

FORMAT

(for 2020 onwards)

(NO. OF PAGES: 2)

(FOR THE CANDIDATES ADMITTED

21UBI618

DURING THE ACADEMIC YEAR 2021-24 ONLY)

REG.NO. :

N.G.M.COLLEGE (AUTONOMOUS) : POLLACHI

END-OF-SEMESTER EXAMINATIONS : MONTH AND YEAR

COURSE NAME: B.COM(Banking & Finance)

MAXIMUM MARKS: 70

SEMESTER:VI

TIME : 3 HOURS

PART - III

21UBI618 – MANAGEMENT ACCOUNTING

SECTION - A

(10 X 1 = 10 MARKS)

ANSWER THE FOLLOWING QUESTIONS.

MULTIPLE CHOICE QUESTIONS.

(K1)

(Qn. No. 1 - 5)

1. Management Accounting helps Management in
 - (a) Preparation of Final accounts
 - (b) Raising Finance
 - (c) Filing Tax returns
 - (d) Decision making
2. Solvency ratios indicate
 - (a) credit worthiness
 - (b) activity
 - (c) profitability
 - (d) none of these
3. Income Tax paid is
 - (a) Current Liability
 - (b) Current Asset
 - (c) An application of Funds
 - (d) none of the above
4. A Flexible Budget is
 - (a) Budget for different capacity levels
 - (b) Budget for different departments
 - (c) budget for receipts and payments
 - (d) None of the above
5. Selling price per unit Rs.10; Variable cost Rs. 8 per unit; Fixed cost Rs. 20,000; Break-even production in units
 - (a) 10,000
 - (b) 16,300
 - (c) 2,000
 - (d) 2,500

ANSWER THE FOLLOWING IN ONE (OR) TWO SENTENCES

(K2)

(Qn. No. 6 - 10)

6. Define Management Accounting.
7. What is Current ratio?
8. What do you understand about cash from financial activities?
9. State the meaning of net working capital
10. What is P/V ratio?

SECTION – B

(5 X 4 = 20 MARKS)

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

(Qn. No. 11 to 15)10 questions (a & b) – 2 questions from each unit.

(K3)

11. a) List out the advantages of management accounting.

(OR)

- b) State any three tools of management accounting.

(CONTD 2)

12. (a) Calculate
 (a) Current ratio
 (b) Quick ratio and
 (c) proprietary ratio from the data given below:

Balance Sheet			
Liabilities	Rs.	Assets	Rs.
Equity share capital	10,00,000	Goodwill	5,00,000
6% Preference share capital	5,00,000	Plant	6,00,000
General reserve	1,00,000	Land & Building	7,00,000
Profit and Loss A/c	4,00,000	Furniture	1,00,000
Tax provision	1,76,000	Stock	6,00,000
Bills payable	1,24,000	Bills receivable	30,000
Bank overdraft	20,000	Bank balance	2,00,000
Creditors	80,000	Sundry debtors	1,50,000
12% Debentures	5,00,000	Marketable securities	20,000
	<u>29,00,000</u>		<u>29,00,000</u>

(OR)

- (b) From the data, Calculate
 (i) Gross Profit ratio
 (ii) Net profit ratio
 (iii) Return on total assets
 (iv) Inventory turnover
 (v)

	Rs.
Sales	25,20,000
Cost of sales	19,20,000
Net profit	3,60,000
Inventory	8,00,000
Other current assets	7,60,000
Fixed assets	14,40,000
Net worth	15,00,000
Debt	9,00,000
Current liabilities	6,00,000

- 13.(a) From the following information, calculate cash flows from financing activities:

	April 1, 2022 (Rs)	March 31, 2023 (Rs)
Long-term Loans	2,00,000	2,50,000

During the year, the company repaid a loan of Rs.1,00,000.

(OR)

(b) From the following, prepare a statement showing changes in the working capital.

