

Solved Management Accounting Question Papers

Gulbarga University, Gulbarga

Section – B

1. Ratio Analysis

Q1. Question Paper 2009

Calculate the Earnings Per Share (EPS) from the following :

Net profit Before Tax Rs. 5,00,000,

Tax Rate 40% of Net Profit

Equity Share Capital Rs. 10 Lakh, Face Value Rs. 20 per Share.

5,000, 8% Preference Shares of Rs. 100 each.

Sol: Calculation of Earnings per Share (EPS).

Earnings before Tax	5,00,000
Less: Tax @ 40% (5,00,000 x 40 / 100)	2,00,000
Earning After Tax	3,00,000
Less: Dividend to Preferential Shareholders (5,00,000 x 8 / 100)	40,000
Profit available to Equity Shareholders	2,60,000

$$\begin{aligned} \text{EPS} &= \frac{\text{Profit}}{\text{No. of Equity Shares}} \\ &= \frac{2,60,000}{50,000} \\ &= 5.20 \end{aligned}$$

Q2. Question Paper 2010

Calculate earning per share from the following :

Equity share capital (Rs. 10 each) Rs. 2,00,000

8% pref. share capital Rs. 1,00,000

Net profit before tax Rs. 75,000

Tax on net profit 40%.

Sol: Calculation of Earnings per Share (EPS).

Earnings before Tax	75,000
Less: Tax @ 40% (75,000 x 40 / 100)	30,000
Earning After Tax	45,000
Less: Dividend to Preferential Shareholders (1,00,000 x 8 / 100)	8,000
Profit available to Equity Shareholders	37,000

$$\begin{aligned} \text{EPS} &= \frac{\text{Profit}}{\text{No. of Equity Shares}} \\ &= \frac{37,000}{20,000} \\ &= 1.85 \end{aligned}$$

Q3. Question Paper 2011

Calculate :

(a) Creditors Turnover Ratio and

(b) Average Payment period.

	Rs.
Bills payable on 1.1.2008	26,000
Bills payable on 31.12.2008	20,000
Creditors on 1.1.2008	40,000
Creditors on 31.12.2008	60,000
Total purchases	4,00,000
Cash purchases	30,000
Purchase returns	5,000

Sol:

1. Calculation of Average Creditors and Bills Payable:

Opening Bills Payable on 1-1-2008	26,000	
Closing Bills Payable on 31-12-2008	<u>20,000</u>	46,000
Opening Creditors on 1-1-2008	40,000	
Closing Creditors on 31-12-2008	<u>60,000</u>	<u>1,00,000</u>
		<u>1,46,000</u>

$$\text{Average Creditors} = 1,46,000 / 2 = 73,000$$

2. Calculation of Credit Purchases

Total Purchases		4,00,000
Less: Cash Purchases	30,000	
Purchase Returns	<u>5,000</u>	<u>35,000</u>
Credit Purchases		<u>3,65,000</u>

3. Calculation of Creditors turnover Ratio

$$\text{Creditors turnover Ratio} = \frac{\text{Credit Purchases}}{\text{Average Creditors}} = \frac{3,65,000}{73,000} = 5 \text{ Times}$$

4. Calculation of Average Payment Period

$$\text{Debtors Payment Period} = \frac{\text{No. of Months in a Year}}{\text{Creditors turnover Ratio}} = \frac{365}{5} = 73 \text{ Days}$$

Q4. Question Paper 2011

Calculate earning per share :

EBIT Rs. 80,000, Tax rate 40%

8% Debentures Rs. 1,00,000

10% Preference shares Rs. 80,000

Equity share capital (Rs. 10 each) Rs. 1,50,000.

Sol: Calculation of Earnings per Share (EPS).

Earnings before Interest and Tax	80,000
Less: Interest on Debentures (1,00,000 x 8 / 100)	8,000
Earnings before Tax	72,000
Less: Tax @ 40% (72,000 x 40 / 100)	28,800
Earning After Tax	43,200
Less: Dividend to Preferential Shareholders (80,000 x 10 / 100)	8,000
Profit available to Equity Shareholders	35,200

$$\text{EPS} = \frac{\text{Profit}}{\text{No. of Equity Shares}} = \frac{35,200}{15,000} = 2.35$$

Q5. Question Paper 2012, 2016

Compute sales from the following.

