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

SEMESTER EXAMINATIONS

 APRIL - 2016 CCO6A

MANAGEMENT ACCOUNTING

**Time : 3 hours Max. Marks: 75**

**Section – A (10 x 2 = 20)**

**Answer ALL the questions.**

1. Mention the main tools of analysis of financial statement.
2. State any two points of distinction between financial accounting and management

accounting.

1. Calculate Gross Profit Ratio from the following figures.

 Sales 10,00,000

 Sales returns 1,00,000

 Opening stock 2,00,000

 Purchases 6,00,000

 Purchase returns 1,50,000

 Closing stock 65,000.

1. Calculate the earnings per share from the following data.

|  |  |
| --- | --- |
|  | Rs. |
| Net Profit after tax |  76,000 |
| 12 % Preference share capital (Rs.10 each) | 3,00,000 |
| Equity share capital (Rs.10 each) | 2,00,000 |

1. From the following information calculate cash from operations.

|  |  |
| --- | --- |
|  | Rs. |
| Net Profit for the year  | 2,00,000 |
| Total Sales | 4,00,000 |
| Drs Outstanding in the beginning of the year | 1,32,000 |
| Drs Outstanding at the end of the year |  99,000 |

1. State the effect on working capital caused by the following.
2. Increase in Cash Rs.1,700
3. Increase in Stock Rs.1,600
4. Decrease in Debtors Rs.500
5. Decrease in Creditors Rs.2,500.
6. From the following particulars, prepare a production budget of Arun Sales Corporation for the year ended June 30, 1987.

|  |  |  |
| --- | --- | --- |
| Product | Sales (units)(as per Sales budget) | Estimated stock (units) |
| July 1, 1986 | June 30, 1987 |
| A | 1,50,000 | 14,000 | 15,000 |
| B | 1,00,000 |  5,000 |  4,500 |
| C |  70,000 |  8,000 |  8,000 |

1. What do you meant by zero base budgeting?
2. What is Capital Budgeting?
3. A project cost Rs.1,00,000. It’s annual cash inflow for 5 years was 25,000 each year.

 Calculate Pay - back period.

**Section – B ( 5 x 5 = 25 )**

**Answer any Five of the following questions.**

1. Enumerate the functions of Management Accounting.
2. Explain the various types of budgets.
3. From the following figures, calculate the Creditors turnover ratio.

|  |  |
| --- | --- |
|  | Rs. |
| Total Purchases  | 6,00,000 |
| Cash Purchases | 2,50,000 |
| Bills payable on 1.1.99 |  25,000 |
| Bills payable on 31.12.99 |  75,000 |
| Sundry creditors on 1.1.99 | 1,50,000 |
| Sundry creditors on 31.12.99 | 1,00,000 |

1. From the following prepare a statement showing changes in working capital during 1998.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Liabilities  | 1997 (Rs.) | 1998 (Rs.) | Assets | 1997 (Rs.) | 1998 (Rs.) |
| Capital : Equal Share Capital  | 1,50,000 | 1,50,000 | Fixed Assets |  1,60,000 |  2,25,000 |
| Preference Share Capital | - | 1,00,000 | Investments  | - |  10,000 |
| General Reserve |  40,000 |  50,000 | Stock  |  30,000 |  50,000 |
| P & L a/c |  35,000 |  80,000 | Debtors |  30,000 |  50,000 |
| Creditors  |  30,000 |  20,000 | Bills Receivable  |  7,000 |  4,000 |
| Bills payable | - |  4,000 | Prepaid expenses |  10,000 |  23,000 |
| Bank O/D |  5,000 | - | Cash |  30,000 |  20,000 |
| Provision for taxation  |  8,000 |  13,000 | Advances |  21,000 |  61,000 |
| Proposed dividend  |  20,000 |  26,000 |  |  |  |
|  | 2,88,000 |  4,43,000 |  |  2,88,000 |  4,43,000 |

1. From the figures given below, calculate cash from operations.

|  |  |  |
| --- | --- | --- |
| Particulars | 1998 | 1999 |
| Trade debtors | 1,50,000 | 1,30,000 |
| Bills receivable  |  50,000 |  40,000 |
| Stock in Trade | 1,20,000 | 1,45,000 |
| Prepaid expenses |  30,000 |  25,000 |
| Accrued income  |  20,000 |  27,500 |
| Sundry Creditors |  80,000 | 1,10,000 |
| Outstanding expenses |  4,000 |  5,000 |
| Bills Payable  |  30,000 |  25,000 |
| Income received in advance  |  3,000 |  4,000 |
| Profit made during the year  | - | 7,50,000 |

1. The following figures relate to Honey Ltd., you are required to prepare a selling overhead budget.

 Rs.

|  |  |
| --- | --- |
| Advertisements |  5,000 |
| Salaries of the sales department |  7,000 |
| Expenses of the sales department (fixed) |  1,500 |
| Salesmen remuneration  | 10,000 |
| Commission @ 2 % on sales effected |  |
| Carriage outwards  | Estimated @ 5 % on sales |
| Agents commission  | 8 % on sales |

 Sales during the period were estimated as follows:

 Rs.1,50,000 including agents sales Rs.50,000.

