

Accounting for Managerial Decisions : Sem 3 BMS

Time: 2 ½ hours

A.M.D. - 13.10.22

Marks: 75

Note: 1. All questions are compulsory with internal choice.

2. Figures to the right indicate marks.

3. Use of simple calculator allowed

Q1. Objective Questions:

(15 marks)

Q 1 (A) Choose the correct word and rewrite the entire sentence (Any 8)

(8 marks)

1. Owner's Funds equals _____
 - (a) Capital - Reserves & Surplus - Preliminary expenses
 - (b) Debentures + Reserves & Surplus - Preliminary expenses
 - (c) Capital + Reserves & Surplus - Preliminary expenses
 - (d) Capital + Reserves & Surplus + Preliminary expenses
2. In _____ year 1 is taken as the base year and the figures of all the years (year 2, year 3) are compared with those of the base year.
 - (a) Cash Flow Statements
 - (b) Common Size Statements
 - (c) Trend Analysis
 - (d) Comparative Statements
3. In _____ figures of two or more periods are placed side by side to facilitate easy and meaningful comparisons
 - (a) comparative statement analysis
 - (b) common-size statement analysis
 - (c) ratio analysis
 - (d) trend percentage analysis
4. Cost of Goods Sold _____
 - (a) Opening Stock + Purchases - Direct Expenses + Closing Stock
 - (b) Opening Stock + Purchases + Direct Expenses - Closing Stock
 - (c) Sales - Opening Stock + Purchases - Direct Expenses - Closing Stock
 - (d) Opening Stock + Purchases - Direct Expenses - Closing Stock
5. The current ratio is the ratio of _____
 - (a) Current assets to total assets
 - (b) Current assets to current liabilities
 - (c) Current liabilities to total liabilities
 - (d) Current liabilities to equity
6. The creditors turnover ratio shows _____
 - (a) the amount of creditors
 - (b) the time taken to repay creditors
 - (c) the amount of debtors
 - (d) the due date to repay creditors
7. Dividends received on shares of other companies held as investments will be shown in the Cash Flow Statement as _____
 - (a) cash or cash equivalent
 - (b) investing cash flow
 - (c) investing cash flow
 - (d) financing cash flow
8. For the purpose of Cash Flow Statement 'Cash' _____
 - (a) includes only cash
 - (b) includes cash and current account with Bank
 - (c) includes cash and savings account balance as well as current account with bank
 - (d) includes cash and savings account with Bank
9. The term net working capital refers to _____
 - (a) the excess of the current assets over current liabilities
 - (b) the total current assets less provisions
 - (c) the liquid assets
 - (d) the total assets
10. 5 C's of the credit does not include _____
 - (a) Collateral
 - (b) Collection
 - (c) Conditions
 - (d) Character



Q 1 B Match the Column:

(7 marks)

COLUMN A	COLUMN B
1. Internal analysis	(a) Current assets – Current liabilities
2. External analysis	(b) Composite ratio
3. Stock Turnover ratio	(c) Revenue Statement ratio
4. Debtors Turnover ratio	(d) Current assets
5. Repayment of debentures	(e) Investors
6. Payments for purchase of investments	(f) Owners or managers of the concern itself
7. Receipts from fresh loans	(g) Investing inflows
8. Gross Working Capital	(h) Investing outflows
9. Net Working Capital	(i) Financing inflows
	(j) Financing outflows

Q 2 A Following summary is the financial statements for the year ended 31st March, 2015 submitted to you by the accountant of Suman Ltd. (15 marks)

(Dr) Trading and Profit and Loss Account for the Year ended 31st March, 2015 (Cr).

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
Less: Returns 30,000	15,00,000		
To Gross Profit	2,50,000		
	18,20,000		18,20,000
To depreciation on furniture	46,000	By Gross profit	2,50,000
To Administration expenses	50,000	By profit on sale of asset	20,000
To selling & distribution expenses	24,000		
To provision for Income Tax	40,000		
To loss on sale of furniture	16,000		
To Profit Balance	94,000		
	2,70,000		2,70,000

Balance Sheet as on 31st March, 2015

Liabilities	Rs	Assets	Rs
Sundry Creditors	30,000	Debtors	37,000
Loans	56,250	Prepaid expenses	55,000
Capital	1,64,500	Stock	25,000
Reserves	25,000	Fixed Assets	1,58,750
	2,75,750		2,75,750

Rearrange the above statements in vertical form suitable for analysis.

OR

Q 2 B Complete the following Trend Statement of M/s Ravi Industries ltd (10 marks)

Particulars	Amount in Rs (Lakhs)			Percentage Trend %		
	2012	2013	2014	2012	2013	2014
Net sales	600	800	1,000	100	?	?
Cost of goods sold	400	?	?	?	125	?
Gross Profit	200	?	?	?	?	200
Operating Expenses	100	?	200	?	120	?
Operating Net Profit	?	180	?	?	?	?
Non-operating Income	40	?	?	?	50	150
Non-operating expenses	?	?	?	100	100	100
Net profit before Tax	120	?	?	?	150	200
Income tax	40	?	?	?	?	?
Net Profit after Tax	80	100	120	?	?	?

