



Reg. No. :

Name :

Sixth Semester B.Com. Degree Examination, April 2018
First Degree Programme under CBCSS
Core Course : CO 1643/CX 1643/TT 1643/HM 1643/CC 1642
MANAGEMENT ACCOUNTING

(2013 Adm. Onwards)

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

Time : 3 Hours

Max. Marks : 80

SECTION – A

Answer **all** questions in **one** or **two** sentences. **Each** question carries **1** mark.

1. Define Management Accounting.
2. What do you mean by Debt Equity Ratio ?
3. List out any two limitations of Financial Accounting.
4. What is Flexible Budget ?
5. Distinguish analysis and interpretation.
6. State the meaning of funds Flow.
7. What do you mean by Acid Test Ratio ?
8. What is Horizontal analysis ?
9. What is Operating Profit ratio ?
10. Give any two cash flow from investing Activities.

(10×1=10 Marks)



SECTION – B

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

11. List any four advantages of Management Accounting.
12. State the gross and net concept of working capital.
13. List any four applications of funds.
14. How provision for taxation is treated in funds flow statement ?
15. State any four advantages of Ratio analysis.
16. Explain the significance of Comparative Statement.
17. Calculate the value of stock from the following :
 Quick Ratio – 1.5 : 1
 Current Asset – Rs. 1,00,000
 Current Liability Rs. 40,000

18. Find out Working Capital turnover ratio :

Cash	20,000
Bills Receivables	15,000
Sundry Debtors	25,000
Stocks	30,000
Sundry Creditors	40,000
Cost of sales	2,50,000

19. Compute Debtors Turnover Ratio from the following :

Total Sales = 90,00,000

Cash sales = 10,00,000

Average Accounts Receivable = 20,00,000

Sales Rs. 24,00,000



- 20. Calculate Funds from Operations :
 Profit for the current period Rs. 50,000
 Goodwill written off Rs. 10,000
 Preliminary Expenses written off Rs. 5,000
- 21. List any four features of Cash Flow Statement.
- 22. Define Budget Manual. (8x2=16 Marks)

SECTION - C

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

- 23. Explain the functions of Management Accounting.
- 24. State the difference between Cost Accounting and Management Accounting.
- 25. Explain the different tools of financial statement analysis.
- 26. From the given Balance Sheet of ABC Ltd. Prepare Statement of Changes in Working Capital.

Liabilities	2014	2015	Assets	2014	2015
Share Capital	7,50,000	7,60,000	Fixed Assets	4,50,000	3,80,000
General Reserve	56,000	68,000	Stock	2,40,000	2,10,000
Creditors	1,64,000	1,29,000	Debtors	2,10,000	4,55,000
Provision for bad debts	4,000	5,000	Bank	1,49,000	1,97,000
Provision for taxation	75,000	10,000			
Mortgage Loan	-	2,70,000			
Total	10,49,000	12,42,000	Total	10,49,000	12,42,000

- 27. A Company produces a standard product. The estimated cost per unit are as follows :
 Raw materials Rs. 4.00
 Wages Rs. 2.00



Variable overhead Rs. 5.00

The semi variable costs are :

Indirect Material Rs. 235; Indirect labour Rs. 156; Repairs Rs. 570

The variable costs per unit included in semi variable are :

Indirect material Rs. 0.05; Labour Rs. 0.08; and Repairs Re. 0.10

The fixed costs are : Factory Rs. 2,000; administration Rs. 3,000; selling and distribution Rs. 2,500

The above costs are for 70% normal capacity producing 700 units

The selling price is Rs. 10 per unit.

Prepare Flexible Budget for 80% capacity from the above information.

