SUBJECT : MANAGEMENT ACCOUNTING **SUB HANDLING : Dr. F.ANDREWS**

SUB CODE : CM616S **CLASS: III B.COM**

1. Define management Accounting.

2. State any four tools and techniques of management accounting.

3. What is vertical analysis of financial statement ?

4. What are the short – term solvency ratios ?

5. Explain the meaning of ‘Funds’.

6. What are the cash flows from financing activities?

7. What is a flexible budget?

8. What is meant by budgeting?

9. What is discounted payback period?

10. What is profitability Index?

11. What is ratio analysis?

12. What are the financial statements?

13. What are the non – fund sources?

17. What are the cash flows from operating activities?

18. What is meant by fixed budgets?

19. What are the budgets based on time?

20. Write a note on IRR.

21. State any four objectives of management accounting.

22. Write a short note on Common-Size Balance Sheet.

23. What do you understand by “Operating Profit”?

24. What are turnover ratios?

25. Write a short note on Zero Base Budgeting.

26. What is the formula for Current Ratio?

27. What do you understand by "EPS"?

28. State any four functions of management accounting.

29. What is trend analysis?

30. Give two examples for cash flows from investing activities.

31. State any four objectives of budgetary control.

32. Define leverage ratio.

33. How does IRR superior than NPV?

34. Define budgetary control.

SECTION – B

35. Explain the function of a management accountant.

36. What are the limitations of cash flow statement?

37. Sundaram Ltd. furnishes the following balance sheets for the years 2007 and 2008. Prepare common – size balance sheets.

Balance sheets

Liabilities	2007	2008	Assets	2007	2008
Share capital	2,00,000	3,00,000	Buildings	4,00,000	4,00,000
Reserves	6,00,000	7,00,000			
10% Debentures	2,00,000	3,00,000	Machinery	6,00,000	10,00,000
Creditors	3,00,000	5,00,000	Stock	2,00,000	3,00,000
Bills payable	1,00,000	80,000	Debtors	2,00,000.	2,50,000
Tax payable	1,00,000	1,20,000	Bank	1,00,000	50,000
	15,00,000	20,00,000.		15,00,000	20,00,000

38. The ratios relating to a company are given below:

Gross profit _____ 15% on sales

Stock velocity _____ 6 months

Debtors velocity _____ 3 months

Creditor velocity _____ 3 months

Gross profit the year amount to 60,000. Closing stock is equal to

opening stock. Find out sales ,closing stock, Debtors and creditors

39. From the following details,ascertain funds from operations

Particulas	2008	2009
Profit and loss A/C	50,000.	60,000
General reserve	30,000	40,000
Good will	20,000.	12,000
Preliminary expense	6,000	4,000
Depreciation provision	25,000.	40,000

Income from non exading investments - 20,000

Preference shares of the face value of 1,00,000 was redeemed during the

year at a premium of 10%

40. The following relating to product 'XMAR' for the quarter ending

31.3.2011 are available

Budgeted sales : January 300000 units

February 240000 units

March 360000 units

Stock position : 1.1.2011 50% of January's budgeted sales

31.3.2011 80000 units

31.1.2011 40% of February's budgeted sales

28.2.2011 60% of March's budgeted sales.

You are required to prepare a production budget for the quarter ending 31.32011.

41. Distinguish between cash flow and fund flo

42. What are the limitations of management accounting?

43. Examine the scope of Management Accounting.times Prepare a Balance sheet with as many details on possible from the following particulars.

Gross profit ratio 20%. Net working capital 3,00,000

Debtors turnover 6 times Stock turnover ratio 6 times (Closing stock)

Fixed assets to net worth 0.80

Reserves to capital 0.50

Current ratio 2.50

Liquid ratio 1.50

44. Prepare a flexible budget for overheads on the basis of the following data. Ascertain overhead rates at 50% ,60% and 70% capacity

Variable overheads [at 60% capacity]

Indirect materials 6,000; Indirectlabour 18,000

Fixed overheads:

Depreciation 16,500; Insurance 4,500; salaries 15,000.

Estimated direct labour hours 186000 at 60% capacity.

Semi variable overheads at 60%capacity:

Electricity (40%fixed) 30,000

Repairs (20% variable) 3,000.

45. Arun Ltd is considering a project which requires investment of 1,50,000.

The cost of capital is 12% The Net estimated cash inflows are as follows

Year	Estimated cash inflows
1	40,000
2	50,000
3	50,000
4	40,000
5	30,000

Calculate the IRR and decide whether the project can be taken up for implementation.

Discounting factors: Year

	1	2	3	4	5
12%	0.893.	0.797	0.712	0.636	0.567
14%	0.877	0.769	0.675	0.592	0.519
10%	0.909	0.826	0.751	0.683	0.620

46. Explain the tools of Management Accounting.

47. From the following information make out a balance sheet with as many details as possible:

a) Gross profit turnover ratio - 25%

b) Debtors velocity - 3 months

c) Creditors Velocity - 2 months

d) Stock velocity - 8 times

e) Capital turnover ratio - 2.5 times

f) Fixed assets turnover ratio - 8 times

Gross profit for the year ended 31st December 2000 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.

Bill receivable and bills payable were 5,000 and 2,000 respectively.

48.Prepare a flexible budget for overheads on the basis of the following data. Ascertain overhead rates at 50%, 60% and 70% capacity.

Variable overheads	At 60% Capacity
Indirect material	6,000
Indirect labour	18,000
Semi-variable overheads	
Electricity (40% fixed, 60% variable)	30,000
Repairs (80% fixed 20% variable).	3,000
Fixed overheads	
Depreciation	16,500
Insurance	4,500
Salaries	15,000
Total Overheads.	93,000
Estimated direct labour hours	1,86,000

49. Two projects M and N which are mutually exclusive are being under consideration. Both of them require an investment of 1,00,000 each. The net cash inflows are estimated as under:

Year	M	N
1	10,000	30,000
2	40,000	50,000
3	30,000	80,000

4	60,000	40,000
5.	90,000	60,000

The company's targeted rate of return on investments is 12%. You are required to assess the projects on the basis of their present values, using 1) NPV method and 2) Profitability index method.

Present values of 1 at 12% interest for 5 years are given below:

1st year: 0.893; 2nd year: 0.797; 3rd year: 0.712; 4th year: 0.636; 5th year: 0.567

50. In projecting the financial plan of the firm, the use of the following accounting ratios is made:

Annual Sales	2,00,000
Sales to Net Worth	2.5
Current Liabilities to Net Worth	25%
Total Debt to Net Worth	60%
Current Ratio	3.6
Net Sales to Inventory	4 Times
Average Collection Period	36 Days (A Year =360 Days)
Fixed Assets to Net Worth	70%

On The Above Basis Prepare Pro Forma Balance Sheet Of The Firm.

51. The following details relating to the investment proposal in a machine are available.

Cost of the machine: 1,80,000

Estimated economic life 10Years

Operating time p.a 2,000 hours

Production expected 48 units per hour

Wages per hour 30

Power per annum	20,000
Other Expenses per annum	34,000
Materials per unit	Re. 1
Selling Price per unit	4.5

Tax rate 50%

a) Ascertain the pay- back period for the machine.

b) If standard pay –pack period is 3 years, would you recommend its purchase?

62. Define Management accounting. Explain the advantages and limitations of it.Accountin