

(8 pages)

**APRIL 2021**

**72221/MAM2E**

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Time : Three hours

Maximum : 75 marks

PART A — (10 × 2 = 20 marks)

Answer any TEN questions.

1. State the meaning of Management Accounting.
2. Mention any two limitations of management accounting.
3. What is trend analysis?
4. What do you mean by common-size statement?
5. What is meant by solvency?
6. What is current ratio?
7. What is meant by funds flow analysis?
8. Define Budgetary control.
9. What is meant by payback period?
10. What do you understand by capital rationing?
11. What is net profit ratio?
12. What is cash from operations?

PART B — (5 × 5 = 25 marks)

Answer any FIVE questions.

13. Briefly explain the importance of Management Accounting.
14. Calculate the trend percentages from the following data taking 2015 as the base year.

	As At 31 <sup>st</sup> March			
	2015	2016	2017	2018
Current Assets	Rs.	Rs.	Rs.	Rs.
Cash at bank	20,000	24,000	26,000	30,000
Book debts	30,000	36,000	50,000	60,000
Stock	40,000	60,000	80,000	1,00,000
Bills receivable	10,000	15,000	20,000	30,000

15. From the following data, Calculate,
- (a) Gross Profit ratio
  - (b) Net profit ratio
  - (c) Return on total assets
  - (d) Inventory turnover.

	Rs.
Sales	25,20,000
Cost of sales	19,20,000
Net profit	3,60,000

	Rs.
Inventory	8,00,000
Other current assets	7,60,000
Fixed assets	14,40,000
Net worth	15,00,000
Debt.	9,00,000
Current liabilities	6,00,000

16. Following are the extracts from the balance sheet of a company as on 31<sup>st</sup> March 2018 and 2019. You are required to calculate funds from operation:

	31.03.2018	31.03.2019
Profit and Loss	30,000	40,000
Appropriation A/c		
General reserve	20,000	25,000
Goodwill	10,000	5,000
Preliminary expenses	6,000	4,000
Provision for Depreciation on Machinery	10,000	12,000

17. Compute cash from operating activities from the following Balance Sheets.

Balance Sheets					
Liabilities	2018 Rs.	2019 Rs.	Assets	2018 Rs.	2019 Rs.
Capital	2,00,000	2,00,000	Fixed assets at cost	1,80,000	1,60,000
P&L A/c	60,000	40,000	Less : Depreciation	(50,000)	(30,000)
Accounts payable	80,000	70,000	Stock	92,000	1,00,000
General reserve	40,000	25,000	Accounts receivable	90,000	35,000
			Cash	68,000	70,000
	<u>3,80,000</u>	<u>3,35,000</u>		<u>3,80,000</u>	<u>3,35,000</u>

18. Prepare the production budget from the following information.

Product	Estimated stock on 1.1.19	Estimated sales from Jan to March 19	Desired closing stock on 31.03.19
R	2,000	10,000	3,000
S	3,000	15,000	5,000
U	4,000	13,000	3,000
P	3,000	12,000	2,000

19. Payoff Ltd. is producing articles mostly by manual labour and is considering to replace it by a new machine. There are two alternative models M and N of new machine. Prepare a statement of profitability showing the pay-back period from the following information.

	Machine M	Machine N
Estimated life of machine	4 years	5 years
	Rs.	Rs.
Cost of machine	9,000	18,000
Estimated saving in scarp	500	800
Estimated savings in direct wages	6,000	8,000
Additional cost of maintenance	800	1,000
Additional cost of supervision	1,200	1,800
Ignore taxation	1,200	1,800

PART C — (3 × 10 = 30 marks)

Answer any THREE questions.

20. From the following information you are asked to prepare a Balance sheet
- Current liabilities Rs.1,00,000
  - Reserves and surplus Rs.50,000
  - Bills payable Rs.40,000
  - Debtors Rs.35,000
  - Current ratio 1.75
  - Acid test ratio 1.15
  - Fixed assets to proprietors fund 0.75
  - Ratio of fixed assets to current assets 3.00

21. From the following Balance Sheets prepare a cash flow statement.

Balance Sheet					
Liabilities	2018	2019	Assets	2018	2019
	Rs.	Rs.		Rs.	Rs.
Share Capital	65,000	78,000	Fixed assets	83,000	86,000
Profit and Loss A/c	4,000	6,500	Stock-in trade	29,000	37,000
Debentures	30,000	25,000	Cash	8,000	9,000
Creditors for goods	17,000	16,000	Prepaid expense	1,000	1,500
Bills payable	4,000	5,000	Goodwill	1,000	-
Outstanding expense	2,000	3,000			
	<u>1,22,000</u>	<u>1,33,500</u>		<u>1,22,000</u>	<u>1,33,500</u>

22. Prepare a flexible budget for overheads on the basis of data given below. Ascertain overhead rates at 50 per cent and 70 per cent capacity.

	At 50% Capacity Rs.	At 60% Capacity Rs.	At 70% Capacity Rs.
Variable overheads:			
Indirect Material		6,000	
Indirect Labour		18,000	
Semi-variable overheads:			
Electricity (40% fixed),		30,000	

	At 50% Capacity Rs.	At 60% Capacity Rs.	At 70% Capacity Rs.
Repairs and Maintenance 20% variable		3,000	
Fixed overhead:			
Depreciation		16,500	
Insurance		4,500	
Salaries		<u>15,000</u>	
Total overheads		<u>93,000</u>	
Estimated Direct Labour hours		1,86,000 hrs.	

23. Determine the average rate of return from the following data of two machines A and B.

	Machine A	Machine B
Original Cost	Rs.56,125	Rs.56,125
Addl. Investment in net working capital	Rs.5,000	Rs.6,000
Estimated life in year	5	5
Estimated salvage value	Rs.3,000	Rs.3,000
Average income tax –rate	55%	55%
Annual estimated income after depreciation and tax:		
1 <sup>st</sup> year	3,375	11,375
2 <sup>nd</sup> year	5,375	9,375
3 <sup>rd</sup> year	7,375	7,375
4 <sup>th</sup> year	9,375	5,375
5 <sup>th</sup> year	<u>11,375</u>	<u>3,375</u>
	<u>36,875</u>	<u>36,875</u>

Depreciation has been charged on straight line basis.

24. From the following balance sheets, prepare schedule changes in working capital and funds flow statement.

Liabilities	2018 Rs.	2019 Rs.	Assets	2018 Rs.	2019 Rs.
Share Capital	2,40,000	3,60,000	Buildings	1,66,200	3,39,600
Share premium	24,000	36,000	Machinery	1,06,800	1,53,900
Reserve	18,000	27,000	Furniture	7,200	4,500
Profit and Loss A/c	58,500	62,400	Stock	66,300	78,000
8% Debentures	-	78,000	Debtors	1,09,500	1,17,300
Provision for tax	29,400	32,700	Bank	14,400	12,000
Creditors	1,00,500	1,09,200			
	<u>4,70,400</u>	<u>7,05,300</u>		<u>4,70,400</u>	<u>7,05,300</u>

Depreciation written off during the year: On machinery Rs.38,400; and on furniture Rs.1,200.