PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

MA DEGREE EXAMINATION MAY 2025
(Second Semester)

Branch – **ECONOMICS**

ACCOUNTING FOR MANAGERIAL DECISIONS

Time: Three Hours Maximum: 75 Marks

SECTION-A (10 Marks)
Answer **ALL** questions
ALL questions carry **EQUAL** marks (10 × 1 = 10)

Module No.	Question No.	Question	K Level	CO
1	1	A method used in a comparative analysis of financial statement is a) Returning analysis b) Common size analysis c) Preference analysis d) Graphical analysis	K1	CO1
	2	Financial statements of a company include a) Balance sheet b) Profit or Loss Account c) Cash flow statement d) All of the above	K2	CO1
2	3	Liquid ratio is also called a) Super quick ratio. b) Current ratio c) Cash position ratio. d) Acid test ratio	K1	CO2
	4	Total sales- total variable cost is a) Fixed cost b) Semi-variable cost c) Break-even point d) Contribution	K2	CO2
3	5	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	K1	CO3
	6	Which of the following is usually a long-term budget? a) Fixed budget b) Cash budget c) Sales budget d) Capital expenditure budget	K2	CO3
4	7	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.	K1	CO4
	8	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.	K2	CO4
5	9	The funds flow analysis is of primary importance to a) Personnal management b) Financial management c) Quality control management d) Auditing	K1	CO5
	10	Cash from operation is equal to a) Net profit plus increase in outstanding expenses b) Net profit plus increase in debtors c) Net profit plus increase in stock d) None of the above	K2	CO5

SECTION - B (35 Marks)
Answer **ALL** questions
ALL questions carry **EQUAL** Marks (5 × 7 = 35)

Module No.	Question No.	Question	K Level	CO
1	11.a.	Write the meaning of Financial Statement Analysis? Explain its types .	K2	CO1
		(OR)		

Cont...

1	11.b.	From the following Profit and Loss Account and Balance sheet of Jayaprakash Industries Ltd., Prepare a comparative income statement and a comparative balance sheet.	K2	CO1

Profit and Loss Account for the year ended 30th June (Rs.in lakhs)

	2019 Rs.	2021 Rs.		2019 Rs.	2021 Rs.
To Cost of goods sold	500	640	By Sales	700	900
To Operating expenses :					
Administrative expenses	20	20			
Selling expenses	30	40			
To Net profit	150	200			
	700	900		700	900

Balance Sheet as on 30th June

Liabilities	2019 Rs.	2021 Rs.	Assets	2019 Rs.	2021 Rs.
Bills payable	50	75	Cash	50	75
Tax payable	100	150	Debtors	300	450
Sundry creditors	150	200	Stock	100	200
15% Debentures	100	150	Land	100	120
10 % Preference capital	200	200	Building	250	225
Equity capital	300	300	Plant	200	180
Reserves	200	250	Furniture	100	80
	1,100	1,325		1,100	1,325

2	12.a.	Kasi & Co. sells goods on cash as well as on credit basis. The following particulars are extracted from the books of accounts for the calendar year 1999.	K2	CO2

	Rs.
Gross sales	1,00,000
Cash sales (included in above)	20,000
Sales returns	7,000
Total debtors as on 31-12-99	9,000
Bills receivable on 31-12-99	2,000
Provision for doubtful debts on 31-12-99	1,000
Total creditors on 31-12-99	10,000

Calculate the average collection period.

(OR)

12.b. 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 liquidity ratio .

Module 3 — 13.a. (K4, CO3)

BPL Ltd., wishes to arrange overdraft facilities with its bankers during the period April to June 2000 when it will be manufacturing mostly for stock . Prepare a Cash Budget for the above period from the following data, indicting the extent of the bank facilities the company will require at the end of each month :

(a)	Credit Sales Rs.	Purchases Rs.	Wages Rs.
February 2000	1,80,000	1,24,800	12,000
March	1,92,000	1,44,000	14,000
April	1,80,000	2,43,000	11,000
May	1,74,000	2,46,000	10,000
June	1,26,000	2,68,000	15,000

(b) 50 per cent of credit sales are realised in the month following the sales and the remaining 50 per cent in the second month following .
Creditors are paid in the month following the month of purchase.
(c) Cash at bank on 01.04.2000 (estimated) Rs.25,000

(OR)

13.b. Define budgeting and state its advantages and disadvantages .

Module 4 — 14.a. (K2, CO4)

Calculate Break-even point:

	Rs.
Sales	6,00,000
Fixed expenses	1,50,000
Variable costs:	
Direct Material	2,00,000
Direct Labour	1,20,000
Other Variable expenses	80,000

(OR)

14.b. M/s Senthil Industries Ltd. are engaged in Large scale customer retailing. From the following information, you are required to forecast their working capital requirements.

