

9.10.19

SYB COM SEM - III

Auditing

Time: 3hrs

XY9AAN

Marks: 100

Instructions to Candidates:-

MA/AUDIT

1. PLEASE CHECK WHETHER YOU HAVE GOT THE CORRECT & COMPLETE QUESTION PAPER with all pages printed. INFORM THE SUPERVISOR IMMEDIATELY IF THERE IS ANY ERROR.
2. ALL Questions are Compulsory.
3. ALL Question carry equal marks.
4. Use of simple 10 or 12 digits non-programmable calculator is allowed.
5. Possession or use of Mobile phones during the Examination is strictly prohibited and will amount to copying.
6. Working Notes should form the part of your answer.

Q1A) Fill in the blanks (Any 10) 10 marks

1. Goodwill is a _____ asset
 - a. Tangible
 - b. Intangible
 - c. Fictitious
 - d. Current
2. In common size balance sheet, _____ is assumed to be 100%
 - a. Net Profit
 - b. Total Capital Employed
 - c. Net Assets
 - d. Any of these
3. Ideal level of current ratio is _____
 - a. 1:1
 - b. 2:1
 - c. 3:1
 - d. 4:1
4. _____ is the item of current asset
 - a. Unsecured loans
 - b. Bank overdraft
 - c. Cash balance
 - d. Bills payable
5. The capital required to finance day to day activity is called as _____
 - a. Fixed capital
 - b. Proprietors' capital
 - c. Working capital
 - d. None of the above
6. Proprietary ratio is a _____ ratio.
 - a. Balance sheet ratio
 - b. Revenue statement ratio
 - c. Composite ratio
 - d. None of the above
7. _____ are techniques are the Capital budgeting
 - a. Pay back
 - b. Accounting rate of return
 - c. Net Present value
 - d. All of the above

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8. The user of financial statement is _____
- a. Shareholders
 - b. Government
 - c. Management
 - d. All the above
9. Long Term decisions are called as _____
- a. Profit Volume analysis
 - b. Capital Budgeting
 - c. Trend Analysis
 - d. None of these
10. Payback period is the time required to _____
- a. Recover original investment
 - b. Depreciate asset
 - c. Pay creditors
 - d. Recovery from debtors
11. Net Profit ratio indicates _____
- a. Liquidity
 - b. Profitability
 - c. Asset Positions
 - d. All of these
12. Balance sheet is the statement of _____
- a. Assets and liabilities
 - b. Operating Results
 - c. Operating Costs
 - d. Profitability

Q1 (b) State if the statements are True or False

10 marks

1. Depreciation is a cash cost
2. Current ratio is also known as working capital ratio
3. Copyright is an intangible asset
4. Capital Budgeting decisions are very easy and short term
5. Inadequate working capital increases the management efficiency
6. Focus of management accounting is external reporting
7. Gross profit ratio measures liquidity
8. Net present value considers time value of money
9. Own fund is an external fund
10. Ideal liquid ratio is 1:2
11. Debentures are owned funds
12. Working capital means net current assets

Q2 (a) Complete the following comparative statement of A Ltd

10 marks

Particulars	2018 Rs	2019 Rs	Increase/Decrease Rs	Increase/Decrease %
Sales	500,000	10,00,000	500,000	?
Less: Cost of Goods sold	300,000	500,000	?	66.67
Gross Profit	200,000	500,000	?	?
Less operating Expenses				
Admin Expenses	20,000	30,000	?	?
Selling Expenses	10,000	20,000	?	?

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Finance Expenses	10,000	10,000	?	?
Total Operating Expenses	40,000	60,000	?	?
Operating Profit	160,000	440,000	?	?
Less tax: at 50%	80,000	220,000	?	175
Net Profit after tax	80,000	220,000	140,000	?

Q2 (b) Complete the following Common Size balance sheet of B Ltd

10 marks

Particulars	Rs	%
Sources of Funds		
Equity Share Capital	100,000	?
General Reserve	30,000	?
P/L Balance	(10,000)	?
8% Debentures	80,000	?
Total Capital Employed	200,000	?
Application of Funds		
Fixed Assets	70,000	?
Long Term Investments	30,000	?
Working Capital		
Cash	65,000	?
Debtors	60,000	?
Total Current Assets	125,000	?
Creditors	(25,000)	?
Working Capital	100,000	?
Total Capital Employed	200,000	?