Current Ratio is 2:1

Liquid Ratio is 1.5:1

Current Liabilities are Rs.4,00,000 and Inventory Turnover Ratio is 9 times.

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Sol:

$$\begin{aligned} \text{a. Current Ratio} &= \frac{\text{Current Assets}}{\text{Current Liabilities}} \\ 2 &= \frac{\text{Current Assets}}{4,00,000} \end{aligned}$$

By cross multiplication, we will get

$$\begin{aligned} \text{Current Assets} &= 2 \times \text{Current Liabilities} \\ &= 2 \times 4,00,000 \\ &= 8,00,000 \end{aligned}$$

$$\begin{aligned} \text{b. Liquid Ratio} &= \frac{\text{Liquid Assets}}{\text{Liquid Liabilities}} \\ 1.5 &= \frac{\text{Liquid Assets}}{4,00,000} \end{aligned}$$

By cross multiplication, we will get

$$\begin{aligned} \text{Liquid Assets} &= 1.5 \times \text{Current Liabilities} \\ &= 1.5 \times 4,00,000 \\ &= 6,00,000 \end{aligned}$$

c. Calculation of Stock

Current Assets	8,00,000
Less: Liquid Assets	<u>6,00,000</u>
Stock	<u>2,00,000</u>

d. Calculation of Sales

$$\text{Inventory turnover ratio} = \frac{\text{Sales}}{\text{Average Stock}}$$

$$9 = \frac{\text{Sales}}{2,00,000}$$

By cross multiplication, we will get

$$\begin{aligned} \text{Sales} &= 9 \times 2,00,000 \\ &= 18,00,000 \end{aligned}$$

Q6. Question Paper 2013

Compute (i) Sales and (ii) Sundry Debtors from the following:

Debtors velocity – 3 months

Gross profit ratio – 25%

Gross profit Rs.1,60,000

Liquid Assets Rs.2,00,000

Bills Receivables Rs.10,000

Bills Payable Rs.4,000

Closing stock is Rs.4,000 more than the opening stock.

Sol:

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Sales}} \times 100$$

$$\text{a. Sales} = \frac{\text{Gross Profit}}{\text{Gross Profit Ratio}} \times 100 = \frac{1,60,000 \times 100}{25} = 6,40,000$$

$$\text{b. Sundry Debtors} = \text{Credit sales} \times \frac{3}{12} = 6,40,000 \times \frac{3}{12} = 1,60,000$$

$$\begin{aligned} \text{c. Debtors} &= \text{Accounts Receivable} - \text{Bills Receivable} \\ &= 1,60,000 - 1,00,000 \\ &= 1,50,000 \end{aligned}$$

Q7. Question Paper 2014

Calculate debtors turnover ratio and average collection period.

Opening bills receivable	Rs.48,000
Opening debtors	Rs.35,000
Closing Bills Receivable	Rs.32,000
Closing Debtors	Rs.44,500
Total sales for the year	Rs.8,00,000
Cash sales.....	20% of total sales.

Sol:

a. Calculation of Average Debtors and Bills Receivables

Opening Debtors	35,000	Opening Bills Receivables	48,000
Closing Debtors	<u>44,500</u>	Closing Bills Receivables	<u>32,000</u>
	<u>79,500</u>		<u>80,000</u>

$$\text{Average Debtors and Bills Receivables} = \frac{79,500 + 80,000}{2} = 79,750$$

b. Calculation of Net Credit Sales

$$\begin{aligned} \text{Total Sales} - \text{Cash Sales} &= \text{Net Credit Sales} \\ 8,00,000 - 1,60,000 &= 6,40,000 \end{aligned}$$

$$\begin{aligned} \text{c. Debtors Turnover Ratio} &= \frac{\text{Net Credit Sales}}{\text{Average Debtors and Bills Receivables}} = \frac{6,40,000}{79,750} \\ &= 8.03 \text{ Times} \end{aligned}$$

$$\begin{aligned} \text{d. Average collection Period} &= \frac{\text{No. of Days}}{\text{Debtors Turnover Ratio}} = \frac{365}{8.03} \\ &= 45 \end{aligned}$$

Q8. Question Paper 2015

Calculate debtors turnover ratio from the following.

