MANAGEMENT ACCOUNTING-16UCO620
K1 LEVEL QUESTIONS
UNIT- I

1. The term "Management Accountancy" was first used in_____
   a) 1910 **b) 1950** c) 1939 d) 1827

2. Management accounting relates to ____

   a) Recording of accounting data b) Recording of costing data **c) Presentation of accounting data** d) classifying the data.

3. The use of management accounting is_____

   a) Compulsory **b) Optional** c) Obligatory d) None of the above

4. Financial accounting deals with ______
   a)determination of costs **b) determination of profits** c) determinations of price

   d) determination of revenue

5. Financial accounts record only_____

   a) Actual figures b) Budgeted figures c) Standard figures d) Standard profits

6. Management accounting is helpful in increasing ________

   a) Efficiency b) Profitability c) Improving sales d) Decision making
7. Management accounting is helpful in increasing ____ of data.
   a) Preparation of data **b) Interpretation of data** c) Observing the data d) Presentation of data
8. Management accounting is used to communicate with _________
   a) Shareholders b) Outsiders c) Stakeholders **d) Both A & B**
9. Publication of management accounting statements is _____
   a) Compulsory b**) Optional** c) Depends on the situation d) All of the above
10. Preparation of financial statements is necessary under _____ law.

   a) Income tax b**) Company law** c) Partnership Act d) Hire purchase Act

UNIT – II

1. All solvency ratios are expressed in terms of _______
   a) Proportion b) Times c) Percentage d) Amount
2.All activity ratios are expressed in terms of _____
   a) Proportion b**) Times** c) Percentage d) Amount
3. Liquid liabilities means _____

a) Current liabilities **b) Current Liabilities – Bank over Draft** c) Current Liabilities +Bank over Draft d) Both B & C

4. All profitability ratios are expressed in terms of ________

    a) Proportion b**)** Times **c) Percentage** d) Amount

5. Liquid ratio is also known as____ratio.

    a) Acid –test ratio b) Coverage ratio c) Quick ratio d)Operating ratio

6. Rule of thumb for a current ratio is___________

    a) 2:1 b) 2:2 c) 1:2 d) 1:1

7. Gross capital employed is equal to total_________

    a) Assets b) Liabilities c) Authorized capital d) Profits

8. Stock turnover ratio is otherwise called as __________

    a) Inventory turnover ratio b) Current ratio c)Operating ratio d) Liquid ratio

9.Two elements of a current ratio are current assets and _______

    a) Current liabilities b) Long term liabilities c) shareholders funds d) Capital

10. Ratio helps in ____ forecasting.

    a) Monetary b) **Financial** c) Stock d) Bank balance

UNIT- III

1. **Which statement is prepared in the process of funds flow analysis?**
   a) Schedule of changes in working capital
   b) Funds Flow Statement
   c) Both a and b
   d) None of the above
2. **Funds Flow Statement is prepared on the basis of data of P&L statement and two consecutive balance sheets.**
   a) True
   b) False
   c) Value delivery
   d) None of the above
3. **If reserve for bad and doubtful debts is mentioned in the question of Funds Flow Statement Preparation, it can be shown a**
   a) In the schedule by deducting from total debtors under current assets
   b) In the schedule separately under the heading of capital liabilities
   c) Both a & b
   d) None of the above
4. **Funds Flow Statement is also known as**
   a) Statement of Funds Flow
   b) Statement of Sources and Application of Funds

c) Statement of Sources and Uses of Funds

d) All of the above

5. **Given Net profit for the year Rs 2, 50,000 Transferred to general reserves Rs 40,000 and old machinery bought for Rs 50,000 was sold for Rs 20,000. Calculate funds from operations.**

   a) Rs 2, 80,000

   b) Rs 2, 20,000

   c) Rs 2, 90,000

   d) Rs 3, 00,000

6. **Which of the following are applications of funds?**

   a) Payment of dividend on share capital

   b) Payment of tax

   c) Increase in working capital

   d) All of above

7. **As per Accounting Standard-3, Cash Flow is classified into**

   a)Operating activities and investing activities

   b) Investing activities and financing activities

   c) Operating activities and financing activities

   d) Operating activities, financing activities and investing activities

8. **Cash Flow Statement is also known as**

   a) Statement of Changes in Financial Position on Cash basis

   b) Statement accounting for variation in cash

   c) Both a and b

   d) None of the above.

