

B. COM DEGREE END SEMESTER EXAMINATION : MARCH 2023
SEMESTER 6 : COMMERCE
COURSE : 19U6RCOM21 : ACCOUNTING FOR MANAGERIAL DECISIONS
(For Regular - 2020 Admission and Supplementary - 2019 Admission)

Time : Three Hours

Max. Marks: 75

PART A
Answer any 10 (2 marks each)

1. What do you mean by variance?
2. Discuss Du-Pont chart.
3. How can general profitability ratios be interpreted ?
4. What do you mean by cash flow statement ?
5. Calculate the current ratio from the following information:
 Working capital Rs. 9,60,000; Total debts Rs.20,80,000; Long-term Liabilities Rs.16,00,000;
 Stock Rs. 4,00,000; prepaid expenses Rs.80,000.
6. How to arrive at funds from operation ?
7. What is trend analysis?
8. Describe the term 'Capital employed.'
9. Write a note on the importance of fund flow statement.
10. What are the uses of funds flow statement ?
11. What are the salient features of standard costing?
12. What are the uses of preparing a cash flow statement.

(2 x 10 = 20)

PART B
Answer any 5 (5 marks each)

13. Examine the relationship between solvency, liquidity and profitability.
14. State whether the following statements are true or false
 1. Inflow of cash refers to all transactions, which lead to increase in cash and cash equivalents.
 2. Outflow of cash refers to all transactions, which lead to decrease in cash and cash equivalents
 3. Non-cash transactions are covered in cash flow statements.
 4. Cash sales is cash outflow.
 5. Cash receipts from debtors is a financing activity.
 6. Cash payment relating to a future contract is an investing activity.
 7. Cash receipts from debtors is treated as cash inflow for operating activities.
 8. Cash receipts on interest and dividend is treated as cash inflow for financing activities.
 9. Cash proceeds from issuing share is treated as cash inflow from financing activities.
 10. Cash receipts from sale of fixed assets is shown as cash inflow from financing activities.
15. The income statement of a concern is given for the year ending 31st March 2020 and 2021 rearrange the figures in companies form and interpret the result.

Particulars	2020	2021
Net sales	1570000	1800000
Cost of goods sold	900000	1000000
Opening expenses:		
General administrative exp	140000	144000
selling exp	160000	180000
Non operating expenses:		
Interest paid	50000	60000
Income Tax	140000	160000

16. From the following information prepare a schedule of changes in working capital.

Liabilities	2014	2015	Assets	2014	2015
Share capital	10000	15000	Cash	5000	8000
Profit and loss account	5000	9000	Debtors	10000	15000
General reserve	4000	6000	Stock	10000	12000
Creditors	8000	12000	Machinery	3000	5000
Bills payable	5000	3000	Land	4000	5000
	32000	45000		32000	45000

17. Why do we need standard costing?

18. The following are the extracts from the income statement of Bright Ltd for the 6 years ending 2021 you are required to calculate trend percentages taking 2016 as the base year and give your conclusions:

Particulars	2016	2017	2018	2019	2020	2021
sales	300	340	420	480	520	600
cost of sales	180	204	256	287	300	330
office exp	40	42	45	50	55	60
Selling exp	20	25	30	40	50	60
Net profit	60	69	89	103	115	150

19. Explain and illustrate the following terms used in Management Accounting:

(a) Price Earning Ratio, (b) Capital Gearing, (c) Inventory Turnover Ratio, (d) Net Income Debt Service Ratio.

20. From the following information prepare a Funds Flow Statement for the year ended 31.3.2019

- 1) Increase in Working Capital : Rs. 75,000
- 2) Net Profit for the year : Rs. 1,07,500
- 3) Depreciation on Non-Current Fixed Assets charged during the year : Rs. 17,500
- 4) Interim dividend paid : Rs. 35,000
- 5) Rs.1,00,000 shares were issued to debenture holders at the time of redemption and Rs.50,000 shares were issued for cash.
- 6) A Machinery was purchased for Rs.300,000 in exchange for Non-current investment of Rs.50,000, loan on mortgage Rs.1,50,000 and the balance Rs. 100,000 was paid in cash.

