

## MANAGEMENT ACCOUNTING (16UEC 620)

### KI LEVEL

#### Unit I

1. It is a statement of assets and liabilities on a particular
  - a. Trading account
  - b. Profit & loss account
  - c. Balance sheet
  - d. Fund flow statement**
  
2. It is prepared on the basis of the changes in fixed assets, long term liabilities and share capital ascertained on the basis of values of these items shown in the
  - a. Cash flow statement
  - b. Fund flow statement
  - c. Balancesheet**
  - d. None of the above
  
3. Management accounting information is used by
  - A. management**
  - B. banks
  - C. creditors
  - D. government
  
4. Which one of the following is not management accounting tool?
  - A. Standard costing
  - B. Marginal costing
  - C. budgeting

**D. process costing**

5. Which one of the following is not mandatory according to the laws?

A. Financial accounting

B. cost accounting

**C. Management accounting**

D. none of the above

6. Management accounting information is used by

**A. management**

B. banks

C. creditors

D. government

7. Which one of the following is not management accounting tool?

A. Standard costing

B. Marginal costing

C. budgeting

**D. process costing**

8. Which one of the following is not mandatory according to the laws?

A. Financial accounting

B. cost accounting

**C. Management accounting**

D. none of the above

9. The basic function of management accounting is

A. to record business transaction

B. to interpret the financial data

C. to classify the accounts

**D. to assists management in performing their functions**

10. Management accounting involves

A. preparation of financial statements

**B. analysis and interpretation of data**

C. recording of business transaction

D. none

11. Management accounting provides services to management in performing

**A. all management functions**

B. coordinating functions

C. controlling functions

D. HRD functions

12. Which one is the main reason for the introduction of management accounting?

**A. limitation of financial accounting**

B. limitations of cost accounting

C. limitations of HRD accounting

D. Limitations of inflation accounting

13. It helps the management in fixing individual responsibility for internal control

A. Tax accounting

B. Statistical Techniques

C. Internal audit

D. Interim reporting

14. The basic function of accounting is

A. Attain non-economic goals

B. Record economic data

**C. Classify and record business transactions**

D. None of these

15. Management accounting is an offshoot of

A. Financial accounting

B. Cost accounting

C. Cost accounting and inflation accounting

**D. Cost accounting and financial accounting**

16. Management accounting is suitable for

**A. Large industrial and trading concerns**

B. Co-operative societies

C. Small business

D. Non profit organisations

17. Management accounting helps in

A. Recording data

B. Analyzing data

**C. Interpretation of data**

D. None of these

18. Management accounting provides alternative choices for managerial

A. Accounts

**B. Decisions**

C. Interpretations

D. None of the above

19. This account is otherwise known as replacement or price level accounting

**A. Revaluation accounting**

B. MIS

C. Control accounting

D. Decision accounting

20. Management accounting provides valuable services to management in performing

A. Coordinating functions

B. Controlling functions

C. Planning functions

D. All management functions

## Unit II

1. The ratios which reflect managerial efficiency in handling the assets is

**A. turn over ratios.**

B. profitability ratios.

C. long term solvency ratio.

D. short term solvency ratio.

2. The ratios which reveal the final result of the managerial policies and performance is

A. turn over ratios.

**B. profitability ratios.**

C. long term solvency ratio.

D. short term solvency ratio.

3. Return on investment is a

A. turn over ratios.

B. long term solvency ratio.

**C. profitability ratios.**

D. short term solvency ratio.

4. Stock turnover ratio is a

**A. activity ratio**

- B. profitability ratio.
  - C. long term solvency ratio.
  - D. short term solvency ratio.
5. The ratio which measures the profit in relation to capital employed is known as
- A. return on investment.**
  - B. gross profit ratio.
  - C. operating profit ratio.
  - D. operating ratio.
6. Prepaid expenses is an example of
- A. fictitious asset
  - B. current assets.**
  - C. fixed assets.
  - D. current liabilities
7. P/V Ratio is an indicator of
- A. the rate at which goods are sold.
  - B. the volume of sales.
  - C. the volume of profit.
  - D. the rate of profit.**
8. Turnover ratio is also known as
- A. activity ratios.
  - B. solvency ratios.
  - C. liquidity ratio.
  - D. profitability ratios.**
9. Which ratio is calculated to ascertain the efficiency of inventory management?
- A. Stock velocity ratio.**

B. Creditors velocity ratio

C. Debtors velocity ratio.

D. Working capital turnover ratio.

10. Gross Profit Ratio = \_\_\_\_\_.

a) Sales - Cost of goods sold

b) Sales + Cost of goods sold

c) Opening stock+ Closing stock

d) Opening stock - Closing stock.