Total sales 475000 ; cash sales 55000.

Debtors as on 1-1-2014 Rs.25000

Debtors as on 31-3-2014 Rs.35000

Sol:

1. Calculation of Average Debtors :

Opening Debtors	=	25,000	Average Debtors	=	$\frac{60,000}{2}$	=	30,000
Closing Debtors	=	<u>35,000</u>					
		<u>60,000</u>					

2. Calculation of Net Credit Sales:

$$\begin{aligned} \text{Total Sales} - \text{Cash Sales} &= \text{Net Credit Sales} \\ 4,75,000 - 55,000 &= 4,20,000 \end{aligned}$$

3. Debtors Turnover Ratio :

$$\frac{\text{Net Credit Sales}}{\text{Average Debtors}} = \frac{4,20,000}{30,000} = 14 \text{ times}$$

2. Fund Flow Statement

Q1. Question Paper 2009

i. Calculate the fund from business from the following Profit and Loss Account.

Profit and Loss Account.			
To Salaries	10,000	By Gross Profit b/d	1,00,000
To Rent	6,000	By Profit on sale of Building	10,000
To Depreciation On Plant	10,000		
To Printing & Stationary	6,000		
To Goodwill Written-off	10,000		
To Provision for Taxation	8,000		
To Proposed Dividend	12,000		
To Net Profit	48,000		
	1,10,000		1,10,000

Sol:

Calculation of Fund from Operations

	Net Profit		48,000
Add:	Non-Operating Expenses:		
	Depreciation on Plant	10,000	
	Goodwill Written-Off	10,000	
	Provision for Taxation	8,000	
	Proposed Dividend	12,000	40,000
			88,000
Less:	Non-Operating Incomes:		
	Profit on sale of Building		10,000
	Fund from Operation		78,000

Q2. Question Paper 2010

Calculate funds from business operations :

	Rs.
Net profit on 1-1-2008	1,00,000
Depreciation plant	15,000
Goodwill written off	10,000
Proposed dividend	15,000
Provision for taxation	8,000
Dividend received	10,000
Profit on sale of furniture	8,000
Net profit on 31-12-2008	1,40,000

Sol:

Calculation of Fund from Operations

	Closing Profit & Loss A/c		1,40,000
Add:	Non-Operating Expenses:		
	Depreciation on Plant	15,000	
	Goodwill Written-Off	10,000	
	Proposed Dividend	15,000	
	Provision for Taxation	8,000	48,000
			1,88,000
Less:	Non-Operating Incomes:		
	Dividend Received	10,000	
	Profit on sale of Furniture	8,000	
	Opening Profit & Loss A/c	1,00,000	1,18,000
	Fund from Operation		70,000

Q3. Question Paper 2011

Calculate funds from business operation :

	Rs.
Profit and Loss A/c Balance on 31.12.2009	60,000
Profit and Loss A/c Balance on 1.1.2009	10,000
Refund of tax	3,000
Depreciation charged	10,000
Goodwill written off	10,000
Transferred to general reserve	20,000
Provision for taxation	30,000
Loss on sale of machinery	5,000
Dividend received	10,000
Under valuation of opening stock	10,000

Sol:

Calculation of Fund from Operations

	Closing Profit & Loss A/c	60,000	
Add:	Non-Operating Expenses:		
	Depreciation Charged	10,000	
	Goodwill Written-Off	10,000	
	Transfer to General Reserve	20,000	
	Provision for Taxation	30,000	
	Loss on Sale of Machinery	5,000	75,000
			1,35,000
Less:	Non-Operating Incomes:		
	Refund of Tax	3,000	
	Dividend received	10,000	
	Undervaluation of Opening Stock	10,000	
	Opening Profit & Loss A/c	10,000	33,000
	Fund from Operation		1,02,000

