

PSG COLLEGE OF ARTS & SCIENCE  
(AUTONOMOUS)  
MA DEGREE EXAMINATION MAY 2023  
(Second Semester)

Branch – ECONOMICS

**ACCOUNTING FOR MANAGERIAL DECISIONS**

Time: Three Hours

Maximum: 50 Marks

**SECTION-A (5 Marks)**

Answer ALL questions

ALL questions carry EQUAL marks

(5 x 1 = 5)

- 1 Financial statements are meaningful and useful only when they are  
(i) Verified (ii) presented to owners  
(iii) analyses and interpreted (iv) published
- 2 Current ratio indicates  
(i) Ability to meet short term obligations (ii) efficiency of management  
(iii) profitability (iv) business operation
- 3 \_\_\_\_\_ Budget is for different levels of activity.  
(i) Production (ii) cash (iii) sales (iv) flexible
- 4 Break-even analysis is also called:  
(i) Abnormal cost analysis (ii) Fixed cost analysis  
(iii) Variable cost analysis (iv) Cost volume profit analysis
- 5 An increase in current asset results in  
(i) Increase in cash (ii) decrease in cash  
(iii) no change in cash (iv) breakeven point

**SECTION - B (15 Marks)**

Answer ALL Questions

ALL Questions Carry EQUAL Marks

(5 x 3 = 15)

- 6 (a) What are the objectives of financial statement analysis?  
OR  
(b) Explain the importance of financial statement analysis.
- 7 (a) Explain the uses of Ratio Analysis.  
OR  
(b) Find out Operating ratio and operating profit ratio.  
Cost of goods sold = 1,80,000  
Other operating expenses = Rs.30,000  
Net sales = Rs.3,00,00
- 8 (a) Explain the advantages of budgetary control.  
OR  
(b) Summarized below are the Income and Expenditure forecasts for the months of March to July 2006.

Month	Sales Rs.	Purchases Rs.	Wages Rs.
March	60,000	36,000	9,000
April	62,000	38,000	8,000
May	64,000	33,000	10,000
June	58,000	39,000	8,500
July	56,000	39,000	9,500

- a. Prepare cash budget for 3 months ending on 31<sup>st</sup> July 2006.
- b. Cash balance on 1<sup>st</sup> May 2006 Rs.8,000
- c. Advance tax Rs.8,000 payable in March and June each.
- d. Credit allowed by suppliers is 2 months and allowed to customer is one month.
- e. Lag in payment of wages is one month.

Cont...

- 9 (a) Calculate B.E.P from the following details:

Fixed Expenses Rs.1,50,000

Variable cost per unit Rs.10

Selling price per unit Rs.15.

OR

- (b) Explain different types of working capital.

- 10 (a) From the following two balance sheets you are required to prepare a statement of sources and application of funds.

Balance Sheet

Liabilities	2004 Rs.	2005 Rs.	Assets	2004 Rs.	2005 Rs.
Share Capital	40,000	45,000	Cash	30,000	47,000
Trade Creditors	10,000	23,000	Debtors	1,20,000	1,15,000
P & L A/c	2,30,000	2,50,000	Stock in trade	80,000	90,000
			Land	50,000	66,000
<b>Total</b>	<b>2,80,000</b>	<b>3,18,000</b>	<b>Total</b>	<b>2,80,000</b>	<b>3,18,000</b>

OR

- (b) How will you calculate cash from operation? Explain.

**SECTION -C (30 Marks)**

Answer any **Three** questions

**ALL** questions carry **EQUAL** Marks

(3 x 10 = 30)

- 11 Explain different tools and techniques used in financial statement Analysis.

- 12 Balance Sheet of X Ltd., as on 31.12.2007

Liabilities	Rs.	Assets	Rs.
Share Capital	2,00,000	Fixed Assets	3,60,000
9% Prof. Share Capital	1,00,000	Stock	50,000
8% Debentures	1,00,000	Debtors	1,10,000
Profit & Loss A/c	40,000	Bills Receivable	6,000
Creditors	90,000	Bank	4,000
<b>Total</b>	<b>5,30,000</b>	<b>Total</b>	<b>5,30,000</b>

Find out

- (i) Debt-Equity Ratio  
(ii) Current Ratio  
(iii) Liquid Ratio

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

Particular	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 (60% fixed, 40% variable)	-	20,000	-
Repairs and maintenance (60% fixed, 40% variable)	-	2,000	-
Fixed Overheads:			
Depreciation	-	11,000	-
Insurance	-	3,000	-
Salaries	-	10,000	-
<b>Total Overheads</b>	-	<b>62,000</b>	-

Estimated direct labour hours 1,24,000 hrs.

Cont...

14 From the following estimates, calculate the average amount of working capital required:

	p.a (Rs.)
(a) Average amount locked-up in stocks: Stock of finished goods and Work-in-progress Stock of stores, materials, etc.	10,000 8,000
(b) Average credit given: Local sales: 2 weeks credit Sales outside the state: 6 week credit	1,04,000 3,12,000
(c) Time available for payment: For purchase: 4 weeks For Wages: 2 weeks	78,000 2,60,000

Add: 10% to allow for contingencies.

15 From the following Balance Sheet, Prepare a cash flow statement:

Liabilities	2006 Rs.	2007 Rs.	Assets	2006 Rs.	2007 Rs.
Share Capital	2,00,000	2,50,000	Cash	30,000	47,000
Sundry Creditors	70,000	45,000	Debtors	1,20,000	1,15,000
P & A/c	10,000	23,000	Stock	80,000	90,000
			Land	50,000	66,000
<b>Total</b>	<b>2,80,000</b>	<b>3,18,000</b>	<b>Total</b>	<b>2,80,000</b>	<b>3,18,000</b>

Z-Z-Z

END