NS – 534

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V Semester B.B.M. Degree Examination, Nov./Dec. 2016
(Repeaters – Prior to 2014-15)
BUSINESS MANAGEMENT
5.2 : Management Accounting

Time : 3 Hours

Max. Marks : 100

Instruction : *Answer should be written in* ***English*** *only.*

SECTION – A

Answer **any ten** of the following sub-questions. **Each** question carries **two** marks. **(10×2=20)**

1. a) What is Management Accounting ?
   b) List out important tools of Management Accounting.
   c) What are the steps involved in the preparation of fund flow statement ?
   d) Write any two differences between cash flow statement and fund flow statement.
   e) Write any two advantages of contribution.
   f) How is Margin of safety calculated ?
   g) What do you mean by budgetary control ?
   h) Write a note on cash budget.
   i) What do you mean by Marginal Cost ?
   j) What is Debt-Equity Ratio ?
   k) What do you understand by the term Return on Investment ?
   l) Give four examples of cash flow from investing activities.

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SECTION – B

Answer **any five** questions. **Each** question carries **five** marks. **(5×5=25)**

2. Explain the nature and scope of Management Accounting briefly.
3. What do you understand by break-even analysis ? Explain its uses.
4. Briefly explain the main objectives of budgetary control.
5. State with reasons whether the following transactions result in increase or decrease or no change in working capital.
   a) Bills receivable ₹ 65,000 discounted for ₹ 63,400.
   b) Short term loans raised ₹ 1,50,000.
   c) Sale of fixed assets for cash ₹ 2,00,000.
   d) Issue of shares ₹ 10,00,000 against fixed assets.
   e) Bills ₹ 60,000 accepted.

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6. Calculate funds from operating activities from the following information.
   a) The net profit for the year ₹ 5,650 after considering the following items.
   b) Depreciation on buildings ₹ 1,000.
   c) Goodwill written off ₹ 2,500.
   d) Transfer to Reserves ₹ 450.
   e) Loss on sale of machine ₹ 400.
   f) Profit on sale of plant ₹ 3,500.

7. From the following information calculate :
   a) Gross Profit Ratio
   b) Net Operating Ratio
   c) Net Profit Ratio

Sales	₹ 5,00,000
Cost of Goods Sold	₹ 3,50,000
Administration Expenses	₹ 12,000
Selling Expenses	₹ 8,000
Interest Income	₹ 5,000
Non Operating Expenses	₹ 12,000

8. Prepare a schedule of changes in working capital from the following :

Particulars	**31-3-2015**	**31-3-2016**
	₹	₹
Bank overdraft	8,000	–
Creditors	40,000	45,000
Bills payable	5,000	8,000
O/s expenses	3,000	5,000
Debtors	20,000	40,000
Stock	15,000	25,000
Bills Receivable	–	5,000
Cash in hand	1,000	8,000
Prepaid Rent	2,000	3,000

SECTION – C **(15×3=45)**

Answer **any three** questions. **Each** question carries **15** marks.

9. From the following Balance Sheet of Manjesh Ltd. and additional information prepare :
   i) Statement of changes in working capital.
   ii) Fund flow statement.

Liabilities	**31-3-2015**	**31-3-2016**	**Assets**	**31-3-2015**	**31-3-2016**
Equity Share			Building	4,50,000	6,00,000
Capital	6,00,000	7,00,000	Machinery	3,30,000	4,00,000
P and L A/c	75,000	1,00,000	Furniture	85,000	1,05,000
Long term debt	3,00,000	4,00,000	Stock	3,60,000	4,50,000

Creditors	4,50,000	5,40,000	Debtors	2,10,000	1,70,000
Bills payable	85,000	95,000	Cash	70,000	1,20,000
O/s expenses	5,000	10,000	Preliminary expenses	10,000	–
	15,15,000	**18,45,000**		**15,15,000**	**18,45,000**

Additional Information :

a) Depreciation written off on machinery ₹ 30,000 and on furniture ₹ 15,000.

b) Building purchased during the year ₹ 1,50,000.

c) Preliminary expenses written off ₹ 10,000.

10. From the following details prepare the Balance Sheet of Vishnu Co. Ltd.
Current ratio – 2.5
Liquidity ratio – 1.5
Stock turnover ratio – 6
Fixed assets to networth – 1 : 1
Reserves to share capital – 0.5 : 1
Networking capital – 3,00,000
Gross Profit ratio – 20%
Fixed assets turnover ratio – 2
Average debt collection – 2 months

11. Prepare a flexible budget for production at 60%, 80% and 100% activity on the basis of following information.
Production at 50% capacity 5000 units.

Raw material	₹ 80 per unit
Direct Labour	₹ 50 per unit
Direct expenses	₹15 per unit
Factory expenses	₹ 50,000 (50% fixed)
Administration expenses	₹ 60,000 (60% variable)

12. The sales and profit figures of two years are given below :

Year	**Sales ₹ Lakh**	**Profit ₹ Lakh**
2015	150	30
2016	200	50

You are required to calculate :

a) P/V ratio.

b) Break even point.

c) Sales required to earn a profit of ₹ 90 lakh.

d) The profit made when sales are ₹ 280 lakh.

13. From the following Balance Sheet of MN Ltd. for the year ending 31-12-2015 and 31-12-2016. Prepare cash flow statement.

Liabilities	2015	2016	Assets	2015	2016
	₹	₹		₹	₹
Equity Share Capital	3,00,000	4,00,000	Goodwill	1,15,000	90,000
Redeemable Pref. Capital	1,50,000	1,00,000	Land and Building	2,00,000	1,70,000
General Reserve	40,000	70,000	Plant	80,000	2,00,000
Profit and Loss A/c	30,000	48,000	Debtors	1,60,000	2,00,000
Proposed dividend	42,000	50,000	Stock	77,000	1,09,000
Creditors	55,000	83,000	Bills Receivable	20,000	30,000
Bills Payable	20,000	16,000	Cash in hand	15,000	10,000
Provision for Taxation	40,000	50,000	Cash at Bank	10,000	8,000
	6,77,000	**8,17,000**		**6,77,000**	**8,17,000**

The following information is also provided.

a) Depreciation of ₹ 20,000 on land and building and ₹ 10,000 on plant has been charged in 2016.

b) Interim dividend of ₹ 20,000 has been paid in 2016.

c) Income Tax ₹ 35,000 has been paid during 2016.

SECTION – D

Answer the following : **(10×1=10)**

14. What do you mean by ratio analysis ? Discuss its advantages and limitations.