## UNITI

1. Management accounting is also known as

   a.Price level accounting  b. Historical cost accounting

   **c. Financial accounting**  d. Decision Accounting

2. Who coined the concept of management accounting?

   a. R.N Anthony **b. James H. Bliss** c. J. Batty d. Alfored

3. Financial accounting deals with

   a. Determination of cash  **b. Determination of profits**

   c. Determination of prices  d. Determination of figures

4. Financial accounts records only

   **a. Actual figures**  b. Budgeted figures  c. Standard figures  d. Optional figures

5. The term Management accountancy was first used in

   **a.1950**  b. 1939  c. 1910  d. 1947

6. Management accounting is basically concerned with

   **a. Recording of transaction**  b. The problem

   c. Causative relationship  d. only b and c

7. Management accounting analyses accounting data with help of

   **a. Auditors**  b. Statutory forms  c. Tools and Techniques  d. None of these

8. Management accounting and cost accounting functions are

   a. Neutral in effect  b. complementary in nature

   **c. Contradictory in nature**  d. none of these

9. The basic function of accounting is to

   a. Attains non-economic goals  b.Record economic data

   **c. Classify and record business transaction** d. None of these

10. Management accounting maintains

    a. Journal  b. Journal and ledger  c. Ledger alone  **d. None of these**

11. Management accounting helps management in

    a. Preparation of final accounts  b. Raising finance

    c. Filing returns  **d. Decision making**

12. Management accounts analyses accounting data with help of

    **a. Tools and Techniques**  b. Statutory forms  c. Auditors  d. None of these

13. Management accounts is suitable for

    a. Small business    b. Cooperative societies

    c. Non profit organisations    **d. large industrial and trading concerns**

14. Standard costing is a cost control____________used in management accounting

    a.Auditors    b. Inventory    **c. Method**    d. Techniques

15. Management accounting uses primary data from financial accounting and __________accounting.

    **a. Cost**    b) Corporate    c. Business    d. Investment

16. Financial statement analysis is extensively used in management accounting to assess the ___________of a business concern.

    a. Techniques    b. Tools    c. Methods    **d. Performance**

17. Marginal costing is a______________ used in management accounting for the purpose of profit planning.

    a. Decisions    **b. Technique**    c. Forecasting    d. Planning

18. How was the management accounting helpful?

    a. Efficiency of data    b. Determining profits

    c. Fixing prices    **d. Interpretation of data**

19. What accounting is helps in finding out economical and non economical fields of production?

    a.Mangement A/c    b.Finacial A/c    c. Corporate A/c    **d. Cost A/c**

20. How to assist management in management accounting?

    a.Only in control    b. Only in direction

    c. Only in planning    **d. In planning, direction and control**

**UNIT II**

21. The term Funds refer to

    a.Reserves    **b. Working capital**    c. Profits    d.None of these

22. Funds from operation is

    a.Gross profit    b. Net profit    c. Operating profit    **d. None of these**

23. In the funds flow statement, depreciation is

    a. Deducted from net profit    **b. Added to net profit**

    c. A source of working capital    d. ignored

24. Current assets include

a. Land b. Machinery c. Furniture **d. Sundry debtors**

25. State which of the following in non current assets

**a. Good will** b. Debtors c. Stock d. Prepaid rent

26. State which of the following is non-current liability

a. Sundry creditors b. Outstanding expenses c. Bank over draft **d.Debentures**

27. Which of the following will result into application funds

a. Sale of plant b. Issue of share capital

**c. Purchase of land** d. Payment to creditors

28. Profit made by a business concern will result in equal increase of

**a.Net worth of the business** b. Net working capital

c. gross working capital d. cash balance

29. Increase in the amount of bills receivable result in

a. Increase in cash **b. Decrease in cash** c.No change in cash d.Increase in capital

30. Increase in the amount of bill payable result in

a.No change in cash **b. Increase in cash** c.Decrease in cash d. None of these

31. Cash flow include

a. Cash payment only b. Cash receipts only

**c. Cash receipts and payments** d. Cash and non-cash incomes and expenses

32. Net worth refers to owners

a.share b. Bond c. Stock **d. Fund**

33. Working capital is difference between

a. sundry creditors and sundry debtors **b.current assets and current liabilities**

