



KA-3531

B. B. A. (Sem. III) Examination
October / November – 2012
Management Accounting
(Old Course)

Time : Hours]

[Total Marks : 70

Instructions :

(1)

नीचे दृष्टावित्त निशानीवाणी विगतो उत्तरवडी पर अवश्य लपवी.
Fillup strictly the details of signs on your answer book.

Name of the Examination :
B. B. A. (Sem. 3)

Name of the Subject :
Management Accounting (Old)

Subject Code No. : **3 5 3 1** Section No. (1, 2,.....) : **NIL**

Seat No. :

Student's Signature

- (2) Show necessary calculation as part of your answer.
(3) Figures to the **right** indicate full marks of the question.
(4) Q. No. 1 and 6 is **compulsory**.

- 1 (a) From the following details find out : 4
(i) Current assets
(ii) Current liabilities
(iii) Liquid assets
(iv) Stock
Current ratio = 3.5, Liquid ratio = 2.5
Working capital Rs. 1,00,000
- (b) The profit/volume ratio of Sneh Ltd. is 50% and the 4
margin of safety is 40%. You are required to work out
the net profit and break-even point if sales volume is
Rs. 10,00,000.
- (c) Find out missing figures : 2

Production Capacity	70% (Rs.)	80% (Rs.)	90% (Rs.)
Power	(?)	20,000	21,750
Indirect Labour	10,500	(?)	13,500
Repairs	1,900	2,000	(?)
Salaries	(?)	10,000	10,000

- 2 Based on the following information, prepare a cash budget for Manthan Ltd.

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	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter
Opening cash balance	10,000	-	-	-
Collection from customers	1,25,000	1,50,000	1,60,000	2,21,000
Payment :				
Purchase of materials	20,000	35,000	35,000	54,200
Other expenses	25,000	20,000	20,000	17,000
Salary and Wages	90,000	95,000	95,000	1,09,200
Income Tax	5,000	-	-	-
Purchase of Machinery	-	-	-	20,000

The company desires to maintain a cash balance of Rs. 15,000 at the end of each quarter. Cash can be borrowed or repaid in multiples of Rs. 500 at an interest of 10% per annum. Management does not want to borrow cash more than what is necessary and wants to repay as early as possible. In any event, loans cannot be extended beyond four quarters. Interest is computed and paid when the principal is repaid. Assume that borrowing take place at the beginning and payments are made at the end of the quarters.

OR

- 2 The cost sheet of a company based on budget volume of sales of 4,00,000 units per quarter is as under :

12

Rs. per unit

Direct Materials	6.00
Direct Wages	3.00
Factory Overheads (50% fixed)	8.00
Adm. Overheads (1/3 variance)	4.50
Selling Price	24.00

When the budget was discussed it was felt that the company would be able to achieve only a volume of 3,00,000 units of production and sales per quarter. The company therefore decided that an aggressive sales. promotion campaign should be launched to achieve the following improved operations.

Proposal I

- Sell 5,00,000 units per quarter by spending Rs. 2,50,000 on advertising.
- The factory fixed costs will increase by Rs. 4,00,000 per quarter.

Proposal II

- Sell 6,00,000 units per quarter subject to the following condition.
- An overall price reduction of Rs. 2 per unit is allowed on all sales.
- Variable selling and administration cost will increase by 6%.
- Direct material costs will be reduced by 1.5% due to purchase price discounts.
- The fixed factory costs will increase by Rs. 2,50,000 more. You are required to prepare a Flexible Budget at 3,00,000; 5,00,000 and 6,00,000 units of output per quarter and calculate the profit at each of the above levels of output.

3 Some balances of Het Co Ltd. are as under :

12

	Rs.
Equity share capital (each Rs. 100)	7,00,000
8% pref. share capital	5,00,000
10% debentures	2,00,000
Retained earnings	2,10,000
10% public deposits	50,000
Fictitious assets	35,000
Fixed assets	20,00,000
Debtors	2,50,000
Bills receivables	50,000
Prepaid expenses	20,000
Cash and Bank	1,20,000
Quickly salable securities	60,000
Creditors	1,50,000
Bills payable	50,000
Bank Overdraft	50,000
Freight-Octroi	40,000

Additional Information :

- (1) Closing stock is 25% of opening stock
- (2) Purchases are made five times of the opening stock.
- (3) The ratio of purchases and sales is 2 : 5.
- (4) Gross profit rate is 50%.
- (5) Credit sales are 60% of total sales
- (6) Divisible profit to equity share holders is Rs. 1,40,000.
- (7) Taxation rate is 40%

Calculate the following ratios.

- (i) Rate of return on capital employed
- (ii) Debtors ratio (360 days)
- (iii) Operating ratio
- (iv) Net profit ratio
- (v) Inventory ratio
- (vi) Proprietary ratio.

