D.K.M.COLLEGE FOR WOMEN (AUTONOMOUS),VELLORE-1.

III B.COM (CA)

MANAGEMENT ACCOUNTING

SECTION –A 2 MARKS

1. Define Management Accounting.
2. Write any 5 objectives of Management Accounting.
3. What are the uses of Management Accounting.
4. What is meant by financial statement?
5. What is "Common size Statement?
6. List out the tools of financial statement Analysis.
7. Explain " Trend Analysis."
8. What is 'Ratio Analysis'?
9. What are profitability ratios?
10. What is "Debt Equity Ration"?
11. Explain the meaning of R.O.I?
12. Calculate current ration from the following

Cash. Rs.18,000	Creditors Rs.50,000
Debtors Rs.1,42,000	Out standing expenses Rs.15,000
Closing stock Rs.1,80,000	Tax payable Rs.75,000
Bills Payable Rs.27,000	

13. What is working Capital?
14. Explain the concept of "flow of funds".
15. What is "Funds from Operations"?
16. What are the objectives of Funds flow statement?
17. What are the benefits of funds flow statement?
18. Write any few limitations of funds flow statement?
19. What is "Schedule of changes in Working capital".
20. Explain the meaning of "Current Asset" and "Current liabilities."
21. Explain the meaning of "Cash flow"
22. What is a "Cash flow statement"?
23. Explain the meaning of "cash" and "cash equivalent" as per AS-3.

24. What is a “Budget”?
25. What is meant by “Budgeting”?
26. Define”Budgetary Control”.
27. What is “Forecasting’?
28. What is “Master Budget”?
29. What is “Z.B.B”?
30. What is a “Flexible Budget?
31. What are controls Ratio?
32. Define “Capital Budgeting”.
33. Explain the meaning of “pay-book” period.
34. What is “Discounted pay-back”?
35. What is “Capital Rationing”?
36. What do you understand by “ Net present value”
37. What is decision tree Analysis?
38. Describe “ Sensitivity Analysis”
39. What is Accounting rate of return?
40. What is the importance of “Capital Budgeting”?

SECTION –B 5 MARKS

1. Write the Nature and characteristics of Management Accounting.
2. Mention the scope of Management Accounting.
3. Discuss the Nature and Importance of Financial statements.
4. Write the limitations of financial statement analysis.
5. Basker & co.Ltd., Furnished the following Balance sheets for the years 1997 and 1998. Prepare common size balance sheets.

Balance sheets

Liablities	**1997 Rs.**	**1998 Rs.**	**Assets**	**1997 Rs.**	**1998 Rs.**
Share Capital	2,00,000	3,00,000	Buildings	4,00,000	4,00,000
Reserves	6,00,000	7,00,000	Machinery	6,00,000	10,00,000
10% Debentures	2,00,000	3,00,000	Stock	2,00,000	3,00,000
Creditors	3,00,000	5,00,000	Debtors	2,00,000	8,50,000

Bills payable Tax payable	1,00,000 1,00,000	80,000 1,20,000	Cash at Bank	1,00,000	50,000
TOTAL	**15,00,000**	**20,00,000**		**15,00,000**	**20,00,000**

6. Calculate stock turnover rations:

Sales	39,984
Sales returns	380
Opening stock at cost	1,378
Closing Stock at cost	1,814
Total Gross profit	8,068

7. Calculate a) Debtors/ Receivables turnover ratio and
   b) The average collection period.

	Rs.
Total Sales	1,00,000
Cash sales (Included in the above)	20,000
Sales returns	7,000
Total debtors for sales As on 31.12.1993	9,000
Bills receivables as on 31.12.1993	2,000
Provision for doubtful debts	1,000
Trade creditors as on 31.12.93	10,000

8. Find out creditors from the following:

Purchase	Rs.14,00,000
Cash purchases	Rs.2,00,000
Bills payable	Rs. 50,000

   Creditors turnover 2 months

9. Given:

   Current ration = 2.8

   Acid- test ration =1.5

   Working Capital = Rs.1,62,000

Calculate

a) Current assets c) Current liabilities

b) Current liabilities d) Stock

10. What do you understand by "Funds" and "Funds flow"?
How do you analyses the "Flow of funds"?
11. What is "Funds flow statement and Balance sheet"? Explain its various uses.
12. Distinguish between Funds flow statement and Balance sheet.
13. Distinguish between Funds flow and cash flow statement.
14. Explain the sources and applications of funds
15. Prepare schedules of changes in working capital from the following Balance sheets.

