

## AFM

Feb/Mar. 2022

| 1   | Date   | Particulars   | LF | Dr. ₹                | Cr. ₹                   |
|-----|--------|---|----|----------------------|-------------------------|
| (c) | 2020   |   |    |                      |                         |
|     | Dec 1. | Cash A/c . . . Dr<br>To Capital A/c<br>(Being the business started with cash) |    | 1,00,000<br>-        | -<br>1,00,000           |
|     | Dec 3. | Cash A/c . . . . Dr<br>To Y's A/c<br>(Being borrowed from Y)                  |    | 60,000<br>-          | -<br>60,000             |
|     | Dec 4  | Purchase A/c . . . Dr<br>To Cash A/c<br>(Being goods purchased)               |    | 57,000<br>-          | <del>57</del><br>57,000 |
|     | Dec 6  | Bank A/c . . . Dr<br>To cash A/c<br>(Being cash depo-<br>sited to bank)       |    | 30,000<br>-          | -<br>30,000             |
|     | Dec 8  | <del>Cash</del> Z A/c . . . Dr<br>To Sales A/c<br>(Being goods sold)          |    | 77,600<br>-          | -<br>77,600             |
|     | Dec 14 | Cash A/c . . . Dr<br>Discount allowed<br>A/c . . . Dr<br>To Z's A/c           |    | 73,720<br>3,880<br>- | -<br>-<br>77,600        |
|     | Dec 20 | Drawings A/c . Dr<br>To Bank A/c<br>(Being withdrawn for personal use)        |    | 1,000<br>-           | -<br>1,000              |

|        |                                 |        |        |
|--------|---------------------------------|--------|--------|
| Dec 22 | Prepaid rent A/c. Dr            | 5,000  | -      |
|        | To cash A/c                     | -      | 5,000  |
|        | (Being rent paid<br>in advance) |        |        |
| Dec 24 | Commission A/c                  | 6,500  | -      |
|        | ... Dr                          |        |        |
|        | To Commission<br>received A/c   | -      | 6,500  |
|        | (Being commission<br>received)  |        |        |
| Dec 28 | Salary A/c ... Dr               | 15,000 |        |
|        | To cash A/c                     |        | 15,000 |
|        | (Being salary<br>paid)          |        |        |

2. (i) Current Ratio

(c).

→ Current Assets = Cash + Debtors  
+ Stock + Prepaid Expenses

$$= 2,00,000 + 2,00,000 + 4,00,000$$

$$+ 1,00,000$$

$$= 9,00,000$$

→ Current Liabilities = Overdraft  
+ Creditors

$$= 2,00,000 + 3,00,000$$

$$= 5,00,000$$

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$= \frac{9,00,000}{5,00,000}$$

$$= \underline{\underline{1.8 : 1}}$$

(ii) Acid test ratio

$$\begin{aligned} \text{Quick assets} &= \text{Current assets} - \\ &\quad (\text{Stock} + \text{Prepaid Expenses}) \\ &= 9,00,000 - (4,00,000 + 1,00,000) \\ &= 4,00,000 \end{aligned}$$

$$\text{Acid test ratio} = \frac{\text{Quick assets}}{\text{Current liabilities}}$$

$$= \frac{4,00,000}{5,00,000}$$

$$= 0.8 : 1$$

(iii) Debt equity ratio

$$\begin{aligned} \text{Total long-term debt} &= \text{Debentures} \\ &= 3,00,000 \end{aligned}$$

$$\begin{aligned} \text{Shareholder's fund} &= \text{Equity capital} \\ &\quad + \text{Reserve fund} \\ &= 10,00,000 + 1,00,000 \\ &= 11,00,000 \end{aligned}$$

$$\text{Debt equity Ratio} = \frac{\text{Total long-term debt}}{\text{Shareholder's fund}}$$

$$= \frac{3,00,000}{11,00,000}$$

$$= \underline{\underline{0.27 : 1}}$$

(iv) Stock to working capital ratio

$$= \frac{\text{Stock - in - trade}}{\text{Current assets - Current liabilities}}$$

$$= \frac{4,00,000}{4,00,000}$$

$$= \underline{\underline{1 : 1}}$$

(v) Proprietary ratio

$$= \frac{\text{Shareholder's fund}}{\text{Total assets}}$$

$$= \frac{11,00,000}{19,00,000}$$

$$= 0.57 \text{ or } 57\%$$

3.  
(b).