9. **Cash Flow Statement is based upon**

   a) Cash basis of accounting

   b) Accrual basis of accounting

   c) Credit basis of accounting

   d) None of the above

10. **Which of the following statements are true?**

    A) Cash flow reveals only the inflow of cash

    B) Cash flow reveals only the outflow of cash

    C) Cash flow is a substitute for income statement

    D) Cash flow statement is not a replacement of funds flow statement.

    a) Only A

    b) Only B

    c) Both B and C

    d) Only D

UNIT- IV

1. A budget is a plan of action expressed in…

   a. Financial terms b. Non-financial terms **c. Both** d. Subjective matter

2. Budget is prepared for a…

   a. Indefinite period **b. Definite period** c. Period of one year d. Six months

3. A budget is tool which helps the management in planning and control of…

   a. All business activities b. Production activities c. Purchase activities d. Sales activities

4. Budgetary control system acts as a friend, philosopher and guide to the…

   a. Management b. Share holders c. Creditors d. Employees

5. Budgetary control system defines the objectives and policies of the…

   a. Production department b. Finance department c. Marketing department d. All

6. Budgetary control system facilitates centralized control with…

   a. Decentralized activity b. Centralized activity c. Both **d. None**

7. Budgetary control facilitates easy introduction of the…

   a. Marginal costing b. Ratio analysis **c. Standard costing** d. Subjective matter

8. Budgetary control helps the management in…

   a. Obtaining bank credit b. Issue of shares c. Getting grants from government

   d. All of these

9. Budgetary control system helps the management to eliminate…

   a. Undercapitalization b. Overcapitalization **c. Both** d. Subjective matter

10. Budgetary control provides a basis for…

    a. Bonus shares b. Rights shares **c. Remuneration plans** d. None

UNIT –V

1. Margin of safety can be improved by ______ the fixed cost.

   a) Reducing b) Increasing d) Margin level d) Both A & B

2. Margin of safety= Total sales - ________

   a) Sales at breakeven point b) Sales at margin level c) Both A & B d) Either A or B

3. Profit - volume graph is a pictorial representation of the ________relationship.

a) Profit-Volume b) Cost-Volume c) Break –even Point d) Margin of safety

4. A large angle of incidence indicates a high rate of ________

a) Profit b) Loss c) No profit No Loss d) Cost line

5. A small angle of incidence indicates a low rate of ______

a) Cost line b) Loss c) No profit No Loss **d)** Profit

6. **Marginal costs is taken as equal to**

a) Prime Cost plus all variable overheads

b) Prime Cost minus all variable overheads

c) Variable overheads

d) None of the above

7. **If total cost of 100 units is Rs 5000 and those of 101 units is Rs 5030 then increase of Rs 30 in total cost is**

a) Marginal cost

b) Prime cost

c) All variable overheads

d) None of the above

8. **Marginal cost is computed as**

a) Prime cost + All Variable overheads

b) Direct material + Direct labor + Direct Expenses + All variable overheads

c) Total costs – All fixed overheads

d) All of the above

9. **Marginal costing is also known as**

a) Direct costing

b) Variable costing

c) Both a and b

d) None of the above

10. **While computation of profit in marginal costing**

a) Total marginal cost is deducted from total sales revenues

b) Total marginal cost is added to total sales revenues

c) Fixed cost is added to contribution

d) None of the above

MANAGEMENT ACCOUNTING-16UCO620
K2 LEVEL QUESTIONS
UNIT- I

1. Define management accounting.

The process of preparing management reports and accounts that provide accurate and timely financial and statistical information required by mangers to make day –to-day and short-term decisions.

2. GAAP:

Generally Accepted Accounting Principles

3. Principles of accountancy:

Personal account- Debit the receiver; credit the giver

Real account – Debit what comes in; credit what goes out

Nominal account- Debit all expenses and losses; credit all incomes and gains.

4. Scope of management accounting:

1. Financial accounting 2. Cost accounting 3. Budgeting and forecasting 4. Internal audit 5.Tax accounting.

5. Duties of management accountant:

1. Collection of information, 2. Evaluation of information, 3.Interpretation of information 4. Reporting of information

6. Planning & forecasting:

A planning is tool that helps management in its attempts to cope with the uncertainty of the future, relying mainly on data from the past and present and analysis of trends.

