

Question Bank

M.Com. (I)

Subject :- Management Accounting [COMMA4101]

Q. 1 Fill in the Blanks.

1. The term management accounting was first coined in _____
2. _____ assists the management In planning, direction and control
3. Management accounting deals with_____
4. Determine Working capital turnover ratio if, Current assets is Rs 1,50,000, current liabilities is Rs 1,00,000 and Cost of goods sold is Rs 3,00,000.
5. Debt Equity Ratio is 3:1,the amount of total assets Rs.20 lac, current ratio is 1.5:1 and owned funds Rs.3 lac. What is the amount of current asset?
6. Banks generally prefer Debt Equity Ratio at :-----
7. Determine stock turnover ratio if, Opening stock is Rs 31,000, Closing stock is Rs 29,000, Sales is Rs 3,20,000 and Gross profit ratio is 25% on sales.
8. _____ is determined by Current assets – stock - Prepaid expenses
9. _____ turnover ratio can be determined by (Cost of goods sold / Working capital)
10. Current ratio of a concern is 1,its net working capital will be _____
11. The analysis of actual movement of money inflow and outflow in an organisation is called_____ analysis.

Q.2 True and false

1. Management accounting is associated with presentation of accounting data.
2. Management accounting is extremely sensitive to investors needs.
3. Management accounting highlights staff relationship with top management as well as other personnel.
4. Ratio analysis is useful in financial analysis.
5. Ratio analysis is helpful in communication and coordination.
6. Debt-equity ratio is a sub-part of Long-term solvency ratio.
7. Ratio Analysis is not helpful in identifying weak spots of the business.
8. Ratio Analysis is helpful in financial planning and forecasting.

9. The lower turnover ratio highlights the under utilizations of the resources accessible at the disposal of the firm.
10. If a company issues bonus shares the debt equity ratio will improve.
11. Financial statements are prepared on the basis of accounting principles.
12. Any changes in the accounting principles or method will affect the utility of the financial statements.
13. Current ratio generally accepted by bank is 1:1.

Q.3 Answer in one sentence.

1. What are the tools of management accounting?
2. Who coined the concept of management accounting?
3. Which ratio is considered as safe margin of solvency?
4. What will be the Gross Profit if, total sales is Rs 2,60,000, cost of net goods sold is Rs 2,00,000 and sales return is Rs 10,000?
5. Quick ratio is 1.8:1, current ratio is 2.7:1 and current liabilities are Rs 60,000. Determine value of stock.
6. What is meant by Analysis of Financial Statements?
7. List the techniques of Financial Statement Analysis.
8. What are Comparative Financial Statements?
9. What do you mean by Common Size Statements?
10. Define the term 'Management Accounting'.
11. State the list of all non current liabilities.
12. State the list of all non current assets.
13. What do you mean by working capital ?
14. What are the causes of changes in working capital?
15. State the meaning of 'fund flow statement'.
16. What do you mean by 'fund'?
17. Give examples of inflow or sources of funds.
18. Give examples of outflow or application of funds.

Q.4 Short Answer Questions

1. Give the objectives of management accounting.
2. Distinguish between Vertical and Horizontal Analysis of financial data.
3. State the meaning of Analysis and Interpretation.

4. State the importance of Financial Analysis?
5. Write short note on : Duties of Management Accountant
6. State characteristics of management Accounting.
7. Mention significance of accounting ratios in the analysis of financial Statements.
8. Short note on 'Trend Ratio'
9. What are limitations Ratio Analysis?
10. State essential qualities of Management Accountant.
11. From the following calculate Statement showing changes in working capital-

Liabilities	2019	2018	Assets	2019	2018
Provision for RDD	1350	1425	Stock	35000	30600
Accounts Payable	15000	18000	Account Receivable	21300	23500
Notes Payable	10000	7500	Stock	35000	30600

