**BON SECOURS COLLEGE FOR WOMEN, THANAJVUR**

**PG & RESEARCH DEPARTMENT OF COMMERCE CA**

**SUBJECT : MANAGEMENT ACCOUNTING**

**CLASS : IIIB.Com (CA)**

**SECTION – A ( 2 MARKS )**

UNIT-1

1. Define management accounting?
2. What do you meant by comparative income statement?
3. What is trend analysis?
4. What is common size statement?
5. What is comparative balance sheet?

Unit-ii

1.What is fund flow statement?

2. what is cash flow statement?

3. what do you mean by fund from operation?

4. what is working capital?

5. what do you understanding by current asset?

Unit-iii

1. What is ratio?
2. What is break even analysis?
3. What do you mean by marginal costing?
4. Write a formal for capital gearing ratio?
5. What is profitability ratio?
6. What is CVP analysis?
7. What is margin of safety?

Unit-iv

1. What is budget?
2. What is standard costing?
3. What is labour variance?
4. What is flexible budget?
5. What do you understand master budget?

Unit-v

1. What is capital budgeting?
2. What is pay back period?
3. What is NPV ?
4. What do you understanding by accounting rate of return?
5. What is discounted cash flow?

Section-b (5 MARKS)

Unit-1

1. Explain scope of management accounting?
2. What are the objectives of management accounting?
3. Discuss merits of management accounting?
4. What are the limitation of management accounting?
5. Write a note on

(i) Trend analysis

1. Comparative statement.

Unit ii

1. What are the objectives of funds flow statement?
2. Explain the advantages of fund flow statement?
3. From the following particulars, calculate fund from operations: salaries Rs. 40,000 depreciation Rs. 20,000; interest on investment Rs.10,000 profit on sales of fixed assets Rs 5,000; provision for tax Rs.30,000; loss on sales of machinery Rs. 5,000; interim dividend paid Rs.20,000 ; proposed dividend Rs.30,000; administrative expenses

Rs. 25,000; goodwill return off Rs 10,000; preliminary expenses written off Rs. 5,000; opening balance of profit and loss account Rs.70,000 ; closing balance of profit and loss account Rs 1,20,000.

1. From the following information relating to bright ltd., calculate funds lost in operations.

|  |  |
| --- | --- |
|  | RS |
| Net loss for the year | 90,000 |
| Dividend received | 7,000 |
| Depreciation charged | 10,000 |
| Profit on sales of asset | 5,000 |
| Refund of tax | 2,000 |

1. Explain objectives of working capital?
2. Peerless ltd. Is engaged in customer retailing. You re required to forecast their working capital requirements from the following information .

|  |  |
| --- | --- |
| Projected annual sales | Rs 6,50,000 |
| % of N.P to cost of sales | 25% |
| Average credit allowed to debtors | 10 weeks |
| Average credit allowed by creditors | 4 weeks |
| Average stock carrying ( in terms of sales requirement ) | 8 weeks |

Add 0% to allow for contingencies.

Unit-iii

1. Write note on
2. Margin safety
3. PVR
4. BEP
5. Determine the amount of fixed expenses from the following expenses particulars:

|  |  |
| --- | --- |
|  | RS |
| Sales | 2,50,000 |
| Direct material | 80,000 |
| Direct labour | 50,000 |
| Variable overheads | 20,000 |
| Profit | 60,000 |

3. Calculate Break Even point from the following particulars.

|  |  |
| --- | --- |
|  | RS |
| Fixed expenses | 1,50,000 |
| Variable cost per unit | 10 |
| Selling price per unit | 15 |

4 .Given:

|  |  |
| --- | --- |
| Fixed cost | Rs. 8,000 |
| Break even sales (in unit) | 4,000 |
| Sales | 7000 units |
| Selling price per unit | Rs. 10 |
|  |  |

Calculate: (a) variable cost (b) profit.

5 .You are given

Margin of safety Rs. 10,000 which represents 40% of sales P.V ratio 50%. Calculate (a) sales (b) break even sales (c) fixed cost (d) profit.