11. Sales -Gross Profit=.

A. net profit.

B. cost of production.

C. administrative expenses.

**D. cost of goods sold.**

12. Which ratio measures the number of times the receivables are rotated in a year in terms of sales?

A. Stock turnover ratio.

**B. Debtors turnover ratio.**

C. Creditors velocity ratio.

D. Working capital turnover ratio

13. The ratio which indicates the number of times the payables are rotated in a year is

A. stock turnover ratio.

B. debtors velocity ratio.

**C. creditors velocity ratio.**

D. working capital turnover ratio.

14. Current assets -(stock +prepaid expenses) =.

A. current assets.

B. fixed assets.

**C. liquid assets**

D. fictitious assets.

15. Current assets –current liabilities =.

A. fixed capital.

**B. working capital.**

C. closing capital.

D. opening capital.

16. Capital gearing ratio is also known as

**A. leverage ratio.**

B. fixed assets turnover ratio.

C. proprietary ratio.

D. debt equity ratio.

17. Shareholders 'funds +Long-term loans =

A. current assets.

B. fixed assets.

C. current liabilities.

**D. capital employed**

18. Net capital employed is equal to

A. total assets minus total liabilities.

**B. fixed assets plus net-working capital.**

C. total assets minus long-term liabilities.

D. total assets.

19. All those assets which are converted into cash in the normal course of business within one year are known as

**A. current assets.**

B. fixed assets.

C. fictitious assets.

D. wasting assets.

20. All those liabilities which are payable in cash in the normal course of business within a period of one year are called

A. long term liabilities.

B. over draft.

C. short term loans.

**D. current liabilities.**

### **Unit III**

1. In fund flow statement, issue of shares is

**A. sources of funds.**

B. applications of funds.

C. sources of cash.

D. applications of cash.

2. In funds flow statement, sale of fixed assets is

A. applications of funds.

B. sources of cash.

C. applications of cash.

**D. sources of funds.**

3. A cash flow statement is a statement which portrays the changes in the cash position between

**A. two accounting periods.**

- B. three accounting periods.
  - C. four accounting periods
  - D. five accounting periods.
4. The term cash in the context of cash flow analysis includes the cash balance and the
- A. working capital.
  - B. bank balance.**
  - C. capital.
  - D. fixed assets
5. Cash flow analysis is based on the
- A. capital.
  - B. fixed assets.
  - C. cash concept of funds.**
  - D. working capital.
6. If working capital is Rs. 1,00,000 and current ratio is 2:1, then the amount of current asset is
- A. Rs. 1,00,000
  - B. Rs. 2,00,000**
  - C. Rs. 1,50,000
  - D. Rs. 2,50,000
7. Which one of the following is correct?
- A. Cost of goods sold = sales - gross profit**
  - B. cost of goods sold = op. stock - purchases + clo. stock
  - C. cost of goods sold = op. stock + purchases + clo. stock
  - D. cost of goods sold = op. stock - purchases - clo. stock
8. Operating costs include cost of goods sold and
- A. purchases

B. sales

C. gross profit

**D. other operating expenses**

9. Profit on sale of fixed assets is

**A. non-trading income.**

B. operating income.

C. non-trading gains.

D. long term gain.

10. In fund flow statement, issue of shares is

**A. sources of funds.**

B. applications of funds.

C. sources of cash.

D. applications of cash.

11. While preparing working capital requirement, tax paid in advance is considered as

**A. current asset**

B. current liability

C. capital.

D. fixed assets.

12. Cash flow analysis is based on the

A. capital.

B. fixed assets.

**C. cash concept of funds.**

D. working capital.

13. In cash flow statement, sale of fixed assets is

A. cash from financing activities

B. cash from operating activities

**C. cash from investment activities**

D. none of the above

14. In fund flow statement, increase in debtors is

A. cash from financing activities

**B. cash from operating activities**

C. cash from investment activities

D. none of the above

15. Decrease in current liabilities is

**A. cash raised from operating activity**

B. cash raised from financing activity

C. cash raised form investment activities

d. none of the above

16. Increase in current assets is

**A. cash used in operating activities**

B. cash used in financing activity

C. cash used in investment activities

D. none of the above

18. Cash from operation is equal to

A. Net profit after tax

B. Net profit plus increase in current assets

C. Net profit plus decrease in current liabilities

**D. Net profit plus non-cash expenses plus decrease in current assets**

19. Increase in the amount of bills receivable results in

**A. Decrease in cash**

- B. Increase in cash
- C. No change in cash
- D. None of these

20. Increase in the amount of bills payable results in

- A. No change in cash
- B. Increase in cash**
- C. Decrease in cash
- D. None of these

#### Unit-IV

1. Production cost under marginal costing includes

- A. prime cost only.
- B. prime cost and fixed overhead.
- C. prime cost and variable overhead.**
- D. prime cost, variable overhead and fixed overhead.