Forecasting starts with certain assumptions based on the management experience, knowledge, and judgment.

7. JIT inventory control:

The just-in-time inventory system is a management strategy that aligns raw-material orders from supplies directly with production schedules.

8. Functions of Management Accounting:

1. Planning & forecasting, 2. Co-coordinating, 3. Protection of business assets, 4. Organizing.

9. Conventions of Management Accounting:

1. Responsibility accounting, 2.Management by exception, 3.Principle of key areas.

10. Installation of Management accounting:

1.Preparation of organization manual, 2.Appointment of training of employees, 3. Preparation of various forms and reports, 4.classification and codification of accounts, 5. Setting up of cost centers, 6. Integration of cost and financial data.

UNIT- II

1. Ratio:

The quantitative relationship between two amounts showing the number of times one value contains or is contained within the other.

2 .Current ratio:

A general rule of thumb is that it should be at least 2:1.

3. Components of current ratio:

1. Cash and cash equivalents, 2.Short- term investments, 3. Accounts receivables, 4.inventories, 5.Prepaid expenses.

4. Formula for inventory turnover ratio:

$$\frac{\textbf{Cost of goods sold}}{\textbf{Average stock held}}$$

5. Average collection period:

The average collection period is the average number of days between the dates that credit sales were made and the dates that the money was received from the customers.

6. Working capital turnover ratio:

Working capital turnover ratio is a ratio measures how efficiently a company is using its working capital to support a given level of sales.

7. Components of shareholders funds:

1. Common stock, 2. Preferred stock, 3.Retained earnings, 4.Cash flow hedge reserve.

8. Components of Current Liabilities:

1. Accounts payable, 2. Accrued expenses, 3. Income tax payable, 4. Short-term notes payable

9. Profitability ratio:

Profitability ratios are a class of financial metrics that are used to assess a business ability to generate earnings relative to its revenue, operating costs, balance sheet assets, and shareholders equity over time, using data from a specific point of time.

10. Name of liquidity ratio:

1. Current ratio, 2. Quick ratio, 3. Cash ratio, 4. Working capital ratio.

UNIT- III

1. Define fund flow statement.

Funds flow statement is a statement prepared to analyse the reasons for changes in the financial position of a company between two balance sheets.

2. When does flow of funds take place?

It tracks the flow of funds into and out of your business during an accounting period.

3. Give any managerial uses of funds flow statement.

By highlighting the changes in the distribution of the resources of an undertaking, the funds flow statement enables the financial manager to have a clear perspective of the organizations financial strength and weakness.

4. Name various sources of funds.

Debt, debentures, retained earnings, term loans, letter of credit, venture funding, etc.

5. Name applications of funds.

Payment of dividend, buyback shares, preference shareholders, networking capital, fixed assets.

6. What is funds flow statement?

Funds flow statement is prepared to explain the changes in the working capital position of a company.

7. What are the limitations of funds flow statement?

Does not contain past information, fails to reveal continuous changes, shows either increases in working capital, not an original statement.

8. What do you mean by working capital?

The capital of a business which is used in its day-to-day trading operations, calculated as the current assets minus the current liabilities.

9. Name various current assets.

Inventory, prepaid expenses, accounts receivables, cash and cash equivalents.,

10. Name various current liabilities.

Sales tax payable, par roll payable, interest payable, accrued expenses, customer deposits.,

K2 LEVEL QUESTIONS

1. What do you mean by a budget?

An estimate of income and expenditure for a set period of time.

2. What do you mean by budgeting?

Allow or provide a particular amount of money in a budget.

3.List the various essentials of budgetary control.

It is a process for managers to set financial and performance goals with budgets, compare the actual results, and adjust performance, as it needed.

4. What is budget period?

The budget period is a period of time during which you are authorized to spend the funds awarded and must meet the matching or cost-sharing requirement.

5. What is budget manual?

A budget manual is a set of instructions used by large organizations to prepare budgets.

6.What is a key factor?

Key factor is nothing but a limiting factor or deterring factor on sales volume, production, labour, materials and so on.

