

SUB : Management A/c

Time:3 Hours

Max : 100 Marks

1. All questions are compulsory
2. All question carry 20 marks each

New Pattern

Q 1. (a)

(10 Marks)

Rewrite statements and state if they are true or false (Any 10).

- Ⓞ Sale of finished goods is added to cost of production.
- Ⓞ For calculating payback period, time value of money is ignored.
- Ⓞ Creditor turnover ratio and average credit period on purchases convey the same information.
- Ⓞ Current Ratio = Current Assets/ Current Liabilities.
- Ⓞ For net present value calculations higher the discount rate less is the present value.
- Ⓞ For calculation of working capital requirements it is desirable that stock is valued at cost.
- Ⓞ Cost of issue of new debentures is non-operating expenses.
- Ⓞ Budgets contain plans of the management.
- Ⓞ Information is data is that has been processed in some way.
- Ⓞ Liquidity refers to ability of the firm to pay as and when a debt falls due for payment.
- Ⓞ Proposed dividend is a current liability.
- Ⓞ Sale of fixed assets is added to net sales.

And

Q 1. (b)

(10 Marks)

Match the Columns and Rewrite the Statement (Any 10)

Column A	Column B
* Management Accounting	* (PAT – Pref Dividend) / (Proprietors Funds – Pref Share Capital)
* Accounting Rate of Return	* Credit Purchases / Average Creditors
* Net Present Value	* Credit Sales / Average Debtors
* Debtors Turnover Ratio	* Current Assets - Current Liabilities
* Creditors Turnover Ratio	* Current Liability
* Bank Loan	* Dividend Per Share / Earning Per Share
* Net Working Capital	* Financial Statements Interpretation
* Bank Overdraft	* Not a Current Asset
* Return On Capital Employed	* Payback Period
* Return On Equity	* PBIT / Total Funds Employed
* Dividend Payout Ratio	* Time Value of Money Considered
* Total Cash inflows = Total Cash Outflows	* Time Value of Money Ignored

Q 2.

(20 Marks)

Rearrange the profit and loss account in vertical format and calculate following ratios:

- | | |
|--|--|
| 1 Gross Profit Ratio | 2 Cost of Production To Sales Ratio |
| 3 Administrative Expenses To Sales Ratio | 4 Selling and Distribution Expenses To Sales Ratio |
| 5 Finance Expenses To Sales Ratio | 6 Operating Ratio |
| 7 Net Profit Ratio | 8 Net Operating Profit Ratio |
| 9 Stock Turnover Ratio | |

Profit and Loss Account

Expenses	Rs. (000)	Income	Rs. (000)
Opening Stock	120	Sales (Net)	5000
Purchases (Net)	2460	Closing Stock	180
Factory Wages	455	Profit on Sale of investment	50
Factory Expenses	595		
Office Salaries	60		
Office Rent	40		
Office Expenses	34		
Sales Commission	25		
Advertising	20		
Finance Charges	25		
Depreciation			
Office Furniture	16		
Delivery Van	5		

Debenture Interest	250
Loss on Sale of Machinery	125
Income Tax	250
Net Profit	750
	<u>5230</u>

5230

Or

Q 2.

(20 Marks)

Calculate trend percentage from following information:

Balance Sheet	2017	2018	2019	2017	2018	2019
Liabilities	Rs (000)	Trend %	Rs (000)	Trend %	Rs (000)	Trend %
11% Pref. Shares	200	100.00%	200		200	
Equity Share Capital	800	100.00%	1200		1200	
Reserve & Surplus	2000	100.00%	3000		3500	
12 % Debentures (Secured)	1200	100.00%	840		540	
Sundry Creditors	150	100.00%	210		200	
Bills Payable	20	100.00%	20		40	
Outstanding Expenses	30	100.00%	30		40	
	4400	100.00%	5500		5720	
Assets	Rs (000)	Trend %	Rs (000)	Trend %	Rs (000)	Trend %
Land	600	100.00%	600		600	
Buildings	1250	100.00%	1000		900	
Plant	1500	100.00%	2625		3000	
Furniture	180	100.00%	162		270	
Investments	250	100.00%	420		200	
Cash	100	100.00%	50		100	
Sundry Debtors	300	100.00%	360		450	
Bills Receivables	80	100.00%	120		50	
Stock	120	100.00%	150		144	
Prepaid Expenses	20	100.00%	13		6	
	4400	100.00%	5500		5720	
Income Statement	2017	2018	2019	2017	2018	2019
Particulars	Rs (000)	Trend %	Rs (000)	Trend %	Rs (000)	Trend %
Net Sales	2300	100.00%	2530		2990	
(-) Cost Of Goods Sold	1400	100.00%	1680		1960	
(=) Gross Profit	900	100.00%	850		1030	
(-) Other Operating Exp.						
a. Administrative Expenses	100	100.00%	120		110	
b. Selling Expenses	50	100.00%	30		48	
c. Finance Expenses	30	100.00%	45		54	
(=) Operating Net Profit	720	100.00%	655		818	
(+) Non-Operating Income	20	100.00%	30		30	
(-) Non-Operating Expenses	10	100.00%	5		10	
(=) Net Profit Before Tax	730	100.00%	680		838	
(-) Income Tax	250	100.00%				
(=) Net Profit After Tax	480	100.00%	480		608	