Balance sheets of XYZ Ltd as on 31st March					
Liabilities	2022	2023	Assets	2022	2023
	Rs.	Rs.		Rs.	Rs.
Capital:					
Equity share capital	1,50,000	1,50,000	Fixed assets	1,60,000	2,25,000
Preference share capital	-	1,00,000	Investments	-	10,000
Reserves and surplus:			Current assets:		
General reserve	40,000	50,000	Stock	30,000	50,000
Profit and loss a/c	35,000	80,000	Debtors	30,000	50,000
Current liabilities:			Bills receivable	7,000	4,000
Creditors	30,000	20,000	Prepaid expenses	10,000	23,000
Bills payable	-	4,000	Cash	30,000	20,000
Bank overdraft	5,000	-	advances	21,000	61,000
Provision for taxation	8,000	13,000			
Proposed dividend	20,000	26,000			
	<u>2,88,000</u>	<u>4,43,000</u>		<u>2,88,000</u>	<u>4,43,000</u>

14.(a) A company manufactures two products A and B. A forecast for the number of units to be sold in the first four months of the year is given below:

	Product A (units)	Product B (units)
January	3,000	6,000
February	3,400	6,000
March	4,200	5,200
April	5,000	4,400

It is anticipated that

- there will no work-in-progress at the end of any month and
- finished units equal to half the sales for the next month will be in stock at the end of each month (including previous December).

Prepare for the three months endings March 31, a production budget for each month

(OR)

(b) From the following estimates, calculate the average amount of working capital required.

	p.a (Rs.)
(a) Average amount of locked – up in stocks:	
Stocks of finished goods & W.I.P	10,000
stock of stores , materials, etc.	8,000
(b) Average credit given:	
Local sales : 2 weeks credit	1,04,000
Sales outside the state : 6 weeks credit	3,12,000
(c) Time available for payment:	
For purchases: 4 weeks credit	78,000
For wages : 2 weeks	2,60,000

Add 10 % to allow for contingencies.

15. a) Sales Rs.1,00,000
 Profit Rs.10,000
 Variable cost 70%
 Find out (1) P/V ratio
 (2) Fixed cost

(OR)

- b) From the following particulars, calculate B.E.P.

Sales Rs.1,00,000
 Variable cost Rs.60,000
 Fixed overheads Rs.15,000

Also calculate, new B.E.P. if

- a) Selling price is reduced by 10%
 b) Variable cost increases by 10%
 c) Fixed overhead increases by 10%

SECTION - C

(4 X 10 = 40 MARKS)

ANSWER ANY FOUR OUT OF SIX QUESTIONS

(16th QUESTION IS COMPULSORY AND ANSWER ANY THREE QUESTIONS
 (FROM Qn. No : 17 to 21) (K4 (Or) K5)

16. Distinguish between management accounting and cost accounting.
 17. The following figures relate to Nirmala traders Ltd. For the year ended 31st March 2023.

Trading and Profit and Loss Account			
	Rs.		Rs.
To Opening stock		By Sales	
		5,20,000	
		Less: returns	
	75,000	20,000	5,00,000
To Purchase	3,25,000	By Closing stock	1,00,000
To Gross Profit	<u>2,00,000</u>		
	<u>6,00,000</u>		<u>6,00,000</u>
To Operating expenses:			
Administration 40,000			
Selling and distribution <u>5,000</u>	65,000	By gross profit	2,00,000
To Non-operating expenses		By Non-operating	
Loss on sale of assets	5,000	income:	
		Dividend	
		9,000	
		Profit on sale of	
		Shares	
		<u>11,000</u>	
To net profit	<u>1,50,000</u>		20,000
	<u>2,20,000</u>		<u>2,20,000</u>

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Balance sheet as on 31st March 2023

	Rs.			Rs.
Liabilities		Assets		
Issued capital:		Land and building		
2,000 Equity shares of Rs.100 each	2,00,000			1,50,000
Reserves		Plant and machinery		80,000
	90,000	Stock		1,00,000
Current liabilities	1,50,000	Cash and bank		30,000
Profit and loss a/c	60,000			<u>5,00,000</u>
	<u>5,00,000</u>			<u>5,00,000</u>

- Calculate
- (1) Gross profit ratio
 - (2) Operating ratio
 - (3) Operating profit ratio
 - (4) Net profit ratio
 - (5) Expenses ratio
 - (6) Stock turnover ratio
 - (7) Return on total resources
 - (8) Turnover of fixed assets
 - (9) Turnover to total assets.

