

**SYBAF/SEM IV/REG/Introduction to Management Accounting**

**Time: 2½ hrs.**

**Marks:75**

- Note:**
1. All questions are compulsory with internal options.
  2. The figures to the right indicate full marks.
  3. Draw a neat diagram wherever necessary.

**Q. 1 (A) Fill in the blanks with the correct answer from the alternatives given below. (08)**

- 1**
- (1) \_\_\_\_\_ is not a factor that affects the composition of the working capital  
(a) Process technology used (b) Nature of business  
(c) Nature of raw material (d) Tax structure of the company
  - (2) Issue of right shares will \_\_\_\_\_ the net cash from financing activities.  
(a) Not change (b) Increase  
(c) Reduce (d) None of the above
  - (3) Fixed interest/ dividend bearing funds do not include \_\_\_\_\_.  
(a) Debentures (b) Bank loan  
(c) Equity share capital (d) Public deposits
  - (4) Loss due to fire is \_\_\_\_\_.  
(a) Operating loss (b) Non operating income  
(c) Non operating expenses (d) None of the above
  - (5) Debt collection period is 3.5 months, average trade receivables are Rs.14,00,000 then credit sales are \_\_\_\_\_.  
(a) Rs. 4600000 (b) Rs.4900000  
(c) Rs. 4000000 (d) Rs.4800000
  - (6) \_\_\_\_\_ is calculated to find out the moment of inventory  
(a) Debtors turnover ratio (b) Creditors turnover ratio  
(c) Stock turnover ratio (d) All of the above
  - (7) In common size income statement raw material component amounting to Rs.4,50,000 was 15% of the turnover. Then the administrative expenses which are 10% of the turnover would be \_\_\_\_\_.  
(a) Rs.675000 (b) Rs.300000  
(c) Rs. 3000000 (d) Rs.350000
  - (8) \_\_\_\_\_ is not an item coming under the head reserves and surplus  
(a) Capital reserve (b) Securities premium  
(c) Profit and loss account (Dr) (d) Profit and loss account (Cr)
  - (9) Generally quick liabilities means all current liabilities excluding \_\_\_\_\_.  
(a) Outstanding expenses (b) Outstanding wages  
(c) Bank overdraft (d) Bank time deposits
  - (10) If cash credit facility is available from bank for working capital then working capital required is \_\_\_\_\_.  
(a) Less (b) More  
(c) Maximum (d) None of the above

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**(B) State whether the following statements are True or False. (Attempt any 7) (07)**

- (1) Owed funds are internal source of funds.
- (2) Loss due to fire is non-operating income
- (3) Management accounting is also known as corporate accounting.
- (4) Sale of land in cash flow is a financing activity
- (5) Bill's payable is non-quick liability
- (6) Goodwill is a fictitious asset
- (7) Loan taken is financing activity
- (8) Debentures are borrowed funds
- (9) Discount on issue of debentures expense not written off is a fictitious asset.
- (10) Temporary working capital is required for seasonal products.

**Q.2** The following balances appear in the books of M/s Laxman Ltd. as on 31<sup>st</sup> March 2023. (15)  
You are required to prepare a balance sheet in the vertical form.

Particulars	Amt	Particulars	Amt
Sundry debtors	200000	Prepaid expenses	100000
Trade investment	250000	Creditors	450000
Bank overdraft	100000	Capital reserve	150000
Public deposits	300000	Short term investments	50000
Bills payable	790000	Plant and machinery	1200000
General reserve	100000	Outstanding expenses	120000
Bills receivable	200000	Cash and bank	700000
Vehicle	900000	Profit and loss (cr)	400000
10% Preference share capital	800000	Stock	500000
Commission on issue of shares (not yet w/off)	40000	Land and building	1200000
Provision for tax	100000	Equity share capital	1600000
Bank loan	300000	Preliminary expenses (not yet w/off)	10000
Advance tax	300000	Debentures	500000
		Advance to suppliers	60000

OR

Q.2

Prepare a comparative revenue statement in vertical form from the following details:

(15)

TCS Ltd.

