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SYBCom (Accounting & Finance)

DATE:

Answer Key

SYBAF Sem IV (CHOICE BASED) Exam

COURSE : Management Accounting

QP CODE : 66453

Exam date : 03.05.2019

NOTE : (1) Kindly give marks for alternative answer / solution

(2) For theory give marks depending on points covered.

1 (A) True or False (Any 8) 1 mark × 8 = 8 marks

True : 3, 4, 5, 8,

False : 1, 2, 6, 7, 9, 10

(B) Match the Column : (Any 7) 1 mark × 7 = 7 marks

Stock	Non-quick current asset
Bank overdraft	Non-quick current liability
Standard liquid ratio	1:1
Issue of shares	Financing activity
Standard current ratio	2:1
Debt service ratio	Combine ratio
Patent & trademark	Intangible asset
Gross working capital	Total current Assets
Loss on sale of furniture	Non-operating item
Advertisement	Selling & distribution expense

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(Q2) Vertical Income Statement (15 marks)

PARTICULARS	₹	₹	
Sales		6,20,000	(1)
Less: COGS			
opening stock	50,000		(1/2)
(+) Purchases	2,00,000		(1/2)
(+) Carriage inwards	20,000		(1/2)
(+) Wages	72,000		(1/2)
(+) Octroi	5,000		(1/2)
(+) Depreciation on plant & machinery	15,000		(1/2)
(−) closing stock	(40,000)	(3,22,000)	(1/2)+(1)
Gross Profit		2,98,000	(1)
Less: operating Expenses			
(a) office & administrative			
Audit Fees	20,000		(1/2)
Postage & telegram	5,000		(1/2)
office rent	5,000		(1/2)
office staff salaries	40,000		(1/2)
Depreciation on Furniture	16,000		(1/2)
	86,000		
(b) Selling & distribution			
Carriage outward	5,000		(1/2)
Advertisement	25,000		(1/2)
	30,000		
(c) Finance expense	25,000	(1,41,000)	(1/2) +(1)
Operating Net Profit		1,57,000	(1)
Less: Non-operating Exp/losses			
Loss on sale of fur		(30,000)	(1)
Add: Non-operating Income/gains			
Profit on sale of investment		5,000	(1/2)
NET PROFIT		1,32,000	(1)

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(Q2) Z Ltd (15 marks)

(Each Ratio 3 marks × 5 = 15)

(1) Current Ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}}$ (1)

= $\frac{\text{Stock + debtors + Cash \& bank}}{\text{Accounts payable + PF Tax}}$ (1)

= $\frac{1{,}50{,}000 + 2{,}00{,}000 + 50{,}000}{1{,}00{,}000 + 50{,}000}$

= **2.67 : 1** (1)

(2) Capital gearing ratio = $\frac{\text{Preference Share Capital + Borrowed Fund}}{\text{Equity shareholders Fund}}$ (1)

= $\frac{\text{9\% Preference share capital + 10\% mortgage Loan}}{\text{Equity share Capital + General Res − P/L A/c − Preliminary Exp − discount on issue of debentures}}$ (1)

= $\frac{2{,}50{,}000 + 2{,}50{,}000}{2{,}50{,}000 + 1{,}00{,}000 - 70{,}000 - 10{,}000 - 20{,}000}$

= $\frac{5{,}00{,}000}{2{,}50{,}000}$

= **2 : 1** (1)

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(3) Proprietary Ratio = $\frac{\text{Proprietor Fund}}{\text{Total Assets}} \times 100$ (1)

Proprietor's Fund = Equity Share Capital + 9% Preference Share capital + General Reserve − Profit & Loss A/c − Preliminary exp − discount on issue of debentures (1/2)

= 2,50,000 + 2,50,000 + 100000 − 70,000 − 10,000 − 20,000
= 5,00,000

Total assets = Total Asset as per Balance sheet − Profit & Loss A/c − Preliminary Expense − discount on issue of debentures (1/2)

= 10,00,000 − 70,000 − 10,000 − 20,000
= 9,00,000

∴ Proprietary Ratio = $\frac{5,00,000}{9,00,000} \times 100$ = 55.56% (1)

(4) Stock Turnover Ratio = $\frac{\text{COGS}}{\text{Average Stock}}$ (1)

= $\frac{4,00,000}{\left(\frac{50,000 + 1,50,000}{2}\right)}$ (1)

= $\frac{4,00,000}{1,00,000}$ = 4 Times (1)

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(5) Gross Profit Ratio $= \frac{\text{Gross Profit}}{\text{Sales}} \times 100$ (1)

$= \frac{\text{Sales} - \text{COGS}}{\text{Sales}} \times 100$

$= \frac{8,00,000 - 4,00,000}{8,00,000} \times 100$ (1)

$= \frac{4,00,000}{8,00,000} \times 100 = \underline{\underline{50\%}}$ (

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(Q3) Vertical Balance sheet of
A Ltd as on 31.03.2019

PARTICULARS	₹	₹	%	%
(I) SOURCES OF FUNDS				
(1) Shareholders Fund				
Share Capital				
Equity share capital	2,50,000		45.45	
12% Preference Share capital	1,50,000		27.27	
	4,00,000		72.72	
Reserves & Surplus				
Reserves	25,000		4.54	
Profit & Loss A/c	75,000		13.64	
	1,00,000	5,00,000	18.18	90.91
(2) Borrowed Fund				
Bank Loan		50,000		9.09
Total (1) + (2)		5,50,000		100
II APPLICATION OF FUNDS				
(1) Fixed Assets				
Land & Buildings	2,80,000		50.91	
Plant & Machinery	1,20,000		21.82	
Furniture	60,000	4,60,000	10.91	83.64
(2) Working Capital				
(a) Current Assets: Debtors	40,000		7.27	
Stock	20,000		3.64	
Bank	10,000		1.82	
Cash	20,000		3.64	
Bill Recei	50,000		9.09	
	140,000		25.45	
Less (b) Current Liabilities: Creditors	20,000		3.64	
Bank overdraft	30,000		5.45	
	50,000		9.09	
(a) – (b)		90,000		16.36
Total (1) + (2)		5,50,000		100
	(5)	(1½)	(5)	(1½)