Trend Percentages

| Particulars             | 2016<br>- 17 (£) | Trend<br>(%) | 2017-18<br>(£) | Trend<br>(%) | 2018-19<br>(£) | Trend<br>(%) | 2019-20<br>(£) | Trend<br>(%) |
|-------------------------|------------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|
| Cash                    | 100              | 100          | 120            | 120          | 80             | 80           | 140            | 140          |
| Debtors                 | 200              | 100          | 250            | 125          | 325            | 162.5        | 400            | 200          |
| Stock                   | 300              | 100          | 400            | 133.3        | 320            | 106.6        | 500            | 166.6        |
| Other<br>current assets | 50               | 100          | 75             | 150          | 125            | 250          | 150            | 300          |
| Land                    | 400              | 100          | 500            | 125          | 500            | 125          | 500            | 125          |
|                         | 1050             | 100          | 1345           | 128          | 1350           | 128.5        | 1,690          | 160          |

## Flexible Budget

| Particulars                            | Output 600 units (60%) |                 | (100%) 1000 units |                 |
|--|------------------------|-----------------|-------------------|-----------------|
|  | Per Unit (₹)           | Amt (₹)         | per unit          | Amt (₹)         |
| Materials                              | 120                    | 72,000          | 120               | 120,000         |
| Labour                                 | 50                     | 30,000          | 50                | 50,000          |
| Expenses                               | 15                     | 9,000           | 15                | 15,000          |
| <b>Prime cost</b>                      | <b>185</b>             | <b>1,11,000</b> | <b>185</b>        | <b>1,85,000</b> |
| <u>Factory o/H:</u>                    |                        |                 |                   |                 |
| 40% fixed                              | 33.3                   | 20,000          | 20                | 20,000          |
| 60% variable                           | 50                     | 30,000          | 50                | 50,000          |
| <b>Works cost</b>                      | <b>268.3</b>           | <b>1,61,000</b> | <b>255</b>        | <b>2,55,000</b> |
| <u>Administrative Expenses:</u>        |                        |                 |                   |                 |
| Fixed 60%                              | 35                     | 21,000          | 21                | 21,000          |
| Variable 40%                           | 23.3                   | 14,000          | 23.3              | 23,333          |
| <b>Cost of production / Total cost</b> | <b>326.6</b>           | <b>1,96,000</b> | <b>299.3</b>      | <b>2,99,333</b> |

6  
(c)

$$SQ = 10 \text{ kg}$$

$$SP = ₹2$$

$$AQ = 12 \text{ kgs}$$

$$AP = 2.50$$

$$\begin{aligned} \rightarrow MPV &= AQ (SP - AP) \\ &= 12 (2 - 2.50) \\ &= -6 \text{ (A)} \end{aligned}$$

$$\begin{aligned} \rightarrow MQV &= SP (AQ - SQ) \\ &= 2 (12 - 10) \\ &= 4 \text{ (A)} \end{aligned}$$

$$\begin{aligned} \rightarrow MCV &= (SQ \times SP) - (AQ \times AP) \\ &= (10 \times 2) - (12 \times 2.50) \\ &= 20 - 30 \\ &= -10 \text{ (A)} \end{aligned}$$

7.

(c) (i) Gross Profit Ratio

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

$$= \frac{2,06,000}{5,00,000} \times 100$$

$$= 41.2\%$$

(ii) Net Profit Ratio

$$= \frac{\text{Net Profit}}{\text{Net Sales}} \times 100$$

$$= \frac{84,000}{5,00,000} \times 100$$

$$= 16.8\%$$

(iii) Operating Ratio

$$\begin{aligned} \text{COGS} &= \text{Sales} - \text{Gross Profit} \\ &= 5,00,000 - 2,06,000 \\ &= 2,94,000 \end{aligned}$$

