MA DEGREE EXAMINATION MAY 2026

(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)

Question		K Level	CO
1	The Ideal current ratio is a) 2:1 b) 3:1 c) 3:4 d) 1:2	K1	CO1
2	The Quick Ratio is also known as: a) Acid Test Ratio b) Debt-Equity Ratio c) Gross Profit Ratio d) Return on Capital	K2	CO1
3	Budgetary Control is a system that helps in: a) Preparing tax statements b) Planning and controlling financial activities c) Recording past transactions d) Identifying cash flows	K1	CO2
4	Budgetary control is used for a) Auditing b) Planning and Control c) Taxation d) Recording transactions	K2	CO2
5	Break-even analysis determines: a) Maximum profit b) Profit after tax c) The point where total revenue equals total cost d) The net cash flow of a company	K1	CO3
6	P/V ratio stands for a) Profit/volume b) Price/value c) Profit/value d) Price/volume	K2	CO3
7	Working Capital is a) Difference between Current Assets and Current Liabilities b) Difference between Current Liabilities and Current assets c) Addition of Current Assets and Current Liabilities d) Difference between Quick Assets and Quick Liabilities	K1	CO4
8	EOQ stands for a) Economic Ordering Quantity b) Environmental Operational Quality c) Efficient Operational Quality d) Ergonomic office Quality	K2	CO4
9	Funds flow statement shows a) Profit only b) Changes in working capital c) Cash balance d) Sales	K1	CO5
10	A firm notices an increase in current assets without a corresponding increase in current liabilities. The result will be a) Decrease in working capital b) Increase in working capital c) No Change d) Loss	K2	CO5

SECTION - B (35 Marks)

Answer **ALL** questions

ALL questions carry **EQUAL** Marks (5 × 7 = 35)

<table>
<tr><th colspan="2">Question</th><th>K Level</th><th>CO</th></tr>
<tr><td>11.a)</td><td>What are the Significance of Ratio Analysis ?</td><td rowspan="3">K4</td><td rowspan="3">CO1</td></tr>
<tr><td colspan="2">[OR]</td></tr>
<tr><td>11.b)</td><td>
<table>
<tr><td>Stock velocity</td><td>6</td></tr>
<tr><td>Capital Turnover ratio</td><td>2</td></tr>
<tr><td>Fixed assets turnover ratio</td><td>4</td></tr>
<tr><td>Gross profit</td><td>Rs. 60,000</td></tr>
<tr><td>Gross profit turnover ratio</td><td>20%</td></tr>
<tr><td>Reserves</td><td>Rs. 20,000</td></tr>
<tr><td colspan="2">Closing stock was Rs. 5,000 in excess of opening stock</td></tr>
<tr><td>Debtors velocity</td><td>2 months</td></tr>
<tr><td>Creditors velocity</td><td>73 days</td></tr>
</table>
From the above information calculate: (a) Fixed assets (b) Debtors (c) Stock (d) Creditors</td></tr>
<tr><td>12.a)</td><td>Prepare a production budget for three months ending March 31,2008 for a factory producing four products, on the basis of the following information.
<table>
<tr><th>Type of product</th><th>Estimated Stock on January 1, 2008 Units</th><th>Estimated Sales during January – March, 2008 Units</th><th>Desired Closing stock March 31, 2008 Units</th></tr>
<tr><td>A</td><td>2,000</td><td>10,000</td><td>5,000</td></tr>
<tr><td>B</td><td>3,000</td><td>15,000</td><td>4,000</td></tr>
<tr><td>C</td><td>4,000</td><td>13,000</td><td>3,000</td></tr>
<tr><td>D</td><td>5,000</td><td>12,000</td><td>2,000</td></tr>
</table></td><td>K5</td><td>CO2</td></tr>
<tr><td></td><td>[OR]</td><td></td><td></td></tr>
</table>

Cont...

to June 2008 when it will be manufacturing mostly for stock. Prepare a Cash Budget for the above period from the following data, indicating the extent of the basic facilities the company will require at the end of each month.

12.b)

Month	Credit sales Rs.	Purchases Rs.	Wages Rs.
February2008	1,80,000	1,24,800	12,000
March	1,92,000	1,44,000	14,000
April	1,08,000	2,43,000	11,000
May	1,74,000	2,46,000	10,000
June	1,26,000	2,68,000	15,000

a) 50 percent of credit sales are realised in the month following the sales and the remaining 50% in the second month following.

b) Creditors are paid in the month following the month of purchase Lag in payment of wages 1 month.

