

NOVEMBER/DECEMBER 2018

**MCM12 — ACCOUNTING FOR  
MANAGERIAL DECISION**

Time : Three hours

Maximum : 75 marks

SECTION A — (5 × 6 = 30 marks)

Answer ALL questions.

1. (a) What are the functions of management accounting?

Or

- (b) What are the differences between management accounting and cost accounting?

2. (a) Jerwin manufacturing co. has drawn up the following profit and loss account for the year ended 31<sup>st</sup> March

Particulars	Rs.	Particulars	Rs.
To Opening stock	26,000	By Sales	1,60,000
To Purchase	80,000	By Closing stock	38,000
To Wages	24,000		

Particulars	Rs.	Particulars	Rs.
To Manufacturing expenses	16,000		
To Gross profit c/d	52,000		
	<u>1,98,000</u>		<u>1,98,000</u>
To Selling and distribution expenses	4,000	By Gross profit b/d	52,000
To Administrative expenses	22,800	By Compensation for acquisition of law	4,800
To General expenses	1,200		
To Value of furniture lost by fire	800		
To Net profit	28,000		
	<u>56,800</u>		<u>56,800</u>

You are required to find out

- (i) Gross profit Ratio
- (ii) Net profit Ratio
- (iii) Operating Ratio
- (iv) Operating Net profit to net sales ratio.

Or

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8. The comparative balance sheets of Bharath Ltd. are indicated in a condensed form as under :

	As at 31.3.2015 (Rs.)	As at 31.3.2014 (Rs.)
Fixed assets	5,20,000	4,80,000
Less : Depreciation to date	1,40,000	1,08,000
	<u>3,80,000</u>	<u>3,72,000</u>
Investment at cost	50,000	1,00,000
Stock	90,500	55,600
Sundry debtors	1,67,000	1,18,300
Cash and bank balance	48,300	49,800
Preliminary expenses	-	7,200
	<u>7,35,800</u>	<u>7,02,900</u>
Share capital :		
Equity share of Rs. 100		
each issued for cash	4,00,000	3,60,000
General reserve	60,000	1,10,000
Surplus in P and L A/c	53,450	20,450
Sundry creditor's	1,75,350	1,83,650
Proposed dividend	15,000	28,800
Provision for taxation	32,000	-
	<u>7,35,800</u>	<u>7,02,900</u>

4. (a) From the following details find out (i) Profit volume Ratio (ii) B.E.P (iii) Margin of safety.

	Rs.
Sales	1,00,000
Total costs	80,000
Fixed costs	20,000
Net profit	20,000

Or

- (b) What are the limitations of Marginal costing?

5. (a) Explain the features of an appropriate capital structure.

Or

- (b) The following information relates to Somdev Ltd.

Earnings of the company :	Rs 10,00,000
Dividend paid :	Rs. 60,000
No of shares outstanding :	Rs. 1,00,000
Price earnings ratio :	10
Rate of return on Investment :	15%

Are you satisfied with the current dividend policy of the firm? If not, what should be the optimal dividend payout ratio? Use Walter's model.

SECTION B — (3 × 15 = 45 marks)

Answer any THREE questions.

6. Distinguish between financial accounting and management accounting.
7. The following figures related to Arwir traders for the year ended 31<sup>st</sup> March 2012.

Trading and profit and loss a/c

Particulars	Rs.	Particulars	Rs.	Rs.
To Opening stock	75,000	By Sales	5,20,000	
To Purchase	3,25,000	Less : return	20,000	5,00,000
To Gross profit	<u>2,00,000</u>	By Closing stock		<u>1,00,000</u>
	<u>6,00,000</u>			<u>6,00,000</u>
To Operating expenses	40,000	By Gross profit		2,00,000
To Administration selling	25,000	By Non-operating income		
To Non-operating expenses		Divided	3,000	
Loss on sale of assets	5,000	Profit sale of shares	11,000	20,000
To Net profit	<u>1,50,000</u>			
	<u>2,20,000</u>			<u>2,20,000</u>

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Balance sheet as on 31.3.2012

Liabilities	Rs.	Assets	Rs.
2000 equity shares of Rs. 100 each	2,00,000	Land and building	1,50,000
Reserves	90,000	Plants and machinery	80,000
Current liabilities	1,50,000	Stock	1,00,000
Profit and loss a/c	60,000	Debtors	1,40,000
	<u>5,00,000</u>	Cash	30,000
			<u>5,00,000</u>

Calculate :

- (a) Gross profit ratio
- (b) Operating ratio
- (c) Operating profit ratio
- (d) Net profit ratio
- (e) Expenses ratio
- (f) Stock turnover ratio
- (g) Return on total resources
- (h) Turnover of fixed assets
- (i) Turnover to total assets.

