B.COM SEM - 6 **PRELIMS PAPER - 2023**
SUB: MANAGEMENT ACCOUNTING -2 **MARKS – 70**

Q.1 The information given below is taken from the financial records of Gautam Company Ltd. : (20)

Particulars	Amount (Rs.)
Total Sales (out of which 20% are cash sales)	8,00,000
Cost of goods sold	6,50,000
Equity share capital	2,50,000
15% Debentures	2,00,000
Debenture Discount	5,000
Net profit (after 50% tax)	40,000
Retained earnings	52,000
Sundry debtors	85,000
Preliminary Exps.	20,000

From the above informations, calculate the following accounting ratios:
1. Operating Ratio
2. Debtors' ratio (360 days for year)
3. Rate of return on shareholders' fund
4. Rate of return on capital employed.

OR

Q. 1 Find out the following ratios from the balance sheet of Aarti Ltd. As on 31-3-2019 and additional details given to you: (20)

(1) Stock turnover Ratio
(2) Ownership Ratio
(3) Current Ratio
(4) Liquid Ratio
(5) Rate of return on capital employed
(6) Rate of return on equity capital
(7) Net profit ratio
(8) Creditors ratio

Balance Sheet of Aarti Ltd. As on 31-3-2019

Particulars	Note	Rs.
EQUITY AND LIABILITIES :		
1. Shareholders' Funds:		
(a) Share capital : Equity Share Capital		**4,00,000**
(b) Reserves and Surplus :		
General Reserves		**2,00,000**
Profit and Loss Account		**1,70,000**
2. Non-Current Liabilities:		
(a) Long Term Borrowing : 8% Debentures		**2,50,000**
(b) Long Term Provisions : Provident Fund		**30,000**
3. Current Liabilities:		
(a) Trade Payables:		
Creditors		**1,00,000**
Bills Payable		**50,000**
(b) Other Current Liabilities :		
Bank Overdraft (from Dena Bank)		**40,000**
Outstanding Expenses		**10,000**
Total		**12,50,000**
ASSETS		
1. Non-Current Assets:		
(a) Fixed Assets:		
(i) Tangible Assets:		
Land and Building		2,50,000
Machineries		1,30,000
(b) Other Non-current Assets : Debenture Discount		5,000
2. Current Assets:		
(a) Short Term Investment :		
Temporary Investment		2,70,000
(b) Inventories: Stock		1,75,000
(c) Trade Receivables :		
Debtors		2,00,000
Bills Receivables		50,000
(d) Cash and cash equivalent:		
Cash balance		20,000
Balance in Bank of Baroda		40,000
(e) Other Current Assets :		
Prepaid Expenses		30,000
Advance income tax		80,000
Total		**12,50,000**

Additional Information :
(1) Cash sale is 20% of total sales.
(2) Stock on 1-4-2018 is Rs. 1,25,000.
(3) Debtors ratio is 90 days. Consider 360 days of the year.
(4) Gross profit is 40% of sales.
(5) Net profit (before interest and tax) is Rs. 2,50,000.
(6) Rate of taxation is 50%.

Q. 2 Modern Company wishes to arrange overdraft facilities with its bankers during the period April to June, 2012 when it will be manufacturing mostly for stock. Prepare a cash budget for the above period from the following data indicating the extent of bank facilities the company will require at the end of each month. (20)

1. Month	**Sales (RS.)**	**Purchases (RS.)**	**Wages (RS.)**	**Manufacturing Expenses (RS.)**	**Office Expenses (RS.)**	**Selling Expenses (RS.)**
February	1,80,000	1,24,800	12,000	3,000	2,000	2,000
March	1,92,000	1,44,000	14,000	4,000	1,000	4,000
April	1,08,000	2,43,000	11,000	3,000	1,500	2,000
May	1,74,000	2,46,000	12,000	4,500	2,000	5,000
June	1,26,000	2,68,000	15,000	5,000	2,500	4,000
July	1,40,000	2,80,000	17,000	5,500	3,000	4,500
August	1,60,000	3,00,000	18,000	6,000	3,000	5,000

2. Cash on hand 1-4-2012 Rs. 25,000
3. 50% of credit sales are realized in the month following the sale and the remaining 50% in the second month following. Creditors are paid in the month following the month of purchase.
4. Lag in payment of manufacturing expenses ½ month.
5. Lag in payment of other expenses 1 month.