Operating Expenses = Adm exp +  
Selling & dis exp + Interest paid  
+ loss on sale of shares

$$\begin{aligned} &= 1,01,000 + 12,000 + 7,000 + 2,000 \\ &= 1,22,000 \end{aligned}$$

$$\text{O.R} = \frac{\text{COGS} + \text{operating exp}}{\text{Net Sales}} \times 100$$

$$= \frac{2,94,000 + 1,22,000}{5,00,000} \times 100$$

$$= 83.2\%$$

(iv) Operating Profit Ratio

$$\begin{aligned} \text{Operating Profit} &= \text{Sales} - (\text{COGS} \\ &\quad + \text{operating exp}) \end{aligned}$$

$$\begin{aligned} &= 5,00,000 - (2,94,000 + 1,22,000) \\ &= 84,000 \end{aligned}$$



Date \_\_\_\_\_ Page \_\_\_\_\_

$$\text{OPR} = \frac{\text{Operating Profits}}{\text{Net Sales}} \times 100$$

$$= \frac{84,000}{5,00,000} \times 100$$

$$= 16.8\%$$

(V) Stock turn over ratio

$$\text{STR} = \frac{\text{COGS}}{\text{Avg Inventory}}$$

$$\text{Avg Inventory} = \frac{O.S + C.S}{2}$$

$$= \frac{76,250 + 98,500}{2}$$

$$= 87,375$$

$$\text{STR} = \frac{2,94,000}{87,375}$$

$$= 3.36 \text{ times}$$

(vi) Expenses ratio

- Administrative Exp Ratio

$$= \frac{\text{Adm Exp}}{\text{Net Sales}} \times 100$$

$$= \frac{1,01,000}{5,00,000} \times 100 = 20.2\%$$

- Selling & distribution exp  
Ratio =

$$= \frac{\text{Selling \& dist exp} \times 100}{\text{Net Sales}}$$

$$= \frac{12,000}{5,00,000} \times 100$$

$$= 2.4\%$$

(8) Case Study

**Solution:****Statement of Profit and Loss of Johri Co. Ltd.****(For the year ending on 31<sup>st</sup> March, 2020)**

| <b>Particulars</b>                    | <b>Note No.</b> | <b>Figures at the End of 31<sup>st</sup> March, 2020 (₹)</b> |
|---------------------------------------|-----------------|--|
| 1) Revenue from Operations (Sales)    |                 | 41,50,000  |
| 2) Other Income                       |                 | —  |
| 3) <b>Total Revenue (1 + 2)</b>       |                 | <b>41,50,000</b>   |
| 4) <b>Expenses:</b>                   |                 |  |
| Purchases                             |                 | 18,50,000  |
| Changes in Inventory of Goods         | 8               | (2,00,000)   |
| Employee Benefits Expense             | 9               | 11,82,050  |
| Finance Cost                          | 10              | 3,60,000   |
| Depreciation and Amortisation Expense | 11              | 4,95,000   |
| Other Expenses                        | 12              | — 1,02,950   |
| <b>Total Expenses</b>                 |                 | <b>37,90,000</b>   |

|                            |          |
|----------------------------|----------|
| 5) Profit Before Tax (3-4) | 3,60,000 |
| 6) Less: Income Tax @ 50%  | 1,80,000 |
| 7) Profit After Tax (5-6)  | 1,80,000 |

**Balance Sheet of Johri Co. Ltd.**  
(as on March 31<sup>st</sup>, 2020)

| Particulars   | Note No. | Figures at the End of 31 <sup>st</sup> March, 2020 (₹) |
|---|----------|--|
| <b>1) Equity and Liabilities</b>                                      |          |  |
| i) <b>Shareholder's Funds:</b>  |          |  |
| a) Share Capital  | 1        | 39,25,000  |
| b) Reserves and Surplus   | 2        | 3,00,000   |
| ii) <b>Non-Current Liabilities</b>                                    |          |  |
| a) Long-Term Borrowings   | 3        | 30,00,000  |
| iii) <b>Current Liabilities</b>                                       |          |  |
| a) Trade Payables   | 4        | 7,70,000   |
| b) Other Current Liabilities (Interest Outstanding on 12% Debentures) |          | 1,80,000   |
| c) Short Term Provisions (Provision for Income Tax)                   |          | 1,80,000   |
| <b>Total</b>  |          | <b>83,55,000</b>                                       |
| <b>2) Assets</b>  |          |  |
| i) <b>Non Current Assets</b>  |          |  |
| a) <b>Fixed Assets:</b>   |          |  |
| • Tangible Assets   | 5        | 58,77,000  |
| • Intangible Assets (Goodwill)  |          | 2,50,000   |
| ii) <b>Current Assets:</b>  |          |  |
| a) Inventories (Closing Stock)  |          | 9,50,000   |
| b) Trade Receivables  | 6        | 8,26,500   |
| c) Cash and Cash Equivalents (Cash at Bank)                           |          | 4,06,500   |
| d) Other Current Assets   | 7        | 45,000   |
| <b>Total</b>  |          | <b>83,55,000</b>                                       |

