



# LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

**M.Com. DEGREE EXAMINATION – COMMERCE**

**THIRD SEMESTER – NOVEMBER 2018**

**CO 3801 – MANAGEMENT ACCOUNTING**

Date: 23-10-2018

Dept. No.

Max. : 100 Marks

Time: 09:00-12:00

## Part-A

**Answer ALL questions**

**(10x2=20)**

1. Define Management Accounting?
2. What is Working Capital?
3. Write a short note on Ratios.
4. What is Marginal Costing?
5. What is Zero Based Budgeting?
6. What is Variance Analysis?
7. What is Profitability Ratio?
8. What is MIS?
9. What is Fund Flow Statement?
10. Write a short note on Sales Budget.

## Part-B

**Answer any FIVE questions**

**(5x8=40)**

11. Explain the limitation of Management Accounting?
12. Explain the utility of Marginal Costing?
13. Distinguish between Management Accounting and Cost Accounting?
14. The management of A company Ltd., are considering the sales budget for the next budget period. You are

required to present to the management a statement showing:-

- 1) The Marginal cost of each product and
- 2) To recommend which of the following sales mixes should be adopted:-
  - 1800 units of X
  - 1200 units of Y
  - 1200 units of X and 400 units of Y
  - 900 units of X and 600 units of Y

The chief accountant has ascertained the following information:-

<b>PARTICULARS</b>	<b>PRODUCT X (Rs.)</b>	<b>PRODUCT Y (Rs.)</b>
Direct material	10	12.50
Selling price	30	50
Direct labour at 25 paisa per hour	20hrs	30hrs
Variable overhead	100% of labour	

Fixed Overhead	Rs. 10,000
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15. Ramraj products produce and sell a product for which total capacity of 2,000 units exists. The following expenses are for the production of 1,000 units of the product which is sold at Rs.130 per unit.

PARTICULARS	PER UNIT
Direct material	20
Direct wages	30
Administration overhead (constant)	20
Selling expenses (50% fixed)	10
Distribution expenses (25% fixed)	20
TOTAL	100

You are required to prepare a flexible budget for the production and sales of 1,200 units, 1,600 units and 2,000 units, showing clearly the marginal (variable) cost and total cost at each level.

16. From the following Balance sheet, prepare a statement showing flow of funds.

#### BALANCE SHEET

Liabilities	31-12-2016 (Rs.)	31-12-2017 (Rs.)	Assets	31-12-2016 (Rs.)	31-12-2017 (Rs.)
Share capital	2,00,000	2,50,000	Land	50,000	66,000
Retained earnings	10,000	23,000	Stock	80,000	90,000
Creditors	70,000	45,000	Debtors	1,20,000	1,15,000
			Cash	30,000	47,000
TOTAL	2,80,000	2,18,000	TOTAL	2,80,000	3,18,000

17. Calculate funds from operation of AKM Ltd. from following.

#### PROFIT AND LOSS ACCOUNT

PARTICULARS	RS.	PARTICULARS	RS.
To salaries	10,000	By gross profit	2,00,000
To rent	3,000	By profit on sale of machinery	5,000
To commission	2,000	By dividend received	2,000
To discount allowed	1,000	By refund of tax	3,000
To provision for depreciation	14,000		
To transfer to general reserve	20,000		
To loss on sale of investment	5,000		
To provision for tax	10,000		
To discount on issue of debentures	2,000		
To preliminary expenses	3,000		
To selling expenses	20,000		
To Net profit	1,20,000		
TOTAL	2,10,000	TOTAL	2,10,000

18. Profit and Loss Account of AMBU Ltd. Is given below:-

**PROFIT AND LOSS ACCOUNT**

PARTICULARS	RS.	PARTICULARS	RS.
To Opening stock	2,00,000	By sales	16,00,000
To purchases	12,00,000	By closing stock	3,20,000
To administration expenses	1,20,000	By dividend	4,000
To selling expenses	80,000		
To financial expenses	40,000		
To loss on sale of asset	5,000		
To net profit	2,70,000		
<b>TOTAL</b>	<b>19,24,000</b>	<b>TOTAL</b>	<b>19,24,000</b>

Calculate the Profitability Ratios

**Part-C**

Answer any TWO questions

(2x20=40)

19. From the following data forecast the cash position at the end of April, May and June 2018

MONTH 2019	SALES (RS.)	PURCHASES (RS.)	WAGES (RS.)	SALES EXPENSES (RS.)
February	1,20,000	80,000	10,000	7,000
March	1,30,000	98,000	12,000	9,000
April	70,000	1,00,000	8,000	5,000
May	1,16,000	1,03,000	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.
- Creditors are paid in the month following the month of supply.
- 20% paid in arrears in the following month for wages.
- Sundry expenses paid in the month itself.
- Income tax Rs.20,000 payable in June.
- Dividend Rs.12,000 payable in June.
- Income from investment Rs.2,000 received half-yearly in March and September.
- Cash balance on hand as on 1-4-2018.

20. The sales turnover and profit during two years were as follows:-

YEAR	SALES (RS.)	PROFIT (RS.)
2007	1,40,000	15,000
2018	1,60,000	20,000

Calculate:-

1. P/V Ratio
2. Break-even Point
3. Sales required to earn a profit of Rs.40,000
4. Fixed Expenses and,
5. Profit when sales are Rs.1,20,000.

21. From the following information, you are required to prepare a Balance sheet.

<b>PARTICULARS</b>	
a) Current ratio	1.75
b) Liquid ratio	1.25
c) Stock turnover ratio	9
d) Gross profit ratio	25%
e) Debt collection period	1.5 months
f) Reserves and surplus to capital	0.2
g) Fixed asset turnover (on cost of sales)	1.2
h) Capital gearing ratio	0.6
i) Fixed asset to net worth	1.25
j) Sales of the year	Rs.12,00,000

22. AARU company manufactures a particular product, the standard material cost of which is Rs.10 per unit. The following information is obtained from the cost records:-

I. Standard mix

MATERIAL	QUANTITY UNITS	RATE (Rs.)	Amount (Rs.)
A	70	10	700
B	30	5	150
TOTAL	100		850
LOSS 15%	(15)	-	-
TOTAL	85		850

II. Actual result for January 2017

MATERIAL	QUANTITY UNITS	RATE (Rs.)	Amount (Rs.)
A	400	11	4,400
B	200	6	1,200
TOTAL	600		5,600
LOSS 10%	60	-	-
TOTAL	540		5,600

Calculate:-

1. Material Price Variance
2. Material Mix Variance
3. Material Usage Variance
4. Material Yield Variance
5. Material Cost Variance

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