



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – COMMERCE

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SIXTH SEMESTER – APRIL 2013

CO 6605 - MANAGEMENT ACCOUNTING

Date: 27/04/2013

Dept. No.

Max. : 100 Marks

Time: 1:00 - 4:00

PART – A

ANSWER ALL QUESTIONS:

(10 x 2 = 20 marks)

1. What is contribution?
2. Indicate any two uses of ratio analysis.
3. What do you mean by Zero base budgeting?
4. What is Working capital?
5. Define Marginal costing.
6. Assuming that the cost structure and selling price remain the same in period (I) and (II), find out the P/V ratio.

	Sales (Rs.)	Total cost (Rs.)
I	1,40,000	1,25,000
II	1,60,000	1,40,000

7. Prepare a material purchase budget for April:

Materials (in units)	A	B
Estimated stock on April 1 st	1,600	600
Estimated stock on April 30 th	2,000	800
Estimated consumption	12,000	4,400

8. Calculate the earnings per share from the following data:

Net profit before tax Rs. 1,00,000

Taxation at 50% of Net Profit

10% Preference share capital (Rs. 10 each) Rs. 1,00,000

Equity share capital (Rs. 10 share) Rs. 1,00,000

9. Calculate funds from operations

Expenses Rs. 3,00,000; Depreciation Rs. 70,000; Loss on sale of machinery Rs. 4,000;

Discount Rs. 1000; Goodwill Rs. 2,000; Gain on sale of Land Rs. 60,000;

Net Profit Rs. 1,33,000

10. The standard material and standard cost per kg of material required for the production of one unit of product A is as follows: Material – 5 kgs; standard price – Rs. 5 per kg.
The actual production and related material data are, 400 units of Product A ; Material used 2,200 kgs; Price of material Rs. 4.50 per kg. Calculate Material cost Variance, Material Price Variance.

PART – B

ANSWER ANY FIVE QUESTIONS: www.downloadmela.com

(5 x 8= 40 marks)

11. Briefly explain the different classifications of budget.
12. How does the technique of marginal costing help the management in decision making?
13. Define Management Accounting. Bring out the objectives of Management Accounting.
14. A gang of workers normally consists of 30 men, 15 women and 10 boys and the standard hourly rate prescribed are: Men – 80 paise, Women – 60 paise, and boys – 40 paise.

In a normal working week of 40 hours, the gang is expected to produce 2,000 units of output.

During the week ending 30th March 2012, the gang consisted of 40 men, 10 women and 5 boys.

Actual wages paid per hour were 70 paise for men, 65 paise for women and 30 paise for boys. Four hours were lost due to abnormal idle time and 1,600 units were produced. Calculate labour cost variances.

15. Following information has been made available from the cost records of United Automobile Ltd., manufacturing spare parts:

Direct Materials – X Rs. 8 per unit

Y Rs. 6 per unit

Direct Wages – X 24 hours @ 25 paise per hour

Y 16 hours @25 paise per hour

Variable overheads 150% of direct wages

Fixed overhead (total) Rs.750

Selling Price X Rs. 25

Y Rs. 20

The directors want to adopt 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 the alternative sales mixes you would recommend to the management.

16. Calculate Sales, Debtors, Creditors and Closing stock

Stock Velocity 8 months

Debtors velocity 3 months

Creditors Velocity 2 months

Gross profit ratio 25%

Gross profit for the year Rs. 4,00,000; Bills Receivable Rs. 25,000 and Bills Payable Rs, 10,000.

Closing stock of the year is Rs. 10,000 more than the opening stock.

17. You are given the following data for the year 2012 for a factory

Output	: 40,000 units
Fixed expenses	: Rs. 2,00,000
Variable cost per unit	: Rs.10
Selling price per unit	: Rs. 20

How many units must be produced and sold in the year 2013, if it is anticipated that selling price would be reduced by 10%, variable cost would be Rs. 12 per unit and fixed cost will increase by 10%? The factory would like to make a profit in 2013 equal to that of the profit in 2012.

18. Prepare cash budget at the end of April, May and June 2012.

Month	Sales	Purchases	Wages	Sales expenses
February	1,20,000	80,000	10,000	7,000
March	1,30,000	98,000	12,000	9,000
April	70,000	1,00,000	8,000	5,000
May	1,16,000	1,03,000	10,000	10,000
June	85,000	80,000	8,000	6,000

Further information:

1. Sales at 10% realized in the month of sales. Balance equally realized in two subsequent months.
 2. Creditors are paid in the month following the month of supply.
 3. 20% wages paid in arrears in the following month .
 4. Income tax Rs. 20,000 payable in June.
 5. Dividend Rs.12,000 payable in June.
 6. Income from investments Rs. 2,000 received half-yearly in March and September.
- Cash balance on hand as on 1-4-2012 Rs. 40,000.

PART – C

ANSWER ANY TWO QUESTIONS:

(2 x 20=40 marks)

19. Prepare a fund flow statement.

Balance sheets of K Ltd as on 31 st March					
Liabilities	2010	2011	Assets	2010	2011
Share capital	1,20,000	1,50,000	Buildings	80,000	76,000
14% Debentures	60,000	40,000	Machinery	50,000	72,000
P & L a/c	10,000	15,000	Investments	30,000	45,000
General Reserve	30,000	35,000	Stock	40,000	47,000
Creditors	49,000	56,000	Debtors	67,000	53,000
Proposed dividends	12,000	18,000	Cash at bank	22,000	33,000
Prov. For taxation	10,000	13,000	Prepaid exp.	2,000	1,000
	2,91,000	3,27,000		2,91,000	3,27,000

Additional Information:

1. Debentures were redeemed at a premium of 10%
2. Taxes paid during the year amounted to Rs. 14,000
3. A machine which appeared at a WDV of Rs. 8,000 was sold for Rs. 13,000 and new machines worth Rs. 36,000 were acquired during the year.

20. Prepare a Balance Sheet from the particulars furnished below:

Stock Velocity	: 6
Gross profit margin	: 20%
Capital Turnover Ratio	: 2
Fixed Assets Turnover Ratio	: 4
Debt collection Period	: 2 months
Creditors Payment period	: 73 days
Gross profit was Rs. 60,000	

Excess of closing stock over opening stock was Rs. 5,000

Difference in Balance sheet represents bank balance. The entire sales and purchases are made on credit basis.

21. For the production of 10,000 electric iron boxes the following are the budgeted expenses:

Particulars	Per unit
Direct Material	60
Direct Labour	30
Variable overheads	25
Fixed overheads (Rs. 1,50,000)	15
Variable overheads (Direct)	5
Selling expenses (10 % fixed)	15
Administrative expenses (Rs. 50,000 rigid for all levels of production)	5
Distribution expenses (20% fixed)	5

Prepare a budget for the production of 6,000 and 8,000 units of iron boxes showing distinctly the marginal cost and total cost.

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