**Notes:**

| Particulars                              | ₹                |
|--|------------------|
| <b>1) Share Capital:</b>                 |                  |
| Share Capital                            | 40,00,000        |
| Less: Calls in Arrears                   | 75,000           |
| <b>Total</b>                             | <b>39,25,000</b> |
| <b>2) Reserves and Surplus:</b>          |                  |
| General Reserve                          | 2,50,000         |
| Profit and Loss Account of Previous Year | 2,62,500         |
| Profit for the Current Year              | 1,80,000         |
| <b>Total</b>                             | <b>4,42,500</b>  |

|  |          |                   |
|--|----------|-------------------|
| <b>Less: Appropriations:</b>   |          |                   |
| Interim Dividend Paid  | 3,92,500 |                   |
| Preliminary Expenses not yet written off                               | 45,000   | 5,000             |
| <b>Total</b>   |          | <b>3,00,000</b>   |
| <b>3) Long-Term Borrowings</b>   |          |                   |
| 12% Debentures   |          | 30,00,000         |
| <b>Total</b>   |          | <b>30,00,000</b>  |
| <b>4) Trade Payables:</b>  |          |                   |
| Bills Payable  |          | 3,70,000          |
| Creditors  |          | 4,00,000          |
| <b>Total</b>   |          | <b>7,70,000</b>   |
| <b>5) Fixed Assets</b>   |          |                   |
| a) <b>Tangible Assets:</b>   |          |                   |
| • Premises   |          | 30,72,000         |
| • Plant  |          | 33,00,000         |
| <b>Total</b>   |          | <b>63,72,000</b>  |
| Less: Accumulated Depreciation on Plant @ 15%                          |          | 4,95,000          |
| <b>Total</b>   |          | <b>58,77,000</b>  |
| <b>6) Trade Receivables</b>  |          |                   |
| Debtors  |          | 8,70,000          |
| Less: Provision @ 5%   |          | 43,500            |
| <b>Total</b>   |          | <b>8,26,500</b>   |
| <b>7) Other Current Assets</b>   |          |                   |
| Preliminary Expenses   |          | 50,000            |
| Less: Written Off  |          | 5,000             |
| <b>Total</b>   |          | <b>45,000</b>     |
| <b>8) Change in Inventory of Finished Goods WIP and Stock-in-Trade</b> |          |                   |
| Opening Stock  |          | 7,50,000          |
| Less: Closing Stock  |          | 9,50,000          |
| <b>Total</b>   |          | <b>(2,00,000)</b> |
| <b>9) Employee Benefits Expenses</b>                                   |          |                   |
| Wages  |          | 9,79,800          |
| Salaries   |          | 2,02,250          |
| <b>Total</b>   |          | <b>11,82,050</b>  |
| <b>10) Finance Cost</b>  |          |                   |
| Debenture Interest Paid  |          | 1,80,000          |
| Provision for Debenture Interest (30,00,000 × 12/100 × 6/12)           |          | 1,80,000          |
| <b>Total</b>   |          | <b>3,60,000</b>   |
| <b>11) Other Expenses</b>  |          |                   |
| General Expenses   |          | 68,350            |
| Provision for Bad & Doubtful Debts                                     |          | 29,600            |
| <b>Total</b>   |          | <b>97,950</b>     |
| <b>12) Depreciation and Amortisation Expenses</b>                      |          |                   |
| Depreciation on Plant  |          | 4,95,000          |
| <b>Total</b>   |          | <b>4,95,000</b>   |

### Q:1 a. Types of accounting

- Financial accounting.
- Managerial accounting.
- Cost accounting.
- Auditing.
- Tax accounting.
- Accounting information systems.
- Forensic accounting.
- Public accounting.
- 

### Q1 b. Different Concept of accounting

- Accruals. There are two main accounting methods that you can use: accrual basis and cash basis accounting. ...
- Consistency. ...
- Going concern. ...
- Conservatism. ...
- Economic entity assumption. ...
- Materiality. ...
- Matching. ...
- Accounting equation.