6.calculate gross profit ratio:

|  |  |  |  |
| --- | --- | --- | --- |
|  | RS |  | RS |
| Sales | 2,20,000 | purchases | 1,75,000 |
| Sales return | 20,000 | Purchasereturns | 15,000 |
| Opening stock | 30,000 | Closing stock | 40,000 |

7.The following is the trading account of Mr. Murugan. . Calculate stock turnover.

|  |  |  |  |
| --- | --- | --- | --- |
|  | RS |  | RS |
| To opening stock | 15,920 | By sales | 78,000 |
| To purchases | 39,000 | By closing stock | 14,400 |
| To carriage | 1,000 |  |  |
| To gross profit | 36,480 |  |  |
|  | 92,400 |  | 92,400 |

1. Current ratio 2.5; working capital Rs. 63,000. calculate current assets and current liabilities:

**UNIT-IV**

1. Define budgetary control and state its advantages.
2. What are the limitations of budgetary control?
3. Prepare a production budget for three months ending March31,2008 for a factory producing four products, on the basis for the following information:

Type Of Estimated stock Estimated sales Desired closing

product on January1,2008 during March,2008 Stock March31,2008

Units Units Units

A 2,000 10,000 5,000

B 3,000 15,000 4,000

C 4,000 13,000 3,000

D 5,000 12,000 2,000

4.Explain advantages of standard costing.

5.What are the difference between budgetary control and standard costing?

6.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 24 Kgs. Of material at Rs.4.50 per Kg. Calculate

(i)Material Cost Variance (ii) Material Price Variance (iii) Material Usage Variance.

**UNIT – V**

1.Discuss the importance of capital budgeting.

2.A project cost Rs. 1,00,000 and yields an annual cash inflow of Rs.20,000 for 7 years. Calculate payback period.

3.A project cost Rs.5,00,000 and yields annually a profit of Rs.80,000 after depreciation at 12% p.a. but before tax of 50%.Calculate payback period.

4.A Ltd., is producing articles mostly by manual labour and is considering to replace it by a new machine. There are two alternative models X and Y of the new machine. Prepare a statement of profitability showing the payback period from the following information:

**Machines**

**X Y**

Estimated life of a machine 4 years 5 years

Cost of machine Rs.9,000 18,000

Estimated saving in scrap Rs.500 800

Estimated savings in direct wages Rs.6,000 8,000

Additional cost of maintenance Rs.800 1,000

Additional cost of supervision Rs.1,200 1,800

Ignore taxation.

5.Calculate average rate of return for projects A and B from the following:

**ProjectA Project B**

Investments Rs. 20,000 Rs.30,000

Expected life 4 years 5 years

(no salvage value)

Projected Net income (after interest, depreciation and taxes)

**Years Project A Project B**

**Rs. Rs.**

1 2,000 3,000

2 1,500 3,000

3 1,500 2,000

4 1,000 1,000

5 \_ 1.000

**6,000 10,000**

6.Initial Outlay Rs.50,000

Life of the asset 5 years

Estimated cash flow Rs.12,500

Calculate Internal Rate of Return.

Section – c

Unit –i

1. Prepare balance sheet and show the workings.
2. Working capital -75000
3. Reserves & surplus -100000
4. Bank overdraft -60000
5. Current ratio -1.75
6. Liquid ratio - 1.15
7. Fixed asset to proprietors funds-0.75
8. Long term liability - Nil
9. What are the difference between management accounting and financial accounting?
10. Explain functions of management accounting?
11. Calculate the trend percentages from the following figures of priya enterprises taking 1995 as the base and interpret them.

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Sales | stock | ( Rs.in lakhs)  Profit before tax |
| 1995 | 1,881 | 709 | 321 |
| 1996 | 2,340 | 781 | 435 |
| 1997 | 2,655 | 816 | 458 |
| 1998 | 3,021 | 944 | 527 |
| 1999 | 3,768 | 1,154 | 672 |

Unit- II

1. From the following balance sheet of XYZ Ltd., prepare funds flow statement and a schedule of changing in working capital.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Liabilities | 1999  RS | 1998  RS | Assets | 1999  RS | 1998  RS |
| Creditors | 1,80,000 | 1,25,000 | Cash | 50,000 | 40,000 |
| 5% debentures | 1,00,000 | 2,00,000 | Debtors | 30,000 | 15,000 |
| Share capital | 2,00,000 | 1,00,000 | Stock | 1,00,000 | 80,000 |
| Profit & loss a/c | 20,000 |  | Short-term investments | 1,20,000 | 50,000 |
|  |  |  | Fixed assets | 2,00,000 | 2,00,000 |
|  |  |  | Profit & loss a/c | - | 40,000 |
|  | 5,00,000 | 4,25,000 |  | 5,00,000 | 4,25,000 |

