Management Accounting

Time: 3Hours Marks: 100

N.B:
1. Questions No. 1 is compulsory and carries 20 marks.
2. Attempt any five from the rest questions,each carrying 16 marks from remaining questions.
3. Working notes should form part of your answer.
4.Proper presentation and neatness is essential.
5. Use of simple calculator is allowed.

Q.1.
ABC Ltd. provides you following Balance-sheets as on 31st March: (20)

Trading and Profit and Loss Account for the year ending on 31st March, 2007

Liabilities	2006 Rs.	2007 Rs.	Assets	2006 Rs.	2007Rs.
Equity Share Capital	15,00,000	24,00,000	Fixed Assets	30,00,000	31,00,000
10% Preference Share Capital	20,00,000	15,00,000	Investments	22,60,000	28,00,000
Profit & Loss A/c	20,08,000	20,58,000	Inventory	9,20,000	8,00,000
15% Debentures	3,00,000	10,00,000	Debtors	12,00,000	11,00,000
Bank Loan (Long Term)	4,40,000	-	Bills Receivable	5,75,000	6,00,00
Creditors	12,48,000	8,60,000	Cash	2,21,000	5,48,000
Provision for Tax	4,80,000	7,30,000	Proposed Dividend	2,00,000	4,00,000
Total	81,76,000	89,48,000	Total	81,76,000	89,48,000

The following information is given for the year ended on 31st March, 2007:

1. 10% Preference shares were redeemed out of fresh issue of Equity shares on 1st April, 2006.
2. Partly paid Equity shares were converted into a fully paid shares by utilizing Rs. 4,00,000 from Profit and Loss A/c during the year.
3. Interim dividend of Rs. 1,00,000 was paid.
4. Depreciation was charged during the year Rs. 2,00,000.
5. Fixed Assets were revalued in excess of book value and amount was credited to Profit and Loss A/c.
6. Dividend on Equity shares paid for the year 2005-08 Rs. 2,00,000.
7. Tax paid Rs. 5,50,000.

Prepare fund flow statement and statement showing changes in working capital in detail for the year ended on 31st March, 2007.

Q.2.
You are required to prepare a statement showing the working capital required to finance the level of activity of 12,000 Units per year from the following
1. Raw materials are in stock on an average for 2 months
2. Materials are in process on an average for half a month.
3. Finished goods are in stock on an average for one month.
4. Credit allowed by the suppliers is 1½ months of purchase of raw materials and credit allowed to the customers is 2 ½ months.
5. Lag in payment of wages and overheads is one month.
6. Cash and Bank balance is expected to be 10% of Net working
7. Capital before considering the Cash and Bank balance.
8. Activities are spread evenly through out the year:

Cost Per Unit:
Raw Material - Rs. 10
Wages - Rs. 5
Total Cost - Rs. 30
Profit is 20% on selling price.

Q.3.
The following is financial information of ZN Ltd. for 3 years ended on 31st December every year. (16)

Particulars 2005	Rs. 2006	Rs. 2007	Rs.
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	2,35,00
Long Term Loan	1,00,000	?	1,20,000
Cost of Goods Sold	?	4,00,000	3,00,00

Working Capital	60,000	4,50,000	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.4.
Complete the following Balance-sheet from the information given below: (16)

Liabilities	Rs.	Assets	Rs.
Equity Share Capital (Rs.100 each)	?	Fixed Assets	?
Reserve and Surplus	?	Current Assets	
20% Debentures	5,00,000	Stock	?
Current Liabilities		Debtors	?
Sundry Creditors	?	Bank / Cash Balance	?
Provision for Tax,(Current Year)	?		
	?		?

Following information is available:

1. Gross profit ratio is 25% and which is Rs. 12,00,000.
2. Operating expenses (including Debenture interest) Rs. 8,00,000.
3. Rate of Income Tax is 50%.
4. Purchases and Sales are on credit basis.
5. Debtors Turnover Ratio (Sales / Debtors) = 12 times.
6. Creditors Turnover Ratio (Cost of sales / creditors) = 12 times
7. Earning per share Rs. 20
8. Stock Turnover Ratio = 10 times
9. Debt Equity Ratio 0.25 : 1
10. Current Ratio 2 : 1.

Q.5.
Prepare a Comparative Revenue Statement in Vertical Form from the following details:(16)

Nilkamal Ltd.					
Trading, Profit and Loss Account for the year ended 31st March					
Particulars	2006 Rs.	2007Rs.	Particulars	2006 Rs.	2007 Rs.
To Opening Stock	2,25,000	3,00,000	By Sales	45,00,000	60,00,000
To Purchases	22,50,000	32,10,000	By Closing Stock	3,00,000	3,60,000
To interest on Debenture	1,50,000	1,50,000	By Dividend	12,000	39,000
To Depreciation:			By Profit on Sale of Machinery	24,000	-
Furniture	15,000	15,000			
Machinery	36,000	30,000			
To Administrative Expenses	2,94,000	4,41,000			
To Selling Expenses	4,56,000	7,53,000			
To Carriage Outward	75,000	3,15,000			
To Loss by Fire	-	15,000			
To Wages	1,95,000	3,00,000			

To Provision for Tax	5,70,000	4,35,000			
To Net Profit	5,70,000	4,35,000			
	48,36,000	63,99,000		48,36,000	63,99,000

Q.6.
Telestar Ltd. gives you the following Balance - Sheets for the year ended 31 st March, 2006 and 2007. Prepare a Cash Flow Statement for the year ended 31st March, 2007 as per As - 3 by indirect method. (16)

Liabilities	31-3-06 Rs.	31-3-07Rs.	Assets	31-3-06Rs.	31-3-07Rs.
Equity Share Capital	1,20,000	1,20,000	Land	2,10,000	2,70,000
5% Preference Share Capital	90,000	60,000	Building	2,85,000	2,70,000
General Reserve	30,000	42,330	Stock	27,000	36,300
Profit and Loss Account	15,240	28,080	Debtors	40,440	38,460
Provision for Tax	17,000	8,000	Prepaid Expenses	25,880	17,000
Creditors	3,37,920	3,81,990	Bank Balance	15,840	3,240
			Misc Expenditure	6,000	5,400
Total	6,10,160	6,40,400	Total	6,10,160	6,40,400

Other information for the year ended 31st March,2007:
(1) The company has paid Interim dividend of 5 %on Equity shares.
(2) Preference shares were redeemed during the year at 10% premium.
(3) Income Tax paid during the year Rs. 15,000.

Q.7.
From the following information calculate: (16)
(a) Return on Capital Employed.
(b) Debtors turn over ratio (in Times)
(c) Stock - working capital ratio
(d) Current ratio
(e) Proprietory ratio (on the basis.of Total Fund)

Some of relevant balances as on 31st March, 2007 are given below:

Particulars	Amount(Rs.)
Equity share capital (of Rs. 10 each)	2,00,000
6% Preference share capital	1,00,000
8% Debentures	1,50,000
Debtors	18,000
Creditors	15,000
Cash in hand	20,000
Bills receivable	12,000
Bank Overdraft	8,000
Reserves and Surplus	43,000
Closing Stock	32,500
Provision for taxation	35,000
Proposed dividends	10,000

Other information for the year 2006-07:

Particulars	Amount (Rs.)
Sales	10,00,000
Cost of Sales	7,50,000
Net profit before Tax	1,00,000

Q.8.
The following information regarding Maruti car Ltd. for the year ended 31st March.2007 is given to you. (16)

particulars	Rs.
Sales	75,00,000
Purchases	50,00,000
Opening Stock (01/04/2006)	5,00,000
Closing Stock (31/03/2007)	7,50,000
Return Inward	75,000
Carriage Outward	57,000
Carriage Inward	50,000
Return Outward	50,000
Salesmen Salary	75,000
Advertising and Publicity	2,52,000
Salesmen Travelling Allowance	7,500
Office Salary	4,00,000
Computer Repairs and Maintenance	84,000
Rent, Rates, Taxes	4000
Printing and Stationery	400
Bad Debts	75,750
Purchase of Computer	40,000
Dividend on Shares (Cr)	10,000
Staff Welfare Expenses	44,000
Interest (Dr.)	50,000
Loss on Sales of Shares	1,25,000

Rearrange above information in Vertical Form suitable for analysis.

