

B.Com. DEGREE (C.B.C.S.S.) EXAMINATION, MARCH 2018

Sixth Semester

Core Course 17—ACCOUNTING FOR MANAGERIAL DECISIONS

[Common for B.Com. Model I, B.Com. (Vocational Model II and Model III B.Com. Degree Programmes)]

(2013 Admission onwards)

Time : Three Hours

Maximum Marks : 80

Part A

Answer all questions.

Each question carries 1 mark.

1. What are financial statements ?
2. What is horizontal analysis of financial statements ?
3. What do you mean by P/E ratio ?
4. What is return on investment ?
5. What is meant by 'window dressing' ?
6. Give three examples for uses of funds.
7. Distinguish between net profit and funds from operation.
8. What is cash from operations ?
9. Give any *two* limitations of cash flow statement.
10. Explain responsibility accounting.

(10 × 1 = 10)

Part B

Answer any eight questions.

Each question carries 2 marks.

11. Explain trend analysis.
12. What are common size statements ? Give two uses.
13. Give any *two* solvency ratios with formulae.
14. Is depreciation a source of fund.
15. Distinguish between internal analysis and external analysis.
16. What do you mean by analysis and interpretation ?

Turn over

17. What is operating leverage ?
18. What is a statement of changes in working capital ?
19. Define the term 'cash' in the context of cash flow statement.
20. What do you mean by payment period ?
21. What are activity ratios ?
22. The following information relates to XYZ Ltd. :

Net sales	:	Rs. 3,00,000
Cost of goods sold	:	Rs. 2,20,000
Operating expenses	:	Rs. 20,000
Annual interest charges	:	Rs. 12,000 (12 % Debentures of Rs. 1,00,000)

Calculate interest coverage ratio.

(8 × 2 = 16)

Part C

*Answer any six questions.
Each question carries 4 marks.*

23. What are the important tools used for financial analysis ?
24. What is accounting ratio ? How is its expressed ?
25. What are the uses of ratio analysis ?
26. Discuss the steps involved in the preparation of funds flow statement.
27. State the disadvantages of responsibility accounting.
28. From the following Balance Sheet of ABC Ltd., for the year ended 31-3-2017, prepare a common size Balance Sheet :

<i>Liabilities</i>	Rs.	<i>Assets</i>	Rs.
Share capital	50,000	Goodwill	10,000
8 % Debentures	20,000	P and M	40,000
P and L a/c	12,000	Stock	15,000
Creditors	8,000	Debtors	20,000
Proposed dividend	6,000	Cash at bank	9,000
Provision for tax	4,000	Cash in hand	6,000
	1,00,000		1,00,000

29. From the given Balance Sheet, calculate liquidity ratios :

<i>Liabilities</i>	Rs.	<i>Assets</i>	Rs.
Share capital	2,40,000	Land and Building	1,50,000
Reserves	50,000	P and M	80,000
P and L a/c balance	60,000	Stock	1,20,000
Creditors	90,000	Debtors	60,000
Bills payable	20,000	Marketable Securities	40,000
		Cash in hand	10,000
	4,60,000		4,60,000

30. Calculate collection period from the given data :

	Rs.
Total Sales	3,00,000
Cash Sales	50,000
Debtors on 1-1-2017	25,000
B/R on 1-1-2017	15,000
Debtors on 31-12-2017	35,000
B/R on 31-12-2017	25,000

31. Calculate the amount of tax paid and prepare provision of tax a/c :

Provision for tax on 1-1-2017	...	Rs. 40,000
Provision for tax on 31-12-2017	...	Rs. 50,000
Provision for tax made during 2017	...	Rs. 35,000

Provision of tax a/c may be treated as non-current liability.

(6 × 4 = 24)

Part D

Answer any two questions.

Each question carries 15 marks.

32. What is a funds flow statement ? What are the differences between a fund flow statement and a cash flow statement ?

Turn over

33. From the following Balance Sheet and the additional information, calculate cash from operations for the year ending 31-03-2017 :

<i>Liabilities</i>	2016 (Rs.)	2017 (Rs.)	<i>Assets</i>	2016 (Rs.)	2017 (Rs.)
Share capital	50,000	80,000	Land and Building	50,000	50,000
Profit and Loss a/c	49,000	28,000	Plant	60,000	80,000
Debentures	30,000	50,000	Stock	20,000	16,000
Creditors	16,000	20,000	Debtors	15,000	24,000
Bills payable	6,000	4,000	Prepaid Exp.	3,000	2,000
Outstanding Exp.	3,000	2,000	Cash in hand	1,000	2,000
			Cash at bank	5,000	10,000
	<u>1,54,000</u>	<u>1,84,000</u>		<u>1,54,000</u>	<u>1,84,000</u>

Additional information :

- (1) Net profit after tax fro the year was Rs. 25,000.
 - (2) Depreciation on plant Rs. 12,000.
 - (3) Loss on sale of plant debited to P and L a/c Rs. 2,000.
 - (4) Net profit includes Rs. 1,000 received as other income.
 - (5) During the year provision for tax was made for Rs. 10,000.
34. From the following information, prepare a Balance Sheet of the concern to which the information relates :

Current ratio	:	2.5
Liquid ratio	:	1.5
Net w/c	:	Rs. 3,00,000
Stock turnover ratio	:	6.
GP/Sales	:	20 %
Turnover of net fixed assets	:	2
Average collection period	:	2 months
Fixed assets/Net worth	:	0.80
Reserve and Surplus/capital	:	0.50

35. Calculate Gross Profit ratio, operating Profit ratio, operating ratio and net profit ratio from the details given below :

<i>Profit and Loss a/c</i>							
To	Opening stock	...	2,50,000	By	Sales	...	5,00,000
	Purchases	...	50,000		Closing stock	...	2,00,000
	Wages	...	75,000				
	G.P. c/d	...	3,25,000				
			<u>7,00,000</u>				<u>7,00,000</u>
	Admin. expenses	...	35,000		G.P. b/d	...	3,25,000
	Selling expenses	...	25,000				
	Non-operating expenses	...	25,000				
	Net profit	...	2,40,000				
			<u>3,25,000</u>				<u>3,25,000</u>

(2 × 15 = 30)