



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.C.A. DEGREE EXAMINATION – COMPUTER APPLICATIONS

THIRD SEMESTER – NOVEMBER 2016

CO 3902 - PRINCIPLES OF MANAGEMENT ACCOUNTING

Date: 12-11-2016
Time: 09:00-12:00

Dept. No.

Max. : 100 Marks

SECTION – A

ANSWER ALL THE QUESTIONS

(10 X 2 = 20)

1. Define 'Management Accounting'.
2. State any two benefits of Accounting.
3. What is capital budgeting?
4. What is ROI?
5. List out any two sources of funds.
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 (60% Fixed)

Fixed expenses Rs. 10,000

Prepare a budget for 75% of the capacity.

7. Find out fixed assets and gross profit from the following information:

Sales Rs.10,00,000

Gross Profit Ratio 25%

Fixed assets turnover ratio (on cost of sales) 50 times

8. Prepare a production budget from the following information:

| Products | Estimated stock on 1.9.2014 (units) | Estimated sales during September to March 2014 (units) | Desired closing stock on 31.12.2014 (units) |
|----------|-------------------------------------|--|---|
| R | 2,000 | 10,000 | 3,000 |
| S | 3,000 | 15,000 | 5,000 |
| U | 4,000 | 13,000 | 3,000 |
| P | 3,000 | 12,000 | 2,000 |

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 costs Rs.5,00,000 and yields annually a profit of Rs.80,000 after depreciation of 12% p.a. but before tax at 50%. Calculate pay-back period.

SECTION – B

ANSWER ANY FOUR QUESTIONS

(4 x 10 = 40 MARKS)

11. What are the differences between Management Accounting and Financial Accounting?
12. Differentiate between funds flow statement and cash flow statement.
13. Explain the different methods of capital budgeting.
14. From the following Balance Sheet, calculate:

- a) Current Ratio
- b) Liquid Ratio
- c) Debt-Equity Ratio
- d) Proprietary Ratio

Balance Sheet of Exe Ltd. As on 31-12-2012

| Liabilities | Rs. | Assets | Rs. |
|--------------------|------------------|---------------|------------------|
| Share Capital | 5,00,000 | Fixed Assets | 14,00,000 |
| Reserve | 3,00,000 | Stock | 5,00,000 |
| 6% debentures | 11,00,000 | Debtors | 2,00,000 |
| Bank overdraft | 1,00,000 | Cash | 1,00,000 |
| Creditors | 2,00,000 | | |
| | 22,00,000 | | 22,00,000 |

15. Prepare a schedule of changes in working capital from the balance sheet given below:

BALANCE SHEET

| Liabilities | 2006 (Rs.) | 2007(Rs.) | Assets | 2006(Rs.) | 2007(Rs.) |
|--------------------|-------------------|------------------|---------------|------------------|------------------|
| Share capital | 50,000 | 70,000 | Building | 8,000 | 12,000 |
| General Reserve | 5,000 | 7,000 | Stock | 10,000 | 8,000 |
| Profit & loss A/c | 10,000 | 16,000 | Debtors | 12,000 | 16,000 |
| Sundry Creditors | 16,000 | 19,000 | Cash | 5,000 | 9,000 |
| Bills payable | 4,000 | 3,000 | Machinery | 50,000 | 70,000 |
| Total | 85,000 | 1,15,000 | Total | 85,000 | 1,15,000 |

16. Prepare flexible budget for production of 80% and 100% level 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% Fixed) |

17. The sales and profit for 2014 and 2015 are as follows:

| Year | Sales Rs. | Profit Rs. |
|-------------|------------------|-------------------|
| 2014 | 1,50,000 | 20,000 |
| 2015 | 1,70,000 | 25,000 |

Find out:

- P/V Ratio
- BEP
- Sales for a profit of Rs.40,000
- Profit for sales of Rs.2,50,000 and
- Margin of Safety at a profit of Rs.50,000.

