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V Semester B.B.M. Examination, November/December 2013
(Prior to 2013-14)
BUSINESS MANAGEMENT
5.2 : Management Accounting

Time : 3 Hours

Max. Marks : 90

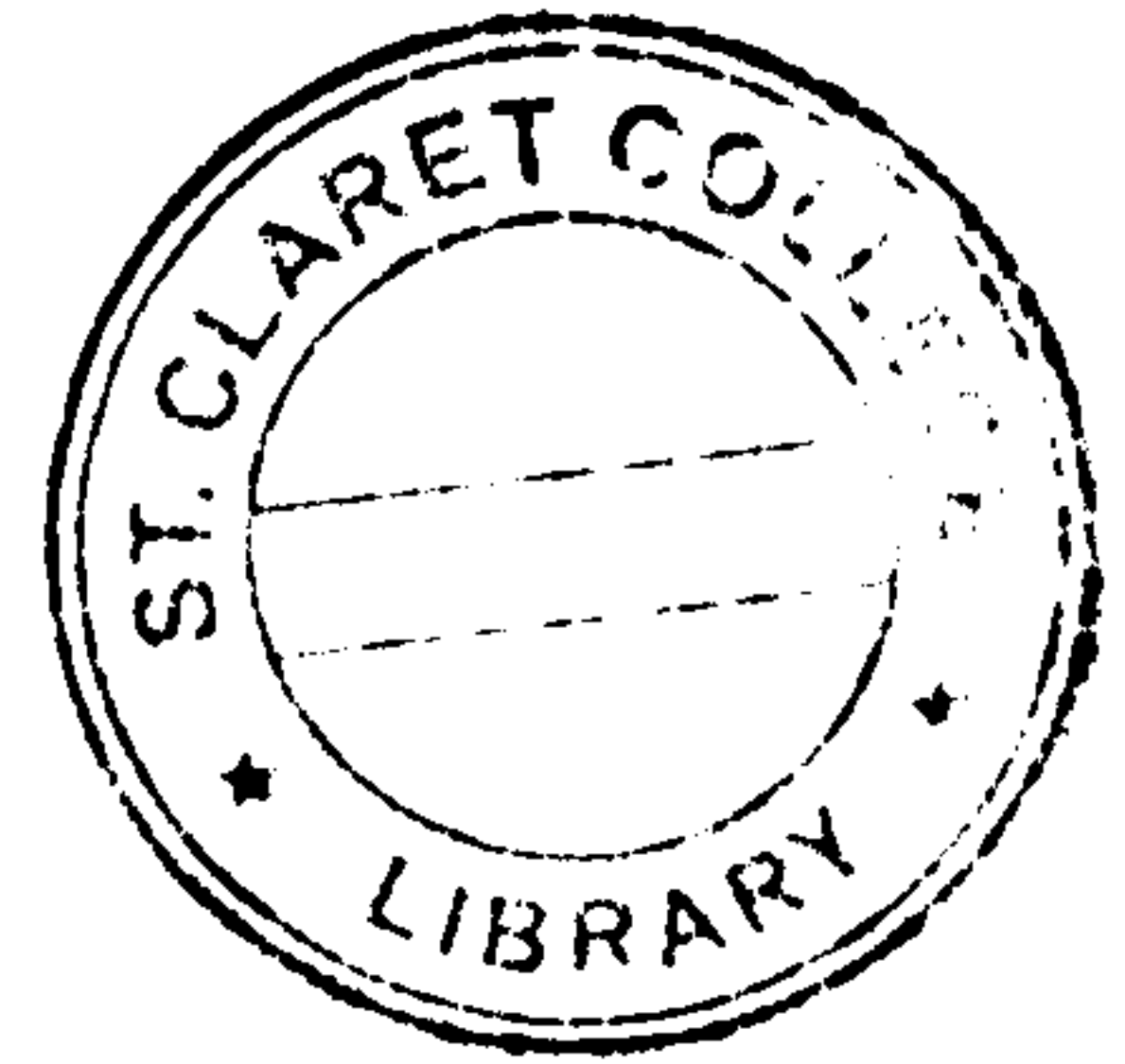
Instruction : Answers should be written in **English** only.

SECTION – A

Answer **any ten** of the following sub-questions. **Each** sub-question carries **two** marks.

(10×2=20)

1. a) State any two limitations of management accounting.
- b) Define management accounting.
- c) State two objectives of preparing cash flow statement.
- d) How do you calculate price-earning ratio ?
- e) Mention two objectives of budgetary control.
- f) How do you calculate dividend payout ratio ?
- g) Write any four components of current liabilities.
- h) What is break-even-point ?
- i) Calculate current assets and current liabilities, when current ratio is 2.8 and working capital is ₹ 90,000.
- j) Given : Cost of goods sold is ₹ 5,00,000, G.P. 20% on sales cost of sales are 25% of credit sales. Find out credit sales.
- k) Given : Average stock of a firm is ₹ 50,000. Its closing stock is ₹ 10,000 more than its opening stock. Find out opening and closing stock.
- l) If a company's current liabilities are ₹ 25,000, Quick ratio is 1.5:1, Inventory is ₹ 12,500. Calculate current assets.





SECTION – B

Answer any five questions. Each question carries five marks.

