

SYBMS - sem - III

SYBMS sem III Reg & A.T.K.T. Exam Oct-2019.
03/10/19.

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. For an oil company, stock oil is a liquid asset.
2. The base year for calculating a trend percentage is always the first accounting year of the concern.
3. Liquid ratio indicates the company's ability to meet its long term liabilities.
4. Operating Ratio = Operating Expenses / Profit.
5. Ratio analysis establishes a relationship between two financial statements.
6. A business with a higher working capital will also have a higher current ratio.
7. Financing activities include activities that affect long-term liabilities and owner's equity on the balance sheet.
8. The term net working capital refers to the liquid assets.
9. If the debtors take longer to pay, the operating cycle too becomes longer.
10. Delinquency cost refers to bad debt losses to the firm.

(B) Match the Columns: (Any 7)

(7)

Column A	Column B
1. Short term Investments	a. Balance sheet ratio
2. Acquiring & selling of a subsidiary	b. Composite ratio
3. Stock-working capital ratio	c. Investing activity
4. Refund of income-tax	d. Financing activity
5. Stock turnover ratio	e. Current Assets
6. Quick Assets	f. Current Assets - Inventories
7. Own Funds	g. Revenue statement ratio
8. Debtors turnover ratio	h. Capital + Reserves-Fictitious Assets
	i. Operating activity
	j. Net Worth + Loan funds

Q2A. From the following Balance Sheet of Praful ltd. prepare Trend Percentage Statement in vertical form:

(15)

Balance Sheet as on 31st March

Liabilities	2013	2014	2015	Assets	2013	2014	2015
Equity	2,00,000	2,00,000	2,00,000	Fixed Assets	1,50,000	2,00,000	2,00,000
8% Pref. Share Cap	1,00,000	1,50,000	1,00,000	Investments	1,00,000	1,40,000	1,00,000
General Reserve	20,000	22,000	42,000	Debtors	70,000	60,000	63,000
Debentures	75,000	1,00,000	90,000	Stock	40,000	50,000	60,000
Sundry creditors	15,000	10,000	24,000	Cash	250,000	25,000	40,000
Bills payable	5,000	7,000	10,000	Bank	25,000	40,000	25,000
				Share issue exp	5,000	4,000	3,000
	4,15,000	4,89,000	4,66,000		4,15,000	4,89,000	4,66,000

OR

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Q2.B. The following items appear in the financial statements of Ritu Ltd as on 31st March, 2017.

(15)

Particulars	Amt (Rs)	Particulars	Amt (Rs)
Cash	48,600	Debentures	2,80,000
Land & building	8,00,000	Bank loan	52,000
Debtors	62,000	Equity share capital	10,00,000
Stock	2,92,800	Profit & Loss a/c	2,17,000
Creditors	4,05,750	o/s expenses	86,250
Share premium	1,00,000	Trade investments	30,000
Bills receivable	5,23,000	Advance tax	1,00,000
Prepaid expenses	32,600	Provision for taxation	2,64,000
Plant & Machinery at cost less depn	5,44,000	Bills payable	28,000

You are required to arrange the above items in the form of Vertical Balance Sheet and determine:

- (1) Current assets (2) Fixed assets (3) Current liabilities (4) Working Capital (vi) Proprietors Funds (vii) Total Capital employed (viii) Quick assets (ix) Quick liabilities.

Q3.A. From the following details calculate: (1) Debt-Equity ratio (2) Return on capital employed (3) Liquid ratio (4) Current Ratio (5) Stock to working capital ratio. (15)

Balance Sheet

Liabilities	Rs	Assets	Rs
Share Capital	7,00,000	Net Block of Fixed Assets	12,00,000
Reserves	3,00,000	Stock	1,00,000
9% Term loan	4,00,000	Debtors	1,10,000
Creditors	1,00,000	Bills receivable	80,000
Bills payable	50,000	Cash at bank	50,000
		Preliminary expenses	10,000
	15,50,000		15,50,000

Net profit for the year before interest and tax is Rs 2,50,000.

OR

Q3.B. Following are the Trading Profit and Loss Account of Sudhir Ltd for the year the year ended 31st March, 2016 and Balance Sheet as on that date. (15)

Trading Profit and Loss A/c

Particulars	Rs	Particulars	Rs
To opening stock	1,25,000	By Sales	5,00,000
To Purchase	6,10,000	By Closing Stock	3,55,000
To gross profit	1,20,000		
	8,55,000		8,55,000
To operating expense	80,000	By gross profit	1,20,000
To net profit	40,000		
	1,20,000		1,20,000

Balance Sheet

Liabilities	Rs	Assets	Rs
Share capital	7,00,000	Fixed Assets	5,50,000
Reserves & Surplus	50,000	Stock	1,55,000
Profit & Loss	40,000	Debtors	1,80,000
Bank overdraft	35,000	Cash	90,000
Creditors	1,50,000		
	9,75,000		9,75,000

You are required to calculate the following ratios and give your comments.

- (a) Stock Turnover ratio (b) Current ratio (c) Quick ratio (d) Gross Profit to Sales (e) Debtors Turnover ratio (f) Return on Proprietors Fund.

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Q4.A. Tristar Ltd gives you the following summary Balance Sheet for the year ended 31st March 2016 and 2017. Prepare a Cash Flow statement for the year ended 31st March, 2017 as per AS 3 by indirect method. (15)

Liabilities	2016	2017	Assets	2016	2017
Equity Share Capital	1,20,000	1,20,000	Land	2,10,000	2,70,000
5% pref share capital	90,000	60,000	Building	2,85,000	2,70,000
Profit & Loss A/c	15,240	28,080	Stock	27,000	36,300
General reserve	30,000	42,330	Debtors	40,440	38,460
Provision for tax	17,000	8,000	Prepaid expenses	25,880	17,000
Creditors	3,37,920	3,81,990	Bank balance	15,480	3,240
			Misc . Expenditure	6,000	5,400
	6,10,160	6,40,400		6,10,160	6,40,400

Other information for the year ended 31st March, 2017

1. The company has paid interim dividend of 5% on Equity shares
2. Preference share were redeemed during the year at 10% premium
3. Income tax pad during the year Rs 15,000

OR

Q4.B The following information has been extracted from the records of Kumar Ltd. (15)

Product Cost Sheet	Per Unit Rs
Raw material	45
Direct labour	20
Overheads	40
Total	105
Profit	25
Selling price	130

Following further particulars are available:

1. Raw material is in stock for an average period of 2 months.
2. Finished goods remain in stock for 1 month.
3. Materials are in process, on average 4 weeks. The degree of completion is 50%
4. Credit allowed by suppliers -1 month
5. Debtors are allowed 2 months credit from the date of sale of the goods
6. Time lag in payment of wages and overheads 1 ½ weeks.
7. 20% of the output is sold against cash.
8. The company expects to keep a cash balance of Rs 2,00,000
9. Take 52 weeks per annum.
10. The company is poised for manufacture of 1,44,000 units in a year.

You are required to prepare a statement showing working capital requirements of the company.

Q5. A) What are Financial Statements? What are the tools of Financial Statements? (8)

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

OR

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

1. Difference between: Own Funds and Owed Funds
2. Comparative Statements
3. Limitations of Ratio analysis
4. Cash flow from Operating activities
5. 5 C's of credit standards.