12. Calculate work in progress if ---- Budgeted Sales Rs. 2,60,000, Raw material -30%, Direct Labour- 40%, Overhead- 20%, it is assumed that factory processing will take 3 weeks.
13. Estimate amount of debtor if--- Annual sales -75000 units at Rs. 100. Cost price per unit- Raw material Rs. 40, Labour Rs. 10, and Overhead Rs. 30, Debtors pay after 10 weeks.
14. Calculate amount of debtor from following- Level of activity 1,04,000 units of production. One fourth of the output is sold against cash. Credit allowed to debtors is two months and total cost is Rs. 170.
15. Calculate amount of creditors from- Output 10000 units p.a., Raw material Rs. 6 per unit, credit allowed by creditors is 1 month.
16. During the year a machine costing Rs. 5000 (accumulated depreciation Rs. 2000) was sold for Rs. 2500. What will the accounting treatment?
17. Machinery costing Rs. 5000 on which Rs. 1000 depreciation has been accumulated, was sold for Rs. 6000, what will be accounting treatment?
18. Rs. 10000/- 8% Debentures were redeemed @ 96 for a debenture of Rs. 100. What will be accounting treatment in cash flow statement.
19. Plant of Rs. 1,50,000 (cost) having depreciated by Rs. 50,000 was sold at Rs. 1,00,000. Explain accounting treatment in fund flow statement.
20. A machine costing Rs. 70,000 with written down value Rs. 40,000 was disposed off for Rs. 25,000, state accounting treatment in fund flow statement.

21. Draw a format of statement or schedule of Changes in working capital.
22. What is the format of 'funds from operations'.
23. Describe advantages or uses of Fund flow statement.
24. Write a short note on 'Cash flow statement'.
25. Explain briefly methods of cash flow statement.
26. Enumerate the utility of cash flow statement.
27. What is the difference between cash flow and fund flow statement?
28. Explain the term 'Gross working capital'.
29. What do you mean by 'Net working capital'?
30. What is the difference between gross working capital and net working capital.
31. What do you mean by 'Permanent working capital'?
32. What do you mean by 'Variable working capital'?
33. What are the objectives of maintaining working capital?
34. Explain the importance of working capital.
35. What are the various factors affecting on working capital?, list them in short.
36. What are the consequences of inadequate working capital?
37. Enumerate the various sources of working capital.
38. How commercial banks meet the financial requirements of working capital of any organisation, give 5 examples.
39. How will you plan for working capital requirement of any firm?
40. Explain the formula of calculating working capital in detail.
41. Write a note on 'Cash management'.
42. Write a short note on 'Management of Accounts Receivable'.
43. Explain types of working capital.
44. Write short note on 'Operating cycle'.
45. Differentiate Cash flow and fund flow statement.

Q.5 Long Answer Questions

1. 'The scope of Management Accounting is much wider than that of Cost accounting'
Discuss.
2. Describe giving the formula and significance of any four of the following Ratios.
3. Explain in detail tools and Techniques of Management Accounting.
4. Describe the different techniques of financial analysis and explain the limitations of financial analysis.

5. "Management Accounting is oftenly called as a tool for management" Discuss. Explain briefly the functions of Management Accounting.
6. What is the basic purpose in compiling a statement of sources and application of funds? state and explain four sources of funds and four applications of funds.
7. Distinguish between 'Fund Flow' and 'Cash Flow' statements. Bring out their uses for management.
8. State purpose of working capital? enumerate the factors which affect the demand of working capital requirement.
9. What is meant by working capital? What sources are available for financing working capital needs of a company?
10. Explain the need for preparing Fund Flow statement and Cash Flow statement.
11. The following Trading and Profit and Loss Account of Fancy Ltd. for the year 31-3-2019 is given below:

Particular	Rs.	Particular	Rs.
To Opening Stock	76,250	By Sales	5,00,000
To Purchases	3,15,250	By Closing stock	98,500
To Carriage and Freight	2,000		
To Wages	5,000		
To Gross Profit b/d	2,00,000		
	5,98,500		5,98,500
To Administration expenses	1,01,000	By Gross Profit b/d	2,00,000
To Selling and Dist. expenses	12,000	By Non-operating incomes:	
	2,000	Interest on Securities	1,500
To Non-operating expenses	7,000	Dividend on shares	3,750
To Financial Expenses	84,000	By Profit on sale of shares	750
Net Profit c/d	2,06,000		2,06,000

Calculate:

- a. Gross Profit Ratio
 - b. Expenses Ratio
 - c. Operating Ratio
 - d. Net Profit Ratio
 - e. Operating (Net) Profit Ratio
- 6. Stock Turnover Ratio.**