Q.9.
(a) From the following information calculate the amount of Creditors 0pening Stock and Closing Stock: (5)

Cost of Sales	Rs.3,25,000
Gross Profit Ratio	35%
Stock Turn Over ratio	2.5
Creditors Turnover Ratio (On Purchaes)	8

Opening Stock is more by Rs. 6,000 than Closing Stock.

(b) Working Capital is Rs. 3,00,000.Quick Ratio is 1.25 : 1.and Current Ratio is 2:1.The Bank Overdraft is Rs.20,000.Non quick assets includes closing stock only.Calculate Closing Stock. (4)

(c) Write short notes on : (any two) (6)
i) Fund Flow Statement and Cash Flow Statement.
ii) Limitations of Ratio Analysis.
iii) Trend Analysis.
iv) MIS Reporting.

Posted by Kishore S Peshori at 5:32 AM No comments:

April 2008

Management Accounting

Time: 3Hours **Marks: 100**

N.B:
1. Questions No. 1 is compulsory and carries 20 marks.
2. Attempt any five from the rest questions,each carrying 16 marks from remaining questions.
3. Working notes should form part of your answer.
4.Proper presentation and neatness is essential.
5. Use of simple calculator is allowed

Q.1.
Certain items of the annual accounts of AB Ltd. are missing as shown below: (20)
Trading and Profit and Loss Account for the year ending on 31st March, 2007

Particulars	Amount Rs.	Particulars	Amount Rs.
To Opening Stock	4,37,500	By Sales	?
To Purchases	?	By Closing stock	?
To Direct Expenses	1,09,375		
To Gross Profit	?		
Total	?	Total	?
To Administrative Expenses	2,66,000	By Gross Profit	?
To Interest on Debentures	37,500	By Commission	62,500
To Provision for Taxes	?		
To Net profit After Tax	3,30,000		
Totalv	?	Total	?

Balance Sheet as on 31st March, 2007

Liabilities	Amount Rs.	Assets	Amount Rs.
Profit and Loss Account	1,34,375	Stock	?
(Including Opening Balance)		Debtors	?
10% Debentures	?	Bank Balance	78,000
Creditors	?		
Proposed Dividend (C.Y.)	?		
Provision for Taxes (C.Y.)	?		
Total	?	Total	?

You are required to complete the Financial Statements with the help of the following information :

Current ratio is 2 : 1.
Stock turn over ratio is 1.60
Proposed dividends are 25% of share capital.
Gross profit ratio is 50%.
Transfer to General Reserve is 70% of proposed dividends.
Provision for Taxes is 50% of profit after tax.
There is no opening balance in General Reserve Account.
Creditors' turn over ratio (on purchases and closing creditors) is 10 : 2

Q.2.
From following information given by Tata Ltd. estimate working capital requirement for year ending 31st March, 2009: (16)
Estimated Production 120 NANO CARS (Per Year)

PER	CAR RATE	
STEEL	1000 KG	Rs. 70 per kg.
SPARES	20 KG	Rs. 60 per kg.
ENGINE	1 Rs.	20,000 per engine
LABOUR	50 HRS	Rs. 100 per hr.
OVERHEAD		Rs. 20,000

(1) Steel remains in stock for two months, spares remains in stock for half month and engine remains in stock for one month.

(2) Suppliers of steel allows credit of two months, suppliers of spares allow credit for one month and suppliers of engine allows credit for half month.
(3) Production process takes half month.
(4) Time lag in payment of labour and overhead is one month.
(5) Car (finished goods) remains in stock for one month.
(6) Activity is spread evenly throughout the year.

Q.3.
Balance Sheets of Star Ltd. for the year ended 31st December, 2006 and 31st December, 2007 16 are as follows :- (16)

Liabilities	31st Dec. 06 Rs.	31st Dec. 07Rs.	Assets	31st Dec. 06 Rs.	31st Dec. 07Rs.
Equity Share Capital	8,00,000	8,00,000	Building	6,00,000	5,40,000
10% Pref. Share Capital	6,00,000	6,00,000	Land	2,00,000	2,00,000
General Reserves	4,00,000	4,90,000	Plant	6,00,000	5,40,000
15% Debentures	2,00,000	3,00,000	Furniture	2,00,000	2,80,000
Creditors	3,00,000	4,00,000	Stock	4,00,000	6,00,000
Bills Payable	1,00,000	1,50,000	Debtors	4,00,000	6,00,000
Tax Payable	2,00,000	3,00,000	Cash	2,00,000	2,80,000
	26,00,000	30,40,000		26,00,000	30,40,000

Prepare Comparative Balance Sheet in vertical form and offer your comments in brief on fixed Assets.

Q.4.
From the following Balance Sheet and information of SNEHAL LTD. prepare fund flow statement and schedule of item-wise changes in working capital for the year ended 31st December, 2006 and 2007. (16)
Balance Sheet as on 31st December

Liabilities	2006 Rs.	2007 Rs.	Assets	2006 Rs.	2007 Rs.
Equity Share Capital	9,00,000	12,00,000	Fixed Assets	18,80,000	13,40,000
(Rs. 100 each)			Trade Investment	3,00,000	3,00,000
7% Preference Share	8,00,000	6,00,000	Stock	3,40,000	4,50,000
Capital (Rs. 100 each)			Sundry Debtors	5,30,000	8,50,000
General Reserve	3,90,000	1,90,000	Cash and Bank Bal	2,30,000	4,50,000
Profit and Loss A/c.	3,10,000	5,00,000			
Capital Reserve	-	20,000			
Security Premium	-	10,000			
10% Debenture	4,00,000	2,00,000			
Creditors	1,80,000	3,40,000			
Bills Payable	70,000	40,000			
Provision for Tax	2,30,000	2,90,000			
	32,80,000	33,90,000		32,80,000	33,90,000

Additional Information for the Year 2007:

1. On 31st December, 2007 accumulated Depreciation on Fixed Assets was Rs. 4,80,000 and 31st December, 2006 was Rs. 3,60,000. Machinery costing Rs. 4,20,000 included in Fixed Assets (W.D.V. Rs. 2,60,000) sold for Rs. 1,80,000.
2. During the year Investment costing Rs. 1,00,000 were sold and profit on sale was credited to Capital Reserve.
3. Tax paid during the year amounted to Rs. 2,50,000.
4. Issued 1,000 Equity Shares to the public at a premium of Rs. 10 per Share and Balance indicate Bonus issue out of General Reserve.
5. Dividend received on Investment was Rs. 30,000 out of which Rs. 10,000 was for a period prior to purchase of Investment.

Q.5.
From the following information prepare the Common size Revenue Statement with Amount and % for the year ended on 31st March, 2007 in a vertical form suitable for analysis : (16)

Particulars	% on net sales of Rs. 5,00,000
Opening stock	2
Closing stock	3
Purchases	52

Office expenses	4.75
Other administrative expenses	5.75
Distribution expenses	6
Selling expenses	4
Interest (Dr.)	1.50
Indirect wages	1.50
Direct Wages	2

Provision for Income tax is to be made @ 25% on net profit before tax.