Cash at bank on 1-4-2008 (estimated 0 Rs. 25,000.

K5 CO2

13.a) From the following particulars find out the B.E.P. What will be the selling price per unit if B.E.P. is to be brought down to 9,000 units?

Variable cost per unit - Rs. 75 Fixed expenses - Rs. 2,70,000

Selling price per unit - Rs. 100

[OR]

13.b) The standard material and standard cost per kg of material required for the production of one unit of product A is as follows:

Material – 5 Kgs. Standard Price – Rs. 5 per Kg.

The actual production and related material data are as follows:

400 units of Product A Material used 2,200 Kgs. Price of Material Rs. 4.50 per kg

Calculate: (1) Material cost variance (2) Material Usage Variance (3) Material Price Variance

K4 CO3

14.a) Analyse how seasonal business fluctuations affect cash management decisions.

[OR]

14.b) Explain the factors affecting working capital requirements.

K4 CO4

15.a) From the following summarized balance sheets of Sri Krishna Ltd., prepare a schedule of changes in working capital and a statement of sources and application of funds.

Liabilities	1998 Rs.	1999 Rs.	Assets	1998 Rs.	1999 Rs.
Share capital	4,00,000	5,75,000	Plant	75,000	1,00,000
Creditors	1,06,000	70,000	Stock	1,21,000	1,36,000
Profit & Loss A/C	14,000	31,000	Debtors	1,81,000	1,70,000
			Cash	1,43,000	2,70,000
	5,20,000	6,76,000		5,20,000	6,76,000

[OR]

15.b) The Balance sheets of Veena Industries Ltd. are given below.

31st March 31st March

Liabilities	2008(₹)	2009(₹)	Assets	2008(₹)	2009(₹)
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 and 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 2009.

1. Land costing Rs. 20,000 was sold for Rs. 25,000.
2. Investments Costing Rs. 10,000 was sold for Rs.10,500

Prepare a cash flow Statement.

K5 CO5

SECTION -C (30 Marks)

Answer **ANY THREE** questions

ALL questions carry **EQUAL** Marks (3 × 10 = 30)

Question	K Level	CO
16 With the help of the following ratios regarding Indu films, draw the balance sheet of the company for the year 1999.	K5	CO1

Current Ratio	2.5
Liquidity Ratio	1.5
Net Working Capital	Rs. 3,00,000
Stock Turnover Ratio (cost of sales/closing stock)	6 times
Gross Profit Ratio	20%
Debt Collection Period	2 months
Fixed Assets Turnover Ratio (on cost of sales)	2 times
Fixed Assets to Shareholder's net worth	0.80
Reserves and Surplus to Share Capital	0.50

Cont...

17 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.

K5 CO2

18 SV ltd., a multi-product company, furnishes you the following data relating to the year 1999:

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

Assuming that there is no change in prices and variable costs and that the fixed expenses are incurred equally in the two half year periods calculate for the year 1999:

(i) The profit volume ratio (ii) Fixed expenses

(iii) Break-even sales (iv) Percentage of margin of safety.

K5 CO3

19 Problem:

XYZ Ltd. provides the following information for the year:

- Average monthly production = 2,000 units
- Cost per unit:
  - Raw materials = ₹40
  - Labour = ₹20
  - Overheads = ₹30 (including ₹10 depreciation)
- Time lag:
  - Raw materials in stock = 2 months
  - Work-in-progress = 1 month (50% completion for labour & overheads)
  - Finished goods in stock = 1 month
  - Debtors collection period = 2 months
  - Creditors payment period = 1 month (for raw materials only)
- Wages are paid after 0.5 month
- Overheads are paid after 1 month
- Desired cash balance = ₹50,000

K5 CO4

20 Balance Sheet of M/s Black and White as on 1.1.99 and31.12.1999 were as follows:

Liabilities	1.1.99 Rs.	31.12.99 Rs.	Assets	1.1.99 Rs.	31.12.99 Rs.
Creditors	40,000	44,000	Cash	10,000	7,000
Mrs. White Loan	25,000	-	Debtors	30,000	50,000
Loan from P.N. 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
			Building	35,000	60,000
	2,30,000	2,47,000		2,30,000	2,47,000

During the year a machine costing Rs. 10,000 (accumulated depreciation Rs. 3,000) was sold for Rs. 5,000. The provision for depreciation against machinery as on 1.1.1999 was Rs. 25,000 and on 31.12.1999 Rs. 40,000. Net Profit for the year 1999 amounted to Rs.45,000. You are required to prepare Funds Flow Statement.

K5 CO5

Z-Z-Z END