S.Y.BMS - SEM III - A.T.K.T. - Feb'20

A.M.D.

17.2.20



**TIME: 2 ½ hours** **Accounting for Managerial Decisions** **MARKS: 75**

**Note: All questions are compulsory, subject to internal choice.**
**Figures to the right indicate full marks.**
**Use of simple calculator allowed.**

**Q1 (A) State whether the following are true or false: (Any 8)** *(8)*

1) Common-size analysis is used for comparing performance of a company in one year with that of another year.
2) Goodwill is shown under 'Application of Funds' in the vertical Balance Sheet.
3) Liquidity means the firm's ability to pay its debts in the long run.
4) Ratio analysis is a tool for analyzing the financial statements of any enterprise.
5) The gross profit ratio is a measurement of short-term liquidity.
6) Investing activities include activities that affect the current assets section of the balance sheet.
7) The statement of cash flows shows the relationship of assets to cash flows.
8) Temporary of variable working capital is meant to take care of seasonal demands.
9) Gross Working capital refers to investment in current assets, while net working capital is the difference between current assets and current liabilities.
10) Ageing schedule of receivables is one way or monitoring the receivables.

**(B) Match the Columns: (Any 7)** *(7)*

| Column A | Column B |
|---|---|
| 1. Liquid ratio | a. Investing Inflows |
| 2. Receipts from sale of investments | b. Investing Outflows |
| 3. Operating ratio | c. Balance sheet ratio |
| 4. Payments for purchase of fixed assets | d. Operating Outflows |
| 5. Receipts from issue of rights shares | e. Composite ratio |
| 6. Dividend payout ratio | f. Financing Inflows |
| 7. Buy-back of shares | g. Financing Outflows |
| 8. Receipt from service | h. Operating Inflows |
| 9. Payments towards creditors | i. Revenue statement ratio |
| | j. No cash flow |

**Q2.A.** Profit & Loss account of Difficult Ltd for the year ended 31st October,2017. *(15)*

| Particulars | Amt (Rs) | Particulars | | Amt (Rs) |
|---|---|---|---|---|
| To opening stock | 76,250 | By sales | 5,10,000 | |
| To purchases | 3,15,250 | Less: returns | 10,000 | 5,00,000 |
| To wages | 7,000 | By closing stock | | 98,500 |
| To staff salaries | 20,000 | By interest on debenture | | 1,500 |
| To sales salaries | 15,300 | By dividend on shares | | 6,100 |
| To interest | 1,200 | By profit on sale of shares | | 5,900 |
| To office rent | 2,700 | | | |
| To printing & stationery | 2,500 | | | |
| To carriage outward | 4,700 | | | |
| To discount | 2,400 | | | |
| To depreciation | 9,300 | | | |
| To insurance | 1,000 | | | |
| To salesman traveling expenses | 2,000 | | | |
| To bad debts | 3,400 | | | |
| To telephone expenses | 1,000 | | | |

| | | | |
|---|---|---|---|
| To legal charges | 2,000 | | |
| To director fees | 4,400 | | |
| To income tax | 50,000 | | |
| To loss on sale of bond | 7,500 | | |
| To net profit | 84,000 | | |
| | **6,12,000** | | **6,12,000** |

Convert the above Profit & Loss a/c of a company into a vertical revenue statement.

**OR**

**Q2.B** From the following Balance Sheet of Suhana Ltd for the year 2014 and 2015 you are required to prepare a Comparative Balance Sheet. *(15)*

| Liabilities | 2014 | 2015 | Assets | 2014 | 2015 |
|---|---|---|---|---|---|
| Equity Share capital | 6,000 | 6,000 | Fixed assets | 5,000 | 8,000 |
| Preference share cap | - | 4,000 | Less: depreciation | 670 | 800 |
| General reserve | 1,375 | 1,720 | | 4,330 | 7,200 |
| 8% Debentures | 1,000 | 500 | Investments (at cost) | 500 | 803 |
| Bank loan | - | 2,000 | Stock | 1,200 | 3,000 |
| Bills payable | 330 | 503 | Debtors | 2,000 | 2,390 |
| Provision for taxation | 300 | 240 | Bank balance | 800 | 1,470 |
| | | | Interest accrued on investment | 175 | 100 |
| | **9,005** | **14,693** | | **9,005** | **14,693** |

**Q3.A.** Comment on the position of Deepak Ltd from the following: *(15)*

Profit & Loss account and Balance Sheet after calculating following ratios: (1) Current ratio (2) Proprietory ratio (3) Debt-Equity ratio (4) Stock working capital ratio (5) Liquid ratio (6) Administrative to sales ratio