c. cost of good sold d.All the above

34. Decreases in creditors in a__________of cash.

**a. Creditors at the end** b.Debtors at the end

c.creditors at the beginning d.Debtors at the beginning

35. Gross working capital is the

**a.Total value of current assets** b. Total value of fixed assets

c. Total value of all assets d. None of these

36. Deprecation is

a.An external sources of funds b. An application fund

**c.A non fund item** d. An sources fund

37. Sales of a fixed assets is

a. An item of funds from operation **b. An external sources of funds**

c.An application funds d. An sources of fund

38. Funds inflow from operations is

a.An internal sources of funds b. An application of funds

**c.An external sources of funds** d. An sources of funds

39. Issue of bonus shares out of reserves

a. Increases working capital b. Decreases working capital

**c. Does not affect working capital** d. Does affect working capital

40. Income from long term investment is

**a.Sources of funds** b. Application of funds

c. Cash inflow from operation d. Cash outflow from operation

**UNIT III**

41. Marginal cost is

a.Prime cost **b. Variable cost** c. fixed cost d. Works cost

42. Absorption costing takes into account

**a.Total cost** b. Fixed cost c. Variable cost d. Work cost

43. Contribution is

a.Excess of sales over total cost b. Excess of cost of sales over sales

c.Excess of sales over fixed asset **d. Excess of sales over variable cost**

44. P/V ratio is

a. Price volume ratio b. Price variance ratio

**c. Contribution to sales ratio** d. Total cost to sales ratio

45. Break even point is

a.Sales at which profit is profit b. Sales at which there is loss

**c. Sales at which there is no profit or loss** d. None of the above

46. Margin of safety is

a.Sales at which there is profit b. Sales at which there is loss

**c. Sales in excess of BEP** d. None of these

47. Angle of Incidence is

a. Angle between sales and fixed cost lines

b. Angle between sales and variable cost lines

**c.Angle between sales and total cost lines**

d.None of these

48. Break even chart is a chart of

a.Sales b. Total cost c. Profit **d. Sales and Total cost**

49. A key factor is

a.Budget factor **b. Limiting factor** c. Cost factor d. None of these

50. Under absorption costing are taken into which account

**a.Total cost** b. Total purchases c. Total sales d. Total profit

51. Under _______________costing, fixed cost is ignored for decision making

a.Fixed cost b. Variable cost c. Total cost **d. Marginal cost**

52. At break even point Total cost is equal to

a.Fixed b. Purchase c. Variable **d. Sales**

53. Contribution is the different between sales cost and

a.Fixed cost b. Marginal cost **c. Variable cost** d. Total cost

54. What is the other name for Marginal costing?

a.Fixed cost **b. Variable cost** c. Total cost d. Cost of production

55. The level of sales at which there is no profit no loss point

a.Contribution **b. Breakeven** c. Variable cost d. Total cost

56. The variability of costs based on the principle

a.Variable cost **b. Total cost** c. Marginal cost d. Sales cost

57. Difference between sales and fixed cost is called

a.Variable cost b. Marginal cost c. Sales cost **d. Contribution**

58. What cost is reduced from contribution to find sales

a. Variable cost **b. Fixed cost** c. Marginal cost d. Sales cost

59. What is other name for break even analysis?

**a. Cost volume profit analysis** b.Abnormal cost analysis

c.Fixed cost analysis d. Variable cost analysis

60. A large margin of safety indicates

a.Over production b. Over capitalisation

**c.The soundness of business** d.Abnormal capital

**UNIT IV**

61. A Ratio is expressed in

a. Weight b. Rupees **c. Proportion** d. None of these

62. Return on investment is a

a. Profit and loss account ratio b. Balance sheet ratio

**c. combined ratio** d. none of these

63. 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

64. Ratio of net profit before interest and tax to sales is

a. Solvency ratio **b. Capital gearing**

c. Operating profit ratio d. None of these

65. Provision for tax is shown as a part of__________ activity

a.Net operating b.Net operating ratio **c. operating** d. Non operating

66. Ratio of net sales to net working capital is a

a. Liquidity ratio b. Profitability ratio

**c. Working capital turnover ratio** d. None of these

67. Current ratio is sometimes referred to as

a. the solvency ratio b. the profitability ratio

c. the financial ratio **d. the working capital ratio**

68. The current assets to the current liabilities ratio is said to be satisfactory if it is

a. 1:2 **b. 2:1** c. 1:1 d. 3:2

69. Debt-equity ratio is a

a. Profitability ratio b. turn over ratio

c. short-term solvency ratio **d. long- term solvency ratio**

70. Market price per share divided by earning per share is

a. Earning per share **b. Price- earning ratio**

c. Book value per share d. long-term solvency ratio

71. Ratio analysis involves the process of

    **a. computation** b. Recording c. Relationship between two items d. None of these

72. The safe level for proprietary ratio is

    **a. 0.50** b. 2 c. 1 d. 3

73. Solvency ratio indicate

    **a. Credit worthiness** b. Activity c. Profitability d. None of these

74. Stock turnover ratio is calculated by dividing by average stock held during the year

    a.Sales b. purchases c. Inventory **d. cost of good sold**

75. For dividend yield ratio,______________price of the equity shares is taken into consideration

    a.Share b. Capital c. Creditors **d. Market**

76. When all the operating expenses are compared with_________________ it is called operating expenses ratio

    a.net operating profit b. sales profit **c. operating ratio** d. operating expenses

77. Solvency ratio is

    a.Gross profit ratio b.Capital gearing ratio **c. Current ratio** d. Profit ratio

