

Total No. of Questions : 5]

[Total No. of Printed Pages : 4

[3570]-101

M. Com. (Semester - I) (Compulsory) Examination - 2009

MANAGEMENT ACCOUNTING

(2008 Pattern)

Time : 3 Hours]

[Max. Marks : 100

Instruction :

All questions are compulsory and carry equal marks.

Q.1) Define and distinguish between 'Management Accounting' and 'Financial Accounting'. Discuss limitations of Management Accounting.

OR

Q.1) "Interpretation and Analysis of Financial Statements is the core task of Management Accountant and is carried out by many methods." Discuss.

Q.2) The following are the Balance Sheets of Efefes Limited, prepared as on 31st March, 2008 and 31st March, 2009 :

Balance Sheets

Liabilities	31-03-08	31-03-09	Assets	31-03-08	31-03-09
Equity Share Capital	1,50,000	2,50,000	Goodwill	1,50,000	1,00,000
8% Red. Pref. Shares	1,50,000	1,00,000	Land and Building	1,00,000	75,000
General Reserve	20,000	30,000	Plant and Machinery	90,000	1,91,000
Capital Reserve	—	25,000	Investments	10,000	50,000
P and L A/c.	98,000	1,27,000	Stock	85,000	78,000
Sundry Creditors	26,000	53,000	Sundry Debtors	60,000	1,20,000
Proposed Dividend	30,000	40,000	Bills Receivable	15,000	26,000
Provision for Taxation	28,000	32,000	Cash and Bank	7,000	30,000
Bills Payables	15,000	13,000			
	5,17,000	6,70,000		5,17,000	6,70,000

[3570]-101

1

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Additional Information :

- (1) All fixed assets are depreciated by 10% of the opening balance.
- (2) A piece of land has been sold out and the remaining land was revalued, profit on sale and revaluation is transferred to Capital Reserve Account.
- (3) A new machine is purchased in exchange of an old machine. The old machine, having book value Rs. 60,000 was valued at 60% of its book value. The remaining amount is paid in cash.
- (4) During the year interest Rs. 8,000 on newly purchased debentures was received, which include Rs. 3,500 as the pre-acquisition interest.
- (5) Income Tax paid during the year is Rs. 25,000.
- (6) During the year compensation Rs. 18,000 is paid to a workman injured in an accident. It is written off through 'General Reserve'.

You are required to prepare 'Fund Flow Statement' with necessary working notes.

Q.3) What is 'Cash Flow Statement' ? Explain its importance in Cash Management. State limitations of such analysis.

OR

Q.3) The following information is related to 'Ratio Limited', Pune :

- Net Sales Rs. 50,00,000
- Debtors Turnover Ratio 2
- Inventory Turnover Ratio 1.25
- Fixed Assets Turnover Ratio 0.8
- Debt to Total Assets Ratio 0.6
- Net Profit Ratio 5%
- Gross Profit Ratio 25%
- Return on Investment 2%
- Short Term Debt 25,00,000

Prepare Income Statement and Consolidated Balance Sheet.

Q.4) What is Responsibility Accounting ? State its objectives. Explain various types of Responsibility Centres.

OR

Q.4) Varcap Limited has procured you the following information :

Cost of Production (per unit)

	Rs.
• Raw Material	40.00
• Direct Labour	10.00
• Overheads	30.00
	<hr/>
	80.00
	<hr/>
• Sales Price	100.00

- (a) It is estimated that raw material will stay in stock for 15 days and work-in-progress will stay for 10 days. (40% complete as to labour and overheads)
- (b) Management wants to maintain finished stock equal to the sales of next month.
- (c) 20% of the goods are sold on cash basis. Credit Sales are recovered in 1.5 months.
- (d) 10% of the purchase are to be made by an advance payment of one month, 20% of the purchases are on cash basis while remaining purchases are made on 2 months credit.
- (e) Wages are paid on weekly basis and overheads are paid 15 days in arrear.
- (f) It is estimated that output will be increased by 20% compared to the last year which was 1,00,000 units.

You are required to find out estimated amount of Working Capital after providing Rs. 50,000 for contingencies.

Q.5) Write notes : (Any Four)

- (a) Objectives of Management Accounting
 - (b) Profitability Ratios
 - (c) Uses of Fund Flow Statement
 - (d) Importance of Working Capital
 - (e) Receivables Management
 - (f) Inventory Management
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