

**Reg. No. : .....**

**Code No. : 20439 E      Sub. Code : JMCO 62**

B.Com. (CBCS) DEGREE EXAMINATION,  
APRIL 2020.

Sixth Semester

Commerce — Main

MANAGEMENT ACCOUNTING

(For those who joined in July 2016 only)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL the questions.

Choose the correct answer :

1. Management accounting uses \_\_\_\_\_
  - (a) quantitative data only
  - (b) qualitative data only
  - (c) descriptive data only
  - (d) both qualitative and qualitative data

2. Management accounts is suitable for
- (a) Small business
  - (b) Cooperative societies
  - (c) Non profit organisations
  - (d) Large industrial and trading concerns
3. Financial statements are meaningful and useful only when they are
- (a) Verified
  - (b) Presented to owners
  - (c) Analysed and interpreted
  - (d) Published
4. Trend analysing is significant for
- (a) Profit planning
  - (b) Working capital management
  - (c) Capital rationing
  - (d) Forecasting and budgeting
5. Standard current ratio is \_\_\_\_\_
- (a) 1:1
  - (b) 2:1
  - (c) 3:1
  - (d) 4:1
6. Prepaid expenses is an example of \_\_\_\_\_
- (a) fixed assets
  - (b) current assets
  - (c) fictitious assets
  - (d) current liabilities

7. In fund flow statement, issue of shares is \_\_\_\_\_
- (a) Sources of funds
  - (b) Applications of funds
  - (c) Sources of cash
  - (d) Applications of cash
8. Cash flow analysis is based on the \_\_\_\_\_
- (a) Capital
  - (b) Fixed assets
  - (c) Cash concept of fund
  - (d) Working capital
9. Which of the following is not a capital budgeting decision?
- (a) Expansion programme
  - (b) Merger
  - (c) Replacement of an asset
  - (d) Inventory level
10. Projects with \_\_\_\_\_ are preferred
- (a) Lower payback period
  - (b) Normal payback period
  - (c) Higher payback period
  - (d) Any of the above

PART B — ( $5 \times 5 = 25$  marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 250 words.

11. (a) What are the limitations of management accounting?

Or

- (b) Explain the different tools used in management accounting.

12. (a) Describe the nature of financial statements.

Or

- (b) Explain the different techniques used in financial statement analysis.

13. (a) Current ratio 2.5; working capital Rs. 63,000; calculate current assets and current liabilities.

Or

- (b) From the following details determine the value of debtors

Total sales Rs. 5,00,000

Cash sales Rs. 2,00,000

Debtors velocity 30 days

Bills receivable Rs. 5,000.

14. (a) Explain the factors affecting the volume of working capital requirement of a firm.

Or

- (b) From the following balance sheet of 'A' Ltd., prepare a cash flow statement

Liabilities	June 30	June 30	Assets	June 30	June 30
	1999	2000		1999	2000
	Rs.	Rs.		Rs.	Rs.
Share					
capital	8,000	8,500	Land	5,000	5,000
Retained			Plant	2,400	3,400
earnings	1,450	2,450	Debtors	1,650	1,950
Creditors	900	500	Stock	900	700
Mortgage			Cash	400	900
loan	—	500			
	<u>10,350</u>	<u>11,950</u>		<u>10,350</u>	<u>11,950</u>

15. (a) Elaborate the need and importance of capital budgeting.

Or

- (b) There are two projects A and B. The cost of the project is Rs. 30,000 in each case. The cash inflows are as under:

Year	Cash inflows	
	Project A	Project B
1	10,000	2,000
2	10,000	4,000
3	10,000	24,000

Calculate pay back period.

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 600 words.

16. (a) Distinguish between management accounting and cost accounting.

Or

- (b) Discuss the functions of management accounting.
17. (a) Dhandapani and Co. Ltd., furnishes the following balance sheets for the years 1997 and 1998. Prepare common-size balance sheets.