Format

Statement Showing Fund from Operation

	Net Profit or Net Loss as Per P&L A/c	xxx	
Add:	Non-Operating Expenses	xx	
	Overvaluation of Opening Stock	xx	
	Undervaluation of Closing Stock	xx	xxx
			xxx
Less:	Non-Operating Incomes	xx	
	Undervaluation of Opening Stock	xx	
	Overvaluation of Closing Stock	xx	xxx
	Fund from Operation		xxx

Q4. Question Paper 2012

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Identify the sources and application of funds from the following transactions.

Plant and machinery as on 1-4-2009 was Rs.90,000.

Plant and machinery as on 31-3-2010 was Rs. 2,00,000.

During the year a machinery was acquired from the vendor for RS.70,000 by issue of equity shares. During the same period machinery costing Rs.30,000 (depreciated value of Rs.24,000) was sold for Rs.20,000. Depreciation during the year was Rs.32,000.

Sol: Sources : Sale of Machinery = Rs.20,000
 Application : Purchase of Plant & Machinery = Rs.96,000

Plant & Machinery Account

To Balance b/d	90,000	By sale of Machinery	20,000
To Cash (Purchases)	70,000	By Loss on Sale	4,000
To Cash (Purchases) (Bal. Fig.)	96,000	(30,000-6,000 = 24,000-20,000)	
		By Depreciation on sold Machinery	6,000
		(30,000 – 34,000)	
		By Depreciation	26,000
		(32,000 – 6,000)	
		By Balance c/d	2,00,000
	2,56,000		2,56,000

Calculation of Loss on sale of Machinery

Cost of Machine Sold	30,000
Less: Depreciation (Bal. Fig.)	6,000
WDV of Machinery	24,000
Less: Sales Value of Machinery	20,000
Loss on sale of Machinery	4,000

Provision for Depreciation Account of Machinery

To Machine A/c	6,000	By Balance b/d	---
To Balance c/d (Bal. Fig.)	26,000	By P&L A/c (Depreciation for the year)	32,000
	32,000		32,000

Q5. Question Paper 2013

Prepare a statement of changes in working capital from the following:

Balance Sheet of Amar Ltd. As on 31-12-2011 & 2012

Liabilities	2011	2012	Assets	2011	2012
Share capital	500000	500000	Fixed Assets	600000	700000
Debentures	370000	450000	L.T. Investments	200000	100000
Tax payable	77000	43000	Work-in-progress	80000	90000
Creditors	96000	192000	Stock	150000	225000
Interests	37000	45000	Debtors	70000	140000
Proposed Dividend		35000	Cash	30000	10000
	50000				
	1130000	1265000		1130000	1265000

Sol:

Schedules of Changes in Working Capital

Particulars	P.Y 2011	C.Y 2012	Increase in Working Capital	Decrease in Working Capital
A. Current Assets :-				
Cash	30,000	10,000	---	20,000
Debtors	70,000	1,40,000	70,000	---
Stock	1,50,000	2,25,000	75,000	---
Work-in-Progress	80,000	90,000	10,000	---
Total	3,30,000	4,65,000		
B. Current Liabilities :-				
Tax Payable	77,000	43,000	34,000	---
Creditors	96,000	1,92,000	---	96,000
Interest	37,000	45,000	---	8,000
Proposed Dividend	50,000	35,000	15,000	---
Total	2,60,000	3,15,000		
Working Capital (A - B)	70,000	1,50,000	2,04,000	1,24,000
Net Increase in Working Capital	80,000	---	---	80,000
	1,50,000	1,50,000	2,04,000	2,04,000

Q6. Question Paper 2014

3. From the following Balance Sheets of X Y Ltd; you are required to prepare a schedule of changes in working capital.

Balance Sheet					
Liabilities	31.12.07	31.12.08	Assets	31.12.07	31.12.08
Capital	3,40,000	3,40,000	Plant	96,000	1,36,000
P&L A/c	9,000	58,000	Land	2,00,000	2,00,000
Creditors	18,000	10,000	Stock	36,000	28,000
Bills payable	47,000	70,000	Bank	16,000	36,000
			Cash	66,000	78,000
	<u>4,14,000</u>	<u>4,78,000</u>		<u>4,14,000</u>	<u>4,78,000</u>

