

GOKHALE EDUCATION SOCIETY'S
DR. T. K. TOPE ARTS AND COMMERCE NIGHT COLLEGE, PAREL MUMBAI – 400012
REGULAR & ATKT EXAMINATION – OCTOBER 2022

Subject/Course	Paper no.	Exam	Sem	Class	Date	Time	Marks
FINANCIAL ACCOUNTING AND AUDITING-INTRODUCTION TO MANAGEMENT ACCOUNTING	4	SEM END REGULAR	3	SYBCOM	Thursday, 06 October 2022	6.30 pm to 9.30 pm	100

Instructions:- (1) All questions are compulsory.
(2) Figures to the right indicate full marks.
(3) Use simple calculator.

Q.1 (a): Select the most appropriate answer and rewrite the sentence: (Any ten) (10)

- The use of management accounting is_____
 - Mandatory
 - Optional
 - Compulsory
 - All of the above
- Patents and Copyrights is an_____
 - Intangible Assets
 - Movable assets
 - Tangible fixed assets
 - Fictitious Assets
- In common size balance sheet analysis, the total assets are taken as____
 - 100 %
 - 50 %
 - 10 %
 - 0 %
- The comparative income statement shows the increase or decrease over_____
 - Previous Year
 - Future Year
 - Current Year
 - Percentage
- An Accounting ratio is an expression relating to two _____
 - Items
 - Accounting Figures
 - Balance
 - Assets.
- Balance sheet is a_____
 - Statement of assets and liabilities
 - Statement of operating results
 - Statement of working capital
 - None of the above
- The period required for the whole operation starting with cash and ending up with Cash is known as_____
 - Operating cycle
 - Trading Cycle
 - Working Cycle
 - Main Cycle
- Gross working Capital is equal to _____
 - Total Current Assets
 - Total fixed assets
 - Total Assets
 - Net Assets

a) Investment b) Current Assets
c) Current Liabilities d) Fictitious Assets

a) Purchase of fixed assets b) Day to day operations
c) Settlement of long term liabilities d) None of the above

(a) Percentage (b) Figures (c) Mean (d) Standard Deviation.

a) Higher b) Lower c) More d) earlier

1. Common size statements are used for vertical analysis only.
2. Analysis of profit & loss account means breaking down the profit & loss account into its various components
3. The ratio should be expressed in percentage only.
4. Over trading means increase in activities without adequate funds.
5. Prepaid expenses increase the amount of working capital.
6. All quick liabilities are current liabilities.
7. Public deposit is a secured loan.
8. Balance sheet shows result of activities.
9. Goodwill will be shown under fictitious assets
10. Issue of shares is an internal source of Finance.
11. A comparative balance sheet is prepared for the purpose of intra-firm comparison
12. Operating expenses are incurred to conduct the operations smoothly.

Dr.	Trial Balance		Cr.
Particulars	Amt.	Particulars	Amt.
Preliminary Expenses(Not yet written off)	20,000	Equity Shares Capital (Rs.100)	7,00,000
Administrative Expenses	4,00,000	Gross Sales	20,40,000

Land And Building	8,00,000	General Reserve	3,20,000
Plant & Machinery	6,00,000	Profit and loss A/c (Cr.)	2,00,000
Selling Expenses	1,00,000	12.5% Debentures	4,00,000
Furniture	3,00,000	Provision for Depreciation:	
Cost of production	9,60,000	On Land & Building	2,00,000
Return Inward	40,000	On Plant & Machinery	1,00,000
Finished Goods	2,40,000	On Furniture	80,000
Government Bonds	2,80,000	Trade Payable	4,00,000
Advance Tax	2,00,000		
Trade Receivable	5,00,000		
	44,40,000		44,40,000

Other Information:

1. Closing stock of Finished goods as on 31.3.2014 was Rs.1,60,000.
2. Provide Dividend on Equity Shares at 10%
3. Make provision for Income Tax of Rs.2,00,000.

From the above information you are required to prepare Income Statement for the year ended 31.3.2022 and balance sheet as on that date in vertical form suitable for analysis.

OR

Q.2 Following balances are extracted from the books of Rama Ltd.
(20)

Balances as on 31st March

Particulars	2016	2017	2018
Net Sales	30,000	40,000	50,000
Opening Stock	3,000	5,000	7,000
Purchases	17,000	19,000	20,000
Wages	1,500	3,000	2,000
Carriage Inward	2,000	4,000	4,000
Closing Stock	5,000	7,000	6,000
Office Expenses	1,000	1,200	1,500
Selling Expenses	700	900	1,000
Finance Expenses	600	1,000	2,000
Non Operating Income	800	900	1,000
Non Operating Expenses	500	300	500
Tax	40%	40%	40%

You are required to prepare vertical trend analysis income statement from the above.