Q.6.
From the following Balance Sheets of XYZ Ltd. as on 31-3-2006 and 31-3-2007, prepare cashflow statement for the year ended 31-3-2007 as per AS-3 by indirect method: (16)

Liabilities	31-3-06 Rs.	31-3-07Rs.	Assets	31-3-06Rs.	31-3-07Rs.
Equity Share Capital	45,00,000	12,00,000	Land	15,00,000	11,50,000
General Reserve	3,00,000	5,00,000	Machinery	13,50,000	28,70,000
Capital Reserve	-	3,00,000	Investments	9,00,000	7,00,000
Profit and Loss A/c.	3,00,000	4,00,000	Stock	14,00,000	16,00,000
Creditors	6,00,000	9,00,000	Debtors	9,00,000	13,50,000
Provision for Tax	5,00,000	5,50,000	BillsReceivable	2,45,000	2,90,000
Proposed Dividend	3,95,000	4,50,000	Cash/Bank Balance	3,00,000	3,90,000
	65,95,000	83,50,000		65,95,000	83,50,000

Additional Information for the year ended 31st March, 2007:

(1) During the year Machinery was sold for Rs. 2,00,000 (W.D.V. Rs. 2,25,000).
(2) During the year Depreciation provided on Machinery was Rs. 3,00,000.
(3) Profit on sale of land was transferred to Capital Reserve.
(4) Interim Dividend paid during the year Rs. 2,00,000
(5) Profit on sale of Investment was transferred to General Reserve.
(6) Income tax paid during the year 2007 is Rs. 4,50,000.

Q.7.
Profit and Loss A/c. and Balance Sheet of SIDHARTH LTD. for the year ended 31st March, 2007: (16)

Trading, Profit and Loss Account for the year ended 31st March 2007			
Particulars	Rs.	Particulars	Rs.
To Opening Stock	70,000	By Sales	9,00,000
To Purchases	5,40,000	By Closing Stock	80,000
To Wages	2,14,000		
To Gross Profit c/d.	1,56,000		
	9,80,000		9,80,000
To Salaries	26,000	By Gross Profit b/d.	1,56,000
To Rent	5,000	By Interest on investment	5,000
To Miscellaneous Expenses	15,000		
To Selling Expenses	10,000		
To Depreciation	30,000		
To Interest	5,000		
To Provision for Tax	20,000		
To Net Profit c/d.	50,000		

	1,61,000		1,61,000

Balance Sheet as on 31st March, 2007					
Liabilities	Rs.	Assets	Rs.	Rs.	
Equity Share Capital (Rs. 10)	1,50,000	Fixed Assets	1,60,000		
8% Preference Share Capital	1,30,000	1,00,000	(Less:)Depreciation	30,000	1,30,000
Reserve and Surplus	62,000	investment		1,00,000	
10% Debenture	50,000	Stock		80,000	
Bank Loan (Payable after 5 years)	40,000	Debtors		60,000	
Creditors	60,000	Bills Receivable		50,000	
Provision for Tax (C. Y.)	20,000	Cash		85,000	
Bank Overdraft	20,000	Preliminary Expenses		5.000	
Proposed Pref. Dividend	8,000				
	5,10,000			5,10,000	

Note : Market value of Equity share is Rs. 12 and Dividend paid per Equity share is Rs. 2.

Calculate the following ratio :
(a) Acid Test Ratio.
(b) Capital Gearing Ratio.
(c) Operating Ratio.
(d) Dividend Payout Ratio.
(e) Debt Service Ratio.
(f) Creditors Turnover Ratio.
(g) Earning per Share.
(h) Stock Turnover Ratio.
Note: Vertical final accounts need not be prepared.

Q.8.
From the following information of Mahindra Ltd. for the year ended 31st March, 2006 and 31st March 2007, you are required to comment with the help of comparative statement after rearranging in Vertical Form suitable for analysis (16)

	2006 Rs.	2007 Rs.
Sales	15,20,000	22,80,000
Return Inward	20,000	30,000
Opening Stock-Raw Material	7,600	7,600
Purchases of Raw Material	3,90,000	5,85,000
Work in Progress-Opening	10,000	10,000
Work in Progress-Closing	10,000	15,000
Closing Stock-Raw Material	7,600	11,400
Power	50,400	75,600
Depreciation on Machinery	70,000	1,05,000
Repairs Factory Building	40,000	60,000
Direct Labour	2,50,500	3,75,750
Selling and Distribution Expenses	1,05,400	1,58,100
Finance Expenses	70,000	70,000
Administrative Expenses	73,500	73,500

Q.9.
(a) State wheather following is True or False: (5)

i) Payment for purchase of computer will reduce working capital.
ii) As per Standard Current Ratio, Current Assets of a concern must always be equal to its Current Liabilities.
iii) Fund Flow Statement shows movement of cash during the year.

iv) Proprietory Ratio shows turnover of fixed asset during the year.
v) Operating Expenses Ratio and Operating Ratio are same.

(b) From each of the following sets, state the odd one out clearly :- (5)

i) Selling Expense, Financial Expense, Direct Expense, Administration Expense.
ii) Packing charges, Commission on Sales, Advertisement, Rent paid â€“ Office.
iii) Opening Stock, Purchases, Purchase Returns, Commission received.
iv) Fuel Expenses, Carriage outward, Wages paid, Carriage on purchases.
v) Advertisement, Commission paid, Interest received, Royalty paid for Manufacture.

(c) Write short notes on : (any two) (6)
i) Capital Gearing Ratio
ii) Working Capital Cycle
iii) Enumerate MIS Reports
iv) Limitations of Financial Statements.
Posted by Kishore S Peshori at 5:32 AM No comments:

October 2007

Management Accounting

Time: 3Hours **Marks: 100**

N.B:
1. Questions No. 1 is compulsory and carries 20 marks.
2. Attempt any five from the rest questions,each carrying 16 marks from remaining questions.
3. Working notes should form part of your answer.
4. Proper presentation and neatness is essential.
5. Use of simple calculator is allowed

Q.1.
From the following Balance Sheets of Z. Ltd. prepare a Cash Flow Statement as per AS-3 for the year ended 31 December, 06 by indirect method. (20)

Liabilities	2005 Rs.	2006 Rs.	Assets	2005 Rs.	2006 Rs.
Equity Share Capital	2,00,000	2,50,000	Fixed Assets	3,02,500	2,85,000
10% Pref. Share Capital	1,00,000	-	Debtors	60,000	70,000
5% Debentures (issued on 1-7-2006)	-	50,000	Stock	1,00,000	90,000
Capital Redemption Reserve	-	50,000	Bank	45,000	30,000
Profit and Loss A/c.	1,25,000	30,000	Preliminary Expenditure	30,000	20,000
Creditors	75,000	70,000	-		
Bills Payable	37,500	45,000			
-	5,37,500	4,95,000	-	5,37,500	4,95,000

Additional Information:

1. Preference Shares were redeemed at 10% premium on 1-7-2006 with half yearly dividend.
2. Fixed assets were purchased for Rs. 97,500 on 1-10-2006.
3. Dividend of Rs. 20,000 on equity shares was paid.
4. Fixed Assets having original cost of Rs. 1,00,000 on which accumulated Depreciation was Rs. 30,000 was sold on 30-9-2006 at Rs. 40,000.

Q.2.
From the following figures, prepare an estimate of the working capital: (16)

Production	30,000 units
Selling Price per unit	Rs. 10
Raw Material	60% of selling price
Direct wages	1/6th of raw material.
Overheads	Twice the Direct wages
Material in hand	2 months requirement
Production time	1 month
Finished goods in stores	3 month
Credit for material	2 month
Credit allowed to customers	3 month
Average cash balance	Rs. 40,000

Wages and overheads are paid in the beginning of next month. In production all the material are charged in the initial stage and wages and overheads accrue evenly.

