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VI Semester B.Com. Examination, May/June 2014

(Repeaters)

(Prior to 2013-2014)

Commerce

Paper – 6.3 : MANAGEMENT ACCOUNTING

Time : 3 Hours

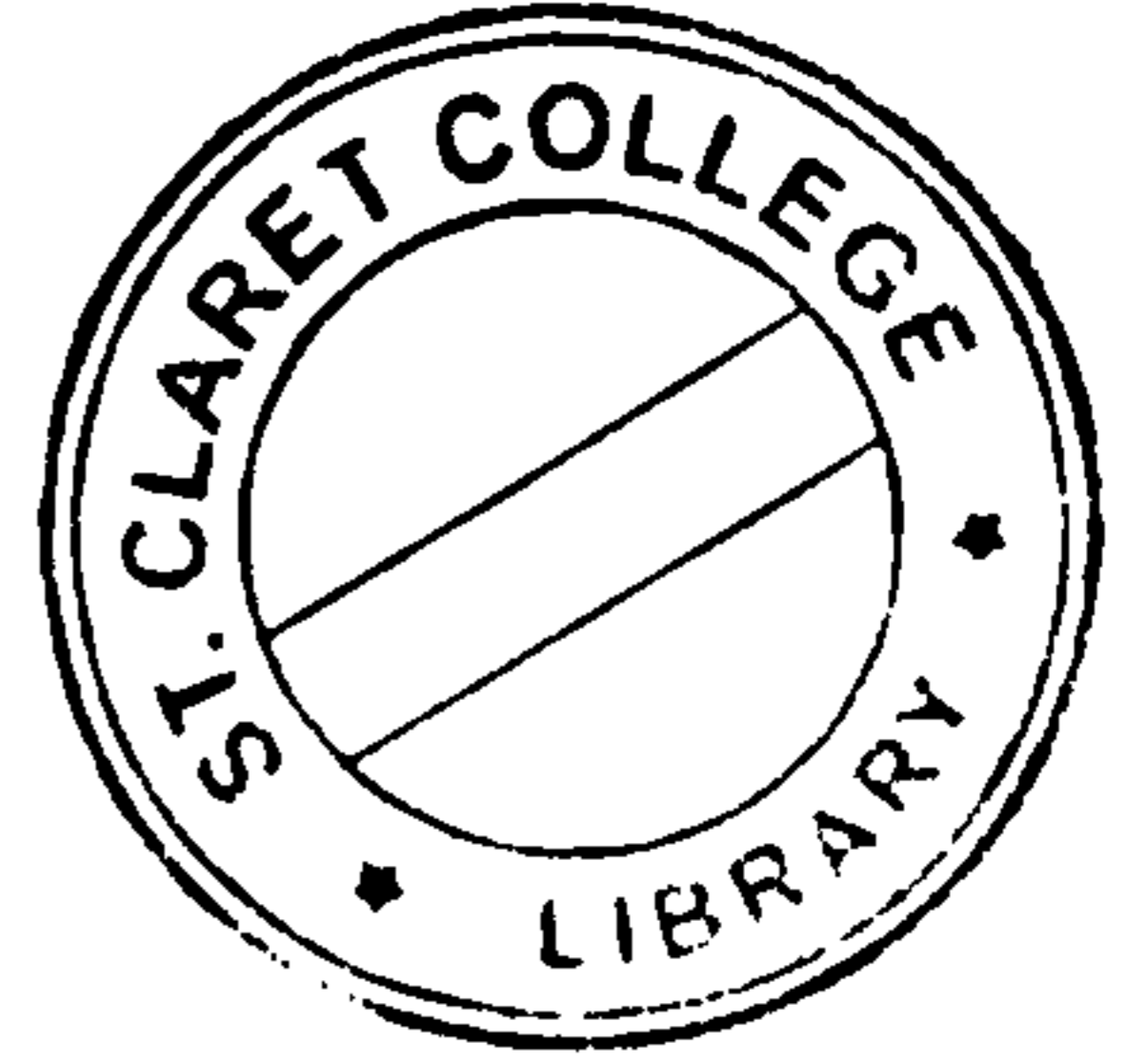
Max. Marks : 90

**Instruction :** Answers should be either in **Kannada** or **English**.

SECTION – A

1. Answer any 10 sub questions. Each sub-question carries 2 marks : (2×10=20)

- a) State any two objectives of management accounting.
- b) What is external analysis ?
- c) State any two limitations of financial accounting.
- d) What do you mean by Trend Analysis ?
- e) List out two merits of ratio analysis.
- f) Give the meaning of reporting.
- g) What is fund flow statement ?
- h) What is Cash Flow Statement ?
- i) What is current ratio ?





