

Department of Commerce
Amal College of Advanced Studies, Nilambur
Internal Test II- Management Accounting

Time: 1 ½ Hours.
Weight: 15

Short answer: Answer all. Each carries 1 weight

1. What do you understand by fund flow statement? (01,03,07,10)
2. What is non fund item?. Give an example. (07)
3. Define the term cash flow (97)
4. What is breakeven point/ (02, 03, 09)
5. What is profit volume ratio? (97, 99,02,05,08)

Short essay: Answer any three. Each carries 2 weights

6. Discuss the uses of fund flow statement. (00,05)
7. List out the areas of decision making where marginal costing helps the management. (97,98)
8. Following are the extracts from the balance sheet of a company as on 31st dec 1997 and 1998. You are required to calculate funds from operation. (99)

	1997	1998
Profit and loss appropriation account	30000	40000
G/R	20000	25000
Goodwill	10000	5000
Preliminary exp	6000	4000
Provision for depreciation in machinery	10000	12000

9. Calculate the no. of units to be sold to earn a profit of Rs 60000 a year and the breakeven units. (01)

Sale price: 20 per unit

Variable manufacturing cost: 11 per unit

Variable selling cost: 3 per unit

Fixed factory overhead: 540000 per year

Fixed selling cost: 252000 per year.

Long essay: Answer any one. Each carries 4 weights.

10. From the following figures prepare a statement showing the sources and application of funds during the year 1997 (98)

	31-12-1996	31-12-1997
Assets:		
Fixed assets (net)	510000	620000
Investments	30000	80000
Current assets	240000	375000
Discount on debentures	<u>10000</u>	<u>5000</u>
Total	790000	1080000
Liabilities:		
Share capital (equity)	300000	350000
Share capital (pref)	200000	100000
Debentures	100000	200000
Reserves	110000	270000
Provision for doubtful debt	10000	15000
Current liabilities	<u>70000</u>	<u>145000</u>

Total	790000	1080000
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You are informed that during the year:

- I) A machine costing Rs 70000, book value Rs 40000 was disposed of for Rs 25000.
- II) Preference share redemption was carried out at a premium of 5%
- III) Dividend at 15% was paid on equity shares for 1996

Further information

- a) A provision for depreciation stood at Rs 150000 on 31-12-1996 and at Rs 190000 on 31-12-1997.
- b) Stock written up to its cost
- c) Stock which was valued at Rs 90000 as on 31-12-1996 was written up to its cost Rs 100000 for preparing profit and loss account for 1997

11. The following data relates to a company which manufactures three products A,B and C.

	A	B	C
Production (Units)	2000	2400	3000
Cost per unit	Rs	Rs	Rs
Material	5	8	12
Labour	2	4	3
Variable OH	1	2	1
Fixed OH	<u>6</u>	<u>5</u>	<u>6</u>
	14	19	22
Selling price	20	25	30
Profit per unit	6	6	8

The production manager suggest that one production line should be discontinued. He undertakes to double the existing production in the remaining two lines. You are required to advise the management whether the suggestion is acceptable and , if so which production line should be discontinued. (02)

Short answer: Answer all. Each carries 1 weight

1. What do you understand by flow of fund? (97,98)
2. How are the increase and decrease in WC are treated in fund flow statement? (01)
3. What is cash flow statement? (02,09)
4. Define marginal cost? (99,04,06,08)
5. What is margin of safety? (97,00,04,06,07,09,10)

Short essay: answer any three. Each carries 2 weights.

6. What are various sources of funds? (98,05,07)
7. Draw a breakeven chart and explain the breakeven point (00,07)
8. From the following information ascertain the amount of funds from operation(99)

Income statements			
Particulars	Amount	Particulars	Amount
Salaries	10000	Gross income	45000
Rent	6000	Profit on sale of furniture	1000
Reserve for doubtful debt	4000	Dividend	4000
Interest and commisiion	5000		
Provision for depreciation	6000		
Provision for taxation	8000		
Loss on sale of plant	2000		
Discount on issue of shares	1000		
Net income	<u>8000</u>		÷
	50000		50000

9. Calculate the breakeven point in the following cases. (03)
The fixed costs for the year is Rs 80000; variable cost per unit for the single product being made is Rs 4. Estimated sales for the period are valued at Rs 2,00,000/-. Each unit sells at Rs20.
b) What will be the breakeven point if the selling price is reduced by 10%.

Long essay: answer any one. Each carries 4 weights.

10. You have been given the following financial statements of Ramji estates limited as on 31st dec 1995 and 1996.

	31-12-1996	31-12-1995
Assets:		
Cash at bank	45000	130000
Sundry debtors	140000	90700
Stock in trade	196000	142500
Fixed asset less depreciation	600000	360000
Investments	10000	11250
Prepaid expense	<u>21000</u>	<u>14000</u>
Total	1012000	748450
Liabilities		
Sundry creditors	298000	251450

Provision for taxation	172000	65000
Secured loan from bank	--	87000
Reserves and surplus	312000	148000
Ordinary shares of Rs 100 each	<u>230000</u>	<u>197000</u>
Total	1012000	748450

The following further information is available from the records

a) The provision in respect of reserves and surplus is as under

Balance on 1 st jan 1996:	148000
Net profit for the year:	<u>198500</u>
	346500
Less Dividend	<u>34500</u>
	312000

b) On 31st dec 1996 the accumulated depreciation on fixed asset was Rs 180000 and on 31st dec 1995 Rs 160000. Machinery costing Rs 20000 which was one-half depreciated was discarded and written off in 1996. Depreciation for the year 1996 amounted to Rs 30000.

c) Investments costing Rs 5000 were sold during the year 1996 for Rs 4800 and govt securities of the face value of Rs 4000 were purchased during the year for Rs 3750

You are required to prepare the following

- I) Statement of sources and applications of fund
- II) Statement showing item wise increase or decrease in the net working capital

(97)

11. Following information has been made available from the cost records of United automobile Ltd, manufacturing spare parts.

Direct materials: Per unit

X : Rs 8

Y : Rs 6

Direct Wages:

X : 24 hours at 25 paise per hour

Y : 16 hours at 25 paise per hour

Variable overheads : 150% direct wages

Fixed overheads(total) : Rs 750

Selling price :

X : Rs 25

Y : Rs 20

The directors want to be acquainted with the desirability of adapting one of the following alternative sales mixes in the budget for the next period.

- a) 250 units of X and 250 units of Y
- b) 400 units of X only
- c) 400 units of X and 100 units of Y
- d) 150 units of X and 350 units of Y

State which of the alternative sales mixes would you recommend to the management.

(99)