LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.B.A. DEGREE EXAMINATION – **BUSINESS ADMINISTRATION**

SIXTH SEMESTER – **APRIL 2013**

BU 6603/BU 6600 - MANAGEMENT ACCOUNTING

Date: 30/04/2013 Dept. No. Max. : 100 Marks

Time: 1:00 - 4:00

PART A

Answer ALL questions

Marks:10x2=20

Explain the following:

1. Acid test ratio.
2. Zero base budget.
3. Overhead expenditure variance.
4. Fund from operations.
5. Margin of safety.
6. From the following calculate earnings per share:
   Net profit after tax Rs.2,00,000
   10% Preference share capital Rs.4,00,000
   Equity share capital Rs.100 each Rs.10,00,000.
7. Calculate fund from operations from the following:
   Net profit during the year Rs.90,000
   Dividend received Rs.7,000
   Depreciation charged Rs.10,000
   Profit on sale of assets Rs.5,000
   Preliminary expenses written off Rs.2,000.
8. Product A requires 10 kgs of material at Rs.4 per kg.The actual material cost of making Product A was 9 kgs at Rs.5 per kg. Calculate material, usage and price variance.
9. An automobile company finds that the cost of making a component is Rs.6, whereas the same item is available in the market at Rs.5.60. The cost data to manufacture the part, comprises of:
   Material Rs.2; Direct Labour Rs.2.50; variable overheads Rs.0.50 and fixed overheads (allocated) Re.1.
   Should the part be made or bought?
10. Sales Rs.25,00,000; PV ratio 40%; Fixed cost Rs.5,00,000.
    Calculate Profit and Margin of Safety.

PART B
Answer ANY FIVE questions

Marks:5x8=40

11. Distinguish between Management Accounting and Financial Accounting.

12. Explain the merits and limitations of Ratio Analysis.

13. . A company produces 3 products, A, B and C, which have the following details:

	A	B	C
Material cost at Rs.5 per kg	40	25	30
Labour cost	20	15	17
Variable overheads	10	5	9
Selling price per unit	100	70	80
Market demand (units)	3000	4000	2000

The company must produce 1000 units of A. The maximum quantity of material available is 37,000 kgs.
What is the product mix to be produced that will maximise profit? If the total fixed expenses are Rs.40,000, what will be the profit for this production.

14. Calculate labor variances from the following data:
Budgeted labor for completing Job X:
8 men at Rs.10 per hour for 20 hours
12 women at Rs.8 per hour for 20 hours
Actual labor for completing Job X:
12 men at Rs.11 per hour for 20 hours
13 women at Rs.7 per hour for 20 hours
Calculate labor cost, efficiency, rate and mix variance.

15. A company expects to sell 100000 tins of product X during the last quarter of 2008 at a selling price of Rs.60 per tin. Each tin requires 1 kg of material A and 2 kgs of material B. Stock levels are planned as follows:

	Stock on 1.10.08	Stock on 31.12.08	Purchase price/kg
Finished tins of X	20000	15000	-
Material A (kgs)	18000	22000	Rs.10
Material B (kgs)	26000	30000	Rs. 8
No. of empty tins	24000	28000	Rs. 2 per tin

The time required to produce 1 tin of X is 20 minutes at Rs.12 per hour. Variable manufacturing overheads are 0.75 per tin and fixed manufacturing overheads are Rs.8000 per month. Variable selling expenses are 25 paise per tin sold and Fixed selling expenses are Rs.12000 per quarter. Prepare for the quarter ended 31.12.2008

(a) production budget
(b) purchase budget
(c) variable manufacturing cost per tin of product X.

16. Prepare a Balance Sheet from the following data:
    Gross profit ration 20%
    Debtors turnover 6 times
    Fixed assets to net worth 0.80
    Reserves to share capital 0.50
    Current ratio 2.5
    Liquid ratio 1.5
    Net working capital Rs.3,00,000
    Stock turnover 6 times

17. The following is budgeted cost per unit for the production of 5000 units at 50% capacity.

Material	Rs.20
Labor	Rs.10
Factory overheads	Rs. 5 (20% fixed)
Administration overheads	Rs. 4 (fixed)
Selling overheads	Rs. 2 (40% variable)

Prepare a budget for a production of 8,000 units and calculate the budgeted profit, if the selling price is Rs.60 per unit.

18. From the following prepare income statement and calculate the following ratios:
    i) Operating ratio
    ii) Operating profit ratio
    iii) Net profit ratio
    iv) Interest coverage ratio

Sales Rs.10,00,000
Opening stock Rs.2,00,000
Purchases Rs.6,00,000
Purchase return Rs.1,50,000
Closing stock Rs.50,000
Administration expenses Rs.60,000
Selling expenses Rs.40,000
Interest Rs.1,50,000
Provision for tax Rs.50,000

PART C

Answer ANY TWO questions

Marks:2x20=40

19. The sales turnover and profit during 2 years were as follows:

Year	Sales(Rs.)	Profit(Rs.)
2011	1,50,000	20,000
2012	1,70,000	28,000

Assuming that selling price per unit, variable cost per unit and the total fixed cost for the two years remain the same, calculate:

a) PV ratio
b) Break even sales
c) Sales to earn a profit of Rs.40,000
d) Profit when sales are Rs.2,60,000
e) Margin of safety when profit is Rs.50,000
f) New break even sales when selling price is reduced by 20%

20. X Ltd., gives you the following budgeted data from which you are required to prepare a cash budget for the months of April and May 2012.

Month	Sales(Rs)	Purchases(Rs)	Wages(Rs)	Production Overheads(Rs)
February	60,000	30,000	20,000	10,000
March	70,000	40,000	25,000	12,000
April	90,000	50,000	30,000	15,000
May	1,00,000	50,000	30,000	14,000

a) 50% of the sales are for cash. Credit sales are collected as follows: 60% in the month following the sale, 30% in the next month following and 10% are bad debts.
b) 20% of the purchases are for cash. Suppliers allow 1 month credit.
c) Lag in payment of wages ½ month.
d) Production overheads are payable in the same month and include Rs.2,000 p.m. as depreciation.
e) Fixed deposit of Rs.20,000 along with Rs,2,000 interest will mature in May.
f) A computer costing Rs.30,000 is to be bought in April on a down payment of Rs.5,000 and the balance with interest in five equal instalments of Rs.6,000 each, payable at the end of each month, including the month of purchase.
g) Budgeted cash balance on 1st April 2012 Rs.40,000/-

21. From the following Balance sheets on 31/12/2011 and 31/12/2012 prepare a Fund Flow statement:

Liabilities	2011(Rs)	2012(Rs)	Assets	2011(Rs.)	2012(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
Creditors	1,68,000	1,34,000	Debtors	2,10,000	4,55,000
Mortgage loan	20,000	2,70,000	Bank	1,49,000	1,97,000
Tax provision	55,000	10,000			
	10,49,000	12,42,000		10,49,000	12,42,000

Additional information:

i) Investments costing Rs.8,000 were sold during the year for Rs.8,500.
ii) Depreciation charged on Fixed assets was Rs.70,000
iii) Provision for tax made during the year was Rs.10,000.
iv) During the year part of the fixed assets whose book value was Rs.10,000 were sold for Rs.12,000 and profit was included in Profit and Loss account.
v) Dividend paid during the year amounted to Rs.40,000.

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