

Reg. No. :

Code No. : 20476 E Sub. Code : SMC0 62

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

Sixth Semester

Commerce — Main

MANAGEMENT ACCOUNTING

(For those who joined in July 2017 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL the questions.

Choose the correct answer :

1. Management accounting is suitable for
 - (a) small business
 - (b) cooperative societies
 - (c) non-profit organizations
 - (d) large industrial and trading concerns

2. Management accounting analyses accounting data with the help of
- (a) auditors
 - (b) statutory forms
 - (c) tools and techniques
 - (d) managers
3. The ideal current ratio is
- (a) 5
 - (b) 4
 - (c) 3
 - (d) 2
4. Solvency ratio indicate
- (a) Profitability
 - (b) Activity
 - (c) Credit worthiness
 - (d) None of these
5. Income tax paid is
- (a) current liability
 - (b) current asset
 - (c) an application of funds
 - (d) a source of funds
6. Depreciation is
- (a) An external source of funds
 - (b) An application funds
 - (c) A non fund item
 - (d) Non profit item

7. Income from long term investment is
- (a) Source of cash
 - (b) Application of cash
 - (c) Cash inflow from operations
 - (d) None of these
8. Dividend paid is usually treated as
- (a) An application of cash
 - (b) Source of cash
 - (c) Loss
 - (d) Gain
9. Net present value is the difference between
- (a) cash received and paid
 - (b) investment and income
 - (c) present value of cash inflows and outflows
 - (d) None of the above
10. IRR is the rate of return at which
- (a) NPV is nil
 - (b) NPV is positive
 - (c) NPV is negative
 - (d) None 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) State the nature of management accounting.
- Or
- (b) Explain the advantages of management accounting.

12. (a) Bring out the limitations of 'Ratio analysis'.

Or

- (b) Calculate gross profit ratio from the following figures:

Particulars	Amounts in Rs.
Sales	10,50,000
Sales returns	1,70,000
Opening stock	2,00,000
Purchases	6,50,000
Purchase returns	1,50,000
Closing stock	85,000

13. (a) Explain in detail the method of ascertaining 'funds from operations'.

Or

- (b) Ascertain the amount of dividend and tax paid during 1999 from the following

Particulars	31.12.1998	31.12.1999
	(Rs.)	(Rs.)
Provision for tax	1,75,000	1,95,000
Proposed dividend	90,000	1,40,000

The P and L A/c for 1999 was debited with Rs. 1,20,000 for provision for tax and Rs. 85,000 for proposed dividend was debited to the appropriation account.

14. (a) State the limitations of 'cash flow statement'.

Or

- (b) Calculate the cash from operations from the following items given:

Particulars	Amount in Rs.
Funds from operations	84,000
Increase in current liabilities:	
Trade creditors	12,000
Bills payable	4,500
Outstanding expenses	5,500
Increase in current assets:	
Trade debtors	40,500
Trade investments	30,500
Prepaid expenses	3,500

15. (a) List out the classification of various methods of capital budgeting.

Or

- (b) A project costs Rs. 14,60,000 and yields annually a profit of Rs. 2,35,400 after depreciation of 12.5% p.a. but before tax at 25%. 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 financial accounting'.

Or

- (b) Explain the tools of management accounting.

17. (a) Pankajam Ltd. Sells goods on cash as well as on credit basis. The following information is extracted from their books of accounts for 1993:

Particulars	Rs.
Total Sales	1,00,000
Cash sales	
(included in the above)	20,000
Sales returns	7,000
Total debtors for sales as on 31.12.1993	9,000
Bills receivables as on 31.12.1993	2,000
Provision for doubtful debts	1,000
Trade creditors as on 31.12.1993	10,000

You are required to calculate

- (i) Debtors/Receivables turnover ratio;
(ii) The average collection period.

Or

- (b) Given current ratio = 2.8, Acid-test ratio = 1.5, working capital = Rs. 1,62,000.

Calculate

- (i) Current ratio
- (ii) Current liabilities
- (iii) Liquid ratio and
- (iv) Stock.

18. (a) Calculate funds from operations from the following profit and loss A/c.

Profit and Loss Account			
Particulars	Rs.	Particulars	Rs.
To expenses paid	32,00,000	By gross profit	4,50,000
To depreciation	70,000	By gain on sale of land	60,000
To loss on sale of machine	4,000		
To discount	200		
To good will	20,000		
To net profit	<u>1,15,800</u>		
	<u>5,10,000</u>		<u>5,10,000</u>

Or

- (b) Malar Ltd had the following balances as part of its balance sheets

Particulars	1997 (Rs.)	1998 (Rs.)
Machinery	12,00,000	12,30,000
General reserve	80,000	1,40,000

During 1998, a machine with a book value of Rs. 80,000 was sold for Rs. 65,000 the loss being charged to P and L A/c. Another machine of the book value of Rs. 1,30,000 was sold and the profit there on was credited to general reserve. Depreciation charged for the year Rs. 1,00,000. Prepare the relevant accounts and show how the transactions would appear in the calculation of Funds from operations and also in the funds flow statements.

19. (a) From the following B/S of Arvind Ltd., you are required to prepare a cash flow statement:

Liabilities	1989	1990	Assets	1989	1990
Share capital	4,00,000	5,00,000	Cash	60,000	94,000
Trade creditors	1,40,000	90,000	Debtors	2,40,000	2,30,000
P & L A/c	20,000	46,000	Stock	1,60,000	1,80,000
	<u>5,60,000</u>	<u>6,36,000</u>	Land	<u>1,00,000</u>	<u>1,32,000</u>
				<u>5,60,000</u>	<u>6,36,000</u>

Or

- (b) From the following trading and profit and loss account of Kaveri Ltd., you are required to ascertain net cash from operating activities

Trading and profit and loss A/c for the year ending
31.3.1999

Particulars	Rs.	Particulars	Rs.
To cost of goods sold	2,40,000	By sales	4,00,000
To Gross profit c/d	1,60,000		
	<u>4,00,000</u>		<u>4,00,000</u>
To stationery	6,000	By gross	
To depreciation	14,000	profit b/d	1,60,000
To salaries	20,000		
To loss on sale of investments	2,000		
To rent and taxes	8,000		
To discount on issue of debentures	4,000		
To postage	3,000		
To provision for tax	20,000		
To proposed dividend	10,000		
To net profit	<u>73,000</u>		
	<u>1,60,000</u>		<u>1,60,000</u>

20. (a) A company is considering investment of Rs. 10,00,000 in a project. The following are the income forecasts, after depreciation and tax: 1st year loss: Rs. 10,00,000, 2nd year profit Rs. 3,00,000, 3rd year profit Rs. 4,00,000, 4th year profit Rs. 2,00,000 and 5th year profit Rs. 2,00,000. Calculate the accounting rate of return
- (i) On original investment method and
- (ii) On average investment method.

Or

- (b) An investment of Rs. 10,000 (having scrap value of Rs. 500) yields the following returns:

Years	Yields (Rs.)
1	4,000
2	4,000
3	3,000
4	3,000
5	2,000

The cost of capital is 10%. Is the investment desirable? Discuss it according to net present value method assuming the P.V factors for 1st, 2nd, 3rd, 4th and 5th years- .909, .826, .751, .683, .621 respectively.