

Time : Three hours

Maximum : 75 marks

Answer any FIVE questions.

13. Describe the scope of management accounting.

14. From the following data relating to the purchase of a firm, prepare trend percentages and trend ratio.

| Year | Purchases (00,000) |
|------|--------------------|
| 2008 | 1,672              |
| 2009 | 1,789              |
| 2010 | 1,873              |
| 2011 | 1,923              |
| 2012 | 2,123              |
| 2013 | 1,463              |

15. The following is the balance sheet of a company as on 31<sup>st</sup> March.

| Liabilities             |                 | Assets              |                 |
|-------------------------|-----------------|---------------------|-----------------|
|                         | Rs.             |                     | Rs.             |
| Share capital           | 2,00,000        | Land and buildings  | 1,40,000        |
| Profit and loss account | 30,000          | Plant and machinery | 3,50,000        |
| General reserve         | 40,000          | Stock               | 2,00,000        |
| 12% debentures          | 4,20,000        | Sundry debtors      | 1,00,000        |
| Sundry creditors        | 1,00,000        | Bills receivable    | 10,000          |
| Bills payable           | 60,000          | Cash at bank        | 40,000          |
|                         | <u>8,40,000</u> |                     | <u>8,40,000</u> |

1. Management accounting.
2. Forecasting.
3. Fixed assets.
4. Deferred expenditures.
5. Creditors.
6. Financial statement.
7. Quick ratio.
8. Debt equity ratio.
9. Proposed dividend.
10. Budget manual.
11. Cash forecast.
12. Average rate of return method.

## SECTION A — (10 × 2 = 20 marks)

Answer any TEN questions.

Write short note on the following :

1. Management accounting.
2. Forecasting.
3. Fixed assets.
4. Deferred expenditures.
5. Creditors.
6. Financial statement.
7. Quick ratio.
8. Debt equity ratio.
9. Proposed dividend.
10. Budget manual.
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- Calculate :
- (a) Current ratio.
  - (b) Quick ratio.
  - (c) Inventory to working capital.
  - (d) Debt to equity ratio.

16. From the following figures calculate the creditors turnover ratio and the average payment period of accounts payable.

Credit purchase in 2013 Rs. 10,00,000  
 Creditors on 1.1.2013 Rs. 2,00,000  
 Creditors on 31.12.2013 Rs. 1,00,000  
 Bills payable on 1.1.2013 Rs. 40,000  
 Bills payable on 31.12.2013 Rs. 60,000

17. From the following balance sheets of the company for the year ended 31<sup>st</sup> December 2013 and 2014, prepare schedule of changes in working capital and statement showing sources and application of fund.

|                     | 31.12.13        | 31.12.14        |                        | 31.12.13        | 31.12.14        |
|---------------------|-----------------|-----------------|------------------------|-----------------|-----------------|
| Share capital       | 3,00,000        | 4,00,000        | Plant and machinery    | 50,000          | 60,000          |
| Sundry creditors    | 1,00,000        | 70,000          | Furniture and fixtures | 10,000          | 15,000          |
| Profit and loss a/c | 15,000          | 30,000          | Stocks                 | 85,000          | 1,05,000        |
|                     |                 |                 | Debtors                | 1,60,000        | 1,50,000        |
|                     |                 |                 | Cash                   | 1,10,000        | 1,70,000        |
|                     | <u>4,15,000</u> | <u>5,00,000</u> |                        | <u>4,15,000</u> | <u>5,00,000</u> |

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

At 60%  
capacity  
Rs.

Variable overheads :

Indirect material 6,000  
 Indirect labour 18,000

Semi-variable overheads :

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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[P.T.O.]

19. There are two projects A and B. Each project requires an investment of Rs. 20,000. You are required to rank these projects according to the pay-back method from the following information.