7.What do you mean by forecasting?

Forecasting is the process of making predictions of the future based on past and present data and most commonly by analysis of trends.

8.What are operating profits?

A profit from business operations before deduction of interest and taxes.

9.What is zero base budgeting?

Zero base budgeting is a method of budgeting in which all expenses must be justified and approved for each new peiod.

10. What do you mean by cash budget?

A cash budget is a budget or plan of expected cash receipts and disbursements during the period.

UNIT- V

1. Break –even point:

The break-even point can be defined as a point where total costs and total sales are equal. Break –even point can be described as a point where there is no net profit or loss.

2. Limiting factor:

A limiting factor is a variable of a system that, if subject to a small change,casues a non- negligible change in an output or other measure of the system.

3.Margin of safety:

Margin of safety is the difference between the intrinsic value of as stock and its market price.

4.Profit –Volume Analysis:

It is used to determine how changes in costs and volume affect a company's operating income and net income. Profit volume analysis requires that all the company's costs, including manufacturing, selling, and administrative costs.

5. Direct costing:

Direct costs are costs which are directly accountable to a object. Some overhead costs which can be directly attributed to a project may also be classified as a direct cost.

6. What do you understand by limiting factor?

A limiting factor is a variable of a system that, if subject to a small change causes a non-reliable change in a output or measure of the system.

7. Define angle of incidence.

The angle which an incident line or ray makes with a perceptual to the surface at point of incidence.

8. How margin of safety calculated?

Margin of safety is the difference between the intrinsic value of a stock and its market price.

9. Give marginal cost equation.

10. What is cash breakeven point?

Cash breakeven point shows a firm's minimum amount of revenue from sales that are required to provide the business with positive cash flow.

MANAGEMENT ACCOUNTING-16UCO620

K3 LEVEL QUESTIONS

UNIT- I

1. What are the objectives of management accounting?
2. What are the limitations of financial accounting?
3. What is the importance's of management accounting?
4. List out the relationship between cost and management accounting.
5. Outline the scope of management accounting.

UNIT- II

1.The following information of a company is given:

Current ratio, 2.5:1: Acid-test ratio, 1.5: 1; current liabilities Rs. 50,000.

Find out:

a) Current assets
b) Liquid assets
c) Inventory

Ans:

a) Rs.1,25,000
b) Rs.75,000
c) Rs.50,000

2.M/s. Rakesh & co. supplies you the following information for the year ending 31 st dec. 2004.

Credit sales : Rs.1,50,000 ; cash sales : Rs. 2,50,00 ; returns inward : Rs.25,000 ; opening stock; Rs.25,000 ; closing stock Rs. 35,000

Find out (i) inventory turnover when gross profit is 20%; (ii) inventory conversion period.

Ans: (i) 10 items (ii) 36.5 or 37 days

3.From the following information calculate creditors ratio and average payment period:

	Rs
Total purchase	4,00,000
Cash purchase (including in above)	50,000
Purchase returns	20,000
Creditors at the end	60,000
Bills payable at the end	20,000

Reserve for discount on creditors 5,000

Take 365 days in a year’s 5,000

Ans: 88 days

4.The following information is the balance sheet of bhubneshwara Ltd., as on 30 th June, 2008:

Liabilities	**Rs.**	**Assets**	**Rs.**
Equity Share capital	3,00,000	Fixed assets	6,00,000
9% Pref. share capital	1,00,000	Investments	50,000
10% Debentures	2,00,000	Current Assets	2,50,000
Reserves and surplus	50,000		
Long term loans	25,000		
Current liabilities	2,25,000		
	9,00,000		9,00,000

You are required to calculate:

1) Debt- Equity ratio (long term debt to equity)
2) Proprietary Ratio
3) Solvency Ratio
4) Fixed assets to properties fund ratio
5) Fixed assets ratio
6) current assets to properties fund ratio

Ans:

1) 1:2
2) 0.50 or 50%
3) 0.50 or 50%
4) 1.33 or 1.33.33%
5) 0.888 or say 88.89%
6) 0.555 or say 55.5%

5.Following is the profit and loss account to Electro Matrix Ltd., for the year ended 31st December, 2007.

