Management Accounting

Octomber 2006

Time: 3 Hours
Marks: 100
NB:

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

Section I-(Auditing)

Q.1 (a) The Balance Sheets of Dinesh Ltd. are as follows: 20

Balance sheet as at 31st March, 2005 and 2006.

Liabilities	**2005**	**2006**	**Assets**	**2005**	**2006**
	Rs.	**Rs.**		**Rs.**	**Rs.**
Equity share capital	3,00,000	5,00,000	Goodwill	1,10,000	90,000
General Reserve	-	60,000	Land and Building	1,60,000	1,80,000
Profit and Loss A/c	-	58,000	Plant and Machinery	80,000	2,00,000
Debentures	2,00,000	-	Stock	84,000	1,06,000
Sundry Creditors	1,14,000	92,000	Debtors	1,80,000	1,56,000
Bills Payable	60,000	12,000	Advance Income Tax	-	40,000
Provision for Income Tax	-	50,00	Bills Receivable	16,000	24,000
Proposed Dividend	-	40,000	Prepaid Expenses	12,000	8,000
			Cash in Hand	20,000	8,000
			Profit and Loss A/c	12,000	
	6,74,000	**8,12,000**		**6,74,000**	**8,12,000**

Additional Information:

1. During the year ended 31-03-2006. Depreciation of Rs. 16,000 and Rs. 20,000 have been charged on Land and Building and Plant and Machinery respectively.
2. An Interim Dividend of Rs. 15,000 was paid during the year ended on 31-03-2006.
3. During the year Machinery having book-value of Rs. 16,000 was sold for Rs. 14,000.

Prepare cash flow statements by Indirect Method for the year ended 31st March, 2006 as per AS - 3.

Q 2. Aman and Ram are partners of M/S Aman Ram sharing Profits and Losses in the ratio of 3:2. Their Balance sheet as on 31st March, 2004 was as under: 16

Balance sheet as at 31st March, 2005 and 2006.

Liabilities	**Rs.**	**Rs.**	**Assets**	**Rs.**	**Rs.**
Creditors		15,000	Bank		14,000
Reserves		10,000	Cash		3,000
Loan from Sanju		20,000	Debtors	29,000	
Capitals:			**Less: RDD**	1,000	28,000
Aman	30,000		Stock		30,000
Ram	25,000	55,000	**Fixed Assets:**		
			Cost	35,000	
			Less: Depreciation	10,000	25,000
		1,00,000			**1,00,000**

As they wanted to go in for heavy expansion they decided upon the following, during the year ended 31st March, 2005:

1. Introduce fresh capital of Rs 20,000; Rs. 5,000 being by Aman and Rs. 20,000 being by Ram.
2. Admit Sanju as a partner on the following terms:

   (a) Aman, Ram and Sanju are to share profits and losses in the ratio of 2:2:1.

   (b)Goodwill of the firm is worth Rs. 30,000 but it is privately settled by the partners without bringing it into the books of account of the firm.

   (c)Sanju's loan is to be converted into his capital.

   (d)Sanju is to bring in a further sum of Rs. 26,000.

3. M/s Aman purchased on 1st April, 2004 new fixed assets of Rs. 80,000. They sold part of the fixed assets costing Rs. 20,000 on which depreciation provision was Rs. 8,000 for Rs. 10,000. This amount was used to partially finance the purchase of fixed assets. M/s Aman Ram borrowed Rs. 50,000 from Bank of India for the purpose of financing the purchase of fixed assets. Out of this loan Rs. 10,000 was repaid during the year.

Aman, Ram and Sanju withdrew Rs. 16,000, Rs. 15,000 and Rs. 10,000 respectively during the year. You are further informed that the partnership firm tax of Rs. 2,000 was paid during the year. Balance Sheet of the firm as on 31st March, 2005 was as under:

Liabilities	**Rs.**	**Rs.**	**Assets**	**Rs.**	**Rs.**
Creditors		30,000	Bank		6,000
Loan from Bank of India		40,000	Cash		6,000
Capitals:			Debtors	60,000	
Aman	39,000		Less: RDD	3,000	57,000
Ram	48,000		Stock		50,000
Sanju	43,000	1,30,000	Fixed Assets:		
			Cost	95,000	
			Less: Depreciation	14,000	81,000
		2,00,000			**2,00,000**

Prepare a statement showing flow of fund during the year ended 31st March. 2005 along with statement of changes in working capital, together with item wise changes in working capital.

Q.3 While preparing the financial statements for the year ended 31-3-2005 of XYZ Ltd., it was discovered that a substantial portion of the records were missing. However, the accountant was able to gather the following data: 16

Liabilities	**Rs.**	**Rs.**	**Assets**	**Rs.**	**Rs.**
Paid-up Share Capital			Land		3,60,000
60,000 Equity shares of Rs. 10		6,00,000	**Plant and Machinery:**		
each)			Cost	9,00,000	
Reserves and Surplus:			(-) Depreciation	3,60,000	5,40,000
Balance on 1-4-04	1,80,000		**Current Assets:**		
+ Transfer during the year	1,20,000	3,00,000	Stock	?	
10% Loan		6,00,000	Debtors	?	
Current Liabilities:			Cash and Bank	?	
Proposed Dividend	?				
Provision for Tax	?				
Creditors	?	6,00,000			
	Total	**?**		**Total**	**?**

The following other information is available:

Current Ratio	2:1
Cash and Bank	30% of Total Current Assets
Debtors Turnover (Sales/Debtors)	12 Times
Stock Turnover (Cost of Goods Sold/Stock)	12 Times
Creditors Turnover (Cost of goods Sold/Creditors)	12 Times
Gross Profit Ratio on Sales	25%
Proposed Dividend	20%

You are required to complete the Balance Sheet as on 31-03-2005 with available information, working notes shall form part of your answer.

