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MS – 471

VI Semester B.B.M. Examination, May/June 2014

(Semester Scheme)

(Repeater) (Prior to 2013-14)

BUSINESS MANAGEMENT

6.4 : E-3 : Paper – 3 : Cost and Financial Analysis

Time : 3 Hours

Max. Marks : 90

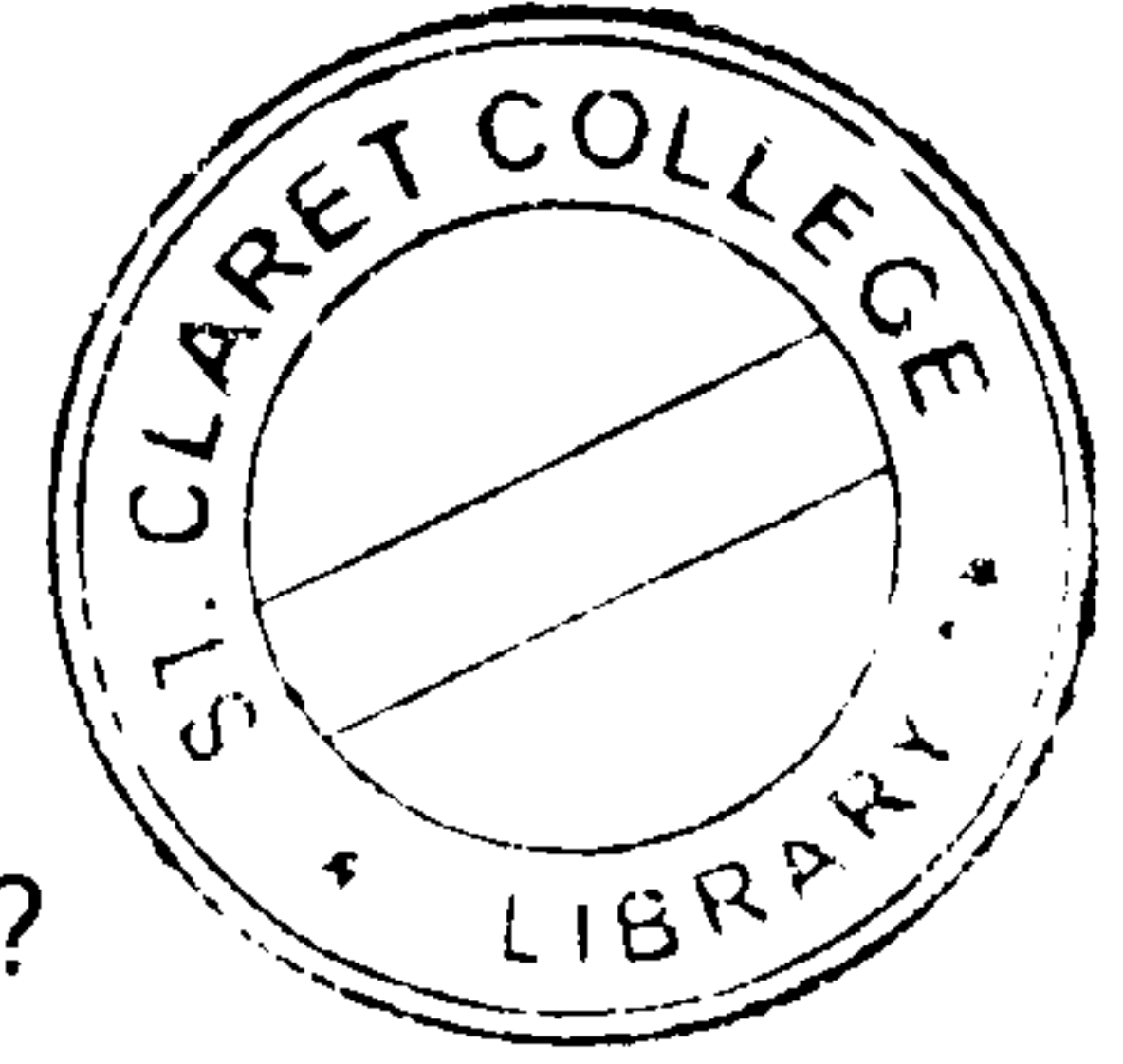
Instruction : Answers should be written in **English only**.

SECTION – A

Answer **any ten** of the following. **Each** question carries **2** marks.

(10×2=20)

1. a) What are financial statements ?
- b) State any two characteristics of ideal financial statements.
- c) What do you know by material yield variance ?
- d) What is dual aspect concept ?
- e) What is meant by Horizontal Analysis of financial statements ?
- f) What is variance analysis ?
- g) What is trend analysis ? Name the statistical tools used for scientific business forecasting.
- h) How is margin of safety calculated ?
- i) Sales Rs. 50 cores, its variable cost Rs. 42 cores, and loss Rs. 4 cores, calculate its fixed cost.
- j) Current Ratio is 4.5, acid test ratio is 3, inventory Rs. 30,000, find out current liabilities.
- k) Give the meaning the of Break-Even-Chart.
- l) Define fund flow statement.



SECTION – B

Answer **any five** questions. **Each** question carries **5** marks.