78. Operating ratio is

    **a. operating ratio divided by net sales *100**

    b. operating profit divided by net purchases*100

    c. operating ratio divided by cost of good sold*100

    d.All of these

79. Rule of thumb for acid test ratio is

    **a.1:2** b. 2:1 c.3:1 4. 1:1

80. Earnings per share is a

    **a.Profitability ratio** b. Turn over ratio c. Liquidity ratio d. None of these

**UNIT V**

81. Budgeting is

    **a.Technique** b. A method of costing

    c. Maintaing large accounts d. Budget of output

82. Consumption of raw material is based on

    **a.Production** b. Sales c. Cash d. Market

83. Purchase budget refers to

a.purchase of fixed assets **b.Purchase of raw materials**

c. Purchase of advertising and distribution materials

d. Purchase of office supplies

84. Production budget is based on

a.cash budget b. Overhead budget **c. Sales budget** d.Purchase budget

85. The budget is

a. a Post-mortem analysis b. a substitute of management

**c. an aid to management** d. none of these

86. One of the important tools of cost planning is

**a.budget** b. direct cost c. unit cost d. Cost sheet

87. Sales budget is a

**a.Functional budget** b. Expenditure budget c. Master budget d. Financial budget

88. The fixed-variable cost classification has a special significance in the preparation of

a.Capital budget **b. Cash budget** c. Master budget d. Flexible budget

89. 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**

90. The budget which is prepare first of all is

a. Master budget b. Cash budget **c. Budget for key factor** d. None of these

91. 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

92. Budgets are most suited for fixed expenses

**a. Capital** b. Fixed c. Cash d. Master

93. Zero base budgeting was first used by

**a.Jimmy Carter** b. Shilinglow c. William J. Batty d. bowley

94. Functional budgets are subsidiary to

a.Cash budget b. Master budget c. Functional budget **d. Flexible budget**

95. A flexible budget is

**a.Budget for different capacity levels** b. Budget for different departments

c. Budget for receipts and payments d. Budget of profit and loss

96. Which one of the following is usually a long term debt budget?

a.Sales budget  b. Cash budget  **c.Capital expenditure budget**  d. Fixed budget

97. The master budget is the summary budget incorporating its component

    a. Production budget only  b. Sales budget only

    c. Flexible budget  **d. Functional budget**

98. What is the other name for fixed budget?

    a.Short term budget  **b. Static budget**  c. Sales budget  d. Fixed budget

99. The budgetary control is a system of controlling

    **a.Costs**  b. Purchase  c. Sales  d. Profit

100. Which is a summary of an functional budget in a capsule form?

    a. Cash budget  **b. Master budget**  c. Sales budget  d. Production budget

**UNIT I**

1. What is management accounting?

   Management accounting involves collecting, classifying, analysing, interpreting

2. List out the functions of management accounting.

   Helps in organising, effective control and presentation of data.

3. What are the characteristics of management accounting?

   Providing financial information, cause and effect analysis, decision making.

4. What are the limitations of management accounting?

   High cost, Personal bias, Lack of knowledge and Resistance from staff.

5. What are the advantages of management accounting?

   Proper planning, Measurement of performance, Maximising profitability.

6. What is the scope of management accounting?

   Financial accounting, cost accounting, Financial management and inventory control

7. What are the functions of financial accounting?

   Bookkeeping and classification of information.

8. State the purpose of cost accounting.

   Ascertaing cost, fixation of selling price, cost control and cost reduction

9. State the tools and techniques of management accounting.

   Analysis of financial statement and budgetary control.

10. State the duties of management accounting.

    Collection of information, interpretation and reporting

**UNIT II**

11. Define funds.

    The term ’Fund’ generally refers to “cash, cash equivalents or to working capital”.

12. What is working capital?

    Current assets over current

13. State the uses of funds .

    Repayment of long term loans and debentures,.

14. What is mean by funds flow statement?

    Measures and presents in an alalytical manner

15. What is schedule of changes in working capital?

    It is concerned with the current assets and current liabilities.

16. What are the non current assets?

    Fixed assets, intangible assets and long term investments.

17. State the any two sources of funds.

    Operating income, sale of assets.

18. What is mean by cash flow statement?

    Statement which portrays the changes in the cash position between two accounting periods.

19. Bring out the benefits of cash flow statement.

    Short term financial decision, preparation of cash budget and revaluations.

20. state the cash inflows

    Decrease of all current assets, increase of all current liabilities and sale of fixed assets.

**UNITIII**

21. Define marginal cost.

    A technique of cost accounting which pays special attention to the behaviour of costs

22. Write down the marginal cost equation.

    Sales-Variable cost = Fixed cost + Profit

23. State the advantages of marginal costing.

    Easy understandability, inventory valuation, cost control and cost reduction.

24. What do you understand by cost-volume profit analysis?

    Cost volume profit analysis helps the management in profit planning.

25. Write down the meaning for contribution.

    The difference between sales and marginal cost.

26. How to ascertain the contribution?

    Contribution = fixed expenses + Profit

27. What is the other name for break even point?

    Critical point, Equilibrium point, Balancing point and No proft, No loss

28. What is mean by margin of safety?

    Margin of safety is the difference between actual sales and break even sales

29. State the formula for calculating margin of safety.

    Margin of safety=Profit/P/V Ratio

30. Write down the advantages of marginal costing.

    Simplicity, stock valuation, profit planning and cost control

**UNIT IV**

31. What is ratio?

    A ratio is a mathematical relationship between two items expressed in a quantitative form.

32. What are the steps involved in ratio analysis?

    Selection of relevant information, Comparison and interpretation and reporting.

33. State the objective of ratio analysis.

    To serve as an aid in financial forecasting, cost control and comparison.

34. State uses of ratio analysis.

    Helps in decision making, communicating, coordination and control.

35. What are the limitations of ratio analysis?

    Lack of adequate standards, personal bias and change of accounting standards.

36. Write down the formula for calculating debt equity ratio.

    Debt equity ratio=external equities/internal equities

37. Establish the operating ratio.

    The relationship between cost of goods sold and other operating expenses

38. What is expenses ratio?

    It indicates the relationship of various expenses.

