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# M.Com. (Semester-I)
# EXAMINATION Oct/Nov 2019
# Managerial Accounting

**[Duration : Three Hours]** **[Total Marks :60]**

**Instructions:**
1. This paper consists **of Nine Questions carrying Equal marks.**
2. **Question No.1 consist of 5 Compulsory Questions of 2 Marks Each.**
3. **Answer any 5 questions from Question 2, 3, 4, 5, 6, 7, 8 and 9.**
4. **Each question carries 10 marks. Figures to the right indicate marks.**

**1.** a) What is the significance of Capital Gearing Ratio? **2**
b) State and explain any 2 accounting conventions. **2**
c) From the following information, calculate the Fixed cost and P/V ratio. **2**
Sales Rs.2,00,000, Profit Rs.20,000, Variable Cost 60%
d) What is cash break even point? **2**
e) List any four advantages of Zero Based Budgeting. **2**

**2.** a) How does managerial accounting differ from financial accounting? What are the limitations of managerial accounting? **5**
b) Differentiate between IFRS and Ind AS. **5**

**3.** a) Discuss the significance of Interest Coverage ratio and Debt Equity ratio. **5**
b) Explain the concept of 'Flow of Funds.' Discuss the importance of Funds Flow Statement. **5**

**4.** a) Define the term Margin of Safety and discuss its importance. **5**
b) What are the essentials of budgetary control? **5**

**5.** From the following information, you are required to prepare a Balance Sheet. **10**

**5.**

| | | | |
|---|---|---|---|
| Current ratio | 1.75 | Liquid ratio | 1.25 |
| Stock turnover ratio (cost of Sales/closing stock) | 9 | Gross profit ratio | 25% |
| Debt collection period | 1.5 months | Reserve to capital | 0.2 |
| Turnover to fixed assets | 1.2 | Capital gearing ratio(Long term debt to equity capital) | 0.6 |
| Fixed assets to net worth | 1.25 | Sales for the year | Rs. 12,00,000 |

**6.** From the following information, you are required to prepare a cash flow statement in the books A ltd. **10**

| **Particulars** | **2018** | **2019** |
|---|---|---|
| **Equity and liabilities** | | |
| Share Capital | 2,00,000 | 2,50,000 |
| General Reserves | 50,000 | 60,000 |
| Profit & Loss A/c | 30,500 | 30,600 |



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| | | |
|---|---|---|
| Bank Loan (long term) | 70,000 | - |
| Sundry Creditors | 1,50,000 | 1,35,200 |
| Provision for taxation | 30,000 | 35,000 |
| **Total** | **5,30,500** | **5,10,800** |
| **Assets** | | |
| Land & Building | 2,00,000 | 1,90,000 |
| Machinery & Plant | 1,50,000 | 1,69,000 |
| Stock | 1,00,000 | 74,000 |
| Sundry Debtors | 80,000 | 64,200 |
| Cash | 500 | 600 |
| Bank | - | 8,000 |
| Goodwill | - | 5,000 |
| **Total** | **5,30,500** | **5,10,800** |

(a) Dividend of Rs.23,000 was paid.
(b) Assets of another company were purchased for a consideration of Rs. 50,000 payable in shares.
The following assets were purchased: stock Rs. 20,000; machinery Rs. 25,000.
(c) Machinery was purchased for Rs. 8,000.
(d) Depreciation written off on Machinery Rs. 12,000.
(e) Income Tax paid during the year Rs. 28,000. Provision of Rs. 33,000 was charged to profit and loss A/c.
(f) Rs. 10,000 was transferred to general reserves.
(g) Loss on sale of machinery was Rs.200.

**7.** Roshan Limited has the capacity to produce 10000 units per month. The company has current production and sales level of 84000 units per annum. The current domestic market price per unit is Rs. 350. The cost data for the year ending 31st March, 2019 is as under: **5**

*(Rs.in Lakhs)*

| | *Rs.* |
|---|---|
| *Variable cost (that vary with units produced):* | |
| *Direct Material* | *105.00* |
| *Direct Labour* | *71.40* |
| *Variable costs (that vary with number of batches):* | |
| *Set-ups; Receiving;and inspection* | *25.20* |
| *(560 batches@ Rs.4500 per batch)* | |
| | |
| *Fixed Costs:* | |
| *Manufacturing* | *21.00* |
| *Administrative* | *8.00* |
| *Selling* | *4.60* |

Roshan Limited has received a special one-time export order for 36000 Units at Rs. 270 per unit. The company manufactures units for its existing customers in batch size of 150 units but the special export order for 36000 units requires, the company to manufacture in batches of 100 units per batch. You are required to answer the following: (i) Should Roshan Limited accept the special export order? Why?

b) A Ltd. Maintains margin of safety of 37.5% with an overall contribution to sales ratio of 40%. Its fixed costs amount to Rs. 5 lakhs. 5
Calculate the following:

i. Break-even sales
ii. Total sales
iii. Total variable cost
iv. Current profit
v. New 'margin of safety' if the sales volume is increased by 7.5%.

8. M/s NNSG Ltd, specialized in manufacturing of piston rings for motor vehicle. It has prepared budget for 8,000 units p.a. at budgeted cost of Rs. 21,64,400 as detailed below: 10

| | **Rs.** |
|---|---|
| Fixed cost (Manufacturing) | 2,28,000 |
| Variable costs: | |
| Power | 18,000 |
| Repairs | 16,000 |
| Other Variable cost | 6,400 |
| Direct material | 6,16,000 |
| Direct labour | 12,80,000 |
| | **21,64,400** |

Considering the possible impact on sales turnover by market trends, the company decides to prepare flexible budget with a production target of 4,000 and 6,000 units. On behalf of the company you are required to prepare a flexible budget for production levels at 50% and 75%. Assuming the selling price per unit is maintained at Rs.400 as at present, indicate the effect on net profit. Administration, selling and distribution overhead continue at Rs.72,000

9. The following are the Balance Sheets of Xenon Ltd. 10

| | **Particulars** | **31/3/2018** | **31/3/2019** |
|---|---|---|---|
| **(A)** | **EQUITY AND LIABILITIES** | | |
| **1** | **Shareholder's funds** | | |
| | (a) Share capital | 900000 | 1200000 |
| | (b) Reserves and surplus | 495000 | 333000 |
| | | | |
| **2** | **Non-current liabilities** | | |
| | (a) Long term borrowings | 225000 | 300000 |
| | (b) Other long-term liabilities | 300000 | 450000 |
| | | | |
| **3** | **Current liabilities** | | |
| | (a) Short-term borrowing | 150000 | 180000 |
| | (b) Trade payables | 75000 | 67500 |
| | (c) Other current liabilities | 7500 | 15000 |
| | (d) Short-term provisions | | |

| | | | |
|---|---|---|---|
| | **Total Liabilities** | 2152500 | 2545500 |
| **B** | **ASSETS** | | |
| **1** | **Non-current assets** | | |
| | (a) Fixed assets | | |
| | (i) Tangible assets | 1222500 | 1387500 |
| | (iii) Capital work-in-progress | | |
| | (b) Non-current investments | | |
| **2** | **Current assets** | | |
| | (a) Inventories | 375000 | 525000 |
| | (b) Trade receivables | 525000 | 510000 |
| | (c) Cash and cash equivalents | 30000 | 120000 |
| | (d) Short-term loans and advances | | 3000 |
| | (e) Other current assets | | |
| | **Total Assets** | 2152500 | 2545500 |

Prepare a Comparative Balance Sheet and comment on the Liquidity, Solvency, Profitability and leverage positions of the firm.



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