

**M.Com. DEGREE EXAMINATION, NOVEMBER 2018****I Year I Semester****Core Major -II****ADVANCED MANAGEMENT ACCOUNTING AND DECISION MAKING****Time : 3 Hours****Max.marks :75****Section A** ( $10 \times 2 = 20$ ) MarksAnswer any **TEN** questions

1. State the objectives of cash flow statement.
2. What is meant by funds flow statement?
3. What are the long term solvency ratio?
4. What is meant by current ratio?
5. What are the financial statements?
6. Write short note on production budget.
7. Define budgetary control.
8. What is master budget?
9. Give the meaning of the term margin of safety.
10. What is 'P/V Ratio'?
11. Define 'standard cost'.
12. What is meant by 'overhead cost variance'?

**Section B** ( $5 \times 5 = 25$ ) MarksAnswer any **FIVE** questions

13. What are the difference between fund flow statement and cash flow statement?
14. Calculate Funds from operation from the following profit and loss account

Profit and loss account

	Rs.		Rs.
To Expenses paid and out-standing	3,00,000	By Gross profit	4,50,000
To Depreciation	70,000	By Gain on sale of land	60,000
To Loss on sale of machine	4,000		
To Discount	1000		
To Goodwill	20,000		
To Net profit	1,15,000		
	5,10,000		5,10,000

15. The following are the income statement of XYZ Co Ltd. For the year 2010 and 2011. Prepare (common-size) income statement for the two years.

Trading and profit and loss account					
	2010	2011		2010	2011
	Rs.	Rs.		Rs.	Rs.
To Cost of sales	2,40,000	3,50,000	By Sales	4,00,000	5,00,000
To Gross profit c—d	1,60,000	1,50,000			
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	4,00,000	5,00,000		4,00,000	5,00,000
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To Operating Exp:			By Gross profit	1,60,000	1,50,000
Administration	25,000	30,000	By Interest on	20,000	50,000
			Investment		
Selling	15,000	20,000			
Distribution	10,000	10,000			
To Non-Operating Exp:					
Finance	20,000	20,000			
Goodwill written off	10,000	—			
To Net profit	1,00,000	1,20,000			
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	1,80, 000	2,00,000		1,80,000	2,00,000
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16. Larsen Ltd, plans to sell 1,10,000 units of a certain products line in the first fiscal quarter, 1,20,000 units in the second quarter, 1,30,000 in the third quarter and 1,50,000 in the fourth quarter and 1,40,000 in the first quarter of the following year. At the beginning of the first quarter of the current year, there are 14,000 units of product in stock. At the end of each quarter, the company plans to have an inventory equal to the one- fifth of the sales for the next fiscal quarter.

How many units must be manufactured in each quarter of the current year?

17. The following information relating to a company is given to you.

	Rs.
Sales	4, 00, 000
Fixed cost	1, 80, 000
Variable cost	2, 50, 000

Ascertain how much the value of sales must be increased for the company break-even.

18. The management of company finds that the cost of making a component part is Rs. 10, the same is available in the market at Rs.9 with an assurance of continuous supply.

Give a suggestion whether to make or buy this part. Give your view in case if

the price reduces from Rs.9 to Rs.8

The cost of information is as follows:

	Rs.
Materials	3.50
Direct labour	4.00
Other variable expenses	1.00
Fixed expenses	1.50
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	10.00
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19. Product X requires 20 Kgs. of material at Rs. 4 per kg. The actual consumption of material for the manufacturing of product X came to 24Kgs. material at Rs. 4.50. per kg. Calculate (i) Material cost variance (ii) Material price variance and (iii) Material usage variance.

**Section C** ( $2 \times 15 = 30$ ) Marks

Answer any **TWO** questions

20. The balance sheets of m/s. Block and White as on 1.1.16 and 31.12.16 were as follows

Balance sheet

Liabilities	1.1.16	31.12.16.	Assets	1.1.16.	31.12.16.
	Rs.	Rs.		Rs.	Rs.
Creditors	40,000	40,000	Cash	10,000	7,000
Mrs. White's loan	25,000	--	Debtors	30,000	50,000
Loan from P.N. bank	40,000	50,000	Stock	35,000	25000
Capital	1,25,000	1,53,000	Machinery	80,000	55,000
			Land	40,000	50,000
			Building	35,000	60,000
	2,30,000	2,47,000		2,30,000	2,47,000

During the year machine costing Rs. 10,000 (accumulated depreciation Rs.3,000) was sold for Rs.5,000. The provision for depreciation against machinery as on 1.1.16. Rs.25,000 and on 31.12.16. Rs. 40,000. Net profit for the year 2016 amounted to Rs.45,000. You are required to prepare funds flow statement.

21. From the following information, prepare balance sheet. Show the workings.

	Rs.
1. Working capital	75,000
2. Reserves and Surplus	1,00,000
3. Bank overdraft	60,000
4. Current ratio	1.75
5. Liquid ratio	1.15
6. Fixed assets to proprietor's Fund	0.75
7. Long term liabilities	Nil

22. BPL. Ltd. Wishes to arrange overdraft facilities with its bankers during the period April to June 2013. When it will be manufacturing mostly for stock. Prepare a cash budget for the period from the following data, indicating the extent of the bank facilities the company will require at the end of each month.

(a)

	Credit Sales	Purchases	Wages
	Rs.	Rs.	Rs.
February 2013	1,80,000	1,24,000	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

(b) 50 per cent of the credit sales are realised in the month following the sales and the remaining 50 per cent in the second month following . Creditors are paid in the month following the month of purchase.

(c) Cash at bank on 1.4.2013.(estimated) Rs. 25,000.

23. Assuming that the cost structure and selling prices remain the same in periods I and II find out

(i) P/V ratio

(ii) Break even sales

(iii) Profit when sales are Rs.1,00,000

(iv) Sales required to earn a profit of Rs.20,000

(v) Margin of safety in II nd period only

Period	Sales	Profit
	Rs.	Rs.
I	1.20.000	9,000
II	1,40,000	13,000