12. Two years' Balance sheets of Pomma Company Ltd. are as follows:

Liabilities	31-3-18	31-3-19	Assets	31-3-18	31-3-19
Equity share capital	1,00,000	1,50,000	Land and	1,00,000	90,000
10% Pref. Sh. capital	50,000	50,000	Buildings	90,000	90,000
General Reserve	30,000	30,000	Machinery	53,000	30,000
Profit & Loss A/c	20,000	-----	Debtors	20,000	12,000
12% Debentures	1,00,000	50,000	Bills Receivable	75,000	90,000
Creditors	30,000	35,000	Stock	15,000	35,000
Bills payable	10,000	25,000	Bank Balance	2,000	13,000
Bank Overdraft	10,000	20,000	Cash Balance	----	10,000
O/s. Expenses	5,000	10,000	Profit & Loss A/c		
	3,55,000	3,70,000		3,55,000	3,70,000

Additional Information:

	2017-18	2018-19
	Rs.	Rs.
(1) Sales	3,65,000	2,19,000
(2) Cost of Goods sold	2,19,000	1,46,000
(3) Net profit (Before Pref. Dividend)	35,000	47,500
(4) Stock on 1-4-18	71,000	---

Calculate following ratios and give your opinion about company position in 2018-19 in comparison with 2017-18. Whether it is positive or negative?

- (1) Current ratio (2) Liquid ratio (3) Debtors ratio (Take 365 days for calculations)
 (4) Gross profit ratio (5) Stock Turnover ratio (6) Rate of return on equity share-holders' funds.

13. Following is the summarised Balance Sheet of weena Ltd. as on 31-3-19

Particular	Rs.	Particular	Rs.
Equity Shares of Rs. 10 each	10,00,000	Fixed Assets	20,00,000
10% Pref. Sh. of Rs.100 each	4,00,000	Investments	2,00,000
Reserves and Surplus	7,00,000	Closing Stock	2,00,000
15% Debentures	5,00,000	Sundry Debtors	4,60,000
Sundry Creditors	2,40,000	Bills Receivable	60,000
Bank Overdraft	1,60,000	Cash at Bank	60,000
		Preliminary Expenses	20,000
	30,00,000		30,00,000

Summarised Profit and Loss Account is as under for the year ending on 31-3-19:

	Rs.
Sales (25% Cash sales)	80,00,000
Less: Cost of goods sold	56,00,000
Gross Profit	24,00,000
Net profit (Before interest and tax 50%)	9,00,000

Calculate the following ratios:

- (1) Rate on Return on Capital Employed
- (2) Proprietary Ratio
- (3) Debt-Equity
- (4) Capital gearing Ratio
- (5) Debtors Ratio (365 days of the year.)
- (6) Rate of Return on Shareholders' Funds
- (7) Rate of Return on Equity shareholders fund

14. A proforma of cost sheet of a company is given below

Particulars	Cost per unit Rs.
Raw Material	52
Direct Labour	26
Overheads	32
Total Cost	110
Profit	20
Selling Price	130

Additional Information:-

- 1) Average raw material in stock is one month.
- 2) Average material in process half a month.
- 3) Credit allowed by suppliers one month.
- 4) Credit allowed to debtors two months.
- 5) Time lag in payment of wages one and half weeks, overheads one month.
- 6) $\frac{1}{4}$ th of the sales are on cash basis.
- 7) Expected cash balance Rs. 1,20,000.

Prepare a statement showing working capital requirements to finance of activity of 45,000 units at output.

15. The following are the summarized balance sheets of Modern co Ltd. As on 31st March 2018 & 2019

Liabilities	2018	2019	Assets	2018	2019
Share Capital	9,00,000	10,00,000	Land and Building	1,40,000	80,000
General Reserve	2,50,000	3,10,000	Plant and Machinery	3,50,000	3,20,000
Profit & Loss A/c	70,000	90,000	Stock in Trade	2,00,000	6,10,000
Creditors	1,35,000	1,60,000	Debtors	1,00,000	40,000
Provision for taxation	60,000	80,000	Bill Receivable	10,000	2,10,000
Proposed dividend	90,000	1,20,000	Bank Balance	40,000	4,00,000
					1,00,000
Total	15,05,000	17,60,000	Total	8,40,000	17,60,000

Additional Information:

- a) Investment of Rs. 30,000 were sold during the year 2018-19 for Rs. 48,000 & the profit has been credit of Profit & Loss A/c.
 - b) A Machine Costing Rs. 60,000 was sold during the year 2018-19 for Rs. 55,000. Depreciation provided to it Rs. 40,000.
 - c) During 2017-18 Rs. 50,000 were paid as tax for the year 2018-19.
 - d) Dividend for 2017-18 was fully paid during 2018-19.
- Prepare Fund Flow Statement and Cash Flow Statement.

