

2004

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

The questions are of equal value.

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 is financial accounting? 3
 b) State the functions of financial accounting. 4
 c) Name six users of financial information. 3
 d) Write in brief above double entry system of book keeping. 4
2. a) Journalise the following transactions in the books of Ram babu. 9
 2004
 Oct.1 Started business with cash Rs.25,000.
 2 Bought goods to from Ravi on credit for Rs.6,000.
 3 Sold goods to Kalipada in cash for Rs.4,000
 4 Opened a bank account by depositing cash Rs.5,000
 5 Paid Ravi in full settlement of his account Rs.5,900.
 6 Sold goods to Gorachand on credit for Rs.3,600.
 b) Name five types of Journal indicating the purpose of each of them. 5
3. The following trial balance is extracted from the books of Ravi Raman, 14
 a merchant on 31st December'2003.

Particulars	Debit (Rs.)	Credit (Rs.)
Furniture	640	
Motor Van	6,250	
Building	7,500	
Capital		12,500
Bad Debt	125	
Provision for Bad debt		200
Sundry Debtors and Creditors	3,800	2,500
Stock as on 1 st January'2003	3,460	
Purchase and Sales	5,475	15,450
Bank Overdraft		2,850
Sales and Purchase return	200	125
Advertising	450	
Interest on Bank Overdraft	118	
Commission		375

Cash	650	
Faxes and Insurance	1,250	
General Expenses	782	
Salaries	3,300	
	34,000	34,000

The following adjustments are to be made:

- Stock as on 31st December 2003 was Rs.3,250.
- Depreciate building @5%, furniture @10% and motor van @20%.
- Rs.85 is due for interest on bank overdraft.
- Salaries Rs.300 and taxes Rs.120 are outstanding.
- Insurance amounting to Rs.100 is prepaid.
- One-third of the commission received is in respect of work to be done next year.
- Write off a further sum of Rs.100 as bad debt and provision for bad debt to be made equal to 10% on sundry debtors.

4. a) With the help of the following ratios, draw the Balance Sheet of ABC Ltd. for the year 2003.

Current Ratio	2.5
Liquidity Ratio	1.5
Net working capital	Rs.3,00,000
Stock Turnover Ratio (cost of sales/ closing stock)	6 times
Gross Profit Ratio	20%
Fixed Asset Turnover Ratio (on cost of sales)	2 times
Debt collection period	2 months
Fixed Asset to Shareholders Net Worth	0.80
Reserves and surplus to capital	0.50

- b) State the limitations of Ratio Analysis.

5. Distinguish between any four of the following: -

- Trial Balance and Balance Sheet.
- Trading Account and Profit and Loss Account.
- Direct cost and Indirect cost.
- Cost reduction and cost control.
- Marginal costing and Absorption costing.
- Financial Accounting and Cost Accounting.

6. Write short notes on any four of the following: -

- Consistency Concept.
- Full Disclosure Concept.

- c) Deferred Revenue Expenditure.
- d) C-V-P Analysis.
- e) P-V Ratio.
- f) Budgetary control.

7. a) The following figures of profit and sales are obtained from the accounts of X.Co. Ltd. 8

Year	Sales (Rs.)	Profit (Rs.)
2002	20,000	2,000
2003	30,000	4,000

Calculate:

- i) P/V Ratio.
 - ii) Fixed cost.
 - iii) Break even sales.
 - iv) Profit at sales of Rs.40,000.
 - v) Sales to earn a profit of Rs.5,000.
- b) What do you understand by – 3
- i) Contribution.
 - ii) Break-even point.
- c) How P/V ratio can be improved? 3
8. a) A factory is currently running at 50% capacity and produces 5000 units, at a cost of Rs.90 per unit as per details below – 10
- | | |
|-------------------------|--------------------|
| Material | Rs.50 |
| Labour | Rs.15 |
| Factory Overhead | Rs.15 (Rs.6 fixed) |
| Administrative Overhead | Rs.10 (Rs.5 fixed) |
- The current selling price is Rs.100 per unit.
 At 60% working, material cost per unit increase by 2% and selling price per unit falls by 2%.
 At 80% working, material cost per unit increase by 5% and selling price per unit falls by 5%.
 Estimate profits of the factory at 60% and 80% working and offer your comments.
- b) Write in brief about flexible budgeting. 4
9. a) State the advantages and limitations of ratio analysis. 8
- b) Explain and give examples – 6
- i) Liquidity ratio.
 - ii) Profitability ratio.