(5×5=25)

2. Explain briefly functions of management accounting.
3. Write 5 differences between cash flow statement and funds flow statement.
4. Discuss briefly the managerial uses of ratio analysis.
5. Write 5 uses of BEP analysis.
6. Prepare a statement of changes in working capital from the balance sheets of Jyothi and Co.

	31-3-12	31-3-13		31-3-12	31-3-13
	₹	₹		₹	₹
Equity capital	5,00,000	5,00,000	Fixed assets	6,00,000	7,00,000
Debentures	3,70,000	4,50,000	Long term investments	2,00,000	1,00,000
Tax payable	77,000	43,000	Work-in-progress	80,000	90,000
Accounts payable	96,000	1,92,000	Stock-in-trade	1,50,000	2,25,000
Interest payable	37,000	45,000	Accounts receivable	70,000	1,40,000
Dividend payable	50,000	35,000	Cash	30,000	10,000
	11,30,000	12,65,000		11,30,000	12,65,000



7. Draw up a flexible budget for overhead expenses on the basis of the following data for 100% plant capacity.

	At 80% capacity
	₹
Variable overheads :	
Indirect overheads	12,000
Stores including spares	4,000
Semi-variable overheads :	
Power (30% fixed, 70% variable)	20,000
Repairs and maintenance (60% fixed, 40% variable)	2,000
Fixed overheads :	
Depreciation	11,000
Salaries	10,000

8. The cost and profit of product 'A' is given below :

	₹	₹
Sales	—	3,00,000
Less : Variable cost	2,40,000	
Fixed cost	<u>30,000</u>	2,70,000
Profit		30,000

You are required to calculate :

- a) Break-even point.
 - b) Sales volume at which company will make profit of Rs. 10,000.
9. From the following information, determine opening and closing stocks :
- | | |
|----------------|--------------|
| Stock turnover | 5 times |
| Total sales | ₹ 2,00,000 |
| Gross profit | 25% of sales |
- The closing stock was more by ₹ 4,000 than the opening stock.



SECTION – C

Answer **any three** questions. **Each** question carries **fifteen** marks.

(3×15=45)

10. The summarized balance sheets of Karthik and Co. Ltd. for two years are as follows :

	31-3-12	31-3-13		31-3-12	31-3-13
	₹	₹		₹	₹
Share capital	12,00,000	15,00,000	Buildings	8,00,000	7,60,000
14% Debentures	6,00,000	4,00,000	Machinery	5,00,000	7,20,000
P/L A/c	1,00,000	1,50,000	Short term		
General reserve	3,00,000	3,50,000	investments	3,00,000	4,50,000
Creditors	4,90,000	5,60,000	Inventories	4,00,000	4,70,000
Proposed dividends	1,20,000	1,80,000	Debtors	6,70,000	5,30,000
Provision for taxation	1,00,000	1,30,000	Cash at bank	2,20,000	3,30,000
			Prepaid expenses	20,000	10,000
	29,10,000	32,70,000		29,10,000	32,70,000

Additional information :

- i) Debentures were redeemed at a premium of 10%.
- ii) Taxes paid during the year amounted to ₹ 1,40,000.
- iii) A machine which appeared at WDV of Rs. 80,000 was sold for ₹ 1,30,000, and new machine worth ₹ 3,60,000 were acquired during the year.

Prepare a statement of sources and application of funds, showing changes in the working capital.

11. The following information is given :

Current ratio : 2.5

Liquidity ratio : 1.5

Net working capital ₹ 3,00,000



Additional information :

Depreciation written off during the year :

Land and Building	₹ 60,000
Plant and Machinery	₹ 50,000
Furniture	₹ 1,200

You are required to prepare a cash flow statement.

13. a) Sales of S. Chand and Co. were ₹ 30,000 producing a profit of ₹ 800 in a week. In the next week sales amounted to ₹ 38,000 producing a profit of ₹ 2,400. Find out break even point.
- b) What would be the volume of sales to derive a profit of ₹ 20,000 if the P/V ratio is 68% and fixed overheads for the period ₹ 40,000 ?
- c) A company has two projects to choose from Project A breaks-even at ₹ 3,20,000 and project B breaks-even at ₹ 5,00,000. Which project is better to choose ? What could be the difference due to ?
14. From the budgeted data, forecast the cash position at the end of April, May and June 2010.

Month	Sales	Purchases	Wages	Miscellaneous
	₹	₹	₹	₹
February	1,20,000	84,000	10,000	7,000
March	1,30,000	1,00,000	12,000	8,000
April	80,000	1,04,000	8,000	6,000
May	1,16,000	1,06,000	10,000	12,000
June	88,000	80,000	8,000	6,000



Additional information :

- i) Sales : 20% cash sales, balance realised in the next month of sales.
 - ii) Purchases : There are paid in the month following the month of supply.
 - iii) Wages paid in the next month.
 - iv) Miscellaneous expenses : Paid a month in arrears.
 - v) Rent : ₹ 1,000 p.m. paid 1st of every month.
 - vi) Income tax : First instalment of advance tax ₹ 25,000 due on or before 15th June.
 - vii) Income from investments : Rs. 5,000 received in the month of May.
 - viii) Cash in hand on 1st April ₹ 5,000.
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