Q.3 From the following financial statements of M/s Sunny Ltd. (Note : Vertical Revenue Statement need not be prepared). calculate. (20)

- | | |
|---|------------------------------------|
| 1) Current Ratio | 7) Sales to Capital Ratio |
| 2) Liquid Ratio | 8) Debtors Turnover Ratio |
| 3) Gross Profit Ratio | 9) Debt Equity Ratio |
| 4) Net Profit Ratio | 10) Stock to Working Capital Ratio |
| 5) Net Profit to Capital Employed Ratio | |
| 6) Fixed Assets Turnover Ratio | |

Balance sheet as on 31st March, 2022.

Liabilities	Rs.	Assets	Rs.
Share capital	1, 50,000	Fixed Assets (Net)	80,000
Reserve	60,000	Current Assets	
Profit & Loss A/c	24,000	Stock	1, 88,000
Debentures	60,000	Debtors	1, 64,000
Current Liabilities	<u>1, 52,000</u>	Cash	<u>14,000</u>
	446,000		446,000

Income statement for the year ending 31st March, 2022

Particulars	Rs.	Rs.
Sales : Cash	64,000	
Credit	<u>6,84,000</u>	7,48,000
Less: cost of sales		<u>(5,96,000)</u>
Gross profit		1,52,000
Less: Expenses		
Warehouse & Transport	48,000	
Administration	38,000	
Selling & Distribution	28,000	
Debenture Interest	<u>4,000</u>	<u>(1,18,000)</u>
Net profit before tax		34,000
Less: Income tax		<u>(4,000)</u>
Net profit after tax		30,000

OR

Q.3 Following is the trading A/c and profit and loss A/c for the year ended 31st December, 2022. (20)

Particulars	Rs.	Particulars	Rs.
To Opening Stock	40,000	By Sales	900,000
To Purchases	4,00,000	By Closing Stock	160,000
To Wages	1,00,000		
To Factory Expenses	1,40,000		
To Gross Profit c/d	3,80,000		

	10,60,000		10,60,000
To Administrative Expenses	1,20,000	By Gross Profit b/d	3,80,000
To Selling Expenses	80,000	By Interest Received	10,000
To Interest on Loan	10,000		
To Debenture Interest	16,000		
To Net Profit c/d	1,64,000		
	3,90,000		3,90,000
To Tax Provision	40,000	By net profit b/d	1,64,000
To Proposed Dividend	40,000		
To Balance Profit	84,000		
	1,64,000		1,64,000

Balance sheet as on 31st December, 2022

Liabilities	Rs.	Assets	Rs.
Equity share capital (Rs.10)	4,00,000	Land and building	3,50,000
9% preference share capital	3,00,000	Machinery	3,00,000
8% debentures	2,00,000	Furniture	2,00,000
Reserves	1,00,000	Goodwill	1,00,000
Profit & Loss A/c	60,000	Patents	1,00,000
Short term loan (Repaid within one year)	2,00,000	Vehicles	2,80,000
Bank overdraft	1,50,000	Investment	1,00,000
Sundry creditors	2,80,000	Stock	1,60,000
Bills payable	60,000	Debtors	1,80,000
Provision for tax	40,000	Bills receivable	60,000
proposed dividend	40,000		
	18,30,000		18,30,000

Note : Vertical Revenue Statement need not be prepared

Market price of equity share is Rs. 8 calculate the following ratios.

- | | |
|---------------------------|-----------------------------|
| a) Current ratio | f) Creditors turnover ratio |
| b) Acid test ratio | g) Earnings per share |
| c) Capital gearing ratio | h) Price earnings ratio |
| d) Stock turnover ratio | i) Net profit ratio |
| e) Debtors turnover ratio | j) Gross profit ratio |

Q.4 Sanket Ltd. had an annual sale of 50,000 units, at Rs.100 per unit. The company works for 50 weeks in the year.

(20)

The cost details of the company are as follows:

Elements of cost	Rs. (per unit)
Raw Materials	30
Labour	10
Overheads	20
Total Cost	60

Profit	40
Sales price	100

The company has to practice of storing raw materials for 4 week's requirements. Wages and other expenses are paid after a lag of 2 weeks. Further the debtors enjoy a credit of 10 weeks and company gets a credit of 4 weeks from the suppliers. The processing time is 2 weeks and finished goods inventory is maintained for 4 weeks. From the above information prepare a working capital estimates, allowing for a 15% contingency.

OR

Q.4 An investment project costs Rs. 1,00,000 initially. It is expected to generate cash flow as follows: **(20)**

Year	Cash inflows(PAT) (Rs.)
1	50,000
2	40,000
3	30,000
4	20,000

- (a) Calculate Pay Back Period.
 (b) Calculate Accounting Rate Return (ARR)
 (c) What is the net present value (NPV) of the project assuming a 10 % risk-free rate? Should the project be accepted?

The discounted factor @ 10% is:

Year	1	2	3	4
Discount factor	0.9091	0.8254	0.7513	0.6830

Q.5 Answer the following :

- (a) What is working capital? Explain the factors determining working capital requirements. **(10)**
 (b) Explain the functions of management accounting. **(10)**

OR

Q.5 .Write short notes (any four) **(20)**

- (a) Current Assets
 (b) Gross Profit Ratio
 (c) Vertical Statement
 (d) Quick Ratio
 (e) Tools of Analysis of Financial Statements
 (f) Working Capital