

Answer any FIVE questions.

Time : Three hours

Maximum : 75 marks

## SECTION A — (10 × 2 = 20 marks)

Answer any TEN questions.

1. What is management accounting?
2. List out the functions of management accounting.
3. Who are the parties interested in financial statements?
4. Explain the meaning of 'Trend analysis' of financial statements.
5. Give the meaning of Ratio analysis.
6. Mention the different types of leverages.
7. What are long term solvency ratios.
8. State the benefits of fund flow statement.
9. Define the term budget.
10. What do you mean by cost of capital?
11. What is the importance of capita budgeting?
12. Explain the meaning of pay-back period.

13. How does management accounting differ from cost accounting?

14. From the details given below prepare a common size income statement of Arun Ltd.

	Year ending 31-12-2015	Year ending 31-12-2016
Sales	2,00,000	5,00,000
Cost of sales	1,00,000	2,20,000
Operating expenses	20,000	30,000
Non operating expenses	30,000	35,000

15. From the following information find out

- (a) Current assets
- (b) Current liabilities
- (c) Value of inventory
- (i) Current ratio = 3.5
- (ii) Liquid ratios = 2.5
- (iii) Working capital = Rs. 1,00,000

16. Kumar company has sales of Rs. 25,00,000 variable cost of Rs. 12,50,000 and fixed cost Rs. 50,000 and debt of Rs. 12,50,000 at 8% rate of interest. Calculate operating leverage, financial leverage and combined leverage.

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## 1 BBA - Management Accounting.

17. Calculate funds from operation from the following profit and loss account

Profit and Loss account			
To expenses paid	1,00,000	By gross profit	2,00,000
To depreciation	40,000	By gain on sale of machinery	20,000
To loss on sale of building	15,500		
To discount	500		
To goodwill	12,000		
To net profit	52,000		
	<u>2,20,000</u>		<u>2,20,000</u>

18. A project cost Rs. 10,00,000 and yields annually a profit of Rs. 1,00,000 after depreciation @ 5% p.a. but before tax of 50%. Calculate the pay book period.

- (d) Proprietary ratio
  - (e) Fixed asset to net work ratio
  - (f) Capital Gearing ratio
- | Liabilities              | Rs.             | Assets              | Rs.             |
|--------------------------|-----------------|---------------------|-----------------|
| Equity share capital     | 2,00,000        | Land and building   | 1,50,000        |
| Preference share capital | 2,00,000        | Plant and machinery | 2,50,000        |
| General Reserve          | 80,000          | Furniture           | 50,000          |
| Profit and loss a/c      | 40,000          | Stock               | 1,50,000        |
| 12% debentures           | 2,20,000        | Debtors             | 70,000          |
| Creditors                | 1,00,000        | Bills receivable    | 80,000          |
| Bills payable            | 50,000          | Cash                | 1,40,000        |
|                          | <u>8,90,000</u> |                     | <u>8,90,000</u> |

19. Explain the different theories of capital structure.

22. The comparative balance sheet of Sony Ltd are given below

Liabilities	Balance sheet			
	2005 Rs.	2006 Rs.	2005 Rs.	2006 Rs.
Share capital	35,000	37,000	Cash	4,500
Debentures	6,000	3,000	Stock	7,450
Creditors	5,180	5,920	Debtors	24,600
Provisional for bad debts	350	400	Land	10,000
Profit and loss a/c	5,020	5,280	Goodwill	5,000
	<u>51,550</u>	<u>51,600</u>		<u>51,550</u>
				<u>51,600</u>

Answer any THREE questions.

20. Discuss the nature and scope of management accounting.

21. The following is the balance sheet of Mariappan Ltd as on 31.3.2016. Calculate

- (a) Current ratio
- (b) Liquid ratio
- (c) Debt-equity ratio

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[P.T.O.]

Additional information :

- (a) Dividend paid amount to Rs. 1,750
- (b) Land was purchased for Rs. 5,000.
- (c) Write off of goodwill amounted to Rs. 2,500.
- (d) Debentures were redeemed to the extent of Rs. 3,000.
- (e) Income tax paid Rs. 1,000.

You are required to prepare a cash flow statement.

23. Prepare a flexible budget for overheads on the basis of following data. Ascertain overhead rate at 50%, 60% and 70% capacity.

	At 60% capacity Rs.
Variable overhead	
Indirect material	6,000
Indirect labour	18,000
Semi variable overhead	
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.

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24. A firm considering the purchase of a machine. Two machine A and B are available each costing Rs. 50,000. In comparing rate of 10% is to be used. Earnings after taxation are expected to be as follows

	Cash inflows	
	Machine 'A' (Rs.)	Machine 'B' (Rs.)
1.	15,000	5,000
2.	20,000	15,000
3.	25,000	20,000
4.	15,000	30,000
5.	10,000	20,000

You are also given the following data

PV Factor @ 10% 0.909 0.826 0.751 0.683 0.621

Evaluate the project using

- (a) Net present value
- (b) Accounting rate of return

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