

Reg. No. : .....

Name : .....

**Sixth Semester B.Com. Degree Examination, March 2020**

**First Degree Programme under CBCSS**

**Core Course : CO 1643/CX 1643/TT 1643/HM 1643/CC 1642**

**MANAGEMENT ACCOUNTING**

**(Common for Commerce/Commerce and Tax Procedure and Practice/  
Commerce and Tourism and Travel Management/ Commerce and Hotel  
Management and Catering/ Commerce with Computer Applications)**

**(2013 Admission onwards)**

Time : 3 Hours

Max. Marks : 80

**SECTION – A**

Answer **all** questions. **Each** question carries **1** mark.

1. Define management accounting.
2. State any two differences between management accounting and cost accounting.
3. What is a common size balance sheet?
4. Define accounting ratio.
5. What is meant by internal analysis?
6. What is a cash flow statement?
7. State the meaning of 'fund'.
8. What is debt service coverage ratio?
9. List any two objectives of reporting.
10. What is price earnings ratio?

**(10 × 1 = 10 Marks)**

## SECTION – B

Answer **any eight** questions. **Each** question carries **2** marks.

11. Explain briefly limitations of ratio analysis.
12. How do you ascertain funds from operations?
13. What is trend analysis?
14. Explain briefly operating ratios.
15. State any four uses of preparing cash flow statement.
16. What is rolling budget?
17. What are the forms of reporting?
18. From the following data find out current assets.  
Current ratio 2; Working capital Rs. 2,00,000; Liquid ratio 1.
19. From the following information find out closing stock and opening stock.  
Average stock Rs. 50,000; Opening stock is Rs. 10,000 more than closing stock.
20. Calculate operating profit ratio.  
Cost of goods sold Rs. 10,50,000; Administration expenses Rs. 1,10,000; Selling and distribution expenses Rs. 1,00,000; Expenses of financing Rs. 20,000; Net sales Rs. 18,00,000.
21. Calculate fund from operations.  
Current year profit Rs. 50,000; Depreciation on Plant and Machinery Rs. 15,000; Profit on sale of machinery Rs. 10,000.
22. Prepare a common-size statement from the following data :  
Total Liabilities Rs. 25,00,000; Equity share capital Rs. 15,00,000; General reserve Rs. 2,50,000; Debentures Rs. 5,00,000; Current liabilities Rs. 2,50,000.

**(8 × 2 = 16 Marks)**

### SECTION – C

Answer **any six** questions. **Each** question carries **4** marks.

23. Explain the various functions of management accounting.
24. Distinguish between funds flow analysis and cash flow analysis.
25. Explain briefly the tools of financial statement analysis.
26. From the following figures calculate creditors turnover ratio and average debt payment period in months :

|                              | Rs.      |
|------------------------------|----------|
| Credit purchases during 2019 | 1,05,000 |
| Purchase returns             | 5,000    |
| Creditors on 1.1.2019        | 20,000   |
| Creditors on 31.12.2019      | 10,000   |
| Bills payable 1.1.2019       | 4,000    |
| Bills payable                | 6,000    |

27. From the following details prepare a schedule of changes in working capital during 2019 :

| Liabilities         | 2018<br>Rs. | 2019<br>Rs. | 2018<br>Rs. | 2019<br>Rs. |
|---------------------|-------------|-------------|-------------|-------------|
| Share capital       | 5,00,000    | 6,00,000    |             |             |
| Reserves            | 1,50,000    | 1,80,000    |             |             |
| Profit and Loss A/c | 40,000      | 65,000      |             |             |

| Liabilities          | 2018<br>Rs.      | 2019<br>Rs.      | 2018<br>Rs.      | 2019<br>Rs.      |
|----------------------|------------------|------------------|------------------|------------------|
| Debentures           | 3,00,000         | 2,50,000         |                  |                  |
| Creditors for goods  | 1,70,000         | 1,60,000         |                  |                  |
| Provision for tax    | 60,000           | 80,000           |                  |                  |
| Assets :             |                  |                  |                  |                  |
| Fixed assets         |                  |                  | 10,00,000        | 11,20,000        |
| Less : Depreciation  |                  |                  | <u>3,70,000</u>  | <u>4,60,000</u>  |
|                      |                  |                  | 6,30,000         | 6,60,000         |
| Stock                |                  |                  | 2,40,000         | 3,70,000         |
| Book debts           |                  |                  | 2,50,000         | 2,30,000         |
| Cash in hand         |                  |                  | 80,000           | 60,000           |
| Preliminary expenses |                  |                  | <u>20,000</u>    | <u>15,000</u>    |
|                      | <u>12,20,000</u> | <u>13,35,000</u> | <u>12,20,000</u> | <u>13,35,000</u> |

28. Calculate trend ratios from the following figures of Mars Ltd. taking 2014 as the base.

| Year                    | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|-------------------------|------|------|------|------|------|------|
| Sales<br>(Rs.in lakhs)  | 1881 | 2340 | 2655 | 3021 | 3768 | 3950 |
| Profit<br>(Rs.in lakhs) | 321  | 435  | 458  | 527  | 672  | 690  |

29. From the following information, calculate

- (a) Sales
- (b) Closing stock
- (c) Sundry creditors
- (d) Sundry debtors :

|                    |   |          |
|--------------------|---|----------|
| Gross Profit ratio | : | 15%      |
| Debtors velocity   | : | 3 months |
| Stock velocity     | : | 6 months |
| Creditors velocity | : | 3 months |

Gross profit for the year ending December 31<sup>st</sup> 2019 was Rs. 60,000. Closing stock is equal to opening stock.

