

**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) State the nature of Financial Management.                               | 4 |
|    | (c) Explain the scope of Management Accounting.                             | 4 |
|    | (d) State the difference between Management Accounting and Cost Accounting. | 4 |

**OR**

- |     |   |   |
|-----|---|---|
| (e) | State the importance of Financial Management.   | 4 |
| (f) | Explain the techniques of Financial Management.   | 4 |
| (g) | State the role of Management Accounting.  | 4 |
| (h) | Discuss in brief relationship between Financial Management and other areas of Management. | 4 |
2. (a) 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        |

(b) Calculate Debtors Turnover Ratio from the following :

|  | <b>Rs.</b>         |
|--|--------------------|
| Total Sale                                     | 1,50,000           |
| Cash Sale                                      | 25% of Credit Sale |
| Closing Debtors                                | 40,000             |
| Excess of Closing Debtors Over Opening Debtors | 20,000             |
|  | 4                  |

(c) 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

(d) 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

**OR**

(e) Gross profit ratio = 30%  
 Administration Exps. = 75,000  
 Selling Exps. = 95,000  
 Sales = 8,00,000  
 Calculate Operating Ratio. 4

(f) From the following find out the profit ratio :

|                  | <b>Rs.</b> |                               | <b>Rs.</b> |
|------------------|------------|-------------------------------|------------|
| Sales (-) Return | 50,000     | Profit on Sale of Fixed Asset | 9,000      |
| Gross Profit     | 30,000     | Administration Exps.          | 5,000      |
| Loss by Theft    | 8,000      |                               |            |
| Selling Exps.    | 3,000      |                               |            |

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(g) Calculate stock turnover ratio :

Net Sale 2,00,000, Opening Stock 22,500, Purchase 50,000, Carriage inwards 10,000, Closing Stock 10,800, Office and Administrative Exps. 12,000, Selling and distribution Exps 8,000, Finance Exps. 7,500, Rent Received 3,500.

Opening and Closing Stock under valued by 10%. 4

(h) From the following information calculate creditors turnover and average age of Accounts Payable :

|                        | <b>Rs.</b> |
|------------------------|------------|
| Credit Purchase        | 1,00,000   |
| Returns                | 20,000     |
| Creditors 1-1-2016     | 15,000     |
| 31-12-2016             | 12,000     |
| Bills Payable 1-1-2016 | 6,000      |
| 31-1-2016              | 7,000      |
|                        | 4          |

3. (a) On 1<sup>st</sup> Jan. 2016 balance of capital Rs. 2,20,000 and on 31<sup>st</sup> Dec. 2016 balance of capital Rs. 2,70,000. During the year ended 31<sup>st</sup> Dec. 2016 a Dividend of Rs. 26,000 was paid and the assets of another company were purchased for Rs. 50,000 payable in fully paid up shares. Such assets purchased were stock Rs. 21,600, Machinery Rs. 18,360, Goodwill Rs. 10,000.

Prepare Share Capital A/c and find out amount of sources and application. 4

(b) Find out changes in the Working Capital from the Balance Sheet data given below :

| <b>Capital and Liabilities</b> | <b>December 2015</b> | <b>December 2016</b> |
|--------------------------------|----------------------|----------------------|
|                                | <b>Rs.</b>           | <b>Rs.</b>           |
| 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             |

|                | December 2015   | December 2016   |
|----------------|-----------------|-----------------|
|                | Rs.             | Rs.             |
| <b>Assets</b>  |                 |                 |
| 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          |
|                | <u>4,20,000</u> | <u>4,76,000</u> |

4

(c) Calculate funds from operation from the following Profit and Loss A/c :

**Profit and Loss A/c**

**For the year ended 31<sup>st</sup> March, 2016**

|                                       | Rs.             |                              | Rs.             |
|---------------------------------------|-----------------|------------------------------|-----------------|
| To Salary                             | 10,000          | By Gross Profit              | 2,00,000        |
| To Rent                               | 3,000           | By Profit on Sale of Machine | 5,000           |
| To Commission                         | 2,000           | By Refund of Tax             | 3,000           |
| To Discount Allowed                   | 1,000           | By Dividend Received         | 2,000           |
| To Provision for Depreciation         | 14,000          |                              |                 |
| To Transfers to General Reserve       | 20,000          |                              |                 |
| To Provision for Tax                  | 10,000          |                              |                 |
| To Loss on Sale of Investment         | 5,000           |                              |                 |
| To Discount on issue of<br>Debentures | 2,000           |                              |                 |
| To Preliminary Expenses               | 3,000           |                              |                 |
| To Selling Expenses                   | 20,000          |                              |                 |
| To Net Profit                         | 1,20,000        |                              |                 |
|                                       | <u>2,10,000</u> |                              | <u>2,10,000</u> |

4

(d) Extracts of Balance Sheet :

|                 | <b>2015</b> | <b>2016</b> |
|-----------------|-------------|-------------|
|                 | <b>Rs.</b>  | <b>Rs.</b>  |
| Share Capital   | 1,00,000    | 1,30,000    |
| Machinery       | 75,000      | 84,500      |
| General Reserve | 25,000      | 30,000      |

Additional Information :

- (1) Machinery purchased by payable in share of Rs. 12,500.
  - (2) Machinery was further purchased for Rs. 4,000.
  - (3) Depreciation written off on machinery Rs. 6,000.
  - (4) Loss on sale of machinery Rs. 100 was written off to General Reserve.
- Prepare Machinery A/c and find out sources/applications of Fund. 4

**OR**

(e) Extracts of Balance Sheet :

|                 | <b>2015</b> | <b>2016</b> |
|-----------------|-------------|-------------|
|                 | <b>Rs.</b>  | <b>Rs.</b>  |
| Share Capital   | 2,00,000    | 3,00,000    |
| General Reserve | 2,00,000    | 1,50,000    |

Additional Information :

The company issued bonus shares for Rs. 50,000 and for cash Rs. 50,000.

