

(FOR THE CANDIDATES ADMITTED
DURING THE ACADEMIC YEAR 2022 ONLY)

22UBM410

REG.NO. :

N.G.M.COLLEGE (AUTONOMOUS) : POLLACHI
END-OF-SEMESTER EXAMINATIONS: MAY-2024
COURSE NAME: B.B. A **MAXIMUM MARKS: 50**
SEMESTER: IV **TIME : 3 HOURS**

PART - III

COST AND MANAGEMENT ACCOUNTING

SECTION – A (10 X 1 = 10 MARKS)

ANSWER THE FOLLOWING QUESTIONS.

MULTIPLE CHOICE QUESTIONS.

(K1)

1. What is the main function of cost accounting?
a) Internal b) External c) Government d) Bank
2. What is the Purpose of Management Accounting?
a) Past orientation b) Help banks make decisions
c) Help managers make decisions d) Help investors make decisions
3. Which provides an estimate of the capital amount that may be required for buying fixed assets needed for meeting production requirements?
a) Cash Budget b) Capital Expenditure Budget c) Sales Budget d) Overhead Budget
4. Which statement is prepared in the process of funds flow analysis?
a) Schedule of changes in working capital b) Funds Flow Statement
c) Cash Flow Statement d) Comparative statement
5. Choose the Net profit ratio from the following data, if sales is Rs 5,00,000 & net profit is Rs 1,20,000 .
a) 28% b) 41% c) 60% d) 24%

ANSWER THE FOLLOWING IN ONE (OR) TWO SENTENCES.

(K2)

6. Define Cost center.
7. Explain the term marginal costing.
8. Define Flexible budget.
9. Interpret the term Cash flow statement.
10. Construct the formula of Current ratio.

SECTION – B

(5 X 3 = 15 MARKS)

ANSWER EITHER (a) OR (b) IN EACH OF THE FOLLOWING QUESTIONS.

(K3)

- 11.a) Describe the objectives of cost accounting.
(OR)
b) List the items included in Tender Price.
- 12.a) Show the Limitations of Management accounting.
(OR)
b) Compare Marginal cost with absorption cost.

(CONTD 2)

13.a) Examine the various types of budgets.

(OR)

b) Describe the advantages of budgetary control.

14.a) List the uses of Cash flow statement.

(OR)

b) Show the difference between cash flow statement and Fund flow statement.

15.a) Analyze the significance of Ratio analysis.

(OR)

b) Evaluate the limitations of Ratio analysis.

SECTION – C

(5 X 5 = 25 MARKS)

ANSWER EITHER (a) OR (b) IN EACH OF THE FOLLOWING QUESTIONS.

(K4 (Or) K5)

16.a) Discuss the advantages of cost accounting.

(OR)

b) Compute the cost of production.

	Rs.
Direct material	90,000
Direct Labour	32,000
Direct Expenses	9,000
Factory overheads	25,000
Office and administration overheads	18,000

17.a) Describe the functions of Management accounting.

(OR)

b) Summarize the difference between Management accounting and financial accounting.

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

Particulars	At 60% capacity (Rs.)
Variable overheads	
Indirect materials	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

(OR)

- b) Summarized below are the Income and Expenditure forecasts for the months of March to July 2002.

Month	Sales Rs.	Purchases Rs.	Wages Rs.
March	60,000	36,000	9,000
April	62,000	38,000	8,000
May	64,000	33,000	10,000
June	58,000	39,000	8,500
July	56,000	39,000	9,500

Compute Cash Budgets for 3 months starting from 1st May 2002.

- 1) Cash balance on 1st May 2002 Rs. 8,000
- 2) Advance tax Rs.8, 000 payable in March and June each.
- 3) Credit allowed by suppliers is 2 months and allowed to customer is 1 month.
- 4) Lag in payment of wages is 1 month.

- 19.a) Prepare Statement of changes in working capital for following are the summarized Balance Sheets of Lotus Ltd. As at 31st December 2003 and 2004

Liabilities	2003 Rs.	2004 Rs.	Assets	2003 Rs.	2004 Rs.
Capital:			Fixed Assets	95,000	1,20,000
Equity Capital	1,00,000	1,00,000	Investments	-	10,000
Preference Shares	-	50,000	Current Assets:		
General Reserve	30,000	40,000	Stock	40,000	60,000
Profit and Loss A/c	25,000	70,000	Debtors	20,000	40,000
Current Liabilities			Bills Receivable	5,000	2,000
Creditors	20,000	10,000	Prepaid Expenses	5,000	18,000
Bills Payables	-	2,000	Cash	20,000	10,000
Overdraft	3,000	-	Advances	10,000	40,000
Taxation Provision	7,000	12,000			
Proposed Dividend	10,000	16,000			
	1,95,000	3,00,000		1,95,000	3,00,000

(OR)

- b) From the following Balance Sheets of Arvind Ltd., you are required to prepare a cash flow statement:

Liabilities	1999 Rs.	2000 Rs.	Assets	1999 Rs.	2000 Rs.
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
Profit and Loss A/c	20,000	46,000	Stock	1,60,000	1,80,000
			Land	1,00,000	1,32,000
	5,60,000	6,36,000		5,60,000	6,36,000

(CONTD 4)

20.a) Cash Rs.18,000, Closing stock = Rs.1,80,000, Creditors= Rs.75,000,Debtors = Rs.1,42,000, Bills Payable= Rs.27,000 and Outstanding expenses= Rs.15,000

From the above information determine:

- a) Current ratio b) Liquid ratio c) Absolute liquid ratio

(OR)

b) Ram & company supplies you the following information regarding the year ended 31st 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%	
Determine inventory turnover ratio.	