Balance sheets

Liablities	**1997 Rs.**	**1998 Rs.**	**Assets**	**1997 Rs.**	**1998 Rs.**
Share Capital	50,000	50,000	Fixed assets	18,000	28,000
10% Debentures	10,000	20,000	Investments:		
Bills payable	18,000	6,000	Non- trading	10,000	10,000
Outstanding			Trading	8,000	9,000
expenses	6,000	9,000	Inventories	12,000	18,000
Trade creditors	33,000`	40,000	Trade Debtors	40,000	48,000
			Accrued interest	4,000	6,000
			Unexpired	-	
			insurance		3,000
			Cash at Bank	17,000	2000
			Cash in hand	8000	1000
TOTAL	**1,17,000**	**1,25,000**		**1,17,000**	**1,25,000**

16. Calculate Funds from operations from the following profit & loss A/c

Profit & Loss a/c

Particulars	Rs.	Particulars	Rs.
To Expenses paid	3,00,000	By Gross profit	4,50,000
To Depreciation	70,000		
To Loss on Sale of machine	4,000	By Gain on sale of land	60,000
To Discount	200		
To Goodwill	20,000		
To Net Profit	1,15,800		
TOTAL	**5,10,000**		**5,10,000**

17. Ascertain Net profit before tax and extra ordinary items for the year 2003. (As per As 3)

	2002 (Rs)	2003(Rs)
General Reserve	2,00,000	3,50,000
Profit and loss Account	1,50,000	2,40,000
Proposed dividend	2,10,000	2,50,000
Provision for Taxation	20,00,000	2,50,000

An interim dividend of Rs.1,00,000 was paid during 2003. Income Tax paid in 2003 was Rs.175000. A Compensation of Rs,1,30,000 was received from Government on account of riots.

18. Prepare a Production budget of sales corporation for the year ended on 30th June 2007.

Product	Sales (Unit) As per sales budget	Estimated stock	
		1.7.06	1.7.07
A	1,50,000	14,000	15,000

B	1,00,000	5,000	4,500
C	70,000	8,000	8,000

19. A Manufacturing Company submits the following figures of " Product X" for the first quarter of 2003:

    Sales (in Units)

January	-	50,000
Febrauary	-	40,000
March	-	60,000

    Selling price per unit Rs.100.

    Target of first quarter 2004.

    Sales units increase by 20%

    Selling price increase by 10%

    Prepare the Sales Budget.
20. What is Capital Budgeting? What are its objectives?
21. Explain the various methods Evaluating Capital expenditure.
22. Briefly explain the important methods of Ranking investment proposals.
23. Describe the Various techniques used for Incorporating risk factor in decision making process.
24. An Investment of Rs.10,000 (haring scrap value of Rs.500) Yield the following returns:

YEARS	**YIELDS**
1	4000
2	4000
3	3000
4	3000
5	2000

    The cost of capital is 10% Is the investment desirable? Discuss it according to net present value method assuming the P.V.Facators for 1st, 2nd, 3rd, 4th and 5 th Years-0.909, 0.826, 0.751, 0.673, 0.621.

25. Calculate discounted pay-back period from the details given below:

Cost of Project Rs.6,00,000, Life of the Project 5 years, Annual cash inflow Rs.2,00,00, Cut-off rate 10%.

Years	Discounting factor
1	0.909
2	0.826
3	0.751
4	0.683
5	0.621

26. Calculate present value factors @ 10% p.a for a period of 5 years.

27. A Project requires investment of Rs. 1,00,000 initially. It is estimated to provide annual net cash inflows of Rs.40,000 for a period of 8 years.
The Company's cost of capital is 10%

Ascertain the Net present value of the project. Reference to annuity table shows present value of Rs.1 for 8 years @ 10% p.a. interest is Rs.5,335.

28. A Project cost Rs.15,60,000 and Yields annually profit of Rs.2,70,400 after depreciation of 12% p.a but before tax @ 25%.