Rs.	Rs.
To opening stock 1,00,000	

To purchase	3,50,000	By sales	5,60,000
To wages	9,000	By closing stock	1,00,000
To Gross profit	2,01,000		
Total	6,60,000	Total	6,60,000
To administrative Expenses	20,000	by gross profit b/d	2,01,000
To selling distribution Expenses	89,000	by interest on investment (outside business)	10,000
To non operating Expenses	30,000	by profit on sale of investment	8,000
To Net profit	80,000		
Total	2,19,000	Total	2,19,000

You are required to calculate:

1. Gross profit ratio
2. Net profit ratio
3. Operating ratio
4. Operating profit ratio
5. Administrative Expenses ratio.

Ans:

1. 35.9%
2. 16.4%
3. 83.6%
4. 16.4%
5. 3.6%

UNIT- III

1. From the following balance sheet prepare a schedule of change in working capital.

Liability	**31st December 2005 Rs**	**2006 Rs**	**Assets**	**31st December 2005 Rs**	**2006 Rs**
Share capital	10000	15000	cash	5000	8000

P&L app .a/c	5000	8000	debtors	10000	15000
General reserve	4000	6000	stock	10000	12000
Sundry creditors	8000	12000	machinery	3000	5000
Bills payable	5000	3000	land	4000	4000
	32000	44000		32000	44000

2.What are the sources and application of funds?

3.Ramco cements present the following information and you are required to calculate fund from operations.

Dr **Profit and loss account** **Cr**

	Rs		Rs
To operation expenses	100000	By gross profit	200000
To depreciation	40000	By gain on sale of plant	20000
To loss on sale of building	10000		
To advertisement suspense a/c	5000		
To discount allowed	500		
To discount on issue of share written off	500		
To goodwill written off	12000		
To net profit	52000		
	220000		**220000**

4) Calculate cash from operation from the following:

Profit made during the year Rs 3,00,000 after considering the following items.

a) Depreciation on fixed assets 20000
b) Transfer of general reserve 10000
c) Amortization of goodwill 10000
d) Profit on sale of land 7000

The following is the position of current assets and current liabilities.

	2003(Rs)	**2004(Rs)**
Debtors	15000	18000
Creditors	20000	10000

Bills receivable	7000	5000
Prepaid expenses	10000	7000

5) From the following balance sheets prepare a cash flow statement.

Liabilities	**2005**	**2006**	**Assets**	**2005**	**2006**
Share capital	200000	250000	cash	30000	47000
Creditors	70000	45000	debtors	120000	115000
Profit & loss a/c	10000	23000	stock	80000	90000
			land	50000	66000
	280000	**318000**		**280000**	**318000**

UNIT- IV

1. What are the main objectives of budgetary control?
2. Prepare a product budget of X Ltd., from the following information

Product	**Sales as per sales budgets'(in units)**	**Estimated stock (in units)**	
		1.7.2007	**31.6.2007**
A	488000	10000	12000
B	375000	20000	45000
C	600000	50000	25000

3) From the following information, prepare a cash budget of the period from January to april:

Month	**Expected sales Rs**	**Expected purchases Rs**
January	60000	48000
February	40000	45000
March	45000	31000
April	40000	40000

Wages to be paid to workers will be Rs 5000 p.m cash balance on 1st January may be assumed to be Rs 8000.

4) From the following information you are required to estimate working capital requirements:

Annual sales	Rs 780000
Percentage of net profit to cost	25%
Credit allowed to debtors	8weeks
Credit allowed to creditors	4weeks
Stock	6 weeks

5) Explain the sources of working capital?

UNIT- V

1.From the following information, calculate the break – even point units and in sales value:

Output	=3,000 units
Selling price per unit	=Rs. 30
Variable cost per unit	=Rs. 20
Total fixed cost	=Rs. 20,000

Ans: Rs. 60,000

2.From the following data, you are required to calculate :

(a) P/V ratio

(b) Break – even sales with the help of P/V ratio

(c) Sales required to earn a profit of Rs.4,50,000

Fixed expenses	= Rs. 90,000
Variable cost per unit:	
Direct Material	= Rs. 5
Direct Labour	= Rs. 2
Direct overheads	= 100% of direct labour
Selling price per unit	= Rs.12.