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Position of the company for the year 2015.

Particulars	Ks
sales	2,00,000
Less: Variable Over head	1,50,000
Contribution	50,000
Less: Fixed Over heads	15,000
Profit	35,000

10. What are the factors determining the dividend policy?

(b) Draw up a flexible budget for production at 75% and 100% capacity on the basis of the following data for a 50% activity.

Particular	Per unit Rs.
Materials	100
Labour	50
Variable expenses(Direct)	10
Administrative expenses (50% Fixed)	40,000
Selling and distribution expenses( 60% fixed)	50,000
Present production ( 50% activity	1,000 units

3. (a) The following details are available from a company as on 31<sup>st</sup> December.

	2014	2015	2014	2015	
Share capital	70000	74000	Cash	9000	7800
Debenture	12000	6000	Debtors	14900	17700
Reserve for			Stock	49200	42700
doubtful debts	700	800	Land	20000	30000
Trade creditors	10360	11840	Goodwill	10000	5000
P/L	10040	10560			
	<u>1,03,100</u>	<u>1,03,200</u>		<u>1,03,100</u>	<u>1,03,200</u>

In addition to you are given

- (i) Dividend paid total Rs. 3,500
  - (ii) Land purchased for Rs. 10,000
  - (iii) Amount provided for amortization of goodwill Rs. 5,000
  - (iv) Debentures paid off Rs. 6,000
- Prepare cash flow statement

Or

- (b) The following are the income statement of X, Y, Z Co Ltd for the year 2013 and 2014. Prepare the common size statement for two years.

Trading and profit and loss account

Particulars	2013 Rs.	2014 Rs.	Particulars	2013 Rs.	2014 Rs.
To Cost of sale	2,40,000	3,50,000	By Sales	4,00,000	5,00,000
To Gross profit c/d	1,60,000	1,50,000			
	<u>4,00,000</u>	<u>5,00,000</u>		<u>4,00,000</u>	<u>5,00,000</u>
To Operating expenses :			By Gross profit b/d	1,60,000	1,50,000
To Administration	25,000	30,000	By Interest on investment	20,000	50,000
Selling	15,000	20,000			
Distribution	10,000	10,000			
To Non operating expenses :					
Finance	20,000	20,000			
Goodwill written off	10,000	-			
To Net profit	1,00,000	1,20,000			
	<u>1,80,000</u>	<u>2,00,000</u>		<u>1,80,000</u>	<u>2,00,000</u>
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The net profit for the year 2014 and 15 (after providing for depreciation its 40,000, writing off preliminary expenses Rs. 7,200 and making provision for taxation Rs. 32,000) amounted to Rs. 58,000.

The company sold during the year 2014-15 old machinery costing Rs. 9,000 for Rs. 3,000. The accumulated depreciation on the said machinery was Rs. 8,000.

A portion of the company investments became worthless and was written off to general reserve during 2014-15. The cost of such investment was Rs. 50,000. During the year 2014-15, the company paid interim dividend of Rs. 10,000 and the directors have recommended a final dividend of Rs. 15,000 for the year 2014-15.

Prepare (a) a statement of sources and application of funds for the end of 31<sup>st</sup> March 2015 and (b) a schedule of working capital changes.

- 9. From the following find out: (a) P/V ratio (b) BEP (c) Sales for 40% P/V ratio( assuming variable cost remains the same) (d) MOS for the sale of Rs. 3,00,000 (e) Profit from the sale of Rs. 3,00,000 (f) Required sales for the profit of Rs. 70,000 (g) Required sales for the profit of Rs. 70,000 after tax, the corporate income tax rate being 60% (h) Additional sales required to cover an increase of Its 3,000 p.a in the sales managers salary.