**Trading Profit and Loss A/c**

| Particulars | Rs | Particulars | Rs |
|---|---|---|---|
| To opening stock | 44,000 | By Sales | 2,10,000 |
| To Purchase | 84,000 | By Closing Stock | 46,000 |
| To wages | 40,000 | | |
| To factory expenses | 32,000 | | |
| To administrative exp | 8,000 | | |
| To selling exp | 6,000 | | |
| To managerial remuneration | 2,000 | | |
| To income tax | 22,000 | | |
| To proposed dividend | 8,000 | | |
| To balance c/d | 10,000 | | |
| | **2,56,000** | | **2,56,000** |

**Balance Sheet**

| Liabilities | Rs | Assets | Rs |
|---|---|---|---|
| Share capital | 1,00,000 | Fixed Assets | 90,000 |
| Reserves | 80,000 | Current assets | 2,00,000 |
| Secured loans | 30,000 | | |
| Current liabilities | 26,000 | | |
| Provisions | 54,000 | | |
| | **2,90,000** | | **2,90,000** |

**OR**

**Q3.B** Convert the following Profit and Loss account for the year ending 31st December, 2013 into vertical form and calculate the following ratios: (a) Gross Profit ratio (b) Expense ratio (all expenses) (c) Operating ratio (d) Net Profit ratio (e) Stock turnover ratio *(15)*

| Particulars | Amt (Rs) | Particulars | | Amt (Rs) |
|---|---|---|---|---|
| To opening stock | 4,00,000 | By sales | 10,00,000 | |
| To purchases | 2,00,000 | Less: returns | 1,00,000 | 9,00,000 |
| To carriage inward | 10,000 | By closing stock | | 90,000 |
| To wages | 85,000 | By dividend | | 10,000 |
| To salaries | 10,000 | | | |
| To office rent | 4,000 | | | |
| To rates and taxes | 12,000 | | | |
| To distribution expenses | 6,000 | | | |
| To insurance | 6,000 | | | |
| To advertising | 1,500 | | | |
| To bad debts | 500 | | | |
| To discount | 600 | | | |
| To general expenses | 1,000 | | | |
| To courier charges | 400 | | | |
| To depreciation | 2,000 | | | |
| To audit fees | 1,500 | | | |
| To income tax provision | 1,30,000 | | | |
| To net profit | 1,29,500 | | | |
| | **10,00,000** | | | **10,00,000** |

**Q4.A.** Following is the Balance Sheet of company of two different dates: *(15)*

| Liabilities | 2017 | 2016 | Assets | 2017 | 2016 |
|---|---|---|---|---|---|
| Share capital | 7,00,000 | 6,00,000 | Fixed assets | 6,50,000 | 4,00,000 |
| General reserve | 2,00,000 | 1,50,000 | Debtors | 3,50,000 | 2,00,000 |
| Profit & Loss A/c | 2,80,000 | 1,70,000 | Stock | 2,50,000 | 1,50,000 |
| 14% Debentures issued for purchase of fixed assets | 2,00,000 | Nil | Cash | 1,30,000 | 1,00,000 |
| | | | Underwriting commission | Nil | 70,000 |
| | **13,80,000** | **9,20,000** | | **13,80,000** | **9,20,000** |

Assuming the depreciation for the year to be Rs. 50,000 and interim dividend paid during the year to be 5% on opening capital , prepare Cash Flow Statement.

**OR**

**Q4.B** Trisha hardware Co Pvt Ltd manufactures and sells hardware components. From the following particulars you are required to estimate the working capital requirement for the year 2008 (52 weeks) *(8)*

| Product Cost Sheet | Rs(per unit) |
|---|---|
| Raw material | 5 |
| Direct labour | 3 |
| Overheads | 2 |
| Total | 10 |
| Profit | 5 |
| Selling price | 15 |

The estimated production and sales – 1,04,000 units

1. Raw material remain in stock for 3 weeks
2. Materials remain in process for 2 weeks
3. Finished goods remain in godown for 2 weeks
4. Credit allowed to the supplier of material is 2 weeks
5. Credit allowed to customers 4 weeks
6. Time lag in payment of labour and overhead is 2 weeks
7. Cash in hand and at bank is estimated at Rs 20,000
8. Operations are expected to be distributed evenly throughout the year.

**Q4.C** A firm has a current sales of Rs 2,56,48,750. The firm has unutilized capacity. In order to boost its sales, it is considering the relaxation in its credit policy. The proposed terms of credit will be 60 days credit against the present policy of 45 days. As a result, the bad debts will increase from 1.5% to 2% sales. The firm's sales expected to increase by 10%. The variable operating costs are 72% of the sales. The firm's corporate tax is 35% and it requires an after-tax return of 15% on its investment. Should the firm change its credit period? *(7)*

**Q5. A)** Advantages and Disadvantages of Ratio Analysis *(8)*

**B)** Explain the factors affecting estimation of working capital. *(7)*

**OR**

**Q5. Short Notes on: (Any 3)** *(15)*

1. Difference between: Comparative Statements and Common Size Statements
2. Trend Analysis
3. Forms of Ratio analysis
4. Cash flow from Investing activities
5. 5 C's of credit standards.