Sol: Schedules of Changes in Working Capital

Particulars	P.Y 31-12- 2007	C.Y 31-12- 2008	Increase in Working Capital	Decrease in Working Capital
C. Current Assets :-				
Stock	36,000	28,000	---	8,000
Bank	16,000	36,000	20,000	---
Cash	66,000	78,000	12,000	---
Total	1,18,000	1,42,000		
D. Current Liabilities :-				
Creditors	18,000	10,000	8,000	---
Bills Payable	47,000	70,000	---	23,000
Total	65,000	80,000		
Working Capital (A - B)	53,000	62,000	40,000	31,000
Net Increase in Working Capital	9,000	---	---	9,000
	62,000	62,000	40,000	40,000

Q7. Question Paper 2015

From the following balance sheets of Mukhta Ltd. You are required to prepare a schedule of changes in working capital:

Balance sheet					
Liabilities	2012	2013	Assets	2012	2013
Capital	340000	340000	Plant	96000	136000
P & L	9000	58000	Land	200000	200000
Creditors	18000	10000	Stock	36000	28000
B / P	47000	70000	Cash	82000	114000
	<u>414000</u>	<u>478000</u>		<u>414000</u>	<u>478000</u>

Sol: Schedules of Changes in Working Capital

Particulars	P.Y 2012	C.Y 2013	Increase in Working Capital	Decrease in Working Capital
A. Current Assets :-				
Cash	82,000	1,14,000	32,000	---
Stock	36,000	28,000	---	8,000
Total	1,18,000	1,42,000		
B. Current Liabilities :-				
Creditors	18,000	10,000	8,000	---
Bills Payable	47,000	70,000	---	23,000
Total	65,000	80,000		
Working Capital (A - B)	53,000	62,000	40,000	31,000
Net Increase in Working Capital	9,000	---	---	9,000
	62,000	62,000	40,000	40,000

Q8. Question Paper 2016

Ascertain funds from business operations from the following particulars :

Particulars	1-1-2014	31-12-2014
P&L appropriation A/c	135000	180000
Provision for depreciation	24000	36000
Preliminary expenses	24000	15000
Goodwill	45000	36000
General Reserve	45000	55000

Sol:

Calculation of Fund from Operations

	Net Profit		1,80,000
Add:	Non-Operating Expenses:		
	Preliminary Expenses Written-off	9,000	
	Goodwill Written-Off	9,000	
	Transfer to General Reserve	10,000	
	Provision for Depreciation	12,000	40,000
			2,20,000
Less:	Non-Operating Incomes:		
	Opening Profit & Loss A/c		1,35,000
	Fund from Operation		85,000

3. Cash Flow Statement

Q1. Question Paper 2009

Calculate Cash from Operations from the following Profit and Loss A/c for the year ending 31-12-2008.

Profit and Loss Account for the year ending 31-12-2008

To Salaries	20,000	By Gross Profit b/d	4500,000
To Rent	13,500	By Profit on sale of Land	10,000
To Depreciation	21,000	By Income Tax refund	7,000
To Loss on Sale of Plant	3,000	By Net Loss	12,000
To Goodwill Written-off	12,000		
To Proposed Dividend	3,000		
To Provision for Taxation	1,500		
	74,000		74,000

Sol:

Calculation of Cash from Operations

	Net Loss		12,000
Add:	Non-Operating Incomes:		
	Profit on sale of Land	10,000	
	Income Tax Refund	7,000	17,000
			29,000
Less:	Non-Operating Expenses:		
	Depreciation	21,000	
	Loss on sale of Plant	3,000	
	Goodwill Written-Off	12,000	
	Proposed Dividend	3,000	
	Provision for Tax	1,500	40,500
	Cash loss in Operation		11,500