Q.3.
Prepare a funds flow statement from the following details presented to you by Anand Chemical Ltd. (16)

Balance Sheet as at 31st March

Liabilities	2006 Rs.	2007 Rs.	Assets	2006 Rs.	2007 Rs.
Share Capital	4,00,000	5,00,000	Land and Building	4,00,000	3,80,000
Reserves	1,00,000	1,20,000	Plant and Machinery	3,00,000	3,40,000
Profit and Loss A/c.	50,000	60,000	Goodwill	-	10,000
Bank Loan	1,40,000	-	Working Capital	50,000	20,000
Provision for Taxation	60,000	70,000	-	-	
-	7,50,000	7,50,000	-	7,50,000	7,50,000

Q.4.
Following is the Balance Sheet of Abhijeet Ltd. as on 31st March, 2006. (16)

Liabilities	Rs.	Assets	Rs.
Equity Share Capital	3,90,000	Cash in Hand	15,000
10% Preference Share Capital	2,00,000	Cash at Bank	90,000
9% Debenture	2,50,000	Preliminary Expenses	20,000
General Reserve	60,000	Goodwill	1,00,000
Capital Reserve	50,000	Building	3,00,000
11 % Bank Loan	1,00,000	Investment (Long-Term)	2,00,000
Creditors	1,25,000	Furniture	2,50,000
Bank Overdraft	1,35,000	Plant and Machinery	3,00,000
Provision for Tax	1,40,000	Debtors	1,50,000
Proposed Dividend	30,000	Prepaid Expenses	50,000
Profit and Loss A/c	1,40,000	Stock	2,00,000
Depreciation provision	80,000	Calls in arrears (Equity)	10,000
	-	Commission on Issue of Shares	15,000
	17,00,000	-	17,00,000

Present the above Balance Sheet in vertical form and show the following:
1. Net worth.
2. Borrowed Fund.
3. Capital Employed.
4. Net Block.
5. Working Capital.
6. Fictitious Assets.

Other Details:
1. Company paid dividend at 11.5% on opening capital.
2. New shares were issued to a vendor for the business sold by him comprising stock Rs. 40,000 and Machinery Rs. 50,000.
3. Machinery purchased for cash Rs. 60,000.
4. Depreciation written off during the year: Building Rs. 20,000 and Machinery Rs. 35,000.
5. Old Machinery was sold during the year at a Profit of Rs. 5,000.
6. Income Tax paid during the year Rs. 54,000.

Q.5.
Rearrange above data of Petrol Ltd. In suitable form for analysis and calculate Trend Percentage and offer your comments. (16)

Year	Fixed	Investments	Current	Preliminary	Total	Owner's	Term	Debenture	Total
-	Assets	-	Assets	Expenses	Assets	Fund	Loan	-	Liabilities
2000	20	10	40	5	75	20	20	35	75
2001	22	9	30	4	65	20	20	25	65

2002	24	8	20	3	55	20	20	15	55
2003	26	7	30	2	65	40	20	5	65
2004	28	6	40	1	75	60	15	0	75

Q.6.
Following are the financial statements of two similar companies: (16)
Balance sheet as at 31st December, 2006

Liabilities	X Ltd. Rs.	Y Ltd. Rs.	Assets	X Ltd. Rs.	Y Ltd. Rs.
Share Capital	-	-	Land and Building	1,400	1,200
Equity Share of Rs. 10 each	4,000	4,000	Plant	4,100	3,200
Revenue Reserve	1,950	1,600	Stock	2,850	2,100
8% Debenture	1,000	1,000	Debtors	2,600	1,900
Trade Creditors	2,800	1,400	Investment (Long Term)	-	300
Other Creditors	250	200	Bank	100	300
Provision for Tax	900	700	Deposit	150	100
Proposed Dividend	300	200		-	
-	11,200	9,100	-	11,200	9,100

Income Statement for 2006

-	X Ltd.	Y Ltd.	-	X Ltd.	Y Ltd.
Cost of Sales	10,800	9,000	Sales	15,000	12,000
Operating Expenses	2,900	2,000	-	-	-
Taxation	550	410	-	-	-
Net Profit after Tax	750	590	-	-	-
-	15,000	12,000	-	15,000	12,000

On the basis of above information. You are required to compute separately the following ratio:

1. Capital Gearing Ratio.
2. Current Ratio.
3. Debtors Turnover Ratio.
4. Return on Proprietory Fund.

Vertical final accounts need not be prepared.

Q.7.
From the following information find out missing figures and rewrite the Balance Sheet: (16)
Current Ratio 2:1
1. Acid Test Ratio 5:3
2. Reserves and Surplus are 50% of Equity Share Capital.
3. Long Term Debts are 60% of Equity.
4. Stock Turnover Ratio 10 times.
5. Gross Profit Ratio on sales 20%.
6. Sales are Rs. 15,62,500 (25% Cash Sales and balance on credit)
7. Closing stock is Rs. 50,000 more than Opening Stock.
8. Accumulated Depreciation is 1/6 original Cost of Fixed Assets.

Balance Sheet as at 31st March, 2007

Liabilities	Rs.	Assets	-	Rs.
Equity Share Capital	?	Fixed Assets (at cost)	?	-
Reserves and Surplus	?	Less: Accumulated Depreciation	?	?
Long Term Loans	9,00,000	Stock	-	?
Bank Overdraft	50,000	Debtors	-	2,00,000
Creditors	?	Cash	-	?

-	?	-	-	?

Q.8.
Complete the following common size Income Statement: (16)

Particulars	Rs.	%
Gross sales	9,90,000	?
Less: Sales Return	?	10
Net Sales	?	?
Less :Cost of Sales	?	40
Gross Profit	?	?
Less : Operating expenses	-	-
(a)Administrative Expenses	?	?
(b)Finance Expenses	?	2
(c)Selling and Distribution Expenses	72,000	?
Operating Net Profit	?	?
Add Non Operating Income	45,000	?
Less: Non Operating Expenses	?	15
Net Profit before Tax	?	30

Q.9.

(a)Working Capital is Rs. 90,000. Total Debt are Rs. 1,95,000. Long Term Debt are Rs. 1,50,000.

Stock is Rs. 37,500. Prepaid Expenses are Rs. 7,500. Calculate Liquid Ratio. (3)

(b) Find out Funds from operations from the following: 3

Net Profit after tax and appropriations	Rs. 1,00,000
Transfer to General Reserve	Rs. 25,000
Proposed Dividend	Rs. 15,000
Provision for Income Tax	Rs. 10,000
Depreciation w/off	Rs. 25,000
Profit on sale of Fixed Assets	Rs. 10,000

(c) Write short notes on any two: (10)

1. Trading on Equity.
2. Operating Cycle.
3. MIS Report.
4. Limitations of Ratio Analysis.

Posted by Kishore S Peshori at 5:31 AM No comments:

March 2007

Management Accounting

Time: 3Hours **Marks: 100**
NB:
1. Questions No. 1 is compulsory and carries 20 marks.
2. Attempt any five from the rest questions,each carrying 16 marks from remaining questions.
3. Working notes should form part of your answer.
4.Proper presentation and neatness is essential.
5. Use of simple calculator is allowed

Q.1.
Amruta Enterprises (having Installed capacity of 2, 00,000 units p.a.) produced 1,00,000 units in the financial year2006-2007. The cost - structure in 2006 - 2007 was as under: (20)

(a) Raw Materials		40%

(b) Wages		15%
(c) Factory Overheads		10%
(d) Administrative and Selling Overheads		15%
	Total cost	80%
(e) Profit		20%
		100

The selling price, which was Rs. 500 per unit in 2006-2007, is estimated to be fixed as at Rs. 600 per unit forthe year 2007-2008; and production and sale expected to increase by 40,000 units. It is, further, anticipated that raw materials cost per unit would increase by 10% due to price rise, whereas wage rate per unit would decrease by 20% due to automation, 56% of all the overheads are fixed and balance are variable.