### 2 a. What is meant by forensic accountant?

Forensic accountants are **trained to look beyond the numbers and deal with the business reality of a situation**. Forensic accounting is frequently used in fraud and embezzlement cases to explain the nature of a financial crime in court.

### 2 b. significance of ratio analysis

*Ratio analysis is important for the company to analyze its financial position, liquidity, profitability, risk, solvency, efficiency, operations effectiveness, and proper utilization of funds which also indicates the trend or comparison of financial results that can be helpful for decision making for investment by shareholders of the company.*

### *3.a conversion of conservatism*

In accounting, the convention of conservatism, also known as the doctrine of prudence, is **a policy of anticipating possible future losses but not future gains**. This policy tends to understate rather than overstate net assets and net income, and therefore lead companies to "play safe".

### 4a . What is the meaning of IFRS?

International Financial Reporting Standards

**International Financial Reporting Standards (IFRS)** are a set of accounting standards that govern how particular types of transactions and events should be reported in financial statements. They were developed and are maintained by the International Accounting Standards Board (IASB).

### 4 b, What are the ways of window dressing?

Window dressing is **a strategy used by mutual fund and other portfolio managers to improve the appearance of a fund's performance before presenting it to clients or shareholders**. To window dress, the fund manager sells stocks with large losses and purchases high-flying stocks near the end of the quarter or year.

**Following are the ways of window dressing in Income Statement:**

- Under and over valuation of inventories.
- Excess/less creation of provision of Bad debts and Discount on Debtors.
- Excess/Less Depreciation on Fixed assets.
- Excess/less amortization of fictitious assets.
- Creation of General Reserve.

5 a. What is variance in analysis?

Definition: Variance analysis is **the study of deviations of actual behaviour versus forecasted or planned behaviour in budgeting or management accounting**. This is essentially concerned with how the difference of actual and planned behaviours indicates how business performance is being impacted.

5 b. methods of Human resource management

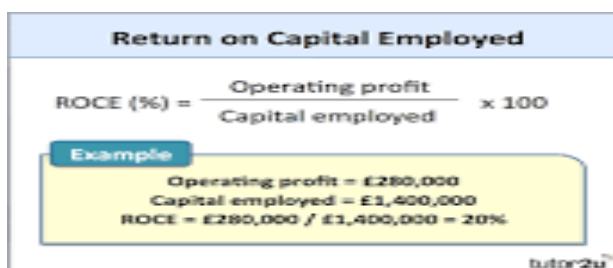
## Top 5 HR Assessment Methods



TalentLyft

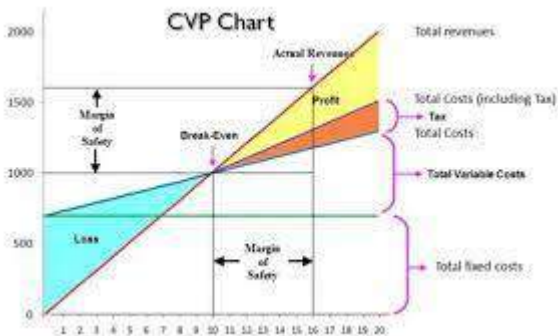
6 a. What is roce?

The term return on capital employed (ROCE) refers to **a financial ratio that can be used to assess a company's profitability and capital efficiency**. In other words, this ratio can help to understand how well a company is generating profits from its capital as it is put to use.



6 b . significance of cost volume profit analysis

Cost Volume Profit analysis or CVP analysis **helps in identifying the operating activity levels with a purpose to avoid any kind of losses and achieve profits.** Moreover, it also helps the companies to plan their future operations and see whether their organizational performance is going on the right track or not.



7 a. Calculate BEP :  $96000/(200-100) =960$  Rs.

7 b. What is budget and its functions?

The budget is **a detailed schedule of the proposed combination of the various factors of production which is the most profitable for the ensuing period.** It is a formal planning framework that provides specific deadlines to achieve departmental objectives and contributes towards the overall objectives of an organisation.

Budgeting is used in organizations for multiple purposes of which the most superior ones are **planning (decision making) and control.**