Q 3

(20 Marks)

Rearrange the following Statements in vertical format and prepare a comparative statement

Balance Sheet					
Liabilities	2018 Rs (000)	2019 Rs (000)	Assets	2018 Rs (000)	2019 Rs (000)
Creditors	210	285	Land	500	500
Loans	540	600	Building	250	275
Share Capital	520	520	Machinery	700	900
Reserves	148	252	Inventory	100	150
Proposed Dividend	120	120	Prepaid Expenses	50	30
Tax Provision	180	195	Cash	18	24
			Debtors	100	93
	1718	1972		1718	1972

Profit and Loss Account					
Expenses	2018 Rs (000)	2019 Rs (000)	Income	2018 Rs (000)	2019 Rs (000)
To Cost of Sales	300	500	By Gross Sale	1230	1550
To Operating Expenses :			Less : Returns	30	50
Administrative	120	120	Net Sales	1200	1500
Selling	60	90	By Non-Operating Income	120	165
To Non-Operating Expenses :	15	18			
To Tax Provision.	180	195			
To Proposed Dividend	120	120			
To Retained Earnings.	525	622			
	1320	1665		1320	1665

Or

Q 3

(20 Marks)

Rearrange the following information in vertical format and prepare a common size statement.

Balance Sheet			
Liabilities	Rs (000)	Assets	Rs (000)
Share Capital	300	Cash	25
Reserves and Surplus	600	Debtors	350
12% Debentures	500	Stock	120
Sundry creditors	100	Income Tax Paid	110
Bank Overdraft	60	Investments	240
Income Tax Provision	100	Fixed Assets	815
	1660		1660

Profit and Loss Account			
Expenses	Rs (000)	Income	Rs (000)
To Opening Stock	100	By Sales	1600
To Purchases	800	By Closing Stock	120
To Factory Expenses	300		
To Gross Profit c/d	520		
	1720		1720
To Expenses:		By Gross Profit b/d	520
Administrative	50	By Non-Operating Income	50
Selling	40		
Finance	30		
To Income Tax	100		
To Net Profit	350		
	570		570

Q 4.

(20 Marks)

Sam and Dam Industries Ltd. manufactured and sold 1,20,000 of product 'T' in 2019. The production cost per unit was as under:

	Rs
Materials	4
Labour	4
Overheads	2
Total Cost	10
Profits	2
Selling Price	12

For 2020, it is estimated that:

1. The output and sales will be 1,80,000 units.
2. Price of materials will rise by 25%.
3. Wages will rise by 25%.
4. Overheads will increase by 50%
5. Selling price per unit will be Rs.18.

It is also estimated that:

1. Raw materials remain in stock for half month before issue to production.
2. Finished goods will remain in go-down for one month before sale.
3. All sales will be on credit and credit allowed to customers will be as follows:
 1. Acceptance of bills of exchange for three months against 50% of sales.
 2. 50% of sales is on one month's credit.
4. Wages and overheads are paid one month in arrears.
5. Creditors offer a credit of one month.
6. Materials will be in process (valued at cost of raw materials plus 50% of labour and overheads) on an average for half month.
7. Cash in hand and with bank should always be Rs. 50,000.

Forecast working capital requirements for the company for 2020.

Or

Q 4.

(20 Marks)

J Ltd is considering investing in three alternative projects. Calculate:

1. Payback Period
2. Payback Profitability
3. Net Present Value @ 8%
4. Profitability Index
5. Discounted Payback Period @ 8%

	Project I	Project II	Project III
Initial Investment	7,00,000	9,00,000	11,00,000
Yr	Cash Inflows	Cash Inflows	Cash Inflows
1	1,75,000	3,00,000	3,25,000
2	2,25,000	2,30,000	3,05,000
3	2,75,000	65,000	1,90,000
4	1,50,000	2,30,000	1,80,000
5	1,00,000	2,50,000	2,20,000
6	1,00,000	3,00,000	4,50,000

For these projects discounting is @ 8%.

The discount factor table @ 8% is as under:

Yr	1	2	3	4	5	6
Discounting Factor @ 8%	0.9259	0.8573	0.7938	0.7350	0.6806	0.6302

Q 5.

(20 Marks)

- ⑩ What is trend analysis? Explain its benefits.
- ⑩ What is the time value of money? How is it measured and used in determining project feasibility?

Or

Q 5.

(20 Marks)

Write short notes on any four:-

- ⑩ Stock Turnover Ratio
- ⑩ Non-Operating Income
- ⑩ Uses of Ratio Analysis
- ⑩ Debtors Turnover Ratio
- ⑩ Payback Period
- ⑩ Working Capital Ratio