



**LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034**

**P.G. DEGREE EXAMINATION – COMPUTER APPLICATIONS & COMMERCE**

**THIRD SEMESTER – APRIL 2018**

**16PCA3MC03/CO 3902 - PRINCIPLES OF MANAGEMENT ACCOUNTING**

Date: 05-05-2018

Dept. No.

Max. : 100 Marks

Time: 01:00-04:00

**SECTION – A**

**ANSWER ALL THE QUESTIONS**

**(10 X 2 = 20)**

1. What is pay-back period?
2. State any two benefits of Management Accounting.
3. What is meant by working capital?
4. What is Return on Capital Employed?
5. List out any two applications of fund.
6. Find out fixed assets and gross profit from the following information:  
Sales Rs.5,00,000; Gross Profit Ratio 25%  
Fixed assets turnover ratio (on cost of sales) 5 times
7. A project costs Rs.4,50,000 and yields annual profits of s.75,000, Rs.78,000, Rs.82,000 Rs.90,000  
Rs.95,000 Rs.105,000. Calculate its pay-back period.
8. The following budget estimates are available from a factory working at 60% of its capacity. Variable  
expenses Rs.40,000; Semi variable expenses Rs.15,000 (50% Fixed)  
Fixed expenses Rs.8,000. Prepare a budget for 75% of the capacity.
9. Prepare a production budget from the following information:

Products	Estimated stock on 1.9.2015 (units)	Estimated sales during September to March 2015 (units)	Desired closing stock on 31.12.2015 (units)
R	3,000	12,000	4,000
S	4,000	16,000	5,000
U	5,000	14,000	4,000
P	4,000	13,000	3,000

10. 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

**SECTION – B**

**ANSWER ANY FOUR QUESTIONS**

**(4 x 10 = 40)**

11. What are the differences between Cost Accounting and Management Accounting?
12. What are importance of cash flow statement?
13. Briefly explain the different methods of 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**

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
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**

<b>Liabilities</b>	<b>2006 (Rs.)</b>	<b>2007(Rs.)</b>	<b>Assets</b>	<b>2006(Rs.)</b>	<b>2007(Rs.)</b>
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
<b>Total</b>	<b>85,000</b>	<b>1,15,000</b>	<b>Total</b>	<b>85,000</b>	<b>1,15,000</b>

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.70 per unit
Direct Labour	Rs.40 per unit
Direct expenses	Rs.25 per unit
Factory Expenses	Rs.60,000 (60% Fixed)
Administration Expenses	Rs.40,000 (50% Fixed)

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

<b>Year</b>	<b>Sales Rs.</b>	<b>Profit Rs.</b>
2016	1,20,000	25,000
2017	1,40,000	30,000

Find out:

- P/V Ratio
- BEP
- Sales for a profit of Rs.60,000
- Profit for sales of Rs.1,80,000 and
- Margin of Safety at a profit of Rs.40,000.

**SECTION – C**

**ANSWER ANY TWO QUESTIONS**

**(2 x 20= 40)**

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

Details	Per Unit(Rs.)
Materials	40
Labour	25
Variable Overheads	15
Fixed Overheads (Rs.50,000)	10
Administrative expenses (5% variable)	10
Selling expenses (20% fixed)	5
Distribution expenses (10% fixed)	5
<b>Total Cost Per Unit</b>	<b>110</b>

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 31.12.2016 and Balance Sheet as on that date:

Dr.	Profit and Loss Account		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		
<b>Total</b>	<b>4,99,500</b>	<b>Total</b>	<b>4,99,500</b>
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		
<b>Total</b>	<b>1,74,500</b>	<b>Total</b>	<b>1,74,500</b>

**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
<b>Total</b>	<b>2,40,000</b>	<b>Total</b>	<b>2,40,000</b>

From the above you are required to calculate the following:

- i) Current ratio
- ii) Operating cost ratio
- iii) Return on net worth
- iv) Expenses ratio
- v) Stock turnover ratio

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	3,00,000	3,20,000	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
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.40,000, was sold for Rs.25,000.
- b) In April 2015, the dividend proposed in 2014 was paid.

21. A firm expects to have Rs.24, 000 on 1<sup>st</sup> May 2017 and requires you to prepare an estimate of the cash position during the 3 months May to July 2017. The following information is supplied to you.

Months	Sales (Rs)	Purchases (Rs)	Wages (Rs)	Factory Exp. (Rs)	Office Exp. (Rs)	Selling Exp. (Rs)
March	44,000	25,000	6,000	3,000	5,000	3,000
April	50,000	26,000	6,500	3,500	5,000	3,500
May	54,000	33,000	6,500	4,000	5,000	3,500
June	74,000	36,000	7,000	4,400	5,000	4,000
July	87,000	39,000	7,250	4,250	5,000	4,000

Other information:

- i. 50% 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. Preference share dividend of 10% on Rs.80,000 is to be paid on May.

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