2. Marginal cost considers only the for reporting to management

- A. variable cost**
- B. fixed cost
- C. standard cost
- D. production cost

3. One of the primary differences between marginal costing and absorption costing regarding the treatment of

- A. prime cost.
- B. fixed overheads.
- C. variable overheads**

D. direct materials.

4. Absorption costing differs from marginal costing is the

A. fact that standard costs can be used with absorption costing but not with marginal costing.

**B. amount of costs assigned to individual units of products.**

C. kind of activities for which each can be used.

D. amount of fixed costs that will be incurred.

5. Contribution margin is also known as

**A. marginal income.**

B. gross profit.

C. net profit.

D. net loss.

6. Period costs are

A. overhead costs.

B. prime cost.

C. variable cost.

**D. fixed costs.**

7. Contribution margin is equal to

**A. fixed cost-loss.**

B. profit+ variable cost.

C. sales -fixed cost-profit

D. sales - profit.

8. Margin of Safety is the difference between

A. planned sales and planned profit.

**B. actual sales and break-even sales.**

C. planned sales and actual sales.

D. planned sales and planned expenses.

9. An increase in variable costs

A. increases p/v ratio.

B. increases the profit.

**C. reduces contribution.**

D. increase margin of safety.

10. An increase in selling price

A. increases the break-even point.

**B. decreases the break-even point.**

C. does not affect the break-even point.

D. optimize the break-even point.

11. A high margin of safety indicates

A. overproduction.

B. overcapitalization.

**C. the soundness of the business.**

D. undercapitalization.

12. Angle of incidence is

**A. the sales line and the total cost line.**

B. the angle between the sales line and they-axis.

C. the angle between the sale and the x-axis.

D. the angle between the sale and total.

13. CVP analysis is most important for the determination of

A. relationship between revenues and costs at various levels of operations.

B. sales revenue necessary to equal fixed costs.

C. variable revenues necessary to equal fixed costs.

D. volume of operations necessary to Break-even.

14. The conventional Break-even analysis does not assume that

A. selling price per unit will remain fixed.

**B. total fixed costs remain the same.**

C. variable cost per unit will vary.

D. productivity per worker will remain unchanged

15. If fixed costs decrease while variable cost per unit remains constant, the new B.E.P in relation to the old B.E.P will be

A. lower.

**B. higher.**

C. unchanged.

D. indeterminate.

16. If fixed costs decrease while the variable cost per unit remains constant, the new contribution margin in relation to the old contribution margin will be

A. lower.

**B. unchanged.**

C. higher.

D. indeterminate.

17. Selling price per unit Rs. 10; Variable cost Rs. 8 per unit; Fixed cost Rs. 20,000; Break-even production in units

**A. 10,000.**

B. 16,300.

C. 2,000.

D. 2,500.

18. Sales Rs. 25,000; Variable cost Rs. 8,000; Fixed cost Rs. 5,000; Break-even sales in value

A. Rs. 7,936.

**B. Rs. 7,353.**

C. Rs. 8,333.

D. Rs. 9,090.

19. Fixed cost Rs. 80,000; Variable cost Rs. 2 per unit; Selling price Rs. 10 per unit; Turnover required for a profit target of Rs. 60,000 will be

**A. Rs. 1,75,000**

B. Rs. 1,17,400

C. Rs. 57,000.

D. Rs. 1,86,667.

20. Marginal costing is a technique of

A. cost reduction

**B. cost control**

C. budgeting.

D. standard costing.

## **Unit V**

1. The budget is a

A. post-mortem analysis.

B. substitute of management.

**C. an aid to management.**

D. calculation.

2. One of the most important tools of cost planning is

**A. budget.**

B. direct cost. C. unit cost.

D. cost sheet.

3. Sales budget is a

- A. functional budget.**
- B. expenditure budget.
- C. master budget.
- D. flexible budget.

4. The budget which usually takes the form of budgeted profit and loss account and balance sheet is known as

- A. flexible budget.
- B. master budget.**
- C. cash budget.
- D. purchase budget.

5. Which of the following is usually a long-term budget?

- A. Fixed budget.
- B. Cash budget.
- C. Sales budget.
- D. Capital expenditure budget.**

6. The fixed and variable cost classification has a special significance in the preparation of

- A. capital budget.
- B. cash budget.
- C. master budget.
- D. flexible budget.**

7. The budget, which is prepared first to fall is

- A. master budget.
- B. cash budget.
- C. budget for key factor.**

D. none of these. ANSWER:C

8. What type of budget is designed to take into account forecast change in costs, prices, etc?

A. Master budget

**B. Rolling budget**

C. Budget cost allowance method

D. Flexible budget

9. What type of budget is designed to take into account forecast change in costs, prices, etc?

A. Master budget

**B. Rolling budget.**

C. Flexible budget.

D. Functional budget.

10. Operation budgets normally cover a period of

A. one to ten years.

B. one to two years.

C. one to five years.

**D. one year or less.**

11. The entire process of preparing the budgets is known as

A. planning.

B. organizing.

**C. budgeting.**

D. controlling.

12. Budgetary control starts with

A. planning.

B. organizing.

**C. budgeting.**

D. controlling.

13. Budgetary control ends with

A. planning.

B. organizing.

C. budgeting.

**D. control.**

14. Budget designed to remain constant irrespective of the level of activity attained is called

**A. fixed budget.**

B. flexible budget

C. sales budget.

D. production budget.

15. These kind of budgets are most suited for fixed expenses

**A. Fixed budget**

B. Flexible budget

C. Overhead budget

D. Sales budget

16. Zero base budgeting was first used by

A. Alen

B. Charless

**C. Jimmer carter**

D. Philips

17. Financial budgets are subsidiary to

A. Cash budget

**B. Master budget**

C. Fixed budget

D.Flexible budget

18.It determines the priorities in functional budgets

A.Fund

B)Prime factor

C.Key factor

D.Budget

19.It defines the objectives and policies of the undertakings as a whole

A.Budget

B.Budgeting

**C.Budgetary control**

D.Planning

20.It is the estimate of the receipts and payments for each month or other period forming part of the whole budget period

A.Sales budget

**B.Cash budget**

C.Production budget

D.Flexible budget

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## **K2 LEVEL**

### **Unit I**

1. What is management accounting?

**Management accounting is the presentation of accounting information in such a way as to assist management in the creation of policy and in the day -to-day operation of undertaking**