18. From the following Balance Sheets on 31st March 2021 and 2022. Prepare Fund Flow Statement.

Liabilities	2021 Rs.	2022 Rs.	Assets	2021 Rs.	2022 Rs.
Share Capital	1,00,000	1,00,000	Goodwill	12,000	12,000
General Reserve	14,000	18,000	Building	40,000	36,000
P&L A/c	16,000	13,000	Plant	37,000	36,000
Sundry Creditors	8,000	5,400	Investment	10,000	11,000
Bills Payable	1,200	800	Stock	30,000	23,400
Provision for Tax	16,000	18,000	Bills Receivable	2,000	3,200
Provision for doubtful debts	400	600	Debtors	18,000	19,000
			Cash	6,600	15,200
	1,55,600	1,55,800		1,55,600	1,55,800

Other information's:

- a. Depreciation charged on plant was Rs. 4,000
- b. Provision for Taxation of Rs. 19,000 was made
- c. Interim Dividend of Rs. 8,000 was paid.

19. The Board of directors of Arvind mills Ltd. request you to prepare a statement showing the working capital requirements for a level of activity of 30,000 units of output for the year. The cost structure for the Company's product for the above-mentioned activity level is given below:

Cost per unit	
	Rs.
Raw materials	20
Direct labour	5
Overheads	<u>15</u>
Total	40
Profit	<u>10</u>
Selling price	<u>50</u>

(CONTD 6)

- (a) Past experience indicates that raw materials are held in stock, on an average for 2 months.
 (b) Work-in-progress (100% complete in regard to materials and 50% for labour and overheads) will be half a month's production.
 (c) Finished goods are in stock on an average for 1 month.
 (d) Credit allowed by suppliers – 1 month
 (e) credit allowed to debtors – 2 months
 (f) A minimum cash balance of Rs.25,000 is expected to be maintained.

Prepare a statement of working capital requirements.

20. The expenses for the budgeted production of 10,000 units in a factory are furnished below.

	Per Unit
	Rs.
Material	70
Variable cost	25
Labour	20
Fixed cost (1,00,000)	10
Variable expenses	5
Selling expenses (10% fixed)	13
Distribution expenses (20% fixed)	7
Administration expenses	5
	155

Prepare a budget for the production of (i) 6,000 units (ii) 8,000 units.

21. Following information has been made available from the cost of united Automobiles Ltd. Manufacturing spare parts.

Direct materials		Per unit
	X	Rs.8
	Y	6
Direct wages		
	X	24 hours at 25 paise per hour
	Y	16 hours at 25 paise per hour
Variable overheads		150% of wages
Fixed overheads		Rs.750
Selling price		
	X	Rs.25
	Y	20

The directors want to be acquired with the desirability of adopting any one of the following alternative sales mixes in the budget for the next period.

- a) 250 units of X and 250 units of Y
- b) 400 units of Y only
- c) 400 units of X and 100 units of Y
- d) 150 units of X and 350 units of y.

State which of alternative sales mixes you would recommend to the management?

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**FONT : TIMES NEW ROMAN
 SIZE : 12, 1.5 SPACING, A4 PAPER.**

*** PL USE TABLE AND FORMULA FORMATS FOR ACCOUNTS AND
 STATISTICS QNS AND MATHEMATICS AND PHYSICS DEPARTMENTS.**

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PART - III

21UIB618-MANAGEMENT ACCOUNTING – SCHEME OF EXAMINATION

SECTION - A

(10 X 1 = 10 MARKS)

MULTIPLE CHOICE QUESTIONS.

(K1)

1. (d) Decision making
2. (a) credit worthiness
3. (c) An application of Funds
4. (a) Budget for different capacity levels
5. (a) 10,000

ANSWER THE FOLLOWING IN ONE (OR) TWO SENTENCES

(K2)

6. Define Management Accounting.

Management accounting is a method of accounting that creates statements, reports, and documents that help management in making better decisions related to their business' performance. Managerial accounting is primarily used for internal purposes.

7. What is Current ratio?

The current ratio compares all of a company's current assets to its current liabilities. These are usually defined as assets that are cash or will be turned into cash in a year or less and liabilities that will be paid in a year or less.

8. What do you understand about cash from financial activities?

Cash Flow from Financing Activities is the net amount of funding a company generates in a given time period. Finance activities include the issuance and repayment of equity, payment of dividends, issuance and repayment of debt, and capital lease obligations.

9. State the meaning of net working capital

Net working capital (NWC) is the difference between a business' short-term assets and its short-term debts and liabilities. It is ideal to have a positive net working capital, as this signifies that the company's financial obligations are met, and it can invest in other operational requirements.