30. From the following income statement of Z Ltd. Prepare a comparative income statement.

|                         | 31.03.2018<br>(Rs. in lakhs) | 31.03.2019<br>(Rs. in lakhs) |
|-------------------------|------------------------------|------------------------------|
| Net sales               | 1370                         | 1442                         |
| Cost of goods sold      | 838                          | 926                          |
| Gross Profit            | 532                          | 516                          |
| Operating expenses :    |                              |                              |
| Administrative expenses | 94                           | 92                           |
| Selling expenses        | 188                          | 182                          |
| Operating profit        | 250                          | 242                          |

31. From the following data prepare a flexible budget for production of 40,000 units of Product X, distinctly showing variable and fixed cost as well as total cost.

Budgeted output and budgeted cost per unit

| Budgeted output : 1,00,000      | Cost per unit  |
|---------------------------------|----------------|
| Direct material                 | 90             |
| Direct labour                   | 45             |
| Direct variable expenses        | 10             |
| Manufacturing variable overhead | 40             |
| Fixed production overhead       | 5              |
| Administration overhead (fixed) | 5              |
| Selling overhead                | 10 (10% fixed) |
| Distribution overhead           | 15 (20% fixed) |

(6 × 4 = 24 Marks)

#### SECTION - D

Answer **any two** questions. **Each** question carries **15** marks.

32. What is reporting? What are the general principles to be observed while preparing reports? What are the requisites of a good report?
33. Tech Kerala Ltd. commences business on 1<sup>st</sup> April, 2019 and deposits Rs. 1,00,000 in Travancore Bank. The amount deposited would not be sufficient to finance its operations over a period of four months. As a Finance Officer, you are asked to prepare a cash budget from 1<sup>st</sup> April, 2019 to 31<sup>st</sup> July, 2019 to ascertain the monthly overdraft limits to seek from the company's bankers.

Requisite data is as under :

- (a) Sales are made to one distributor only on 30 days terms, 2% discount and cheques are received on the first date following the due date.
- (b) Furniture purchases for Rs. 10,000 preferred to be made in April, 2019.
- (c) Budget figures are :

| Particulars   | April  | May    | June   | July   |
|---------------|--------|--------|--------|--------|
| Purchases     | 50,000 | 40,000 | 30,000 | 40,000 |
| Wages         | 40,000 | 50,000 | 40,000 | 40,000 |
| Cash expenses | 4,000  | 5,000  | 4,000  | 4,000  |
| Sales         | 60,000 | 70,000 | 80,000 | 80,000 |

All purchases are made on net 30 days' terms and cheques are posted to creditors on last day of the month due.

34. The summarized Balance Sheet of Sun Rise Ltd. for the year ended 31.3.2019 is given below :

| Capital and Liabilities | Rs. lakhs  | Assets                 | Rs.lakhs   |
|-------------------------|------------|------------------------|------------|
| Equity share capital    | 140        | Fixed assets (at cost) | 210        |
| Reserves and surplus    | 45         | Less : Depreciation    | <u>25</u>  |
| Profit and loss account | 20         |                        | 185        |
| Provision for taxation  | 10         | Current assets:        |            |
| Sundry creditors        | 40         | Stock                  | 25         |
|                         |            | Debtors                | 30         |
|                         |            | Cash                   | <u>15</u>  |
|                         | <u>255</u> |                        | <u>255</u> |

The following further particulars are also given for the year

|                            | Rs. lakhs |
|----------------------------|-----------|
| Sales                      | 120       |
| EBIT                       | 30        |
| Net profit after tax (PAT) | 20        |

Calculate the following Ratios for the company :

- (a) Current ratio
- (b) Liquidity ratio
- (c) Profitability ratio
- (d) Profitability on funds employed
- (e) Debtors' turnover
- (f) Stock turnover
- (g) Average collection period
- (h) Return on equity

35. From the following balance sheets and additional information, prepare

- (a) Schedule of changes in working capital and
- (b) Statement of sources and application of funds as on 31.03.2019.



| Liabilities                  | 31.03.2018      | 31.03.2019       | 31.03.2018      | 31.03.2019       |
|------------------------------|-----------------|------------------|-----------------|------------------|
|                              | Rs.             | Rs.              | Rs.             | Rs.              |
| Equity share capital         | 3,00,000        | 3,50,000         |                 |                  |
| Preference share capital     | 2,00,000        | 1,00,000         |                 |                  |
| Debentures                   | 1,00,000        | 2,00,000         |                 |                  |
| Profit & Loss a/c            | 1,10,000        | 2,70,000         |                 |                  |
| Provision for doubtful debts | 10,000          | 15,000           |                 |                  |
| Current liabilities          | 70,000          | 1,45,000         |                 |                  |
| Assets                       |                 |                  |                 |                  |
| Fixed assets (net)           |                 |                  | 5,10,000        | 6,20,000         |
| Investments                  |                 |                  | 30,000          | 80,000           |
| Current assets               |                 |                  | 2,40,000        | 3,75,000         |
| Discount on debentures       |                 |                  | 10,000          | 5,000            |
|                              | <u>7,90,000</u> | <u>10,80,000</u> | <u>7,90,000</u> | <u>10,80,000</u> |

You are informed that during the year :

- (i) A machine costing Rs. 70,000 (book value Rs. 40,000) was disposed of for Rs. 25,000.
- (ii) Preference share redemption was carried out at a premium of 5%.
- (iii) Dividend at 15% was paid on equity shares for the year 2019.

Further :

- (1) The provision for depreciation stood at Rs. 1,50,000 on 31.03.2018 and at Rs. 1,90,000 on 31.03.2019.
- (2) Stock which was valued at Rs. 90,000 as on 31.03.2018 was written up to its cost Rs. 1,00,000 for preparing the Profit and Loss account for 2019.

**(2 × 15 = 30 Marks)**

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