

Accounting for Managerial Decisions : Sem 3 BMS

Time: 2 ½ hours

- 21.3.23

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)

- Capital employed is equal to \_\_\_\_\_  
 (a) Fixed Assets + Investments + Current Assets  
 (b) Fixed Assets + Investment + Working Capital  
 (c) Fixed Assets + Investments + Current Liabilities  
 (d) Fixed Assets + Investments – Working Capital
- Following is not a Quick liability: \_\_\_\_\_  
 (a) Unclaimed dividend (b) Public Deposits (c) Bank Overdraft (d) Creditors
- In common size analysis the items in the income statement are expressed as percentage of \_\_\_\_\_  
 (a) Total assets (b) Net sales (c) Total expenses (d) Gross Sales
- Another term for Short Term Investments is \_\_\_\_\_  
 (a) Inventories (b) Accounts Receivable (c) Public Deposit (d) Marketable Securities
- Proprietary Ratio is a \_\_\_\_\_  
 (a) Balance Sheet ratio (b) Composite Ratio (c) Revenue Statement Ratio (d) Fund Ratio
- Liquidity Ratio are \_\_\_\_\_  
 (a) Capital gearing ratio, Debt-Equity ratio  
 (b) Liquid ratio, Current ratio  
 (c) Stock Turnover ratio, Debtors Turnover ratio  
 (d) Return on Investment, Return on Equity capital
- Cash payment to acquire a machinery will be shown in the Cash Flow Statement as \_\_\_\_\_  
 (a) Operating cash flow (b) Financing cash flow (c) Investing cash flow (d) Cash or cash equivalent
- Gross Working Capital means \_\_\_\_\_  
 (a) Total current assets (b) Total current liabilities (c) Fixed assets minus current assets  
 (d) Current assets minus current liabilities
- 5 C's of the credit does not include \_\_\_\_\_  
 (a) Collateral (b) Conditions (c) Character (d) Content
- Dividend paid on preference shares will be shown in the Cash Flow Statement as \_\_\_\_\_  
 (a) Operating cash flow (b) Financing cash flow (c) Investing cash flow (d) Cash or cash equivalent



**Q 1 B Match the Column:**

(7 marks)

COLUMN A	COLUMN B
1. Working Capital	(a) Current liabilities – Quick liabilities
2. Quick assets	(b) Investing Inflow
3. Bank overdraft	(c) Investing Outflow
4. Standard Current ratio	(d) Current assets – Inventories – Prepaid expenses
5. Standard Liquid ratio	(e) 1 : 1
6. Standard Proprietary ratio	(f) Current assets – Current liabilities
7. Receipt from sale of investments	(g) 65%
8. Receipts from issue of rights shares	(h) 2 : 1
9. Buy-back of shares	(i) Financing Inflow
	(j) Financing Outflow



**Q 2 A** The following balance appear in the books of Sudiksha Ltd for the year ended 31<sup>st</sup> March, 2020. You are requested to prepare Revenue Statement in vertical form. (15 marks)

Particulars	(Rs)	Particulars	(Rs)
Opening stock	60,000	Sales return	30,000
Net profit b/f from Previous Year	70,000	Profit on sale of asset	15,000
Office rent	15,000	Loss on sale of investment	15,000
Carriage inward	80,000	Closing stock	50,000
Wages	82,000	Purchases	2,10,000
Freight inward	15,000	Postage & Telegram	15,000
Office staff salaries	50,000	Provision for Tax	40,000
Audit fees	30,000	Sales	6,23,000
Advertisement	35,000	Dividend received on shares held	35,000
Finance expenses	35,000	Carriage outward	15,000
Loss on sale of assets	40,000	Warehouse expenses	15,000
Proposed Dividend	45,000	Import duty on materials	13,000
Depreciation:			
Plant & Machinery	25,000		
Furniture	26,000		
Delivery Van	24,000		

OR

**Q 2 B** Complete the following Trend Statement:

(10 marks)

Particulars	Amt in Rs			Percentage Trend %		
	2012	2013	2014	2012	2013	2014
Net Sales	1,000	800	600	100	?	100
Less: Cost of goods sold	?	?	400	100	125	?
Gross Profit	?	?	200	100	?	?
Less: Operating expenses	200	?	100	100	120	?
Operating Net Profit	?	180	?	100	?	?
Add: Non operating income	?	?	40	100	50	?
Less: Non operating expense	?	?	?	100	100	100
Net Profit	?	?	120	100	150	?
Income tax	?	?	40	100	?	?
Net profit after Tax	120	100	80	100	?	?

