

**FIFTH SEMESTER B.Com. DEGREE EXAMINATION, NOVEMBER 2019**

(CUCBCSS—UG)

B.Com.

BCM 5B 07—ACCOUNTING FOR MANAGEMENT

(2017 Admissions)

Time : Three Hours

Maximum : 80 Marks

**Part I (Objective Questions)**

*Answer all ten questions.*

*Each question carries 1 mark.*

Choose the correct answer :

1. The use of Management Accounting is \_\_\_\_\_.  
(a) Compulsory. (b) Optional.  
(c) Obligatory. (d) All the above.
2. Financial Statements are \_\_\_\_\_.  
(a) Estimates of Facts. (b) Anticipated Facts.  
(c) Recorded Facts. (d) None of these.
3. Capital Gearing Ratio is one of the \_\_\_\_\_.  
(a) Liquidity Ratios. (b) Leverage Ratios.  
(c) Profitability Ratios. (d) None of them.
4. Which of the following is a non-current item ?  
(a) Share premium. (b) Bills Accepted.  
(c) Bank balance. (d) Payment of wages.
5. Which of the following suggestions will improve the Current Ratio ?  
(a) To pay a Current Liability.  
(b) To Sell a Motor Car at a slight loss.  
(c) To borrow money for a short time on a interest bearing promissory note.  
(d) To purchase stock for cash.

Fill in the Blanks :

6. Management Accounting is concerned with \_\_\_\_\_ of Data
7. Liquid Ratio is also known as \_\_\_\_\_.
8. Gross capital employed = \_\_\_\_\_.

Turn over

9. Issue of Capital for Cash will \_\_\_\_\_ Working Capital.  
 10. Difference between sales and marginal cost of sales is called \_\_\_\_\_.

(10 × 1 = 10 marks)

**Part II (Short Answer Questions)**

*Answer any eight out of the ten questions in two or three sentences.  
 Each question carries 2 marks.*

11. Define Management Accounting.  
 12. What are Financial Statements ?  
 13. What is comparative income statement ?  
 14. Following information is available for a Concern :  
     Current Ratio 3.5, Liquid Ratio 2.5, Working Capital Rs. 1,00,000.  
 Find the value of :  
     (a) Current Assets.  
     (b) Current Liabilities.  
     (c) Value of Inventory.  
 15. List any four sources fund.  
 16. List any four transactions which results in cash outflow in a business.  
 17. What is contribution ?  
 18. What is Angle of Incidence ?  
 19. Find the value of current assets when Current Ratio is 2.4 and Working Capital is Rs. 1,40,000.  
 20. From the following calculate Debtors Turnover Ratio :  
     (a) Annual credit sales Rs. 25,000.  
     (b) Returns inwards Rs. 1,000.  
     (c) Debtors Rs. 3,000.  
     (d) Bills receivables Rs. 1,000.

(8 × 2 = 16 marks)

**Part III (Short Essay Questions)**

*Answer any six out of the eight questions in about 200 words.  
 Each question carries 4 marks.*

21. Discuss the various steps required for the Installation of Management Accounting System in an organisation.  
 22. List and explain Financial Statements usually prepared by business organisations.

23. From the following data prepare a Comparative Income Statement and comment on profitability of the concern :

<i>Particulars</i>	2018	2019
	Rs. in (000)	Rs. in (000)
Net sales	785	900
Cost of goods sold	450	500
<i>Operation expenses :</i>		
General and administrative expenses	70	72
Selling expenses	80	90
<i>Non operating expenses :</i>		
Interest paid	25	30
Income tax	70	80

24. Calculate Net Working Capital :

(a) Current Ratio	...	2.5
(b) Liquid Ratio	...	1.75
(c) Stock	...	Rs. 1,50,000

25. Following are the extracts from the Balance Sheet of ABC & Co Ltd. as on 31<sup>st</sup> December 2015 and 2016. Compute Fund from Operations :

<i>Particulars</i>	2015	2016
	Rs.	Rs.
Profit and Loss appropriation account	45,000	60,000
General reserve	30,000	37,500
Goodwill	15,000	7,500
Preliminary expenses	9,000	6,000
Provision for depreciation on machinery	15,000	18,000

26. Define Cash Flow Statement and explain different types of cash flows.
27. The management of a company finds that while the cost of making a component part is Rs. 15, the same is available in the market at Rs. 13 with an assurance to continuous supply. The cost information for production is as follows :

	Rs.
(i) Material	3.50
(ii) Direct labour	5.50
(iii) Other variable expenses	3.00
(iv) Fixed expenses	3.00
<b>Total</b>	<b>15.00</b>

Give a suggestion whether to make or buy this part. Give also your views in case the supplier reduces the price from Rs. 13 to Rs. 11.

28. What is meant by Capital Gearing Ratio ? How it is calculated ?

(6 × 4 = 24 marks)

Turn over

## Part IV (Essay Questions)

Answer any two out of the three questions in about 800 words.

Each question carries 15 marks.

29. Management of the ABC Limited considered that product N one of its three main lines is not as profitable as the other two with the result no particular efforts are being made to push its sales. The selling price and cost of the three products are :

Product	Selling Price	Direct Material	Direct Labour		
			Dept. X	Dept. Y	Dept. Z
R ...	70	12	8	3	3
N ...	60	8	3	8	3
V ...	66	10	3	3	8

Overhead rates for each department per Rupee of Direct Labour are as follows :

	Dept. X	Dept. Y	Dept. Z
Variable overhead ...	1.25	0.50	1.0
Fixed overhead ...	1.25	2.0	1.50
Total ...	2.50	2.50	2.50

What advice would give to the management about the Profitability of the Product ? Give Reasons.

30. From the following Balance Sheets of Deva Limited as on 31<sup>st</sup> December 2012 and 2013, prepare :

- (a) Schedule Of Changes in Working Capital.  
(b) Fund Flow Statement.

Liabilities	Balance Sheet		Assets	2012		2013	
	2012	2013		2012	2013		
	Rs.	Rs.		Rs.	Rs.		Rs.
Sundry creditors ...	10,00,000	10,30,000	Cash ...	16,00,000	17,76,000		
Bills Payable ...	2,00,000	2,50,000	Sundry debtors ...	4,00,000	7,40,000		
Debentures ...	8,80,000	8,80,000	Stock of goods ...	6,00,000	6,88,000		
Provision for depreciation ...	2,00,000	1,12,000	Land ...	1,60,000	1,60,000		
Reserves and surplus ...	6,00,000	7,80,000	Building ...	8,00,000	6,40,000		
Share capital ...	14,00,000	17,40,000	Plant and machinery ...	6,00,000	6,80,000		
			Debenture discount ...	80,000	72,000		
			Patents ...	40,000	36,000		
	<u>42,80,000</u>	<u>47,92,000</u>		<u>42,80,000</u>	<u>47,92,000</u>		

Additional information :

- (i) Net profit for the year 2013 is—Rs. 4,00,000.  
(ii) Dividend paid—Rs. 80,000  
(iii) Depreciation charged—Rs. 32,000.  
(iv) The company issued equity shares for—Rs. 2,00,000 bonus shares of—Rs. 1,40,000  
(v) A building was sold for—Rs. 56,000 the cost and book value being—Rs. 1,60,000 and Rs. 40,000 respectively.
31. What is Management Accounting ? Explain the Scope of Management Accounting.

(2 × 15 = 30 marks)