Net profit before depreciation and after tax.

| Year | Project X | Project Y |
|------|-----------|-----------|
| 1    | 1,000     | 2,000     |
| 2    | 2,000     | 4,000     |
| 3    | 4,000     | 6,000     |
| 4    | 5,000     | 8,000     |
| 5    | 8,000     |           |

SECTION C — (3 × 10 = 30 marks)

Answer any THREE questions.

20. Discuss the managerial uses of management accounting.

21. The balance sheets of Rakesh Ltd. for the year 2013 and 2014 are given. Convert them into common-sized balance sheet and interpret the changes.

| Liabilities     | 2013<br>Rs. | 2014<br>Rs. | Assets    | 2013<br>Rs. | 2014<br>Rs. |
|-----------------|-------------|-------------|-----------|-------------|-------------|
| Equity share    | 1,46,800    | 1,91,000    | Buildings | 1,80,000    | 2,00,000    |
| Capital reserve | 50,000      | 70,000      | Plant and |             |             |
| Revenue reserve |             |             | machinery | 40,000      | 55,000      |
| and surplus     | 20,000      | 30,000      | Furniture | 10,000      | 20,000      |
|                 |             | 5           |           |             |             |

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23. Ram Co cements presents the following information and you are required to calculate funds from operations :

|                             | Profit and Loss account |                 |                 |
|-----------------------------|-------------------------|-----------------|-----------------|
|                             | Rs.                     | Rs.             |                 |
| To Operation expenses       | 1,00,000                | By Gross profit | 2,00,000        |
| To Depreciation             | 40,000                  | By Gain on      |                 |
| To Loss on sale of building | 10,000                  | sale of plant   | 20,000          |
| To Advertisement suspense   |                         |                 |                 |
| account                     | 5,000                   |                 |                 |
| To Discount allowed         | 500                     |                 |                 |
| To Discount on issue of     |                         |                 |                 |
| shares written off          | 500                     |                 |                 |
| To Goodwill written off     | 12,000                  |                 |                 |
| To Net profit               | 52,000                  |                 |                 |
|                             | <u>2,20,000</u>         |                 | <u>2,20,000</u> |

24. Initial investment Rs. 60,000  
Life of the asset 4 years  
Estimated net annual cash flows :  
1<sup>st</sup> Year Rs. 15,000  
2<sup>nd</sup> Year Rs. 20,000  
3<sup>rd</sup> Year Rs. 30,000  
4<sup>th</sup> Year Rs. 20,000  
Calculate internal rate of return.

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| Liabilities     | 2013<br>Rs.     | 2014<br>Rs.     | Assets       | 2013<br>Rs.     | 2014<br>Rs.     |
|-----------------|-----------------|-----------------|--------------|-----------------|-----------------|
| Trade creditors | 30,000          | 40,000          | Freehold     |                 |                 |
| Bills payable   | 80,000          | 60,000          | property     | 20,000          | 12,000          |
| Bank overdraft  | 90,000          | 80,000          | Goodwill     | 25,000          | 30,000          |
| Provisions      | 30,000          | 20,000          | Cash balance | 25,000          | 20,000          |
|                 |                 |                 | Sundry       |                 |                 |
|                 |                 |                 | debtors      | 30,000          | 35,000          |
|                 |                 |                 | Inventories  | 70,000          | 57,000          |
|                 |                 |                 | Investment   |                 |                 |
|                 |                 |                 | (Temp)       | 36,800          | 42,000          |
|                 |                 |                 | Bills        | 10,000          | 20,000          |
|                 |                 |                 | receivable   |                 |                 |
|                 | <u>4,46,800</u> | <u>4,91,000</u> |              | <u>4,46,800</u> | <u>4,91,000</u> |

22. Ram & Company supplies you the following information regarding the year ended 31<sup>st</sup> December

Cash sales Rs. 80,000  
Credit sales Rs. 2,00,000  
Return inward Rs. 10,000  
Opening stock Rs. 25,000  
Closing stock Rs. 30,000  
Gross profit ratio is 25%.  
Find out inventory turnover.

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