As a Management Accountant you are required to prepare:-
(a) Cost statement for the year 2007-2008 and
(b) Statement showing estimated working capital required for the year 2007-2008 after considering the following additional information:
(a) Raw materials stock equivalent to two and half monthâ€™s consumption would be stored.
(b) Production time is one month. Raw materials are introduced at the beginning of the process, whereas wages and factory overheads accrue evenly during the production period.
(c) Two months stock of finished goods (valued at factory cost) would be carried in stock.
(d) 20% of raw materials would be imported from China and advance payment of two months would be made there against. 15% of indigenous raw materials requirement would be procured locally against immediate cash payment. Suppliers of balance of indigenous raw materials, allow a credit of one month.
(e) 50% of customers would enjoy a credit of one month, whereas balance 50% of customers would accept a bill of exchange payable after three months. These bills of exchange are immediately hypothecated with the bank against which overdraft facility would be available equal to 70% of amount of bills of exchange.
(f) Time - lag in payment of wages would be one month and for all overheads, it would be half month.
(g) The company would carry cash balance of Rs. 40,000 in its currency chest. Debtors are to be estimated at selling price.
(h) The activities are spread evenly throughout the year. Degree of completion of work-in-progress is 50%.

Q.2.
The Mismanagement Ltd. always finds that it is hard pressed for funds. In spite of borrowing funds at a high rate from Banks, they are not able to make payments to suppliers in time. The financial position of the company as reflected from the Balance Sheet for the last two years is as under: (16)

Particulars	2005		2006	
-	Rs. Lakhs	Rs.Lakhs	Rs. Lakhs	Rs. Lakhs
Share Capital	-	-	-	-
(Rs. 10 each fully paid)	10.00	-	10.00	-
Profit and Loss A/c	1.65	11.65	0.45	10.45
Bank Overdraft	-	1.55	-	5.95
Sundry Creditors	-	1.00	-	6.00
-	-	14.20	-	22.40
Land and Buildings	-	3.00	-	5.00
Plant and Machinery	5.00	-	6.00	-
Less: Depreciation	1.20	3.80	1.80	4.20
Motor Cars	-	1.00	-	1.30
Less: Depreciation	0.40	0.60	0.60	0.70
Stock	-	2.20	-	7.20
Debtors	-	4.60	-	5.30
-	-	14.20	-	22.40

The following further information is available:
(a) Dividend was paid in 2006 at the rate of 10%.
(b) The company sold a motor car during 2006 for Rs. 8,000. This was purchased for Rs. 10,000 and its written down value in the books on 1-1-2006 was Rs. 5,000.
Prepare cash flow statement as per AS-3 by indirect method.

Q.3.
From the following particulars prepare a statement of sources and application of funds for the year ended 31-3-2006of M/s. Rimzim Ltd: (16)
(a) Rimzim Ltd. issued 1,000 shares of Rs. 120 each and all shares are subscribed and fully paid up.
(b) The company has redeemed preference shares for Rs. 1,00,000 at 10% premium. Premium was adjusted against securities premium.
(c) Investments are sold for Rs. 50,000 (resulting in profit of Rs. 10,000).
(d) Sale of machinery during the year Rs. 30,000 (resulting in loss of 5,000).
(e) Purchase of Fixed assets Rs. 1,20,000.
(f) Dividend paid Rs. 40,000 and income tax paid Rs. 35,000.
(g) Working capital of the company was Rs. 1,20,000 on 1-4-2005 and Rs. 1,80,000 on 31-3-2006.
(i) Depreciation provided for the year was Rs. 50,000 and preliminary expenses written off was Rs. 10,000.

Q.4.
Following balances from the books of Account CHETAN Ltd. for the year ended 31-12-2006 you are required to prepare vertical income statement and vertical Balance sheet: (16)

Particulars	Amount Rs.	Particulars	Amount Rs.
Advertising	25,000	Sales Return	10,000
Interest Received	6,000	Bills Payable	43,000
Sales	12,00,000	10% Pref. Share Capital	1,50,000
Equity Share Capital	9,00,000	Debenture Interest	24,000
Salaries	1,80,000	Wages	1,85,000
Furniture and Fixture	2,00,000	Cash and Bank Balance	80,000
Outstanding Expenses	25,000	Debtors	2,00,000
P/L A/c (Credit. Balance)	1,30,000	Opening Stock	50,000
Bad Debts	5,000	General Reserve	75,000
Purchases	6,00,000	Creditors	1,00,000
Machinery	7,50,000	8% Debenture	4,00,000
		Preliminary Expenses	10,000
		Income Tax	10,000
		Land and Building	7,00,000

Closing Stock on 31-12-2006 is Rs. 1,50 000.

Q.5.
Financial Position (16)

Liabilities	2005 Rs.	2006 Rs.
Equity Share Capital	2,00,000	2,50,000
10% Pref. Share Capital	2,00,000	1,50,000
Reserve Fund	80,000	1,00,000
Profit and Loss Account	1,00,000	1,50,000
12% Debentures	2,00,000	3,00,000
Creditors	1,00,000	1,20,000
Bank Overdraft	50,000	20,000
Assets	-	-
Building	3,00,000	3,20,000
Machinery	1,50,000	1,80,000
Furniture	40,000	35,000
Investment	1,00,000	1,50,000
Stock	1,50,000	2,00,000
Debtors	1,00,000	1,20,000
Bank Balance	90,000	85,000

From the above information of Santhan Ltd. as at 31st March, 2005 and 2006 you are required to comment with the help of comparative statement, after rearranging in suitable form for analysis.

Q.6.
Following is the Profit and Loss A/c and Balance Sheet of Adhiraj Ltd. (16)

Profit and Loss A/c for the Year ended 31st December, 2006

Particulars	Rs.	Particulars	Rs.
To Opening Stock	20,000	By Sales	4,50,000
To Purchases	2,00,000	By Closing Stock	80,000
To Wages	50,000	-	-
To Factory Expenses	70,000	-	-
To G. P. c/d	1,90,000	-	-
	5,30,000		5,30,000
To Administrative Expenses	60,000	By Gross Profit b/d	1,90,000
To Selling Expenses	40,000	By Interest Received	5,000
To Interest on Loan	-	5,000	-
To Debenture Interest	8,000	-	-
To Net Profit	82,000	-	-
-	1,95,000	-	1,95,000
To Tax Provision	20,000	By Net Profit	82,000
To Proposed Dividend 20,000	-	-	
To Balance Profit	42,000	-	-
-	82,000		82,000

Balance Sheet as on 31st December, 2006			
Liabilities	Amount Rs.	Assets	Amount Rs.
Equity Share Capital (Rs. 10)	2,00,000	Land and Building	1,75,000
9% Preference Share Capital	1,50,000	Machinery	1,50,000
8% Debenture	1,00,000	Furniture	1,00,000
Reserve	50,000	Goodwill	50,000
P/L A/c	30,000	Patents	50,000
Short Term Loan	1,00,000	Vehicles	1,40,000
(Repaid within one year)		Investment	50,000
Bank Overdraft	75,000	Stock	80,000
Sundry Creditors	1,40,000	Debtors	90,000
Bills Payable	30,000	Bills Receivable	30,000
Provision for Tax	20,000		
Proposed Divided	20.000		
-	9,15,000	-	9,15,000