Profit and loss A/c for the year ended 31<sup>st</sup> March

Particulars	2022	2023	Particulars	2022	2023
To opening stock	225000	300000	By Sales	4500000	600000
To Purchase	2250000	3210000	By Closing stock	300000	360000
To Interest on debenture	150000	150000	By Dividend	12000	39000
<b><u>To Depreciation:</u></b>			By Profit on sale of machinery	24000	-
- Furniture	15000	15000			
- Machinery	36000	30000			
To Administrative expenses	294000	441000			
To Selling expenses	456000	753000			
To Carriage outward	75000	315000			
To loss by fire	-	15000			
To wages	195000	300000			
To Provision for tax	570000	435000			
To Net profit	570000	435000			
	4836000	6399000		4836000	6399000

Q.3

Calculate the following ratios from the given information:

(15)

1. Return on investment
2. Return on equity capital
3. Return on shareholders fund
4. Debtors turnover
5. Creditors turnover
6. Debtors velocity
7. Creditors velocity

Note: preparation of vertical statements are not required.

Particulars	Amt
NPBIT	2500000
Equity share capital (Rs.10 each)	5000000
15% Preference share capital	2000000
Reserves	400000
Expenses on issue of shares	100000
14% Debenture	6500000
Debtors	1500000
Creditors	600000
Bills payable	190000
Bills receivable	200000
Tax rate	15%
Sales ( 5% Cash sales)	3500000
Purchase (10% Cash purchase)	1800000

OR

Q.3 Eshabella garments company Ltd, he's a famous manufacturer and exporter of garments to the European countries. You are required to prepare working capital requirements for the next year 2022-23, After considering the following information: (15)

1. Production during the current year was 1,50,000 units. The same level of activity is expected to be maintained during the next year 2022-23.
2. The expected ratio of cost to selling price are: Raw material 40%, direct wages 20%, overheads 20%.
3. The raw materials ordinarily remains in store for three months before production.
4. Every unit of production remains in the process for two months.
5. Finished goods remains in warehouse for 3 months.
6. Credit allowed by the creditor is four months from the date of the delivery of raw material.
7. Credit given to debtors is three months from the date of dispatch.
8. The estimated balance of cash to be held is Rs.1,50,000.
9. Time lag in payment of wages and overhead is half month.
10. Selling price would be Rs.10 per unit for the year 2022-23.
11. There is regular purchase production and sale cycle.
12. You are required to make provisions of 10% for contingency.
13. During the processing labour and overheads accrue evenly

Q.4 Prepare a cash flow statement from the following summary balance sheet of revolt limited (15)

Balance sheets as at 31<sup>st</sup> March

Liabilities	2017	2016	Assets	2017	2016
Creditors	25000	32000	Cash	2000	-
Reserves	23000	47000	Debtors	45000	60000
Debentures	60000	50000	Stock	45000	55000
Outstanding expenses	6000	6000	Prepaid expenses	4000	3000
Share capital	133000	114000	Investment	27000	20000
Bank overdraft	-	12000	Staff loan	4000	3000
			Fixed assets	120000	120000
	247000	261000		247000	261000

Additional information.

- a) Balance of depreciation account as at 1-4-2016 and 1-4-2017 was Rs. 15000 and Rs.20000 respectively.
- b) A machinery of Rs.5000 on which depreciation of Rs.1000 was charged was sold for Rs.4500.
- c) Staff loan of Rs.1000 where written off during the year

OR

Q.4 Prajwal limited Manufacturers and sales 2,40,000 units of a product in a year. The selling price of the product is Rs. 50 per unit and its analysis is as follow. (15)

Raw material 40%, direct labour 20%, other direct cost 10%, general overheads 10% and selling and distribution overheads 10% and the balance is profit.

The following estimates for the year 2022 are given for your consideration.

- a) Raw material remains in stock for one month.
- b) Suppliers of raw material allows two months credit.
- c) The work in progress is to be valued at 80% of the total direct cost of one month production.
- d) Finish goods equal to  $\frac{1}{2}$  Months requirement are in stock.
- e) Customers are allowed two month credit.
- f) Time lag in payment of wages is 1 month.
- g) Both the overheads are paid one month in advance
- h) Of the total sales 40% is on credit.
- i) Cash for contingency is maintained at 10% of net working capital (excluding cash).
- j) All the activities of production and sales accrue evenly throughout the year.

Calculate estimated working capital requirement of Prajwal Limited for the year 2022.

- Q.5 (a) Distinguish between management accounting and financial accounting. (08)
- (b) What is working capital? Explain its determinants. (07)

OR

- Q.5 Write short notes on (Attempt any 3) (15)
- (1) Cash flow from operating activity
  - (2) Advantages of management accounting
  - (3) Limitations of ratio analysis
  - (4) Working capital cycle
  - (5) Comparative analysis statement

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