

**Answer key**  
**S5- B.com Internal test 1- Aug 2011**  
**Accounting for management**

**Objective type**

1. Management Accounting
2. Complimentary in nature
3. Horizontal analysis
4. External analysis
5. Market price
6. Window dressing
7. Stock
8. Lesser claims of creditors/ low indebtedness of the firm

**Short answer type**

9. ICMA: Management accounting is the presentation of accounting information in such a way as to assist management in the creation of policy and in the day to day operations of an undertaking.
10. Financial statements refer to the formal accounting reports prepared at the end of the accounting period. It comprises of balance sheet and profit and loss account.
11. Current ratio is the ratio of current assets to current liabilities. It measures the general liquidity of the firm. 
$$\text{Current ratio} = \frac{(\text{current assets})}{(\text{current liabilities})}$$

**Short essay type**

12. Functions of Management accounting
  - a. Forecasting and planning
  - b. Modification of data
  - c. Co ordination
  - d. Facilitates control
  - e. Using qualitative information
  - f. Communicating management policies(any five points with brief explanation will get A grade)
13. Comparative income statement

Gross profit	-	(2.78)
PBT	-	(14.43)
PAT	-	(14.43)
14. Gross profit ratio =40%  
Net profit ratio =16%  
Operating ratio =80%
15. Current ratio =2:1  
Acid test ratio =1:1

### Long essay type

16. A) Capital turnover ratio = 1.875 times

Fixed assets turnover ratio = 2.81 times

Working capital turnover ratio = 5.625 times

B) Debtors turnover ratio = 5.73 times

Average collection period = 64 days or 2 months and 2 days

17. Closing stock = 62,000/-

Debtors = 1,50,000/-

Creditors = 76,667/-

Fixed assets = 60,000/-

Share capital = 1,84,000/-

Cash(b/f) = 38,667/-