OR

Q. 2 **.** From the following budgeted figures, prepare a cash Budget in respect of the three month from 1st April to 30th June, 2008 (20)

Month	**Sales (RS.)**	**Materials (RS.)**	**Wages (RS.)**	**Overdraft (RS.)**
January	30,000	20,000	5,500	3,100
February	28,000	24,000	5,800	3,300
March	32,000	25,000	6,000	3,400
April	40,000	28,000	6,200	3,600
May	42,000	31,000	6,500	4,300
June	38,000	25,000	7,000	4,000

1. Estimated cash balance as on 1st April, 2008 is RS. 10,000.
2. Materials and overheads are paid during the month following the month of supply.
3. Wages are paid in the same month.
4. 50% of sales are collected in the month after sales and remaining 50% are collected in the second month after sales.
5. Sales commission of 5% on sales is to be paid within the month following actual sales.
6. Pref. Share dividend of 10% on capital of RS. 3,00,000 is to be paid in may,2008
7. Plant and machinery to be installed in may,2008 at a cost RS. 10,000 will be payable in June, 2008.
8. 10% calls on equity share capital of RS. 2,50,000 are due on 1st April and 1st June, 2008.

Q. 3 (15)

Bably Ltd. has two proposals, details of which are as under :

(1) Proposal A and Proposal B each requires initial investment of Rs. 8,00,000 and scrap value of each is Rs. 80,000 at the end of 5 years useful life.

(2) Estinated profit (before depreciation and tax) is as follows :

Years	Project-A	Project-B
1	Rs. 2,00,000	Rs. 4,00,000
2	Rs. 3,20,000	Rs. 3,60,000
3	Rs. 4,00,000	Rs. 2,80,000
4	Rs. 4,80,000	Rs. 2,00,000
5	Rs. 5,60,000	Rs. 1,60,000

(3) The company calculates depreciation on straight line method and rate of taxation is 50%.

(4) Considering the risk element management has decided to evaluate project A at 15% cost of capital and project B at 10% cost of capital.

On basis of Net present value method, decide which project should be accepted ?

Present values of Re. 1 for first five years at 10% and 15% discount rate age as under :

Year	1	2	3	4	5
10% discount rate	0.909	0.826	0.751	0.683	0.620
15% discount rate	0.870	0.756	0.658	0.572	0.497

OR

Q. 3 (15)

Sarika Company Ltd., is considering to purchase a machine. Three machines viz. A, B and C are available, each costing Rs. 4,00,000. An estimated life of each machine is 5 years. There is no scrap value. The company's required rate of return is 12%. The tax rate applicable to the Company is 50%. The expected earnings before depreciation and taxes for the three machines are as follows :

Year	A	B	C
	Rs.	Rs.	Rs.
1	2,60,000	1,40,000	2,20,000
2	2,00,000	1,60,000	2,60,000
3	1,60,000	2,60,000	1,60,000
4	1,40,000	2,00,000	1,20,000
5	1,00,000	1,20,000	1,40,000

Select the most profitable machine using the following methods :

(1) Pay-back Period

(2) Average Rate of Return

(3) Net Present Value

The present value of Re. 1 at the discount rate of 12% for the first five years is Re. 0.893, 0.797, 0.712, 0.636 and 0.567.

Q. 4 With the following data for 60% activity of Twinkle Ltd., Prepare flexible Budget for production at 80% and 90% capacity : (15)

Production at 60% capacity	15,000 Units
Materials per unit	RS. 5.00
Labour per unit	RS. 3.00
Direct expenses per unit	RS. 2.00
Factory overheads (60% variable)	RS. 50,000
Administrative overhead(40% variable)	RS. 37,500
Selling overhead (50% Fixed)	RS. 30,000

OR

Q. 4 The annual flexible budget of Helix Ltd. is as under (15)

Particular	60%	80%	100%
Direct Materials	1,80,000	2,40,000	3,00,000
Direct wages	2,40,000	3,20,000	4,00,000
Factory overhead	1,40,000	1,60,000	1,80,000
Office overhead	60,000	70,000	80,000
Selling and distribution overhead	1,00,000	1,16,000	1,32,000

The company is presently working at 50% capacity. The sales volume of production at current price is RS. 6,40,000. If the selling price is reduced by 5% the capacity can be utilized upto 75%, if it is reduced by 8%, the capacity can be utilized upto 90%.

Prepare a Flexible Budget for 50%, 75% and 90% capacity.