

NGM COLLEGE (AUTONOMOUS) POLLACHI

END-OF-SEMESTER EXAMINATIONS: MAY-2023

B.Com-Banking & Insurance

MAXIMUM MARKS: 70

VI SEMESTER

TIME: 3 HOURS

PART III

MANAGEMENT ACCOUNTING

SECTION – A

(10 X1 = 10 MARKS)

**ANSWER THE FOLLOWING QUESTIONS
MULTIPLE CHOICE QUESTIONS**

(K1)

1. In management accounting, an emphasis and focus must be _____.
 a) Communication oriented b) Past oriented
 c) Future oriented d) Bank oriented
2. Liquid ratio is also known as _____ ratio.
 a) Acid-test b) Equity ratio
 c) Operating ratio d) Long term solvency
3. Statement of cash flows includes _____.
 a) Financing Activities b) Operating Activities
 c) Investing Activities d) All of the Above
4. The process of budgeting helps in the control of _____.
 a) Cost of production b) Liquidity
 c) Capital Expenditure d) All of the above
5. The ascertaining of costs after they are incurred is known as _____.
 a) Historical costing b) Notional costing
 c) Marginal costing d) Sunk cost

ANSWER THE FOLLOWING IN ONE (OR) TWO SENTENCES

(K2)

6. Define management accounting.
7. Define ratio.
8. Explain cash flow.
9. Write a note on budget.
10. Expand BEP.

SECTION – B

(5 X 4 = 20 MARKS)

ANSWER EITHER (a) OR (b) IN EACH OF THE FOLLOWING QUESTIONS. (K3)

11. a) List the functions of management accounting.
 (OR)
 b) Compare the management accounting with cost accounting.
12. a) Given: Current ratio 2.5; Liquid ratio 1.5; Working capital Rs.60, 000.
 Calculate: (a) Current liabilities (b) Current assets (c) Liquid assets (d) Stock.

b) The following is the revenue statement of A Ltd company for the year ending 31st December 2011.

	Rs.
Sales	6,00,000
Less: Cost of goods sold	<u>4,00,000</u>
Gross Profit	2,00,000
Less: Operating Expenses	<u>1,20,000</u>
Operating Profit	80,000
Add: Non-operating income	<u>12,000</u>
	92,000
Less: Non-operating expenses	<u>4,000</u>
Net Profit	<u><u>88,000</u></u>

Calculate Gross profit ratio, Operating ratio, Operating profit ratio, Net profit ratio

13. a) From the following information calculate cash flows from financing investing activities.

Particulars	Rs.
Plant and machinery in the beginning of the year(Net)	5,00,000
Plant and machinery at the end of the year (Net)	6,00,000
Depreciation charged on plant and machinery	30,000
Plant and machinery having book value of Rs.15, 000 was sold for	12,000

(OR)

b) Calculate funds from operation from the following information.

Profit for the year ended 31 March 2008 Rs. 6,50,000

Old machinery worth Rs. 8,000 has been sold for Rs. 6,500 during the year.

Depreciation has been provided during the year on machinery and furniture at 20%. Whose total cost is Rs. 6,50,000

Rs. 1,25,000 have been transferred to the general reserve fund.

Goodwill appears in the books at Rs. 1,80,000 out of that 10% has been written off during the year. Gain on sale of building Rs.35,500

14. a) Prepare statement of changes in working capital from the balance sheets of X Ltd.

Liabilities	2014	2015	Assets	2014	2015
Share capital	150000	180000	Land and building	85000	85000
Profit and loss a/c	35000	42000	Plant and machinery	54000	70000
Loans			Stock	30500	50000
Loans	2000	15000	Debtors	25500	45000
Creditors	17000	23000	Bills receivable	5000	2000
Bills payable	3000	1000	Cash	7000	9000
	207000	261000		207000	261000

(OR)

b) Examine are the essentials of successful budgetary control.

15. a) Calculate P/V ratio, Fixed Cost, Sales Volume to earn a profit of Rs. 40,000. Sales Rs. 1,00,000; Profit Rs. 10,000; variable cost 70%

(OR)

b) Describe the importance of Break-Even Analysis.

