LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – **COMMERCE**

SIXTH SEMESTER – **APRIL 2016**

CO 6605 – MANAGEMENT ACCOUNTS

(UPTO 11th BATCH)

Date: 18-04-2016 Dept. No. Max. : 100 Marks

Time: 09:00-12:00

PART – A

Answer **ALL** questions: (10x2=20 marks)

1. Define management accounting.
2. What is margin of safety?
3. What is ratio analysis?
4. What is 'funds from operations'?
5. What is a 'flexible budget'?
6.

Particulars	Material A (in units)	Material B (in units)
Estimated stock 1st January	1,600	600
Estimated stock on 31st January	2,000	800
Estimated consumption in the month	12,000	4,400

Prepare Material Procurement Budget for the month of January.

7. Calculate labour rate variance from the following:
Standard:
40 workers to work for 8 hours per day in a five day week and get paid at Rs.10 per hour.
Actual:
43 workers worked on average 9 hours per day in the five day week and were paid at Rs.11 per hour on average.
8. Prepare a schedule of changes in working capital from the Balance sheet data given below:

Balance sheets

Liabilities	31-12-96 (Rs.)	31-12-97 (Rs.)	Assets	31-12-96 (Rs.)	31-12-97 (Rs.)
Share capital	3,00,000	3,75,000	Machinery	70,000	1,00,000
Creditors	1,06,000	70,000	Stock in trade	1,21,000	1,36,000
P&L Account	14,000	31,000	Debtors	1,81,000	1,70,000
			Cash	48,000	70,000
TOTAL	4,20,000	4,76,000	TOTAL	4,20,000	4,76,000

9. Calculate gross profit ratio from the following figures:

Particulars	Rs.
Sales	10,00,000
Sales returns	1,00,000
Opening stock	2,00,000
Purchases	6,00,000
Purchase returns	1,50,000
Closing stock	65,000

10. Calculate variable cost.

Particulars	Rs.
Sales	50,000
Fixed cost	10,000
Profit	5,000

PART-B

Answer any **FOUR** questions (4x10=40 marks)

11. Explain the advantages and limitations of marginal costing.
12. Discuss the scope of management accounting.
13. Calculate funds from operations from the following:

Profit and Loss Account

Particulars	Rs.	Particulars	Rs.
To Administration expenses	25,000	By Gross Profit	2,15,000
To Selling expenses	16,000	By Interest on investments	5,000
To Depreciation	21,000	By Profit on sale of machinery	4,000
To Loss on sale of building	4,000		
To Goodwill written off	4,000		
To preliminary expenses written off	1,000		
To transfer to general reserve	2,000		
To provision for tax	5,000		
To Discount on issue of	2,000		

debentures			
To Net profit	1,44,000		
Total	2,24,000	Total	2,24,000

14. From the following data, calculate labour variances: Budgeted labour for completing job X:
    8 Skilled workers at Rs.10 per hour for 20 hours
    12 unskilled workers at Rs.8 per hour for 20 hours
    Actual labour for completing job: X:
    12 Skilled workers at Rs.11 per hour for 20 hours
    13 unskilled workers at Rs.7 per hour for 20 hours
15. From the following particulars, pertaining to assets and liabilities of a company calculate (a) liquid ratio, (b) proprietary ratio (c) debt equity ratio and (d) capital gearing ratio.

Liabilities	Rs.	Assets	Rs.
5,000 equity shares of Rs.50 each	2,50,000	Building	3,00,000
1,000 8% preference shares Of Rs.100 each	1,00,000	Machinery	2,50,000
2,000 9% Debentures of Rs.100 each	2,00,000	Stock	1,20,000
Reserves	1,50,000	Debtors	1,00,000
Creditors	75,000	Cash at Bank	27,500
Bank overdraft	25,000	Prepaid expenses	2,500
	8,00,000		8,00,000

16. Kalaiselvan &Co., uses two materials "X" and "Y" to produce a product. For the year 2000, they have planned to sell 2000 units of the product. Production department informs that after providing for normal loss, etc., 5 kgs per unit of material 'X' and 2 kgs per unit of material Y are needed for the product.
    The stores incharge, after a study of his records and orders placed to the vendors, provides the following details:

	Finished Product (Units)	Material X Kgs	Material Y Kgs
Estimated stock on 1-1-2000	400	1,800	700
Materials on order 1-1-2000	-	2,000	500
Desired stock on 31-12-2000	600	2,200	800

Estimated materials on order on 31-12-2000	-	1,800	600
Estimated average purchase price during 2000	-	Rs. 8 per kg.	Rs.15 per kg.