### Balance Sheets

Liabilities	1997 Rs.	1998 Rs.	Assets	1997 Rs.	1998 Rs.
Share capital	2,00,000	3,00,000	Buildings	4,00,000	4,00,000
Reserves	6,00,000	7,00,000	Machinery	6,00,000	10,00,000
10% debentures	2,00,000	3,00,000	Stock	2,00,000	3,00,000
Creditors	3,00,000	5,00,000	Debtors	2,00,000	2,50,000
Bills payable	1,00,000	80,000	Cash at bank	1,00,000	50,000
Tax payable	1,00,000	1,20,000			
	<u>15,00,000</u>	<u>20,00,000</u>		<u>15,00,000</u>	<u>20,00,000</u>

Or

- (b) From the following balance sheet of Jayaprakash industries Ltd., prepare comparative balance sheet.

### Balance sheet as on 30<sup>th</sup> June

Liabilities	1999 Rs.	2000 Rs.	Assets	1999 Rs.	2000 Rs.
Bills payable	50	75	Cash	50	70
Tax payable	100	150	Debtors	300	450
Sundry Creditors	150	200	Stock	100	200
15% debentures	100	150	Land	100	120
Preference capital	200	200	Building	250	225
Equity capital	300	300	Plant	200	180
Reserves	200	250	Furniture	100	80
	<u>1,100</u>	<u>1,325</u>		<u>1,100</u>	<u>1,325</u>

18. (a) From the following details, compute

- (i) Current assets
- (ii) Quick assets and
- (iii) Stock

Current liabilities Rs. 9,00,000

Current ratio 2.5

Acid test ratio 2 (without prepaid expenses)

Or

(b) You are given the following information:

	Rs.
Cash	18,000
Debtors	1,42,000
Closing stock	1,80,000
Bills payable	27,000
Creditors	50,000
Outstanding expenses	15,000
Tax payable	75,000

Calculate

- (i) Current ratio
- (ii) Liquidity ratio
- (iii) Absolute liquidity ratio.



19. (a) From the following balance sheets of Mr. Sridhar prepare a funds flow statement

	30 <sup>th</sup> June	30 <sup>th</sup> June
	1999	2000
	Rs.	Rs.
Cash	5,000	2,300
Debtors	17,500	19,200
Stock	12,500	11,000
Land	10,000	15,000
Building	25,000	27,500
Machinery	<u>40,000</u>	<u>43,000</u>
	<u>1,10,000</u>	<u>1,18,000</u>
Creditors	18,000	20,500
Bank loan	15,000	19,500
Capital	<u>77,000</u>	<u>78,000</u>
	<u>1,10,000</u>	<u>1,18,000</u>

Drawings of Mr. Sridhar during the year, was Rs. 20,000 Depreciation charges on machinery was Rs. 4,000.

Or

- (b) Compute cash from operations from the following figures:

- (i) Profit for the year 1999 is a sum of Rs. 10,000 after providing for depreciation of Rs. 2,000
- (ii) The current assets and liabilities of the business for the year ending 31<sup>st</sup> December 1998 and 1999 are as follows:

	31.12.1998	31.12.1999
	Rs.	Rs.
Sundry debtors	10,000	12,000
Provisions for		
doubtful debts	1,000	1,200
Bills receivable	4,000	3,000
Bills payable	5,000	6,000
Sundry creditors	8,000	9,000
Inventories	5,000	8,000
Short-term		
investments	10,000	12,000
Outstanding expenses	1,000	1,500
Prepaid expenses	2,000	1,000
Accrued income	3,000	4,000
Income received in		
advance	2,000	1,000

20. (a) Project X initially costs Rs. 25,000. It generates the following cash inflows

Year	Cash inflows	Present
		Value of
	Rs.	Rs. 1 at 10%
1	9,000	0.909
2	8,000	0.826
3	7,000	0.751
4	6,000	0.683
5	5,000	0.621

Taking the cut-off rate as 10% suggest whether the project should be accepted or not.

Or

- (b) Calculate discounted pay-back period from the details given below:

Cost of project Rs. 6,00,000; life of the project 5 years; Annual cash inflow Rs. 2,00,000; Cut-off rate 10%

Year	Discounting factor
1	.909
2	.826
3	.751
4	.683
5	.621

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