39. What is the other name for capital gearing ratio?

    Capitalisation or leverage ratio

40. How to ascertain the stock turnover period?

    Inventory turnover period=Days or months in the year/Inventory turnover ratio

**UNIT V**

41. What is mean by budget?

    A budget is the monetary and / or quantitative expression of business plans

42. Define budget.

    Which to measure the actual achievements of people, department et.,”

43. What is control?

    Comparing operating results with the plans, and taking corrective action.

44. State the objectives of budgetary control.

    Planning, coordination, increase in profitability and control

45. List out the functional budgets.

    Purchase budget, Cash budget, Production budget, Sales budget and Materials budget.

46. Define fixed budget.

    A budget which is designed to remain unchanged irrespective of the level of activity.

47. What are the key elements are considered for preparing production budget?

    Production planning, Quantities of stock and volume of output.

48. What is mean by cash budget?

    It estimates the amount of cash receipts and payments

49. What is mean by flexible budget?

    It is prepared for various levels of activity by classification of expenditure.

50. State the ways of preparing sales budget

    Product wise, territory wise, period wise, customer wise and salesmen wise

**UNIT I**

1. Briefly explain the characterstics of management of accounting.
2. List out the functions of management of accounting.
3. Interpret the limitation of financial accounting.
4. Examine the functions of financial accounting.
5. Sketch the scope of management accounting.

**UNIT II**

6. The sheets of Alacrity Ltd. At the end of 1993 and 1994 are given below. You are required to prepare a schedule of change in working capital.

| Liabilities | 1993 Rs. | 1994 Rs. | Assets | 1993 Rs. | 1994 Rs. |
|---|---|---|---|---|---|
| Share capital | 1,00,000 | 1,50,000 | Land | 1,00,000 | 1,00,000 |
| Share premium | - | 5,000 | Plant at cost | 1,04,000 | 1,00,000 |
| General reserve | 50,000 | 60,000 | Furniture at cost | 7,000 | 9,000 |
| P&L A/C | 10,000 | 17,000 | Investment at cost | 60,000 | 80,000 |
| 5% debentures | 70,000 | 50,000 | Debtors | 30,000 | 70,000 |
| Provision for | | | Stock | 60,000 | 65,000 |
| depreciation on plant | 50,000 | 56,000 | Cash | 30,000 | 45,000 |
| Provision for | | | | | |
| depreciation on | 5,000 | 6,000 | | | |
| furniture | 20,000 | 30,000 | | | |
| Provision for taxation | 86,000 | 95,000 | | | |
| Creditors | | | | | |
| | 3,91,000 | 4,69,000 | | 3,91,000 | 4,69,000 |

7. From the following balance sheet of a company, prepare a statement showing the changes in working capital.

| Liabilities | 1999 Rs. | 2000 Rs. | Assets | 1999 Rs. | 2000 Rs. |
|---|---|---|---|---|---|
| Creditors | 7,000 | 4,500 | Cash | 3,000 | 4,700 |
| Capital | 20,000 | 25,000 | Debtors | 12,000 | 11,500 |
| Profit & Loss A/C | 1,000 | 2,300 | Land | 5,000 | 6,600 |
| | | | Stock | 8,000 | 9,000 |
| | 28,000 | 31,800 | | 28,000 | 31,800 |

8. From the following data you are required to calculate the cash from operation:
Funds from operation for the year 1998 Rs. 84,000. Current assets and liabilities as on 01.01.1998 and 31.12.98 were as follows:

| | 01.01.98 | 31.12.98 |
|---|---|---|
| Trade creditors | 1,82,000 | 1,94,000 |
| Trade debtors | 2,75,000 | 3,15,000 |
| Bills receivable | 40,000 | 35,000 |
| Bills payable | 27,000 | 31,000 |
| Inventories | 1,85,000 | 1,70,000 |

| | | |
|---|---|---|
| Trade investments | 40,000 | 70,000 |
| Outstanding expenses | 20,000 | 25,000 |
| Prepaid expenses | 5,000 | 8,000 |

9. From the following trading and profit and loss A/C of keveri Ltd., you are required to ascertain cash from operations.

**Trading and profit and loss A/C for the year ending 31.03.1999**

| Particulars | Rs. | Particulars | Rs. |
|---|---|---|---|
| To cost of goods sold | 2,40,000 | By sales | 4,00,000 |
| To gross profit c/d | 1,60,000 | | |
| | 4,00,000 | | 4,00,000 |
| | 6,000 | | 1,60,000 |
| To stationary | 14,000 | By gross profit b/d | |
| To depreciation | 20,000 | | |
| To salaries | 2,000 | | |
| To loss on sales of investments | 8,000 | | |
| To rent & taxes | 4,000 | | |
| To discount on issue of | 3,000 | | |
| debenture | 20,000 | | |
| To postage for tax | 10,000 | | |
| To proposed dividend | 73,000 | | |
| To net profit | 1,60,000 | | 1,60,000 |

10. Compute cash from operation from the following:

| | |
|---|---|
| Net profit for the year 2006-07: | Rs. 80,000 |
| Depreciation written off fixed Assets | Rs.11,000 |
| Profit on sale of building | 22.000 |
| Loss on sale of machine | 13,000 |
| Increase in current Asset (except cash) | 46,000 |
| Increase in current liabilities | 29,000 |