SCHEME OF VALUATION

COST AND MANAGEMENT ACCOUNTING

SEMESTER: IV

MAXIMUM MARKS: 50

SUBJECT CODE – 22UBM410

TIME : 3 HOURS

PART - III

SECTION – A

(10 X 1 = 10 MARKS)

ANSWER THE FOLLOWING QUESTIONS.

- 1.a) Internal
2. c) Help managers make decisions
3. a) Cash Budget
4. a) Schedule of changes in working
- 5.d) 24%

ANSWER THE FOLLOWING IN ONE (OR) TWO SENTENCES

6. Define Cost center.
7. Explain the term marginal costing.

8. Define Flexible budget.
 9. Interpret the term Cash flow statement.
 10. Construct the formula of Current ratio.
- Current ratio = Current Asset/Current liabilities

SECTION – B

(5 X 3 = 15 MARKS)

ANSWER EITHER (a) OR (b) IN EACH OF THE FOLLOWING QUESTIONS.

11. a) Objectives of cost accounting

- Ascertainment of the cost per unit of the different products that a business concern manufacturers.
- To correctly analyze the cost of both the process and operations.
- Disclosure of sources for wastage of material, time, expenses or in the use of the equipment and the preparation of reports which may be necessary to control such wastage.
- Provide requisite data and help in fixing the price of products manufactured or services rendered.
- Determination of the profitability of each of the products and help management in the maximization of these profits.

b) List the items included in Tender Price.

- Direct Expenses
- Factory Overheads
- Office Overheads
- Selling and Distribution Overheads
- Profit

12.a) Limitations of Management accounting

- Based on Financial and Cost Records
- Personal Bias
- Lack of Knowledge and Understanding of the Related Subjects
- Provides only Data
- Preference to Intuitive Decision Making
- Management Accounting is only a Tool

b) Marginal cost with absorption cost.

	Marginal cost	Absorption cost
What is it?	A technique in which only variable costs are assumed as product costs.	A technique for determining product costs that consider both fixed and variable costs.
Are both fixed costs and variable costs considered in product costs?	No. Variable cost is treated as product cost, and fixed cost is treated as period cost.	Yes. Both fixed costs and variable costs are considered in product costs.
Nature of overheads	Variable costs and fixed costs	Distribution, production, and selling & administration.

13.a) Types of budgets

- Operating budget
- Capital budget
- Cash budget
- Master budget
- Flexible budget

b) Advantages of budgetary control

- Definite planning
- Enhanced efficiency
- Proper communication
- Control

- Co-ordination

14.a) **Uses of Cash flow statement**

- It is very useful in the evaluation of cash position of a firm.
- A firm can come to know as to how much cash will be generated into the firm and how much cash will be needed to make various payments and hence the firm can well plan to arrange for the future requirements of cash.
- Cash flow statement helps in planning the repayment of loans, replacement of fixed assets and other similar long-term planning of cash.

b)

Cash Flow Statement	Fund Flow Statement
Definition	
Cash flow is based on the concept of outflow and inflow of cash and cash equivalents during a particular period	Fund flow is based on the concept of changes in working capital over a period of time
What is calculated?	
Cash from the operations is calculated	Fund from the operation is calculated.
Purpose	
To show the movement of cash during the beginning and end of an accounting period	To show the changes in the financial position of business between previous and current accounting periods

15.a) **Significance of Ratio analysis**

- Ratios are exceptionally useful tools with which one can judge financial performance of the enterprise over a period of time.
- The efficiency of the enterprise can also be judged against the industry average.
- In vertical analysis ratios help the analyst to form a judgment whether performance of the firm at a point of time is good, questionable or poor.

b) **Limitations of Ratio analysis**

- Historical Information
- Inflationary effects
- Changes in accounting policies
- Operational changes
- Seasonal effects

SECTION – C

(5 X 5 = 25 MARKS)

ANSWER EITHER (a) OR (b) IN EACH OF THE FOLLOWING QUESTIONS.