Q.7.
The following information are available for a firm for the year ended 31-12-2006: (16)
(a) Gross Profit Ratio - 25%
(b) Net Profit Ratio - 20%
(c) Stock Turnover Ratio - 10 times
(d) Net Profit/Capital - 1/5
(e) Capital/Other Liabilities - 1/2
(f) Fixed Assets/Capital - 5/4
(g)Fixed Assets/Current Assets - 5/7
(h)Fixed Assets - Rs. 5, 00,000

(i) Stock at the end Rs. 40,000 more than the stock, in the beginning.
Find Out:
(a) Cost of Goods Sold
(b) Gross Profit

(c) Net Profit
(d) Current Assets
(e) Capital
(f) Total Liabilities
(g) Closing Stock
(h) Total Assets

Q.8.
Calculate trend percentage from the following information extracted from financial statements of Perfect Ltd. afterarranging in vertical form and give your comments:(16)
(RS. '000)

Particular	2003 Rs.	2004 Rs.	2005 Rs.	2006 Rs.
Sales	50,000	60,000	70,000	90,000
Cost of Goods Sold	30,000	36,000	42,000	54,000
Operating Expenses	10,00	11,000	12,000	13,000
Income Tax	50%	50%	50%	50%
Fixed Assets	10,000	?	15,000	?
Net Worth	?	12,000	?	16,000
Working Capital	5,000	5,500	6,000	6,500
Long Term Loans	5,000	6,000	7,000	8,000

Q.9.
(a) What is the impact of conversion of part of Debentures into equity shares on Debt-Equity Ratio which wasbefore conversion 1:1? (2)
(b) State the impact of cash sales Rs. 40,000 (Cost Rs. 25,000) on Quick Ratio and Current Ratio. (2)
(c) What is the impact of making adjustment of Interest Accrued on Debentures on Return on Capital Employed?(2)
(d) Write short notes on any two: (10)
(i) MIS Report.
(ii) Manipulation of Accounts.
(iii) Uses of Ratio Analysis.
(iv) Flow of Funds.

Posted by Kishore S Peshori at 5:31 AM No comments:

October 2006

Management Accounting

Time: 3Hours **Marks: 100**
NB:
1. Questions No. 1 is compulsory and carries 20 marks.
2. Attempt any five from the rest questions,each carrying 16 marks from remaining questions.
3. Working notes should form part of your answer.
4.Proper presentation and neatness is essential.
5. Use of simple calculator is allowed

Q.1.
(a) The Balance Sheets of Dinesh Ltd. are as follows: (20)

Balance sheet as at 31st March, 2005 and 2006.					
Liabilities	2005	2006	Assets	2005	2006
-	Rs.	Rs.	-	Rs.	Rs.
Equity share capital	3,00,000	5,00,000	Goodwill	1,10,000	90,000
General Reserve	-	60,000	Land and Building	1,60,000	1,80,000
Profit and Loss A/c	-	58,000	Plant and Machinery	80,000	2,00,000
Debentures	2,00,000	-	Stock	84,000	1,06,000
Sundry Creditors	1,14,000	92,000	Debtors	1,80,000	1,56,000
Bills Payable	60,000	12,000	Advance Income Tax	-	40,000
Provision for Income Tax	-	50,00	Bills Receivable	16,000	24,000
Proposed Dividend	-	40,000	Prepaid Expenses	12,000	8,000
-	-	-	Cash in Hand	20,000	8,000
-	-	-	Profit and Loss A/c	12,000	-

-	6,74,000	8,12,000	-	6,74,000	8,12,000

Additional Information:
During the year ended 31-03-2006. Depreciation of Rs. 16,000 and Rs. 20,000 have been charged on Land and Building and Plant and Machinery respectively.
An Interim Dividend of Rs. 15,000 was paid during the year ended on 31-03-2006.
During the year Machinery having book-value of Rs. 16,000 was sold for Rs. 14,000.
Prepare cash flow statements by Indirect Method for the year ended 31st March, 2006 as per AS - 3.

Q.2.
Aman and Ram are partners of M/S Aman Ram sharing Profits and Losses in the ratio of 3:2. Their Balance sheet as on 31st March, 2004 was as under: (16)

Balance sheet as at 31st March, 2005 and 2006.					
Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Creditors	-	15,000	Bank	-	14,000
Reserves	-	10,000	Cash	-	3,000
Loan from Sanju	-	20,000	Debtors	29,000	-
Capitals:	-	-	Less: RDD	1,000	28,000
Aman	30,000	-	Stock	-	30,000
Ram	25,000	55,000	Fixed Assets:	-	-
-	-	-	Cost	35,000	
-	-	-	Less: Depreciation	10,000	25,000
-	-	1,00,000	-	-	1,00,000

As they wanted to go in for heavy expansion they decided upon the following, during the year ended 31st March, 2005:
Introduce fresh capital of Rs 20,000; Rs. 5,000 being by Aman and Rs. 20,000 being by Ram.
Admit Sanju as a partner on the following terms:
(a) Aman, Ram and Sanju are to share profits and losses in the ratio of 2:2:1.

(b)Goodwill of the firm is worth Rs. 30,000 but it is privately settled by the partners without bringing it into the books of account of the firm.

(c)Sanju's loan is to be converted into his capital.

(d)Sanju is to bring in a further sum of Rs. 26,000.

M/s Aman purchased on 1st April, 2004 new fixed assets of Rs. 80,000. They sold part of the fixed assets costing Rs. 20,000 on which depreciation provision was Rs. 8,000 for Rs. 10,000. This amount was used to partially finance the purchase of fixed assets. M/s Aman Ram borrowed Rs. 50,000 from Bank of India for the purpose of financing the purchase of fixed assets. Out of this loan Rs. 10,000 was repaid during the year.
Aman, Ram and Sanju withdrew Rs. 16,000, Rs. 15,000 and Rs. 10,000 respectively during the year. You are further informed that the partnership firm tax of Rs. 2,000 was paid during the year. Balance Sheet of the firm as on 31st March, 2005 was as under:

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Creditors	-	30,000	Bank	-	6,000
Loan from Bank of India	-	40,000	Cash	-	6,000
Capitals:	-	-	Debtors	60,000	-
Aman	39,000	-	Less: RDD	3,000	57,000
Ram	48,000	-	Stock	-	50,000
Sanju	43,000	1,30,000	Fixed Assets:	-	-
-	-	-	Cost	95,000	-
-	-	-	Less: Depreciation	14,000	81,000
-	-	2,00,000	-	-	2,00,000

Prepare a statement showing flow of fund during the year ended 31st March. 2005 along with statement of changes in working capital, together with item wise changes in working capital.

Q.3.
While preparing the financial statements for the year ended 31-3-2005 of XYZ Ltd., it was discovered that a substantial portion of the records were missing. However, the accountant was able to gather the following data: (16)

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Paid-up Share Capital	-	-	Land	-	3,60,000
60,000 Equity shares of Rs. 10	-	6,00,000	Plant and Machinery:	-	-
each)	-	-	Cost	9,00,000	-
Reserves and Surplus:	-	-	(-) Depreciation	3,60,000	5,40,000
Balance on 1-4-04	1,80,000	-	Current Assets:	-	-
+ Transfer during the year	1,20,000	3,00,000	Stock	?	-
10% Loan	-	6,00,000	Debtors	?	-
Current Liabilities:	-	-	Cash and Bank	?	-
Proposed Dividend	?	-	-	-	-
Provision for Tax	?	-	-	-	-
Creditors	?	6,00,000	-	-	-
-	Total	?	-	Total	?