Q2. Question Paper 2010

4. Calculate cash from business operations.

Profit and Loss A/c for the year ending 31.12.2007

	Amount		Amount
To Salaries	25,000	By Gross profit	1,00,000
To Rent	15,000	By Interest received	5,000
To Depreciation on plant	20,000	By Profit on sale of land	4,000
To Loss on sale of plant	4,000	By Dividend received	5,000
To Patents written off	5,000		
To Dividend proposed	10,000		
To Net profit	35,000		
	1,14,000		1,14,000

Sol:

Calculation of Cash from Operations

	Net Profit		35,000
Add:	Non-Operating Expenses:		
	Depreciation	20,000	
	Loss on Sale of Plant	4,000	
	Patents Written-Off	5,000	
	Proposed Dividend	10,000	39,000
			74,000
Less:	Non-Operating Incomes:		
	Interest received	5,000	
	Profit on sale of Land	4,000	
	Dividend received	5,000	14,000
	Cash from Operation		60,000

Question Paper 2011

“No Question was asked”

Q3. Question Paper 2012, 2015

From the following information calculate

i) Operating cash profit.

ii) Cash from operating activities.

	31-12-12	31-12-13
Profit & Loss		
Credit bal.	120000	140000
Debtors	60000	78000
B/R	60000	36000
Prepaid Exp	9000	11400
Goodwill	60000	56000
Depreciation	96000	120000
Creditors	60000	90000

Sol:

Calculation of Cash from Operations

	Particulars	Amount
	Closing Profit & Loss A/c	1,40,000
Add:	<u>Decrease in Current Assets :-</u>	
	Bills Receivable (60,000 – 36,000)	24,000
	Goodwill Written-off (60,000 – 56,000)	4,000
	<u>Increase in Current Liabilities :-</u>	
	Creditors (90,000 – 60,000)	30,000
	Increase in Depreciation (1,20,000 – 96,000)	24,000
		82,000
		2,22,000
Less:	<u>Increase in Current Assets :-</u>	
	Debtors (78,000 – 60,000)	18,000
	Prepaid Expenses (11,400 – 9,000)	2,400
	Opening Profit & Loss A/c	1,20,000
	Cash from Operation	81,600

Q4. Question Paper 2013

Calculate cash flows from operating activities from the following:

Income Statement			
To Materials used	150000	By sale (cash)	315000
To wages paid	48000	By Commission received	21000
To wages outstanding	10000	By Commission due	24000
To salaries paid	45000		
To salaries outstanding	11000		
To loss on sale of machine	9000		
To Net Profit	87000		
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	3,60,000		3,60,000

Sol:

Q5. Question Paper 2014

4 Calculate cash from operations from the following P & L Account for the year ending 31-12-10

To, Salaries	25,000	By, Gross profit	75,000
To, rent	22,500	By, profit on sale of building	12,500
To Depreciation	35,000	By, Income tax refund	7,500
To Loss on sale of furniture	5,000	By net loss	20,000
To Good will written off	20,000		
To Proposed dividend	5,000		
To provision for tax	2,500		
	<u>1,15,000</u>		<u>1,15,000</u>

Sol: Calculation of Cash from Operations

	Net Loss		20,000
Add:	Non-Operating Incomes:		
	Profit on sale of Building	12,500	
	Income Tax Refund	7,500	20,000
			40,000
Less:	Non-Operating Expenses:		
	Depreciation	35,000	
	Loss on sale of Furniture	5,000	
	Goodwill Written-Off	20,000	
	Proposed Dividend	5,000	
	Provision for Tax	2,500	67,500
	Cash loss in Operation		27,500

Q6. Question Paper 2016

- 16) Classify the following transactions into :
- a) Operating
 - b) Investing
 - c) Financing and
 - d) Others.
 - i) Dividend paid
 - ii) Purchased Land
 - iii) Dividend received on Selves
 - iv) Equipment sold
 - v) Interest paid

Sol: Classification of Transactions

Operating	Investment	Financial	Others
---	Purchased Land	Dividend Paid	---
---	Equipment Sold	Interest Paid	---
---	Dividend received on Shares	---	---