28. Calculate trend percentages from the following figures of X Ltd. taking 2010 as the base :

Year	Sales	Stock	Profit before Tax
2010	1900	709	321
2011	2500	781	435
2012	2800	816	458
2013	3000	944	527
2014	3800	1154	672

29. Calculate Funds from operations from the following information

Net profit for the year ended March 2015 Rs. 9,70,000

Profit on sale of building Rs. 15,000

Goodwill written off : 10 percent of 1,50,000

Old machinery worth Rs. 8,000 has been sold for Rs. 6,500 during the year
Rs. 75,000 have been transferred to the General Reserve Fund

Depreciation has been provided during the year on machinery and furniture at 20% whose total cost is Rs. 6,50,000.

30. Prepare Common size statement from the following for the year ending December 31, 2015 and 2016.

	2015 (Rs. in '000)	2016 (Rs. in '000)
Sales	500	700
Miscellaneous Income	20	15
Total	520	715
Expenses:		
Cost of sales	325	510
Office expenses	20	25
Selling expenses	30	45
Interest	25	30
Total expenses	400	610
Net Profit	120	105
Total	520	715

31. A firm has current ratio of 3 : 1 and quick ratio of 1 . 2 : 1. If working capital is Rs. 1,80,000, calculate Current Liability, Current Assets and Stock.

(6×4=24 Marks)

SECTION - D

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

32. Define Report. State the purpose of Reporting. What are the essentials of a good Report ?
33. From the following information presented by X Ltd. for the year ended 31-12-2015,

Prepare the Balance Sheet :

Sales to Net Worth - 5 Times

Current Liabilities to Net Worth - 50%

Total Debt to Net Worth - 60%



Fixed Assets to Net Worth – 60%

Current Ratio – 2 : 1

Sales to Stock – 10 Times

Debtors Velocity – 9 Times

Annual Sales – Rs. 15,00,000

40% of sales were made on Cash.

34. From the Balance Sheet of Dulex Ltd. as at 31 December 2014 and 2015 are given below, you are required to prepare a statement of changes in working capital and a Funds Flow Statement.

Balance Sheets

Liabilities	2014	2015	Assets	2014	2015
Share Capital	2,00,000	2,50,000	Land & Buildings	2,00,000	1,90,000
General Reserve	50,000	60,000	Plant	1,50,000	1,74,000
Profit & Loss Account	30,500	36,600	Stock	1,00,000	75,000
Bank Loan (Short-term)	70,000	-	Debtors	80,000	64,200
Creditors	1,50,000	1,35,200	Cash	500	600
Provision for Taxation	30,000	35,000	Bank	-	8,000
	5,30,500	5,10,800		5,30,500	5,10,800

Additional Information :

- Depreciation was written off plant Rs. 14,000 in 2015
- Dividend of Rs. 20,000 was paid during 2015
- Income Tax Provision made during the year was Rs. 25,000
- A piece of land has been sold during the year at cost.



35. From the following information prepare a monthly Cash budget for the four months ending 31 December.

	September	October	November	December
Expected Sales	50,000	60,000	45,000	80,000
Expected Purchases	32,000	60,000	70,000	45,000

Other relevant information is :

- a) Wages to be paid to workers Rs. 6,000 each month.
- b) Dividend from investments amounting to Rs. 1,000 are expected on 31st December.
- c) Income Tax to be paid in advance in December Rs. 2,000.
- d) Preference Share dividend of Rs. 5,000 is to be paid on 30th November.
Balance at bank on 1st September is expected to be Rs. 6,000.

(2×15=30 Marks)



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Time : 3 Hours

Max. Marks : 80

SECTION – A

Answer **all** the questions in **one** or **two** sentences **each**. **Each** question carries 1 mark.

1. Define Management Accounting.
2. Define Financial Statements.
3. What do you mean by trend ratio ?
4. What do you mean by EPS ?
5. What is P.E. Ratio ?
6. What do you mean by Fund ?
7. Explain the meaning of cash flow statement.
8. What is Master Budget ?
9. What is external reporting ?
10. What are internal reports ?

(10×1=10 Marks)



SECTION – B

Answer **any 8** of the following. **Each** question carries **2** marks.

