

NOVEMBER 2019

72221/MAM2E

Time : Three hours

Maximum : 75 marks

SECTION A — (10 × 2 = 20 marks)

Answer any TEN questions.

1. Financial accounting
2. Common-Size statement
3. Trend analysis
4. Profitability ratios
5. Proprietary ratio
6. Funds flow analysis
7. Cash from operation
8. Cash flow from Investing activities
9. Budgetary control
10. Cash budget
11. Capital budgeting
12. Internal Rate of Return

I BBA - Management Accounting

SECTION B — (5 × 5 = 25 marks)

Answer any FIVE questions.

13. What are the limitations of management accounting?
14. From the following Balance Sheet, prepare a Common-Size statement:

	2017	2018
	Rs.	Rs.
Assets:	27,000	31,500
Cash		
Debtors	2,20,000	2,11,000
Stock	1,00,000	1,26,000
Prepaid Expenses	11,000	21,000
Bills Receivables	10,000	10,500
Fixed Assets	<u>6,35,000</u>	<u>6,50,000</u>
	<u>10,03,000</u>	<u>10,50,000</u>
Liabilities & Capital:		
Share Capital	6,58,000	7,00,000
Long-term Debt	2,25,000	2,00,000
Sundry Creditors	42,000	50,000
Other Liabilities	<u>78,000</u>	<u>1,00,000</u>
	<u>10,03,000</u>	<u>10,50,000</u>

24. Summarized below are the Income and Expenditure forecasts of XYZ Ltd. for the months of March to August 2018;

Month	Sales (all Credit) Rs.	Purchases (all Credit) Rs.	Wages Rs.	Manufacturing Expenses Rs.	Office Expenses Rs.	Selling Expenses Rs.
March	60,000	36,000	9,000	4,000	2,000	4,000
April	62,000	38,000	8,000	3,000	1,500	5,000
May	64,000	33,000	10,000	4,500	2,500	4,500
June	58,000	35,000	8,500	3,500	2,000	3,500
July	56,000	39,000	9,500	4,000	1,000	4,500
August	60,000	34,000	8,000	3,000	1,500	4,500

You are given the following further information:

- Plant costing Rs. 16,000 is due for delivery in July payable 10% on delivery and the balance after three months.
- Advance Tax of Rs.8,000 is payable in March and June each
- Period of credit allowed (i) by suppliers 2 months and (ii) to customers 1 month
- Lag in payment of manufacturing expenses 1/2 month
- Lag in payment of all other expenses 1 month

You are required to prepare a cash budget for three months starting on 1<sup>st</sup> May, 2018 when there was a cash balance of Rs.8,000.

15. The following is the Balance sheet of Sharma Ltd. for the year ending March.31,2018.

Liabilities	Rs.	Assets	Rs.
Equity Share Capital	4,00,000	Goodwill	1,50,000
Reserves	40,000	Building	2,00,000
Profit and Loss A/c	80,000	Machinery	2,50,000
Debenture	1,00,000	Stock	80,000
Secured Loans	1,00,000	Sundry Debtors	60,000
Creditors	80,000	Bills Receivable	40,000
Provision for Tax	50,000	Cash at Bank	50,000
Bills Payable	40,000	Preliminary Expenses	60,000
	<u>8,90,000</u>		<u>8,90,000</u>

You are required to calculate

- Current Ratio
- Liquid Ratio
- Return on Capital Employed Ratio.

16. A Company's reported current profit is Rs.70,000 after incorporating the following:

	Rs.		Rs.
Loss on sale of Equipment	10,000	Gain from sale of non-current assets	40,000
Premium on Redemption of Debentures	1,500	Excess provision for Taxation	22,000
Discount on Issue of Debentures	2,000	Dividend income on Investment	4,000
Depreciation on Machinery and Buildings	20,000	Transfer to General Reserve	5,000
Depletion of natural resources	10,000	Preliminary Expenses	1,000
Amortization of Goodwill	30,000	Profit on Revaluation of Investments	2,500
Interim dividend	25,000		

Calculate the funds from the operations.

23. A choice is to be made between two competing projects which require an equal investment of Rs.50,000 and are expected to generate net cash flows 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 percent. The following are the Present Value Factors @ 10% per annum:

Year	1	2	3	4	5	6
P.V Factors @ 10% p.a :	0.909	0.826	0.751	0.683	0.621	0.564

Which project proposal should be chosen and why? Evaluate the project proposals under net present value method.

Statement of Profit for the Year Ended 31-03-2018

Particulars	Rs.	Rs.
Net sales	-	4,80,000
Less: Cost of goods sold	3,05,000	-
Selling expenses	59,000	-
Administrative expenses	42,600	-
Interest	5,800	4,12,400
Earnings before tax		67,600
Less: income tax		33,800
Net income		33,800
Dividend paid to equity Shareholders		12,000
Net profit		21,800

22. From the following prepare a cash flow statement.

Liabilities	2017	2018	Assets	2017	2018
	Rs.	Rs.		Rs.	Rs.
Share capital	65,000	78,000	Fixed assets	83,000	86,000
Profit & 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>

17. Calculate the Average Rate of Return for project A' and 'B' from the following information:

	Project A	Project B
Investments (Rs.)	25,000	37,500
Expected Life (in years)	4	5
Net earnings (after depreciation & taxes):		
1st Year	Rs.2,500	Rs.3,750
2nd Year	1,875	3,750
3rd Year	1,875	2,500
4th Year	1,250	1,250
5th Year	-	1,250
	<u>7,500</u>	<u>12,500</u>

If the desired rate of return is 12%, which project should be selected?

18. State the merits and demerits of budgetary control.
19. Prepare a flexible budget for overheads on the basis of data given below. Ascertain overhead rates at 50 per cent and 70 percent 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	
Repairs and Maintenance 20% variable		3,000	
Fixed overhead:			
Depreciation		16,500	
Insurance		4,500	
Salaries		15,000	
Total overheads		93,000	
Estimated Direct Labour hours		1,86,000 hrs	

SECTION C — (3 × 10 = 30 marks)

Answer any THREE questions.

20. Distinguish between management accounting and financial accounting.
21. From the following particulars of Imperial Chemicals Ltd., how to assess the company's strength and weaknesses in terms of liquidity, solvency and profitability.

Balance sheet as on 31-03-2018

Liabilities	Rs.	Assets	Rs.
Equity share capital	2,00,000	Plant & machinery	3,02,000
10% preference share capital	80,000	Stock	1,21,600
Retained earnings	54,800	Debtors	72,000
Long-term debt	68,000	Cash	24,600
Sundry creditors	63,000		
Outstanding expenses	2,400		
Other current liabilities	52,000		
	<u>5,20,200</u>		<u>5,20,200</u>