1. Balance sheet of M/S. Black and White as on 1.1.99 and 31.12.1999 were as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Liabilities | 1.1.99  RS | 31.12.1999  RS | Assets | 1.1.1999  RS | 31.12.1999  RS |
| Creditors | 40,000 | 44,000 | 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 | 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 |

1. From the following balance sheet of Apple Ltd. On 31st December 1998 and 1999 you are required to prepare funds flow statement.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Liabilities | 1998  RS | 1999  RS | Assets | 1998  RS | 1999  RS |
| Share capital | 1,00,000 | 1,00,000 | Goodwill | 12,000 | 12,000 |
| General reserve | 14,000 | 18,000 | Building | 40,000 | 36,000 |
| Profit & loss a/c | 16,000 | 13,000 | Plant | 37,000 | 36,000 |
| Sundry creditors | 8,000 | 5,400 | Investment | 10,000 | 11,000 |
| Provision for taxation | 16,000 | 18,000 | Stocks | 30,000 | 23,400 |
| Provision for doubtful debts | 400 | 600 | Bills receivable | 2,000 | 3,200 |
|  |  |  | Debtors | 18,000 | 19,000 |
|  |  |  | Cash | 6,600 | 15,200 |
|  | 1,55,600 | 1,55,800 |  | 155,.600 | 1,55,800 |

1. The comparative balance sheet of M/s. Ram brothers for the two years were as follows.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Liabilities | December 31  1998  RS | 1999  RS | Assets | December  31  1998  RS | 1996  RS |
| capital | 1,50,000 | 1,75,000 | Land  &  building | 1,10,000 | 1,50,000 |
| Loan from bank | 1,60,000 | 1,00,000 | machinery | ,00,000 | 1,40,000 |
| creditors | 90,000 | 1,80,000 | stock | 50,000 | 45,000 |
| Bills payable | 50,000 | 40,000 | debtors | 70,000 | 80,000 |
| Loan from SBI | - | 5,000 | cash | 0,000 | 5,000 |

5 . The comparative balance sheetof Mr. Vijay for the last two years were as follow.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Liabilities | 1998  RS | 1999  RS | asset | 1998  RS | 1999  RS |
| Loan from wife | - | 0,000 | Cash | 11,000 | 15,000 |
| Bills payable | 1,000 | 8,000 | debtors | 40,000 | 35,000 |
| Creditors | 5,000 | 5,000 | stock | 5,000 | 30,000 |
| Loan from bank | 43,000 | 60,000 | machinery | 0,000 | 14,000 |
| Capital | 66,000 | 34,000 | Land &building | 50,000 | 80,000 |
| Total | 1,46,000 | 1,74,000 | total | 1,46,000 | 1,74,000 |

6 . From the following summarized balance sheets of kissan industries Ltd., prepare a cash flow statement for the year ended.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Liabilities | 31.3.1999  RS | 31.3.000  RS | Asset | 31.3.1999  RS | 31.3.000  RS |
| Share capital | 10,000 | 10,000 | goodwill | 1,200 | 1,200 |
| General reserve | 1,400 | 1,800 | land | 4,000 | 3,600 |
| Profit & loss a/c | 1,600 | 1,300 | building | 3,700 | 3,600 |
| Sundry creditors | 800 | 600 | investment | 1,000 | 1,100 |
| Outstanding expenses | 120 | 100 | inventories | 3,000 | 2,400 |
| Provision for taxation | 1,600 | 1,800 | Bills receivable | 2,000 | 2,300 |
| Provision for bad debts | 80 | 100 | bank | 1,700 | 1,500 |
| Total | 15,600 | 15,700 | total | 15,600 | 15,700 |

1. Balance sheet of veena industries ltd are given below

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 31st march  1999  RS | 31ST march  2000  RS |  | 31st march  1999  RS | 31st march  2000  RS |
| Share capital | 1,40,000 | 1,48,000 | Cash | 18,000 | 15,600 |
| reserves | 2,000 | 3,000 | Debtors | 29,800 | 35,400 |
| Bank loan | 22,000 | 9,000 | stock | 98,400 | 85,400 |
| creditors | 10,000 | 12,000 | land | 40,000 | 60,000 |
| Profit & loss a/c | 18,200 | 19,600 | investment | 15,000 | 7,000 |
| Proposed dividend | 14,000 | 14,800 | goodwill | 5,000 | 3,000 |
|  | 2,06,200 | 2,06,200 |  | 2,06,200 | 2,06,200 |

