LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

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

SIXTH SEMESTER – **APRIL 2016**

CO 6609 – MANAGEMENT ACCOUNTING

Date: 18-04-2016 Dept. No. Max. : 100 Marks
Time: 09:00-12:00

PART- A

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

1. State any two points of difference between Cost Accounting and Management Accounting.
2. State the modes of expression of ratios.
3. What are the methods of determining Funds from Operations?
4. What are the limitations of Zero Base Budgeting?
5. Define the term 'Margin of Safety'.
6. From the following particulars, calculate the Net profit ratio:

Gross Profit ratio	=	40%
Gross Profit	=	Rs. 4, 80,000
Administration, selling & distribution expenses	=	Rs. 1, 80,000

7. Calculate Return on equity share capital:

	Rs.
10% Preference share capital (fully-Paid)	4, 00,000
64,000 Equity shares of Rs.10 each (fully-paid)	6, 40,000
Undistributed reserves and surplus	25, 60,000
Net profit after tax	9, 50,000

8. From the following particulars prepare production budget for the year ended June 30, 2015:

Product	Sales in units	Estimated stock (units)	
	As per sales budget	July 1, 2014	June 30, 2015
A	1,50,000	14,000	15,000
B	1,00,000	5,000	4,500
C	70,000	8,000	8,000

9. Calculate B.E.P in units from the following particulars:

	Rs.
Total cost	50,000
Total variable cost	30,000
Sales (5,000 units)	50,000

10. From the following information, find out the amount of profit earned during the year using marginal costing technique:

Fixed Cost	Rs. 5, 00,000
Variable cost	Rs. 10 per unit
Selling Price	Rs. 15 per unit
Output level	1, 50,000 units

PART- B

Answer any FOUR Questions: **(4 x 10= 40 marks)**

11. Enumerate the functions of Management Accounting.
12. Explain how accounting ratios are classified.
13. From the following particulars calculate a) B E P b) Margin of safety for 2015
    c) Profit when the desired sales is Rs.1,50,000 d) Sales when the desired profit is Rs.25,000.

Year	Total Sales	Total Cost
2014	Rs.1,00,000	Rs.96,000
2015	Rs.1,20,000	Rs.1,10,000

14. Find the funds from operations from the following data:
    Opening balance of profit and loss A/c: Rs. 60,000
    Closing Balance of profit and loss A/c: Rs. 30,000
    The following items appeared in Profit and loss A/c:
    Interim dividend paid Rs. 20,000; Proposed dividend Rs. 30,000; Depreciation Rs.50,000; Preliminary expenses Rs.1,000; Loss on sale of machinery Rs. 3,000; General reserve Rs.5,000;
    Sinking Fund Rs. 10,000; Salaries paid Rs. 3,000; Profit on sale of car Rs. 4,000; and Tax paid Rs.5, 000.

15. Using the information below, prepare a cash budget showing expected cash receipts and disbursements for the month of June and balance expected on June 30, 2015:
    Budgeted cash balance June 1, 2015 Rs. 1, 20,000. Sales for June Rs.16,00,000, half collected in the month of sale, 40% in next month, 10% in third month.
    Customer receivables as of June 1 Rs. 1, 40,000 from April sales, Rs. 9, 00,000 from May sales.
    Merchandise purchases for June Rs. 10, 00,000, 40% payment in the month of purchases,
    60% paid in the next month. Wages due in June Rs. 1, 76,000.
    Three years insurance policy due in June for renewal Rs. 4,000 to be paid in cash.
    Other expenses for June, payable in June Rs.88, 000.
    Depreciation for the month of June Rs.4, 000.
    Accrued taxes for June, payable in December Rs. 12,000.
    Fixed deposit receipts due June 15 – Rs. 3, 50,000 plus Rs.20, 000 interest.

