SHRIMATHI DEVKUNVAR NANALAL BHATT VAISHNAV COLLEGE FOR WOMEN (AUTONOMOUS)
(Affiliated to the University of Madras and Re-accredited with ‘A+’ Grade by NAAC)
Chromepet, Chennai — 600 044.
M.Com.(CS) END SEMESTER EXAMINATION APRIL/NOV - 2021
SEMESTER - III
19PMCCE3002 - Management Accounting

Total Duration : 3 Hrs	**Total Marks : 75**
MCQ : 30 Mins	MCQ : 15
Descriptive : 2 Hrs.30 Mins	Descriptive : 60

Section B

Answer any **SIX** questions $(6 \times 5 = 30$ Marks)

1. How does management accounting differ from financial accounting?
2. What do you mean by financial statement? Explain the importance of financial statement.
3. Following are given balance sheets as on 31^{st} December 2018 and 2019 of Chennai Steel co.ltd. You are required to prepare a common –size balance sheet and interpret the results.

Liabilities	**2018 (Rs.)**	**2019 (Rs.)**	**Assets**	**2018 (Rs.)**	**2019 (Rs.)**
Equity Share capital	3,20,000	4,80,000	Fixed Assets:		
Capital reserve	80,000	1,28,000	Land & building	2,64,000	6,52,800
Revenue Reserve	1,77,000	1,67,200	Furniture	7,200	14,400
6% debentures	1,60,000	2,60,000	Plant & Machinery	44,800	59,200
Current liabilities:			Investments	2,16,000	1,36,000
Sundry Creditors	2,04,000	93,600	Current assets:		
Bills payable	5,600	8,000	Stock-in-trade	1,28,000	1,04,000
			Debtors	1,67,200	1,52,000
			Bills Receivable	25,600	10,400
			Cash at bank	94,400	8,000
	9,47,200	**11,36,800**		**9,47,200**	**11,36,800**

4. X ltd., made a profit of Rs.4,00,000 after considering the following items:
   (i) Depreciation on Fixed assets Rs.15,000
   (ii) Writing off of preliminary expenses Rs.6,000
   (iii) Loss on sale of furniture Rs.900
   (iv) Provision for taxation Rs.75,000
   (v) Transfer to general reserve Rs.5,000
   (vi) Profit on sale of building Rs.10,000

   The following additional information is also supplied to you:

Particulars	31^{st} **March 1998 (Rs.)**	31^{st} **March 1999 (Rs.)**
Sundry Debtors	15,000	20,000
Sundry Creditors	12,000	17,000
Bills receivable	14,000	17,500
Bills payable	9,500	6,000
Outstanding expenses	3,000	2,000
Prepaid expenses	100	200

   You are required to ascertain the amount of cash from operation.

5. Describe the advantages and limitations of Break-even – Analysis.

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6. From the following data, Calculate:
   (i) B.E.P. Expressed in amount of sales in rupees
   (ii) Number of units that must be sold to earn a profit of Rs.1,20,000 per year.
   Selling price Rs.40 per unit
   Variable manufacturing cost Rs.22 per unit
   Variable selling cost Rs.3 per unit.
   Fixed factory overheads Rs.1,60,000
   Fixed selling cost Rs.30,000

7. Prepare a Flexible budget for overheads on the basis of the following data. Ascertain the overhead rates at 50% ,60% and 70% capacity.

	At 60% capacity (Rs.)
Variable overheads:	
Indirect Material	6,000
Indirect Labour	18,000
Semi-variable overheads:	
Electricity: (40% Fixed & 60% variable)	30,000
Repairs: (80% fixed & 20% Variable)	3,000
Fixed overheads:	
Depreciation	16,500
Insurance	4,500
Salaries	15,000
Total overheads	93,000
Estimated direct labour hours	1,86,000

8. Prakash Iron Works is considering the purchase of a machine. Two machines A and B are available each costing Rs.1,50,000.

   Earnings after taxation but before charging depreciation are expected to be as under:

Year	**Machine A**	**Machine B**	**Present Value of Re. 1 at 10%**
1	45,000	15,000	0.909
2	60,000	45,000	0.826
3	90,000	60,000	0.751
4	30,000	90,000	0.683
5	30,000	60,000	0.621

   Evaluate the two alternatives according to :
   (a) Return on Investment Method
   (b) Net Present Value Method (Cost of capital 10%)

Section C

Part A

Answer any **TWO** questions $(2 \times 10 = 20$ Marks)

9. From the following information prepare balance sheet:
   Current ratio =2.5 :1
   Liquidity ratio =1.5 :1
   Proprietary ratio (fixed assets/proprietary fund) =0.75:1
   Working capital Rs.60,000
   Reserves and surplus Rs.40,000
   Bank overdraft Rs.10,000
   There is no long-term loan or fictitious asset.

