

Enrolment No.....



Faculty of Commerce
End Sem Examination Dec-2023
CM3EA03 Management Accounting

Programme: B.Com. (Hons.) Branch/Specialisation: Commerce

Duration: 3 Hrs.**Maximum Marks: 60**

Note: All questions are compulsory. Internal choices, if any, are indicated. Answers of Q.1 (MCQs) should be written in full instead of only a, b, c or d. Assume suitable data if necessary. Notations and symbols have their usual meaning.

- Q.1 i. Management accounting is - 1
 (a) Subjective (b) Objective
 (c) Both (a) and (b) (d) None of these
- ii. Analysis of Financial Statement is significant for: 1
 (a) Creditors (b) Management
 (c) Employees (d) All of these
- iii. Stock velocity ratio is known as _____ 1
 (a) Turnover ratio (b) Solvency ratio
 (c) Liquidity ratio (d) Profitability ratio
- iv. The ratio which measures the profit in relation to capital employed is 1
 known as _____.
 (a) Return on investment (b) Gross profit ratio
 (c) Operating ratio (d) Operating profit ratio
- v. _____ statement is of progressive nature because it states reasons 1
 for changes in working capital between two dates.
 (a) Fund Flow Statement (b) Cash Flow Statement
 (c) Balance Sheet (d) None of these
- vi. Working capital requirements depend on the credit policy of _____. 1
 (a) The company (b) The supplier
 (c) Both (a) and (b) (d) None of these
- vii. The following analysis is based on one year's data: 1
 (a) Cash Flow Statement (b) Dividend Analysis
 (c) Horizontal Analysis (d) Vertical Analysis

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- viii. Which of the following is not a limitation of analysis of financial statements? **1**
 (a) Window dressing (b) Subjectivity
 (c) Intra-firm comparison (d) Only quantitative analysis
- ix. The budget which remains unchanged regardless of the actual level of activity is known as- **1**
 (a) Fixed budget (b) Functional budget
 (c) Flexible budget (d) Cash budget
- x. The process of budgeting helps in the control of- **1**
 (a) Cost of production (b) Liquidity
 (c) Capital Expenditure (d) All of these
- Q.2 i. What do you mean by management accounting? Describe by giving suitable examples. **2**
 ii. "Management accounting aims at Providing Financial Results of the business to the management for taking decisions". Describe. **8**
- OR iii. "Management accounting is nothing more than the use of financial information for Management Purpose." Explain this statement and clearly distinguish between financial accounting and management accounting. **8**
- Q.3 i. If current assets are Rs.4,00,000, current liabilities Rs. 2,00,000, and stock is Rs. 1,00,000, find out current ratio and liquid ratio. **2**
 ii. From the following information ascertain the inventory turnover ratio and average payment period- **8**
 Cash Sales-1,20,000, Credit Sales-7,00,000, Sales Return-20,000, Opening stock-60,000, Closing stock-1,20,000, Closing creditors-80,000, Closing Bills payable-30,000, Gross profit ratio-25%.
- OR iii. Discuss the main ratios which you consider significant when analysing the financial statement by company and explain the inference which may be drawn from other use. **8**
- Q.4 i. What is a fund-flow statement? How is it prepared? What are its limitations? **3**
 ii. Distinguish between fund flow statement and cash flow statement. **7**

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- OR iii. From the following summarized cash book of Marine Drive Ltd., prepare a cash flow statement for the year ended 31st March 2023. **7**

Particular	Amount	Particular	Amount
To Balance b/d	5,000	By payment of supplier	2,60,000
To receipts from customer	3,00,000	By Purchase of machine	40,000
To sales of machinery	45,000	By wages	20,000
To issue of shares	1,00,000	By rent	10,000
		By income tax	5,000
		By dividend	10,000
		By replacement of debentures	15,000
		By balance c/d	90,000
	4,50,000		4,50,000

- Q.5 i. What do you understand by 'financial statement's analysis'? Describe the kinds of financial analysis in brief. **4**
 ii. What is trend analysis? Describe the procedure for calculation Trends. **6**
- OR iii. Write the names of methods of financial analysis and interpretation and explain the procedure of financial statement analysis and interpretation. **6**
- Q.6 Attempt any two:
- i. Elaborate any five types of budgets in detail. **5**
 ii. With the help of following data for a 60% activity. Prepare flexible budget for production at 80% and 100% capacity. **5**

Production at 60 % capacity	600 units
Materials	Rs. 100 per unit
Labour	Rs. 40 per unit
Expenses	Rs. 10 per unit
Factory Expenses	Rs. 40000 (40% Fixed)
Administration Expenses	Rs. 30000 (60% Fixed)

- iii. Explain the importance of budgeting control. **5**

Q1) Both (a) & (b)

2) All of these

3) Turnover Ratio

4) Return on Investment

5) Fund Flow Statement

6) The Company

7) Cash Flow Statement

8) Intra-firm Comparison

9) Fixed Budget

10) All of these

Course Code: - CM3EA03

Management Accounting

B. Com. (Hons.)

Qo2 (i) AS Per EXPlanation — (2)