**UNIT III**

11. Calculate break even point from the following:

Sales 1,000units at Rs. 10 each Rs. 10,000

Variable cost Rs. 6 per unit

Fixed cost Rs. 8,000

12. AB ltd presents the following results for one year. Calculate the P/V Ratio

Sales Rs. 2,00,000

Variable cost Rs. 1,20,000

Fixed cost Rs. 50,000

Net profit Rs. 30,000

13. Calculate the margin of safety

Sales Rs. 1,00,000

Variable cost Rs. 60,,000

Fixed cost Rs. 20,000

Net profit Rs. 10,000

14. Find out margin of safety

Fixed costs Rs. 6,000

Variable cost Rs. 9,000

Sales Rs. 17,000

15. A Manufacturing Company finds that the cost of making Part no.222 in its own workshop is Rs .6. The same part is available in the Market at Rs. 5.60 with an assurance of continuous supply. The cost data to make the part are

| | Rs. |
|---|---|
| Material | 2.00 |
| Direct labour | 2.50 |
| Other variable cost | 0.50 |
| Fixed cost | 1.00 |
| | 6.00 |

a) Should the part be Made or Bought?

b) Will your answer be different if the market price is Rs.4.60?

**UNIT IV**

16. Calculate gross profit from the following figures:

| | Rs. |
|---|---|
| Sales | 10,00,000 |
| Sales return | 1,00,000 |
| Opening stock | 2,00,000 |
| Purchases | 6,00,000 |
| Purchase returns | 1,50,000 |
| Closing stock | 65,000 |

17. From the following details of a business concern calculate net profit ratio.

| | Rs. |
|---|---|
| Sales | 3,50,000 |
| Cost of goods sold | 1,50,000 |
| Administration exp. | 50,000 |

| | |
|---|---|
| Selling expenses | 10,000 |

18. You are given the following information:

| | Rs. |
|---|---|
| Cash | 18,000 |
| Debtors | 1,42,000 |
| Closing stock | 1,80,000 |
| Bills payable | 27,000 |
| Creditors | 50,000 |
| Outstanding expenses | 15,000 |
| Tax payable | 75,000 |

Calculate (a) current ratio (b) Liquidity ratio (c) absolute ratio

19. Find out the operating ratio and operating profit ratio.

Cost of goods sold = Rs. 1,80,000

Other operating expenses = Rs. 30,000

Net sales = Rs. 3,00,000

20. Calculate Average collection period from the following:

| | Rs. |
|---|---|
| Credit sales for the year | 30,000 |
| Debtors | 2,500 |
| Bills receivable | 3,000 |

**UNIT V**

21. Malar Ltd. Sells two products A and B which are product in its special products division. Sales for the year 2009 were planned as follows.

| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|---|---|---|---|---|
| Product A | 10,000 | 12,000 | 13,000 | 15,000 |
| Product B | 5,000 | 4,500 | 4,000 | 3,800 |

The selling price were Rs. 20 per unit and Rs. 50 unit respectively for A and B. Average sales return are 5% of sales and the discount and bad debts amount to 4% of the total sales.

Prepare sales budget for the year.

22. You are required to prepare a production budget from the half year ending June 2000 from the following information

| Product | Budgeted sales quantity | Actual stock on 31.12.99 | Desired stock on 30.06.2000 |
|---|---|---|---|
| | Units | Units | Units |
| S | 20,000 | 4,000 | 5,000 |
| T | 50,000 | 6,000 | 10,000 |

23. A company which supplies its output on contract basis as component to an assembling firm has a contract to supply 10,000 units of its only product during 1999. The following were the budgeted expenses and revenue.

| | |
|---|---|
| Material | Rs. 15 per unit |

| | |
|---|---|
| Wages<br>Work expenses (Fixed)<br>Variable<br>General expenses (all fixed)<br>Profit is 20% on sale price. | Rs. 10 per unit<br>Rs. 40,000<br>Rs. 4 per unit<br>Rs. 60,000 |

Prepare the budget for 1999 showing the costs and profit.

24. A manufactured company submits the following figures of products "x" for the first quarter of 2003:

| Sales (in units) | |
|---|---|
| January<br>February<br>March | 50,000<br>40,000<br>60,000 |

Selling price per unit Rs. 100.

Target of first quarter 2004:

Sales units increase by 20%

Selling price increase by 10%

Prepare the sales budget.

25. Rajan supplies components I.C.F on contract basis. For the year 2007, he agrees to supply 20,000 units at Rs. 80 per units. The following were his costs during 2006 for supply of 15,000 units

| | |
|---|---|
| Materials<br>Wages<br>Overheads<br>Other expenses | Rs. 8 per unit<br>Rs. 22 per unit<br>Rs. 20 per unit (60%) (Fixed)<br>Rs. 5 (per unit) (100% fixed) |

Prepare budget for the year 2007, showing clearly the budgeted profit.