11. Explain the methods of reporting.
12. Explain Financial reporting.
13. Differentiate a Budget from Budgeting and Budgetary control.
14. What is performance budgeting ?
15. How will you treat the following while calculating operating net profit for cash from operations ?
 - A) Loss on sale of machine
 - B) Depreciation.
16. How will you treat Preliminary expense written off and dividend paid while calculating operating net profit for cash from operations ?
17. Current liabilities of a company are 3 lakhs. Its current ratio is 3 : 1 and quick ratio is 1 : 1. Calculate the value of stock.
18. Determine debtors turnover ratio and average collection period.
Total sales = 10 lakhs, Credit sales – 8 lakhs, Debtors – 1 lakh.
19. If average stock is 50,000 and closing stock is 12,000 more than opening stock. Calculate opening and closing stock.
20. Stock turnover ratio is 3 times. Average stock is Rs. 20,000/-. Calculate cost of goods sold and also sales if profit, earned is 25% of the cost.
21. What are the objectives of Management Accounting ?
22. What are the tools of Management Accounting ?

(8×2=16 Marks)



SECTION - C

Answer **any 6** of the following questions. **Each** question carries **4** marks.

- 23. Differentiate Financial Accounting from Management Accounting.
- 24. Distinguish between horizontal analysis and vertical analysis.
- 25. Given Current ratio = 2 : 8, Acid test ratio = 1 : 5, Working capital = 1,62,000; calculate, 1) current assets 2) current liabilities 3) liquid assets 4) stock.
- 26. From the following balance sheet of ABC Ltd., for the year ending 31-12-2013 and 31-12-2014. Prepare a schedule of changes in working capital.

Balance Sheet

Liabilities	2013	2014	Assets	2013	2014
Share capital	4,00,000	5,75,000	Land & building	75,000	1,00,000
Creditors	1,06,000	70,000	Stock	1,21,000	1,36,000
Profit & Loss A/c	14,000	31,000	Debtors	1,81,000	1,70,000
			Cash	1,43,000	2,70,000
	5,20,000	6,76,000		5,20,000	6,76,000

27. Following information is available from the books of Standard Company Ltd.

Particulars	2015	2016
Profit made during the year	—	2,50,000
Income received in advance	500	600
Prepaid expenses	1,600	1,400
Debtors	80,000	95,000
Bills receivables	25,000	20,000
Creditors	45,000	40,000
Bills payable	13,000	15,000
Outstanding expenses	2,500	2,000
Accrued income	1,500	1,200

Calculate cash from operation.



28. With the following data for 60% activity, prepare a flexible budget for production at 80% and 100% activity.

Production at 60% capacity	=	6000 units
Materials	=	Rs. 100/unit
Labour	=	Rs. 50/unit
Direct expenses	=	Rs. 20/unit
Factory overheads	=	Rs. 50,000 (40% fixed)
Administration overheads	=	Rs. 40,000 (60% fixed)
Selling overheads	=	Rs. 20,000 (50% fixed)

29. What do you mean by Reporting ? What are the essentials of a good reporting system ?

30. From the following Balance Sheets of Mejo Chemicals Ltd. as on 31-3-2009 and 31-3-2010, prepare a Comparative Balance Sheet.

Liabilities	2009	2010	Assets	2009	2010
Current liabilities	2,00,000	4,00,000	Fixed assets	12,00,000	18,00,000
Reserves	3,00,000	2,00,000	Less: Accumulated		
12% loan	5,00,000	8,00,000	Depreciation	<u>2,00,000</u>	<u>3,00,000</u>
Share Capital	5,00,000	10,00,000		10,00,000	15,00,000
			Current assets	5,00,000	9,00,000
	15,00,000	24,00,000		15,00,000	24,00,000

31. Profit and Loss Account of Person Ltd. for the year 2011 is given.

	Rs.		Rs.
To Salaries	72,000	By Gross profit b/d	3,40,000
To Rent, Insurance and taxes	40,000	By Interests on	
To Lighting expenses	20,000	investment	30,000



To Audit fees	10,000	By Profit on sale of	
To Depreciation	35,000	machinery	20,000
To Preliminary expenses written off	5,000	Refund of income tax	10,000
To Loss on sale of investment	3,000		
To Selling expenses	20,000		
To Provisions for tax	75,000		
To Net profit c/d	1,20,000		
	4,00,000		4,00,000

Calculate Funds from Operations.

