LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – **CORPORATE SEC.**

SIXTH SEMESTER – **APRIL 2013**

BC 6600 - MANAGEMENT ACCOUNTS

Date:25/04/2013 Dept. No. Max. : 100 Marks
Time:1:00 - 4:00

PART – A

Answer ALL questions: **(10 x 2 = 20 marks)**

1. State the difference between Management accounting and Financial Accounting.
2. What is zero based budgeting?
3. Explain the term 'Capital employed'.
4. State two transactions that do not affect the flow of funds.
5. List two assumptions of Break Even Analysis.
6. Calculate Margin of Safety from the following information :
   Sales (4000 units@ Rs.25 each) Rs.1,00,000
   Variable cost Rs.70,000
   Fixed cost Rs.16,800
7. Calculate the Earnings per share from the following data :

Net profit after tax	Rs. 76,000
12% Preference share capital	Rs. 3,00,000
Equity share capital (Rs.10 each)	Rs. 2,00,000

8. From the following particulars, prepare a production budget for the year ended June 30, 2010:

Product	**Sales (in units)**	**Estimated stock(units)**	
		July 1,2009	June 30,2010
A	1,50,000	14,000	15,000
B	1,00,000	5,000	4,500

9. B Ltd. has a liquidity ratio of 2:1. If its inventory is Rs.15,000 and total current liabilities are Rs.30,000, ascertain the current ratio.
10. From the following particulars, determine funds from operation :

	Rs.
Net loss	10,000
Depreciation on machinery	15,000
Amortisation of goodwill	10,000
Loss on sale of plant	5,000
Profit on sale of land	8,000
Provision for bad debts	1,000

PART - B

Answer any FIVE questions: **(5 x 8 =40 marks)**

11. Explain the significance of accounting ratios in the analysis of financial statements.

12. Explain the major sources and uses of working capital.

13. How is marginal costing useful in decision making for a firm.

14. From the following forecasts of income and expenditure, prepare a cash budget for the two months ending 31st October 2012. The bank balance as on 1st September was Rs.10,000 .

Month	Sales	Purchases	Wages	Factory Expenses	Office Expenses
	Rs.	Rs.	Rs.	Rs.	Rs.
July	80,000	40,000	5,600	3,900	10,000
August	76,500	42,000	5,800	4,100	12,000
September	78,000	38,500	5,800	4,200	14,000
October	90,000	37,500	5,900	5,100	16,000

Adjustments :

a. A Sales commission at 4% on sales is due in the month following the sales and is payable in addition to other expenses.

b. Fixed assets costing Rs.65,000 will be purchased in September the payment for which will be made in the following month.

c. Debenture interest Rs.20,000 is due in October.

d. The period of credit allowed to customers is 2 months and one month credit is allowed by suppliers.

e. Expenses are paid in the month in which they are due.

f. Wages are paid on the first and sixteenth of each month .

15. From the following data calculate labour variances :

Actual gross wages	Rs.20,000
Standard hours produced	2,000
Standard rate per hour	Rs.2
Actual hours worked	2300

16. Calculate the following ratios from the information given below: (a) Gross Profit Ratio, (ii) Stock Turnover Ratio, (iii) Fixed Assets Turnover Ratio, (iv) Current Ratio, (v) Liquid Ratio

	Rs.		Rs.
Sales	25,20,000	Other Current Assets	7,60,000
Cost of Sales	19,20,000	Fixed Assets	14,40,000
Net Profit	3,60,000	Net Worth	15,00,000
Opening Stock	3,00,000	Long term Debts	9,00,000
Closing Stock	5,00,000	Current Liabilities	6,00,000

17. The following particulars are extracted from the records of a company.

	Per unit	
	Product A	Product B
Sale Price (Rs.)	100	110
Consumption of Materials (Kg.)	5	4
Material Cost (Rs.)	24	14
Direct Wages (Rs.)	2	3
Machine hours used	2	3
Variable overheads	4	6

Comment on the profitability of each product (both use the same raw material) when:

a. Total sales potential in units is limited.
b. Total sales potential in value is limited.
c. Raw material is in short supply.
d. Production capacity (in terms of machine hour) is the limiting factor.

18. Present the following information to show to the management:

a. The marginal product cost and the contribution per unit.
b. The total contribution and profits resulting from each of the following sales mixtures.
c. The proposed sales mixes to earn a profit of Rs.250 with total sales of A and B being 300 units.

	Product A	Product B
	Rs.	Rs.
Direct materials (per unit)	10	9
Direct wages (per unit)	3	2
Sales price (per unit)	20	15

Fixed expenses Rs. 800
(Variable expenses are allocated to products as 100% of direct wages)

Sales mixtures :

(a) 100 units of Product A and 200 of B
(b) 150 units of Product A and 150 of B
(c) 200 units of Product A and 100 of B

Recommend which of the sales mixtures should be adopted.

<u>PART – C</u>

Answer any TWO questions: **(2 X 20 = 40 marks)**

19. A company produces a standard product. The estimated cost per unit are as follows:
Raw materials – Rs.4.00; Wages – Rs. 2.00; Variable overhead – Rs. 5.00.
The semi-variable costs are:
Indirect materials – Rs.235; Indirect labour – Rs. 156; Repairs – Rs. 570.

The variable costs per unit included in semi-variable are:
Indirect materials – Re. 0.05; Labour – Re. 0.08; and Repairs – Re. 0.10.
The fixed costs are:
Factory – Rs.2,000; Administration – Rs. 3,000; Selling and distribution – Rs. 5,000.
The above costs are for 70% of normal capacity producing 700 units. The selling price is Rs.10 per unit. Prepare flexible budget for 80% and 100% normal capacities from the above information.

20. The comparative balance sheets of National Industries Ltd., for 2010 and 2011 are given below:

Liabilities	**2010 Rs.**	**2011 Rs.**	**Assets**	**2010 Rs.**	**2011 Rs.**
Paid up capital	3,00,000	3,40,000	Bank	45,600	48,800
Reserve and Surplus	1,20,600	1,43,600	Debtors	9,800	16,000
Mortgage loan	20,000	19,000	Stock	42,000	65,200
Sundry creditors	42,400	45,200	Marketable securities	32,200	10,000
Liabilities for expenses	2,600	1,000	Trade investments	42,300	35,100
Provision for depreciation	25,600	34,000	Plant and machinery	1,83,400	2,68,000
Provision for taxation	11,000	12,400	Land and buildings	1,50,000	1,40,000
			Intangible assets	16,900	12,100
	5,22,200	**5,95,200**		**5,22,200**	**5,95,200**

The following transactions took place during 2011:

a. Land which had cost Rs. 10,000 was sold for Rs. 25,000.
b. Some of the marketable securities were sold at a loss of Rs. 3,000.
c. Difference between the figures to trade investments represents amount written off in respect of worthless investment.
d. A dividend of Rs. 25,000 was paid.
e. An old machinery which had cost Rs. 10,000 (accumulated depreciation thereon Rs.8,000) was sold for Rs. 6,000.

Prepare a funds flow statement.

21. X Ltd. Manufactures a product, the standard mix of which is :

Material A 60% at Rs.20 per kg.

Material B 40% at Rs.10 per kg.

Normal loss in production is 20% on input. Due to shortage of material A, the standard mix was changed. Actual results for the month of April 2012 were:

Material A	105 kg at Rs.20 per kg.
Material B	95 kg at Rs.9 per kg.
	200 kg
Less Loss	35 kg
Output	165 kg

Calculate Material Variances.

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