**UNIT I**

1. Distinguish between financial accounting and management accounting.
2. Discuss the tools and techniques of management accounting.
3. Analyze the nature and scope of management accounting.
4. Explain the objectives and scope of management accounting.
5. Explain the relationship between Cost accounting and management accounting

**UNIT II**

6. The following is Comparative Balance Sheets of Pratima & Co. Ltd as on 30th June 1987 and 30th June 1988.

**Balance Sheet**

| **Liabilities** | **30-6-1987 (Rs.)** | **30-6-1988 (Rs.)** | **Assets** | **30-6-1987 (Rs.)** | **30-6-1988 (Rs.)** |
|---|---|---|---|---|---|
| Share capital | 1,80,000 | 2,00,000 | Good will | 24,000 | 20,000 |
| Reserve fund | 28,000 | 36,000 | Buildings | 80,000 | 72,000 |
| P & L A/c | 39,000 | 24,000 | Machinery | 74,000 | 72,000 |
| Trade creditors | 16,000 | 10,800 | Investments | 20,000 | 22,000 |
| Bank overdraft | 12,400 | 2,600 | Inventories | 60,000 | 50,800 |
| Provision for | 32,000 | 34,000 | Debtors | 40,000 | 44,400 |
| taxation | 3,800 | 4,200 | cash | 13,200 | 30,400 |
| Provision for | | | | | |
| doubtful debts | | | | | |
| | 3,11,200 | 3,11,600 | | 3,11,200 | 3,11,600 |

**Additional Information:**

(i) Depreciation charged on machinery Rs. 10,000 and on building Rs. 8,000.

(ii) Investments sold during the year Rs. 3,000.

(iii) Rs. 15,000 interim dividend paid during January 1988.

(iv) Taxes paid during the year Rs. 30,000.

Prepare (a) a statement of changes in working capital.

(b) a funds flow statement.

7. Balance sheet of Raman and Krishnan as on 1st January 1998 and 31st December 1998 were as follows:

Balance Sheet

| Liabilities | 1-1-98 Rs. | 31-1-98 Rs. | Assets | 1-1-98 Rs. | 31-12-98 Rs |
|---|---|---|---|---|---|
| Bills Payable | 80,000 | 88,000 | Cash | 25,000 | 22,000 |
| Mrs. Krishnan's loan | 50,000 | -- | Debtors | 30,000 | 80,000 |
| Loan, secured on Building | 80,000 | 80,000 | Stock | 75,000 | 40,000 |
| Creditors | 30,000 | 60,000 | Bills receivable | 25,000 | 30,000 |
| Capitals: Raman | 40,000 | 50,000 | Building | 1,00,000 | 90,000 |
| Krishnan | 80,000 | 70,000 | Furniture | 1,05,000 | 86,000 |
| | 3,60,000 | 3,48,000 | | 3,60,000 | 3,48,000 |

During 1998, furniture costing 10,000, (accumulated depreciation Rs. 6,000) was sold for Rs. 3,000. Net profit for the year was Rs. 80,000, divided equally to the partners.

Prepare a statement of sources and uses of funds for the year 1998.

8. Balance sheets of A and B Ltd as on 1st Jan. 2000 and 31st Dec. 2000 were as follows:

| **Liabilities** | **1.1.2000** | **31.12.2000** | **Assets** | **1.2.2000** | **31.12.2000** |
|---|---|---|---|---|---|
| Creditors | 40,000 | 44,000 | Cash | 10,000 | 7,000 |
| B's loan | 25,000 | - | Debtors | 30,000 | 50,000 |
| Loan from bank | 40,000 | 50,000 | Stock | 35,000 | 25,000 |
| Capital | 1,25,000 | 1,53,000 | Machinery | 80,000 | 55,000 |
| | | | Land | 40,000 | 50,000 |
| | | | Buildings | 35,000 | 60,000 |
| | 2,30,000 | 2,47,000 | | 2,30,000 | 2,47,000 |

During the year machine costing Rs. 10,000 (Accumulated Depreciation Rs. 3,000) was sold for Rs. 5,000. The provision for depreciation against machinery as on 1st Jan. 2000 was Rs. 25,000 and on 31st Dec. 2000 Rs. 40,000. Net profit for the year 2000 amounted to Rs. 45,000. Prepare cash flow statement.

9. From the following balance sheet of Anu Ltd., make out the statement of cash flow.

| Liabilities | 1989 | 1990 | Assets | 1989 | 1990 |
|---|---|---|---|---|---|

| | Rs. | Rs. | | Rs. | Rs. |
|---|---|---|---|---|---|
| Equity Share capital | 3,00,000 | 4,00,000 | Goodwill | 1,15,000 | 90,000 |
| 8% Redeemable | | | Land & Buildings | 2,00,000 | 1,70,000 |
| pref. share capital | 1,50,000 | 1,00,000 | Plant | 80,000 | 2,00,000 |
| General reserve | 40,000 | 70,000 | Debtors | 1,60,000 | 2,00,000 |
| P&L A/c | 30,000 | 48,000 | Stock | 77,000 | 1,09,000 |
| Proposed dividend | 42,000 | 50,000 | Bills Receivable | 20,000 | 30,000, |
| Creditors | 55,000 | 83,000 | Cash in hand | 15,000 | 10,000 |
| Bills payable | 20,000 | 16,000 | Cash at bank | 10,000 | 8,000 |
| Provision for tax | 40,000 | 50,000 | | | |
| | 6,77,000 | 8,17,000 | | 6,77,000 | 8,17,000 |

Additional Information

a)depreciation of Rs. 10,000 and Rs, 20,000 have been charged on plant account and land and buildings account respectively in 1990.

b)an interim dividend of Rs. 20,000 has been paid in 1990.

c) Income tax Rs. 35,000 was paid during the year 1990.