2. What is cause and effect analysis?

**It attempts to examine the cause and effect of different variables**

3. How management accounting and financial accounting differs on methodology basis?

**In financial accounting records are maintained in the form of revenue, income and expenditure, personal accounts and property accounts etc. In management accounting costs and revenue are mostly reported by responsibility centers or profit centers.**

4. What is internal audit?

**It helps the management in fixing responsibility of different individuals**

5. What do you mean by forecasting?

**It is a prediction of what will happen as a result of a given set of circumstances**

6. What do you mean by personal bias?

**The interpretation of financial information depends upon the capacity of interpreter as one has to make a personal judgement.**

7. Mention some important components of current assets.

**Cash in hand, cash at bank, bills receivables, stocks, debtors.**

8. Give four examples of non-current assets

**Goodwill, land, building, plant and machinery**

9. What is marginal costing?

**It is highly useful to take various vital decisions like price fixation profit planning etc.**

10. State the importance for historical cost accounting

**The actual cost is compared to the standard cost to know the performance of the business concern**

## **Unit-II**

1. What is the quick ratio?

**The quick ratio is a financial ratio used to gauge a company's liquidity. The quick ratio is also known as the acid test ratio**

2. What is the accounts receivable turnover ratio?

**The accounts receivable turnover ratio is an important financial ratio that indicates a company's ability to collect its accounts receivable. Collecting accounts receivable is critical for a company to pay its obligations when they are due.**

3. What is the current ratio?

**The current ratio is a financial ratio that shows the proportion of a company's current assets to its current liabilities. The current ratio is often classified as a liquidity ratio and a larger current ratio is better than a smaller one. However, a company's liquidity is dependent on converting the current assets to cash in time to pay its obligations.**

4. What is the working capital turnover ratio?

**The working capital turnover ratio is also referred to as net sales to working capital. It indicates a company's effectiveness in using its working capital.**

5. What are accounting ratios?

**Accounting ratios, which are also known as financial ratios, are one part of financial statement analysis. Accounting ratios will often relate one financial statement amount to another financial statement amount. For instance, the inventory turnover ratio divides a company's cost of goods sold for a recent year by the company's average inventory during that year.**

6. What is a liquidity ratio?

**A liquidity ratio is a financial ratio that indicates whether a company's current assets will be sufficient to meet the company's obligations when they become due.**

7. What is the acid test ratio?

**The acid test ratio is similar to the current ratio except that Inventory, Supplies, and Prepaid Expenses are excluded. In other words, the acid test ratio compares the total of the cash, temporary marketable securities, and accounts receivable to the amount of current liabilities.**

8. What is the inventory turnover ratio?

**The inventory turnover ratio is an important financial ratio that indicates a company's ability to sell its goods. Converting inventory into cash is critical for a company to pay its obligations when they are due.**

9. What is the debt to equity ratio?

**The debt to equity ratio or debt-equity ratio is calculated by dividing a corporation's total liabilities by the total amount of stockholders' equity: (Liabilities/Stockholders' Equity).**

10. Current assets -(stock +prepaid expenses) =.

**Liquid assets**

### **Unit III**

1. What is working capital?

**Working capital is defined as current assets minus current liabilities.**

2. What is fund flow statement?

**It is a financial statement which reveals the methods by which the business has been financed and how it has used its funds between the opening and closing balance sheet date.**

3.. Give the meaning of flow of fund?

**Flow of fund means change in fund or change in working capital**

4. What is working capital?

**The excess of current assets over current liabilities**

5. Give two examples of sources and applications of fund

**Sources: issue of shares, sale proceeds of machinery**

**Applications: purchase of land and buildings, purchase of plant and machinery**

6. What is the adjustment for interim dividend paid in fund flow statement?

**It will appear as an application in the funds statement and on the debit side of adjusted profit and loss account**

7. How can you calculate cash from operation for outstanding expenses?

**Cash from operation = Net profit + closing outstanding expenses - opening outstanding expenses**

8. What is cash flow statement?

**It concentrates to transactions that have a direct impact on cash**

9. Give one limitation for cash flow statement

**Cash flow statement only reveals the inflow and outflow of cash**

10. What is golden rule for decreasing cash in cash flow statement?

**Increase in a current asset decrease in a current liability**

#### **Unit-IV**

1. Definition of Break-even Point

**The break-even point in sales dollars can be calculated by dividing a company's total fixed expenses by the company's contribution margin ratio.**

2. What is the margin of safety?

**In break-even analysis, the term margin of safety indicates the amount of sales that are above the break-even point. In other words, the margin of safety indicates the amount by which a company's sales could decrease before the company will have no profit.**

3. What is a variable cost?

**A variable cost is a constant amount per unit produced or used. Therefore, the total amount of the variable cost will change proportionately with volume or activity. Generally, a product's direct materials are a variable cost.**

4. What is the difference between break-even point and payback period?

**Break-even point is the volume of sales or services that will result in no net income or net loss on a company's income statement. In other words, the break-even point focuses on the revenues needed to equal exactly all of the expenses on a single income statement prepared under the accrual method of accounting.**

5. How do you reduce the break-even point?

**Ways to reduce a company's break-even point include 1) reducing the amount of fixed costs, 2) reducing the variable costs per unit thereby increasing the unit's contribution margin, 3) improving the sales mix by selling a greater proportion of the products having larger contribution margins, and 4) increasing selling prices so long as the number of units sold will not decline significantly.**