(5×5=25)

2. Discuss the use and importance of financial statements.
3. What are the significance of Current Ratio ?

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4. Define business forecasting. Explain the various kinds of financial forecasts that are essential for business.
5. What is variance analysis ? What is its significance in decision-making ?
6. State the reasons whether the following transactions result in increase or decrease of working capital or do not affect the working capital
 - a) A company issued 5,00,000 Shares of Rs. 10 each at par and fully paid up.
 - b) Building was purchased for Rs. 2 cores.
 - c) Bills Receivable Rs. 40,000 discounted for Rs. 38,000.
 - d) Preliminary expenses written off Rs. 9,000.
 - e) Cash paid to creditors Rs. 60,000.
7. The following is the income statement of Super Company Ltd., for the year ending 31st March 2013.

Income Statement for year ended 31-3-2013

(Rs. In thousands)

Sales		1,600
Less : cost of goods sold		<u>1,200</u>
Gross profit		400
Less : Depreciation	80	
Operating expenses	<u>200</u>	<u>280</u>
Profit before interest and Tax		120
Less : Interest		<u>20</u>
Profit before Tax		100
Less : Tax @ 50%		<u>50</u>
Profit after Tax		50
Less : Dividend paid		<u>10</u>
Retained earnings		<u>40</u>

Additional information :

- Sales increases by 20%
- Interest and depreciation will remain same.
- Dividend to be distributed after retaining Rs. 56,000 in the business.

Prepare Projected Income statement for year ended 31-3-2014.



8. From the following data, calculate :
- a) Gross profit Ratio
 - b) Operating profit Ratio
 - c) Net profit Ratio
 - d) Operating Ratio
 - e) Stock turnover Ratio.

Trading and P/L A/c for year ended 31-3-2013

Particulars	Rs.	Particulars	Rs.
To opening Stock	1,00,000	By Sales	8,00,000
To Purchases	6,00,000	" Closing stock	1,60,000
" Administration Expenses	60,000	" Dividend Received	2,000
" Selling Expenses	40,000		
" Distribution Expenses	20,000		
" Loss on sale of plant	2,000		
" Net profit	1,40,000		
	9,62,000		9,62,000

9. From the following information, prepare a comparative income statement of Nimbus Ltd.

	2012	2013
Sales	120% of cost of goods	150% of cost goods sold
Cost of goods sold	Rs. 20,00,000	Rs. 25,00,000

Indirect expenses 10% of Gross profit

Rate of income tax 50%.

SECTION – C

Answer **any three** questions. **Each** question carries **15** marks. **(3×15=45)**

10. Discuss the following accounting concept by giving their significance.
- a) Dual Aspect concept
 - b) Going concern concept
 - c) Money measurement concept
 - d) Cost concept



11. Define business forecasting. Explain the types of business forecasting.
12. From the following balance sheet of Sunshine Ltd., as on 31st December 2011 and 2012 prepare cash flow statement.

Balance Sheet as on 31st December 2011 and 2012

	2011	2012		2011	2012
	(Rs.)	(Rs.)		(Rs.)	(Rs.)
Accounts payable	18,000	16,000	Cash	4,000	14,000
Wages payable	4,000	7,000	Accounts receivable	25,000	32,500
Note payable	1,73,000	1,60,000	Prepaid insurance	5,000	7,000
Capital stock	88,000	84,000	Inventory	37,000	34,000
Retained earnings	59,000	60,500	Fixed assets	3,16,000	2,70,000
			Accumulated dep.	(45,000)	(30,000)
Total	3,42,000	3,27,500	Total	3,42,000	3,27,500

Income Statement for the year ended 31st December 2012

	(Rs.)
Sales	2,00,000
Cost of goods sold	1,23,000
Depreciation exp.	15,000
Insurance expenses	11,000
Wage expense	50,000
Net income	10,000

Additional information during the year 2012

- 1) Declared and paid dividends of Rs. 2,500.
- 2) Company paid Rs. 46,000 in cash to acquire new fixed assets.
- 3) The accounts payable was used only for inventory.
- 4) No debt was retired during the year.



13. From the following information extracted from the books of Excel Co. Ltd., compute the following Ratio

- 1) Current Ratio,
- 2) Acid test Ratio,
- 3) Stock turnover Ratio,
- 4) Debtor turnover Ratio
- 5) Average collection period
- 6) Creditor turnover Ratio
- 7) Average payment period

	31-3-2012	31-3-2013
	(Rs.)	(Rs.)
Bills Receivable	60,000	1,20,000
Bills payable	1,20,000	60,000
Sundry Debtors	2,40,000	3,00,000
Sundry Creditors	1,50,000	2,10,000
Stock	1,92,000	2,88,000
Cash Balance	–	2,40,000
Bank Balance	–	1,92,000
Building	–	4,00,000

Additional information :

Gross profit 25% on sales, the Actual Gross profit Rs. 3,00,000.

14. ZEE Co. Ltd. has submitted the following information Installed capacity 1,00,000 units and unutilized capacity 20% of its installed capacity level, margin of safety 25% of BEP. The contribution sales Ratio is 30%. Current selling price Rs. 100 per unit. Based on above calculate :

- Break Even point in Units and Rupees.
 - Fixed cost
 - Margin of safety in units.
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