29. Evaluate the following two project on pay-book period criterion and on post pay-back profitability criterion:

	PROJECT 'X' Rs.	PROJECT 'Y' Rs.
Original investment	35,000	15,000
Annual cash inflows	15,000	7,500
Economic life of project	7 Years	3 Years

30. Each of the following projects requires a cash outlay of Rs.10,000. You are required to suggest which project should be accepted if the standard pay-back period is 5 years.

Cash inflows

YEAR	PROJECT'X' (Rs.)	PROJECT 'Y' (Rs.)	PROJECT'Z' (Rs.)
1	2500	4000	1000
2	2500	3000	2000
3	2500	2000	3000
4	2500	1000	4000
5	2500	-	-

SECTION – C (10 MARKS)

1. Describe the Objectives & Function of Management Accounting.
2. State the Merits and demerits of Management Accounting.
3. Discuss the types of financial statement Analysis.
4. Briefly describe the procedure for analysis and interpretation of financial statements.
5. Explain the different tools and techniques used in financial statement Analysis.
6. From the following balance sheet extract, compute trend percentages and comment on the liquidity position of 'X' Ltd. You may take 1990 as bas year.

Particulars	1990 Rs.	1991 Rs.	1992 Rs.	1993 Rs.	1994 Rs.	1995 Rs.
Stock	1,50,000	1,70,000	1,90,000	2,30,000	2,20,000	2,00,000
Debtors	1,40,000	1,20,000	80,000	90,000	1,00,000	1,00,000
Cash	60,000	50,000	50,000	60,000	90,000	1,00,000

Current liabilits	3,00,000	3,20,000	3,00,000	2,80,000	2,40,000	2,00,000

7. From the following information make out a statement of proprietors funds with as many details as possible:
   a) Current Ratio 2.5
   b) Liquidity ratio 1.5
   c) Proprietary ration (Fixed assed/ proprietary fund) 0.75
   d) Working Capital Rs.60,000.
   e) Reserves and surplus Rs.40,000.
   f) Bank Overdraft Rs.10,000.
   g) There is no long term loan or fictitious asset.
8. Prepare a Balance sheet with as many details as from the following information possible.

Gross profit ratio	20%
Debtors turnover	6 times
Fixed assets to Net worth	0.80
Reserves to Capital	0.50
Current ratio	2.50
Liquid ratio	1.50
Net working Capital	Rs. 3,00,000
Stock turnover ration	6 times

9. Babu X Co., Presents the following financial statement for 1998 and 1989. Prepare a sources and application of funds statement.

Balance sheets

Liablities	1988 Rs.	1989 Rs.	Assets	1988 Rs.	1989 Rs.
Bills payable	4,52,000	6,28,000	Cash	1,06,000	62,000
Creditors	8,26,000	12,54,000	Investment	1,74,000	-
Loan from			Debtors	6,92,000	10,56,000
Bank	2,00,000	4,70,000	Stock	8,64,000	13,66,000
Reserve X	13,84,000	17,28,000	Net Fixed assets	22,26,000	27,96,000
Surplus	12,00,000	12,00,000			
Share Capital					
TOTAL	**40,62,000**	**52,80,000**		**40,62,000**	**52,80,000**

Depreciation of Rs.3,78,000 was written off for the year 1998 on fixed assets.

10. Prepare the cash flow statement of Surya ltd;- (as per As 3)

Balance sheets

Liabilities	1997 Rs.	1998 Rs.	Assets	1997 Rs.	1998 Rs.
Share Capital	1,00,000	4,00,000	Good will	-	20,000
8% Debentures	-	2,00,000	Machinery	1,25,000	4,75,000
Retained earnings	60,000	90,000	Stock	20,000	80,000
Creditors	40,000	1,00,000	Debtors	30,000	1,00,000
Bills payable	20,000	40,000	Cash at		

Provision for tax	30,000	40,000	Bank Cash in hand	50,000 25,000	1,50,000 45,000
TOTAL	**2,50,000**	**8,70,000**		**2,50,000**	**8,70,000**

Additional information:

a) During 1998, the Business of a sole trader was purchased by issuing shares for Rs.2,00,000. The assets acquired by him were :-
Goodwill Rs.20,000, Machinery Rs.1,00,000, Stock Rs.50,000 and Debtors Rs.30,000.

b) Provision for tax charged in 1998 was Rs.35,000.

c) The debentures were issued at a premium of 5 % which is included in the retained earnings.

d) Depreciation charged on machinery was Rs.30,000.

