Exam. Code : 108505
Subject Code : 2771

B.Com. Semester—V

BCG–503 : MANAGEMENT ACCOUNTING

Time Allowed—3 Hours] [Maximum Marks—50

Note :— (1) The paper has three Sections A, B and C.

(2) Section A comprises of **TWELVE** questions of **1** mark each. Students are to attempt any **TEN** questions.

(3) Section B comprises of **FOUR** questions of **10** marks each. Students are to attempt any **TWO** questions.

(4) Section C comprises of **FOUR** questions of **10** marks each. Students are to attempt any **TWO** questions.

SECTION—A

1. (i) State any two limitations of Management Accounting.

(ii) Inventory Turnover Ratio.

(iii) Use of Ratio Analysis.

(iv) Trend Analysis.

(v) Cost Centre.

(vi) Differentiate between Net Profit and Contribution Margin.

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

	₹
Cash Sales	1,50,000
Credit Sales	2,50,000
Sales Returns	25,000
Stock in the beginning of the year	25,000
Stock at the end of the year	35,000

Gross Profit Ratio is 20%

You are required to calculate :

(a) Stock Turnover Ratio

(b) Stock Conversion Period.

(viii) The following figures are extracted from books of ABC Ltd. for the year ended 31-3-2014 :

	₹
Sales	5,00,000
Direct Materials	2,05,000
Direct Labour	75,000
Variable Overheads	1,00,000
Fixed Overheads	60,000

Calculate :

(a) P/V Ratio

(b) Break-even Point.

(ix) Following information is available with respect to Star Ltd. :

	₹
40000 Equity Shares of ₹ 10 each fully paid	4,00,000
4.5% 15000 Preference Shares of ₹ 10 each fully paid	1,50,000

	₹
Profit after tax (tax rate 60%)	1,35,000
Depreciation	30,000
Market Price of Equity Share	20

You are required to calculate Earning Per Share.

(x) The Current Assets and Current Liabilities of a company are ₹ 15,00,000 and ₹ 10,00,000. Calculate the Current Ratio. Also state in each of the following cases, whether the ratio will improve or decline or will remain same :

(1) Purchase of Fixed Assets for ₹ 1,00,000.

(2) Cash Collected from Debtors for ₹ 2,00,000.

(3) Issue of New Shares for ₹ 5,00,000.

(4) Payment of a Current Liability for ₹ 50,000.

(xi) Following are the Income Statements of a company for the years ending Dec, 31, 2011 and 2012 :

	2011 ₹ in '000	2012 ₹ in '000
Sales	500	700
Miscellaneous Income	20	15
	520	715
Expenses :		
Cost of Sales	325	510
Office Expenses	20	25
Selling Expenses	30	45
Interest	25	30
	400	610
Net Profit	120	105
	520	715

(xii) From the following summarised balance sheets of ABC Ltd, calculate Cash Flows from Operating Activities :

Balance Sheets of ABC Ltd.

(as on 31st March, 2010 and 31st March 2011)

Liabilities	2010 ₹	2011 ₹	Assets	2010 ₹	2011 ₹
Share Capital	2,00,000	3,00,000	Plant and Machinery (at Cost)	2,00,000	2,36,000
General Reserve	50,000	60,000	Investments	1,00,000	1,90,000
8% Debentures	1,00,000	1,00,000	Stock	50,000	40,000
Creditors	40,000	50,000	Debtors	30,000	40,000
Bills Payable	10,000	12,000	Cash	15,000	18,000
Profit and Loss A/c	10,000	16,000	Prepaid Expenses	15,000	14,000
	4,10,000	5,38,000		4,10,000	5,38,000

SECTION—B

2. What is meant by Management Accounting ? Explain the advantages and limitations of Management Accounting.

3. Differentiate between :

   (i) Fund Flow Statement and Cash Flow Statement.

   (ii) Common-size Statement and Comparative Statement.

4. Using the following data, complete the Balance Sheet below :

	₹
Gross Profit (20% of Sales)	60,000
Shareholders' Equity	50,000
Credit Sales to Total Sales	80%
Total Assets Turnover (Sales/Total Assets)	3 times
Inventory Turnover (To Cost of Sales)	8 times
Average Collection Period (360 days a year)	18 days
Current Ratio	1.6
Long-term Debt to Equity	40%

Balance Sheet

	₹		₹
Creditors	....	Cash	....
Long-term Debt	....	Debtors	....
Shareholders' Equity	....	Inventory	....
		Fixed Asset	....
	....		....

5. Following are the summarised Balance Sheets of ESS GEE Ltd. as on December, 31 2012 and 2013 :

Liabilities	**2012** ₹	**2013** ₹	**Assets**	**2012** ₹	**2013** ₹
Share Capital	1,00,000	1,30,000	Land &		
General Reserve	25,000	30,000	Building	1,00,000	95,000
Profit & Loss A/c	15,200	15,400	Machinery	75,000	84,500
Bank Loan			Stock	50,000	37,000
(Long-term)	35,000	———	Sundry		
Sundry Creditors	75,000	67,500	Debtors	40,000	32,100
Provision for Tax	15,000	17,500	Cash	200	300
			Bank	-----	4,000
			Goodwill	-----	7,500
	2,65,200	2,60,400		2,65,200	2,60,400

Additional Information :

(i) Dividend of ₹ 11,500 was paid.

(ii) Assets of another company were purchased for a consideration of ₹ 30,000 payable in Shares. The following Assets were purchased : Stock ₹ 10,000, Machinery ₹ 12,500.

(iii) Machinery was further purchased for ₹ 4,000.

(iv) Depreciation written off Machinery ₹ 6,000.

(v) Income tax provided during the year ₹ 16,500.

(vi) Loss on Sale of Machine ₹ 100 was written off to General Reserve.

You are required to prepare a Statement of Funds Flow.

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. (i) Short note on Responsibility Accounting.

   (ii) Advantages of Activity Based Costing.

8. Sales and Profit during two periods for a company were as follows :

	Sales	Profit
	₹	₹
Period I :	9,00,000	90,000
Period II :	11,00,000	1,30,000

You are required to find out :

(i) P/V Ratio.

(ii) Fixed Cost.

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(iii) Break-even Point.

(iv) Profit at an Estimated Sales of ₹ 15,00,000.

(v) Sales required to earn a Profit of ₹ 2,00,000.

9. A firm having a capacity of 15,000 units per annum produces 10,000 units which are consumed in the home market at ₹ 25 per unit. The cost per unit is as under :

	₹
Materials	8.00
Labour	6.00
Fixed Factory Expenses	2.00
Variable Factory Expenses	1.50
Office Expenses	1.00
Fixed Selling Expenses	0.50
Variable Selling Expenses	1.00
Total	20.00

(i) A Foreign Customer is interested in the product but he is willing is buy only 5,000 units and that too at a price of ₹ 18 per unit. Do you recommend the firm to accept the order ?

(ii) What will be your advice if in the above case :

(a) the new customer is not Foreign

(b) the price offered is ₹ 15 per unit

(c) the foreign customer is unwilling to buy less than 8,000 units, the price per unit being ₹ 22.