

Time Allowed -3hrs

Total Marks -100

1. All questions are compulsory.
2. Working notes should form part of your answer.
3. Proper presentation and neatness is essential.
4. Use of simple calculator is allowed.
5. Figure to the right indicate full marks.

Q.1. A. Select the most appropriate answer from the following: (Any 10)

(10)

- 1) The functions of management accounting include _____
 - a. Collection of data
 - b. Analysis of data
 - c. Presentation of data
 - d. All of the above
- 2) Balance Sheet is a statement of _____
 - a. Assets & Liabilities
 - b. Working capital
 - c. Operating Results
 - d. None of the above
- 3) Comparative Statement shows _____
 - a. One year's performance
 - b. Financial performance
 - c. Comparative performance
 - d. Profitability performance
- 4) Current Ratio shows _____
 - a. Short term financial position
 - b. Collection efficiency
 - c. Financial stability
 - d. Higher profitability
- 5) Working Capital is the capital required to finance _____
 - a. Day to day operations
 - b. Purchase of fixed assets
 - c. Settlement of long term liabilities
 - d. None of the above
- 6) Long term decisions are called as _____
 - a. Profit volume analysis
 - b. Working capital decisions
 - c. Future decisions
 - d. Capital budgeting decisions
- 7) Management Accounting relates to _____
 - a. Recording of accounting data
 - b. Recording of costing data
 - c. Presentation of accounting data
 - d. None of the above
- 8) General Reserve is created out of _____
 - a. Profit
 - b. Income
 - c. Expenditure
 - d. Dividend received

9) Earliest year is to be considered as base year, the values of which are taken as 100 in

- a. Balance Sheet
- b. Income statement
- c. Trend Analysis
- d. Comparative Statement

10) Net profit ratio indicates _____

- a. Status of assets and liabilities
- b. Profitability
- c. Trading Efficiency
- d. Liquidity

11) Margin of safety is provided to _____

- a. Cover possible variations in estimation
- b. Provide safety in management of working capital
- c. Ensure safety in estimation of working capital
- d. All of the above

12) Payback period is the time required to _____

- a. Recover the original investment
- b. Depreciate asset
- c. Pay the creditors
- d. Recovery from debtors

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 requirement.
- 3) Analysis is a must for interpretation.
- 4) Current ratio is also known as working capital ratio.
- 5) Patents & copyrights are intangible assets.
- 6) Publication of Management Accounting Report is not compulsory.
- 7) Capital Budgeting decisions are very easy to take.
- 8) Inadequate working capital increases efficiency of the management.
- 9) Stock Turnover ratio indicates the speed of collection of debt.
- 10) In comparative income statement capital employed is considered equal to 100.
- 11) Calls in arrears is calls in advance.
- 12) Focus of Management Accounting is on external reporting.

Q2. A. Complete the following comparative Income statement of A Limited. (08)

| Particulars | 2016-17 | 2017-18 | Difference in amount (in Rs.) | Difference in Percentage (%) |
|--------------------------|----------|-----------|-------------------------------|------------------------------|
| Sales | 5,00,000 | 10,00,000 | 500,000 | ? |
| Less: Cost of Goods Sold | 3,00,000 | 5,00,000 | ? | 66.67 |
| Gross Profit | 2,00,000 | 5,00,000 | ? | ? |
| Less: Operating Expenses | | | | |
| Administrative Expenses | 20,000 | 30,000 | ? | ? |
| Selling Expenses | 10,000 | 20,000 | ? | ? |
| Finance Expenses | 10,000 | 10,000 | ? | ? |
| Total Operating Expenses | 40,000 | 60,000 | ? | ? |
| Operating Profit | 1,60,000 | 4,40,000 | ? | ? |
| Less: Tax @ 50% | 80,000 | 2,20,000 | ? | 175 |
| Net Profit after Tax | 80,000 | 2,20,000 | 1,40,000 | ? |

Q.2 B. Complete the following Common Size Balance Sheet of B Limited.

(07)

| Particulars | Rs. | % |
|-----------------------------------|----------|---|
| Sources of Funds | | |
| Equity Share Capital | 1,00,000 | ? |
| General Reserve | 30,000 | ? |
| Fictitious assets not written off | -10,000 | ? |
| Net worth | 1,20,000 | ? |
| 9% Debentures | 80,000 | ? |
| Capital Employed | 2,00,000 | ? |
| Application of Funds | | |
| Fixed Assets | 70,000 | ? |
| Long term Investments | 30,000 | ? |
| Working Capital | | |
| Cash/Bank | 65,000 | ? |
| Other Current Assets | 60,000 | ? |
| Total Current Assets | 1,25,000 | ? |
| Sundry Creditors | -25,000 | ? |
| Working Capital | 1,00,000 | ? |
| Capital Employed | 2,00,000 | ? |

OR

Q.2. Calculate the Trend Analysis for the following balance sheet of C Limited.