SECTION – C

ANSWER ANY TWO QUESTIONS

(2 x 20= 40 MARKS)

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

| Details | 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 Per Unit | 116 |

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

19. The following are the summarized P & L A/C of Priya Ltd., for the year ending 31.12.2015 and

Balance Sheet as on that date:

| Profit and Loss Account | | | |
|------------------------------------|-----------------|-----------------------------|-----------------|
| Dr. | Cr. | | |
| Particulars | Rs. | Particulars | Rs. |
| To Opening Stock | 49,750 | By Sales | 4,25,000 |
| To Purchases | 2,72,625 | By Closing Stock | 74,500 |
| To Incidental expenses | 7,125 | | |
| To Gross Profit | 1,70,000 | | |
| Total | 4,99,500 | Total | 4,99,500 |
| To Administrative expenses | 75,000 | By Gross Profit | 1,70,000 |
| To Selling & Distribution expenses | 15,000 | By Interest | 1,500 |
| To Other operating expenses | 7,500 | By Profit on sale of shares | 3,000 |
| To Loss on sale of assets | 2,000 | | |
| To Net Profit | 75,000 | | |
| Total | 1,74,500 | Total | 1,74,500 |

Balance Sheet

| Liabilities | Rs. | Assets | Rs. |
|--|----------|---------------------|----------|
| Issued capital: 2000 shares of Rs.50 each | 1,00,000 | Land and Building | 75,000 |
| Reserves | 45,000 | Plant and Machinery | 40,000 |
| Current Liabilities | 65,000 | Stock | 74,500 |
| Profit and Loss Account | 30,000 | Debtors | 35,500 |
| | | Cash at bank | 15,000 |
| Total | 2,40,000 | TOTAL | 2,40,000 |

From the above you are required to calculate the following:

- i) Current ratio
- ii) Operating ratio
- iii) Return on net worth
- iv) Return on total resources
- v) Stock turnover ratio
- vi) Turnover of fixed assets.

20. Pandian Ltd requests you to assess the causes for its Growing Bank overdraft in spite of profitable working. The following are their Balance Sheets for the years 2014 and 2015:

Balance Sheet

| Liabilities | 2014 Rs. | 2015 Rs. | Assets | 2014 Rs. | 2015 Rs. |
|------------------------------------|-------------|-------------|---------------------|-------------|-------------|
| Share Capital | 2,00,000 | 2,00,000 | Land | 50,000 | 80,000 |
| P & L A/C | 50,000 | 1,60,000 | Buildings (at cost) | 1,50,000 | 2,90,000 |
| Current liabilities | 60,000 | 80,000 | Machinery (at cost) | 2,00,000 | 2,10,000 |
| Bank Overdraft | 30,000 | 2,40,000 | Stock | 1,00,000 | 2,50,000 |
| Proposed dividend | 1,50,000 | 1,80,000 | Debtors | 90,000 | 1,50,000 |
| <u>Provision for Depreciation:</u> | | | | | |
| On Building | 40,000 | 50,000 | | | |
| On Machinery | 60,000 | 70,000 | | | |
| Total | 5,90,000 | 9,80,000 | Total | 5,90,000 | 9,80,000 |

Additional information:

- a) During the year 2015, a machine costing Rs.50,000, accumulated depreciation being Rs.20,000 was sold for Rs.25,000.
- b) In April 2015, the dividend proposed in 2014 was paid.

21. A firm expects to have Rs.30,000 on 1st May 2016 and requires you to prepare an estimate of the cash position during the 3 months May to July 2016. The following information is supplied to you.

| Months | Sales (Rs) | Purchases (Rs) | Wages (Rs) | Factory Exp. (Rs) | Office Exp. (Rs) | Selling Exp. (Rs) |
|---------------|-----------------------|---------------------------|-----------------------|------------------------------|-----------------------------|------------------------------|
| March | 40,000 | 24,000 | 6,000 | 3,000 | 4,000 | 3,000 |
| April | 46,000 | 28,000 | 6,500 | 3,500 | 4,000 | 3,500 |
| May | 50,000 | 32,000 | 6,500 | 4,000 | 4,000 | 3,500 |
| June | 72,000 | 36,000 | 7,000 | 4,400 | 4,000 | 4,000 |
| July | 84,000 | 40,000 | 7,250 | 4,250 | 4,000 | 4,000 |

Other information:

- i. 25% of the sale is for cash, remaining amounts is collected in the month following that of sale.
- ii. Suppliers supply goods on two months credit.
- iii. Delay in payment of wages and all other expenses : One month
- iv. Income tax of Rs.10,000 is due to be paid in July.
- v. Preference share dividend of 10% on Rs.1,00,000 is to be paid on May.
