# BRAINWARE UNIVERSITY

## Term End Examination 2018 - 19

**Programme – Bachelor of Commerce (Honours) in Banking & Financial Accounting**

**Course Name – Management Accounting**

**Course Code – BCM602**

(Semester – 6)

**Time allotted:3 Hours** **Full Marks : 70**

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

## Group –A

(Multiple Choice Type Question) 10 x 1 = 10

1. *Choose the correct alternative from the following*

(i) Use of Management Accounting is

a. Optional b. Formal

c. Compulsory d. None of the above

(ii) Assess among the following which one is the test of the long term liquidity of a business

a. Interest Coverage Ratio b. Stock Turnover Ratio

c. Current Ratio d. Liquidity Ratio

(iii) Price-earnings ratio is equal to market price per equity share divided by

a. EPS b. Current Assets

c. Current Liabilities d. None of the above

(iv) Measure the Current Liability from the following – Working Capital - ₹20,000, Current Ratio – 2:1

a. ₹15,000 b. ₹20,000

c. ₹25,000 d. None of the above

(v) If total sales is ₹2,50,000, Cash Sales is 25%, Debtors Velocity is 3 months, then calculate amount of debtors will be

a. ₹45,000 b. ₹43,000

c. ₹46,875 d. ₹46,876

(vi) Given that fixed assets are at Rs. 600,000 current assets Rs. 400,000 share capital Rs. 500,000, fixed liabilities Rs. 2,50,000, Current liabilities Rs. 2,50,000, the solvency ratio will be

a. 20% b. 30%

c. 40% d. 50%

(vii) In case of preparation of Cash Flow Statement sale of Fixed Assessment comes under

a. Operating activities
b. Investing activities
c. Financing activities
d. All of the above

(viii) ZBB stands for

a. Zero Base Budgeting
b. Zone Based Budgeting
c. Zero Base Budget
d. None of the above

(ix) The return on investment (ROI) may be calculated as

a. Net profit before interest, tax and dividend / Capital employed
b. Net profit after interest, tax and dividend / Shareholder's fund
c. ( Net profit - preference dividend ) / No. of equity shares
d. Return on Investment / Net profit ratio

(x) To calculate the Debt Service Coverage Ratio – we use the denominator as

a. Adjusted Net Profit
b. Profit available for Debt Service
c. Gross Profit
d. All of the above

## Group – B

(Short Answer Type Questions) 3 x 5 = 15

Answer any *three* from the following

2. Explain the importance of Management Accounting 5

3. Elaborate briefly the importance of Liquidity Ratios in decision making. 5

4. Discuss the advantages and disadvantages of preparing budgets. 5

5. The standard raw materials cost of Purchasing 300 units of Product A were as follows:
600 units of Raw Materials @ ₹50 per unit ₹30,000 but actual Raw Materials cost of producing 300 units of Product A were 1000 units of Raw Materials @₹40 per unit ₹40,000.
Determine
i) Raw Materials Cost Variance 2
ii) Raw Materials Price Variance 1.5
iii) Raw Materials Usage Variance 1.5

6. Calculate closing debtors from the following data – 5
Debtors Turnover Ratio – 3 times
Gross Profit ratio - 25% on sales
Cash sales – 1/3rd of Credit sales
Closing debtors amount to ₹18,000 more than the opening debtors.
Cost of goods sold during the year have been ₹12,00,000

## Group – C

(Long Answer Type Questions) 3 x 15 = 45

Answer any *three* from the following

7. From the following information prepare a cash flow statement for the year ended 31.03.2018 s per Indian Accounting Standard 15

