B.B.A. Part–II Examination

MANAGEMENT ACCOUNTING

Time : Three Hours] [Maximum Marks : 80

Note :—(1) **ALL** questions are compulsory.

(2) All questions carry equal marks.

1. (a) Give the meaning of Financial Management. 4

(b) Discuss the scope and role of Management Accounting. 4

(c) Explain the techniques of Financial Management. 4

(d) Briefly discuss the role of Management Accounting for Management decision making. 4

OR

(e) "Management Accounting as a Science or an Art." Discuss. 4

(f) State the difference between Management Accounting and Cost Accounting. 4

(g) Discuss in brief relationship between financial management and other areas of management. 4

(h) State the role of Management Accounting. 4

2. (a) Calculate Debtors Turnover Ratio from the following :

	Rs.
Total sale	1,50,000
Cash sale	25% of credit Sales
Closing Debtors	40,000
Excess of Closing Debtors over Opening Debtors	20,000

4

(b) Calculate Debt Equity Ratio :

Balance Sheet as on 31st March 2017

Liability	**Rs.**	**Asset**	**Rs.**
5000 equity shares of Rs. 10 each	50,000	Goodwill	30,000
Reserves	10,000	Fixed Assets	70,000
Profit	15,000	Stock	15,000
Debentures	40,000	Debtors	15,000
Creditors	25,000	Advances	5,000
Provision for tax	10,000	Cash	15,000
	1,50,000		1,50,000

4

(c) From the following find out gross profit ratio :

Sales 2,02,000, return inward 2,000, opening stock 22,000. purchase Net 1,00,000, Import duty 10,000. Factory Rent 22,000, closing stock 16,500, wages 25,000, Salaries 27,000, Opening stock and closing stock valued at cost plus 10%. 4

		Rs.
(d)	Equity share capital @ Rs. 10 each	3,00,000
	10% preference share capital	1,00,000
	Reserve	1,34,000

Net profit after tax but before preference dividend is Rs. 50,000. Preliminary expenses written off Rs. 34,000.

Calculate return on equity share capital. 4

OR

(e) From the following find out dividend yield ratio :

Equity shares of Rs. 35,00,000 @ Rs. 100 each

Proposed dividend 25%

Profit before tax 28.80 lakh

Tax Rate 50%

Market price of equity share Rs. 250 per share. 4

(f) Calculate Current Ratio and Quick Ratio from the following :

	Rs.
Working capital	1,80,000
Total Debts	3,90,000
Long term Debts	3,00,000
Stock	75,000
Prepaid Expenses	15,000

4

(g) Compute the return on Capital Employed (Total Assets basis) from the following information:

Particulars	**Amt. Rs.**
Net Sale	5,00,000
Total Assets	?
Net return on sale	4%
Turnover of Total Assets (based on sale)	5 times
Gross margin	30%

4

(h) The operating profit of Pune Ltd. after charging interest on debentures and tax is Rs. 20,000. The amount of interest charged is Rs. 4,000 and provision for tax is Rs. 8,000; calculate interest coverage ratio. 4

3. (a) Extracts of Balance Sheet

Asset	2016	2017
Trade Investments	50,000	70,000

Additional Information :

(i) Rs. 5,000 by way of dividend has been received during the year including Rs. 2,000 from pre-acquisition profit which have been credited to Investment A/c

(ii) Investment costing Rs. 10,000 have been sold during the year for Rs. 10,000.

Find out sources/application of funds. 4

(b) Explain limitations of fund flow statement. 4

(c) Provision for taxation on 1 April 2016 was Rs. 78,000 and on 31st March 2017 Rs. 1,23,000. Tax paid during the year was Rs. 82,000. How these amount are shown in fund flow statement and find out the amount that was charged to profit and loss A/c for the year 16-17. 4

(d) Prepares machinery A/c :

Particulars	**2016**	**2017**
Reserves and Surplus	40,000	60,000
Machinery	50,000	1,50,000
Accumulated Depreciation	25,000	20,000
Discount on issue of Debentures	–	5,000

Machine costing Rs. 50,000 (Depreciation 15,000) was sold for Rs. 10,000. There was an issue of Rs. 1,00,000 debentures at discount of 5% for the purchase of machinery, Rs. 10,000 was paid as dividend during the year. 4

OR

(e) Explain uses of fund flow statement. 4

(f) Find out changes in the working capital from the balance sheet data given below.

Capital and Liabilities	**Dec. 2016**	**Dec. 2017**
Share Capital	3,00,000	3,75,000
Trade Creditors	1,06,000	70,000
Profit and Loss A/c	14,000	31,000
	4,20,000	**4,76,000**
Assets		
Machinery	70,000	1,00,000
Stock in trade	1,21,000	1,36,000
Debtors	1,81,000	1,70,000
Cash	48,000	70,000
	4,20,000	**4,76,000**

4

(g) From the following calculate funds from operation :

Particulars	Amount (Rs.)
Net Loss	37,500
Depreciation	60,000
Amortisation of Goodwill	6,000
Loss on sale of furniture	4,500
Profit on sale of land	12,750
Provision for Bad debts	6,750
Salary including outstanding	3,000
Provision for tax	1,500
Provision for legal damages	3,000
Commission	750
Refund of tax	3,750

4

(h) Opening and closing balances of Machinery Account (at W.D.V.) in the balance sheet are Rs.1,50,000 and Rs. 2,50,000 respectively. The opening and closing balances of accumulated Depreciation Account were Rs. 25,000 and 40,000 respectively. Further it is given that during the year

(a) a machinery costing Rs. 50,000 was purchased in exchange for fully paid up shares.

