

**Code No.: 8193**

**Sub. Code: C 12 K**

**M.Com. DEGREE EXAMINATION, NOVEMBER 2008.**

**First Semester**

**Commerce (CBCS)**

**MANAGEMENT ACCOUNTING**

**(For those who joined in July 2008 onwards)**

**Time : Three hours**

**Maximum : 75 marks**

**PART A - (10 x 1 = 10 mark)**

**Answer ALL questions in about 50 words each.**

1. Explain the nature of management accounting.
2. What do you mean by systems of management accounting?
3. What is comparative statement?
4. What is common size statement?
5. What is cash flow statement?
6. Explain the need for working capital.
7. Define Flexible budget.
8. Draw a specimen cash budget.
9. State the functions of Accounting Report.
10. What is a reporting system?

**PART B - (5 X 5 = 25 marks)**

**Answer ALL questions in about 250 words, choosing either (a) or (b).**

11. (a) Explain the need for management accounting.

**Or**

- (b) What are the functions of management accounting?

12. (a) A company provides the following information:

	Rs.
Cash sales during the year	1,50,000
Credit sales during the year	2,70,000

Return inward	20,000
Total debtors in the beginning	55,000
Total debtors at the end	45,000
Provision for bad and doubtful debts	5,000

Calculate :

- (i) Debtors turnover ratio
- (ii) Average collection period.

Take 360 days in a year.

Or

(b) Find out :

- (i) Net purchases
- (ii) Creditors turn over ratio

Gross profit on sale is 20% and the value of gross profit is Rs. 60,000. Stock turnover ratio is 6 times and opening stock is 8000 less than the closing stock. Opening sundry debtors Rs. 40,000 and closing sundry creditors are Rs. 50,000.

13. (a) State the need for working capital.

Or

(b) How do you compute the working capital requirements?

14. (a) The following overhead expenses relate to a cost centre at 50% of normal capacity. Draw-up a flexible budget for the cost centre for operating at 75%, 100% and 125% of normal capacity.

	Rs.
Foreman	100
Assistant foreman	40
inspector	50
Machinery repairs	125
Defective work	25

Consumable stores	20
Overtime bonus	-
Machine depreciation	140

Or

(b) What are the features of a budget?

15. (a) Explain the essentials of an ideal report.

Or

(b) How do you instal a reporting system?

**PART C - (5 x 8 = 40 marks)**

**Answer ALL questions by choosing either (a) or (b) in about 500 words**

16. (a) "Accounting report is meant for distinguished functions" - Discuss.

Or

(b) Explain the advantages of MIS.

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

	Product A	Product B
January	1,500	3,000
February	1,700	3,000
March	2,100	2,600
April	2,500	2,200
May	2,900	1,800
June	2,900	2,000

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

Budgeted production and production costs for the whole year are as follows:

	Product A	Product B
Production (units)	25,000	26,000
Per unit:		
Direct material	Rs.13.00	Rs.18.50
Direct labour	Rs.5.50	Rs.8.00
Total factory overhead		
for the year	Rs.75,000	Rs.1,04,000

Prepare for five month ending May 31, a production budget for each month and a summarised cost budget.

Or

(b) A new company commences business on 1.7.2008 and deposits Rs.10,000 in a bank. This amount will be in adequate to finance its operations over a period of six months and you are asked to prepare a cash budget upto 31.12.2008 to determine the monthly overdraft limits to seek from the company's bankers.

The data furnished you are thus

- (i) Sales are made to one distributor only on 30 days terms 3% discount and the cheques are received on the first date of the month following the due date.
- (ii) Plant purchases totalling Rs.5,000 are to be made in July.
- (iii) All purchases are made on net thirty days terms and cheques paid to creditors on the last day of the month due.
- (iv) Budgeted figures are:

	July	Aug.	Sept.	Oct.	Nov.	Dec.
Purchases	5,000	4,000	3,000	4,000	4,000	5,000
Wages	4,000	5,000	4,000	4,000	5,000	4,000
Cash expenses	400	500	400	400	500	400
Sales	6,000	7,000	8,000	9,000	9,000	12,000

18. (a) Prepare a fund flow statement from the following data:

	31.12.2006	31.12.2007
	Rs.	Rs.
Cash	2,000	2,500
Account receivable	2,400	2,700
Inventories	3,100	3,200
Other current assets	800	700
Fixed assets	5,000	5,800
Accumulated depreciation	2,100	2,500
Accounts payable	2,000	2,100
Long-term debt	1,400	1,300
Equity capital	5,000	5,300
Retained earnings	2,800	3,700

Notes:

- (i) Fixed assets costing Rs.1,200 were purchased for cash.
- (ii) Fixed assets (original cost Rs.400, accumulated depreciation Rs.150) were sold for Rs.200.
- (iii) Depreciation for the year 2002 amounted to Rs.550 and duly debited to profit and loss account.
- (iv) Dividends paid amounted to Rs.300 in 2002.
- (v) Reported income for 2007 was Rs.1,200.

(b) A proforma cost-sheet of a company provides the following particulars:

Element of cost:

Raw materials	40%
Labour	10%
Overheads	30%

The following further particular are available:

- (i) Raw material are to remain in stores on an average – 6 week.
- (ii) Processing time – 4 weeks.

- (iii) Finished good are required to be stock on an average period of – 8 weeks.
- (iv) Credit period allowed to debtors, on an average – 10 weeks.
- (v) Lag in payment of wages – 2 weeks.
- (vi) Credit period allowed by creditors – 4 weeks.
- (vii) Selling price is Rs.50 per unit.

You are required to prepare an estimate of working capital requirements for a level of activity of 1,30,000 unit of production.

19. (a) Discuss the importance and limitations of ratio analysis.

Or

(b) From the following details, make-out the balance sheet with as many details as possible.

- (i) Stock velocity = 6
- (ii) Capital turnover ratio = 2
- (iii) Fixed assets turnover ratio = 4
- (iv) Gross profit turnover ratio = 20%
- (v) Debtors velocity = 2 month
- (vi) Creditors velocity = 73 day.

The gross profit was Rs.60,000. Reserves and surplus amounts to 20,000. Closing stock was Rs.5,000 in excess of opening stock.

20. (a) Explain the features of tools of management accounting.

Or

(b) Explain the status and functions of management accountant.