

Reg. No. :

Code No. : 12018 E

Sub. Code : SMCO 62

B.Com (CBCS) DEGREE EXAMINATION,
NOVEMBER 2023

Sixth Semester

Commerce – Core

MANAGEMENT ACCOUNTING

(For those who joined in July 2017–2019)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. Management accounting relates to _____.
 - (a) Recording of accounting data
 - (b) Recording of costing data
 - (c) Presentation of accounting data
 - (d) None of the above

2. The purpose of management accounting is to give required information to the _____.
- (a) Management (b) Government
(c) Public (d) Creditors
3. The excess of current assets over current liabilities is known as _____.
- (a) Current ratio (b) Liquid ratio
(c) Working capital (d) None of these
4. If current ratio is 1.5:1 and current liability is Rs. 50,000/—, then the current assets could be _____.
- (a) Rs. 1,00,000 (b) Rs. 1,25,000
(c) Rs. 75,000 (d) Rs. 70,000
5. Current assets include _____.
- (a) Stock in trade (b) Cash
(c) Sundry debtors (d) All of the above
6. Flow of Funds means _____.
- (a) Change in funds
(b) Change in inflow only
(c) Change in outflow only
(d) Change in cash only

7. _____ is the statement which measures inflow and outflow of cash on account of any type of business activity.
- (a) Fund flow
(b) Profit and loss account
(c) Cash flow
(d) Balance sheet
8. Tax paid is usually treated as _____.
- (a) Application of cash
(b) Source of cash
(c) Loss
(d) Gain
9. Capital budgeting is a part of _____.
- (a) Investment Decision
(b) Working Capital management
(c) Marketing Management
(d) Capital structure
10. Internal Rate of Return method is also known as _____.
- (a) Time adjusted rate of return
(b) Pay-back period method
(c) Profitability index method
(d) Sensitivity analysis

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 250 words.

11. (a) What are the differences between cost accounting management accounting?

Or

- (b) State the importance of management accounting.

12. (a) Ascertain closing debtors from the following data:

Total sales Rs.40,00,000; Cash sales Rs.4,00,000;

Debtors collection period 60 days (360 days year);

Closing bills receivable Rs. 10,000.

Or

- (b) Determine the value of closing stock from the following details:

Sales - Rs.4,00,000; G.P. Ratio - 10% on sales; Stock velocity - 4 times; Closing stock was Rs. 10,000 in excess of opening stock.

Page 4 Code No. : 12018 E

13. (a) Calculate funds from operations from the following P and L a/c.

| Profit and Loss A/c | | | |
|----------------------------|-----------------|-------------------------|-----------------|
| Particulars | Rs. | Particulars | Rs. |
| To expenses | 3,00,000 | 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 Goodwill | 20,000 | | |
| To Net profit | 1,15,800 | | |
| | <u>5,10,000</u> | | <u>5,10,000</u> |

Or

- (b) From the Following balance sheets, you are required to prepare statement of changes in working capital.

| Liabilities | 1998 (Rs.) | 1999 (Rs.) | Assets | 1998 (Rs.) | 1999 (Rs.) |
|-------------------|-----------------|-----------------|-----------|-----------------|-----------------|
| Share capital | 3,00,000 | 3,75,000 | Machinery | 70,000 | 1,00,000 |
| Profit & Loss A/c | 14,000 | 31,000 | Stock | 1,21,000 | 1,36,000 |
| Creditors | 1,06,000 | 70,000 | Debtors | 1,81,000 | 1,70,000 |
| | | | Cash | 48,000 | 70,000 |
| | <u>4,20,000</u> | <u>4,76,000</u> | | <u>4,20,000</u> | <u>4,76,000</u> |

Page 5 Code No. : 12018 E

14. (a) From the P and L a/c of Vaigai Ltd ascertain cash from operations.

| Particulars | P and L a/c | |
|-------------------------------|-----------------|-----------------------------------|
| | Rs. | Rs. |
| To Salaries | 10,000 | Gross profit 50,000 |
| To Rent | 10,000 | Profit on sale of building 50,000 |
| To Depreciation | 10,000 | |
| To Loss on sale of investment | 5,000 | |
| To Goodwill written off | 10,000 | |
| To Net profit | 55,000 | |
| | <u>1,00,000</u> | <u>1,00,000</u> |

Or

- (b) From the following Balance sheets, you are required to prepare a Cash Flow Statement:

| Liabilities | 2006 Rs. | 2007 Rs. | Assets | 2006 Rs. | 2007 Rs. |
|---------------------|-----------------|-----------------|---------|-----------------|-----------------|
| Current liabilities | 90,000 | 65,000 | Cash | 1,30,000 | 1,47,000 |
| Share capital | 3,00,000 | 3,50,000 | Debtors | 1,20,000 | 1,15,000 |
| Profit and Loss A/c | 20,000 | 33,000 | Stock | 90,000 | 1,00,000 |
| | | | Land | 70,000 | 86,000 |
| | <u>4,10,000</u> | <u>4,48,000</u> | | <u>4,10,000</u> | <u>4,48,000</u> |

15. (a) A Project is acceptable when the yield 10%. Cash inflows of the project along with cash outflows are given below.

| Year | Outflows (Rs.) | Inflows (Rs.) | P/V factor @10% |
|------|----------------|---------------|-----------------|
| 0 | 1,50,000 | - | 1.000 |
| 1 | 30,000 | 20,000 | 0.909 |
| 2 | - | 30,000 | 0.826 |
| 3 | - | 60,000 | 0.751 |
| 4 | - | 80,000 | 0.683 |
| 5 | - | 30,000 | 0.621 |

The salvage value at the end of the 5th year is Rs.40,000. Calculate the Net present value.