1. From the following estimates, calculate the average amount of working capital required.

|  |  |
| --- | --- |
|  | Per annum  RS |
| 1.Average amount locked up in stock:  Stock of finished goods and work-in-progress  Stock of stores, material etc. | 10,000  8,000 |
| . average credit given:  Local sales weeks’ credit  Outside the state 6 weeks’ credit | 1,04,000  3,12,000 |
| 3 Time average for payment:  For purchase 4 week  For wages week | 78,000  2,60,000 |

Add 10% to allow for contingencies

1. Tom & co Ltd., desires to purchase a business and has consulted you, and one point on which you are asked to advise them is the average amount of working capital which will be required in the first year’s working.

You are given the following estimates and are instructed add 10% to your computed figures to allow for contingences.

Unit- iii

1. From the following data calculate
2. Number of units to be sold to earn a profit of Rs. 1,0,000
3. Sales to earn a profit of Rs. 1,0,000

Selling price per unit Rs. 40

Variable selling cost per unit Rs. 3

Variable manufacturing cost per unit Rs.22

Fixed factory overheads Rs.1,60,000

Fixed selling cost Rs. 20,000

1. A company has earned a profit of Rs. 30,000 during the year 1999. If the marginal cost selling price if product are Rs 8. And Rs 10 p.u respectively, find out the margin of safety.
2. Form the following data calculate:
3. P/V ratio
4. Profit when sales are Rs20,000
5. New break-even point if selling price is reduced by 20%

Fixed expenses Rs. 4,000

Break-even sales Rs. 10.000

1. Assuming that the cost structure and selling prices remain the same in periods I and II find out:
2. P/V ratio
3. B.E sales
4. Profit when sales are 1,00,000
5. Sales required to earn a profit of Rs. 20,000
6. Margin of safety in IInd period

|  |  |  |
| --- | --- | --- |
| period | Sales  RS | Profit  RS |
| I | 1,20,000 | 9,000 |
| II | 1,40,000 | 13,000 |

1. From the following information, prepare a balance sheet. Show the workings.

|  |  |
| --- | --- |
| 1. Working capital | RS. 75,000 |
| 1. Reserves and surplus | 1,00,000 |
| 1. Bank overdraft | 60,000 |
| 1. Current ratio | 1.75 |
| 1. Liquid ratio | 1.15 |
| 1. Fixed assets to proprietors’ funds | 0.75 |
| 1. Long – term liabilities | nil |

**UNIT -IV**

1.BPL Ltd. Wishes to arrange overdraft facilities with its bankers during the period April to June 2008 when it will be manufacturing mostly for stock. Prepare a cash budget for the above 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 2008 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 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.

Lag in payment of wages 1 month.

**(c)** Cash at bank on 1-4-2008(estimated) Rs.25,000.

1. Draw up a flexible budget for overhead expenses on the basis of the following data and determine the overhead rates at 70%,80% and 90% plant capacity.

**At 70% At 80% At 90%**

**Capacity Capacity Capacity**

**Rs. Rs. Rs.**

**Variable overheads:**

Indirect labour \_ 12,000 \_

Stores including spares \_ 4,000 \_

**Semi-variable overheads:**

Power

(30% fixed,70%variable) \_ 20,000 \_

Repairs and maintenance

(60% fixed,40% variable) \_ 2,000 \_

**Fixed overheads:**

Depreciation \_ 11,000 \_

Insurance \_ 3,000 \_

Salaries \_ 10,000 \_

**Total Overheads \_ 62,000 \_**

Estimated direct labour hours: 1,24,000 hrs.

3. Draw a material procurement budget (Quantitative) from the following information:

Estimated sales of a product 40,000 unit. Each unit of the product requires 3 units of material A and 5 units of material B.

Estimated opening balances at the commencement of the next year:

Finished products 5,000 units

Material A 12,000 units

Material B 20,000 units

Materials in order:

Material A 7,000 units

Material B 11,000units

The desirable closing stock at the end of the next year:

Finished products 7,000 units

Material A 15,000 units

Material B 25,000 units

Material on order:

Material A 8,000 units

Material B 10,000 units

4.The standard material and standard cost per Kg. of material required for the production of one unit of product A is as follows:

Material A - 5 Kgs.

