Class / Semester / Subject Code: S Y BMS. / III / UBMSFSIII.5-Accounting for Managerial Decisions

Date:07.10.2019 Time: (2 ½ Hours) Total Marks: 75

N.B. (1) All questions are compulsory.
(2) Figures to the right indicate marks for respective sub questions.

Q.1) A. Choose correct alternative in each of the following. (10)

(i) Operating Profit is ____________
- (a) Gross Profit plus operating income
- (b) Gross Profit less operating expenses plus operating income
- (c) Gross Profit less Non-Operating expenses
- (d) Gross Profit plus operating loss

(ii) Fixed asset should be disclose in Balance Sheet as ______________
- (a) Cost
- (b) Market Value
- (c) Cost or Market Value whichever is more
- (d) Cost or Market Value whichever is less

(iii) Seasonal Working Capital ____________
- (a) Permanently required
- (b) Fluctuating in Nature
- (c) Require to meet the seasonal need of the organization
- (d) None of the above

(iv) Longer period of credit allowed to creditors ____________________
- (a) Increase working capital requirement
- (b) Decrease in working capital requirement
- (c) Maximizes working capital requirements
- (d) None of the above

(v) High geared company exposes to
- (a) Business Risk
- (b) Financial Risk
- (c) Inflation Risk
- (d) Interest Risk

(vi) Proceeds from sale of patent is __________
- (a) Financing Activity
- (b) Investing Activity
- (c) Operating Activity
- (d) None of the above

(vii) Dividend paid causes cash flow from ________
- (a) Operating activities
- (b) Financing activities
- (c) Investing activities
- (d) None of the above

(viii) Loan fund does not include one of the following__________
- (a) Debentures
- (b) Loans
- (c) Provision for taxation
- (d) Public Deposits

(ix) Higher gearing means ______________________
- (a) Capital structure is high geared
- (b) Capital structure is low geared
- (c) Capital structure is optimum
- (d) None of the above

(x) Common sixe statement cannot find out relationship between ______
- (a) Sales and Capital employed
- (b) Sales and G P
- (c) Expenses and Sales
- (d) Net profit and sales

B. Statement whether the following statements are true or false **(5)**

(i) Higher stock turnover means higher cost of goods sold.
(ii) Bank overdraft is a Liquid Liability.
(iii) Prepaid expenses are included in liquid assets.
(iv) Income tax paid is adjusted in cash flow from operating activities.
(v) Increase is securities premium creates cash inflow from Financing Activities.

Q.2) Attempt **any ONE** of the following. (15)

(i) Following is the Trial Balance of Ram Ltd. as on 31st March 2016.

Particular	**Rs**	**Particular**	**Rs**
Preliminary Expenses (Not Yet written off)	10000	Equity Share Capital	500000
Goodwill	100000	General Reserve	210000
Plant and Machinery	400000	10% Debenture	200000
Land and Building	250000	Account Payable	130000
Investments	100000	Proposed Dividend	50000
Opening Stock	50000	Sales	500000
Accounts Receivable	200000	Interest on Investments	10000
Cash	40000		
Appreciation on Plant and Machinery	40000		
Wages	60000		
Purchases	200000		
Administrative Expenses	70000		
Selling Expenses	60000		
Interest on Debenture	20000		
	1600000		**1600000**

Additional Information:

1. Closing stock as on 31st March 2016 is Rs. 60000.
2. Make provision for Tax @ 50% on PBT.
   You are required to prepare vertical Income Statement for the year ended 31st March 2016 and vertical Balance Sheet as on that date for financial analysis.

OR

(ii) From the following financial statements of P Ltd. Prepare a common size financial statements and give your comments on them.

Balance Sheet as on 31st March 2015

Liabilities	**Rs**	**Assets**	**Rs.**
Ordinary Share Capital	1500000	Patent	750000
Preference Share Capital	750000	Plant and Machinery	750000
Reserves	150000	Building	1200000
Profit and Loss account	600000	Fixtures	150000
Provision for Tax	157500	Stock	750000
Bills Payable	292500	Bills Receivable	120000
Bank Overdraft	150000	Debtors	300000
Creditors	750000	Cash	330000
	4350000		**4350000**

Q.3. (i) From the following details calculate 1. Debt Equity Ratio 2. Return on Capital Employed (15)

1. Return on Proprietor's funds 4. Return on Equity

Liabilities	**Rs.**	**Assets**	**Rs.**
Equity Share Capital	700000	Land and Building	1200000
Reserves	300000	Stock	100000
9% Terms Loans	400000	Debtors	110000
Creditors	100000	Bills Receivable	80000
Bills Payable	50000	Cash at Bank	50000
		Preliminary Expenses	10000
	1550000		**1550000**

Net profit for the year before Inters and tax is Rs. 250000 and tax rate is 50%

Q.4) (i) From the following details to the account of Fair Ltd. Prepare Cash Flow Statement. (15)

Liabilities	31.03.2013	31.03.2012
Share Capital	100000	800000
Reserve	200000	150000
Profit and Loss Account	100000	60000
Debentures	200000	-
Provision for taxation	100000	70000
Proposed Dividend	200000	100000
Sundry Creditors	700000	820000
	2500000	**2000000**
Assets		
Plant and Machinery	700000	500000
Land and Builiding	600000	400000
Investments	100000	-
Sundry Debtors	500000	700000
Stock	400000	200000
Cash on Hand/Bank	200000	200000
	2500000	**2000000**

1. Depreciation @ 25% was charges on the opening value of Plant and Machinery.
2. During the year one old machine costing 50000/- (WDV 20000) was sold for Rs.35000/-
3. Rs. 50000/- was paid towards income tax during the year
4. Building under construction was not subject to any depreciation.

Q.5 **Attempt the following.** **(15)**

(i) XYZ Ltd. is a pipe manufacturing company. Its production cycle indicate that materials are introduced in that beginning of the production cycle wages are overheads accrue evenly throughout the period of the cycle. Wages are paid in the next month following of the month accrual. Work in Progress includes full units of raw material used in the beginning of the production process and 50% if wages and overheads are supposed to be conversion cost. Details of production cost and the components of working capital are as follows: **(8)**

Production of Pipes	1200000Units
Duration of the production cycle	1 Month
Raw materials inventory held	1 month consumption
Finished Goods inventory held for	2 month
Credit allowed by creditors	1 month
Credit given to debtor	2 month
Cost price of raw material	Rs. 60 per unit
Direct wages	Rs.10 per unit
Overheads	Rs. 20 per unit
Selling Price of finished pipe	Rs.100 per unit

Require to calculate the amount of working capital required for the company

(ii) A firm has a current sales of Rs .2,56,48,750. The firm has unutilized capacity. In order to boost is sales, it is considering the relaxation in its credit policy. The proposed terms of credit will be 60 days credit against the present policy of 45 days. As a result, the bad debts will increase from 1.5% to 2% sales. The firms sales expected to increase by 10%. The variable operating costs are 72% of the sales. The firm's corporate tax rate is 35% and it requires an after tax return of 15% on its investment. Should the firm change its credit period? **(7)**

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