6. What is marginal cost?

**Marginal cost is the cost of the next unit or one additional unit of volume or output.**

7. What is the contribution margin ratio?

**The contribution margin ratio is the percentage of sales, service revenues or selling price that remains after all variable costs and variable expenses have been covered. In other words, the contribution margin ratio is the percentage of revenues that is available to cover a company's fixed costs, fixed expenses, and profit.**

8. What is the break-even point?

**In accounting, the break-even point refers to the revenues necessary to cover a company's total amount of fixed and variable expenses during a specified period of time. The revenues could be stated in dollars (or other currencies), in units, hours of services provided, etc.**

9. What is contribution margin?

**In accounting contribution margin is defined as revenues minus variable expenses. In other words, the contribution margin reveals how much of a company's revenues will be contributing (after covering the variable expenses) to the company's fixed expenses and net income. The contribution margin can be presented as 1) the total amount for the company, 2) the amount for each product line, 3) the amount for a single unit of product, and 4) as a ratio or percentage of net sales.**

10. How do you calculate the break-even point in terms of sales?

**The break-even point in sales dollars can be calculated by dividing a company's total fixed expenses by the company's contribution margin ratio.**

## **Unit V**

1. What is budgeting?

**The entire process of preparing the budget is known as budgeting**

2. What is budgetary control?

**It is a system of controlling costs which includes the preparation of budgets, co-operating the departments and establishing responsibilities, comparing actual performance with the budgeted; and acting upon results to achieve maximum profitability.**

3. State the meaning of flexible budget?

**This is a dynamic budget. It is a budget which is designed to change in accordance with the level of activity**

4. What is cash budget?

**The budget represents the amount of cash receipts and a balance during the budgeted period**

5. What is production budget?

**It is a budget prepared by the production manager showing the forecast of output**

6. What is master budget?

**It is a summary budget for the entire enterprise and embodies the summarized figures for various activities.**

6. State the meaning of budgeting

**According to Batty –It is the entire process of preparing the budget is known as budgeting.**

7. Write any two objectives of budgeting.

**To obtain more economical use of capital.**

**To prevent waste and reduce expenses.**

8. What is zero based budgeting?

**Taking the previous figure as the base, the required adjustments are made for the impact of inflation, proposed increased or decreased level of activity etc.**

9. What is fixed budget?

**This is the budget which is designed to remain unchanged irrespective of the level of activity actually attained.**

10. What is raw material budgeting?

**The direct raw materials budget adds the raw materials required for production to the anticipated or desired final direct raw material balance.**

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### **K3 LEVEL**

#### **Unit I**

1. Explain the characteristics of management accounting
2. Enumerate the objectives management accounting
3. Explain the differences between management accounting and cost accounting
4. List out the main tools of management accounting
5. Distinguish between management accounting and financial accounting

#### **Unit II**

1. Calculate Gross Profit Ratio:

	Rs.
Sales	2,20,000
Sales Return	20,000
Opening Stock	30,000
Purchase	1,75,000
Purchase Returns	15,000
Closing Stock	40,000

2. What are the Limitations of Ratio Analysis?
3. The following is the Trading Account of Mr. Rishath.

Calculate Stock Turnover Ratio.

To opening stock	15,920	By Sales	78,000
To purchase	39,000	By closing Stock	14,000
To carriage	1,000		
To Gross Profit	<u>36,480</u>		_____
	<u>92,400</u>		<u>92,400</u>

4. From the following, you are required to calculate Liquidity Ratios.

Debtors	10,000	Creditors	8,000
Cash in Hand	8,000	Bills Payable	6,000
Cash at Bank	12,000	Outstanding Exp	500
Short term investment	4,000	Bills Receivable	6,000
Prepaid Exp	2,000	Closing Stock	16,000

5. Compute the inventory turnover for each of the three years shown below and give your comments on the results:

	2011 Rs.	2012 Rs.	2013 Rs.
Cost of goods sold	7,60,417	8,54,413	9,55,817
Average inventory	3,36,420	3,08,243	3,10,412

### Unit III

1. From the following Balance sheets of Abinav Ltd., You are required to prepare a schedule of changes in Working Capital and statement of Flow of Fund:

Particulars	31st Dec.2012	31st Dec.2013
	Rs.	Rs.
<b>Assets:</b>		
Land & Buildings	50,000	50,000
Plant	24,000	34,000
Stock	9,000	7,000
Debtors	16,500	19,500
Cash at Bank	4,000	9,000
	103,500	119,500
<b>Liabilities:</b>		
Capital	80,000	85,000
Profit & Loss	14,500	24,500
Creditors	9,000	5,000
Mortgage	Nil	5,000
	<b>103,500</b>	<b>119,500</b>

2. After taking on to consideration the under mentioned items, srinidi ltd made a net profit of Rs.1, 00,000 for the year ended 31<sup>st</sup> December 2016

Loss on sale of machinery	10,000
Depreciation on building	4000

Depreciation on machinery	5,000
Preliminary expenses written off	5,000
Provision for taxation	10,000
Goodwill written off	5,000
Gain on sale of buildings	8,000

Find out cash from operation.