10. What is P/V ratio?

P/V ratio = Contribution/ Sales. It is used to measure the profitability of the company. Contribution is the excess of sales over variable cost. So basically P/V ratio is used to measure the level of contribution made at different volumes of sales.

SECTION – B

(5 X 4 = 20 MARKS)

11. a) List out the advantages of management accounting.

- Decision Making.
- Planning.
- Controlling business operations.
- Organizing.
- Understanding financial data.
- Identifying business problem areas.

(OR)

b) State any three tools of management accounting.



12. (a) (1) Current ratio **2.5** (b) Quick ratio **1** (c) proprietary ratio **0.83**]

(Or)

(b) (i) Gross Profit ratio; **23.81%**; (ii) Net profit ratio- **14.29%**; (iii) Return on total assets **12%**; (iv) Inventory turnover **2.4; 2 time based on cost of sales; 2.625 based on sales.**

13. (a) Cash flows from Financing Activities	Rs.
Proceeds from long-term borrowings	1,50,000
Repayment of long-term borrowings	<u>(1,00,000)</u>
Net cash inflow from Financing Activities	<u>50,000</u>

Working Notes:

	Long – term Loan account		
To cash (loan repaid)	1,00,000	By balance b/d	2,00,000
To balance c/d	<u>2,50,000</u>	By cash (new loan raised)	<u>1,50,000</u>
	<u>3,50,000</u>		<u>3,50,000</u>

(Or)

(b)

Statement showing changes in working capital for the year 2015-2016

Particulars	Changes in working capital			
	2015 Rs.	2016 Rs.	Increase Rs.	Decrease Rs.
Current assets:				
Stock	30,000	50,000	20,000	-
Debtors	30,000	50,000	20,000	-
Bills receivable	7,000	4,000	-	3,000
Prepaid expenses	10,000	23,000	13,000	-
Cash	30,000	20,000	-	10,000
Advances	21,000	61,000	40,000	-
Total (A)	<u>1,28,000</u>	<u>2,08,000</u>		
Current liabilities:				
Creditors	30,000	20,000	10,000	-
Bills payable	-	4,000	-	4,000
Bank overdraft	5,000	-	5,000	-
Provision for taxation	8,000	13,000	-	5,000
Proposed dividend	20,000	26,000	-	6,000
Total (B)	<u>63,000</u>	<u>63,000</u>		
Working capital (A-B)	<u>65,000</u>	<u>1,45,000</u>		
Net increase in working capital	80,000	-		80,000
	<u>1,45,000</u>	<u>1,45,000</u>	<u>1,08,000</u>	<u>1,08,000</u>

14. (a) Production Budget for the First quarter ending March

	Product A			Product B		
	January units	February units	March units	January units	February units	March units
Budgets sales	3,000	3,400	4,200	6,000	6,000	5,200
Add: Closing Stock	1,700	2,100	2,500	3,000	2,600	2,200
Total Requirement	4,700	5,500	6,700	9,000	8,600	7,400
Less: opening Stock	1,500	1,700	2,100	3,000	3,000	2,600
Budgeted production (i.e., units to be produced)	3,200	3,800	4,600	6,000	5,600	4,800

(Or)

(b) Net working capital Rs.46,200.

15. (a) (1) P/V ratio = sales - variable cost / sales X 100
 $= 100000 - 70000 / 100000 \times 100 = 30\%$

(2) Contribution = fixed cost + profit
 Fixed = Contribution - Profit
 Fixed cost = 30,000 - 10,000 = Rs. 20,000

(Or)

(b) B.E.P = Rs.37,500; New B.E.P = (a) Rs.45,000; (b) Rs.50,000; (c) Rs.41,250

SECTION - C

(4 X 10 = 40 MARKS)

ANSWER ANY FOUR OUT OF SIX QUESTIONS

16. Distinguish between management accounting and cost accounting.

	Basis	Cost Accounting	Management Accounting
(i)	Nature	It records the quantitative aspect only.	It records both qualitative and quantitative aspect.
(ii)	Objective	It records the cost of producing a product and providing a service.	It provides information to management for planning and co-ordination.
(iii)	Area	It only deals with cost Ascertainment.	It is wider in scope as it includes financial accounting, budgeting, taxation, planning etc.
(iv)	Recording of data	It uses both past and present figures.	It is focused with the projection of figures for future.
(v)	Development	Its development is related to industrial revolution.	Its development is related to the need of modern business world.
(vi)	Rules and Regulation	It follows certain principles and procedures for recording costs of different products.	It does not follow any specific rules and regulations.

