

PSG COLLEGE OF ARTS & SCIENCE  
(AUTONOMOUS)

MA DEGREE EXAMINATION MAY 2022  
(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. Management accounting suitable for
  - (i) Small Business
  - (ii) Cooperative Societies
  - (iii) Non-Profit Organization
  - (iv) Large Industries and Trading Concerns
2. The Ideal Current Ratio is
  - (i) 5:1
  - (ii) 2:1
  - (iii) 4:1
  - (iv) 3:1
3. Funds From Operation is
  - (i) Gross Profit
  - (ii) Net Profit
  - (iii) Operating Profit
  - (iv) None of the above
4. A Flexible Budget is
  - (i) Budget for Assets and Liabilities
  - (ii) Budget for Profit and Loss
  - (iii) Budget for Managerial Remuneration
  - (iv) Budget for operation of the entire organization
5. MOS is
  - (i) Sale at which there is Profit
  - (ii) Sales at which there is Loss
  - (iii) Sales in excess of BEP
  - (iv) None of the above

**SECTION - B (15 Marks)**

Answer ALL Questions

ALL Questions Carry EQUAL Marks

(5 x 3 = 15)

- 6 (a) Discuss the Limitation of Management Accounting.  
OR  
(b) Distinguish between Financial and Management Accounting
- 7 (a) From the following information, find out
  - a) Current Assets
  - b) Current Liabilities
  - c) Value of Inventory
 Current Ratio = 3.5; Liquid Ratio = 2.5; Working Capital = Rs. 1,00,000.  
OR  
(b) Determine the value of Closing stock from the following details:
  - Sales Rs. 6,00,000
  - Gross Profit 20% on sales
  - Stock velocity - 3 Months
  - Closing stock was Rs. 10,000 in excess of opening stock.
- 8 (a) From the following details a schedule of changes in working capital.

Particular	31.12.2020 Rs	31.12.2021 Rs
Bank Loan ( short period)	70,000	-----
Creditors	1,50,000	1,35,200
Bank	-----	8,000
Cash	500	600
Debtors	80,000	64,200
Stock	1,00,000	74,000
Share Capital	2,00,000	2,50,000
General Reserve	50,000	60,000
P&L Account	30,500	30,600
Building	2,00,000	1,90,000

OR

Cont...

- (b) The Profit and Loss Account of a company for the year ending 31.03.2018 and 31.03.2019 showed Balance of Rs. 20,000 and Rs. 30,000 respectively. For the year ending 31.03.2019, provision for dividend was made to the extent of Rs. 50,000. Transfer to reserve amounted to Rs. 40,000, depreciation written off was Rs. 25,000, loss on sale of machinery amounting to Rs. 5,000 was debited to profit and loss account, sale of investment resulted in a profit of Rs.3,000 which was taken to Profit and Loss Account, Sale of furniture resulted in a profit of Rs. 3,000 which was also taken to Profit and Loss Account, a commission of Rs. 4,000 received on a non-trading activity was credited to Profit and Loss Account. You are required to calculate funds from operations.

9 (a) Determine the objectives of Budgeting.

OR

- (b) The following budget estimated from a factory working 50% of its capacity:

	Rs
Variable expenses	60,000
Semi variable expenses	20,000
Fixed expenses	10,000

Prepare a budget for 75% of the capacity assuming that semi-variable expenses increase by 10% of every 25%

10 (a) Kavitha furniture House places before you the following trading results.

Year	Units	Total cost Rs	Sales Rs
2018	10,000	80,000	1,00,000
2019	12,000	90,000	1,20,000

Find out the following:

- P/V Ratio
- BEP
- Fixed Cost
- MOS in the year 2019.

OR

- (b) From the following estimates, you are required to calculate the average amount of working capital required:

	Rs
(i) Average amount locked up in stocks:	
Stock of stores, materials etc.	20,000
Stock of finished goods and WIP	25,000
(ii) Average credit given:	
Local sales - 3 weeks credit	2,08,000
Export sales - 6 weeks credit	6,24,000
(iii) Times lag in payment for:	
Purchase - 3 weeks	1,56,000
Wages - 2 weeks	4,55,000

**SECTION -C (30 Marks)**

Answer ALL questions

ALL questions carry EQUAL Marks

(5 x 6 = 30)

11 (a) Analyze the function of Management Accounting.