3. Net profit for the year Rs.1, 00,000 From the following Balance sheets of prem&co, You are required to prepare a schedule of changes in Working Capital

Particulars	31st Dec.2016	31st Dec.2017
	Rs.	Rs.
<b>Assets:</b>		
Plant	75,000	1,00,000
Stock	121,000	1,36,000
Debtors	1,81,000	1,70,000
Cash	1,43,000	2,70,000
	<b>5,20,000</b>	<b>6,76,000</b>
<b>Liabilities:</b>		
Share Capital	4,00,000	5,75,000
Profit & Loss	14,500	24,500
Creditors	1,06,000	70,000
	<b>5,20,000</b>	<b>6,76,000</b>

Opening debtors Rs.7, 000

Closing debtors Rs.13, 000

Find the cash from operation.

4. From the following balances, you are required to calculate cash from operations:

Particulars	31st December	
	2015 Rs.	2016 Rs.
Debtors	50,000	47,000
Bills Receivable	10,000	12,500
Creditors	20,000	25,000
Bills Payable	8,000	6,000

Expenses O/S	1,000	1,200
Expenses Prepaid	800	700
Accrued Income	600	750
Income received in Advance	300	250
Net Profit made	Nil	1,30,000

5. Ramco cements presents the following information and you are required to calculate funds from operations:

	Rs		Rs
To operation expenses	1,00,000	By gross profit	
To depreciation	40,000	By gain on sale of plant	2,00,000
To loss on sale of building	10,000		20,000
To advertisement suspense account	5,000		
To discount allowed	500		
To discount on issue of shares written off	12,000		
To goodwill written off	52,000		
To net profit	2,20,000		
Total			2,20,000

#### Unit IV

1. From the following particulars calculate the break-even point:

Variable cost per unit	Rs.12
Fixed expenses	Rs.60,000



The desirable closing balances at the end of the next year are:

Finished products: 14,000 Units

Material A 13,000 Units

Material B 16,000 Units

Drop up a quantitative chart showing materials purchase budget for the next year

2. From the following prepare a statement showing changes in working capital during 2015:

Balance sheets of pioneer ltd., as on 31<sup>st</sup> December

Particulars	2015 Rs.	2016 Rs.	Particulars	2015 Rs.	2016 Rs.
Share capital	5,00,000	6,00,000	Fixed Assets	10,00,000	11,20,000
General Reserve	1,50,000	1,80,000	Less: Depreciation	3,70,000	4,60,000
Profit and loss account	40,000	65,000		6,30,000	6,60,000
Debenture	3,00,000	2,50,000	Stock	2,40,000	3,70,000
Credit for goods	1,70,000	1,60,000	Book debts	2,50,000	2,30,000
Provision for Income tax	60,000	80,000	Cash in hand and at bank	80,000	60,000
			Preliminary expenses	20,000	15,000
	12,20,000	13,35,000		12,20,000	13,35,000

3. The budgeted output of a factory specializing in the production of single product at the optimum capacity of 6,400 units per annum amounts to Rs. 1, 76,048 as detailed below:

Particulars	Rs.	Rs.
Fixed cost		20,688
Variable cost:		
Power	1,440	
Repair etc.	1,700	

Miscellaneous	540	
Direct materials	49,280	
Direct Labour	1,02,400	1,55,360
		1,76,048

Having regard to possible impact on sales turnover by market trends, the company decides to have a flexible budget with a production of 3,200 and 4,800 units (the actual quantity proposed to be produced being left to a later date before commencement of budget period). Prepare a flexible budget for production levels at 50% and 75%. Assuming the sale per unit is maintained at Rs.40 as at present; indicate the effect on net profit.

Administration selling and distribution expenses continue at Rs. 3,600

4. A company workings at 50% capacity manufactures 10,000 units of a product. At 50% capacity the product cost is Rs.180 and sale price is Rs.200. The breakup of the cost is as below:

Particulars	Cost per unit Rs.
Materials	100
Wages	30
Factory	30(40% fixed)
Administration overheads	20(50%fixed)

At 60% working raw material cost goes up by 2% and sales price falls by 2%. At 80% working the raw material cost increases by 5% and sale price decreases by same percentages i.e., 5%.

Prepare a statement to show profitability at 60% and 80% capacity.

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

At 60% capacity

Variable overheads:

Indirect materials

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

## K4 LEVEL

### Unit I

1. Examine the scope of management accounting.
2. Management accounting is accounting for effective management-Explain this statement
3. Distinguish between financial accounting and management accounting.
4. Explain the functions of management accounting
5. Bringout the limitations of management accounting

### Unit II

1.From the following particulars pertaining to Assets and Liabilities of CBZ Company Ltd you are require to calculate

- a) Current Ratio,
- b) Liquid Ratio,
- c) Proprietary Ratio,
- d) Debt-Equity Ratio and
- e) Capital Gearing Ratio.

<b>Liabilities</b>	<b>Amount (Rs.)</b>	<b>Assets</b>	<b>Amount (Rs.)</b>
5,000 Equity Shares of Rs. 100 each.	5,00,000	Land and Buildings	6,00,000
2,000 8% Preference Shares of Rs. 100 each.	2,00,000	Plant and Machinery	5,00,000
4,000 9% Debentures of Rs. 100 each.	4,00,000	Stock	2,40,000
Reserves	3,00,000	Debtors	2,00,000
Creditors	1,50,000	Cash and Bank	55,000
Bank Overdraft	50,000	Pre-paid expenses	5,000
	<b>16,00,000</b>		<b>16,00,000</b>