10. From the following, prepare a statement showing changes in the working capital during 1988:

Balance sheets of XYZ as on 31st December

| Liabilities | 1997 Rs. | 1998 Rs. | Assets | 1997 Rs. | 1998 Rs. |
|---|---|---|---|---|---|
| Capital: | | | Fixed assets | 1,60,000 | 2,25,000 |
| Equity share capital | 1,50,000 | 1,50,000 | Investments | - | 10,000 |
| Preference share capital | - | 1,00,000 | Current assets: | | |
| Reserves and surplus: | | | Stock | 30,000 | 50,000 |
| General reserve | 40,000 | 50,000 | Debtors | 30,000 | 50,000 |
| P & L A/c | 35,000 | 80,000 | Bills receivable | 7,000 | 4,000 |
| Current liabilities: | | | Prepaid expenses | 10,000 | 23,000 |
| Creditors | 30,000 | 20,000 | Cash | 30,000 | 20,000 |
| Bills payable | - | 4,000 | Advances | 21,000 | 61,000 |
| Bank overdraft | 5000 | - | | | |
| Provision for taxation | 8000 | 13,000 | | | |
| Proposed dividend | 20,000 | 26,000 | | | |
| | 2,88,000 | 4,43,000 | | 2,88,000 | 4,43,000 |

Calculate the funds from operations from the information given below as on 31st Dec. 1988.

(i) Net profit for the year ended 31.12.98 Rs.13,00,000.

(ii)Rs.2,50,000 have been transferred to the general reserve fund.

(iii)depreciation has been provided during the year on machinery and furniture at 20%whose total cost is Rs. 13,00,000.

(iv) old machinery worth Rs. 16,000 has been sold for Rs. 13,000 during the year.

(v) Goodwill appears in the books at Rs. 3,60,000 out of that 10% has been written off during the year.

(vi) Gain on sale of building Rs.71,000.

**UNIT III**

11. From the following figures ,calculate

a) Breakeven point

b) Margin of Safety

| | |
|---|---|
| Sales to earn a profit of | RS.1,20,000 |
| Sales | Rs 6,00,000 |
| Variable cost | Rs 3,75,000 |
| Fixed cost | Rs 1,80,000 |

12. The sales turnover and profit during two years were as follows:

| Year | Sales (Rs.) | Profit (Rs.) |
|---|---|---|
| 2007 | 1,40,000 | 15,000 |
| 2008 | 1,60,000 | 20,000 |

Calculate:

a)P/V Ratio

b) Break even point

c) Sales required to earn a profit of Rs. 40,000

d) Fixed expenses

e) Profit when sales are Rs. 1,20,000

13. A. G Ltd. Furnished you the following related to the year 2000.

| | First half of the year (Rs.) | Second half of the year (Rs.) |
|---|---|---|
| Sales | 45,000 | 50,000 |
| Total cost | 40,000 | 43,000 |

Assuming that there is no change in prices and variable cost and that the fixed expenses are incurred equally in the 2 half year periods, calculate for the year 2000:

a) The profit volume ratio

b) Fixed expenses

c) Break even sales

d) % of margin of safety

14. Operations of AB Ltd. In 2001 diclosed a margin of safety ratio of 20% and a contribution margin ratio of 60%.

alculate the net income for 2001 assuming the fixed costs to be (i) Rs. 60,000 and (ii) Rs. 24,000.

15. The sales turnover and profit during two years were as follows:

| Year | Sales (Rs.) | Profit (Rs.) |
|---|---|---|
| 2015 | 8,00,000 | 20,000 |
| 2016 | 10,00,000 | 40,000 |

Calculate:

a)P/V Ratio

b) Break even point

c) Sales required to earn a profit of Rs. 55,000

d) Fixed expenses

e) Profit when sales are Rs. 9,00,000

**UNIT IV**

16. From the following information you are required to prepare a balance sheet.

| | |
|---|---|
| (a) Current ratio | : 1.75 |
| (b) Liquid ratio | : 1.25 |
| (c) stock turnover ratio(cost of sales/closing stock) | : 9 |
| (d) Gross profit ratio | : 25% |
| (e)Debt collection period | : 1.5 months |

(f) Reserves and surplus to capital : 0.2

(g) fixed assets turnover (on cost of sales) : 1.2

(h) capital gearing ratio (long term debt to share capital): 0.6

(i) fixed assets to networth : 1.25

(j) sales for the year : Rs. 12,00,000

17. Assume that a firm has owners equity of Rs. 1,00,000. The ratios of the firm are:

| | | |
|---|---|---|
| Current debt to total debt | - | 0.40 |
| Total debt to owners equity | - | 0.60 |
| Fixed assets to owners equity | - | 0.60 |
| Total assets turnover | - | 2 times |
| Inventory turnover | - | 8 times |

Complete the following Balance Sheet, given the information above:

| **Equities** | **Rs.** | **Rs.** | **Assets** | **Rs.** | **Rs.** |
|---|---|---|---|---|---|
| Current debt | - | | Cash | - | |
| Long-term debt | - | | inventory | - | |
| Total debt | | - | Total current assets | | - |
| Owner's equity | | - | Fixed assets | | - |
| **Total equity** | | - | **Total assets** | | - |