17.

- 1) Gross profit ratio = $2,00,000 / 5,00,000 \times 100 = 40\%$;
- 2) Operating ratio = $3,00,000 + 65,000 / 5,00,000 \times 100 = 73\%$;
- 3) Operating profit ratio = $1,35,000 / 5,00,000 \times 100 = 27\%$;
- 4) Net profit ratio = $1,50,000 / 5,00,000 \times 100 = 30\%$;
- 5) Expenses Ratio:
 Administrative expenses ratio = $40,000 / 5,00,000 \times 100 = 8\%$;
 Selling and distribution expenses ratio = $25,000 / 5,00,000 \times 100 = 5\%$;
- 6) Stock turnover ratio = $3,00,000 / 87,500 = 3.43$ times;
- 7) Return on total resources = $1,50,000 / 5,00,000 \times 100 = 30\%$;
- 8) Turnover of fixed assets = $5,00,000 / 2,30,000 = 2.17:1$;
- 9) Turn over to total assets = $5,00,000 / 5,00,000 = 1:1$.

18.

Calculation of Funds from Operation

	Rs.	Rs.
Profit and loss A/c in 1996		13,000
Add : Transfer to General Reserve	4,000	
Depreciation charged on plant	4,000	
Depreciation charged on building	4,000	
Provision for taxation	19,000	
Interim dividend paid	8,000	39,000
		52,000
Less : Profit & loss a/c in 1995		16,000
		36,000

Schedule of Changes in Working Capital

Particulars	1995 Rs.	1996 Rs.	Working Capital	
			Increase Rs.	Decrease Rs.
Stock	30,000	23,400		6,600
Bills receivable	2,000	3,200	1,200	
Debtors	18,000	19,000	1,000	
Cash	6,600	15,200	8,600	
Sundry creditors	8,000	5,400	2,600	
Bills payable	1,200	800	400	
Provision for doubtful debts	400	600		200
			13,800	6,800
				7,000

Fund Flow Statement A/c

Sources	Rs.	Application	Rs.
Funds from operation	36,000	Purchase of plant	3,000
		Purchase of investment	1,000
		Tax paid	17,000
		Interim dividend	8,000
		Increase in working capital	7,000
	36,000		36,000

19. Statement of Working Capital Requirement

Current Assets	Rs.
Stock of raw materials (2 months) $50,000 \times 2$	1,00,000
Work-in-progress (1/2 months)	
Raw materials $50,000 \times \frac{1}{2}$	25,000
Labour $12,500 \times \frac{1}{2} \times 50/100$	3,125
Overheads $37,500 \times \frac{1}{2} \times 50/100$	<u>9,375</u>
	37,500
Stock of finished goods (1 month) $1,00,000 \times 1$	1,00,000
Debtors (2 months) $1,00,000 \times 2$	2,00,000
Cash balance required	<u>25,000</u>
	4,62,500
Less: Current Liability	
Creditors (1 month) $50,000 \times 1$	<u>50,000</u>
Working capital required	<u>4,12,500</u>

20. Flexible budget for 6,000 units and 8,000 units

Particulars	6,000 units		8,000 units	
	Per unit	Total	Per unit	total
Material	70.00	4,20,000	70.00	5,60,000
Variable cost	25.00	1,50,000	25.00	2,00,000
Labour	20.00	1,20,000	20.00	1,60,000
Fixed cost	16.67	1,00,000	12.50	1,00,000
Variable expenses	5.00	30,000	5.00	40,00
Selling expenses				
10% fixed	2.16	13,000	1.63	13,000
90% variable	11.70	70,200	11.70	93,600
Distribution expenses				
20% fixed	2.33	14,000	1.75	14,000
80% variable	5.60	33,600	5.60	44,800
Administration expenses	8.33	50,000	6.25	50,000
Total	166.79	10,00,800	159.43	12,75,400

21. (a) 250units of X and 250 units of Y: **Profit** = 1,500 – 750 = **Rs. 750**
 (b) 400 units of Y only : **Profit** = **Rs.850**
 (c) 400 units of X and 100 units of Y: **Profit** = 1,200 – 750 = **Rs. 450**
 (d) 150 units of X and 350 units of Y: **Profit** = 1,700 – 750 = **Rs. 950.**
 Proposal (d) is recommended