(ii) AS Per EXPlanation — (8)

(iii) AS Per EXPlanation — (8)

Qo3 (iii) AS Per EXPlanation — (8)

Qo4 (i) Fund Flow statement — (01)

How is it Prepared — (01)

Limitation — (01)

(ii) AS Per EXPlanation (any seven) — (07)

Qo5 (i) Financial Statement Analysis — (01)

Kindy — (03)

(ii) Trend Analysis — (02)

Procedure — (04)

(iii) name of methods → (02)

Procedure — (04)

Qo6 (i) Five Points — (05)

(iii) Five importance — (05)

Q.3 (i)

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$= \frac{400000}{200000}$$

$$= 2:1$$

$$\text{Liquid Assets} = \text{Current Assets} - \text{Stock}$$

$$= 400000 - 100000$$

$$= 300000$$

$$\text{Liquid Ratio} = \frac{\text{Liquid Assets}}{\text{Current Liabilities}}$$

$$= \frac{300000}{200000}$$

$$= 1.5:1$$

Q.3 (ii)

$$\text{Cost of goods Sold} = \text{Net Sales}$$

$$\text{Net Sales} = \text{Sales} - \text{Sales return}$$

$$= 820000 - 20000$$

$$= 800000$$

$$\text{G.P. Ratio} = \frac{\text{G.P.}}{\text{Net Sales}} \times 100$$

$$25 = \frac{\text{G.P.}}{800000} \times 100$$

$$Q3 II \quad G.P. = \frac{800000 \times 25}{100}$$

$$G.P. = 200000$$

$$\begin{aligned} \text{Cost of goods Sold} &= \text{Net sales} - G.P. \\ &= 800000 - 200000 \\ &= 600000 \end{aligned}$$

$$\begin{aligned} \text{Average stock} &= \frac{\text{OP. stock} + \text{Cl. stock}}{2} \\ &= \frac{60000 + 120000}{2} \\ &= \frac{180000}{2} \\ &= 90000 \end{aligned}$$

$$\begin{aligned} \text{Stock turnover Ratio} &= \frac{\text{Cost of goods Sold}}{\text{Average stock}} \\ &= \frac{600000}{90000} \\ &= 6.67 \text{ times} \end{aligned}$$

$$\text{Cost of goods sold} = \text{OP. stock} + \text{Net Purchase} + \text{Direct exp} - \text{Cl. stock}$$

$$600000 = 60000 + \text{Net Purchase} + 0 - 120000$$

$$\begin{aligned} 600000 - 60000 + 120000 &= \text{Net Purchase} \\ \text{Net Purchase} &= 660000 \end{aligned}$$

$$\text{Average Payment Period} = \frac{\text{Net Credit Purchase}}{\text{Average Creditors} + \text{Average B/P}}$$

$$\begin{aligned} \text{Av. Payment Period} &= \frac{\text{Average Creditors} + \text{Average B/P}}{\text{Net Credit Purchase}} \times 365 \\ &= \frac{20000 + 30000}{66000} \times 365 \\ &= \frac{110000}{66000} \times 365 \\ &= 61 \text{ days} \end{aligned}$$

$$\begin{aligned} &= \frac{66000}{11000} \\ &= 6 \text{ times} \end{aligned}$$

Qo 4 (iii)

Cash Flow Statement (AS-3)

Direct Method.

(I) Cash From Operating Activity

Receipts From Customer.	300000	
Less:- Payment to Supplier.	(260000)	
Less:- Wages Paid	(20000)	
Less:- Rent Paid	(10000)	
Less:- Income tax Paid.	(5000)	
Cash From Operating Activity		5000

(II) Cash From Investing Activity

Sale of Machinery	45000	
Less:- Purchase of machinery	(40000)	
Cash From Investing Activity		5000

(iii) Cash From Financing Activity

Issue of Share

Less:- dividend Paid.

Less:- Replacement of Debentures

Cash From Financing Activity

Net Increase in Cash & Cash equivalents

Add:- Opening balance of Cash & Bank

Closing balance of Cash & Bank

100000

(10000)

(15000)

75000

25000

5000

90000

Q6 II

Flexible Budget

	Level of activity		
	60% 600 Units	80% 800 Unit	100% 1000 Units
Material @ 100 PV	60000	80000	100000
Labour @ 40 PV	24000	32000	40000
Expenses @ 10 PV	6000	8000	10000
Total (A)	90000	1,20000	1,50000
Factory exp			
Fixed (40%) } 40,000	16000	16000	16000
Variable (60%) }	24000	32000	40000
Administration exp			
Fixed (60%) }	18000	18000	18000
Variable (40%) } 30000	12000	16000	20000
Total (B)	70000	82000	94000
Total (A+B)	160000	202000	244000
Cost per unit	266.67	252.50	244.00


