

# Management Accounting

**April 2006**

Time: 3 Hours

Marks: 100

**NB:**

1. Questions No. 1 is compulsory and carries 20 marks.
2. Attempt any five questions, each carrying 16 marks from remaining questions.
3. Working notes should form part of your answer.
4. Proper presentation and neatness is essential.

Q.1 M/s. Rajesh & Co. gives you the following information. Prepare trading and profit and loss account for the year ended 31st March, 2004 and balance sheet as on that date in as much detail as is possible. 20

Opening Stock	Rs. 90,000
Stock Turnover Ratio	10 times
Net Profit Ratio on Turnover	15%
Gross Profit Ratio on Turnover	20%
Current Ratio	4: 1
Long Term Loan	Rs. 2, 00,000
Depreciation on Fixed Assets @ 10	Rs. 20,000
Closing Stock	Rs, 1, 02,000
Credit period allowed by suppliers	One month
Average Debt collection period	Two months

On 31st March, 2004 current Assets consisted of stock, debtors and cash only. There was no bank overdraft. All purchases were made on credit. Cash sales were 1/3rd of credit sales.

Q 2. From the following Balance Sheet and information of TNG Ltd., prepare fund flow statement and schedule of item wise changes in working capital for the year ended 31-12-2005 :- 16

## Balance Sheet

Liabilities	2004	2005	Assets	2004	2005
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	Rs.	Rs.		Rs.	Rs.
Equity Share Capital	40,000	70,000	Land	80,000	80,000
P & L A/c	13,420	16,000	Buildings	40,000	36,000
General Reserve	13,180	14,200	Furniture	5,000	7,000
Long Term Loan	16,400	14,000	Debtors	12,200	16,600
Creditors	36,720	17,000	Bills Receivable	2,000	13,000
Bills Payable	15,100	5,800	Goodwill	19,000	16,000
Prov. for Tax	9,000	12,000	Cash	620	5,400
Proposed Dividend	15,000	25,000			
	<b><u>1, 58,820</u></b>	<b><u>1,74,000</u></b>		<b><u>1, 58,820</u></b>	<b><u>1,74,000</u></b>

**Additional Information:**

1. Additional land was purchased during the year at a cost of Rs. 1, 20,000 and later on sold at a profit of Rs. 20,000 during the year.
2. Furniture having book value of Rs. 2,000 was sold for Rs. 1,000.
3. An interim dividend of Rs. 5,000/- was paid during the year.
4. Income Tax paid Rs. 8,500/ .
5. Charged depreciation on Building Rs. 4,000 and Furniture Rs. 300/.
6. Proposed dividend for last year has been paid during the year.

Q 3. Following are summarized Balance Sheets of BDM Ltd. as on 31st Dec., 2004 Balance Sheet 2005. 16

**Balance Sheet**

<b>Liabilities</b>	<b>2004</b>	<b>2005</b>	<b>Assets</b>	<b>2004</b>	<b>2005</b>
	<b>Rs.</b>	<b>Rs.</b>		<b>Rs.</b>	<b>Rs.</b>
Equity Share Capital	2,00,000	2,50,000	Bank	35,000	16,000
12% Debentures	1,00,000	80,000	Stock	40,000	75,000
10% Preference Share Capital	50,000	80,000	Debtors	90,000	1,50,000
Bank Loan	70,000	1,10,000	Machinery	75,000	60,000
Reserves	20,000	25,000	Furniture	10,000	8,000
P & L A/c	50,000	60,000	Land	1,70,000	2,80,000
Creditors	60,000	75,000	Buildings	1,40,000	99,000
Bills Payable	40,000	33,000	Goodwill	30,000	25,000
	<b><u>5,90,000</u></b>	<b><u>7,13,000</u></b>		<b><u>5,90,000</u></b>	<b><u>7,13,000</u></b>

**Additional Information:**

1. Depreciation charged during 2005 was Rs. 4,000/- on Furniture. Rs. 12,000/- on Machinery and Rs. 20,000/- on Buildings.
2. Part of Machinery was sold for Rs. 15,000/- at a loss of Rs. 4,000/.
3. During 2005 interim dividend was paid Rs. 10,000 & Income Tax was paid Rs. 5,000/-.
4. During the year part of the Building was sold at book-value.

5. You are required to prepare Cash Flow Statement as per AS. 3 (Use Indirect method).

Q 4. Re-write the following statement of changes in working capital by calculating the missing figures: - 16

### Statement of Changes in working capital

Particulars	31-12-2004	31-12-2005	Working Capital increase/ (Decrease)
<b>(A) Current Assets</b>			
Stock	1, 00,000	?	20,000
Debtors	?	70,000	?
Cash	10,000	15,000	?
Bank	25,000	?	25,000
Bills Receivables	30,000	25,000	?
Prepaid Expenses	5,000	?	1000
	<b>(A) ?</b>	<b>?</b>	-
<b>(B) Current Liabilities</b>			
Creditors	20,000	?	(10,000)
Bills Payable	10,000	5,000	?
Outstanding Wages	3,000	?	1,000
Outstanding Salary	?	4,000	?
	<b>(B) <u>40,000</u></b>	<b>?</b>	-
<b>Working Capital (A-B)</b>	<b><u>?</u></b>	<b><u>?</u></b>	-
Increase in working capital			<u>35,000</u>
			<u>60,000</u>

Q.5 A & B carrying on partnership business. Their position as on 31st March 2005, 2004 & 2003 is as follows: 16