| Particulars | Note No. | 31.03.2017 (₹) | 31.03.2018 (₹) |
|---|---|---|---|
| **I. EQUITY & LIABILITIES** | | | |
| **(1) Shareholder's Funds** | | | |
| (a) Share Capital | | | |
| Equity share capital of ₹100 each | | 1,50,000 | 1,75,000 |
| **(2) Non – Current Liabilities** | | | |
| Long Term Borrowings (Unsecured Loans) | | Nil | Nil |
| **(3) Current Liabilities** | | | |
| (a) Trade Payables | | 50,000 | 40,000 |
| (b) Bank Overdraft | | 1,60,000 | 1,00,000 |
| (c) Creditors | | 90,000 | 1,25,000 |
| **TOTAL** | | **4,50,000** | **4,40,000** |
| **II. ASSETS** | | | |
| **(1) Non – Current Assets** | | | |
| (a) Fixed Assets | | | |
| Plant & Machinery | | 2,00,000 | 1,40,000 |
| Land & Buildings | | 1,10,000 | 1,50,000 |
| (c) Other Non-Current assets (expenses on the issue of shares) | | | |
| **(2) Current Assets** | | | |
| (a) Inventories (Stock) | | 50,000 | 45,000 |
| (b) Trade Receivables | | 70,000 | 80,000 |
| (c) Cash and Cash Equivalents | | 20,000 | 25,000 |
| **TOTAL** | | **4,50,000** | **4,40,000** |

**Additional Information :**

a) Net Profit for the year 2018 amounted to ₹60,000

b) During the year, a machinery costing ₹25,000 (accumulated depreciation ₹10,000) was sold for ₹13,000. The provision for depreciation against machinery as on 31.03.2017 was ₹50,000 and on 31.03.2018 was ₹85,000.

8. Titan Ltd. produces an article by blending two basic raw materials. It operates a standard costing system and the following standards have been set for Raw Materials:

| Materials | Standard Mix | Standard Price per kg |
|---|---|---|
| A | 40% | ₹4 |
| B | 60% | ₹3 |

The standard loss in process is 15%.

During July 2017 the company produced 1,700 kg of finished output.

The position of stocks and purchases for the month of July 2017 is as under

| Material | Stock on July 01 (kg) | Stock on July 31 (kg) | Purchase during July 2017 | |
|---|---|---|---|---|
| | | | Quantity (kg) | Cost (₹) |
| A | 35 | 5 | 800 | 3,400 |
| B | 40 | 50 | 1,200 | 3,000 |

Assuming FIFO method of issue of materials the opening stock is to be valued at standard price.
Calculate the following Variances:
a) Material Cost Variance 3
b) Material Price Variance 3
c) Material Usage Variance 3
d) Material Yield Variance 3
e) Material Mix Variance 3

9. From the following information make out a Balance Sheet with as many details as possible 15
Gross profit turnover – 25%
Debtors Velocity – 3 months
Creditors Velocity – 2 months
Stock Velocity – 8 times
Capital Turnover Ratio – 2.5 times
Fixed Assets turnover Ratio – 8 times
Gross profit for the year ended 31.12.2018 was ₹80,000.
There was no long term loan or overdraft. Reserve and Surplus amounted to ₹ 28,000. Liquid Assets were ₹97,333
Closing stock of the year was ₹2,000 more than the opening stock. Bills Receivable and Bills Payables were ₹5,000 and ₹2,000 respectively.

10. Solo Products Ltd. manufactures and sells a single product and has estimated a sales revenue of ₹126 Lakhs this year based on a 20% Profit on selling price. Each unit of the product requires 3 kg of material P and 1.5 kg of Material Q for manufacturing along with a processing time of 7 hours in the machine shop and 2.5 hours in the Assembly Section. Overheads are absorbed at a blanket rate of 33⅓% on direct labor. The factory works 5 days of 8 hours a week in a normal 52 weeks year. On an average statutory holidays, absenteeism and the idle time amount to 96 hours, 80 hours, and 64 hours, respectively, in a year.
The other details are as under:
Purchase Price:
Material P - ₹6 per kg
Material Q - ₹4 per kg
Comprehensive Labor Rate:
Machine Shop - ₹4 per hour
Assembly ₹3.20 per hour
Number of Employees:
Machine Shop 600
Assembly 180

| | Finished Goods | Material P | Material Q |
|---|---|---|---|
| Opening Stock | 20,000 units | 54,000 kg | 33,000 kg |
| Closing Stock (estimated) | 25,000 units | 30,000 kg | 66,000 kg |

Your are required to calculate –

(a) Production Budget 10
(b) Purchase to be made of Material P and Q during the year in Rupees. 5

11. (a) Elaborate the purpose of operating Ratio Analysis? 5

(b) Analyze the benefit of Management Accounting over Financial Accounting – Discuss. 5

(c) Analyze the purpose of preparing budget for Purchase Departments. 5

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