Standard price – Rs. 5 per kg.

The actual production and related material data are as follows:

400 units of a product A

Material used 2,200 Kgs.

Price of materials Rs.4.50 per Kgs.

Calculate (1) Material Cost Variance

(2)Material Usage Variance

(3)Material Price Variance

5. The Standard quantity and standard price of raw material required for one unit of product A are given below:

Quantity Standard price

Material X 2 Kgs. Rs. 3 per kg.

Material Y 4 Kgs. Rs. 2 per kg.

The actual production and relevant data are as follows:

Output 500 units of product

Material Total Quantity Total cost

For 500 units Rs.

X 1,200 Kg. 3,900

Y 1,800 Kg. 4,500

Calculate cost price and usage variances.

|  |  |
| --- | --- |
|  | Figures for the year  RS. |
| Average amount locked up in stock:  Stock of finished product  Stock of stores, materials etc, | 5,000  8,000 |
| Average credit given:  Inland sales 6 weeks credit  Export sales 1 1/2 weeks credit | 3,12,000  78,000 |
| Lag in payment of wages and other  out standings:  Wages - 1 1/2 weeks  Stores, materials etc. – 1 1/2 months  Rent, royalties etc - 6 months  Clerical staff - 1/2 month  Manager - 1/2 month  Miscellaneous expenses - 1 1/2 months | 2,60,000  48,000  10,000  62,400  4,800  48,000 |
| Payment in advance:  Sundry expenses (paid quarterly I advance) | 8,000 |
| Undrawn profits on an average throughout the year | 11,000 |

Calculate the average amount of working capital required.

**UNIT-V**

1.The following particular related to a project.

**Cost of the project Rs. 50,000**

**Annual cash inflows: Rs.**

1 year 5,000

2 year 20,000

3 year 30,000

4 year 30,000

5 year 10,000

**Year** 1 2 3 4 5

**Present value at 10%** 0.909 0.826 0.751 0.683 0.621

Calculate

1. Net present value 2.Discounted payback period.

2.Achoice is to be made between two competing proposals which require a equal investment of Rs.50,000 and are expected to generate net cash flow as under:

**Project I Project II**

End of year 1 Rs. 25,000 Rs.10,000

End of year 2 15,000 12,000

End of year 3 10,000 18,000

End of year 4 NIL 25,000

End of year 5 12,000 8,000

End of year 6 6,000 4,000

The cost of capital of the company is 10 per cent. The following are the present value factors at 10% per annum.

**Year** 1 2 3 4 5 6

**P.V.F at 10%** 0.909 0.826 0.751 0.683 0.621 0.564

Which project proposal should be chosen and why?Evaluate the project proposals as under:

1. Pay-back period (c) Net Present Value
2. Excess present value index.

3.The following are the cash inflow and outflowsof a certain project.

**Year Outflows Inflows**

0 1,50,000 \_

1 30,000 30,000

2 \_ 30,000

3 \_ 50,000

4 \_ 60,000

5 \_ 40,000

The salvage value at the end of 5 years is Rs.40,000. Taking the cut off rate as 10%, calculate net present value.

**Year** 1 2 3 4 5

**Present value at 10%** 0.909 0.826 0.751 0.683 0.621

4. Rock Fort Steel Ltd., whose cost of capital is 10% os considering investing in a project. The following particulars are available.

Initial investment Rs.90,000

**Year Cash Inflows**

**Rs.**

1. 10,000
2. 20,000
3. 30,000
4. 40,000
5. 50,000

**Rs. 1,50,000**

Compute (a) NPV (b) Profitability index and (c) IRR

5.The following particulars relate to two machines producing identical products.

**Machine A Machine B**

Original cost Rs.1,00,000 1,50,000

Working life 5 years 5 years

**Profit before depreciation Rs. Rs.**

I year 30,000 40,000

II year 15,000 45,000

III year 40,000 50,000

IV year 40,000 24,000

V year 35,000 71,000

Tax rate 50% 50%

1. Calculate Return on investments.
2. Calculate average rate of return assuming that machines A and Bhave scrap values of Rs. 10,000 and Rs. 20,000 respectively at the end of 5th year.