

**B.Com. Semester—V**

**MANAGEMENT ACCOUNTING**

**Paper—BCG-503**

Time Allowed—3 Hours] [Maximum Marks—50

- Notes :-** (i) The paper has three sections A, B and C.
- (ii) Section A comprises of **twelve** questions of **1** mark each. Students are to attempt any **ten** questions.
- (iii) Section B comprises of **four** questions of **10** marks each. Students are to attempt any **two** questions.
- (iv) Section C comprises of **four** questions of **10** marks each. Students are to attempt any **two** questions.

**SECTION—A**

1. (i) Define Management Accounting  
(ii) Stock turnover ratio  
(iii) Advantages of financial analysis  
(iv) Fund flow v/s Cash flow statement  
(v) Give three examples of non-current accounts  
(vi) Differentiate between net profit and contribution margin.

(vii) M/s R & Co. provides the following information :

Equity share capital — Rs. 3,00,000

9% Preference share capital — Rs. 1,00,000

Reserves and surplus — Rs. 50,000

10% Debentures — Rs. 2,00,000

Long term loans — Rs. 25,000

Current liabilities — Rs. 2,25,000

You are required to calculate Debt-Equity Ratio.

(viii) The following figures are extracted from books of XYZ Ltd. for the year ended 31-3-2015 :

P/V Ratio                      30%

Margin of Safety      Rs. 2,40,000 (40% of Sales)

Calculate (a) Break-even sales

(b) Net Profit on sales of Rs. 9,00,000.

(ix) From the following information calculate Price Earning Ratio (P/E ratio) of Imperx Ltd.

Number of equity shares of Rs. 10 each fully paid  
Rs. 1,00,000

Profit available for equity shareholders  
Rs. 4,00,000

Market price per equity share                      Rs. 100

- (x) A machine manufacturing company finds that while it costs Rs. 12.00 each to make a component P-50, the same is available in the market at Rs. 11.00, with an assurance of continued supply. The breakdown of cost is :

Direct materials	Rs. 4.25 each
Direct labour	Rs. 3.75 each
Other variables	Rs. 2.00 each
Depreciation and other fixed cost	Rs. 2.00 each
Total	Rs. 12.50 each

- (a) Should you make or buy ?  
 (b) What would be your decision if the supplier offers the component at Rs. 9.85 each ?

- (xi) From the following information, prepare a comparative Balance Sheet of J Ltd :

Particulars	31.3.2016 (Rs.)	31.3.2015 (Rs.)
<b>I. Equity and Liabilities</b>		
<i>Shareholder's funds</i>		
Share Capital	1,50,000	1,00,000
Reserve and Surpluses	1,00,000	1,00,000
<i>Non Current Liabilities</i>		
Long term loans	80,000	20,000
<i>Current Liabilities</i>	50,000	30,000
<b>Total</b>	<b>3,80,000</b>	<b>2,50,000</b>

Particulars	31.3.2016 (Rs.)	31.3.2015 (Rs.)
<b>II. Assets</b>		
<i>Non Current Assets</i>	3,00,000	2,00,000
Fixed Assets		
<i>Current Assets</i>	80,000	50,000
<b>Total</b>	<b>3,80,000</b>	<b>2,50,000</b>

(xii) Calculate fund from operation from the information given below as on 31.3.2016 :

- (1) Net profit for the year ended 31.3.2016 is Rs. 6,50,000.
- (2) Gain on sale of buildings Rs. 35,500.
- (3) Goodwill appears in the books at Rs. 1,80,000, out of that 10% has been written off during the year.
- (4) Old machinery worth Rs. 8,000 has been sold for Rs. 6,500 during the year.
- (5) Rs. 1,25,000 have been transferred to reserve fund.
- (6) Depreciation has been provided during the year on machinery at 20% whose value is Rs. 6,50,000.

### SECTION—B

2. Discuss the nature and scope of Management Accounting. Also differentiate it from Financial Accounting.
3. What is meant by Cash Flow Statement ? How is it prepared ? Also differentiate it from Fund Flow Statement.

4. From the following balance sheets of K Ltd., prepare a statement of changes in working capital and fund flow statement for the year 2015 :

Liabilities	1.1.2015 (Rs.)	31.12.2015 (Rs.)
Share Capital	3,00,000	3,50,000
General Reserve	1,00,000	1,50,000
Profit & Loss A/c	60,000	70,000
Debentures	1,50,000	2,50,000
Provision for Depreciation on machinery	90,000	1,30,000
Sundry Creditors	75,000	1,10,000
Bills payable	10,000	15,000
	<b>7,85,000</b>	<b>10,75,000</b>
Assets	1.1.2015 (Rs.)	31.12.2015 (Rs.)
Cash	1,20,000	1,30,000
Stock	40,000	55,000
Debtors	80,000	1,90,000
Investment	30,000	80,000
Machinery	4,10,000	5,40,000
Discount on issue of debentures	5,000	—
Goodwill	1,00,000	80,000
	<b>7,85,000</b>	<b>10,75,000</b>

During the year investments costing Rs. 30,000 were sold for Rs. 28,000 and a new machine was purchased for Rs. 45,000. The payment was made in fully paid shares.

5. From the following details, you are required to find out :

(a) Gross profit; (b) Purchases; (c) Opening Stock; (d) Closing Stock; (e) Debtors; (f) Creditors; (g) Fixed Assets.

(1) Stock velocity = 6 times

(2) Capital Turnover Ratio

(Cost of Goods Sold/Capital) = 2 times

(3) Fixed Assets Turnover Ratio

(Cost of Goods Sold/Fixed Assets) = 4 times

(4) Gross Profit Ratio = 20%

(5) Debtor's Velocity = 2 months

(6) Creditor's Velocity = 73 days

The Gross Profit was Rs. 60,000. Reserve and surplus amount to Rs. 20,000. Closing stock was Rs. 5,000 in excess on opening stock.

### SECTION—C

6. What do you mean by Marginal Costing ? State the advantages of Marginal Costing over Absorption Costing. Also mention the limitations of Marginal Costing.
7. Write a detailed note on Activity Based Costing.
8. Books of ABC Ltd. presents the following information for the year 2015 :

	First half	Second half
Sales	8,10,000	10,26,000
Profit earned	21,600	64,800

You are required to calculate the following assuming that fixed costs remained the same for both the periods :

- (1) P/V ratio
- (2) Fixed cost
- (3) The amount of profit/loss when sales are Rs. 6,48,000.
- (4) The amount of sales required to earn profit of Rs. 1,08,000.

9. The following particulars are obtained from costing records of a factory.

	<b>Product A</b>	<b>Product B</b>
	<b>(per unit)</b>	<b>(per unit)</b>
	<b>(Rs.)</b>	<b>(Rs.)</b>
Selling Price	200	500
Material (Rs. 20 per litre)	40	160
Labour (Rs. 10 per hour)	50	100
Variable Overhead	20	40

Total Fixed Overheads — Rs. 15,000

Comment on the profitability of each product when :

- (a) raw material is in short supply;
- (b) production capacity is limited;
- (c) sales quantity is limited;
- (d) sales value is limited;
- (e) only 1,000 litres of raw material is available for both the products in total and maximum sales quantity of each product is 300 units.