Ans:

(a) 25%

(b) Rs. 3,60,000

(c) Rs. 21,60,000

3.From the following information of a company producing three products, you are required to compute (a) composite P/V ratio, and (b) composite Break-Even point:

Product	Sales revenue	Variable cost
X	Rs.20,000	Rs.10,000
Y	40,000	14,000
Z	60,000	36,000

Fixed cost: Rs.50, 000.

Ans:

(a) 50%

(b) Rs.1,00,000

4. Compare Marginal costing with Absorption costing.

5. From the following particulars, calculate:

(i) Bank – even point in terms of sales value and in units.

(ii) Number of units that must be sold to earn a profit of Rs. 90,000.

	Rs.
Fixed factory overheads cost	60,000
Fixed selling overheads cost	12,000
Variable manufacturing cost per unit	12
Variable selling cost per unit	03
Selling price per unit	24

MANAGEMENT ACCOUNTING-16UCO620
K4 LEVEL QUESTIONS
UNIT- I

1.Discuss the role of management in the area of planning, control and decision making.
2.Explain the statement “management accounting is both an information provider and a part of management”.
3.Explain how management accounting differs from financial accounting.
4.Briefly explain the role of management accounting in today’s fast changing business environment.
5. List out the relationship between cost and management accounting.

UNIT- II

1.The following data are related to profit & loss A/C and balance sheet of a company.

Particulars	2007	2008
Net sales	1,50,000	1,80,000
(-) Cost of sales	1,00,000	1,00,000
Gross profit	50,000	40,000
(-) Operating expenses	25,000	23,000
Net profit	**25,000**	**17,000**
Cash in hand	6,000	8,000
Debtors	25,000	20,000
Stock	15,000	10,000
Fixed assets (Net)	50,000	52,000
	96,000	**90,000**
Creditors	13,000	10,000
Debentures	20,000	15,000
Share capital	50,000	52,000
	13,000	13,000
	96,000	**90,000**

From the above data, compute:

(a) Current ratio for both years,
(b) Liquidity ratio for both years.
(c) Gross profit ratio for both years.
(d) Net profit ratio for both years.
(e) Debtor turnover ratio for both years.

2.From the following balance sheet and profit and loss account, calculate:

(a) Current ratio
(b) Liquidity ratio
(c) Stock turnover ratio

(d) Debtor turnover ratio
(e) Return on capital employed
(f) Gross profit ratio
(g) Net profit ratio

Particulars	Amount	Particulars	Amount
Opening stock	40,000	Sales	2,00,000
Purchases	60,000	Closing stock	50,000
Direct expenses	40,000		
Gross profit	1,10,000		
	2,50,000		**2,50,000**
Indirect expenses	20,000	Gross profit	1,10,000
Net profit	90,000		
	1,10,000		**1,10,000**

BALANCE SHEET

Liabilities	Amount	Assets	Amount
Share capital	10,00,000	Plant and machinery	2,00,000
Reserves	1,00,000	Building	6,50,000
Creditors	50,000	Furniture	1,20,000
Bank overdraft	10,000	Cash balance	5,000
Bills payable	10,000	Bank balance	5,000
		Stock	50,000
		Debtors	1,40,000
Total	**11,70,000**	**Total**	**11,70,000**

3.Madras Ltd. Has the following earning in the year 2007-08:

Profit before tax = 48.920 lakhs
Tax ratio = 60%
Proposed dividend = 20%
Capital of the company is:
9% preference shares = Rs 20 lakhs
Equity shares = 30,000 shares @ Rs.200 each = Rs.60 lakhs
Reserves in the beginning of the year = Rs.44 lakhs
Compute the following:

1. Earnings per share
2. Book value per share
3. Earnings yield ratio
4. Dividend payment ratio

Market price of equity shares is Rs.400 per share.

4.From the following particulars relating to Ahamed & co., prepare the trading and profit & loss account for the year ending 31.12.2010.

Fixed assets / turnover ratio	1:2
Gross profit ratio	25%
Net profit ratio	15%
Consumption of raw materials	40% of cost
Finished goods	20% of the cost.
Value of fixed assets	Rs.10, 50,000

There is no opening and closing stock.