 Rs.1,85,000 including agents sales Rs.35,000.

 Rs.2,50,000 including agents sales Rs.40,000.

1. The Manekshaw Company Ltd., is considering two projects. Each requires an investment of Rs.1,00,000. The net cash inflows from investment in the two projects x and y are as follows.

|  |  |  |
| --- | --- | --- |
| Year  | X (Rs.) | Y (Rs.) |
| 1 | 20,000 | 20,000 |
| 2 | 35,000 | 22,000 |
| 3 | 35,000 | 22,000 |
| 4 | 20,000 | 18,000 |
| 5 | 25,000 | 18,000 |

 Which project should be selected under Pay - back method?

1. Distinguish between a fund flow statement and a cash flow statement.

**Section – C ( 3 x 10 = 30 )**

**Answer ALL the questions.**

1. (a) From the following Balance Sheets of R Ltd, prepare a fund flow statement.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Liabilities | 1980 Rs. | 1981 Rs. | Assets | 1980 Rs. | 1981 Rs. |
| Sundry Creditors |  8,26,000 | 12,54,000 | Cash |  1,06,000 |  62,000 |
| Bills Payable |  4,52,000 |  6,28,000 | Investments |  1,74,000 | - |
| Loan from bank |  2,00,000 |  4,70,000 | Sundry Debtors |  6,92,000 | 10,56,000 |
| Reserves and surplus  | 13,84,000 | 17,28,000 | Stock |  8,64,000 | 13,66,000 |
| Share Capital | 12,00,000 | 12,00,000 | Net fixed assets | 22,26,000 | 27,96,000 |
|  | 40,62,000 | 52,80,000 |  | 40,62,000 | 52,80,000 |

 Depreciation of Rs. 3,78,000 was written off for 1981 of fixed assets.

(Or)

(b) From the following balance sheets of Sun Company Ltd., as on 31st Dec 2008 and

 31st Dec 2009, prepare

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Liabilities  | 31.12.08Rs. | 31.12.09Rs. | Assets | 31.12.08Rs. | 31.12.09Rs. |
| Equitable Share Capital | 3,00,000 | 4,00,000 | Furniture (at cost)  | 1,00,000 | 1,20,000 |
| Share premium  | - |  10,000 | (-) Depreciation |  56,000 |  68,000 |
| General reserve | 1,00,000 | 1,20,000 |  |  44,000 |  52,000 |
| Profit & loss a/c |  40,000 |  70,000 |  |  |  |
|  |  |  | Goodwill  |  20,000 |  16,000 |
| Debentures | 2,00,000 | 1,50,000 | Long term investments |  80,000 | 1,04,000 |
| Bills payable |  50,000 |  40,000 | Stock |  5,08,000 | 5,78,000 |
| Trade Creditors |  70,000 |  80,000 | Debtors |  62,000 |  56,000 |
| O/S expenses |  4,000 |  2,000 | Cash at bank |  44,000 |  62,000 |
|  |  |  | Discount on debentures  |  6,000 |  4,000 |
|  | 7,64,000 | 8,72,000 |  |  7,64,000 |  8,72,000 |

1. A schedule of changes in working capital and
2. Fund flow statement.

1. (a) Using the following data, complete the balance sheet below.

|  |  |
| --- | --- |
| Gross profit ratio  | 20 % |
| Current ratio  | 1:8:1 |
| Stock turnover ratio  | 4 times  |
| Debt collection period (360 days year)  | 20 days |
| Long term debt to equity  | 40 % |
| Total assets turnover  | 0.3 times  |
| Credit sales to total sales | 80 % |
| Gross profit  | Rs.1,08,000 |
| Share holders equity  | Rs.12,00,000 |

(Or)

(b) XYZ company wishes to arrange overdraft facilities with its bankers during the period April to

 June, when it will be manufacturing mostly for stock. Prepare a cash budget.

|  |  |  |  |
| --- | --- | --- | --- |
| Months  | SalesRs. | PurchasesRs. | WagesRs. |
| 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 |

 Adjustments

1. 50 % of credit sales in realised in the month following the sales and the other 50 % in the second month following the sales.
2. Creditors are paid in the month following the purchase.
3. Wages are paid in the respective month.
4. Cash at bank on the 1st April Rs.25,000.
5. (a) Two projects M and N which are mutually exclusive are being under consideration. Both of

them require on investment of Rs.1,00,000 each. The net cash inflows are estimated as under.

|  |  |  |
| --- | --- | --- |
| Year | M (Rs.) | N (Rs.) |
| 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

1. NPV method and ii) Profitability index method.

 Present values of Re.1 at 12 % interest for five years are given below.

 1st year : 0.893; 2nd year : 0.797; 3rd year : 0.712;

 4th year : 0.636; 5th year : 0.567.

 (Or)

(b) Explain the different steps in installing a sound budgetary control system.

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