(b) an old machinery costing Rs. 10,000 (accumulated depreciation Rs. 4,000) was sold for Rs. 4,500. Show machinery A/c. 4

4. Following is the Balance Sheet of Amar Company :

Balance Sheet

Liability	Amount in Rs. lakhs	
	2016-17	**2017-18**
Share Capital	300.00	300.00
Reserves	225.00	240.00
Debentures	75.00	75.00
Mortgage loan	27.00	14.25
Creditors	45.00	45.00
Proposed Dividends	22.50	23.25
Tax provision	21.00	37.50
Bank overdraft	15.00	82.50
	730.50	**817.50**

	Amount in Rs. lakhs	
	2016-17	**2017-18**
Assets		
Freehold property (on cost)	225.00	240.00
Machinery (After Depreciation)	135.00	165.00
Share of subsidiary company	150.00	150.00
Investment (Market price 120.00)	112.50	112.50
Stock	52.50	75.00
Debtors	45.00	75.00
Bank balance	10.50	—
	730.50	817.50

Additional information :

(1) Credit sale Rs. 675.00 lakh.

(2) Credit purchase Rs. 520.00 lakh

(3) Operating Exps. Rs. 17.50 lakh

(4) Depreciation on machinery Rs. 17.50 lakh

(5) Dividend of 2016-17 paid in 2017-18

(6) Tax paid Rs. 21.50 lakh of 2016.

Prepare cash flow statement. 16

OR

From the following prepare cash flow statement.

Balance Sheet

Liability	**2016-17**	**2017-18**	**Asset**	**2016-17**	**2017-18**
Share Capital	1,40,000	1,40,000	Fixed Assets (Net)	1,00,000	1,82,000
9% Debentures	—	80,000	Stock	30,000	80,000
P/L A/c	14,000	20,000	Bills Receivable	10,000	40,000
Creditors	28,000	78,000	Prepaid Exps.	4,000	8,000
O/s Expenses	2,000	6,000	Cash	40,000	14,000
	1,84,000	**3,24,000**		**1,84,000**	**3,24,000**

Trading A/c

and Profit and Loss A/c

for the year ended 31 March 2018

Particulars	**Amount**	**Amount**
Sales		2,00,000
Opening stock	30,000	
(+) purchase	1,96,000	
	2,26,000	
(–) Closing stock	80,000	
	1,46,000	– 1,46,000
Gross profit		54,000
(–) Other Exps.	30,000	
Depreciation	16,000	46,000
Net profit		8,000
(–) Dividend		2,000
		6,000
(+) Profit for 2016-17		14,000
Profit for 2017-18		20,000

16

5. A factory produces 60,000 units per annum at its 100% capacity. The estimated costs of production are as under :

Direct material Rs. 3 per unit

Direct labour Rs. 2 per unit.

Indirect Expenses :

Fixed cost Rs. 1,50,000 per annum

Variable cost Rs. 5 per unit.

Semi variable cost :

Rs. 50,000 per annum up to 50% capacity and extra of Rs. 10,000 for every 25% increase in capacity or part thereof.

The factory produces only against orders. If the production programme of the factory is as indicated below and management desires to ensure a profit of Rs. 1,00,000 for the year, prepare flexible budget for 3 months for the year for 50% of capacity remaining 9 months for the year 80% of capacity. 16

OR

Asha Ltd is incorporated to take over running business of Nisha and Co. from 1 Jan. 2017. The tangible assets of Nisha and Co. comprises Premises Rs. 25,000, Plant Rs. 10,000, Equipment Rs. 5,000 and Stock Rs. 6,000.

The consideration is settled by issue of 5,000 equity shares of Rs. 10 each at par. In addition to provide working capital for initial period of operation, it issued for cash consideration 500 equity shares of Rs. 10 each and 12% Debentures of same face value. The above transactions were completed in January 2017.

(a) The expected sales for January are Rs. 16,000 therefore it is expected to increase @ 25% over sales of previous month for February and March and thereafter @ 20% of sale of preceding month till June 2017.

(b) The cost of goods sold is @ 60% of sale.

(c) 20% of the sales and purchase are for cash and rest on credit of one month.

(d) Preliminary expenses will be Rs. 10,000 payable 50% in February and balance in April.

(e) Stock level is to remain unchanged.

(f) Administration expenses will be Rs. 3,000 for first one month and Rs. 5,000 thereafter, of these 50% is payable in same month and balance in following month.

(g) Selling expenses expected @ 10% of sales payable two months after sales.

Prepare Cash Budget for January to June. 16