18. From the following information, prepare balance sheet of Natarajan Ltd. When sales are Rs. 36,00,000.

| | | | |
|---|---|---|---|
| Sales/total assets | -3 | Sales/fixed assets | -5 |
| Sales/current assets | -7.5 | Sales/ stock | -20 |
| Sales/debtors | -15 | Current ratio | -2 |
| Total assets/net worth | -2.5 | Long term debt/equity | -1 |

Balance Sheet

| Liabilities | Rs. | Assets | Rs. |
|---|---|---|---|
| Net worth | - | Fixed assets | - |
| Long term debt | - | Stock | - |
| Current liabilities | - | Liquid assets | - |

| | | | |
|---|---|---|---|
| | | Total current assets | - |
| | - | | - |

19. Follwing are the ratios relating to the trading activities of Neela Traders Ltd., Madras.

    Receivable turnover = 90 days(360 days year)

    Inventory turnover = 3 times

    Payables turnover = 3 months

    Gross profit ratio = 25%

    Gross profit for the year amounted to Rs. 18,000. Closing inventory of the year is Rs. 2,000 above the opening inventory. Bills receivable amount to Rs. 2,500 and bills payable Rs. 1,000. Ascertain the follwing:

    a)Sales b) Debtors c) Closing inventory d) Sundry creditors.

20. Assume that a firm has owners equity of Rs. 1,00,000. The ratios of the firm are:

    Current debt to total debt - 0.40

    Total debt to owners equity - 0.60

    Fixed assets to owners equity - 0.60

    Total assets turnover - 2 times

    Inventory turnover - 8 times

    Complete the following Balance Sheet, given the information above:

| **Equities** | **Rs.** | **Rs.** | **Assets** | **Rs.** | **Rs.** |
|---|---|---|---|---|---|
| Current debt | - | | Cash | - | |
| Long-term debt | - | | inventory | - | |
| Total debt | | - | Total current assets | | - |
| Owner's equity | | - | Fixed assets | | - |
| **Total equity** | | - | **Total assets** | | - |

**UNIT V**

21. From the following data forecast the cash position at the end of April, may and june 1998.

| Month 1998 | Sales Rs. | Purchase Rs. | Wages Rs. | Sales expenses Rs. |
|---|---|---|---|---|
| February | 1,20,000 | 80,000 | 10,000 | 7,000 |

| | | | | |
|---|---|---|---|---|
| March | 1,30,000 | 98,000 | 12,000 | 9,000 |
| April | 70,000 | 1,00,000 | 8,000 | 5,000 |
| May | 1,16,000 | 1,03,000 | 10,000 | 10,000 |
| June | 85,000 | 80,000 | 8,000 | 6,000 |

**Further information:**

Sales at 10% realized in the month of sales. Balance equally realized in two subsequent months.

Purchases: creditors are paid in the month following the month of supply.

Wages; 20% paid in arrears in the following month.

Sundry expenses paid in the month itself

Income tax Rs. 20,000 payable in June.

Dividend Rs. 12,000 payable in June.

Income from investment Rs. 2,000 received half yearly in march and September.

Cash balance on hand as on 1-4-88 Rs. 40,000.

22. XYZ Ltd., has three sales divisions at Chennai, Bangalore and Hyderabad. It sells two products –I and II. The budgeted sales for the year ending 31st Dec. 1986 at each place are given below:

Chennai - Product I 50,000 units @ Rs. 16 each
Product II 35,000 units @ Rs. 10 each

Bangalore - Product II 55,000 units @ Rs. 10 each

Hyderabad - Product I 75,000 units @ Rs. 16 each

The actual sales during the same period were:

Chennai - Product I 62,500 units @ Rs. 16 each
Product II 37,500 units @ Rs. 10 each

Bangalore - Product II 62,500 units @ Rs. 10 each

Hyderabad - Product I 77,500 units @ Rs. 16 each

From the reports of sales department, it was estimated that the sales budget for the year ending 31.12.1987 would be higher than 1986 budget in the following aspects:

Chennai - Product I 4,000 units @ Rs. 16 each

Product II 2,500 units @ Rs. 10 each

Bangalore - Product II 6,500 units @ Rs. 10 each

Hyderabad - Product I 5,000 units @ Rs. 16 each

Intensive sales campaign in Bangalore and Hyderabad is likely to result in additional sales of 12,500 units of product I in Bangalore and 9,000 units of product II in Hyderabad. You are required to prepare a sales budget for the period ending 31.12 1987

23. The cost of an article at a capacity level of 10,000 units is given under A below.

| Particulars | A (Rs.) | B |
|---|---|---|
| Material cost | 50,000 | 100 % varying |
| Labour cost | 30,000 | 100 % varying |
| Power | 3,000 | 80 % varying |
| Repair and maintenance | 3,500 | 80 % varying |
| Stores | 2,000 | 100 % varying |
| Inspection | 800 | 25 % varying |
| Depreciation | 10,000 | 100 % varying |
| Administration overhead | 3,600 | 25 % varying |
| Selling overhead | 4,500 | 50 % varying |
| Total | 1,07,400 | |

Find out the unit cost of the product under each production levels and also find production levels of 8,000 units and 12,000 units.

24. Analyze the sources of working capital.

25. Explain the Estimates of Working Capital Requirements.