Q 2 C From the following data prepare Statement of Profits in the comparative form: (5 marks)

Particulars	2016 (Rs)	2017 (Rs)
Sales	1,00,000	2,00,000
Cost of goods sold	60% of sales	70% of sales
Operating Expenses	10 % of Gross Profit	
Rate of income tax	40 % of Net Profit Before Tax	



Q 3 A From the following Balance Sheet of a reputed company, ascertain (a) Current Ratio (b) Acid Test Ratio (c) Capital Gearing Ratio (d) Proprietary Ratio (e) Debt-Equity Ratio (f) Stock to Working Capital Ratio and comment thereon on each ratio (15 marks)

Balance Sheet as on 31st March, 2020

Liabilities	Rs	Assets	Rs
Equity share capital	1,00,000	Fixed Assets	1,62,000
6% Preference Shares	50,000	Stock	22,000
Reserves	30,000	Debtors	51,000
7% Debentures	20,000	Bills Receivable	2,000
Creditors	34,000	Bank	12,000
Tax provision	15,000		
	2,49,000		2,49,000

OR

Q 3 B From the following Balance Sheet of Priti Ltd. Compute (15 marks)
(a) Current Ratio (b) Liquid Ratio (c) Stock Turnover Ratio (d) Debtors Turnover Ratio (e) Proprietary Ratio

Balance Sheet as on 31st March, 2012

Liabilities	Rs	Assets	Rs
Equity share capital	5,00,000	Fixed Assets	12,00,000
6% Preference Shares	2,00,000	Stock	5,40,000
Reserves	10,00,000	Sundry Debtors	8,00,000
Loans	4,00,000	Advance Tax	1,20,000
Current Liabilities	5,40,000	Cash at Bank	7,90,000
Provision for tax	8,10,000		
	34,50,000		34,50,000

Total sales during the year was Rs 77,76,000 which yielded a Gross Profit of 25% on sales. The stock on 31st March, 2011 was Rs 4,32,000

Q 4 A From the following details find the working capital requirement: (8 marks)

Per unit Rs

Materials	70
Labour	40
Overhead	50
Total Cost	160
Profit	40
Selling Price	200

- The monthly production will be 1,000 units.
- Raw materials are expected to remain in the stores for an average period of 2 months.
- Finished goods remain in stock for 3 months.
- Materials are in process for 2 months.
- Credit allowed by suppliers from the date of delivery of materials is 15 days
- Debtors are allowed 1½ months credit.
- 75% of sales will be for credit
- Time lag in payment of wages and overhead is ½ month
- The cash and bank balance is Rs 20,000.

Q 4 B A company has sales of sales of Rs 25,00,000. Average collection period is 50 days, bad debt losses are 5% of sales and collection expenses are Rs 25,000. The cost of funds is 15%. The company has two alternative collection programmes. (7 marks)

Average Collection Period reduced to
Bad debt losses reduced to
Collection expenses

Programme I
40 days
4% of sales
Rs 50,000

Programme II
30 days
3% of sales
Rs 80,000

Evaluate which programme is viable.

OR

Q 4 C From the following balance sheets of Ahire Ltd. Prepare Cash Flow Statement under Indirect Method: (15 marks)

Liabilities	2016 (₹)	2017 (₹)	Assets	2016 (₹)	2017 (₹)
Equity Share capital	3,00,000	4,00,000	Goodwill	1,15,000	90,000
8% Pref share capital	1,50,000	1,00,000	Land & building	2,00,000	1,70,000
General Reserve	40,000	70,000	Plant	80,000	2,00,000
P& La/c	72,000	98,000	Sundry debtors	1,60,000	2,00,000
Creditors	55,000	83,000	Stock	77,000	1,09,000
Bills Payable	20,000	16,000	Bills Receivable	20,000	30,000
Provision for taxation	40,000	50,000	Bank	15,000	10,000
			Cash	10,000	8,000
	6,77,000	8,17,000		6,77,000	8,17,000

Additional information:

1. Depreciation to the extent of Rs 10,000 and Rs 20,000 have been provided on Plant, Land & building respectively in 2017.
2. An interim dividend of Rs 20,000 has been paid in 2017.
3. Income tax of Rs 35,000 has been paid during the year 2017.

Q 5 A Explain in brief the users of the Financial Statements (8 marks)

Q 5 B Mention different forms in which accounting ratios can be expressed. (7 marks)

OR

Q 5 C Write Short notes (Any 3) (15 Marks)

1. Factors determining Working Capital requirement
2. Cash flow from Financing activities (As per revised AS3)
3. Difference between Owned and Owed Funds
4. 5 C's of credit evaluation
5. Common Size Statements