(5 x 5 = 25)

PART C

Answer any 3 (10 marks each)

21. The comparative balance sheet of Icelands Ltd. as at 31st December, 2018 and 2019 are as under:

Liabilities	2018 Rs.	2019 Rs.	Assets	2018 Rs.	2019 Rs.
Share capital	10,00,000	15,00,000	Building at cost	7,50,000	11,50,000
Share premium	2,00,000	50,000	Machinery	8,75,000	11,25,000
P & L A/c	5,00,000	4,25,000	(Less depreciation)	1,00,000	1,00,000
5% debentures	3,00,000	3,80,000	Investments	2,25,000	2,45,000
Creditors	1,00,000	5,20,000	Stock	75,000	90,000
Prov. for Taxation	50,000	25,000	debtors	1,25,000	2,40,000
Proposed dividend		50,000	Bank balance		
	21,50,000	29,50,000		21,50,000	29,50,000

The additional information is as under:

1. During the year 2019 the company sold machinery costing Rs. 75,000 for Rs. 25,000. The accumulated depreciation on the said machinery was Rs. 40,000.
 2. Depreciation written off during the year 2019 was Rs. 90,000.
 3. Taxation paid during the year amounted to Rs. 90,000.
- From the above information prepare a statement of Sources and Application of Funds for the year 2019.

22. Complete the following Balance Sheet with the help of the following information:

Total assets/Net worth	3.5
Revenue from operations/Fixed Assets	6
Revenue from operations/Current Assets	8
Revenue from operations/Inventory	15
Revenue from operations/Debtors	18
Current ratio	2.5
Annual revenue from operations	25,00,0000

23. The following are the summarized balance Sheet of Ayodhya Ltd. As on 31st march 2019 and 2020

Particulars	Note No.	2019	2020
I. Equity and Liabilities			
Shareholders' Funds:			
Share capital		2,00,000	2,50,000
Reserves and surplus:			
General Reserve	1	50,000	60,000
Profit & Loss A/c		30,500	30,600
Non Current Liabilities			
Long term borrowing (Bank Loan)		70,000	
Current Liabilities:			
Trade Payable (Sundry Creditors)		1,50,000	1,35,200
Short term Provision (Tax)		30,000	35,000
TOTAL	-	5,30,500	5,10,800
II. Assets			
Non- current Assets:			
Fixed Tangible Assets	2		
Land and Building		2,00,000	1,90,000
Plant and Machinery		1,50,000	1,69,000
Intangible Assets (Goodwill)		---	5,000
Current Assets:			
Inventories (Stock)		1,00,000	74,000
Trade Receivables (Debtors)		80,000	64,200
Cash and Cash Equivalents	3		
Cash in Hand		---	600
Cash at Bank		500	8,000
TOTAL	-	5,30,500	5,10,000

Additional information:

- Dividend of 23,000 was paid and Bank loan is repaid on 1.4.2019.
 - Assets of another company were purchased for a consideration of 50,000 payable in shares.
The following assets were purchased:
Stock 20,000; Machinery - 25,000.
 - Machinery was further purchased for 8,000.
 - Depreciation written off on machinery 12,000 and on building 10,000.
 - Income tax provided during the year, 33,000.
 - Loss on sale of machinery 200 was written off to general reserve.
- You are required to prepare the cash flow statement.

24. The following are the income figure of India Ltd for the year 31-3-20 and 21. Prepare comparative Income Statement & give your interpretation.

Particulars	2020	2021
Sales	1000000	1500000
Cost of goods sold		
Op stock	50000	60000
Purchases	100000	600000

Clo stock	10000	500000
Direct manufacturing wags	50000	50000
Salary	80000	100000
Rent	20000	30000
selling exp	20000	28000
Interest paid	10000	15000
Tax paid	70000	110000
Profit on sale of investment	10000	15000
Interest on dividend	40000	10000
Dividend received on investment	15000	20000
Depreciation	18000	18000
Discount allowed	10000	9000

25. What are the important profitability ratios ? How are they worked out ? Explain and illustrate.

(10 x 3 = 30)