5. The following information is the balance sheet of bhubneshwara Ltd., as on 30 th June, 2008:

Liabilities	Rs.	Assets	Rs.
Equity Share capital	3,00,000	Fixed assets	6,00,000
9% Pref. share capital	1,00,000	Investments	50,000
10% Debentures	2,00,000	Current Assets	2,50,000
Reserves and surplus	50,000		
Long term loans	25,000		
Current liabilities	2,25,000		
	9,00,000		9,00,000

You are required to calculate:

1) Debt- Equity ratio (long term debt to equity)
2) Proprietary Ratio
3) Solvency Ratio
4) Fixed assets to properties fund ratio
5) Fixed assets ratio
6) current assets to properties fund ratio

UNIT- III

1.From the following balance sheet, prepare fund flow statement:

Liabilities	2004 Rs	2005 Rs	Assets	2004 Rs	2005 Rs
Share capital	100000	125000	Land and building	100000	95000
General reserve	25000	30000	plant	75000	84500
Profit &loss a/c	15250	15300	stock	50000	37000
Bank loans	35000	-	debtors	40000	34100
creditors	75000	67600	cash	250	300

Provision for tax	15000	17500	bank	-	4000
			goodwill	-	2500
	265250	255400		265250	255400

Additional information:

i) Dividend Rs 11,500 was paid.
ii) Depreciation written off on plant Rs 7,000.
iii) Income tax provision made during the year was Rs 14000

2) Following is the balance sheet of a company for the year 2003 and 2004.

BALANCE SHEET

Liabilities	**2003 Rs**	**2004 Rs**	**Assets**	**2003 Rs**	**2004 Rs**
Share capital	70000	74000	goodwill	10000	5000
Profit &loss a/c	10740	11360	land	20000	30000
debentures	12000	6000	stock	49200	42700
creditors	10360	11840	debtors	9000	7800
	103100	103200		103100	103200

Additional information:

a) Dividends were paid Rs 4000.
b) Land purchased Rs 10000
   Prepare a funds flow statement.

3) The summarized balance sheets of kumar ltd., as on 31.3.2005 and 31.03.2006. Prepare a cash flow statement.

Liabilities	**2005 Rs**	**2006 Rs**	**Assets**	**2005 Rs**	**2006 Rs**
Share capital	10000	10000	Goodwill	1200	1200
General reserve	1400	1800	Land	4000	3600
Profit & loss a/c	1600	1300	Building	3700	3600
Sundry creditors	800	540	Inventories	3000	2340
Outstanding expenses	120	80	Debtors	2000	2220
Provision for taxation	1600	1800	Bank	660	1520
Provision for bad debtors	40	60	Investments	1000	1100
	15560	**15580**		**15560**	**15580**

Additional information:

a) A piece of land has been sold for Rs 400
b) Depreciation of Rs 700 has been changed on building
c) Provision for taxation Rs 1900 has been made during the year.

4) From the following balance sheet of Thamiz ltd., make out a statement of cash flow.

Liabilities	**2006 Rs**	**2007 Rs**	**Assets**	**2006 Rs**	**2007 Rs**
Equity share capital	300000	400000	Goodwill	115000	90000
8%redeemable preference share	150000	100000	Land and building	200000	170000
General reserve	40000	70000	Plant and machinery	80000	200000
Profit &loss a/c	30000	48000	Debtors	160000	200000
Proposed dividend	42000	50000	Stock	77000	109000
Creditors	55000	83000	Bills receivable	20000	30000
Bills payable	20000	16000	Cash in hand	15000	10000
Provision for taxation	40000	50000	Cash at bank	10000	8000
	677000	**817000**		**677000**	**817000**

Additional information:

a) Depreciation of Rs 10000 and Rs 20000 have been charged on plant and land and building a/c respectively in 2007.
b) Dividend of Rs 20000 has been paid in 2007.
c) Income tax Rs 35000 was paid in 2007.

5. Ramco cements present the following information and you are required to calculate fund from operations.

d) Dr **Profit and loss account** **Cr**

	Rs		Rs
To operation expenses	100000	By gross profit	200000
To depreciation	40000	By gain on sale of plant	20000
To loss on sale of building	10000		
To advertisement suspense a/c	5000		
To discount allowed	500		
To discount on issue of share written off	500		
To goodwill written off	12000		

To net profit	52000		
	220000		**220000**

UNIT- IV

1 .From the following figures, prepare raw materials purchase budget for January, 2007:

Particulars	**Materials (in units)**		
	A	**B**	**C**
Estimated opening stock	16000	6000	24000
Estimated closing stock	20000	8000	28000
Estimated consumption	120000	44000	132000
Standard price per unit	Rs.1	Rs.1.50	Rs.2.00

2) Prepare a cash budget from the following information for the three months commencing 1^{st} april 2010. On which date the cash balance was Rs.5000.