The following other information is available:

Current Ratio	2:1
Cash and Bank	30% of Total Current Assets
Debtors Turnover (Sales/Debtors)	12 Times
Stock Turnover (Cost of Goods Sold/Stock)	12 Times
Creditors Turnover (Cost of goods Sold/Creditors)	12 Times
Gross Profit Ratio on Sales	25%
Proposed Dividend	20%

You are required to complete the Balance Sheet as on 31-03-2005 with available information, working notes shall form part of your answer.

Q.4.
From the following Balance Sheet, prepare Vertical balance sheet which is suitable for analysis and calculate TrendPercentages taking 2003 as base year and comment on it. (16)

Balance Sheets as at 31st December			
Particular	2005 Rs.	2004 Rs.	2003 Rs.
Share Capital	50,000	50,000	50,000
Reserve and Surplus	5,000	10,000	10,000
Secured Loan	3,00	5,000	5,000
Unsecured Loan	2,000	-	6,000
Current liabilities	5,000	5,000	4,000
-	65,000	70,000	75,000
Particular	2005 Rs.	2004 Rs.	2003 Rs.
Fixed Assets (Net)	40,000	45,000	50,000
Investment	5,000	7,500	10,000
Stock	7,000	6,000	5,000
Debtors	10,000	9,000	7,000
Cash	3,000	2,500	3,000
-	65,000	70,000	75,000

Q.5.
From the information giver, below prepare Balance sheet in a vertical form, suitable for analysis and calculate the following ratios: (16)
1. Capital Gearing Ratio.
2. ProDrietory Ratio.
3. Current Ratio.
4. Liquid Ratio.
5. Stock of Working Capital.

Particulars	(Rs.)	Particulars	(Rs.)
Cash at Bank	12,500	Land and Building	2,00,000
Expenses paid in Advance	15,500	Stock	68,250
Creditors	1,01,500	Debtors	1,30,750
Bills Receivable	5,250	Plant and Machinery	1,36,000
12% Debentures	62,500	Loan from Director	1,00,000
Equity Share Capital	2,50,000	(Repayable after three years)	-
P & L A/c (Cr.)	54,250	-	-

Q.6.
The following are the Balancesheets of Hayat Ltd. for the year ending 31st March, 2004 and 2005. (16)

Liabilities	31-3-04 Rs.	31-3-05 Rs.	Assets	31-3-04 Rs.	31-3-05 Rs.	
Equity share capital	4,00,000	4,00,000	Fixed assets	less depreciation	4,80,000	9,20,000
Preference share capital	2,00,000	2,00,000	Stock	80,000	40,000	
Reserves	40,000	60,000	Debtors	2,00,000	1,50,000	
Profit and loss account	30,000	40,000	Bills receivable	40,000	60,000	
Bank overdraft	1,00,000	4,60,000	Prepaid expenses	20,000	24,000	
Creditors	80,000	1,00,000	Cash at bank	1,00,000	1,66,000	
Provision for taxation	40,000	50,000	-	-	-	
Proposed Dividend	30,000	50,000	-	-	-	
-	9,20,000	13,60,000	-	9,20,000	13,60,000	

From the above prepare Vertical Balance Sheet suitable for analysis and do Horizontal comparison showing absolute Increase/Decrease and Percentage.

Q.7.
(a) On the morning of 31st December, 2005, the business had stock costing Rs. 50,000, Debtors Rs. 1,70,000, creditors Rs. 1,90,000 and cash at Bank Rs. 50,000. On that day the business has the following transactions: (16)
Purchased goods for cash Rs. 5,000 and credit Rs. 20,000.
Sale of Goods for cash Rs. 25,000 (cost of Goods Sold Rs. 20,000).
Collection from Debtors Rs. 45,000.
Paid Rent for Jan. and Feb. 2006 in advance Rs. 20,000.
Payments to creditors Rs. 1,00,000.
All receipts and payments are by cheques.
You are required to compute on the morning and evening of 31st December, 2005,

(i) Current Ratio.
(ii)Acid Test Ratio.

(b) Stock Turnover of X Ltd. is 8 times. (4)
Sales for the year are Rs. 5,00,000 and Gross Profit Ratio is 25% on cost.
Closing Stock is Rs. 10,000 more than Opening Stock
Find out closing stock.

Q.8.
A company plans to manufacture and sell 400 units of domestic appliances per month at price of Rs. 600 each forthe calendar year 2007. The ratio of cost of selling price are as follows: (16)

particulars	% of selling price
Raw material	30
Packing material	20
Direct lab our	15
Direct expenses	5

Fixed overhead are estimated at Rs. 4,32,000 per annum.

Stock were maintained as per following.

Raw material	30 days
Packing material	15 days
Work in progress	7 days
Finished goods	200 Units

Following additional information is given:
Credit sales represent 80% and customers enjoy 30 working days credit. Balance 20% are cash sales.
Creditors allow 21 working days credit for payment.
Lag in payment in overhead and expenses is 15 working days.
Cash requirements to be 12% of net working capital excluding cash.
Working days in a year are taken as 300.
Prepare working capital requirement for the year 2007.

Q.9.
Write short notes on any four: (16)
(a) Classification Assets.
(b) Drawbacks of comparative statements in Interpretation of final accounts.
(c) Selection of Accounting Software.
(d) MIS.
(e) Explain "Fund" and "Flow of Funds".
(f) Consequences of Inadequate working capital.
Posted by Kishore S Peshori at 5:30 AM No comments:

April 2006

Management Accounting

Time: 3 Hours

Marks: 100

NB:

1. Questions No. 1 is compulsory and carries 20 marks.
2. Attempt any five questions, each carrying 16 marks from remaining questions.
3. Working notes should form part of your answer.
4. Proper presentation and neatness is essential.

Q.1 M/s. Rajesh & Co. gives you the following information. Prepare trading and profit and loss account for the year ended 31st March, 2004 and balance sheet as on that date in as much detail as is possible.________*(20M)*

Opening Stock	Rs. 90,000
Stock Turnover Ratio	10 times
Net Profit Ratio on Turnover	15%
Gross Profit Ratio on Turnover	20%
Current Ratio	4: 1
Long Term Loan	Rs. 2, 00,000
Depreciation on Fixed Assets @ 10	Rs. 20,000
Closing Stock	Rs, 1, 02,000
Credit period allowed by suppliers	One month
Average Debt collection period	Two months

On 31st March, 2004 current Assets consisted of stock, debtors and cash only. There was no bank overdraft. All purchases were made on credit. Cash sales were 1/3rd of credit sales.

Q 2. From the following Balance Sheet and information of TNG Ltd., prepare fund flow statement and schedule of item wise changes in working capital for the year ended 31-12-2005 :- (16)

Balance Sheet					
Liabilities	2004 Rs.	2005 Rs.	Assets	2004 Rs.	2005 Rs.
Equity Share Capital	40,000	70,000	Land	80,000	80,000
P & L A/c	13,420	16,000	Buildings	40,000	36,000
General Reserve	13,180	14,200	Furniture	5,000	7,000
Long Term Loan	16,400	14,000	Debtors	12,200	16,600
Creditors	36,720	17,000	Bills Receivable	2,000	13,000
Bills Payable	15,100	5,800	Goodwill	19,000	16,000
Prov. for Tax	9,000	12,000	Cash	620	5,400
Proposed Dividend	15,000	25,000			

	1, 58,820	1,74,000		1, 58,820	1,74,000

Additional Information:
Additional land was purchased during the year at a cost of Rs. 1, 20,000 and later on sold at a profit of Rs. 20,000 during the year.
Furniture having book value of Rs. 2,000 was sold for Rs. 1,000.
An interim dividend of Rs. 5,000/- was paid during the year.
Income Tax paid Rs. 8,500/ .
Charged depreciation on Building Rs. 4,000 and Furniture Rs. 300/.
Proposed dividend for last year has been paid during the year.