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10. The following were the balance sheets of the Ganga and Yamuna as on 01/01/1990 and 31/12/1990

Liabilities	**01/01/1990 (Rs.)**	**31/12/1990 (Rs.)**	**Assets**	**01/01/1990 (Rs.)**	**31/12/1990 (Rs.)**
Creditors	40,000	44,000	Cash	10,000	7,000
Mrs Yamuna's Loan	25,000	—	Debtors	30,000	50,000
Loan from Bank	40,000	50,000	Stock	35,000	25,000
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,A machine costing Rs.10,000 (accumulated depreciation Rs.3,000) was sold for Rs.5,000.
The provision for depreciation against machinery as on 01/01/1990 was Rs.25,000 and on 31/12/1990 was Rs.40,000.
Net profit for this year 1990 amounted to Rs.45,000.
Prepare a cash flow statement.

11. The following data have been extracted from the books of Alfa Ltd.

Year	**Sales (Rs.)**	**Profit (Rs.)**
2014	5,00,000	50,000
2015	7,50,000	1,00,000

You are required to calculate:
(i) P/V Ratio
(ii) Fixed Cost
(iii) Break-even Sales
(iv) Profit on Sales of Rs.4,00,000
(v) Sales to earn of profit of Rs.1,25,000.

12. Srinivas Co. Ltd. wishes to arrange overdraft facilities with its bankers from the period August to October 2010 when it will be manufacturing mostly for stock. Prepare a cash budget for the above period from the following data given below:

Month	**Sales (Rs.)**	**Purchase (Rs.)**	**Wages (Rs.)**	**Mfg.exp (Rs.)**	**Office exp. (Rs.)**	**Selling (Rs.)**
June	1,80,000	1,24,800	12,000	3,000	2,000	2,000
July	1,92,000	1,44,000	14,000	4,000	1,000	4,000
August	1,08,000	2,43,000	11,000	3,000	1,500	2,000
September	1,74,000	2,46,000	12,000	4,500	2,000	5,000
October	1,26,000	2,68,000	15,000	5,000	2,500	4,000
November	1,40,000	2,80,000	17,000	5,500	3,000	4,500
December	1,60,000	3,00,000	18,000	6,000	3,000	5,000

Additional Information:
a. Cash on hand 1-08-2010 Rs.25,000.
b. 50% of credit sales are realized in the month following the sale and the remaining 50% in the second month following. Creditors are paid in the month following the month of purchase.
c. Lag in payment of manufacturing expenses half month.
d. Lag in payment of other expenses one month.

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Part B

Compulsory question $(1 \times 10 = 10$ Marks)

13. The comparative balance sheets of National Industries Ltd., for 2015 and 2016 are given below:

Liabilities	**2015 (Rs.)**	**2016 (Rs.)**	**Assets**	**2015 (Rs.)**	**2016 (Rs.)**
Equity Share capital	3,00,000	3,40,000	Bank	45,600	48,800
Reserve & Surplus	1,20,600	1,43,600	Debtors	9,800	16,000
Mortgage loan	20,000	19,000	Stock	42,000	65,200
Sundry Creditors	42,400	45,200	Marketable securities	12,200	10,000
Liabilities for Expenses	2,600	1,000	Trade investments	42,300	35,100
Provision for depreciation	25,600	34,000	Plant and machinery	1,83,400	2,68,000
Provision for taxation	11,600	12,400	Land and buildings	1,50,000	1,40,000
			Intangible assets	16,900	12,100
	5,22,200	**5,95,200**		**5,22,200**	**5,95,200**

The following transactions took place during 2015:

(i) Land which had cost Rs.10,000 was sold for Rs.25,000.

(ii) Some of the marketable securities were sold at a loss of Rs.3,000.

(iii) Difference between the figures to trade investments represents amount written off in respect of worthless investment.

(iv) A dividend of Rs.25,000 was paid.

(v) An old machinery which had cost Rs.10,000 (accumulated depreciation thereon Rs.8,000) was sold for Rs. Rs.6,000.

Prepare a funds flow statement.