11. Distinguish between "Cash flow statement" and "Funds flow statement."
12. Describe the steps in the preparation of "Cash flow statement".
13. What is cash flow statement? What are its uses?
14. What is a "Budget" Explain its classification?
15. What is meant by "Budgeting". What are its objectives.
16. Define "Budgetary control" and explain its uses.
17. What is "Forecasting"? Distinguish B/W Budgets & Forecasts.
18. What is "Master budget"? How it is prepared?
19. What is a flexible Budget? How it is prepared.
20. What is Z.B.B? Explain its process.
21. What are control ratios? How they are useful for operation control?
22. Explain the meaning of "Responsibility centers."
23. Draw up a Flexible Budget for production @75% & 100% capacity on the basis of the following data for a 50% activity.

	Per Unit (Rs)
Materials	100
Labour	50

Variable expenses (debts)	10
Administrative expenses (50% Fixed)	40,000
Selling & distribution expenses (60% Fixed)	50,000
Present production (50% activity)	1000 units

24. From the following data forecast the Cash position at the end of April, May and June 1998.

Month (1998)	**Sales Rs.**	**Purchases Rs.**	**Wages Rs.**	**Sales expenses Rs.**
Feb	1,20,000	80,000	10,000	7,000
March	1,30,000	98,000	12,000	9,000
April	70,000	1,00,000	8,000	5,000
May	1,16,000	1,03,000	10,000	10,000
June	85,000	80,000	8,000	6,000

Further information:-

- Sales at 10% realized in the Month of sales. Balance equally realized in two subsequent months.
- Purchases: Creditors are paid in the month following the month of supply.
- Wages : 20% paid arrears in the following month.
- Sundry expenses paid in the month itself.
- Income tax Rs.20,000 payable in June.
- Dividend Rs. 12,000 payable in June.
- Income from investments Rs.2000 received half yearly in March and September.
- Cash balance on hand as on 1.4.88 Rs.40,000.

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

1st year (loss) Rs.1,00,000

2nd year (profit) Rs.3,00,000

3rd year (Profit) Rs.4,00,000

4th year (profit) Rs.2,00,000

5TH YEAR (Profit) Rs.2,00,000

Calculate the accounting rate of return.

a) On original investment method.

b) On average investment method.

26. The following data relating to two machines 'X' and 'Y' is furnished.

	Machine 'X'	**Machine'Y'**
Original cost	Rs.2,00,000	Rs.2,00,000
Estimated life in	5	5
years	Rs,20,000	Rs.40,000
Expected salvage	Rs.40,000	Rs.30,000
value	40%	40%
Additional working	X	Y
capital	Rs.	Rs.
Income tax rate	60,000	1,00,000
Estimated incomes	80,000	80,000
before depreciation	1,00,000	1,60,000
and tax	1,20,000	40,000
I Year	1,40,000	1,80,000
II Year		
III Year		
IV Year		
V Year		

Depreciation is to be charged under straight line method . You are required to calculate the accounting rate of return on the average investment for both the machines.

27. Two projects 'M' and 'N' which are mutually exclusive are being under consideration. Both of them require an Investment of Rs.1,00,000 each. The Net cash inflows are estimate as under:

YEAR	M	N
1	10,000	30,000
2	40,000	50,000
3	30,000	80,000
4	60,000	40,000
5	90,000	60,000

The Company's targeted rate of return on investments is 12% you are required to assess the projects on the basis of their present values, using

a) NPV Method
b) Profitability Index method.

Present values of Rs.1 at12% interest for 5 years are given below:

1st year – 0.893, 2nd Year-0.797, 3rd year-0.712,
4th year -0.636, 5th year-0.567.

28. An industrialist is offered two options for investment with the following cash flows. His decision criterion is a pay-back period of 3 years.

	Option A (Rs.)	Option B (Rs.)
Investment required	8,000	7,000
Annual cash flows:		
Year 1	4,000	2,500
Year2	3,000	2,500
Year 3	2,000	2,500
Year 4	2,000	2,500

Advice the industrialist:-

a) Use pay- back method
b) Return on investment method.