Q 3. Following are summarized Balance Sheets of BDM Ltd. as on 31st Dec., 2004 Balance Sheet 2005. (16)

Balance Sheet					
Liabilities	2004Rs.	2005Rs.	Assets	2004Rs.	200 Rs.
Equity Share Capital	2,00,000	2,50,000	Bank	35,000	16,000
12% Debentures	1,00,000	80,000	Stock	40,000	75,000
10% Preference Share Capital	50,000	80,000	Debtors	90,000	1,50,000
Bank Loan	70,000	1,10,000	Machinery	75,000	60,000
Reserves	20,000	25,000	Furniture	10,000	8,000
P & L A/c	50,000	60,000	Land	1,70,000	2,80,000
Creditors	60,000	75,000	Buildings	1,40,000	99,000
Bills Payable	40,000	33,000	Goodwill	30,000	25,000
	5,90,000	7,13,000		5,90,000	7,13,000

Additional Information:
1. Depreciation charged during 2005 was Rs. 4,000/- on Furniture. Rs. 12,000/- on Machinery and Rs. 20,000/- on Buildings.
2. Part of Machinery was sold for Rs. 15,000/- at a loss of Rs. 4,000/.
3. During 2005 interim dividend was paid Rs. 10,000 & Income Tax was paid Rs. 5,000/-
4. During the year part of the Building was sold at book-value.
You are required to prepare Cash Flow Statement as per AS. 3 (Use Indirect method).

Q 4. Re-write the following statement of changes in working capital by calculating the missing figures: - (16)

Statement of Changes in working capital				
Particulars		31-12-2004	31-12-2005	Working Capital increase/ (Decrease)
(A) Current Assets				
Stock		1, 00,000	?	20,000
Debtors		?	70,000	?
Cash		10,000	15,000	?
Bank		25,000	?	25,000
Bills Receivables		30,000	25,000	?
Prepaid Expenses		5,000	?	1000
	(A)	?	?	-
(B) Current Liabilities				
Creditors		20,000	?	(10,000)
Bills Payable		10,000	5,000	?
Outstanding Wages		3,000	?	1,000
Outstanding Salary		?	4,000	?
	(B)	40,000	?	-
Working Capital (A-B)	?	?	-	

Increase in working capital			35,000	
				60,000

Q.5 A & B carrying on partnership business. Their position as on 31st March 2005, 2004& 2003 is as follows: (16)

(i) Balance sheets as at 31st March :			
	(Rs. in lacs)		
Assets	2005	2004	2003
Fixed Assets (at cost less Depreciation)	30.00	25.00	24.00
Investment	2.00	1.00	2.00
Stock in Trade	12.00	10.00	8.00
Accounts Receivable	18.00	15.00	12.00
Loans & Advances	8.00	8.00	6.00
Cash & Bank Balances	1.00	1.00	1.00
	71.00	60.00	53.00
Liabilities			
Partners' Capital Accounts	35.00	30.00	25.00
Partner's Current Accounts	6.00	4.00	4.00
Bank Loans	8.00	6.00	6.00
Sundry Creditors	22.00	20.00	18.00
	71.00	60.00	53.00

(ii) Summarised Income Statements for the year ended 31st March :			
	(Rs. in lacs)		
Particulars	2005	2004	2003
Net Sales	240.00	220.00	200.00
Less : Cost of Sales	180.00	170.00	150.00
Gross Margin	60.00	50.00	50.00
Less : Operating Expences	50.00	40.00	36.00
Net Profit before Tax	10.00	10.00	14.00

Prepare Trend Analysis Statement taking earliest year as the base. Writing Balance Sheet in vertical form suitable for analysis in Trend Statement is necessary.

Q. 6 Following financial statement for the year ended 31st March, 2005 are submitted to you by the accountant of Star Ltd. (16)

Trading and Profit and Loss Account for the Year ended 31st March, 2005				
Particulars		Rs.	Particulars	Rs.
To Opening Stock		70,000	By Sales	16,60,000
To Purchases	15,30,000		By Closing Stock	1,60,000
(-) Returns	30,000	15,00,000		
To Gross Profit		2,50,000		
		18,20,000		18,20,000
To Depreciation		36,000	By Gross Profit	2,50,000
To Administration Expenses		50,000	By Interest	10,000

To Selling & Distribution Expenses		24,000		
To Provision for Income-tax		40,000		
To Proposed Dividend		16,000		
To Profit Balance		94,000		
	2,60,000		2,60,000	

Balance Sheet as at 31st March, 2005			
Liabilities	Amount Rs.	Assets	Amount Rs.
Share Capital	3,00,000	Goodwill	20,000
Profit and Loss Account	1,80,000	Cash in Hand	8,000
Proposed Dividend	16,000	Stock in Trade	1,60,000
Bank Overdraft	38,000	Sundry Debtors	1,78,500
Sundry Creditors	26,000	Land & Building	92,150
Provision for Depreciation	55,750	Plant & Machinery	1,28,600
Provision for Tax	40,000	Prepaid Expenses	1,500
		Expenses on Issue of Shares	7,000
		Short Term Investments	60,000
	6,55,7500		6,55,750

Rearrange the above statements in a form suitable for analysis and determine Net Worth, Quick Assets, Quick Liabilities, Operating Profit and Retained Earnings.

Q.7 From the following Profit and Loss Account information for year ending 2004 and 2005 prepare Common Size statement. Arrange information in Vertical Form suitable for analysis. (16)

	2004 Rs.	2005 Rs.
Sales	10, 00,000	15, 00,000
Closing Stock	2, 50,000	3, 00,000
Opening Stock	1, 50,000	2, 50,000
Purchases	3, 00,000	4, 50,000
Wages	2, 00,000	3, 00,000
Manufacturing Expenses	1, 00,000	1, 50,000
Administrative Expenses	50,000	50,000
Selling & Distribution Expenses	50,000	75,000
Loss on Sale of Furniture	25,000	0
Interest on Debenturess	10,000	10,000
Profit on Sale of Shares	50,000	0

(i) Stock at the end Rs. 40,000 more than the stock, in the beginning.
Find Out:
(a) Cost of Goods Sold
(b) Gross Profit
(c) Net Profit
(d) Current Assets
(e) Capital
(f) Total Liabilities
(g) Closing Stock
(h) Total Assets

Q.8 From the following data provided by M/s Alpha Ltd. showing working capital requirements for the year ended 31st March, 2006: (16)
(a) Estimated activity/operations for the year 2, 60,000 units (52 weeks).
(b) Raw material remains in stock for 2 weeks and production cycle takes 2 weeks.
(c) Finished Goods remaining in stock for 2 weeks.

(d) 2 weeks credit is allowed by suppliers.
(e) 4 weeks credit is allowed to Debtors.
(f) Time lag in payment of wages and overheads is 2 weeks each.
(g) Cash & Bank Balance to be maintained Rs. 25,000.
(h) Selling price per unit is Rs. 15.
(i) Analysis of cost per unit as follows:-
(1) aterial 331/3% of sales.
(2) Labour and overheads in the ratio of 6 : 4 per unit
(3) Profit is at Rs. 5 per unit.
Assume that operations are evenly spread throughout the year; Wages and Overheads accrue similarly. Manufacturing process requires feeding of material fully at the beginning. Degree of work-in-progress is 50%. Debtors are to be estimated at selling Price.

Q.9 Write short notes on any four: (16)
(a)Window dressing of current ratio.
(b)Uses of ratio.
(c)Cash from operating activities.
(d) MIS report.
(e) Limitation of financial statmentsts.
(f) Cost of goods sold.