

CO 3902 – PRINCIPLES OF MANAGEMENT ACCOUNTING

SECTION – A

ANSWER ALL THE QUESTIONS

(10 X 2 = 20 MARKS)

1. Define 'Accounting'.
2. State any two characteristics of Accounting.
3. What is budgeting?
4. What is EPS?
5. What is working capital?
6. The following budget estimates are available from a factory working at 50% of its capacity.

| | |
|------------------------|------------|
| Variable expenses | Rs. 60,000 |
| Semi variable expenses | Rs. 20,000 |
| Fixed expenses | Rs. 10,000 |

Prepare a budget for 75% of the capacity assuming that semi-variable expenses increased by 10% for every 25%.
7. Calculate average collection period from the following:

| | Rs. |
|---------------------------|--------|
| Credit sales for the year | 30,000 |
| Debtors | 2,500 |
| Bills receivable | 3,000 |
8. State the effect on working capital caused by the following:
 - (a) Increase in cash Rs. 1,700
 - (b) Increase in stock Rs. 1,600
 - (c) Decrease in debtors Rs. 500
 - (d) Decrease in creditors Rs. 2,500
9. Calculate the value of furniture purchased from the following details:

| | |
|----------------------|--------------|
| Opening balance | Rs. 2,00,000 |
| Closing balance | Rs. 3,00,000 |
| Depreciation charged | Rs. 40,000 |
10. A project cost Rs.15,60,000 and yields annually a profit of Rs. 2,70,400 after depreciation of 12% p.a. but before tax at 25%. Calculate pay-back period.

SECTION – B

ANSWER ANY FOUR QUESTIONS

(4 x 10 = 40 MARKS)

11. Explain the characteristics of management accounting.
12. Differentiate between funds flow statement and cash flow statement.
13. Explain the different kinds of budget.
14. Pankaj Ltd., sells goods on cash as well as on credit basis. The following information is extracted from their books of accounts for 1993:

| | Rs |
|--|----------|
| Total sales. | 1,00,000 |
| Cash sales (included in the above) | 20,000 |
| Sales return | 7,000 |
| Total debtors for sales as on 31-12-1993 | 9,000 |
| Bills receivable as on 31-12-1993 | 2,000 |
| Provision for doubtful debts | 1,000 |
| Trade creditors as on 31-12-1993 | 10,000 |

You are required to calculate

- (a) Debtors turnover ratio
- (b) The average collection period

15. For the production of 10,000 automatic electrical goods the following are budgeted expenses.

| Particulars | Per Unit Rs. |
|---|-----------------|
| Direct material | 60 |
| Director labour | 30 |
| variable overheads | 25 |
| Fixed overheads (Rs.1,50,000) | 15 |
| Variable expenses (direct) | 5 |
| Selling expenses (10% fixed) | 5 |
| Administration expenses (Rs.50,000 fixed) | 5 |
| Distribution expenses (20% fixed) | 5 |
| Total cost | 150 |

Prepare a budget for the production of 6,000 electrical goods

16. From the following two balance sheets you are required to prepare a statement of Sources and Application of funds:

| Liabilities | 2004 Rs. | 2005 Rs. | Assets | 2004 Rs. | 2005 Rs. |
|-----------------|-------------|-------------|---------|-------------|-------------|
| Share capital | 40,000 | 45,000 | Cash | 30,000 | 47,000 |
| Trade creditors | 10,000 | 23,000 | Debtors | 1,20,000 | 1,15,000 |
| P & L A/c | 2,30,000 | 2,50,000 | Stock | 80,000 | 90,000 |
| | | | Land | 50,000 | 66,000 |
| | 2,80,000 | 3,18,000 | | 2,80,000 | 3,18,000 |

17. A company is considering investment of Rs. 10,00,000 in a project. The following are the income forecast, after depreciation and tax:

| Year | Rs |
|-----------------------------|----------|
| 1 st year loss | 1,00,000 |
| 2 nd year profit | 3,00,000 |
| 3 rd year profit | 4,00,000 |
| 4 th year profit | 2,00,000 |
| 5 th year profit | 2,00,000 |

Calculate the accounting rate of return

- (a) On original investment method
- (b) On average investment method

SECTION – C

ANSWER ANY TWO QUESTIONS

(2 x 20= 40 MARKS)

18. Describe the different ways of classifying ratios and their respective purposes.

19. Ram Company wishes to arrange O.D facilities with its bankers during the period April – June, when it will be manufacturing mostly for stock.

| Months | 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 |

- i) 50% of credit sales is realized in the month following the sale and the other 50% in the second month following. Creditors are paid in the month following the month of purchase.
- ii) Wages are paid at the end of the respective month.
- iii) Cash at bank 1st April Rs. 25,000.

20. The following are the extract from the financial statements of Jaiv Ltd., as on 31-3-2008 and 2009 respectively.

| Particulars | 31-3-2008 Rs. | 31-3-2009 Rs. |
|--------------------------------|------------------|------------------|
| Stock | 10,000 | 25,000 |
| Debtors | 20,000 | 20,000 |
| Bills receivable | 10,000 | 5,000 |
| Advances (recoverable in cash) | 2,000 | - |
| Cash | 18,000 | 15,000 |
| Creditors | 25,000 | 30,000 |
| Bills payable | 15,000 | 20,000 |
| Bank overdraft | - | 2,000 |
| 9% debentures | 5,00,000 | 5,00,000 |
| Sales for the year | 3,50,000 | 3,00,000 |
| Gross profit | 70,000 | 50,000 |

You are required to compute for both the years

- (i) Current ratio
- (ii) Liquid ratio
- (iii) Stock turnover ratio
- (iv) Debtors turnover ratio
- (v) Gross profit ratio and
- (vi) Stock working capital ratio

21. From the following Balance Sheets as on 31st December, prepare a cash flow statement

| Liabilities | 31-12-05 | 31-12-06 | Assets | 31-12-05 | 31-12-06 |
|-------------------------|-----------------|-----------------|------------------|-----------------|-----------------|
| Share capital | 1,00,000 | 1,50,000 | Fixed Assets | 1,00,000 | 1,50,000 |
| P & L A/c | 50,000 | 80,000 | Goodwill | 50,000 | 40,000 |
| General Reserve | 30,000 | 40,000 | Inventories | 50,000 | 80,000 |
| 16% Bonds | 50,000 | 60,000 | Debtors | 50,000 | 80,000 |
| Sundry Creditors | 30,000 | 40,000 | Bills Receivable | 10,000 | 20,000 |
| Expenses outstanding | 10,000 | 15,000 | Bank | 10,000 | 15,000 |
| | 2,70,000 | 3,85,000 | | 2,70,000 | 3,85,000 |