16.a) **Advantages of cost accounting**

- Identification of Unprofitable Activities
- Measuring and Improving Efficiency
- Fixing Prices
- Price Reduction
- Control over Stock

b)

Particulars	Amount (Rs.)
Direct Material: Material Consumed	90,000
Direct Labour: Productive wages	32,000
Direct Expenses	9,000
Prime Cost	1,31,000
Add: Factory overheads	25,000

Factory Cost	1,56,000
Add: Office and administration overheads	18,000
Cost of production	1,74,000

17.a) **Functions of Management accounting**

- Useful in planning
- Decision-making functions
- Control functions
- Profit maximization
- Asset protection

b)

BASIS FOR COMPARISON	FINANCIAL ACCOUNTING	MANAGEMENT ACCOUNTING
Meaning	Financial Accounting is an accounting system that focuses on the preparation of financial statement of an organization to provide the financial information to the interested parties.	The accounting system which provides relevant information to the managers to make policies, plans and strategies for running the business effectively is known as Management Accounting.
Is is compulsory?	Yes	No
Information	Monetary information only.	Monetary and non-monetary information
Objective	To provide financial information to outsiders.	To assist the management in planning and decision making process by providing detailed information on various matters.
Format	Specified	Not specified
Time Frame	Financial Statements are prepared at the end of the accounting period which is usually one year.	The reports are prepared as per the need and requirements of the organization.
User	Internal and external parties	Only internal management.
Reports	Summarized Reports about the financial position of the organization	Complete and Detailed reports regarding various information.

18. a) .

Flexible budget

Items	50% capacity	60% capacity	70% capacity
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Variable overheads:			
Indirect material	5,000	6,000	7,000
Indirect labour	15,000	18,000	21,000
Semi-variable overheads:			
Electricity	27,000	30,000	33,000
Repairs	2,900	3,000	3,100
Fixed overheads:			
Depreciation	16,500	16,500	16,500
Insurance	4,500	4,500	4,500
Salaries	15,000	15,000	15,000
Total overheads	85,900	93,000	1,00,100
Estimated overheads	1,55,000	1,86,000	2,17,000
Overhead rate	0.55	0.50	0.46

b)

Cash Budget

Particulars	May(Rs.)	June(Rs.)	July(Rs.)
Opening balance	8,000	26,000	34,000
Add: Receipts			
Collection from debtors	62,000	64,000	58,000
Total	70,000	90,000	92,000
Less: Payments			
Payments to creditors	36,000	38,000	33,000
Wages	8,000	10,000	8,500
Advance tax	-	8,000	-
Total	44,000	56,000	41,500
Total	44,000	56,000	41,500
Closing stock	26,000	34,000	50,500

19.a)

SCHEDULE OF CHANGES IN WORKING CAPITAL OF LOTUS LTD

Particulars	2003	2004	Changes in Working Capital	
	Rs.	Rs.	Increase [Rs.]	Decrease [Rs.]
Current Assets:				
Stock	40,000	60,000	20,000	-
Debtors	20,000	40,000	20,000	-
Bills Receivable	5,000	2,000	-	3,000
Prepaid Expenses	5,000	18,000	13,000	-
Cash	20,000	10,000	-	10,000
Advances	10,000	40,000	30,000	-
Total [A]	1,00,000	1,70,000		
Current Liabilities:				
Creditors	20,000	10,000	10,000	-
Bills Payable	-	2,000	-	2,000
Overdraft	3,000	-	3,000	-
Taxation Provision	7,000	12,000	-	5,000
Proposed Dividend	10,000	16,000	-	6,000

Total [B]	40,000	40,000		
Working Capital [A- B]	60,000	1,30,000	96,000	26,000
Increase/Decrease in working capital	70,000			70,000
	1,30,000	1,30,000	96,000	96,000

b)

STATEMENT OF CASH FROM OPERATION

	Rs.	Rs.
Closing Balance of P & L A/c or Retained Earning	46,000	
Less: Opening Balance of P & L A/c or Retained Earning	20,000	
Net Profit for the Year		26,000
ADD: NON-FUND and NON-OPERATING Funds From Operation		-
ADD:		26,000
Decrease in Debtors [2,40,000 -2,30,000]	10,000	10,000
		36,000
LESS:		
Decrease in Creditors [1,40,000 – 90,000]	50,000	
Increase in Stock [1,80,000 – 1,60,000]	20,000	70,000
Cash outflow on account of operations		[34,000]

Cash flow statement

Sources/Inflow	Rs.	Rs.	Applications/Outflow/Uses	Rs.	Rs.
Opening Balances:			Cash outflow from operation		34,000
Cash		60,000	Purchase of Land [1,32,000 – 1,00,000]		32,000
Issue of shares [5,00,000 - 4,00,000]		1,00,000	Closing Balances:		
		1,60,000	Cash		94,000
					1,60,000

20.a) Current ratio = 2.04

Liquid ratio = 0.96

Absolute liquid ratio = 0.11

b) Inventory turnover ratio = Cost of goods sold/Average inventory at cost

Net sales = Rs.2,70,000

Average inventory = Rs. 27,500

Inventory turnover ratio = 2,02,500 / 27,500 = **7.36 times**