ANSWER ANY FOUR OUT OF SIX QUESTIONS.

(16TH QUESTION IS COMPULSORY AND ANSWER ANY THREE

QUESTIONS FROM Q.NO: 17 TO 21)

(K4) OR (K5)

16. The expenses for the production of 5,000 units in a factory are given as follows:

	Per Unit (Rs.)
Materials	50
Labour	20
Variable Overheads	15
Fixed overheads (Rs. 50,000)	10
Administrative Expenses (5% Variable)	10
Selling Expenses (20% Fixed)	6
Distribution Expenses (10% Fixed)	5
Total Cost of sales per unit	<u>116</u>

You are required to prepare a budget for the production of 7,000 units.

17. Describe the merits and demerits of Management Accounting.

18. With the following ratios and further information given below prepare a trading account, profit & loss account and a balance sheet of Niran Ltd.

- i. Gross profit ratio 25%
- ii. Net profit / sales ratio 20%
- iii. Stock turnover ratio 10
- iv. Net profit / Capital 1/5
- v. Capital to total liabilities 1/2
- vi. Fixed assets / Capital 5/4
- vii. Fixed assets / Total current assets 5/7
- viii. Fixed assets Rs. 10,00,000
- ix. Closing stock Rs. 1,00,000

19. Wear well Ltd. supplies you the following two years balance sheet.

Liabilities	2019	2020	Assets	2019	2020
Share capital	70,000	74,000	Bank balance	9,000	7,800
Bonds	12,000	6,000	Accounts receivable	14,900	17,700
Accounts payable	10,360	11,840	Inventories	49,200	42,700
Provision for doubtful debts	700	800	Land	20,000	30,000
Reserves and surplus	10,040	10,560	Goodwill	10,000	5,000
	1,03,100	1,03,200		1,03,100	1,03,200

Following additional information has also been supplied to you:

1. Dividends amounting to Rs.3,500 were paid during the year 2019.
2. Land was purchased for Rs.10,000
3. Rs.5,000 were written off on goodwill during the year.
4. Bonds of Rs.6,000 were paid during the course of the year.

You are required to prepare a cash flow statement.

(CONTD.....4)

20. Shyam and Co. desires to purchase a business and has consulted you and one point on which you are to advise them is the average amount of working capital which will be required in the first year's working.

You have given the following estimates and instructed to add 10% to your computed figure to allow for contingencies.

(i) Amount blocked up for stocks: Figures for the year

Stocks of finished product Rs. 3,000

Stocks of stores, materials, etc., Rs. 5,000

(ii) Average credit given:

Inland sales 4 weeks credit Rs. 26,000

Export sales— 1.5 weeks credit Rs. 65,000

(iii) Lag in payment of wages and other outputs

Wages — 1.5 weeks Rs. 2,40,000

Stocks of materials, etc. — 1.5 month Rs. 36,000

Rent, Royalties, etc.—4 months Rs. 8,000

Clerical staff— 1.5 month Rs. 60,000

Manager— $\frac{1}{2}$ month Rs. 4,000

Miscellaneous expenses— 1.5 month Rs. 36,000

(iv) Payment in advance

Sundry Expenses (paid quarterly in advance) Rs. 6,000

(v) Undrawn profit on the average throughout the year Rs. 9,000

State your calculations for the average amount of working capital required.

21. In a factory producing two different kinds of articles, the limiting factor is the availability of labour. From the following information, show which product is more profitable:

	Product A Cost per unit (Rs.)	Product B Cost per unit (Rs.)
Materials	5	5
Labour:		
6 Hours @ Rs. 0.50	3	
3 Hours @ Rs. 0.50		1.5
Overhead:		
Fixed (50% of labour)	1.5	0.75
Variable	1.5	1.5
Total Cost	11	8.75
Selling Price	14	11
Profit	3	2.25
Total Production for the month (Units)	500	600

Maximum capacity per month is 4,800 hours.

Give proof in support of your answer.
