



SN – 393

V Semester B.B.M. Examination, Nov./Dec. 2013  
(Semester Scheme) (2013-14 and Onwards)  
**BUSINESS MANAGEMENT**  
**Paper – 5.2 : Management Accounting**

Time : 3 Hours

Max. Marks : 100

- Instructions :** 1) Answer should be written in **English**.  
2) Working notes should be given **wherever** necessary.

SECTION – A

Answer **any eight** of the following sub-questions. **Each** sub-question carries 2 marks : **(8x2=16)**

1. a) State the meaning of 'Funds Flow Statement'.
- b) What do you mean by investing activities ?
- c) Mention the meaning of margin of safety.
- d) What do you mean by 'cash budget' ?
- e) Given : current ratio 2.5 ; working capital ₹ 90,000 ; calculate current assets and current liabilities.
- f) What do you mean by operating profit ?
- g) How do you compute earnings per share ?
- h) State any two differences between Cost Accounting and Management Accounting.
- i) What do you mean by cash equivalents ?
- j) Mention two limitations of budgetary control.

SECTION – B

Answer **any three** of the following. **Each** question carries **eight** marks : **(8x3=24)**

2. State in brief the :
  - a) Importance of funds flow statement
  - b) Limitations of funds flow statement.
3. Mention the guidelines or precautions to be taken in the use of ratios.
4. Calculate :
  - a) contribution per unit
  - b) break-even point (units)
  - c) margin of safety
  - d) profit.

Total fixed costs ₹ 4,500  
Total variable costs ₹ 7,500  
Total sales ₹ 15,000  
Units sold 5000



5. Calculate funds from operations :
- Net profit for the year ₹ 6,50,000
  - Gain on sale of buildings ₹ 35,500
  - Goodwill appears in the books at ₹ 1,80,000  
(out of this 10% is written off during the year)
  - Old machinery worth ₹ 8,000 has been sold for ₹ 6,500 during the year
  - ₹ 1,25,000 has been transferred to the general reserve
  - Depreciation has been provided during the year on machinery and furniture at 20%  
(Total cost of machinery and furniture ₹ 6,50,000)
6. The expenses for the production of 5000 units in a factory are given as follows :

**Per unit**

(₹)

|                                       |      |
|---------------------------------------|------|
| Materials                             | 50   |
| Labour                                | 20   |
| Variable overheads                    | 15   |
| Fixed overheads (₹ 50,000)            | 10   |
| Administration expenses (5% variable) | ₹ 10 |
| Selling expenses (20% fixed)          | ₹ 6  |
| Distribution expenses (10% fixed)     | ₹ 5  |

Prepare a budget for the production of 7000 units.

**SECTION – C**

Answer **any four** of the following questions. **Each** question carries **fifteen** marks : (4×15=60)

7. Following are the summarised Balance Sheets of MN Co. Ltd.

| <b>Liabilities</b> | <b>2012</b>     | <b>2013</b>     | <b>Assets</b>      | <b>2012</b>     | <b>2013</b>     |
|--------------------|-----------------|-----------------|--------------------|-----------------|-----------------|
|                    | ₹               | ₹               |                    | ₹               | ₹               |
| Share capital      | 2,00,000        | 2,50,000        | Land and buildings | 2,00,000        | 1,90,000        |
| General Reserve    | 50,000          | 60,000          | Plant              | 1,50,000        | 1,74,000        |
| P and L A/c        | 30,500          | 30,600          | Stock              | 1,00,000        | 74,000          |
| Bank loan          |                 |                 | Debtors            | 80,000          | 64,200          |
| (Short term)       | 70,000          | –               | Cash               | 500             | 600             |
| Creditors          | 1,50,000        | 1,35,200        | Bank               | –               | 8,000           |
| Provision          |                 |                 |                    |                 |                 |
| for taxation       | 30,000          | 35,000          |                    |                 |                 |
|                    | <b>5,30,500</b> | <b>5,10,800</b> |                    | <b>5,30,500</b> | <b>5,10,800</b> |



**Additional information :**

- i) Depreciation was written off on plant ₹ 14,000 in 2013
- ii) Dividend paid during 2013 ₹ 20,000
- iii) Income tax provision made during the year ₹ 25,000
- iv) A piece of land has been sold during the year 2013 at cost.