OR

(b) Enumerate the tools of Management Accounting.

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12 (a) Following in the Balance Sheet of Prabu LTD. AS ON 31.12.2021.

Liability	Rs	Assets	Rs
Share Capital	60,000	Fixed Assets	1,30,000
Reserves	40,000	Stock	30,000
6% Debenture	70,000	Debtors	20,000
Creditors	14,000	Bills receivable	15,000
Bills payable	6,000	Cash in hand	5,000
Bank overdraft	10,000		
	2,00,000		2,00,000

Other information:

- Net sales Rs. 3,00,000
- Cost of goods sold Rs. 2,50,000
- Opening stock Rs. 20,000
- Number of working days 360 days

Calculate:

- Current Ratio
- Liquid Ratio
- Inventory Turnover Ratio
- Average Collection Period
- Debt-Equity Ratio

OR

(b) Assume that a firm has owner equity of Rs. 1,00,000. The ratio 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 |

Compute the following Balance sheet, given the information above:

Liability	Rs	Assets	Rs
Current debt	-	Cash	-
Long-term debt	-	Inventory	-
Total debt	-	Total Current Assets	-
Owner's equity	-	Fixed Assets	-
Total Equity		Total Assets	

13 (a) Assess the importance of funds flow statement.

OR

(b) The Balance Sheet of M/s Ramu and Somu as on 01.01.2021 and 31.12.2021 were as follows:

Liability	Balance Sheet		Assets	Balance Sheet	
	01.01.2021 Rs	31.12.2021 Rs		01.01.2021 Rs	31.12.2021 Rs
Creditors	40,000	44,000	Cash	10,000	7,000
Mrs. Somu's loan	25,000		Debtors	30,000	50,000
Loan from Canara 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 machine costing Rs. 10,000 ( accumulated depreciation Rs. 3,000) was sold for Rs. 5,000. The provision for depreciation against machinery as on 01.01.2021 was Rs.25,000 and on 31.12.2021 was Rs.40,000. Net profit for the year 2021 amounted to Rs. 45,000. Prepare Funds Flow Statement.

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14 (a) On the basis of the following particulars draw up a flexible budget for overhead expenses and determine the overhead rates at 70% 80% and 90% plant capacity.

	Plant Capacity		
	70% Rs	80% Rs	90% Rs
<b>Variable overheads:</b>			
Indirect labour	-	12,000	-
Indirect materials	-	4,000	-
<b>Semi-Variable overheads:</b>			
Power (30% fixed)	-	20,000	-
Repairs (40% fixed)	-	2,000	-
<b>Fixed overheads:</b>			
Depreciation	-	11,000	-
Insurance	-	3,000	-
Salaries	-	10,000	-
<b>Total overheads</b>	-	1,62,000	-
<b>Estimated direct labour hours</b>		1,24,000	

OR

(b) Prepare a cash budget for the month of May, June and July 2021 on the basis of the following information:

Income and Expenditure forecasts:

Month 2021	Credit sales	Credit Purchases	Wages	Manufacturing expenses	Office expenses	Selling expenses
March	60,000	36,000	9,000	4,000	2,000	4,000
April	62,000	38,000	8,000	3,000	1,500	5,000
May	64,000	33,000	10,000	4,500	2,500	4,500
June	58,000	35,000	8,500	3,500	2,000	3,500
July	56,000	39,000	9,500	4,000	1,000	4,500
August	60,000	34,000	8,000	3,000	1,500	4,000

(b) Cash balance on 1<sup>st</sup> May 2021 Rs.8,000

(c) Plant costing Rs.16,000 is due for delivery in July: Payable 10% on delivery and the balance after 3 Months.

(d) Period of credit allowed : by suppliers – two months and to customers – one month

(e) Advance tax of Rs.8,000 each is payable in March and June

(f) Lag in payment of manufacturing expenses - ½ month

(g) Lag of payments of office and selling expenses – 1 month

15 (a) Explain factors determining the working capital requirements.

OR

(b) PV Ratio is 50% and Margin of Safety is 40%

Find out:

a) BEP Sales

b) Fixed cost

c) Net Profit

If sales volume is Rs.5,00,000

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END