SHRI S.H.KELKAR COLLEGE OF ARTS, COMMERCE AND SCIENCE, DEVGAD
(SINDHUDURGA)
SEMESTER III, EXAM, OCT.2023
COURSE:ACCOUNTING FOR MANAGERIAL DECISION CLASS: S.Y.BMS
DURATION: 2.1/2 Hrs. MAX. MARKS: 75

1. All questions are compulsory.

2. Figures to the right indicate full marks.

Q.1) Objectives Questions **(15)**

A) State whether the following statement are true or false (Any 8) **(08)**

1. A fund flow statement and cash flow statement are the same.
2. A cash flow statement is mandatory in India.
3. In cash flow statement, cash flows from three different activities are reported.
4. Cash flow statement is used for short term analysis.
5. According to AS-3, a cash flow statement has to be presented in "T-form".
6. Issue of preference capital is shown under cash from investment activities.
7. Provision for contingencies is to be taken at 10% of working capital always.
8. Debtor may be valued at cost of the goods sold on credit or at selling price.
9. Working capital is estimated for the previous financial year .
10. Gross working capital = current asset – current liability.

B) Match the pairs (Any 7) **(07)**

Column A	Column B
Cash receipt from customers	Financial activities
Selling a piece of equipment	Operating activities
Paying shareholder a dividend	AS-3
Non cash items	AS-2
Cash flow statement	Depreciation and amortization
Gross working capital	Investing activities
Net working capital	Not consider in calculation of working capital
Depreciation	Short term funds
Working capital needs	Idle funds
Large working capital	Current asset
	Terms loan
	CA-CL

Q.2 A) From the following profit and loss a/c of Akash ltd. For the years2013 and 2014, you are required to prepare comparative income statement and comment on the performance of the company. 08 marks

Particulars	2013	2014	Particulars	2013	2014
To opening stock	160000	240000	By sales	1200000	2000000
To purchases	600000	1600000	By closing stock	240000	600000
To wages	200000	320000			
To Factory expenses	160000	200000			
To gross profit	320000	240000			
	1440000	**2600000**		**1440000**	**2600000**
To salaries	20000	24000	By gross profit	320000	240000
To rent and taxes	16000	20000	By interest received	1000	1000
To carriage outward	24000	20000			
To delivery expenses	12000	6000			
To advertisement expenses	30000	20000			
To interest on loan	2000	6000			
To loss on sale of asset	26000	20000			
To provision for taxation	76000	56000			
To net profit	115000	69000			
	321000	**241000**		**321000**	**241000**

B) From the following Balance sheet as on 31st march 2013 and 31st march 2014 of m/s dhoom pvt. Ltd. Prepare common size statement in vertical form. 07

BALANCE SHEET

Liabilities	2013	2014	Asset	2013	2014
Share capital	400000	500000	Fixed asset	540000	672000
General reserve	20000	40000	Investment	130000	90000
Profit and loss a/c	50000	60000	Stock	90000	85000
12% debenture	100000	150000	Debtors	25000	45000
Creditors	135000	45000	Bills receivable	-	35000
Proposed dividend	40000	50000	Cash	10000	5000
Provision for tax	60000	80000	Bank	8000	-
Bank overdraft	-	10000	Miscellaneous expenditure	2000	3000
	805000	**935000**		**805000**	**935000**

OR

P) The balance sheet of Dixit ltd.as on 31st march 2014 is as follows. 08

Liabilities	Rs.	Asset	Rs.
Equity share capital	600000	Fixed asset	900000
Reserve	200000	Stock	300000
6% debenture	500000	Marketable investment	100000
Current liability	200000	Debtors	150000
Bank overdraft	50000	Cash and bank balance	100000
Fixed deposit repayable within one year	50000		50000
	1600000		**1600000**

Prepare vertical common size statement and comment on short term solvency of the company.

