31<sup>st</sup> December, 2012 of Apoorva Limited.

16 marks

(Figures in lacs)

Liabilities	2011 Rs.	2012 Rs.	Assets	2011 Rs.	2012 Rs.
Share Capital	5000	6000	Fixed Assets	12500	14000
General Reserves	1125	1250	Less: Depreciation Provision	<u>2500</u>	<u>3000</u>
Retained earnings	550	625		10000	11000
10% Debentures	2500	2000	Stock	2000	2250
Bank Loan	1000	1250	Debtors	1500	1250
Creditors	3300	2760	Bank Balance	550	700
Outstanding Expenses	50	150	Prepaid Expenses	25	35
Provision for tax	700	1300	Preliminary Expenses	150	100
	<b>14225</b>	<b>15335</b>		<b>14225</b>	<b>15335</b>

Statement of Income & Reconciliation of retained earnings for the year ended 31<sup>st</sup> December, 2012

	Rs.	Rs.
Net sales		19750
Less: Cost of goods sold		<u>15750</u>
Gross Profit		4000
Sundry expenses	950	
Depreciation	500	
Preliminary Exp. Written off	<u>50</u>	<u>1500</u>
Net Profit		2500
Less: Provision for tax		<u>1300</u>
		1200
Less: Transfer to General Reserve	125	
Dividend Paid	<u>1000</u>	<u>1125</u>
		75
Add : Retained Earnings		<u>550</u>
Retained Earnings on 31/12/2012		<u>625</u>

[TURN OVER

Q8. Amul Enterprises wants to introduce a new product well estimated sales life of five years. The manufacturing equipment will cost Rs.500000/- with scrap value of Rs.30000/- at the end of five years. The working capital requirement is Rs.40000/-, which will be released after five years. 16 Marks

The annual cash inflow and P.V. factor @10% are:

Year	1	2	3	4	5
P.V. Factor	0.909	0.826	0.751	0.683	0.621
Cash Inflow(Rs.)	250000	300000	375000	360000	225000

The depreciation to be charged under straight line method is Rs.100000/-.

Tax applicable @40%.

Evaluate the proposal under various alternatives.

Q9. Write Short notes on any four of the following:

16 marks

- a. Liquid Ratio.
- b. Permanent working capital.
- c. Capital Investment Process.
- d. Management Reporting System & Computer.
- e. Common size statement.