OR

Q2 Prepare Trend Analysis statement of following Balance Sheet of ABC Ltd

20 marks

Particulars	Amount			Trend %		
Sources of Funds						
Equity Share Capital	450,000	600,000	600,000	?	?	?
10% Debentures	200,000	400,000	1200,000	?	?	?
Capital Employed	?	?	?	?	?	?
Application of Funds						
Fixed Assets	250,000	500,000	10,00,000	?	?	?
Investments	100,000	100,000	200,000	?	?	?
Bank	400,000	500,000	200,000	?	?	?

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Other Current Asset	80,000	20,000	500,000	?	?	?
Total Current Assets	?	?	?	?	?	?
Less Current Liabilities	180,000	120,000	100,000	?	?	?
Net Working Capital	?	?	?	?	?	?
Capital Employed	?	?	?	?	?	?

Q3 From the following Balance Sheet and Profit and Loss A/c find the following ratios

1. Current Ratio
2. Liquid Ratio
3. Debt Equity Ratio
4. Capital Gearing Ratio
5. Return on Equity Ratio
6. Gross Profit Ratio
7. Net Profit Ratio
8. Stock Turnover ratio
9. Operating Expense
10. Proprietary Ratio

Vertical Statement Not Required

20 marks

Balance Sheet of XYZ Ltd as on 31st Mar 2019

Liability	Rs	Assets	Rs
Equity Share Capital	10,00,000	Fixed Assets	25,00,000
5% Preference Capital	500,000	Less Dep	(300,000)
Reserve and Surplus	100,000	Net Block	22,00,000
P/L	300,000	Long Term Investments	275,000
Long Term Loans	600,000	Stock (PY 450,000)	6,00,000
10% debentures	300,000	Bills Receivable (PY 300,000)	400,000
Outstanding Expense	450,000	Cash	100,000
Bank OD	350,000	Prepaid Expense	25,000
Creditors	150,000	Debtors	150,000
Total	37,50,000	Total	37,50,000

Profit and Loss for the year ended 31st mar 2019

Particulars	Rs	Particulars	Rs
To COGS	31,50,000	By Sales Cash	15,00,000
To Gross Profit	1350,000	By Sales Credit	30,00,000
To Admin Expense	450,000	By Gross Profit	13,50,000
To Selling Expense	350,000		
To Interest	1,11,000		
To Other Expense	150,000		
To Net Profit	289,000		

OR

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Q3 From the following, find working Capital requirement of MNC Ltd

1. Units produced in a year of 52 weeks = 260,000
2. Raw material remain in stock for 2 weeks
3. Production time 2 weeks
4. Finished Goods remain in stock 2 weeks
5. 2 weeks credit is allowed by creditors
6. 4 weeks credit is allowed to debtors
7. Time lag in payment of wages and overheads is 2 weeks each
8. Cash balance Rs 25,000
9. Cost Structure- Selling Price Rs 15 each, Raw material Rs $\frac{1}{3}^{\text{rd}}$ of sales, labour and overheads are Rs 3 and Rs 2 respectively. Profit is Rs 5 per unit

20 marks

Q4 Cost of machinery is Rs 400,000

Year	Cash Inflow
1	100,000
2	120,000
3	150,000
4	130,000
5	120,000

Present value Factor at 12% discount is as follows

Year	1	2	3	4	5
Disc Factor	0.892	0.797	0.712	0.635	0.567

Calculate the following

1. Payback Period
2. Discounted payback period
3. Net Present Value
4. Profitability Index

20 marks

OR

Q4 Hansa Ltd is considering buying a project out of 2 options. Both require initial capital investment of Rs 20,00,000 and have life of 5 years with no scrap value at the end. Estimated net Profit before tax of Machine A and B is as follows. Tax rate is 30%. Calculate Average Rate of Return of Machine A and B and suggest which should be accepted 20 marks

Year	Machine A	Machine B
1	800,000	12,00,000
2	800,000	600,000
3	800,000	400,000
4	800,000	10,00,000
5	800,000	10,00,000

Q5. Advantages and features of ratio analysis 10 marks

Q5. What is meant by Management accounting and write its features and advantages 10 marks

OR

Q5 Short Notes (Any 4) 20 marks

1. Functions of Management Accounting
2. Working Capital Cycle
3. Proprietary ratio
4. Capital Budgeting Process
5. Users of Financial Statement
6. Decision Making Process