Month	**Purchases (Rs)**	**Sales (Rs)**	**Expenses (Rs)**
February	40000	80000	7200
March	45000	85000	7500
April	38000	78000	8000
May	42000	84000	9000
June	50000	95000	10500

Additional information:

i) Suppliers supply goods at 2 months credit.
ii) Debtors are given 1 month credit.
iii) 20% of sales constitute cash sales.
iv) Expenses are paid in the month following.

3) Explain in detail about the estimation of working capital requirement?

4) Cost sheet of a company provides the following particulars.

Raw materials 40%; Labor 10%; overheads 30%.

The following details are also available.

a) Raw materials remain in stores for 6weeks.
b) Processing time -4weeks.
c) Finished goods are in stock for 5 weeks.
d) Period of credit allowed to debtors 10 weeks.
e) Lag in payment of wages 2 weeks.
f) Period of credit allowed by creditors 4 weeks.
g) Selling price Rs.50 per unit.

h) Production in unit 13000 per annum.
Prepare an estimate of working capital.

5.From the following information you are required to estimate working capital requirements:

Annual sales	Rs 780000
Percentage of net profit to cost	25%
Credit allowed to debtors	8weeks
Credit allowed to creditors	4weeks
Stock	6 weeks

UNIT- V

1. From the following data you are required to calculate breakeven point and sales value at this point.

Particulars	**Rs**
Direct material cost per unit	10
Direct labour cost per unit	5
Fixed overhead	50,000
Variable overheads @ 60 % on direct labour	
Selling price per unit	25
Trade discount	4%

If sales are 10% and 25% above the break even volume, determine the net profits.

2. The following data are available from the records of a company:

Particulars	Rs
Sales	60,000
Variable cost	30,000
Fixed cost	15,000

You are required to :
(a) Calculate the P/V ratio, breakeven point, margin of safety at this level
(b) Calculate the effect of 10% increase in sale price.
(c) Calculate the effect of 10% decrease in sale price.

3.Company A and B both under the same management make and sell the same type of product. Their budgeted profit and loss accounts for the year ending 1996 are as follows:

Particulars	Company A		Company B	
Sales		3,00,000		3,00,000
Less: variable	2,40,000		2,00,000	

cost Fixed cost	30,000	2,70,000	70,000	2,70,000
Profit		30,000		30,000

You are required to :

(a) Calculate the break even points for each company
(b) Calculate the sales volume at which each of the two companies will make a profit of Rs.10,000.
(C). State which company is likely to earn greater profit in condition of :
1. Heavy demand for the product
2. Low demand for the product

Give your reason.

4.A firm is considering two alternative prices for its new product which is expected to be Marketed very soon. The sales department wants the prices to be Rs.20 per unit whereas the top management desires the price be fixed at Rs.22per unit. To resolve the controversy information was collected from the market research and the production Departments. The information collected is given below:

(1) Expected sales distribution per annum if prices Rs.20 per unit.

Sales in units	Probability
5,000	.20
5,500	.50
6,000	.30

(2) Expected sales distribution per annum if prices is Rs.22 per unit

Sales in units	Probability
4,500	.10
5,000	.40
5,500	.50

(3) Estimated cost for production upto Rs.6000 per units:

Variable cost per unit Rs.	Probability
10	.30
11	.70

Fixed cost are likely to be around Rs.35,000 per annum.

Which price the firm should choose? Show all calculations. Assume the decision has to be taken on the basis of the information supplied.

(Ans- Rs.22)

5. From the following information of a company producing three products, you are required to compute (a) composite P/V ratio, and (b) composite Break-Even point:

Product	Sales revenue	Variable cost
X	Rs.20,000	Rs.10,000
Y	40,000	14,000
Z	60,000	36,000

Fixed cost: Rs.50, 000.