

2003

**MANAGEMENT ACCOUNTING***Time Allotted: 3 hours**Full Marks:70*

1+10

The figures in the margin indicate full marks  
Candidates are required to give their answers in their own words as far as practicable.

**Answer any five Questions**

- 1.a) What do you understand by Management Accounting? 3  
 b) What are the objectives of Management Accounting? 3  
 c) Name six users of financial information. 3  
 d) Name three principal financial statements commonly required and write two lines on each of them. 3
2. Briefly explain the following : 4x  
 i) Double Entry System 3½  
 ii) Money Measurement concept.  
 iii) Deferred Revenue Expenditure.  
 iv) Contingent Liability.
3. From the following balances taken from the books of accounts of Gouranandaji & Sons. As on 31<sup>st</sup> March 2003, draw a Trading and Profit & Loss Account for the year ended 31.3.03 and a Balance Sheet as on that date : 14

Particulars	Debit (Rs.)	Credit (Rs.)
Capital		1,00,000
Drawings	15,200	
Machinery	20,000	
Goodwill	10,000	
Opening Stock	30,200	
Purchase	2,27,240	
Sales		2,58,120
Sundry Expense	5,400	
Sales Return	5,200	
Wages	6,200	
Rent & Rates	7,200	
Bank overdraft		12,400
Bad Debts	3,840	
Debtors	64,000	
Creditors		18,000
Cash in hand	1,960	
Provision for Bad Debts		2,100
Purchase Return		5,820
<b>TOTAL</b>	<b>3,96,440</b>	<b>3,96,440</b>

18

The following additional information is supplied :

- i) Closing Stock is valued at Rs.36,200.
  - ii) Depreciate Machinery by 10% p.a.
  - iii) Outstanding Sundry expenses as on 31.3.03 amounting to Rs.800
  - iv) Prepaid Rent amounts to Rs.1,600
  - v) Write off 1/10<sup>th</sup> of goodwill.
  - vi) Debtor includes Rs.3,000 due from Mr.Y and Rs.3,500 included in Creditor are also due to him.
4. Distinguish between :
- i) Cash Flow Statement and Fund Flow Statement
  - ii) Cost Reduction and Cost Control.
  - iii) Trial Balance and Balance Sheet.
  - iv) Fixed Asset and Current Asset.
5. a) What purpose is served by preparing a Trial Balance ?
- b) Point out the errors in accounting that a Trial Balance cannot detect.
- c) From the following Ledger balances as on 31<sup>st</sup> March 2003, prepare a Trial Balance in the books of M/s. Jagadamba Stores :

<u>Particulars</u>	<u>Ledger Balance(Rs.)</u>
Capital	1,80,000
Plant & Machinery	1,60,000
Sales	6,14,000
Purchase	3,20,000
Return Inward	12,000
Return Outward	11,500
Opening Stock	60,000
Discount Received	1,600
Discount Allowed	700
Bank Charges	150
Debtors	90,000
Creditors	50,000
Salaries	53,600
Wages	80,000
Carriage Inward	1,500
Carriage Outward	2,400
Provision for bad debts	1,050
Rent and Rates	20,000
Advertisement	4,000
Cash in hand	1,800
Cash at bank	12,000
Furniture and Fittings	40,000

- 6.a) From the following details, prepare a summarized Balance Sheet of XOB & Co. as on 31.3.2003. 10  
+4

Fixed Asset to Net worth	0.75:1
Current Ratio	5:2
Acid Test Ratio	3:2
Reserve to Net worth	1:4
Fixed Asset	Rs.90,000
Sales/Stock Ratio	5
Debtors Turnover Ratio	4

There is no long term debt in the business.

- b) State the limitations of Ratio Analysis.
7. From the following transaction, prepare a Store Ledger Account, using

- a) FIFO Method                      b) LIFO Method  
Simple Average Method      d) Weighted Average Method

Date	Particulars
2003, July 1	Opening stock 500 units @ Rs.20/-.
" 3	Purchased 400 units @ 21/-.
" 5	Issued to Production 600 units.
" 6	Purchased 800 units @ Rs.24/-.
" 9	Issued to Production 500 units.
" 12	Issued to production 300 units
" 15	Purchased 500 units @ 25/-.

8. From the following summarized expenses for the year ended 30<sup>th</sup> June 2003 of MMC Ltd., a manufacturing company, draft a Cost Sheet showing the sub-divisions of the total cost: 14

Wages traceable to different jobs	Rs.90,500
Material used on jobs	Rs.95,000
Wages paid to maintenance worker	Rs.24,200
Power	Rs.10,100
Hire of Cranes on jobs	Rs. 1,400
Rent & Rates (factory)	Rs. 4,600
Light (factory)	Rs. 1,800
Salesmen's commission	Rs. 1,200
Salesmen's salaries	Rs. 9,200
Travelling expense to salesmen	Rs. 2,800
Sundry sales office expenses	Rs. 4,700
Machinery Repairs	Rs. 5,700
Machinery Depreciation	Rs.12,800
Shafting Repairs	Rs. 1,400
Shafting Depreciation	Rs. 1,700
Store Keeper's wages	Rs. 800
Belting Repairs & Renewals	Rs. 700
Advertising	Rs. 2,500
Works' Salaries	Rs. 5,400
Director's Fees	Rs. 3,000
Auditor's Fees	Rs. 200

Office Salaries & Expenses	Rs. 2,900
Postage and Stationery	Rs. 600
Loss of profit insurance	Rs. 2,000
Misc. Distribution Expenses	Rs10,000

Assuming that number of units produced during the year is 200, 1 out per unit cost at different levels.(as per the cost sheet format)

- 9.a) What is budgetary Control?  
 b) ABC Co., is currently producing 12,000 units at 60% level operations. The following particulars relating to cost structure given :

<u>Particulars</u>	<u>Per unit cost(Rs.)</u>
Direct Material	5/-
Direct Labour	2/-
Manufacturing overheads(60% Fixed)	5/-
Administrative overhead (Fixed)	2/-
Selling & Distribution " (40% variable)	3/-
Cost of sale	17/-
Profit	3/-
Sale Price	20/-

Prepare a flexible budge at 60%, 80% and 100% activity level taking into account the following information :

- If activity exceeds 60%, a 5% quantity discount on raw mate (due to increase in the total quantity) will be received;
  - The fixed cost structure will remain constant upto 90% capac beyond which a 20% increase is expected.
  - The present fixed unit selling price will remain constant upto 75% activity level; beyond which a 2½% reduction in origina price (for increase in quantity by every 5%) is contemplated.
- 10.a) What is P-V Ratio? How can it be improved?  
 b) Two business organizations, X Ltd. and Y Ltd., manufacture and the same type of product in the same type of market. The budgete Profit & Loss for the coming year are :

	<u>X Ltd.</u>	<u>Y Ltd.</u>
Sales	Rs.30,000	Rs.30,000
Less : Variable cost	Rs.24,000	Rs.20,000
Fixed Cost	Rs. 3,000	Rs. 7,000
Estimated Profit -	Rs. 3,000	Rs. 3,000

You are required to :

- Calculate the Break-even point and Margin of Safety for ea business organization.
- State which of the business organizations is likely to earn greater profits in conditions of :
  - heavy demand for the product.
  - low demand for the product.

\*\*\*