Q.4 From the following Balance Sheet, prepare Vertical balance sheet which is suitable for analysis and calculate TrendPercentages taking 2003 as base year and comment on it.

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Balance Sheets as at 31st December

Particular	**2005 Rs.**	**2004 Rs.**	**2003 Rs.**
Share Capital	50,000	50,000	50,000
Reserve and Surplus	5,000	10,000	10,000
Secured Loan	3,00	5,000	5,000
Unsecured Loan	2,000	-	6,000
Current liabilities	5,000	5,000	4,000
	65,000	**70,000**	**75,000**
Particular	**2005 Rs.**	**2004 Rs.**	**2003 Rs.**
Fixed Assets (Net)	40,000	45,000	50,000
Investment	5,000	7,500	10,000
Stock	7,000	6,000	5,000
Debtors	10,000	9,000	7,000
Cash	3,000	2,500	3,000
	65,000	**70,000**	**75,000**

Q.5 From the information giver, below prepare Balance sheet in a vertical form, suitable for analysis and calculate the following ratios: 16

1. Capital Gearing Ratio.
2. ProDrietory Ratio.

3. Current Ratio.
4. Liquid Ratio.
5. Stock of Working Capital.

	(Rs.)		(Rs.)
Cash at Bank	12,500	Land and Building	2,00,000
Expenses paid in Advance	15,500	Stock	68,250
Creditors	1,01,500	Debtors	1,30,750
Bills Receivable	5,250	Plant and Machinery	1,36,000
12% Debentures	62,500	Loan from Director	1,00,000
Equity Share Capital	2,50,000	(Repayable after three years)	
P & L A/c (Cr.)	54,250		

Q.6 The following are the Balancesheets of Hayat Ltd. for the year ending 31st March, 2004 and 2005. 16

Liabilities	**31-3-04 Rs.**	**31-3-05 Rs.**	**Assets**	**31-3-04 Rs.**	**31-3-05 Rs.**
Equity share capital	4,00,000	4,00,000	Fixed assets less depreciation	4,80,000	9,20,000
Preference share capital	2,00,000	2,00,000	Stock	80,000	40,000
Reserves	40,000	60,000	Debtors	2,00,000	1,50,000
Profit and loss account	30,000	40,000	Bills receivable	40,000	60,000
Bank overdraft	1,00,000	4,60,000	Prepaid expenses	20,000	24,000
Creditors	80,000	1,00,000	Cash at bank	1,00,000	1,66,000
Provision for taxation	40,000	50,000			
Proposed Dividend	30,000	50,000			
	9,20,000	**13,60,000**		**9,20,000**	**13,60,000**

From the above prepare Vertical Balance Sheet suitable for analysis and do Horizontal comparison showing absolute Increase/Decrease and Percentage.

Q.7 (a) On the morning of 31st December, 2005, the business had stock costing Rs. 50,000, Debtors Rs. 1,70,000, creditors Rs. 1,90,000 and cash at Bank Rs. 50,000. On that day the business has the following transactions: 16

1. Purchased goods for cash Rs. 5,000 and credit Rs. 20,000.
2. Sale of Goods for cash Rs. 25,000 (cost of Goods Sold Rs. 20,000).

3. Collection from Debtors Rs. 45,000.
4. Paid Rent for Jan. and Feb. 2006 in advance Rs. 20,000.
5. Payments to creditors Rs. 1,00,000.

All receipts and payments are by cheques.

You are required to compute on the morning and evening of 31st December, 2005,

(i) Current Ratio.
(ii)Acid Test Ratio.

(b) Stock Turnover of X Ltd. is 8 times. 4

Sales for the year are Rs. 5,00,000 and Gross Profit Ratio is 25% on cost.
Closing Stock is Rs. 10,000 more than Opening Stock
Find out closing stock.
Q.8 A company plans to manufacture and sell 400 units of domestic appliances per month at price of Rs. 600 each forthe calendar year 2007. The ratio of cost of selling price are as follows: 16

	% of selling price
Raw material	30
Packing material	20
Direct lab our	15
Direct expenses	5

Fixed overhead are estimated at Rs. 4,32,000 per annum.

Stock were maintained as per following.

Raw material	30 days
Packing material	15 days
Work in progress	7 days
Finished goods	200 Units

Following additional information is given:

1. Credit sales represent 80% and customers enjoy 30 working days credit. Balance 20% are cash sales.
2. Creditors allow 21 working days credit for payment.
3. Lag in payment in overhead and expenses is 15 working days.
4. Cash requirements to be 12% of net working capital excluding cash.
5. Working days in a year are taken as 300.

Prepare working capital requirement for the year 2007.

Q.9 Write short notes on any four: 16
(a) Classification Assets.
(b) Drawbacks of comparative statements in Interpretation of final accounts.
(c) Selection of Accounting Software.
(d) MIS.
(e) Explain "Fund" and "Flow of Funds".
(f) Consequences of Inadequate working capital.

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