

NIDHI ACADEMY TM

RIGHT PATH TO SUCCESS

ULHASNAGAR

IDEAL FOR (BMS, BCBI, BFM, BCAF), (M.Com I and II)

SEAT NO- PRELIMINARY EXAMINATION

TYBAF / MANAGEMENT ACCOUNTING / 5TH SEM / PRELIM/Sub-0001/QP-2010 /60M/2 Hrs

NOTE:

- 1) Question 1 and 2 compulsory
- 2) Answer any one among Question 3 and 4
- 3) Answer any one among Question 5 and 6
- 4) Figures to the right indicates marks allotted
- 5) Working notes should from part of the answer

1. Nidhi a company is considering the replacement of its existing machine which is obsolete and unable to meet the rapidly demand for its products. The company is faced with two alternatives, to buy Machine A which is similar to the existing machine or to go in for Machine B which is more expensive and has much great capacity. The cash flow at present level of operation under the two alternatives is as follows:

Machine	Immediate Cash but flow	Cash inflow (In Lakh of Rs. At the end of)				
		I	II	III	IV	V
		Year	Year	Year	Year	Year
A	25	-	5	20	14	14
B	40	10	14	16	17	15

The company's Cost of Capital is 10%

The Finance Manager tries to appraise the Machine by calculating the following:

- (i) Net Present Value
- (ii) Profitability Index
- (iii) Pay Back Period
- (iv) Discounted Pay Back Period

At the end of his calculation, however, the Finance Manager is enabling to make up his mind as to which machine to recommend. You are required to make these calculations and in light thereof to advise the Finance Manager about the proposed Investment.

NOTE: Present values of Rs. 1 at 10% discounted rate are as follows:

Year	0	1	2	3	4	5
Present Value	1.00	0.91	0.83	0.75	0.68	0.62

2. (a) Match the columns and re-write statement. (08)

X	Y
(A) Operating Profit Ratio	(1) Productivity Ratio
(B) Stock Turnover Ratio	(2) Long Turn Solvency Ratio
(C) Quick Ratio	(3) Profitability Ratio
(D) Debt Service Ratio	(4) Liquidity Ratio
(E) Proprietary Ratio	(5) PV of Cash Inflows - PV of Cash Outflows
(F) Payback Period	(6) Converge Ratio
(G) Directors Report	(7) Valuation Ratio

(H) Profitability Index	(8) Capital Budgeting
	(9) PV of Cash Inflows / PV of Cash Outflows
	(10) Computer Based
	(11) Companies Act

(b) Select correct alternative and rewrite statement.

(07)

1) The number of

- (i) Pay Back Period
- (ii) Profit Period
- (iii) Investment Period

2) Audit Report is addressed to-----

- (i) Directors
- (ii) Shareholder
- (iii) Employees.

3) Classification of reports based on frequency is ----- reports.

- (i) Special and Regular
- (ii) Production and Finance
- (iii) Descriptive and tabular.

4) As per as 1 any change in accounting policy-----

- (i) Should never be made
- (ii) Should be disclosed
- (iii) Requires permission of I.C.A.I

5) Director reporting is mandatory as per section ----- of companies act.

- (i) 217
- (ii) 271
- (iii) 211

6) Financial reporting is compulsory for-----

- (i) Partnership firm
- (ii) Company
- (iii) Proprietor.

7) Cash budget is summary of-----

- (i) Income and expenses
- (ii) Receipts and payment
- (iii) Assets and liability

3. You are required to complete the following Balance Sheet of Sunshine & Moonlight Ltd. as at 31stMarch, 2005.

Liabilities	Rs.	Assets	Rs.
Share Capital	4, 50,000	Fixed Assets	?
Reserves & Surplus	?	Investments	?
Loans	7, 50,000	Current Assets:	
Creditors	?	Stock	?
Bank O/D	4, 25,000	Debtors	?
		Cash	?
Total	?	Total	?

Ratios of the company are:

- (1) Reserves & Surplus are 40% of Net worth.
- (2) Sales to Net worth Ratio 5.5 : 1

- (3) Sales of Debtors Ratio 6 :1
- (4) Gross Profit is one fourth of cost.
- (5) Stock Turnover Ratio is 4 times.
- (6) Current Ratio is 2: 1.
- (7) Acid Test Ratio is 31 : 15
- (8) Fixed Assets Turnover Ratio (COGS / NFA) is 6 times.

Net worth means total of share Capital and Reserves and Surplus. You may assume Closing Stock as average stock and all Sales are Credit Sales. **(15)**

OR

4. Satish Ltd. furnishes following information and requests you to prepare the final accounts in form.

Working capital	7,80,000
Overdraft	1,20,000
Working capital as % of equity ;hare capital	78%
Current ratio	2.5
Quick ratio	1.5
Gross profit ratio	25%
Net profit ratio	15%
Stock velocity	5 times
Debtors credit period	1.5 months
Closing stock is 25% higher tin opening stock	
Fixed Assets to Proprietor Ratio	60%
Expenses (include depreciation @ 10% Rs.1,30,000)	?
Cash on hand	?
Long term loans	NIL

5. **Prepare Cash Budget** from the following information: **(Amount in Rupees)**

Month	Sales	Purchases	Wages	Expenses	Other Expenses
December 2005	58,000	38,000	11,000	9,000	7,000
January 2006	97,000	27,000	14,000	8,000	6,000
February 2006	82,000	26,000	11,000	7,000	3,000
March 2006	98,000	24,000	21,000	5,000	4,000

Other information:

- a) Cash in hand on 01.12.2005 was Rs. 11,034 and any short fall is to be met with through temporary loans
- b) 30% sales are for cash and debtors get realized in 2 months period equally.
- c) One month credit is available from creditors for purchases
- d) All other expenses are incurred on 1st of next month
- e) Expenses includes depreciation of Rs. 1,000 per month

OR

6. **Write short notes on any three of the following:**

- a) Importance of Cash Management
- b) Relationship Between NPV & IRR
- c) Director Report
- d) Role of MIS
- e) Prepare Cash Flow Statement

BEST OF LUCK

Take your admissions by paying Rs. 2500 initially (Inform others also) Admissions @Concessional Rates

In October Per Sub.	TYBMS / TYBCBI / TYBFM – Rs. 2300	TYA&F – Rs. 2100
After Oct Per Sub.	TYBMS / TYBCBI / TYBFM – Rs. 2800	TYA&F – Rs. 2400