B.Com.(A&F) DEGREE EXAMINATION,NOVEMBER 2018
III Year VI Semester
MANAGEMENT ACCOUNTING

Time : 3 Hours **Max.marks :75**

Section A $(10 \times 2 = 20)$ Marks

Answer any **TEN** questions

1. Define management accounting
2. What is ratio analysis?
3. What are funds from operations?
4. Define capital budgeting
5. What is financial statement analysis?
6. Calculate net profit ratio

	Rs.
Sales	350000
Cost of goods sold	150000
Administrative expenses	50000
Selling expenses	10000

7. Calculate funds from operation from the following

Profit And Loss Account

Particulars	Rs	Particulars	Rs
To expenses paid	300000	By Gross Profit	450000
To depreciation	70000	By Gain on Sale of Fund	60000
To loss on sale machine	4000		
To Discount	200		
To Goodwill	20000		
To Net profit	115800		
	510000		510000

8. A project cost Rs. 1560000 and yields annually a profit of Rs.270400 after depreciation of 12% p.a. but before tax 25%. Calculate pay-back period
9. Indicate common size of the following items in a common size income statement

	2006 Rs.	2007 Rs.
Sales	1000000	1600000
Cost of sales	800000	1200000
Gross Profit	200000	400000

10. Current ratio 2:5 Working capital Rs 60000. Calculate the amount of current assets and current liabilities.
11. Compute the amount of dividend paid during 2007:

	Rs
Proposed dividend on 01/01/2007	50000
Proposed dividend on31/12/2007	40000
Dividend debited to P&L. Appropriation A/c	60000

12. An investment proposal is expected to result in an average annual income of Rs. 8,00,000 after depreciation and tax. If the investment needed is Rs. 40,00,000 initially, compute the ARR on original investment.

Section B $(5 \times 5 = 25)$ Marks

Answer any **FIVE** questions

13. Discuss the Nature and Scope of Management Accounting
14. From the following profit and loss account of Mr. Ramesh limited for the year ending 31^{st} December 2004 and 2005,you are required to prepare a comparative income statement for the year 2004 and 2005

Profit and loss account

Particulars	2004	2005	Particulars	2004	2005
To cost of goods sold	600	750	By net sales	800	1000
To administrative expenses	20	20			
To selling expenses	30	40			
To Net profit	150	190			
	800	1000		800	1000

15. The Balance Sheet of Raj Ltd as on 31.12.16 is as follows

Liabilities	Amount	Assets	Amount
Equity capital	2,00,000	Fixed assets	3,60,000
9% preference share capital	1,00,000	Stock	50,000
8% debentures	1,00,000	Debtors	1,10,000
Profit and Loss A/c	40,000	Bank	6,000
Creditors	90,000	Bills receivable	4,000
	5,30,000		5,30,000

Find out a) Debt –equity ratio

b) Current ratio

c) Liquid ratio

d) Absolute Liquid ratio

16. What are the uses of ratio analysis?
17. Calculate funds from operations from the following:

Profit and Loss Account

Particulars	Rs.	Particulars	Rs.
To Administration expenses	25,000	By Gross Profit	2,15,000
To Selling expenses	16,000	By Interest on investments	5,000
To Depreciation	26,000	By Profit on sale of machinery	4,000
To Loss on sale of building	6,000		
To Goodwill written off	5,000		
To discount on issue of debentures	2,000		
To Net Profit	1,44,000		
	2,24,000		2,24,000

18. Kumar ltd plans to sell 110 000 units of certain products line in the first fiscal quarter, 120 000 units in the second quarter, 130000 units in the third quarter, 150000 units in the fourth quarter and 140000 units in the fifth quarter. At the beginning of the first quarter of the current year there are 14000 units of the product in the stock. At the end of each quarter, the company plans to have an inventory equal to one- fifth of the sales for the next fiscal quarter. How many units must be manufactured in each quarter of the current year?

19. A project cost Rs 50000and has a scrap value of Rs10000. It stream income before depreciation and taxes during the first five year is Rs 10000, Rs 12000 Rs 14000 Rs16000 and Rs20000.Assume a 50% tax rate and depreciation on straight line basis. Calculate the accounting rate of return.

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

Answer any **TWO** questions

20. Kamal and co. is considering investing in a project requiring in a project requiring a capital out play of Rs.2, 00,000. Forecast for annual income after depreciation but before tax is as follows.

Year	Rs
1	100000
2	100000
3	80000
4	80000
5	40000

Depreciation may be taken as 20% on original cost and taxation at 50%of net income.

You are required to evaluate the project according to each of the following method:

a. Pay-back method

b. Rate of return on original investment

c. Rate of return on average investment

d. Discounted cash flow method taking cost of capital at 10%

e. Excess present value index

21. The following information is extracted from the books of Confident Co.Ltd. you are required to rearrange the information for Financial Analysis and calculate (1) Return on investment (ROI) or return on capital employed (2) Return on shareholders' funds (3) Return on equity shareholders' funds (4) Return on total assets.

Particulars	Rs.	Particulars	Rs.
Net Sales	10,00,000	Profit & Loss Account	2,00,000
Cost of goods sold	6,00,000	Debentures	2,50,000
Interest on debentures	25,000	Sundry creditors	50,000
Loss on sale of furniture	5,000	Equity share capital	3,00,000
Interest on govt. securities	5,000	10% Pref. share capital	2,00,0000
Fixed assets less depreciation	10,75,000	Operating expenses	1,50,000
Investment in govt. securities	50,000	Provision for tax	75,000
Current assets	5,00,000		
Reserves	4,00,000		

22. From the following balance sheet of A LTd., as on 31st December 2005 and 2006 you are required to prepare:

(a) Schedule of changes in working capital.

(b)Funds Flow statement

Balance Sheets

Liabilities	2005(Rs.)	2006(Rs.)	Assets	2005(Rs.)	2006(Rs.)
Share capital	1,00,000	1,00,000	Goodwill	12000	12000
General Reserve	14000	18000	Building	40000	36000
P&L a/c	16000	13000	Plant	37000	36000
Sundry creditors	8000	5400	Investment	10000	11000
Bills payable	1200	800	Stock	30000	23400
Provisions for taxation	16000	18000	Bills receivable	2000	3200
Provisions for doubtful debts	400	600	Debtors	18000	19000
			Cash at bank	6600	15200
	155600	155800		155600	155800

Additional information is given

1. Depreciation:

Plant – Rs 4000

Building –Rs 4000

2. Provision for taxation of Rs 19000 was made during the year 2006

3. Interim dividend of Rs 8000 was paid during the year 2006.

23. The following overhead expenses relates to a cost center operating at 50% of normal activity. Draw up a flexible budgeted for the cost center for operating at 75%, 100% and 125% of normal capacity.

Indicate the basis upon which you have estimated each item of expenses for the different operating levels.

	Rs
Foremen	60
Assistant foremen	40
Inspectors	65
Shop laborers	40
Machinery repairs	100
Defective works	25
Consumable stores	20
Over time bonus	–
Machine depreciation	110

	460