Particulars

Projected annual sales	-	Rs 65 Lakhs
Percentage of Net Profit on cost of sales	-	25%
Average credit allowed to debtors	-	10 weeks
Average credit allowed by creditors	-	4 weeks

Average stock carrying (in terms of sales requirements) – 8 Weeks
Add 10% to computed figures to allow for contingencies.

Module 5 — 15.a. (K3, CO5)

Balance Sheets of Veena Industries Ltd are given below:

	31st March 2019 Rs.	31st March 2020 Rs.		31st March 2019 Rs.	31st March 2020 Rs.
Share capital	1,40,000	1,48,000	Cash	18,000	15,600
Reserves	2,000	3,000	Debtors	29,800	35,400
Bank loan	22,000	9,000	Stock	98,400	85,400
Creditors	10,000	12,000	Land	40,000	60,000
Profit & Loss a/c	18,200	19,600	Investment	15,000	7,000
Proposed dividend	14,000	14,800	Goodwill	5,000	3,000
	2,06,200	2,06,400		2,06,200	2,06,400

During the year ending 31st March 2020
i) Land costing Rs. 20,000 was sold for Rs. 25,000
ii) Investment costing Rs. 10,000 was sold for Rs. 10,500
Prepare a Cash Flow Statement

(OR)

15.b. Distinguish between fund flow statement and cash flow statement

SECTION -C (30 Marks)

Answer ANY THREE questions
ALL questions carry EQUAL Marks (3 × 10 = 30)

Module No.	Question No.	Question	K Level	CO
1	16	Difference between Comparative Financial Statement and Common Size Financial Statement?	K4	CO1

2 | 17 | K3 | CO2

Following ratios are related to the trading activities of National Traders Ltd.,

Debtor's velocity	3 months
Stock velocity	8 months
Creditors velocity	2 months
Gross profit ratio	25 per cent

Gross profit for the year ended 31st December, 1999 amounts to Rs. 4,00,000.
Closing stock of the year is Rs. 10,000 above the opening stock.
Bills receivable amount to Rs. 25,000 and Bills payable to Rs.10,000.
Find out: (a) Sales (b) Sundry debtors (c) Closing stock and
(d) Sundry creditors

3 | 18 | K2 | CO3

Draw up a flexible budget for overhead expenses on the basis of the following data and determine the overhead rates at 70%, 80% and 90% plant capacity.

	At 70% Capacity Rs.	At 80% Capacity Rs.	At 90% Capacity Rs.
Variable Overheads:			
Indirect labour	____	12,000	____
Stores including spares	____	4,000	____
Semi-Variable Overheads:			
Power (30% fixed, 70% variable)	____	20,000	____
Repairs and maintenance (60% fixed, 40% variable)	____	2,000	____
Fixed Overheads:			
Depreciation	____	11,000	____
Insurance	____	3,000	____
Salaries	____	10,000	____
Total Overheads	____	62,000	____

Estimated direct labour hours: 1,24,000 hrs.

4 | 19 | K4 | CO4

From the following information relating to Quick Standards Ltd., you are required to find out
(a) P.V. ratio (b) Break even point (c) Profit
(d) Margin of safety .
Total Fixed Costs Rs. 4,500 Total Variable cost Rs. 7,500
Total Sales Rs. 15,000
(e) Also calculate the Volume of sales to earn profit of Rs. 6,000

5 | 20 | K4 | CO5

From the following balance sheet of Apple Ltd. On 31st December, 1998 and 1999 you are required to prepare funds flow statements.

Balance sheets

Liabilities	1998 Rs.	1999 Rs.	Assets	1998 Rs.	1999 Rs.
Share capital	1,00,000	1,00,000	Goodwill	12,000	12,000
General reserve	14,000	18,000	Building	40,000	36,000
Profit and loss a/c	16,000	13,000	Plant	37,000	36,000
Sundry creditors	8,000	5,400	Investment	10,000	11,000
Bills payable	1,200	800	Stock	30,000	23,400
Provision for taxation	16,000	18,000	Bills receivable	2,000	3,200
Provision for doubtful debts	400	600	Debtors	18,000	19,000
			Cash	6,600	15,200
Total	1,55,600	1,55,800		1,55,600	1,55,800

The following additional information has also been given:
(i) Depreciation charged on plant was Rs. 4,000 and on building Rs. 4,000
(i) Provision for taxation of Rs 19,000 was made during 1999.
(ii) Interim dividend of Rs 8,000 was paid during 1999.

Z-Z-Z END