2. Describe the different way of Classifying Ratios.

3. The following figures relate to Vimala Traders Ltd. for the year ended 31<sup>st</sup> December 2010.

Trading and Profit & Loss A/c

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Opening Stock		75,000	By Sales	5,20,000	
To purchase		3,25,000	<u>Less: Return</u>	<u>20,000</u>	5,00,000
To Gross Profit		2,00,000	By closing Stock		1,00,000
		6,00,000			6,00,000
<u>To Operating</u>			By gross profit		2,00,000
<u>Expenses:</u>					
Administration	40,000		<u>By non-</u>		
			<u>operating Income:</u>		
Selling &		65,000	Dividend	9,000	
Distribution exp	<u>25,000</u>				
<u>To non-operating</u>			Profit on sale of	<u>11,000</u>	20,000
<u>Exp:</u>			Shares		
Loss on sale of		5,000			
Assets					
To Net Profit		1,50,000			
		<u>2,20,000</u>			<u>2,20,000</u>

**Balance Sheet on 31<sup>st</sup> December 2010**

Liabilities	Amount (Rs.)	Assets	Amount Rs.
<u>Issued Capital:</u>		Land & Building	1,50,000
2000 Equity Shares of	2,00,000	Plant & Machinery	80,000
Rs.100 each			
Reserves	90,000	Stock	1,60,000
Current liabilities	15,00,000	Debtors	80,000
Profit & Loss A/c	60,000	Cash & Bank	30,000
	<u>5,00,000</u>		<u>5,00,000</u>

Calculate      i) Gross Profit Ratio    ii) Operating Ratio    iii) Operating Profit Ratio

- iv) Net Profit Ratio    v) Expenses Ratio    vi) Stock Turnover Ratio  
 vii) Return on Total Resources    viii) Turnover of fixed Assets  
 ix) Turnover of Total Assets.

4. From the following particulars pertaining to assets and liabilities of a company;

- Calculate i) Current Ratio    ii) Liquid Ratio  
 iii) Proprietary Ratio    iv) Debt Equity Ratio and  
 v) Capital Gearing Ratio.

Liabilities	Amount (₹)	Assets	Amount (₹)
5000 equity shares of Rs. 100 each.	5,00,000	Land & Buildings	6,00,000
2000 8% preference Shares Rs.100 each	2,00,000	Plant & Machinery	5,00,000
4000 9% Debentures of Rs.100 each.	4,00,000	Stock	2,40,000
Reserves	3,00,000	Debtors	2,00,000
Creditors	1,50,000	Cash & Bank	55,000
Bank O/D	50,000	Prepaid Expenses	5,000
	<b>16,00,000</b>		<b>16,00,000</b>

5. List out the Limitations of Ratio Analysis?

### Unit III

1. From the following two balance sheets as at December 31, 2014 and 2015 you are required to prepare statements of sources and uses of funds.

Particulars	2014	2015	2014	2015
Liabilities:				
Share Capital	40,000	45,000		
Trade Creditors	10,000	23,000		
Profit & Loss A/c	2,30,000	2,50,000		
Assets:				
Cash			30,000	47,000
Debtors			1,20,000	1,15,000

Stock in trade			80,000	90,000
Land			50,000	66,000
	2,80,000	3,18,000	2,80,000	3,18,000

2. You are required to prepare a cash budget for three months starting on 1<sup>st</sup> May, 2017 when there was a cash balance of Rs.8000

The Balance sheets of National co as on 31<sup>st</sup> December 2016 and 31<sup>st</sup> December 2017 are as follows.

Liabilities & Capital	2016 Rs.	2017 Rs.	Assets	2016 Rs.	2017 Rs.
Share capital	5,00,000	7,00,000	Land & Buildings	80,000	1,20,000
P/L	1,00,000	1,60,000	Plant & Machinery	5,00,000	8,00,000
General Reserve	50,000	70,000	Stock	1,00,000	75,000
Sundry Creditors	1,53,000	1,90,000	Sundry Debtors	1,50,000	1,60,000
Bills Payable	41,000	50,000	Cash	22,000	20,000
Expenses O/S	7,000	5,000			
	8,51,000	11,75,000		8,52,000	11,75,000

**Additional Information:**

- Rs. 50,000 depreciation has been charged on Plant & Machinery during 2017.
- A piece of Machinery was sold for Rs. 8,000 during the year 2017. It had cost Rs.12, 000; depreciation of Rs.7, 000 had been provided on it.

Prepare a Schedule of changes in Working capital and a statement showing the sources and Application of funds for 2018

3. From the following information relating to X & Co prepare funds flow statement

Liabilities	2017 Rs.	2018 Rs.	Assets	2017 Rs.	2018 Rs.
Share capital	3,00,000	4,00,000	Cash	30,000	90,000
General Reserve	1,00,000	50,000		1,05,000	
Retained earnings	30,000	60,000	Accounts receivable		1,50,000
Accounts payable	45,000	1,35,000	Inventories	1,50,000	1,95,000
			Fixed assets	1,90,000	2,10,000
	4,75,000	6,45,000		4,75,000	6,45,000

The company issued bonus shares for Rs.50,000 and for cash RS.50,000. Depreciation written off during the year Rs.15,000

4. How does cash flow statement differ from a fund flow statement?

5. The following are the balancesheets of AB Ltd as on Dec.31 2015 and Dec.2016

liabilities	2015	2016	assets	2015	2016
Share capital	2,00,000	2,50,000			
Profit and loss account	1,60,000	3,00,000	Fixed assets	3,50,000	4,75,000
Premium on shares	-	5,000	stock	1,00,000	95,000
Accumulated depreciation	80,000	60,000	debtors	43,000	50,000
Debentures	60,000	-	Prepaid expenses	4,000	5,000
Creditors	37,800	40,200	cash	15,800	10,200
			Discount on debentures	25,000	20,000

Additional information:

1.net income for the year Rs.1,40,000

2.An addition to the fixed asset was made during the year at a cost of Rs.1,65,000 and a fully depreciated machinery costing Rs.40,000 was discarded ,no saslvage realized.