Or

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

| Year | 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 factor for 1st, 2nd, 3rd, 4th and 5th years. 0.909, 0.826, 0.751, 0.683, 0.621 respectively.

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 financial accounting and management accounting.

Or

- (b) Explain the objectives and functions of management accounting.

17. (a) Discuss the classifications of ratios.

Or

- (b) From the following particulars calculate

- (i) Stock turnover ratio
- (ii) Operating ratio
- (iii) Operating profit ratio
- (iv) Gross profit ratio
- (v) Net profit ratio

Trading and Profit and Loss A/c

| Particulars | Rs. | Particulars | Rs. |
|------------------|------------------|------------------|------------------|
| To Opening stock | 1,00,000 | By Sales | 10,00,000 |
| To Purchases | 4,00,000 | By closing stock | 1,97,000 |
| To Wages | 2,97,000 | | |
| To Gross profit | 4,00,000 | | |
| | <u>11,97,000</u> | | <u>11,97,000</u> |

| | | | |
|----------------------------|-----------------|---------------------------------|-----------------|
| To Administrative exp. | 2,00,000 | By Gross profit | 4,00,000 |
| To Selling and Distn. Exp | 26,000 | By profit on sale of investment | 12,000 |
| To Loss on sales of shares | 18,000 | | |
| To Net profit | <u>1,68,000</u> | | |
| | <u>4,12,000</u> | | <u>4,12,000</u> |

18. (a) Distinguish between cash flow statement and fund flow statement.

Or

- (b) From the following summarized balance sheets of Sri Krishan Ltd prepare a schedule of changes in working capital and statement of sources and application of funds.

| Liabilities | 1998 (Rs.) | 1999 (Rs.) | Assets | 1998 (Rs.) | 1999 (RS.) |
|---------------------|-----------------|-----------------|---------|-----------------|-----------------|
| Share capital | 4,00,000 | 5,75,000 | Plant | 75,000 | 1,00,000 |
| Creditors | 1,06,000 | 70,000 | Stock | 1,21,000 | 1,36,000 |
| Profit and Loss a/c | 14,000 | 31,000 | Debtors | 1,81,000 | 1,70,000 |
| | | | Cash | 1,43,000 | 2,70,000 |
| | <u>5,20,000</u> | <u>6,76,000</u> | | <u>5,20,000</u> | <u>6,76,000</u> |

19. (a) The following are the balance sheets of V.P.Co.Ltd as on 31.12.2011 and 31.12.2012

| Balance sheet | | | | | |
|---------------------|-----------------|-----------------|------------|-----------------|-----------------|
| Liabilities | 2011 (Rs.) | 2012 (Rs.) | Assets | 2011 (Rs.) | 2012 (Rs.) |
| Share capital | 1,00,000 | 1,25,000 | Building | 1,00,000 | 95,000 |
| General Reserve | 25,000 | 30,000 | Machinery | 75,000 | 85,500 |
| Profit and Loss a/c | 15,250 | 15,300 | Stock | 50,000 | 37,000 |
| Bank loan | 35,000 | - | Debtors | 40,000 | 31,100 |
| Creditors | 75,000 | 67,600 | Cash | 250 | 300 |
| Provision for tax | 15,000 | 17,500 | Bank | - | 4,000 |
| | | | Investment | - | 2,500 |
| | <u>2,65,250</u> | <u>2,55,400</u> | | <u>2,65,250</u> | <u>2,55,400</u> |

Additional Information :

- (i) Dividend of Rs. 11,000 was paid
- (ii) Machinery was purchased for Rs.15,000
- (iii) Income tax paid during the year Rs.16,500

Prepare cash flow statement.

Or

Page 10 Code No. : 12018 E

- (b) Prepare Cash Flow Statement from the following Balance sheets and other details:

| Balance Sheet | | | | | |
|-------------------------|---------------|---------------|--------------|---------------|---------------|
| Liabilities | 2006 (Rs.) | 2007 (Rs.) | Assets | 2006 (Rs.) | 2007 (Rs.) |
| Share capital | 10,000 | 10,000 | Goodwill | 1,200 | 1,200 |
| General reserve | 1,400 | 1,800 | Land | 4,000 | 3,600 |
| P & L A/c | 1,600 | 1,300 | Buildings | 3,700 | 3,600 |
| Creditors | 800 | 540 | Investments | 1,000 | 1,100 |
| Outstanding expenses | 120 | 80 | Inventories | 3,000 | 2,340 |
| Provision for tax | 1,600 | 1,800 | Debtors | 2,000 | 2,220 |
| Provision for bad debts | 40 | 60 | Cash in bank | 660 | 1,520 |
| | <u>15,560</u> | <u>15,580</u> | | <u>15,560</u> | <u>15,580</u> |

Additional information:

- (i) A Piece of land has been sold for Rs.400
- (ii) Depreciation of Rs.700 has been charged on buildings
- (iii) Provision of Rs. 1,900 was made for taxes.

Page 11 Code No. : 12018 E

20. (a) Explain the principal stages involved in the investment appraisal process.

Or

- (b) The project cost of an investment is Rs.50,000. The facility has a life expectancy of five years and no salvage value. The company's tax rate is 55%. The firm uses straight line depreciation. The estimated cash flows before tax and depreciation is as follows.

| Year | 1 | 2 | 3 | 4 | 5 |
|------|--------|--------|--------|--------|--------|
| CFBT | 10,000 | 11,000 | 14,000 | 15,000 | 25,000 |

Compute the following :

- (i) Pay-back period
(ii) Average rate of return
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