(6x4=24 Marks)

SECTION - D

Answer any 2 of the following. Each question carries 15 marks.

32. With the following ratio and further information given below, prepare a Trading and Profit and Loss Account and a Balance Sheet of Sigma Agencies.

- i) Gross profit ratio = 25%
- ii) Net profit ratio = 20%
- iii) Stock turnover ratio = 10
- iv) Net profit/capital = 1/5
- v) Capital to total liability = 1/2
- vi) Fixed assets/capital = 5/4
- vii) Fixed assets/total current assets = 5/7
- viii) Fixed assets = Rs. 2,00,000/-
- ix) Closing stock = 20,000/-



33. Ashok Industries Ltd. approaches its bankers for overdraft facility for the period Jan. to March 2014. From the following data prepare cash budget for the above period indicating the overdraft facility required at the end of each month.

	Sales	Purchases	Wages	Expenses
November 2013	2,40,000	1,60,000	20,000	25,000
December 2013	2,60,000	1,70,000	24,000	30,000
January 2014	1,70,000	3,30,000	18,000	28,000
February 2014	2,30,000	3,40,000	22,000	32,000
March 2014	1,90,000	3,70,000	26,000	40,000

- Estimated cash at bank 1-1-2014 is Rs. 40,000/-
 - 50% of the credit sales are realised in the month following the sales and remaining 50% in the second month following.
 - Creditors are paid in the month following the month of purchase.
 - Wages and expenses are paid in the month in which they are incurred.
34. The summarised Balance Sheet of J.K. Ltd. as on 31-12-2002 and 2003 are as follows.

Balance Sheet

Liabilities	2002		2003		Assets	2002		2003	
Share capital	4,50,000	4,50,000	Land & building	2,00,000	2,00,000	2,00,000	2,00,000		
General reserve	3,00,000	3,10,000	Machinery	2,00,000	1,20,000	2,00,000	1,20,000		
Profit & Loss A/c	56,000	68,000	Investments	50,000	60,000	50,000	60,000		
Creditors	1,68,000	1,34,000	Stock	2,40,000	2,10,000	2,40,000	2,10,000		
Provision for tax	75,000	10,000	Debtors	2,10,000	4,55,000	2,10,000	4,55,000		
Mortgage Loan		2,70,000	Cash	1,49,000	1,97,000	1,49,000	1,97,000		
	10,49,000	12,42,000		10,49,000	12,42,000	10,49,000	12,42,000		



Additional information :

- 1) Investments costing Rs. 8,000/- were sold during the year 2003 for Rs. 8,500/-
- 2) Provision for taxation made during the year was Rs. 9,000/-
- 3) During the year machine costing Rs. 10,000/- was sold for Rs. 12,000/-. The profit was included in the Profit and Loss account.
- 4) Dividend paid during the year amounted to Rs. 40,000/-

Prepare a schedule of changes in working capital and a statement of sources and application of fund for the year 2003.

35. Write an essay on advantages and disadvantages of Management Accounting. **(2×15=30 Marks)**
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(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)

P.T.O.

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 Rs.	2019 Rs.	2018 Rs.	2019 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 Rs.	2019 Rs.	2018 Rs.	2019 Rs.	2019
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 (Rs.in lakhs)	1881	2340	2655	3021	3768	3950
Profit (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 31st 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 (Rs. in lakhs)	31.03.2019 (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 1st 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 1st April, 2019 to 31st 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	15
	<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)