(15)

| | Particulars | Amounts in Rs. | | | Trend Percentage | | |
|------|-----------------------------|-----------------|------------------|------------------|------------------|------------|------------|
| | | 31.03.2016 | 31.03.2017 | 31.03.2018 | 31.03.2016 | 31.03.2017 | 31.03.2018 |
| I | Sources of funds | | | | | | |
| | Equity share capital | 4,50,000 | 6,00,000 | 6,00,000 | ? | ? | ? |
| | 10% Debentures | 2,00,000 | 4,00,000 | 12,00,000 | ? | ? | ? |
| | Capital Employed | <u>6,50,000</u> | <u>10,00,000</u> | <u>18,00,000</u> | ? | ? | ? |
| II | Application of funds | | | | | | |
| | Fixed Asset | 2,50,000 | 5,00,000 | 10,00,000 | ? | ? | ? |
| | Investments | 1,00,000 | 1,00,000 | 2,00,000 | ? | ? | ? |
| | Current Assets | | | | | | |
| | Bank | 4,00,000 | 5,00,000 | 2,00,000 | ? | ? | ? |
| | Other Current Assets | 80,000 | 20,000 | 5,00,000 | ? | ? | ? |
| | Total Current Assets | 4,80,000 | 5,20,000 | 7,00,000 | ? | ? | ? |
| Less | Current Liabilities | 1,80,000 | 1,20,000 | 1,00,000 | ? | ? | ? |
| | Working Capital | <u>3,00,000</u> | <u>4,00,000</u> | <u>6,00,000</u> | ? | ? | ? |
| | Capital Employed | <u>6,50,000</u> | <u>10,00,000</u> | <u>18,00,000</u> | ? | ? | ? |

Q. 3 Following is the information extracted from the books of M Ltd (15)

| | Particulars | 31.03.2018 |
|----|-----------------------|-----------------|
| I | Sources of funds | |
| 1 | Equity share capital | 4,00,000 |
| 2 | Bank Loan | 1,00,000 |
| | Capital Employed | <u>5,00,000</u> |
| II | Application of funds | |
| 1 | Fixed Asset | 2,00,000 |
| 2 | Investments | 1,50,000 |
| 3 | Current Assets | |
| | Inventories | 5,00,000 |
| | Cash | 20,000 |
| | Total Current Assets | 5,20,000 |
| 4 | Trade payables | 3,70,000 |
| 5 | Working Capital (3-4) | 1,50,000 |
| | Capital Employed | <u>5,00,000</u> |

| | Particulars | 31.03.2018 |
|-------|-----------------------|------------------|
| | Sales | 30,00,000 |
| Less: | Cost of Goods Sold | 15,00,000 |
| | Gross Profit | 15,00,000 |
| Less: | Interest Expense | 2,00,000 |
| | Net Profit Before Tax | 13,00,000 |
| Less: | Tax | 6,50,000 |
| | Net Profit after Tax | 6,50,000 |

Compute the following Ratios:

1. Debt- Equity Ratio
2. Current Ratio
3. Gross Profit Ratio
4. Liquid Ratio
5. Net Profit Ratio
6. Stock Turnover Ratio
7. Return on Equity

Preparing Vertical Balance Sheet is not expected

OR

| Q.3 Following is the Summarized Balance Sheet of M/s N Limited as on 31st March, 2018. (15) | | | |
|---|------------------|---------------------------------|------------------|
| Liabilities | Amount | Assets | Amount |
| Equity Share Capital (Rs. 10/- Each) | 7,00,000 | Goodwill | 2,18,750 |
| 9% Preference Share Capital (Rs. 100/- each) | 3,50,000 | Furniture & Fittings | 5,25,000 |
| General Reserve | 1,75,000 | Land & Building | 7,00,000 |
| Profit & Loss Account | 1,75,000 | Stock | 1,75,000 |
| 10% Mortgage Loan | 3,50,000 | Debtors | 3,50,000 |
| Accounts Payable | 1,75,000 | Cash & Bank Balances | 1,05,000 |
| Advance from Customers | 87,500 | Prepaid Expenses | 70,000 |
| Provision for Taxation | 1,05,000 | Preliminary Expenses | 26,250 |
| Proposed Dividend | 70,000 | Discount on issue of Debentures | 17,500 |
| Total | 21,87,500 | Total | 21,87,500 |

| | |
|--|-----------|
| The following further information is also given for the year | |
| Total Sales | 17,50,000 |
| Purchases | 8,75,000 |
| Net Profit rate | 15% |
| Number of Days in a year | 360 |
| Out of Total Sales, 20% are Cash Sales | |

Calculate the following Ratios:

1. Proprietary Ratio
 2. Net Profit Ratio
 3. Quick Ratio
 4. Operating Ratio
 5. Creditors Turnover Ratio
 6. Debtors Turnover Ratio
 7. Capital Gearing Ratio
- Preparing Vertical Balance Sheet is not expected

Q.4. The Cost of Machinery is Rs. 200,000

(15)

| Year | Net Cash Inflow in Rs. |
|------|------------------------|
| 1 | 1,11,995 |
| 2 | 1,25,439 |
| 3 | 1,40,489 |
| 4 | 1,57,356 |
| 5 | 1,76,243 |

Round off each of the Present values to the nearest Rupee

| Year | 1 | 2 | 3 | 4 | 5 |
|---------------------------|--------|--------|--------|--------|--------|
| Discounting Factor @ 12 % | 0.8929 | 0.7972 | 0.7118 | 0.6355 | 0.5674 |

Using Discounting Factor @ 12% (up to 4 decimal places) calculate:

1. Discounted Payback Period
2. Net Present Value
3. Profitability Index
4. Payback Period

OR

Q4. The Cost of Machinery A is Rs. 10,00,000 & Cost of Machinery B is Rs. 20,00,000. Depreciation has been applied on a Straight Line Method with no salvage value.

(15)

| Year | Net Profit after depreciation & Tax of Machine A in Rs. | Net Profit after depreciation & Tax of Machine B in Rs. |
|------|---|---|
| 1 | 5,00,000 | 12,00,000 |
| 2 | 6,00,000 | 12,00,000 |
| 3 | 7,00,000 | 15,00,000 |
| 4 | 8,00,000 | 16,00,000 |
| 5 | 7,00,000 | 15,00,000 |

1. Using Average Rate of Return method analyse which machine should be accepted.
2. Using Payback Period Method which machine should be accepted.

