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M.Com. (CBCS) DEGREE EXAMINATION,  
NOVEMBER 2021

First Semester

Commerce — Core

ACCOUNTING FOR MANAGEMENT

(For those who joined in July 2021 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL the questions.

Choose the correct answer :

1. Accounting that is mandatory, for audit
  - (a) Financial accounting
  - (b) Cost accounting
  - (c) Management accounting
  - (d) Tally based accounting

2. Debit the receiver and credit the giver is the concept followed in
  - (a) Personal account
  - (b) Real account
  - (c) Nominal account
  - (d) Financial accounting
3. Current ratio is an element of
  - (a) Liquid ratio
  - (b) Solvency ratio
  - (c) Activity ratio
  - (d) Profitability ratio
4. The rule of thumb for current ratio is
  - (a) 1 : 1
  - (b) 2 : 1
  - (c) 1.5 : 1
  - (d) 1 : 2
5. Management accounting uses the following tool to discharge its duty towards management
  - (a) Financial statement analysis
  - (b) Funds flow analysis
  - (c) Cash flow analysis
  - (d) All of these

6. The financial statement of a limited company includes
- (a) Profit and loss account
  - (b) Balance Sheet
  - (c) Profit & loss account & Balance Sheet
  - (d) Profit & loss account, P / L appropriation & Balance Sheet
7. Standard Costing is more widely applied in
- (a) Process & engineering industries
  - (b) Job order industries
  - (c) Both (a) and (b)
  - (d) None of these
8. Standard costs are
- (a) Ideal cost
  - (b) Normal cost
  - (c) Average cost
  - (d) Reasonable cost
9. Sales budget is
- (a) Master budget
  - (b) Fixed budget
  - (c) Functional budget
  - (d) Expenditure budget

10. Rolling budget is otherwise known as

- (a) Current budget
- (b) Sales budget
- (c) Progressive budget
- (d) Flexible budget

PART B — (5 × 5 = 25 marks)

Answer ALL the questions, choosing either (a) or (b).

11. (a) Trace the objectives of management accounting.

Or

(b) Following balances are extracted from the books of KJ & Co on 31st March 2021. You are required to prepare Trading account & Profit and Loss Account.

Particulars	Amount	Particulars	Amount
	Rs.		Rs.
Opening Stock	5,000	Commission (Cr.)	2,000
Purchases	1,95,000	Return outwards	2,500
Wages	14,000	Trade expenses	1,000
Insurance	5,500	Rent & Taxes	5,500

Particulars	Amount	Particulars	Amount
	Rs.		Rs.
Carriage inwards	4,000	Carriage outwards	7,250
Commission (Dr.)	4,000	Sales	2,50,000
Interest on capital	3,500	Closing Stock	1,25,000
Stationery	2,250		
Return inwards	6,500		

12. (a) The income statements of a concern are given for the years ending on 31st Dec. 2020 and 2021. Prepare a comparative income statement and study the profitability position of the concern.

Particulars	2020	2021
	Rs.	Rs.
Net Sales	78,500	90,000
Add : Cost of goods sold	45,000	50,000
Opening expenses :		
General and administrative expenses	7,000	7,200
Selling expenses	8,000	9,000
Non-Operating expenses :		
Interest paid	2,500	3,000
Income-tax	7,000	8,000

Or

(b) Calculate current ratio from the following :

	Rs.
Sundry debtors	1,00,000
Outstanding salaries	20,000
Bills receivable	80,000
Prepaid expenses	2,000
Stock	50,000
Marketable securities	20,000
Sundry creditors	80,000
Bank Overdraft	30,000
Bills Payable	40,000
Cash in hand and at bank	1,00,000

13. (a) Compute FFO from following P & L a/c.

Particulars	Rs.	Particulars	Rs.
To Expenses paid	3,00,000	By Gross Profit	4,50,000
To Depreciation	70,000	By Gain on sale of Land	60,000
To Loss on Sale of Machine	4,000		
To Discount	200		
To Goodwill	20,000		
To Net profit	1,15,800		
	<u>5,10,000</u>		<u>5,10,000</u>

Or

- (b) From the following Profit and Loss account, you are required to compute cash from operations :

Profit and Loss Account for the Year ending  
30th June, 2020

	Rs.	Rs.
To Salaries	8,000 By Gross Profit b/d	28,000
To Rent	1,000 By Profit on sale of land	5,000
To Depreciation	2,000 By Income tax refund	3,000
To Loss on sale of plant	1,000	
To Goodwill written off	4,000	
To Proposed dividend	5,000	
To Provision for taxation	5,000	
To Net profit	10,000	
	36,000	36,000

14. (a) Write the differences between Budget and Standard Costing.

Or

- (b) Product X requires 20 kgs. of material at Rs. 4 per kg. The actual consumption of material for the manufacturing of product X came to 24 kgs. of material at Rs. 4.50 per kg. Calculate Material cost variance, Material price variance and Material usage variance.
15. (a) A manufacturing company submits the following figures of product 'X' for the first quarter of 2020 :

Sales (in units)	Rs.
January	50,000
February	40,000
March	60,000

Selling price per unit Rs.100

Target of 1st Quarter 2021

Sales quantity increase 20%

Sales price increase 10%

Prepare Sales Budget for the first quarter of 2021.

Or



- (b) From the following particulars, prepare a production budget of Sony sales corporation for the year ended June 30, 2020.

Product	Sales (units) (as per sales budget)	Estimated stock (units)	
		July 1, 2020	June 30, 2021
A	1,50,000	14,000	15,000
B	1,00,000	5,000	4,500
C	70,000	8,000	8,000

PART C — (5 × 8 = 40 marks)

Answer ALL the questions, choosing either (a) or (b).