- j) Gross profit of a firm is 25%. Sales is Rs. 1,00,000. Find out cost of goods sold.
- k) Gross profit is Rs. 1,60,000; operating expenses – Rs. 50,000; Taxes – Rs. 10,000; owner's fund – Rs. 2,50,000. Calculate return on proprietor's fund.
- l) Current ratio 2.5; Acid test ratio 1.5; Stock Rs. 1,50,000. Calculate net working capital.

## SECTION – B

Answer **any five** questions. **Each** question carries **5** marks.

**(5×5=25)**

2. Prepare a common size income statement

| Particulars        | 2012 (Rs.) | 2013 (Rs.) |
|--------------------|------------|------------|
| Sales              | 1,00,000   | 1,50,000   |
| Cost of goods sold | 60,000     | 75,000     |
| Admn. expenses     | 15,000     | 22,500     |
| Selling expenses   | 10,000     | 17,500     |
| Net profit         | 15,000     | 35,000     |

3. Bring out five differences between management accounting and financial accounting.
4. Briefly explain any five limitations of Management Accounting.
5. Briefly explain various types of analysis.



- 6. What are the objectives of management reporting ?
- 7. From the following Balance Sheets prepare a schedule of changes in working capital :

| <b>Liabilities</b> | <b>31-3-13<br/>Rs.</b> | <b>31-3-14<br/>Rs.</b> | <b>Assets</b>     | <b>31-3-13<br/>Rs.</b> | <b>31-3-14<br/>Rs.</b> |
|--------------------|------------------------|------------------------|-------------------|------------------------|------------------------|
| Capital            | 80,000                 | 85,000                 | Land & building   | 50,000                 | 50,000                 |
| Profit & loss a/c  | 14,500                 | 24,500                 | Plant & machinery | 24,000                 | 34,000                 |
| Creditors          | 9,000                  | 5,000                  | Stock             | 9,000                  | 7,000                  |
| Mortgage           | —                      | 5,000                  | Debtors           | 16,500                 | 19,500                 |
|                    |                        |                        | Cash at bank      | 4,000                  | 9,000                  |
|                    | <b>1,03,500</b>        | <b>1,19,500</b>        |                   | <b>1,03,500</b>        | <b>1,19,500</b>        |

- 8. Profit & Loss Account of Atreya Ltd. is given below :

**Profit & Loss A/c for the year ended 31-12-2013**

| <b>Particulars</b>        | <b>Amount (Rs.)</b> | <b>Particulars</b> | <b>Amount (Rs.)</b> |
|---------------------------|---------------------|--------------------|---------------------|
| To Opening stock          | 2,00,000            | By Sales           | 16,00,000           |
| To Purchases              | 12,00,000           | By Closing stock   | 3,20,000            |
| To Admn. Expenses         | 1,20,000            | By Dividend        | 4,000               |
| To Selling expenses       | 80,000              |                    |                     |
| To Financial expenses     | 40,000              |                    |                     |
| To Loss on sale of assets | 4,000               |                    |                     |
| To Net profit             | 2,80,000            |                    |                     |
|                           | <b>19,24,000</b>    |                    | <b>19,24,000</b>    |

Compute : Administration expenses ratio, selling expenses ratio, financial expenses ratio and cost of goods sold ratio



9. Calculate cash from financing activities from the following details :

| Particulars                     | Amount (Rs.) |
|---------------------------------|--------------|
| Issue of equity shares          | 4,00,000     |
| Issue of debentures             | 2,50,000     |
| Redemption of preference shares | 50,000       |
| Purchase of furniture           | 45,000       |
| Sale of investment              | 23,000       |
| Dividend paid                   | 22,500       |
| Interest paid                   | 3,200        |
| Repayment of bank loan          | 15,000       |

### SECTION – C

Answer **any three** questions. **Each** question carries **15** marks.

(3×15=45)

10. The Balance Sheets of Santosh Ltd. as on 31-12-2012 and 31-12-2013 are as follows :

| Liabilities              | 2012     | 2013     | Assets                | 2012     | 2013     |
|--------------------------|----------|----------|-----------------------|----------|----------|
|                          | Rs.      | Rs.      |                       | Rs.      | Rs.      |
| Preference share capital | 1,20,000 | 1,80,000 | Land & building       | 80,000   | 1,23,000 |
| Equity share capital     | 1,50,000 | 4,00,000 | Plant & Machinery     | 3,34,000 | 6,00,000 |
| Profit & Loss a/c        | 14,000   | 18,000   | Temporary investments | 1,000    | 40,000   |



|                   |                 |                 |                      |                 |                 |
|-------------------|-----------------|-----------------|----------------------|-----------------|-----------------|
| Long term loans   | 1,15,000        | 1,30,000        | Stock                | 10,000          | 25,000          |
| Bills payable     | 2,000           | –               | Book debts           | 4,000           | 8,000           |
|                   |                 |                 | Prepaid expenses     | 1,000           | 2,000           |
| Sundry creditors  | 12,000          | 4,000           | Cash & bank          | 8,000           | 30,000          |
| O/S expenses      | 22,000          | 10,000          | Preliminary expenses | 7,000           | 4,000           |
| Proposed dividend | 10,000          | 90,000          |                      |                 |                 |
|                   | <b>4,45,000</b> | <b>8,32,000</b> |                      | <b>4,45,000</b> | <b>8,32,000</b> |

Prepare a comparative Balance Sheet and comment.