**Q 2 C** From the following Balance Sheet, prepare a Common Size statement

(5 marks)

Liabilities	2016 (Rs)	Assets	2016 (Rs)
Share Capital	6,58,000	Debtors	2,47,000
Debentures	2,25,000	Stock	1,21,000
Sundry creditors	42,000	Fixed Assets	6,35,000
Current liabilities	78,000		
	<b>10,03,000</b>		<b>10,03,000</b>

**Q 3 A** Following is the summarized Balance Sheet and Revenue Statement of Mercedes Ltd for the year ended 31<sup>st</sup> March, 2019

(15marks)

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Share capital	7,00,000	Fixed assets	5,50,000
Reserves	1,20,000	Stock	1,55,000
Bank Overdraft	35,000	Debtors	1,80,000
Creditors	1,50,000	Cash	1,20,000
	<b>10,05,000</b>		<b>10,05,000</b>



**Revenue statement for the year ended 31<sup>st</sup> March,2019**

Particulars	Amount (Rs)	Particulars	Amount (Rs)
To opening Stock	1,45,000	By Sales	7,50,000
To Purchases	6,10,000	By Closing Stock	1,55,000
To Gross Profit c/d	1,50,000		
	<b>9,05,000</b>		<b>9,05,000</b>
To Sundry Expenses	80,000	By Gross Profit b/d	1,50,000
To Net Profit	70,000		
	<b>1,50,000</b>		<b>1,50,000</b>



You are required to calculate the following ratios without converting the Balance Sheet into vertical form: (i) Current Ratio (ii) Quick Ratio (iii) Gross Profit Ratio (iv) Return on Proprietors Fund Ratio (v) Debtors Turnover Ratio

**OR**

**Q 3 B** Following is the Balance Sheet of Rolex Ltd.

*(15 marks)*

**Balance Sheet as on 31<sup>st</sup> March,2018**

Liabilities	₹	Assets	₹
Equity Share capital	1,00,000	Cash in Hand	2,000
6% Preference Share Capital	1,00,000	Cash at Bank	10,000
7% Debentures	40,000	Bills receivable	30,000
8% Public Deposits	20,000	Debtors	70,000
Bank Overdraft	40,000	Stock	40,000
Creditors	60,000	Advances	20,000
Unpaid dividend	10,000	Machinery	1,00,000
Outstanding Expenses	7,000	Land & Building	2,20,000
Reserves	1,50,000	Goodwill	30,000
Provision for Tax	20,000	Preliminary expenses	10,000
Profit & Loss A/c	20,000	Calls in arrears in Equity shares	5,000
		Furniture	30,000
	<b>5,67,000</b>		<b>5,67,000</b>

Calculate the following ratios without converting the Balance Sheet in vertical form (1) Current ratio (2) Proprietary Ratio (3) Capital Gearing Ratio (4) Stock working Capital ratio (5) Debt-Equity Ratio

**Q 4 A** The management of Indus Cars Ltd desire to know the quantum of Working Capital required to finance the production programme for 1,20,000 units. *(8 marks)*

*Per Unit Rs*

Raw Materials ----	4.5
Labour -----	1.8
Overhead-----	0.9
Total Cost ----	7.2
Profit ----	1.8
Selling Price ---	9.0

Following further particulars are available:

- (i) Raw Material are expected to remain in the stores for an average period of 1 month before issue to production
  - (ii) Finished goods are to stay in the warehouse for 8 weeks on the average before being sold and sent to customers
  - (iii) Materials are in process for 1 month on an average
  - (iv) Credit allowed by suppliers from the date of delivery of materials is 4 weeks
  - (v) Debtors are allowed 8 weeks credit from the date of the sale of the goods
  - (vi) Sales and production follow a consistent patterns.
- Prepare an Estimate of Working Capital requirements.



**Q 4 B** A company currently has an annual turnover of Rs 50 lakhs and an average collection period of 30 days. The company wants to experiment with a more liberal credit policy on the ground that increase in collection period will generate additional sales. (7 marks)

From the following information, kindly indicate which policy the company should adopt:

Proposed Credit Policy	Average Collection Period	Expected Annual Sales (Rs Lakhs)
A	45 days	56
B	60 days	60
C	75 days	62
D	90 days	63

Costs: Variable cost: 80% of sales

Fixed cost: Rs 6 lakhs per annum

Required pre-tax return on investment: 20%

A year may be taken to comprise of 360 days

**OR**

**Q 4 C** The following details relate to the accounts of M/s Gradient Ltd. Prepare Cash Flow Statement under Indirect Method: (15 marks)

Liabilities	31-3-20 (₹)	31-3-21 (₹)	Assets	31-3-20 (₹)	31-3-21 (₹)
Share capital	8,00,000	10,00,000	Plant & Machinery	5,00,000	7,00,000
Reserves & Surplus	1,50,000	2,00,000	Land & Building	4,00,000	6,00,000
Profit & Loss A/c	60,000	1,00,000	Investments	-	1,00,000
Debentures	-	2,00,000	Sundry debtors	7,00,000	5,00,000
Provision for taxation	70,000	1,00,000	Stock	2,00,000	4,00,000
Proposed dividend	1,00,000	2,00,000	Cash on Hand/Bank	2,00,000	2,00,000
Sundry Creditors	8,20,000	7,00,000			
	<b>20,00,000</b>	<b>25,00,000</b>		<b>20,00,000</b>	<b>25,00,000</b>

**Additional information:**

1. Depreciation @ 25% was charged on the opening value of Plant & Machinery
2. During the year one old machinery costing Rs 50,000 (WDV 20,000) was sold for Rs 35,000
3. Rs 50,000 was paid towards income tax during the year
4. Building under construction was not subject to depreciation

**Q 5 A** Explain in detail 5 C's of credit evaluation (7 marks)

**Q 5 B** Explain the factors determining Working Capital requirement. (8 marks)

**OR**

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

1. Difference between Owned Funds and Owed Funds
2. Cash flow from Investing activities (As per revised AS3)
3. Uses of Ratio Analysis
4. Tools of Management Accounting
5. Comparative Statements