OR

- 3 Balance Sheet of OP Ltd. as on 31-3-09 and 31-3-10 are 12
as follows :

<i>Liabilities</i>	<i>31-3-09 Rs.</i>	<i>31-3-10 Rs.</i>	<i>Assets</i>	<i>31-3-09 Rs.</i>	<i>31-3-10 Rs.</i>
Share Capital	15,00,000	15,00,000	Land-		
General Reserve	3,00,000	3,37,500	Buildings	11,25,000	10,50,000
Profit-Loss A/c.	1,87,500	2,70,000	Plants	13,50,000	13,12,500
10% debentures	7,50,000	6,00,000	Investments	3,00,000	2,79,000
Bank Loan			Stock	3,60,000	6,37,500
(L. Term)	3,75,000	4,50,000	Debtors	4,50,000	5,98,500
Creditors	3,00,000	4,35,000	Prepaid		
Outstanding			expenses	37,500	30,000
Expenses	15,000	18,750	Cash Bank	1,05,000	63,750
Proposed					
Dividend	2,25,000	2,70,000			
Provision for					
Taxation	75,000	90,000			
	37,27,500	39,71,250		37,27,500	39,71,250

Additional Information :

- (i) New plant for Rs. 2,25,000 was purchased but an old plant costing Rs. 1,08,750 was sold for Rs. 37,500 and accumulated depreciation thereon was Rs. 56,250.

- (ii) 10% debentures were redeemed at 20% premium.
- (iii) Investments was sold for Rs. 33,750 and its profit was transferred to general reserve.
- (iv) Income-tax paid during the year 2009-10 was Rs. 60,000.
- (v) An interim dividend of Rs. 90,000 has been paid during the year 2009-10.
- (vi) Assume the provision for taxation as current liability and proposed dividend as non-current liability.
- (vii) Investment are non-trade investment.

Prepare :

- (i) Schedule of changes in working capital
 - (ii) Fund flow statement
- 4 (a) Product "L" has a profit-volume ratio 28%. Fixed operating costs directly attributable to product "L" during the quarter III of the financial year 2011-12 will be Rs. 2,80,000. Calculate the sales revenue required to achieve a quarterly profit of Rs. 70,000. 4
- (b) A retail dealer in garments is currently selling 24,000 shirts annually. He supplies the following details for the year ended 31st March 2012. 8
- Selling price per shirt Rs. 800; variable cost per shirt Rs. 600; Fixed cost : Staff salaries Rs. 24,00,000; General Office cost Rs. 8,00,000 and Advertising cost Rs. 8,00,000.
- You are required to answer the following :each part independently.
- (i) Calculate BEP and margin of safety in sales revenue and number of shirt sold.
 - (ii) Assume that 30,000 shirts were sold during the year, find out the net profit of the firm.
 - (iii) Assuming that in the coming year, an additional staff salary of Rs. 10,00,000 is anticipated, and price of shirt is likely to be increased by 15%; what should be the BEP in number of shirts and sales ?

OR

- 4 DEF Ltd. operates a system of standard costing in respect of one of its products which is manufactured within a single cost centre. The standard cost card of a product is as under : 12

Standard	Unit Cost (Rs.)
Direct material 5 kg @ Rs. 4.20	21.00
Direct Labour 3 hours @ Rs. 3.00	9.00
Factory O.H. Rs. 1.20 per labour hour	3.60
Total manufacturing cost	33.60

The production schedule for the month of August, 2010 required completion of 40,000 units.

However, 40,960 units were completed during the month without opening and closing work-in-process inventories.

Purchases during the month of August 2010, 2,25,000 kgs. of materials at the rate of Rs. 4.50 per kg production and sales records for the month showed the following actual results.

Material used 2,05,600 kgs, Direct labour 1,21,200 hours' cost incurred Rs. 3,87,840; Total factory overhead cost incurred Rs. 1,00,000; Sales 40,000 units. Selling price to be so fixed as to allow a mark-up of 20% on selling price.

Required :

- (i) Calculate material variance based on consumption of material
 - (ii) Calculate labour variance and the total variance for factory overheads.
- 5 Write short note : (any three) 12
- (i) Analysis of material variances
 - (ii) Advantages of Responsibility Accounting
 - (iii) Determination of Production mix
 - (iv) Difference between financial Accounting and Management Accounting
 - (v) Break even point analysis
- 6 Following is the trial balance of Cheman Company Ltd. as on 31st December 2011. Prepare Trading Account, Profit and Loss Account, Profit-loss appropriation account and Balance sheet : 12

<i>Particulars</i>	<i>Dr. (Rs.)</i>	<i>Cr. (Rs.)</i>
Share capital (2500 share each of Rs. 100 on which Rs. 80 called up)	-	2,00,000
Land and Buildings	1,30,000	-
Investments	60,000	-
Machinery	15,000	-
Furniture	4,000	-
Bills receivable	6,400	-
Carriage inwards	2,500	-
Wages	21,000	-
Salary	8,500	-
Bills payable	-	5,000
Purchase and Sales	60,000	1,10,000
Returns	2,000	1,000
Rent and rates	1,800	-
Preliminary expenses	6,000	-
Debtors and Creditors	42,000	15,000
Advertising and Reserve Fund	2,500	10,000
Profit and Loss A/c.	-	14,000
Stock (01-01-2011)	30,000	-
Insurance	1,300	-
Discount	2,000	-
5% Debentures	-	40,000
	3,95,000	3,95,000

Adjustments :

- (i) Write off Rs. 2,000 from preliminary expenses
- (ii) Transfer Rs. 10,000 to reserve fund
- (iii) Stock on 31-12-2011 Rs. 65,000
- (iv) Provide for dividend on share capital at 10%
- (v) Debentures interest is outstanding for one year.