16. X ltd manufacturers a simple product, the standard mix of which is :
    Material A 60% @ Rs. 20 per kg.
    Material B 40% @ Rs. 10 per kg.
    Normal loss in production is 20% of output. Due to shortage of material A, the standard mix was changed.
    Actual results for March, 2016 were:

Material A	105 Kg @ Rs. 20 per Kg
Material B	95 Kg @ Rs. 9 per Kg
Input	200 Kg
Loss	35 Kg
	165kg

    Calculate (i) Material price variance; (ii) Material usage variance (iii) Material mix variance Material(iv) yield variance.

17. A gang of workers usually consists of 10 men, 5 Women and 5 boys in a factory. They are paid at standard hourly rates of Rs. 1.25, Re. 0.80 and Re.0.70 respectively. In a normal working week of 40 hours, the gang is expected to produce, 1000 units of output. In a certain week, the gang consisted of 13 men, 4 women and 3 boys. Actual wages were paid at the ratio of Rs.1.20, Re. 0.85 and Re.0.65 respectively. Two hours were lost due to abnormal idle time and 960 units of output were produced. Calculate labor variances.

PART- C

Answer any TWO Questions: **(2 x 20= 40 marks)**

18. You are given the following information pertaining to a company:

Current Ratio	- 2.5
Liquid Ratio	- 1.5
Net Working Capital	- Rs. 3, 00,000
Stock turnover ratio (Cost of sales/closing stock)	- 6 times
Gross profit ratio	- 20%
Fixed assets turnover ratio (on cost of sales)	- 2 times
Average Debt collection period	- 2 months
Fixed assets/shareholders' net worth	- 0.80
Reserves and Surplus/Capital	- 0.50

Draw up the Balance Sheet of the company.

19. A toy manufacturer earns an average net profit Rs. 3 per piece of Rs. 15 by producing and selling 60,000 pieces at 60% of the potential capacity. Composition of his cost of sales is:

Direct materials	Rs. 4.00
Direct wages	Rs. 1.00
Works overheads	Rs. 6.00 (50% Fixed)
Selling overheads	Rs. 100 (25% varying)

During the current year, he intends to produce the same number but anticipates that:

(i) His fixed changes will go up by 10%
(ii) Rates of direct wages will increase by 20%
(iii) Rates of direct material will increase by 5%
(iv) Selling price cannot be increased under these circumstances he obtains, an order for a further 20% of his capacity. What minimum price will you recommend for accepting the order to ensure the manufacturer an overall profit of Rs. 1, 80,500?

20. 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 labor – Rs. 156; Repairs – Rs. 570.

The variable costs per unit included in semi-variable are:

Indirect materials – Re. 0.05; Labor – 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.

21. Prepare a Funds flow statement from the following summarized balance sheets of FTC Ltd. As at 31st March 2015 and 2016.

Liabilities	2015 Rs.	2016 Rs.	Assets	2015 Rs.	2016 Rs.
Share capital	4,50,000	4,50,000	Fixed Assets	4,00,000	3,20,000
General Reserve	3,00,000	3,10,000	Investments	50,000	60,000
Profit and loss A/c	56,000	68,000	Stock	2,40,000	2,10,000
Sundry creditors	1,68,000	1,34,000	Debtors	2,10,000	4,55,000
Mortgage loan	-	2,70,000	Bank	1,49,000	1,97,000

Provision for Tax	75,000	10,000			
	10,49,000	**12,42,000**		**10,49,000**	**12,42,000**

Additional information available:

(i) Investments costing Rs.8, 000 were sold during the year for Rs.8, 500 and further investments were purchased during the year for Rs.18,000.

(ii) The net profit for the year was Rs.62,000 after charging depreciation on fixed assets Rs.70,000 for the year and provision for taxation Rs.10,000.

(iii) During the year, part of fixed assets costing Rs.10, 000 was disposed for Rs.12, 000 and the profit is included in the profit and loss account.

(iv) Dividend paid during the year amounted to Rs.40,000.

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