3.Depreciation for the year Rs.20,000

4.Income tax paid was Rs.40,000

5.Interim dividend paid during the year Rs.20,000.

You are require to prepare

i)A statement of schedule of changes in working capital

ii)A statement of sources and application of funds

#### Unit- IV

1.A company budget for the production of 1,50,000 units. The variable cost per unit is Rs. 14 and fixed cost is Rs. 2 per unit. The company fixes its selling price to fetch a profit of 15 % of a cost.

a) What is breakeven point?

b) What is profit volume ratio?

c) If it reduces its selling price by 5%, how does the revised selling price affect the break even and PV ratio?

d) If a profit increases of 10 % is desired more than the budget, what should be the sale at the reduced price?

2.The following in formations are given for two companies.

	X Ltd.	Y Ltd.
Units produced and sold	17,000	17,000
Revenues	1,70,000	1,70,000
Fixed costs	85,000	34,000
Operating income	51,000	51,000
Variable cost	34,000	85,000

Find out the Break-Even Point of each company both in units as well as in volume.

3.From the following information relating to Quick standard Ltd., you are required to find out

- P.V Ratio
- Break Event point
- Profit
- Margin of Safety.

Total fixed cost	Rs.4,500
Total variable cost	Rs.7,500
Total Sales	Rs.15,000.

4. Explain the advantages and disadvantages of marginal costing.

5. The following data are obtained from the record of a company.

	First year	Second year
Sales	80,000	90,000
Profit	10,000	14,000

Calculate the BEP

## Unit V

1. Briefly different types of budgeting.

2. Summarized below are the Income and Expenditure forecasts of George Ltd for the moments of March to August, 2017

Month	Sales (all credit)	Purchases (all credit)	Wages	Manufacturing Expenses	Office Expenses	Selling Expenses
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
March	60,000	36,000	9,000	4,000	2,000	4,000
April	62,000	38,000	8,000	3,000	1,500	5,000
May	64,000	33,000	10,000	4,500	2,500	4,500
June	58,000	35,000	8,500	3,500	2,000	3,500
July	56,000	39,000	9,500	4,000	1,000	4,500
August	60,000	34,000	8,000	3,000	1,500	4,500

You are given the following future information:

a) Plant costing Rs.16000 is due for delivery in July payable 10% on delivery and the balance after three months.

b) Advance Tax of Rs.8,000 is payable in March and June each

c) Period of credit allowed i) by suppliers 2 months and ii) to customers 1 month.

d) Lag in payment of manufacturing expenses  $\frac{1}{2}$  month.

e) Lag in payment of all other expenses 1 month.

3. You are required to prepare a cash budget for three months starting on 1<sup>st</sup> May, 2017 when there was a cash balance of Rs.8000

The Balance sheets of National co as on 31<sup>st</sup> December 2016 and 31<sup>st</sup> December 2017 are as follows.

Liabilities & Capital	2016 Rs.	2017 Rs.	Assets	2016 Rs.	2017 Rs.
Share capital	5,00,000	7,00,000	Land & Buildings	80,000	1,20,000
P/L	1,00,000	1,60,000	Plant & Machinery	5,00,000	8,00,000
General Reserve	50,000	70,000	Stock	1,00,000	75,000
Sundry Creditors	1,53,000	1,90,000	Sundry Debtors	1,50,000	1,60,000
Bills Payable	41,000	50,000	Cash	22,000	20,000
Expenses O/S	7,000	5,000			
	8,51,000	11,75,000		8,52,000	11,75,000

**Additional Information:**

- i) Rs. 50,000 depreciation has been charged on Plant & Machinery during 2017.
- ii) A piece of Machinery was sold for Rs. 8,000 during the year 2017. It had cost Rs.12, 000; depreciation of Rs.7, 000 had been provided on it.

Prepare a Schedule of changes in Working capital and a statement showing the sources and Application of funds for 2018

4. From the following forecasts of income and expenditure prepare a cash budget for the three months commencing 1<sup>st</sup> June, when the bank balance was Rs. 1,00,000

	<b>Sales</b>	<b>Purchase</b>	<b>Wages</b>	<b>Factory expenses</b>	<b>Admin. Selling expenses</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
April	80,000	41,000	5,600	3,900	10,000
May	76,500	40,500	5,400	4,200	14,000
June	78,500	38,500	5,400	5,100	15,000
July	90,000	37,000	4,800	5,100	17,000
August	95,000	35,000	4,700	6,000	13,000

A sales commission of 5 per cent on sales, due two months after sales, is payable in addition to selling expenses. Plant valued at Rs. 65,000 will be purchased and paid for in August, and the dividend for the last financial year of Rs. 15,000 will be paid in July. There is a two month credit period allowed to customers and received from suppliers.

5. What is zero base budgeting? Explain its benefits.

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