16. (a) Explain various concepts of accounting.

Or

- (b) The following balances were extracted from the books of Thomas as on 31st March, 2018.

Particulars	Rs.	Particulars	Rs.
Purchases	75,000	Capital	60,000
Returns inward	2,000	Creditors	30,000
Opening stock	10,000	Sales	1,20,000
Freight inwards	4,000	Returns outward	1,000
Wages	2,000		

Particulars	Rs.	Particulars	Rs.
Investments	10,000		
Bank charges	1,000		
Land	30,000		
Machinery	30,000		
Building	25,000		
Cash at bank	18,000		
Cash in hand	4,000		
	2,11,000		2,11,000

Additional information: Closing stock Rs. 9,000, Provide depreciation @ 10% on machinery, Interest accrued on investment Rs. 2,000. Prepare trading account, profit and loss account and balance sheet.

17. (a) Following are the income statements of a company for the years ending December 31<sup>st</sup> 2019 and 2020.

	2019 Rs.	2020 Rs.
Sales	10,00,000	14,00,000
Non-Operative Income	40,000	30,000
	10,40,000	14,30,000
Expenses :		
Cost of sales	6,50,000	10,20,000
Administrative Expenses	40,000	50,000

	2019 Rs.	2020 Rs.
Selling and Distribution Expenses	60,000	90,000
Non- operating expenses	50,000	60,000
	8,00,000	12,20,000
Net profit	2,40,000	2,10,000
	10,40,000	14,30,000

Or

- (b) The following are the ratios relating to the activities of National Traders Limited :

Stock Velocity : 6 months

Creditors velocity : 2 months

Debtors Velocity : 3 months

Gross Profit Ratio : 25%

Gross profit for the year ended 31<sup>st</sup> Dec. 2019 amounts to Rs. 4,00,000. Closing stock of the year is Rs. 10,000 above the opening stock . Bills receivable amount to Rs. 25,000 and bills payable to Rs. 10,000.

Find out : Sales, Purchases, Sundry Creditors, Sundry Debtors and Closing stock.

18. (a) From the following balance sheets of ABC ltd. as on 31<sup>st</sup> December 2020 and 2021, you are required to prepare :

(i) A Schedule of Changes in Working Capital.

(ii) A Funds Flow Statement.

Liabilities	2020	2021	Assets	2020	2021
	Rs.	Rs.		Rs.	Rs.
Share Capital	1,00,000	1,00,000	Goodwill	12,000	12,000
General Reserve	14,000	18,000	Building	40,000	36,000
Profit & Loss a/c	16,000	13,000	Plant	37,000	36,000
Sundry Creditors	8,000	5,400	Investments	10,000	11,000
Bills Payable	1,200	800	Stock	30,000	23,400
Provision for Taxation	16,000	18,000	Bills Receivable	2,000	3,200
Provision for Doubtful Debts	400	600	Debtors	18,000	19,000
			Cash at Bank	6,600	15,200
	<u>1,55,600</u>	<u>1,55,800</u>		<u>1,55,600</u>	<u>1,55,800</u>

The following additional information has also been given :

- (i) Depreciation charged on plant was Rs. 5,000 and on Building Rs. 4,000.
- (ii) Provision for taxation of Rs. 19,000 was made during the year 2020.
- (iii) Interim dividend of Rs. 8,000 was paid during the year 2020.

Or

- (b) The balance sheets of a firm as on 31<sup>st</sup> December 2020 and 2021 are given below :

	2020	2021		2020	2021
	Rs.	Rs.		Rs.	Rs.
Share Capital	1,00,000	1,60,000	Fixed Assets at cost	1,52,000	2,00,000
Retained Earnings	70,250	85,300	Inventory	93,400	89,200
Accumulated Depreciation	60,000	40,000	Debtors	32,800	23,100
12%	50,000	—	Expenses prepaid	3,950	3,000
Debentures			Bank	28,100	20,000
Sundry Creditors	30,000	50,000			
	<u>3,10,250</u>	<u>3,35,300</u>		<u>3,10,250</u>	<u>3,35,300</u>

The following additional information for 2004 are given :

- (i) Net profit Rs. 27,050.
- (ii) Depreciation charged Rs. 10,000
- (iii) Cash dividend declared during the period Rs. 12,000.
- (iv) An addition to the building was made during the year at a cost of Rs. 78,000 and fully depreciated equipment costing was discarded as no salvage being released.

Prepare a cash Flow statement.

19. (a) Calculate variable overhead variances from the following data :

Budgeted production for	
January, 2000	3,000 units
Budgeted Variable overhead	Rs. 15000
Standard time for one unit	2 hours
Actual production for	
January, 2000	2,500 units
Actual hours worked	4,500 hours
Actual variable overhead	Rs. 13,500

Or

- (b) Labour variance for the two departments form the followings. You are required to calculate labour cost, labour rate and labour efficiency variances.

	Dept A	Dept B
Actual Gross Wages (Direct)	Rs. 2,000	Rs. 18,000
Standard hours produced	8,000	6,000
Standard rate per hour	30 paise	35 paise
Actual hours worked	8,200	5,800

20. (a) Discuss the advantages of budgetary control.

Or

- (b) Prepare a flexible budget for overheads on the basis of the following data. Ascertain the overhead rates at 50%, 60% and 70% capacity :

At 60% Capacity

Variable overheads :

Indirect material	6,000
Indirect labour	18,000

Semi-variable overheads :

Electricity (40% fixed : 60% variable)	30,000
Repairs (80% fixed ; 20% variable)	3,000

At 60% Capacity

Fixed overheads :

Depreciation	16,500
Insurance	4,500
Salaries	15,000
Total overheads	93,000
Estimated direct labour hours	1,86,000