

VPM's
DR VN BRIMS, Thane
Programme: PGDM (2014-16) Fourth Batch
Second Semester Examination December 2014

Subject	Management Accounting & Control II		
Roll No.		Marks	60 Marks
Total No. of Questions	7	Duration	3 Hours
Total No. of printed pages	4	Date	22-12-2014

Note: Q1 is compulsory and solve any FOUR from the remaining SIX questions.

Q1) 20 Marks (Compulsory)

(a) Fill in the blanks

(1 x 5 = 5 marks)

- i. ROCE is also known as -----.
- ii. If Average Collection Period is 3 months, Debtors turnover ratio is ----- times.
- iii. Goodwill is an example of ----- asset.
- iv. Assets- Liabilities = -----.
- v. Income received in advance is a/an -----.

(b) The following financial data are adapted from the annual reports of Greenwood Corporation

Greenwood Corporation

Four-Year Selected Financial Data

Years Ended March 31, 2011, 2010, 2009 and 2008

Rupee amounts are in thousands.

Operating Results	2011	2010	2009	2008
Net Sales	13,848	13,673	11,635	9,054
Cost of goods sold and occupancy expenses excluding depreciation and amortization.....	9,704	8,599	6,775	5,318
Interest expense	109	75	45	46
Income from operations.....	338	1,445	1,817	1,333
Net earnings (net loss)	(8)	877	1,127	824
Cash dividends.....	76	75	76	77
Financial Position				
Merchandise inventory	1,677	1,904	1,462	1,056
Total assets	7,591	7,012	5,189	3,963
Current ratio.....	1.48	0.95	1.25	1.20
Stockholders' equity.....	3,010	2,928	2,630	1,574
Average number of shares of common stock outstanding (in thousands)	860	879	895	576

Compute the following ratios for 2009 through 2011, and evaluate Greenwood's operating results.

- a. Gross profit percentage
- b. Net income as a percentage of sales
- c. Earnings per share
- d. Inventory turnover
- e. Times-interest-earned ratio
- f. Rate of return on stockholders' equity

Are operating results strong or weak? Did they improve or deteriorate during the 3-year period? Your analysis should reveal a clear trend. **(15 Marks)**

Attempt Any FOUR from the Remaining SIX Questions

Q2) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Draw the Accounting Process Flow Chart.
b) Identify the type of Account:
i. Land and Building A/c
ii. Capital A/c
iii. Octroi A/c
iv. Printing and Stationery A/c
v. Cash A/c
c) Find out the value of the opening stock as on 1.04.2013 from the following data:
- Purchase for F.Y 2012-13 Rs.4,00,000
 - Sales for F.Y 2012-13 Rs.8,50,000
 - Sale of the scrap for F.Y 2012-13 Rs.20,000
 - Manufacturing expenses for F.Y 2012-13 Rs. 5,70,000
 - Closing stock for F.Y 2011-12 Rs.1,00,000
 - Gross loss for the F.Y 2012-13 Rs.1,65,000
 - Purchase Return Rs.10,000/- & sales return Rs.5,000/- for F.Y 2012-13

Q3) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) What are the limitations of Ratio analysis?
b) Identify the type of Expenditure:
i. Research and Development Expenditure
ii. Installation charges on purchase of a machine
iii. Rent paid to the landlord.
iv. Vehicle purchased for business
v. Preliminary Expenses
c) On 1st April, 2013, Neel Limited has opening inventory of Rs. 4 lakh. During the Financial year 2014, company purchased Rs. 19 lakh additional inventory. On 31st March, 2014, company had ending inventory of Rs. 5 lakh. What is inventory turnover and age the age of inventory for financial year 2014?

Q4) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) State the users of Financial Statements.
b) **Recognise the accounting concept in the following:**
i) The business will run for an indefinite period.
ii) The business is distinct and separate from its owners.
iii) The transactions are recorded at their original cost.
iv) The transactions recorded are those that can be expressed in money terms.
v) Accounting treatment once decided should be followed period after period.
c) **Compute Gross Profit from the following:**
Opening Stock- Rs. 80,000
Cash Purchases- Rs. 1 Lakh
Credit Purchases- Rs. 2 Lakh
Cash sales- Rs. 1.60 Lakh
Credit Sales- Rs. 2.50 Lakh
Purchase returns- Rs. 6,000
Sales Returns- Rs. 10,000
Carriage inwards- Rs. 12,000
Wages- Rs. 12,000
Closing stock- Rs. 60,000

Q5) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

a) Write short note on "Accrual" concept in accounting.

b) Trial Balance of Navin & Co. as on 31.3.2014 is as under:

Particulars	Debit (Rs)	Credit (Rs)
Purchases	15000	
Debtors	20000	
Interest Earned		400
Salaries	3000	
Sales		32100
Purchase returns		500
Wages	2000	
Rent	1500	
Sales returns	1000	
Bad debts written off	700	
Capital		12000
Creditors		10000
Drawings	2400	
Provision for doubtful debts		600
Printing and stationary	800	
Insurance	1200	
Opening stock	5000	
Office expenses	1200	
Furniture and fittings	2000	
Accumulated depreciation		200
Total	55800	55800

Following are the adjustments that need to be made:

- i) Provision to be created for bad and doubtful debts @ 5% on debtors
- ii) Depreciation on furniture and fittings @ 10% on original cost
- iii) Salaries for the month of March 2010 amounting to Rs 300 were unpaid which must be provided for. The balance in the account included Rs 200 paid in advance.
- iv) Insurance is prepaid to the extent of Rs 200
- v) Provide Rs 800 for office expenses.
- vi) Goods withdrawn by the proprietor for personal use Rs. 600.

Prepare Trading & Profit and Loss Account for the year ended 31.3.2014.

c) From the above data, also prepare the Balance sheet of the firm as on 31.3.2014.

Q6) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

a) Write short note on "Conservatism" concept in accounting.

b) From the following information, prepare the Balance Sheet of Z Ltd.

Current Ratio- 2.5

Liquid Ratio- 1.5

Proprietary Ratio- 0.75

Working Capital- Rs. 60,000

Reserves & Surplus- Rs. 40,000

Bank Overdraft- Rs. 10,000

c) Consider the following data pertaining to Dollar Ltd., for the month of June 2014:

Particulars	Rs.
Opening Stock	30,000
Closing Stock	40,000
Purchases	5,60,000
Return Outward	15,000
Returns Inward	20,000
Carriage Inward	5,000

If the Gross Profit is 20% of Net Sales, what will be the sales for the month of June 2014?

Q7) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

a) i. Name 3 fundamental concepts in Accounting

ii. Name 2 financial ratios relating to Capital Structure of a Company.

b) Prepare the Trial Balance of Novel Enterprises from the following ledger extracts:

Cash- Rs. 50,000

Bills Receivable- Rs. 10,000

Accounts payable- Rs. 10,000

Capital- Rs. 70,000

Building- Rs. 65,000

Bills Payable- Rs. 50,000

Accounts Receivable- Rs. 5,000

c) The total purchases of Liner Ltd., during the year 2013-2014 was Rs. 95,000. If the Gross Profit of Liner Ltd. is 20% on sales and closing stock is more than the opening stock by Rs. 15,000. What was the Gross Profit earned by Liner Ltd., during the year 2013-2014?