You are required to prepare a purchase budget for the materials, clearly showing the total cost of estimated purchases.

17. The expenses budgeted for production of 5,000 units in a factory are furnished below:

Particulars	Per unit Rs.
Materials	40
Labour	30
Direct expenses	20
Factory expenses (30% fixed)	30
Selling and Distribution expenses (15% fixed)	20
Administration expenses (100 % fixed)	5

Prepare a flexible budget for production of (i) 4,000 units and (ii) 7,000 units and also calculate the cost per unit at those levels for production.

PART - C

Answer any **TWO** questions: (2x20=40 marks)

18. From the data given below calculate material variances:

Details	Standard		Actual	
Material	Qty. (units)	Price per unit (Rs.)	Qty. (units)	Price per unit (Rs.)
X	20	5	24	4.00
Y	16	4	14	4.50
Z	12	3	10	3.25
TOTAL	48		48	

19. Using the following data, prepare the balance sheet.

Gross profit ratio	20%
Current ratio	1.8:1
Stock turnover ratio	4 times
Debt. Collection period	20 days

(360 days year)	
Long term debt to equity	40%
Total assets turnover	0.3 times
Credit sales to total sales	80%
Gross profit	Rs. 1,08,000
Shareholders' equity	Rs.12,00,000

20. From the following balance Sheets of 'A' Ltd., as on 31st December 2005 and 2006 you are required to prepare:

(a) Schedule of changes in working capital
(b) Funds Flow Statement

Balance Sheet

Liabilities	2005 Rs.	2006 Rs.	Assets	2005 Rs.	2006 Rs.
Share capital	1,00,000	1,00,000	Goodwill	12,000	12,000
General Reserve	14,000	18,000	Building	40,000	36,000
Profit & Loss A/c	16,000	13,000	Plant	37,000	36,000
Sundry creditors	8,000	5,400	Investments	10,000	11,000
Bills payable	1,200	800	Stock	30,000	23,400
Provision for taxation	16,000	18,000	Bills Receivable	2,000	3,200
Provision for doubtful debts	400	600	Debtors	18,000	19,000
			Cash at Bank	6,600	15,200
Total	1,55,600	1,55,800	Total	1,55,600	1,55,800

Additional information is given:
(1) Depreciation charged on Plant was Rs.4,000 and on Building Rs. 4,000
(2) Provision for taxation of Rs.19,000 was made during the year 2006.
(3) Interim dividend of Rs.8,000 was paid during the year 2006.

21. Prepare a cash budget for the months of May, June and July 1998 on the basis of the following information.

(1) Income and expenditure forecasts:

Months	Credit Sales Rs.	Credit Purchases Rs.	Wages Rs.	Manufacturing Expenses Rs.	Office Expenses Rs.	Selling Expenses Rs.
March	60,000	36,000	9,000	4,000	2,000	4,000
April	62,000	38,000	8,000	3,000	1,500	5,000
May	65,000	33,000	10,000	4,500	2,500	4,500

June	58,000	35,000	8.500	3,500	2,000	3,500
July	56,000	39,000	9,500	4,000	1,000	4,500
August	60,000	34,000	8,000	3,000	1,500	4,500

(2) Cash balance on 1st May, 1998 Rs. 8,000.

(3) Plant costing Rs.16,000 is due for delivery in July, payable 10% on delivery and the balance after 3 months.

(4) Advance tax of Rs.8,000 each is payable in March and June.

(5) Period of credit allowed (i) by suppliers – two months, and (ii) to customers – one month.

(6) Lag in payment of manufacturing expenses – ½ month.

(7) Lag in payment of office and selling expenses – one month.

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