16. From the following information you are required to estimate the Net Working Capital

Elements of Cost	Cost Per Unit Rs.
Raw Material	400
Direct Labour	150
Overheads	300
Total Cost	850

Additional Information:

- 1) Selling price Rs.1,000 per unit.
- 2) Output 52,000 units p.a.
- 3) Raw material in stock average 2 weeks.
- 4) Work-In-Progress average 2 weeks.
- 5) Finished goods in stock average 4 weeks.

6) Credit allowed to debtors average 8 weeks & from suppliers average 4 weeks.

7) Cash at bank is expected to be Rs. 50,000.

Assume the production is sustained at an even price during the 52 weeks of the year. All sales are on credit basis. State other assumptions

17. The Board of directors of xyz Engineering Co. Pvt. Ltd. Request you to prepare statement showing the working capital requirement for a level of activity of 156000 units of production. The following information is available for your consideration.

Particulars	Per unit (Rs)
Raw materials	90
Direct Labor	40
Overheads	75
Total cost	205
Profit	60
Selling price per unit	265

Additional Information:

- i) Raw materials are in stock on an average one month.
- ii) Materials are in process 50% complete on an average two weeks.
- iii) Finished goods are in stock on an average one month.
- iv) Credit allowed by suppliers one month.
- v) Time lag in payment of wages one and half weeks
- vi) Time lag in payment from debtors two months.
- vii) Lag in payment of overheads one month.
- viii) 20% of the output is sold against cash.
- ix) Cash in hand expected Rs. 60000.
- x) Production is carried out evenly throughout the year.
- xi) Wages and overheads accrue similarly.
- xii) A time period of 4 weeks is equivalent to a month.

18. From the following Balance Sheet of X Ltd, prepare a Cash Flow Statement and Fund Flow statement for the year ended 2018 & 2019.

Balance Sheet of X Ltd. as on 31st March 2018 & 2019

Liabilities	2018	2019	Assets	2018	2019
Equity Share Capital 8% Redeemable	3,00,000	4,00,000	Goodwill	1,00,000	80,000
Prof. Share Capital	1,50,000	1,00,000	Land & Building	2,00,000	1,70,000
Capital Reserve	-	20,000	Plant	80,000	2,00,000
General Reserve	40,000	50,000	Investment	20,000	30,000
P & L A/c	30,000	48,000	Debtors	1,40,000	1,70,000
Proposed dividend	42,000	50,000	Stock	77,000	1,09,000
Creditors	25,000	47,000	Bills Receivable	20,000	30,000
Bills Payable	20,000	16,000	Cash in had	15,000	10,000
Liability of Expenses	30,000	36,000	Cash at Bank	10,000	8,000
Provision for taxes	40,000	50,000	Preliminary Exps.	15,000	10,000
Total	6,77,000	8,17,000	Total	6,77,000	8,17,000

Additional Information:

- A piece of land had been sold out in 2018 & the profit on sale has been credited to capital Reserve.
- A machine has been sold for Rs. 10,000. The written down value of the machine was Rs. 12,000. Depreciation of Rs. 10,000 are charged on plant in 2018.
- The investment is trade invests Rs. 3,000 by way of dividend is received including Rs. 1000 from pre-acquisition profit has been credited to Investment account.
- An interim dividend Rs. 20,000 have been paid in 2018.

19. From the following details relating to HV Ltd. Prepare a statement showing sources and applications of funds and Cash Flow Statements for the year ended 31 March 2019.

Liabilities	31.3.2018	31.3.2019	Assets	31.3.2018	31.3.2019
Share Capital	400000	300000	Goodwill	90000	100000
Reserve	100000	80000	Plant & Machinery	429250	2980000
Profit & Loss A/c	50000	30000	Debenture Discount	5000	8000
Debentures	1000000	150000	Prepaid expenses	5750	4000
Income tax provision	400000	50000	Investment	60000	100000
Creditors	70000	90000	Debtors	110000	160000
Proposed dividend	40000	30000	Stock	80000	50000
			Cash	20000	10000
Total	800000	730000	Total	800000	730000

Additional Information:

- i) 15% depreciation has been charged in the accounts on plant and machinery.
- ii) Old machines costing Rs. 50000 (written down value Rs. 20000) have been sold for Rs. 35000.
- iii) A machine costing Rs. 10000(written down value Rs. 3000) has been discarded.
- iv) Rs. 10000 profit has been earned by sale of investments.
- v) Debentures have been redeemed at 5% premium.
- vi) Rs. 45000 income-tax has been paid and adjusted against income-tax provision account.

The End