**(i) Balance sheets as at 31st March :**

	(Rs. in lacs)		
	2005	2004	2003
<b>Assets</b>			
Fixed Assets (at cost less Depreciation)	30.00	25.00	24.00
Investment	2.00	1.00	2.00
Stock in Trade	12.00	10.00	8.00
Accounts Receivable	18.00	15.00	12.00
Loans & Advances	8.00	8.00	6.00
Cash & Bank Balances	1.00	1.00	1.00
	<b><u>71.00</u></b>	<b><u>60.00</u></b>	<b><u>53.00</u></b>
<b>Liabilities</b>			
Partners' Capital Accounts	35.00	30.00	25.00
Partner's Current Accounts	6.00	4.00	4.00
Bank Loans	8.00	6.00	6.00
Sundry Creditors	22.00	20.00	18.00
	<b><u>71.00</u></b>	<b><u>60.00</u></b>	<b><u>53.00</u></b>

**(ii) Summarised Income Statements for the year ended 31st March :**

	(Rs. in lacs)		
	2005	2004	2003
<b>Particulars</b>			
Net Sales	240.00	220.00	200.00
Less : Cost of Sales	180.00	170.00	150.00
Gross Margin	60.00	50.00	50.00
Less : Operating Expences	50.00	40.00	36.00
Net Profit before Tax	10.00	10.00	14.00

Prepare Trend Analysis Statement taking earliest year as the base. Writing Balance Sheet in vertical form suitable for analysis in Trend Statement is necessary.

Q. 6 Following financial statement for the year ended 31st March, 2005 are submitted to you by the accountant of Star Ltd. 16

**Trading and Profit and Loss Account for the Year ended 31st March, 2005**

<b>Particulars</b>	<b>Rs.</b>	<b>Particulars</b>	<b>Rs.</b>
To Opening Stock	70,000	By Sales	16,60,000
To Purchases	15,30,000	By Closing Stock	1,60,000
( - ) Returns	<u>30,000</u>		
To Gross Profit	2,50,000		
	<b><u>18,20,000</u></b>		<b><u>18,20,000</u></b>

To Depreciation	36,000	By Gross Profit	2,50,000
To Administration Expenses	50,000	By Interest	10,000
To Selling & Distribution Expenses	24,000		
To Provision for Income-tax	40,000		
To Proposed Dividend	16,000		
To Profit Balance	94,000		
	<b><u>2,60,000</u></b>		<b><u>2,60,000</u></b>

### Balance Sheet as at 31st March, 2005

<b>Liabilities</b>	<b>Amount Rs.</b>	<b>Assets</b>	<b>Amount Rs.</b>
Share Capital	3,00,000	Goodwill	20,000
Profit and Loss Account	1,80,000	Cash in Hand	8,000
Proposed Dividend	16,000	Stock in Trade	1,60,000
Bank Overdraft	38,000	Sundry Debtors	1,78,500
Sundry Creditors	26,000	Land & Building	92,150
Provision for Depreciation	55,750	Plant & Machinery	1,28,600
Provision for Tax	40,000	Prepaid Expenses	1,500
		Expenses on Issue of Shares	7,000
		Short Term Investments	60,000
	<b><u>6,55,7500</u></b>		<b><u>6,55,750</u></b>

Rearrange the above statements in a form suitable for analysis and determine Net Worth, Quick Assets, Quick Liabilities, Operating Profit and Retained Earnings.

Q.7 From the following Profit and Loss Account information for year ending 2004 and 2005 prepare Common Size statement. Arrange information in Vertical Form suitable for analysis 16

	<b>2004 Rs.</b>	<b>2005 Rs.</b>
Sales	10, 00,000	15, 00,000
Closing Stock	2, 50,000	3, 00,000
Opening Stock	1, 50,000	2, 50,000
Purchases	3, 00,000	4, 50,000
Wages	2, 00,000	3, 00,000
Manufacturing Expenses	1, 00,000	1, 50,000
Administrative Expenses	50,000	50,000
Selling & Distribution Expenses	50,000	75,000
Loss on Sale of Furniture	25,000	0
Interest on Debentures	10,000	10,000
Profit on Sale of Shares	50,000	0

(i) Stock at the end Rs. 40,000 more than the stock, in the beginning.

Find Out:

- (a) Cost of Goods Sold
- (b) Gross Profit
- (c) Net Profit
- (d) Current Assets
- (e) Capital
- (f) Total Liabilities
- (g) Closing Stock
- (h) Total Assets

Q.8 From the following data provided by M/s Alpha Ltd. showing working capital requirements for the year ended 31st March, 2006: 16

(a) Estimated activity/operations for the year 2, 60,000 units (52 weeks).

(b) Raw material remains in stock for 2 weeks and production cycle takes 2 weeks.

(c) Finished Goods remaining in stock for 2 weeks.

(d) 2 weeks credit is allowed by suppliers.

(e) 4 weeks credit is allowed to Debtors.

(f) Time lag in payment of wages and overheads is 2 weeks each.

(g) Cash & Bank Balance to be maintained Rs. 25,000.

(h) Selling price per unit is Rs. 15.

(i) Analysis of cost per unit as follows:-

(1) Material 33 1/3% of sales.

(2) Labour and overheads in the ratio of 6 : 4 per unit

(3) Profit is at Rs. 5 per unit.

Assume that operations are evenly spread throughout the year; Wages and Overheads accrue similarly. Manufacturing process requires feeding of material fully at the beginning. Degree of work-in-progress is 50%. Debtors are to be estimated at selling Price.

Q.9 Write short notes on any four: 16

(a) Window dressing of current ratio.

(b) Uses of ratio.

(c) Cash from operating activities.

(d) MIS report.

(e) Limitation of financial statements.

(f) Cost of goods sold.