11. State with reasons whether the following transactions result in the increase or decrease of working capital or do not affect the working capital :
- a) Plant & Machinery purchased for cash Rs. 2,00,000.
  - b) Issued shares Rs. 2,00,000
  - c) Redemption of debentures Rs. 20,000.
  - d) Discount on issue of debentures written off Rs. 12,000.
  - e) Debtors accepted bills receivable Rs. 3,000.
  - f) Fixed assets sold worth Rs. 32,000
  - g) Pre paid insurance Rs. 5,000
  - h) Dividend paid Rs. 10,000
  - i) Interest received Rs. 2,300.
  - j) Purchased stock Rs. 6,250
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12. The following are the summarized Trading A/c and Profit & Loss A/c and Balance Sheet of Shekar Ltd. for the ended 31-12-2013.

**Trading and Profit & Loss Account for the year ended 31-12-2013**

|                     | Amount (Rs.)    |                  | Amount (Rs.)    |
|---------------------|-----------------|------------------|-----------------|
| To opening stock    | 1,20,000        | By closing stock | 80,000          |
| To purchases        | 3,80,000        | By Sales         | 6,00,000        |
| To Gross profit     | 1,80,000        |                  |                 |
|                     | <b>6,80,000</b> |                  | <b>6,80,000</b> |
| To General expenses | 40,000          | By Gross profit  | 1,80,000        |
| To Selling expenses | 20,000          | By Rent received | 5,000           |
| To Income Tax       | 30,000          |                  |                 |
| To Net profit       | 95,000          |                  |                 |
|                     | <b>1,85,000</b> |                  | <b>1,85,000</b> |

**Balance Sheet as on 31-12-2013**

| Liabilities       | Amount<br>Rs.   | Assets       | Amount<br>Rs.   |
|-------------------|-----------------|--------------|-----------------|
| Share capital     | 3,00,000        | Fixed Assets | 1,70,000        |
| General Reserve   | 60,000          | Investments  | 1,00,000        |
| Profit & Loss a/c | 1,10,000        | Stock        | 80,000          |
| Creditors         | 80,000          | Debtors      | 1,60,000        |
| Bills payable     | 20,000          | Cash         | 60,000          |
|                   | <b>5,70,000</b> |              | <b>5,70,000</b> |

Compute : Current ratio; Acid test ratio : Stock turnover ratio : Debtors turnover ratio; Creditors turnover ratio; Gross profit ratio; Net profit ratio.



## 13. Balance Sheets of N Ltd.

| <b>Liabilities</b> | <b>2012</b>      | <b>2013</b>      | <b>Assets</b>          | <b>2012</b>      | <b>2013</b>      |
|--------------------|------------------|------------------|------------------------|------------------|------------------|
|                    | <b>Rs.</b>       | <b>Rs.</b>       |                        | <b>Rs.</b>       | <b>Rs.</b>       |
| Share capital      | 4,60,000         | 4,60,000         | Land & Building        | 3,00,000         | 3,00,000         |
| Profit & Loss A/c  | 32,000           | 46,000           | Machinery              | 1,04,000         | 1,40,000         |
| Reserves           | 1,20,000         | 1,20,000         | Short term investments | 2,20,000         | 1,48,000         |
| Debentures         | 1,80,000         | 1,40,000         | Stock                  | 1,64,000         | 2,12,000         |
| Depreciation fund  | 80,000           | 88,000           | Debtors                | 1,34,000         | 86,000           |
| Creditors          | 2,06,000         | 1,92,000         | Cash                   | 1,80,000         | 1,76,000         |
| Outstanding Exps.  | 26,000           | 24,000           | Prepaid exps.          | 2,000            | 8,000            |
|                    | <b>11,04,000</b> | <b>10,70,000</b> |                        | <b>11,04,000</b> | <b>10,70,000</b> |

## Additional Information :

- 10% dividend was paid during the year.
- Machinery for Rs. 60,000 was purchased.
- Old machinery costing Rs. 24,000 was sold for Rs. 20,000

Prepare Cash Flow Statement (In Direct Method)



14. The profit of a company is declining year after year. You as a management accountant draft a report to the management exploring the reasons for the declining profits and suggesting corrective measures.

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