

FIFTH SEMESTER B.Com. DEGREE EXAMINATION, NOVEMBER 2019

(CUCBCSS—UG)

B.Com.

BCM 5B 07—ACCOUNTING FOR MANAGEMENT

(2014 Admissions)

Time : Three Hours

Maximum : 80 Marks

Part A

Answer all questions.

Each question carries 1 mark.

(A) Fill in the blanks :

- 1 Payment of dividend is treated as a ————— activity in cash flow statement.
- 2 Fund flow refers to changes in ————— capital.
- 3 Turn over ratios measures ————— of the business.
- 4 In ————— Comparison, comparing two or more departments of the same business firm with the objective of making meaningful analysis.
- 5 Higher margin of safety is the indication of ————— profitability.

(B) Multiple choice :

- 6 The basic function of management accounting is to :
 - (a) Record all business transactions.
 - (b) Interpret the financial data.
 - (c) Assist the management in performing its functions effectively.
 - (d) Financial accounting.
- 7 The current ratio of a company is 2 : 1. Which of the following suggestion would decline the ratio ?
 - (a) Issue of new shares.
 - (b) To purchase stock for cash.
 - (c) Bills receivable dishonoured.
 - (d) Purchase of fixed asset.
- 8 Increase in a fixed asset due to purchase is :
 - (a) Source of funds.
 - (b) Use of funds.
 - (c) Increase in stock.
 - (d) All of these.

Turn over

- 9 Increase in the amount of bills payable results in :
- (a) Increase in Cash. (b) Decrease in cash.
 (c) Cash payment to bills. (d) No change in cash.
- 10 At break-even point fixed cost will be equal to :
- (a) Variable cost. (b) Profit.
 (c) Contribution. (d) Sales.

(10 × 1 = 10 marks)

Part B

*Answer any eight questions.
 Each question carries 2 marks.*

- 11 What do you mean by average analysis ?
- 12 Define P/V ratio.
- 13 List out liquidity ratios.
- 14 What do you mean by internal analysis ?
- 15 What is key factor ?
- 16 Compute trend percentage of working capital of Z Ltd, taking 2011 as base year from the following :
- | | | | | | | |
|---------------------|---|--------|--------|--------|--------|----------|
| Year | : | 2011 | 2012 | 2013 | 2014 | 2015 |
| Working capital Rs. | : | 50,000 | 20,000 | 25,000 | 10,000 | 1,70,000 |
- 17 Calculate quick ratio if current assets Rs. 52,000 (include cash Rs. 10,000, Stock Rs. 9,000 and Prepaid expense Rs. 3,000) and Current liabilities Rs. 22,000.
- 18 Compute working capital if Total assets Rs. 6,00,000 (which include Machinery Rs. 1,00,000 and furniture Rs. 50,000). Current liabilities Rs. 1,50,000 (which include Outstanding expenses Rs. 10,000).
- 19 Calculate Margin of safety if ; Fixed Cost Rs. 1,00,000, P/V ratio 50%, Sales Rs. 4,00,000
- 20 Calculate current assets which current ratio is 4 : 1 and working capital is Rs. 1,50,000.

(8 × 2 = 16 marks)

Part C

*Answer any six questions.
 Each question carries 4 marks.*

- 21 List and explain different tools for financial analysis.
- 22 Calculate the value of creditors if sales Rs. 2,50,000, gross profit ratio 20% Creditors velocity 73 days, Opening stock Rs. 25,000 and closing stock is double the amount of opening stock. Assume number of working days is 365 in a year.

23 Following are obtained from the records of factory :

Sales (4000 units @ Rs. 25 each)	..	1,00,000
Variable cost	..	72,000
Fixed cost	..	16,800

Calculate (i) P/V ratio ; (ii) Break-even sales ; (iii) Margin of safety.

24 You are required to calculate return on capital employed from the following :

Profit after tax	..	Rs. 3,00,000
Rate of income tax	..	50%
8% convertible debentures or Rs. 100 each fully paid	..	Rs. 5,00,000
Current assets	..	Rs. 5,50,000
Current liabilities	..	Rs. 2,50,000
Fixed assets (at Cost)	..	Rs. 10,25,000
Depreciation upto date	..	Rs. 1,25,000

25 From the following ascertain net cash from operating activities :

Net profit before tax	..	Rs. 60,000
Income tax paid	..	Rs. 27,000
Depreciation on fixed assets	..	Rs. 2,500
Profit on sale of land	..	Rs. 5,000
Interest on debentures paid	..	Rs. 1,500
Dividend received	..	Rs. 1,000
Proceeds from earthquake disaster settlement	..	Rs. 2,000
Increase in the amount of stock	..	Rs. 750
Decrease in Debtors	..	Rs. 300
Decrease in creditors	..	Rs. 250

26 Sale of a product amounts to 200 units per month at Rs. 10 per unit. Fixed overhead is Rs. 400 per month and variable cost Rs. 6 per unit. There is a proposal to reduce prices by 10%. Calculate present and future P/V ratio.

27 List out the merits of cash flow statement analysis.

28 "Ratio analysis is a tool to examine the health of a business with a view to make financial results more intelligible". Explain.

(6 × 4 = 24 marks)

Turn over

Part D

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

- 29 From the following data, you are required to calculate the Break-even point and sale value at this point :

Selling price per unit	..	Rs. 25
Direct material cost per unit	..	Rs. 8
Direct labour cost per unit	..	Rs. 5
Fixed overheads	..	Rs. 24,000
Variable overhead @ 60% on direct labour		
Trade discount	..	4%

If sales are 15% and 20% above the break-even Volume, determine the net profit.

- 30 Prepare a cash flow statement from the following balance sheets of Mr. Kamal Fig.'000

Liabilities	2015	2016	Assets	2015	2016
Current liabilities	350	400	Cash	50	40
Loan from Z	–	250	Debtors	400	450
Loan from Bank	400	300	Stock	300	250
Capital	1,500	1540	Land	300	400
			Building	500	550
			Machinery	700	800
	2,250	2,490		2,250	2,490

During the year, Mr. Kamal brought an additional capital of Rs. 1,00,000 and his drawings during the year were Rs. 3,10,000. Provision for depreciation on machinery -opening balance Rs. 3,00,000. Closing balance Rs. 4,00,000. No depreciation need to be provided for other assets.

- 31 Prepare the Balance Sheet with the help of the following ratios :

Total Assets/ Net Worth : 3.5

Sales / Fixed Assets : 6

Sales/ Current Assets : 8

Sales/ Inventory : 15

Sales/ Debtors : 18

Current ratio : 2.5

Annual sales : Rs. 25,00,000