Rose Ltd

(Q3) (a) Cost p.u : Raw Material ₹ 5
Wages 3
Overheads 2
Total cost 10
Profit 2
Selling price 12

15 marks

Statement of Working Capital

PARTICULARS	WORKING	₹	₹	
I CURRENT ASSETS				
Stock				
Raw Material	$60{,}000 \times 5 \times \frac{2}{12}$	50,000		(1)
Work-in-process:				
Raw Material	$60{,}000 \times 5 \times \frac{1}{12}$	25,000		(1)
Labour	$60{,}000 \times 3 \times \frac{1}{12} \times 50\%$	7,500		(1)
Overheads	$60{,}000 \times 2 \times \frac{1}{12} \times 50\%$	5,000		(1) (1)
		37,500		
Finished goods	$60{,}000 \times 10 \times \frac{1}{12}$	50,000	1,37,500	(1) + (1)
Debtors	$60{,}000 \times 12 \times \frac{2}{12}$		1,20,000	(1)
Cash & Bank Bal	GIVEN		10,000	(1)
TOTAL CURRENT ASSETS			2,67,500	(1)
II CURRENT LIABILITIES				
Creditors	$60{,}000 \times 5 \times \frac{3}{12}$		75,000	(1)
O/s wages	$60{,}000 \times 3 \times \frac{1}{12}$		15,000	(1)
O/s overheads	$60{,}000 \times 2 \times \frac{1}{12}$		10,000	(1)
TOTAL CURRENT LIABILITIES			1,00,000	(1)
WORKING CAPITAL (I) - (II)			1,67,500	(1)

NOTE: Alternatively $\frac{60{,}000}{12}$ = 5000 units calculation can be done by learner

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(Q4) Rath Ltd
Cash Flow Statement for the year ending 31.03.2019 (15 marks)

PARTICULARS	₹	₹	
I CASH FLOW FROM OPERATING ACTIVITIES			(1/2)
Net Profit (3,50,000 − 2,50,000)	1,00,000		(1/2)
Add: Depreciation on Equipment	50,000		(1/2)
Depreciation on furniture	15,000		(1/2)
Depreciation on plant & machinery	50,000		(1/2)
Provision for tax (WN−1)	25,000		(1/2)
Transfer to Reserve	50,000		(1/2)
	2,90,000		
Adjust changes in working Capital			(1/2)
Add: Increase in creditors	50,000		(1/2)
Increase in Bills payable	20,000		(1/2)
Less: Increase in stock	(1,00,000)		(1/2)
Increase in debtors	(50,000)		
	2,10,000		(1/2)
Less: Tax paid	(15,000)	195000	(1/2)+(1/2)
II CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Furniture (WN−2)	(115000)		1/2
Purchase of Land & Buildings	(4,00,000)	(5,15,000)	(1/2)+(1/2)
III CASH FLOW FROM FINANCING ACTIVITIES			
Issue of Equity Shares	2,00,000		(1/2)
Issue of preference shares	2,00,000		(1/2)
Redemption of debentures	(2,00,000)	3,00,000	(1/2)+(1/2)
NET CASH FLOW (I+II+III)		(20,000)	(1/2)
Add: opening Cash & Bank balance		50,000	(1/2)
Closing Cash & Bank bal		130,000	(1/2)

12 marks

Working Note: (3 marks)

① Provision for Tax A/c (1½)

		By bal b/d	20,000
To cash	15,000		
To bal c/d	30,000	By P&L A/c (Prov for the yr)	25,000
	45,000		45,000

② Furniture A/c (1½)

To bal b/d	300000	By depreciation	15,000
To Cash (Bal fig)	115000	By bal c/d	4,00,000
	415000		415000

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Montex Ltd

(Q4) Cost sheet p.u

	₹
Raw Material	20
Wages	10
Overheads	10
Total Cost	40
(+) Profit	10
Selling Price	50

No. of units yearly = 52,000

(1 year = 52 weeks)

(15 marks)

Statement of working Capital

PARTICULARS	WORKING	₹	₹	
(I) CURRENT ASSETS				
Stock				
Raw material	$52,000 \times 20 \times \frac{4}{52}$	80,000		(1)
Work-in-process				
Raw Material	$52000 \times 20 \times \frac{1}{52}$	20,000		(1)
Labour	$52000 \times 10 \times \frac{1}{52} \times 50\%$	5,000		(1)
Overheads	$52,000 \times 10 \times \frac{1}{52} \times 50\%$	5,000		(1)
		30,000		(1)
Finished goods	$52,000 \times 40 \times \frac{5}{52}$	2,00,000	3,10,000	(1) +(1)
Debtors	$52000 \times 50 \times \frac{4}{52}$		2,00,000	(1)
Cash & Bank	GIVEN		22,000	(1)
TOTAL			5,32,000	(1)
II CURRENT LIABILITIES				
Creditors	$52000 \times 20 \times \frac{4}{52}$		80,000	(1)
o/s wages	$52000 \times 10 \times \frac{2}{52}$		20,000	(1)
o/s overheads	$52000 \times 10 \times \frac{1}{52}$		10,000	(1)
			1,10,000	(1)
Working Capital (I) − (II)			4,22,000	(1)

15 marks

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