

CO 3902 – PRINCIPLES OF MANAGEMENT ACCOUNTING

Date: 14/11/2015

SECTION – A

ANSWER ALL THE QUESTIONS

(10 X 2 = 20 MARKS)

1. Define 'Management Accounting'.
2. State any two benefits of Accounting.
3. What is capital budgeting?
4. What is ROI?
5. List out any two sources of funds.
6. The following budget estimates are available from a factory working at 50% of its capacity.
Variable expenses Rs. 60,000
Semi variable expenses Rs. 20,000
Fixed expenses Rs. 10,000
Prepare a budget for 75% of the capacity assuming that semi-variable expenses increases by 10% for every 25%.
7. Find out fixed assets and gross profit from the following information:
Sales Rs.10,00,000
Gross Profit Ratio 25%
Fixed assets turnover ratio (on cost of sales) 50 times

8. Prepare a production budget from the following information:

Products	Estimated stock on 1.9.2014 (units)	Estimated sales during September to March 2014 (units)	Desired closing stock on 31.12.2014 (units)
R	2,000	10,000	3,000
S	3,000	15,000	5,000
U	4,000	13,000	3,000
P	3,000	12,000	2,000

9. Calculate the value of furniture purchased from the following details:
Opening balance Rs. 2,00,000
Closing balance Rs. 3,00,000
Depreciation charged Rs. 40,000
10. A project costs Rs.5,00,000 and yields annually a profit of Rs.80,000 after depreciation of 12% p.a. but before tax at 50%. Calculate pay-back period.

SECTION – B

ANSWER ANY FOUR QUESTIONS

(4 x 10 = 40 MARKS)

11. Differentiate between management accounting and cost accounting.
12. Elucidate the uses and limitations of funds flow statement.
13. Explain the different types of budgets.
14. Comment on the Financial position of the company from the following balance sheet:

Balance sheet of Sundaram Ltd as on 31.12.2013

Liabilities	Rs.	Assets	Rs.
Equity share capital	200,000	Goodwill	120,000
Reserves	40,000	Fixed assets	280,000
Profit and Loss A/c	60,000	Stock	80,000
Secured Loans	160,000	Debtors	40,000
Creditors	100,000	Bills receivable	20,000
Provision for Tax	40,000	Cash	60,000
Total	600,000		600,000

Calculate (i) Current ratio

(ii) Debt equity ratio

(iii) Fixed assets ratio and

(iv) Proprietary ratio

15. The following are the summarized Balance Sheets of Malar Industries Ltd as on 31st December, 2013 and 2014:

Liabilities	2013 Rs.	2014 Rs.	Assets	2013 Rs.	2014 Rs.
Share capital:			Fixed Assets	41,000	40,000
7% Redeemable Preference Shares	-	10,000	Less: Depreciation	11,000	15,000
Equity Shares	40,000	40,000		30,000	25,000
General reserve	2,000	2,000	Current Assets:		
Profit & Loss A/c	1,000	1,200	Debtors	20,000	24,000
Debentures	6,000	7,000	Stock	30,000	35,000
Current Liabilities:			Prepaid expenses	300	500
Creditors	12,000	11,000	Cash	1,200	3,500
Provision for Tax	3,000	4,200			
Proposed Dividend	5,000	5,800			
Bank Overdraft	12,500	6,800			
	81,500	88,000		81,500	88,000

Prepare a statement showing changes in working capital.

16. Statement of financial position of XYZ Ltd is given:

Liabilities	2014 Rs.	2015 Rs.	Assets	2014 Rs.	2015 Rs.
Share capital	18,000	19,000	Cash	6,000	4,000
creditors	6,400	7,600	Debtors	15,500	19,000
P & L A/c	2,900	3,500	Buildings	5,000	6,200
			Patent rights	800	900
	27,300	30,100		27,300	30,100

You are required to prepare a statement of flow of cash.

17. A company is considering investment of Rs. 10,00,000 in a project. The following are the income forecast, after depreciation and tax:

Year	Rs.
1 st year loss	1,00,000
2 nd year profit	3,00,000
3 rd year profit	4,00,000
4 th year profit	2,00,000
5 th year profit	2,00,000

Calculate the accounting rate of return

- (a) On original investment method
- (b) On average investment method

SECTION – C

ANSWER ANY TWO QUESTIONS

(2 x 20= 40 MARKS)

18. Describe the various techniques of Capital Budgeting and their respective purposes.

19. From the following data forecast the cash position at the end of April, May and June 2015.

Month 2015	Sales Rs.	Purchases Rs.	Wages Rs.	Sales expenses Rs.
February	120,000	80,000	10,000	7,000
March	130,000	98,000	12,000	9,000
April	70,000	100,000	8,000	5,000
May	116,000	103,000	10,000	10,000
June	85,000	80,000	8,000	6,000

Further information:

- Sales at 10% realized in the month of sales. Balance equally realized in two subsequent months.
- Purchases: Creditors are paid in the month following the month of supply.
- Wages: 20% paid in arrears in the following month.
- Sundry expenses paid in the month itself.
- Income tax Rs.20,000 payable in June.
- Dividend Rs.12,000 payable in June.
- Income from investments Rs.2,000 received half-yearly in March and September.
- Cash balance on hand as on 1.4.2015 Rs.40,000

20. The following are the extract from the financial statements of Jaiv Ltd., as on 31-3-2008 and 2009 respectively.

Particulars	31-3-2008 Rs.	31-3-2009 Rs.
Stock	10,000	25,000
Debtors	20,000	20,000
Bills receivable	10,000	5,000
Advances (recoverable in cash)	2,000	-
Cash	18,000	15,000
Creditors	25,000	30,000
Bills payable	15,000	20,000
Bank overdraft	-	2,000
9% debentures	5,00,000	5,00,000
Sales for the year	3,50,000	3,00,000
Gross profit	70,000	50,000

You are required to compute for both the years

- (i) Current ratio
- (ii) Liquid ratio
- (iii) Stock turnover ratio
- (iv) Debtors turnover ratio
- (v) Gross profit ratio and
- (vi) Stock working capital ratio

21. The following is the Comparative Balance Sheets of Pratima & Co. Ltd. As on 30th June 2013 and 30th June 2014:

Balance Sheet

Liabilities	30.6.2013 Rs.	30.6.2014 Rs.	Assets	30.6.2013 Rs.	30.6.2014 Rs.
Share Capital	180,000	200,000	Goodwill	24,000	20,000
Reserve Fund	28,000	36,000	Buildings	80,000	72,000
P & L A/c	39,000	24,000	Machinery	74,000	72,000
Trade Creditors	16,000	10,800	Investments	20,000	22,000
Bank Overdraft	12,400	2,600	Inventories	60,000	50,800
Provision for Taxation	32,000	34,000	Debtors	40,000	44,400
Provision for Doubtful Debts	3,800	4,200	Cash	13,200	30,400
Total	311,200	311,600	Total	311,200	311,600

Additional Information:

- (i) Depreciation charged on machinery Rs.10,000 and on buildings Rs.8,000
- (ii) Investments sold during the year Rs.3,000
- (iii) Rs.15,000 interim dividend paid during January 2014
- (iv) Taxes paid during the year Rs.30,000

Prepare the following:

- (a) A statement of changes in working capital.
- (b) A funds flow statement.