Q) You are furnished with the following revenue statement for the four year ended 31st march. Prepare vertical common size statement and comment on short term solvency of the company. **07**

Particulars	**2002**	**2003**	**2004**	**2005**
Sales	50000	60000	72000	86400
Less: cost of sale	32000	38000	46000	56000
Margin	**18000**	**22000**	**26000**	**30400**
Management expenses	3000	3500	4000	4500
Sales expenses	5000	6000	7200	8640
Interest on loan	3000	4000	5000	6000
Total expenses	**11000**	**13500**	**16200**	**19140**
Profit before depreciation	7000	8500	9800	11260
Depreciation	5000	4500	6000	6500
Profit before tax	**2000**	**4000**	**3800**	**4760**
Income tax	800	2000	1850	2400
Profit after tax	**1200**	**2000**	**1950**	**2360**

Q.3 A) Following is the summarized Balance sheet and revenue statement of BMW ltd. For the year ended 31st march 2014. **15**

Liabilities	**Amount**	**Asset**	**Amount**
Share capital	80000	Fixed asset	75000
Reserve	20000	Current asset	100000
10% debentures	25000		
Current liabilities	50000		
	175000		**175000**

Revenue statement for the year ended 31st march 2014.

Particulars	Amount
Sales	200000
Less: cost of sale	110000
	90000
Operating expense	60000
Net profit before tax	30000
Tax	15000
Profit after tax	15000
Dividend	8000
Retain earnings	7000

You are required to calculate the following ratios and comment on it.

1. current ratio 2. Proprietary ratio 3. capital gearing ratio 4. gross profit ratio 5. returns on proprietors equity ratio 6. net profit ratio.

OR

P) From the following balance sheet and profit and loss account of Kiran ltd. Calculate the following ratios.

15

1. Current ratio
2. Proprietary ratio
3. Debtors turnover ratio
4. Gross profit ratio
5. Stock to working capital ratio
6. creditors turnover ratio
7. net profit ratio

Balance sheet as on 31st march 2014

Liabilities	Amount	Asset	Amount
Preference capital	50000	Building	185000
Equity capital	100000	Long term investment	40000
Reserve	35000	Stock	35000
10% debenture	50000	Debtors	30000
Creditors	20000	Cash and bank balance	10000
Outstanding expenses	45000		
	300000		**300000**

Profit and loss account for the year ende3d 31st march 2014

Particulars	Rs	Particulars	Rs
To cost of goods sold	175000	By sale	300000
To administrative expenses	25000		
To finance expenses	15000		
To selling expenses	20000		
To depreciation	15000		
To provision for taxation	20000		
To net profit	30000		
	300000		**300000**

Q.4) A) Ram Ltd. Furnishes the following details and request you to prepare a statement showing the requirements of working capital for the year 2006. **15**

Particular	Budget for 2006
Production capacity	30000 units
Production	80%
Cost structure	
Raw material	Rs. 40 P.U.
Other direct material	Rs.30 P.U.
Wages	Rs. 20 P.U.
Overheads Fixed	Rs. 10000 P.U.
Overheads variable	Rs. 10 P.U.
Profit	20% on sales

Other information

1.Fixed overheads payable quarterly in advance.

2. Raw material remains in stock for two months.

3. Other direct material in stock for one month.

4. The production process takes one month . WIP valuation to be made raw material and other direct material at cost and 50% of wages and overheads (Variable).

5. Finished goods remain in stock for two months (to be valued at direct cost).

6. Raw material purchased from suppliers against advance payment of three months and other direct material suppliers allows credit of two months.

7.Time lag in payment of wages two months.

8. Cash balances to be maintained at Rs. 75000.

9. Credit allowed to customers as under (valued at selling price)

i) 50 % of invoice price against acceptance of bill for three months.

ii) 25 % of invoice price time lag three months.

OR

P) Present situation Sales- 8000000 08

Variable cost - 5000000

Fixed cost - 1000000

Credit to debtors -20 days.

Plan	Proposed credit period	Sales
1	30 days	10000000
2	40days	12000000
3	50 days	13500000
4	60 days	15000000

Determine the credit period that should be allowed by the company. Assume Return on investment @18%.

Q) **07 marks**

ABC company is currently selling 50000 units of its product at Rs.50 per unit . At the present level of production , the cost per unit is Rs. 40 and variable cost per unit being Rs.30. The company is currently extending one months credit to its customers. The company is thinking of extending credit period top one and a half month, with the expectation that sales will increase by 25% . If the companies pre-tax required rate of return is 20 %, is the new credit policy desirable?

Q.5 A) Explain the format of vertical income statement . (08)

B) Explain the element of working capital. (07)

OR

Write short note (Any 3) (15)

1. Financial statement
2. Ratio analysis
3. Profitability ratio
4. Sources of cash flow
5. Types of working capital