Prepare Funds Flow Statement.

8. Prepare Balance Sheet with as many details as possible :

- i) Stock velocity 6 times
- ii) Capital turn-over ratio 2 times
- iii) Fixed assets turn-over ratio 4 times
- iv) Gross profit turn-over ratio 20%
- v) Debtors velocity 2 months
- vi) Creditors velocity 73 days

Gross profit was ₹ 60,000 ; Reserves and surplus amounted to ₹ 20,000 ; Closing stock was ₹ 5,000 in excess of opening stock.

9. A Co. working at 50% capacity manufactures 10,000 units of a product. At 50% capacity the product cost is ₹ 180 and sale price is ₹ 200. The break-up of cost is as below :

**Cost per unit**

|                          | ₹              |
|--------------------------|----------------|
| Materials                | 100            |
| Wages                    | 30             |
| Factory overheads        | 30 (40% fixed) |
| Administration overheads | 20 (50% fixed) |

At 60% working, raw material cost goes up by 2% and sales price falls by 2% ; At 80% capacity, the raw-material cost increases by 5% and sales price decreases by 5%.

Prepare a flexible budget and ascertain profits at 60% and 80% capacity.





10. From the following forecast of Income and Expenditure, prepare a cash budget for the three months commencing on 1<sup>st</sup> June ; when the bank balance was ₹ 1,00,000

| Month  | Sales  | Purchases | Wages | Factory expenses | Administration and Selling Expenses |
|--------|--------|-----------|-------|------------------|-------------------------------------|
|        | ₹      | ₹         | ₹     | ₹                | ₹                                   |
| April  | 80,000 | 41,000    | 5,600 | 3,900            | 10,000                              |
| May    | 76,500 | 40,500    | 5,400 | 4,200            | 14,000                              |
| June   | 78,500 | 38,500    | 5,400 | 5,100            | 15,000                              |
| July   | 90,000 | 37,000    | 4,800 | 5,100            | 17,000                              |
| August | 95,000 | 35,000    | 4,700 | 6,000            | 13,000                              |

A sales commission of 5% on sales, due two months after sales, is payable in addition to selling expenses ; plant valued at ₹ 65,000 will be purchased and paid for in August and the dividend for the last financial year of ₹ 15,000 will be paid in July. There is a two months credit period allowed to customers and received from suppliers.

There is delay in the payment of wages, factory and administration expenses by one month.

11. Following are the Comparative Balance Sheets of ABC Co. Ltd.

|                              | 2012            | 2013            |                       | 2012            | 2013            |
|------------------------------|-----------------|-----------------|-----------------------|-----------------|-----------------|
| Liabilities                  | ₹               | ₹               | Assets                | ₹               | ₹               |
| Share capital<br>(₹ 10 each) | 3,50,000        | 3,70,000        | Land                  | 1,00,000        | 1,50,000        |
| P and L A/c.                 | 50,400          | 52,800          | Stock                 | 2,46,000        | 2,13,500        |
| 9% debentures                | 60,000          | 30,000          | Goodwill              | 50,000          | 25,000          |
| Creditors                    | 51,600          | 59,200          | Cash and bank         | 42,000          | 35,000          |
|                              |                 |                 | Temporary investments | 3,000           | 4,000           |
|                              |                 |                 | Debtors               | 71,000          | 84,500          |
|                              | <b>5,12,000</b> | <b>5,12,000</b> |                       | <b>5,12,000</b> | <b>5,12,000</b> |

**Additional information :**

- Dividend declared and paid during the year ₹ 17,500
  - Profit on revaluation of land during the year ₹ 50,000 transferred to P and L A/c.
- Prepare cash flow statement.