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Register Number:

Name of the Candidate:

**M.Com. DEGREE EXAMINATION, May 2015****(ACCOUNTING AND FINANCE)****(SECOND YEAR)****630. ACCOUNTING FOR BUSINESS DECISIONS****(Old Regulations)**

Time: Three hours

Maximum: 100 marks

**SECTION - A****(5 × 8 = 40)****Answer any FIVE questions**

1. Define management accounting. Discuss its scope.
2. Distinguish between cost accounting and management accounting.
3. Kavin & Co. Ltd. furnishes its balance sheet for the years 2012 and 2013 and requests you to prepare a comparative balance sheet for those years.

Liabilities	₹	₹	Assets	₹	₹
Equity share capital	80,000	80,000	Land and Buildings	80,000	74,000
8% debentures	80,000	90,000	Plant & Machinery	60,000	54,000
Retained earnings	40,000	49,000	Furniture	20,000	28,000
Sundry creditors	50,000	70,000	Inventory	40,000	60,000
Bills payable	10,000	15,000	Debtors	40,000	80,000
			Cash	20,000	8,000
	2,60,000	3,04,000		2,60,000	3,04,000

4. What is 'Ratio Analysis'? Discuss its uses and limitations.
5. Define 'capital budgeting' what is its importance? What are the different methods of capital budgeting appraisal?
6. Calculate funds from operations from the following:

**Profit and Loss Account**

Particulars	₹	Particulars	₹
To Administration expenses	25,000	By Gross profit	2,15,000
To Selling expenses	16,000	By interest on investments	5,000
To Depreciation	26,000	By profit on sale of machinery	4,000
To Loss on sale of building	6,000		
To Goodwill written off	5,000		
To Discount on issue of debentures	2,000		
To Net profit	1,44,000		
	2,24,000		2,24,000

7. From the following particulars, prepare a production Budget of a company for the year ended June 30<sup>th</sup> 2013.

Product	Sales (units) As per sales budget	Estimated stock (units)	
		1 <sup>st</sup> July 2012	30 June 2013
A	1,50,000	14,000	15,000
B	1,00,000	5,000	14,500
C	70,000	8,000	8,000

8. Bring out the advantages of price level changes.

### SECTION -B

(3 × 20 = 60)

#### Answer any THREE questions

9. Distinguish between management accounting and financial accounting.
10. From the following details prepare statement of proprietor's funds with as many details as possible
- (i) Stock velocity = 6
  - (ii) Capital turnover ratio = 2
  - (iii) Fixed turnover ratio = 4
  - (iv) Gross profit turnover ratio = 20 percent
  - (v) Debtors velocity = 2 months
  - (vi) Creditors velocity = 73 days

The gross profit was ₹ 60,000 reserves and surplus amount to ₹ 20,000. Closing stock was ₹ 5000 in excess of opening stock.

11. Following are the summarized Balance sheet of A & Co., Ltd., as on 31<sup>st</sup> December 2012 and 2013.

#### Balance Sheet

Liabilities	2012 ₹	2013 ₹	Assets	2012 ₹	2013 ₹
Share capital	1,00,000	1,50,000	Land and Buildings	1,00,000	90,000
General reserve	50,000	60,000	Plant & Machinery	1,00,000	1,19,000
Profit and Loss account	30,500	30,000	Stock	50,000	24,000
Bank Loan	70,000	-	Debtors	75,000	63,000
Sundry creditors	50,000	37,200	Cash	500	1,200
Provision for Tax	32,000	35,000	Bank	2,000	15,000
			Goodwill	5,000	-
	3,32,500	3,12,200		3,32,500	3,12,200

Additional information:

- (a) Dividend of ₹ 23,000 was paid during 2013
  - (b) Depreciation written off on building ₹ 10,000 and Machinery ₹ 14,000
  - (c) Income tax paid during the year ended 31<sup>st</sup> December 2013 ₹ 28,000
- Prepare a Fund Flow statement for 2013.

12. On the basis of the following particulars draw up a Flexible budget for overhead expenses and determine the overhead rates at 70%, 80% and 90% plant capacity.

	Plant capacity		
	70%	80%	90%
Variable overheads			
Indirect labour	-	12,000	-
Indirect Materials	-	4,000	-
Semi-variable overheads:			
Power (30% fixed)	-	20,000	-
Repairs (40% fixed)	-	2,000	-
Fixed overheads:			
Depreciation	-	11,000	-
Insurance	-	3,000	-
Salaries	-	10,000	-
Total overheads	-	<u>62,000</u>	-
Estimated direct labour hours	-	<u>1,24,000</u>	-

13. An industrialist is offered two options for investment with the following cash flows. His decision criterion is a pay-back period of 3 years.

	Option A ₹	Option B ₹
Investment required	8,000	7,000
Annual cash flows:		
I year	4,000	2,500
II year	3,000	2,500
III year	2,000	2,500
IV year	2,000	2,500

Advice the industrialist by applying

- (a) Pay back method  
(b) Return on investment method

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