

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – CORPORATE SECRETARYSHIP

SIXTH SEMESTER – APRIL 2010

BC 6600/CR 6600 - MANAGEMENT ACCOUNTS

Date & Time: 15/04/2010 / 9:00 - 12:00 Dept. No.

Max. : 100 Marks

PART – A

Answer ALL questions.

(10 x 2 = 20 marks)

- Bring out any four differences between Management Accounting and Financial Accounting.
- What is "zero-based budget"?
- List any two advantages and any two limitations of Ratios.
- What is Variance Analysis?
- What is Marginal Costing?
- Working Capital : Rs. 1,50,000 ; Current Ratio 2.5 : 1. Calculate Current Assets and Current Liabilities.
- Calculate the Stock Turnover Ratio.
Opening Stock Rs. 6,000 Closing Stock Rs. 8,000
Sales Rs. 1,00,000 Gross Profit 30% on sales
- Calculate Funds from operations. Net Profit Rs. 50,000; Depreciation Rs. 10,000 ; Goodwill written off Rs. 5,000 Profit on sale of asset Rs. 2,000
- Calculate Earnings per Share (EPS) from the following data :
Net profit before tax Rs. 1,00,000
Tax 50% on Net Profit
10% Preference Share Capital (of Rs. 10 each) Rs. 1,00,000
Equity Share Capital (Rs. 10 per share) Rs. 1,00,000
- From the following data calculate a) p/v ratio b) Profit
Sales-Rs 20,000; Fixed expenses- Rs 4,000; Break even point Rs 10,000.

PART – B

Answer Any FIVE questions.

(5 x 8 = 40 marks)

- Discuss the advantages and limitations of budgetary control.
- What are liquidity and long term solvency ratios? Explain the importance of each of them.
- Define Management Accounting. Explain the functions of Management Accounting.
- From the following information, calculate Break-even point and Margin of Safety..
Selling Price: Rs. 10 Variable Cost: Rs. 6
Fixed Cost : Rs. 60,000 Current Sales: 20,000 units
Also find out the revised BEP and Margin of Safety in the following cases :
a) Effect of 20% increase in selling price
b) Effect of 10% increase in fixed cost
- The Production Manager of Alec and Co desires to maintain an inventory of raw material equal to the budgeted production needs for the next 2 months. Each unit of product takes 10 kg. of raw material. Inventory of finished goods is usually maintained at one and half times of the following month's sales ; the forecast sales of 6 months of next year, in units are as follows :
January → 3,600; February → 4,200; March → 3,200;
April → 4,800; May → 5,600; June → 3,800;
On 31st December of the last year, there were 80,000 kg. of raw material on hand and 5,600 units on finished goods. Prepare
(i) budget for production and
(ii) budget for purchases of raw materials in units for as many months as possible
- From the following Income Statement of Essar Ltd., compute the Profitability Ratios.

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 Gross Profit c/d	5,20,000		
	<u>19,20,000</u>		<u>19,20,000</u>
To Administration Expenses	1,20,000	By Gross Profit b/d	5,20,000
To Selling Expenses	80,000	By Dividend	4,000
To Finance Expenses	40,000		
To Loss on Sale of Assets	5,000		
To Net profit	2,79,000		
	<u>5,24,000</u>		<u>5,24,000</u>

(P.T.O)

17. It is estimated that a product requires 100 kg of materials at the rate of Rs.5 per kg. The actual consumption of materials for manufacturing the same product came to 120 kg at the rate of Rs. 4.70 per kg. Calculate Material Cost, Price and Usage variances.
18. Prepare a flexible budget for production of 80% and 100% activity on the basis of the following information :
- | | | | |
|----------------------------|---------------------------|-----------------|-----------------|
| Production at 50% capacity | 5,000 units | Raw materials | Rs. 80 per unit |
| Direct labour | Rs 50 per unit | Direct Expenses | Rs. 15 per unit |
| Factory expenses | Rs. 50,000 (50% fixed) | | |
| Administration expenses | Rs. 60,000 (60% variable) | | |

PART – C

Answer Any TWO questions.

(2 x 20 = 40 marks)

19. From the following comparative Balance Sheet of SKF Ltd as on June 30, 2006 and June 30, 2007, prepare
- A statement of changes in working capital and
 - Funds flow statement

Liabilities	2006 Rs.	2007 Rs.	Assets	2006 Rs.	2007 Rs.
Share Capital	1,80,000	2,00,000	Goodwill	24,000	20,000
Reserve Fund	28,000	36,000	Buildings	80,000	72,000
P & L A/c	39,000	24,000	Machinery	74,000	72,000
Trade creditors	16,000	10,800	Investments	20,000	22,000
Bank overdraft	12,400	2,600	Inventories	60,000	50,800
			Debtors	40,000	44,400
Provision for taxation	32,000	34,000	Cash	13,200	30,400
Provision for doubtful debts	3,800	4,200			
	3,11,200	3,11,600		3,11,200	3,11,600

Additional Information:

- Depreciation charged on machinery was Rs. 8,000, and on building, Rs. 8,000
 - Interim dividend paid on January 2007 was Rs. 15,000
 - Provision of Rs. 10,000 was made for taxation during the year ending 30th June 2007
20. From the following, Compute a) Labour Cost Variance b) Labour Rate Variance
d) Labour Efficiency Variance d) Labour mix Variance.

A gang of workers consisting of 30 men, 20 women and 10 boys worked as a team. They are paid on an hourly basis @ Rs.150, Rs.100 and Rs.75 for men, women and boys respectively. During the 40 hours week, the gang has completed the given job; the following are the actual figures:

gang members	hours taken during 40 hrs weeks	wages paid
Men	1,400	175
Women	1,200	110
Boys	200	80

21. A company wishes to arrange overdraft facilities with its bankers during the period April to June when it will be manufacturing most for stock. Prepare cash budget for the above period from the following data, indicating the extent of bank facilities the company will require at the end of each month :

	Sales (Rs.)	Purchases (Rs.)	Wages (Rs.)
February	1,80,000	1,24,800	12,000
March	1,92,000	1,44,000	14,000
April	1,08,000	2,43,000	11,000
May	1,74,000	2,46,000	10,000
June	1,26,000	2,68,000	15,000

50% of sales are realized in the month following sales and the remaining 50% in the second month following. Creditors are paid in the month following the month of purchase. Wages -- half month lag.

Cash at bank on 1st April Rs. 25,000. Income Tax Rs. 23,000 to be paid in June.

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