S.Y.BBI - Sem III - A.T.K.T. Exam - Mar'2023

S.Y.B.B.I SEM- III Management Accounting

M.A. - 17.3.23

Time: 2 ½ Hours **total marks: 75**

N.B: 1) All questions are compulsory with internal choice
2) Figures at right indicates full marks for question.
3) Use of simple calculator is permitted.
4) Working notes should form part of your answer.

Q1. (a) State whether the following statements are true or false (any seven) **(7)**

1. Management Accounting provides decision to the management.
2. Operational information is required by top managers
3. Common Size statement is horizontal analysis.
4. In Common size statement capital employed is considered equal to 100.
5. Overvaluation of opening stock increases gross profit.
6. Return on investment shows overall profitability.
7. Board of Directors decides the dividend policy
8. Liquidity has no effect on dividend policy.
9. Liquid ratio indicates liquidity position
10. Debtors may be valued at cost or at Selling Price.

Q.1. (b) Select the correct alternative and rewrite the sentences (any eight) **(8)**

1. The use of Management Accounting is
   a. Mandatory c. Optional
   b. Compulsory d. All of the above.

2. Scope of management accounting involves
   a. Marginal Costing c. Budgetary Control
   b. Decision making d. All of the above

3. Performance over two years can be understood from
   a. Income statement c. Comparative Income statement.
   b. Balance Sheet d. Common Size Statement

4. Trend shows
   a. Direction of the changes c. composition of the change
   b. Composition of the changes d. downward change

5. Stock Turnover ratio shows
   a. Speed of movement of stock c. Sales
   b. Purchases d. None of the above

6. Long Debt collection period indicates
   a. Efficiency in Debt Collection c. Inefficiency in debt collection
   b. Efficiency of Credit Department d. None of the above

7. Longer period of credit allowed by creditors
   a. Reduces working capital requirement c. nullifies working capital requirement
   b. Increases working capital requirement d. None of the above

8. Dividend are payments which are

a. Voluntary
b. Obligatory
c. Non- obligatory
d. Occasional

9. Strategic information obtained from.
   a. Internal Sources
   b. External Sources
   c. Internal and external sources
   d. None of the above

10. Standard Debt Equity ratio is
   a. 1:1 b. 2:1 c. 3:1 d. 5:1

Q.2. Following is the Revenue of X and Co. Ltd for the year ended 31st March, 2021 **(15)**

Dr. Cr.

Particulars	₹	Particulars	₹
To Opening stock	12,00,000	By sales	75,000
To purchases	33,00,000	By Closing Stock	5,000
To Carriage Inward	7,50,000		
To Gross Profit c/d	7,50,000		
	15,00,000		
	75,00,000		75,00,000
To Salaries	1,50,000	By Gross Profit b/d	15,00,000
To Interest	60,000	By Profit on sale of Investments	7,500
To General expenses	75,000	By Commission	1,05,000
To Sales Promotion Expenses	1,12,500		
To Rent	15,000		
To Discount allowed	37,500		
To Depreciation	1,80,000		
To Loss on sale of Fixes Assets	30,000		
To Provision for Income Tax	2,70,000		
To Net Profit	6,82,500		
	16,12,000		16,12,500

From the above calculate:

1) Gross Profit Ratio
2) Office and Administration ratio
3) Selling and Distribution expenses Ratio
4) Operating expenses ratio
5) Operating cost Ratio
6) Net Profit Before Tax ratio
7) Stock Turnover ratio

OR

Q.2. following is the Balance Sheet of M/s. XY Ltd as on 31st March, 2022 **(15)**

Liabilities	₹	Assets	₹
Equity Share capital		Goodwill	40,000
(equity shares of ₹ 3 each)	3,00,000	Land and Building	3,60,000
5% Preference Shar capital	2,00,000	Plant and Machinery	88,000
Securities Premium	10,000	Furniture	6,000
General reserve	1,20,000	Marketable Investments	1,60,000
Profit and Loss Account	34,000	Sundry Debtors	1,40,000
11% debentures	1,00,000	Inventory	1,20,000
Bank Loan	70,000	Prepaid expenses	10,000
Bank Overdraft	40,000	Cash at Bank	80,000
Provision for Taxation (Current	20,000	Preliminary Expenses	10,000
year)	1,20,000		
Sundry creditors	10,14,000		10,14,00

Other details for the year ended 31st March 2022 are as under:

Sales ₹ 13,00,000 (80% on credit)

Net profit Before Tax ₹ 2,00,000

Purchases ₹ 6,60,000 (80% on credit)

Calculate: 1. Quick Ratio

2. Debt equity Ratio
3. Creditors Turnover Ratio
4. Debtors Turnover ratio
5. Return on Capital employed Ratio
6. Net Profit after Tax Ratio

Q.3. The following information regarding Maruti Car Ltd. For the year ended 31st March, 2022 is given to you **(15)**

Particulars	₹
Sales	75,00,000
Purchases	50,00,000
Opening stock (1-4-2019)	5,00,000
Closing Stock (31-3-2020)	7,50,000
Return Inward	75,000
Carriage outward	57,000
Carriage Inward	50,000
Return Outward	50,000
Salesman Salary	75,000
Advertising and Publicity	2,52,000
Salesman Travelling allowance	7,500
Office Salary	4,00,000
Computer Repairs & Maintenance	84,000
Rent, Rates, Taxes	4,000
Printing & Stationery	400
Bad Debts	75,750
Purchases of Computer	40,000
Dividend on Shares (Cr.)	10,000
Staff Welfare Expenses	44,000
Interest (Dr.)	50,000
Loss on sale of Shares	1,25,000

Prepare Common Size Income Statement in Vertical Form for the above Data.

OR

Q.3. Following are the details regarding three companies A Ltd. B Ltd. and c Ltd. **(15)**

	A Ltd.	B Ltd.	C Ltd.
Internal Rate of Return	15%	5%	10%
Cost of Equity Capital	10%	10%	10%
Earning per Share	₹ 8	₹ 8	₹ 8

Calculate value of an equity share of each of these companies as per Walter's Model when the dividend payout ratio is:

a) 50%
b) 75% and
c) 25%

What conclusion do you draw?

(15)

Q.4. Foods Ltd. Is presently operating at 60 per cent level, producing 36,000 packets of snack food and proposes to increase its capacity utilization in the coming year by 33.33 per cent over the existing level of production. The following data has been supplied:

i) Unit cost structure of the product at current level:

	₹
Raw Material	4
Wages (Variable)	2
Overheads	2
Fixed Overhead	1
Profit	3
Selling Price	12

ii) Raw material will remain in stores for 1 month before being issued for production. Material will remain in process for further 1 month. Suppliers grant 3 months credit to the company.

iii) Finished goods remain in godown for 1 month.

iv) Debtors are allowed credit for 2 months.

v) Average time-lag in wages and overhead payments is 1 month and these expenses accrue evenly throughout the production cycle.

vi) No increase either in cost of input or selling price is envisaged.

Prepare a projected profitability statement and a statement showing working capital requirement at the new level, assuming that a minimum cash balance of ₹ 19,500 has to be maintained.

OR **(15)**

Q.4. From the following figures, prepare an estimate of the working capital:

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

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

Q.5. (a) Discuss various Factors Determining Dividend Policy (07)

(b) Discuss in brief Vertical and Horizontal Analysis of Financial Statement. (08)

OR

Q.5. Write a short note (any three) (15)

1. Walter & Gordon Modell
2. Balance sheet Ratios
3. Nature of Management Accounting
4. Sources of Working Capital
5. Income Statement Ratios