Prepare Share Capital A/c and General Reserve A/c. 4

- (f) Prepare Funds Flow Statement from the following information. Increase in working capital during the year ended 31<sup>st</sup> March, 2016 was Rs. 8,000 and Income from business operations is Rs. 34,000. Some important balances of Balance Sheet of two years are given below :

| <b>Assets</b>      | <b>31<sup>st</sup> March 2016</b> | <b>31<sup>st</sup> March 2015</b> |
|--------------------|-----------------------------------|-----------------------------------|
|                    | <b>Rs.</b>                        | <b>Rs.</b>                        |
| Investment         | —                                 | 10,000                            |
| Asset              | 1,70,000                          | 1,00,000                          |
| Goodwill           | —                                 | 10,000                            |
| <b>Liabilities</b> |                                   |                                   |
| Accrued Exps.      | 19,000                            | 13,000                            |
| Mortgage           | 30,000                            | 20,000                            |
| Share Capital      | 1,30,000                          | 1,06,000                          |

- (g) Explain uses of Funds Flow Statement. 4

- (h) Explain limitations of Funds Flow Statement. 4

4. From the following prepare Cash Flow Statement :

**Balance Sheet**

| <b>Liabilities</b> | <b>Rs.</b>      | <b>Rs.</b>      | <b>Assets</b>      | <b>Rs.</b>      | <b>Rs.</b>      |
|--------------------|-----------------|-----------------|--------------------|-----------------|-----------------|
| 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          |
|                    | <u>1,84,000</u> | <u>3,24,000</u> |                    | <u>1,84,000</u> | <u>3,24,000</u> |

**Trading A/c  
and Profit and Loss A/c  
for the year ended 31<sup>st</sup> December 2016**

| <b>Particulars</b>  | <b>Amount<br/>Rs.</b> | <b>Amount<br/>Rs.</b> |
|---------------------|-----------------------|-----------------------|
| Sales               |                       | 2,00,000              |
| Opening Stock       | 30,000                |                       |
| (+) Purchases       | 1,96,000              |                       |
|                     | <u>2,26,000</u>       |                       |
| (-) Closing Stock   | 80,000                |                       |
| Cost of Good sold   | <u>1,46,000</u>       | (-) 1,46,000          |
| Gross Profit        |                       | 54,000                |
| (-) Other Exps.     | 30,000                |                       |
| Depreciation        | 16,000                | 46,000                |
| Net Profit          |                       | <u>8,000</u>          |
| (-) Dividend        |                       | 2,000                 |
|                     |                       | <u>6,000</u>          |
| (+) Profit for 2015 |                       | 14,000                |
| Profit for 2016     |                       | <u><u>20,000</u></u>  |

16

**OR**

From the following information prepare Cash Flow Statement :

**Balance Sheet**

| <b>Liabilities</b>                 | <b>2015</b> | <b>2016</b> |
|------------------------------------|-------------|-------------|
|                                    | <b>Rs.</b>  | <b>Rs.</b>  |
| Equity Share Capital               | 70,000      | 70,000      |
| Reserve                            | 37,000      | 52,500      |
| Sundry Creditors                   | 16,000      | 17,500      |
| Wages Outstanding                  | 1,500       | 2,000       |
| Miscellaneous Expenses Outstanding | 5,500       | 1,500       |
|                                    | 1,30,000    | 1,43,500    |
| <b>Assets</b>                      | <b>2015</b> | <b>2016</b> |
|                                    | <b>Rs.</b>  | <b>Rs.</b>  |
| Fixed Assets (Net)                 | 45,000      | 43,500      |
| Cash                               | 37,500      | 48,500      |
| Debtors                            | 21,500      | 20,000      |
| Inventories                        | 24,500      | 29,000      |
| Prepaid Rent                       | 1,500       | 2,500       |
|                                    | 1,30,000    | 1,43,500    |

**Additional Information :**

Accumulated Depreciation was Rs. 8,000 for the year ended 31<sup>st</sup> March, 2015 and Rs. 9,500 for the year ended 31<sup>st</sup> March, 2016.

**Other Information :**

|                        |          |
|------------------------|----------|
| Sales                  | 1,50,000 |
| Cost of goods sold     | 95,000   |
| Wages                  | 11,500   |
| Rent                   | 3,000    |
| Miscellaneous Expenses | 23,500   |
| Depreciation           | 1,500    |

5. VBMV manufacturing company which produces 7,500 units by utilising its 75% capacity supplies you the following cost information :

| <b>Particulars</b> | <b>Capacity (75%)</b> |
|--------------------|-----------------------|
| Units              | 7,500                 |
| Direct Material    | 7,50,000              |
| Direct Labour      | 6,00,000              |
| Direct Exps.       | 3,00,000              |
| Factory Overheads  | 4,50,000              |
| Office Overheads   | 3,00,000              |
| Selling Overheads  | 1,50,000              |

**Additional Information :**

- (1) Direct Material, Direct Labour and Direct Expenses are variable.
- (2) Factory overheads per unit increase by 10% if capacity utilising goes down below the 75% and decreased by 15% if capacity utilisation goes up above the 75%.
- (3) Office overheads are fixed overheads.
- (4) Selling overheads per unit increased by 20%, if capacity utilisation goes down below 75% and decreases by 25%, if capacity goes up above the 75%.
- (5) It is the policy of the company to charge profit at 20% on selling price.

Prepare flexible budget at 50%, 75% and 100% capacity.

16

**OR**

Define budget and budgetary control and budgetary control importance, advantages and limitation.

16