

M.B.A.(with Credits)-Regular-Semester 2012 Sem II
MBA-123 : C23- Cost & Management Accounting

P. Pages : 4

Time : Three Hours



GUG/W/16/5188

Max. Marks : 70

- Notes : 1. Attempt **any five** questions.
2. All questions carry equal marks.

1. What is cost accounting? Write elements of cost. 14
2. What is contract accounting? Write about retention money clause and escalation clause. 14
3. What is ratio analysis? What role does turnover ratio play in business entity. 14
4. Write difference between fund flow statement and cash flow statement. 14
5. Define budget and budgetary control. State the advantages of budgetary control in an organization. 14
6. From the following Balance sheet of Mohan & Co. Ltd, as on 31st December 2002 and 2003, you are required to prepare:
a) Funds from operations
b) A schedule of changes in working capital &
c) A fund flow statements: 14

Balance Sheet

| Liabilities | 2002 ₹ | 2003 ₹ | Assets | 2002 ₹ | 2003 ₹ |
|--------------------------|-----------|-----------|-----------------------|-----------|-----------|
| Sundry creditors | 50,000 | 48,000 | Cash in hand | 25,000 | 22,000 |
| Bills payable | 40,000 | 39,000 | Cash at Bank | 25,000 | 18,000 |
| Bank Overdraft | 13,000 | 90,000 | Sundry Debtors | 30,000 | 28,000 |
| Outstanding Expenses | 13,000 | 22,000 | Bills Receivable | 47,000 | 45,000 |
| 15% Debentures | 90,000 | 70,000 | Short-Term Investment | 1,10,000 | 84,000 |
| Depreciation fund | 40,000 | 44,000 | Prepaid Expenses | 1,000 | 2,000 |
| General Reserve | 60,000 | 50,000 | Inventories | 92,000 | 1,06,000 |
| Profit & Loss A/c | 16,000 | 23,000 | Land & Buildings | 50,000 | 1,00,000 |
| Equity share Capital | 1,00,000 | 1,00,000 | Furniture | 50,000 | 81,000 |
| preference share capital | 80,000 | 80,000 | Plant & Machinery | 72,000 | 80,000 |
| | 5,02,000 | 5,66,000 | | 5,02,000 | 5,66,000 |

Additional Information :

- 1) Dividend was paid in cash was ₹ 18,000
- 2) New machinery for ₹ 20,000 was purchased but old machinery ₹ 12,000 was sold for ₹ 4,000 accumulated depreciation was ₹ 6,000
- 3) ₹ 20,000, 15% debentures were redeemed by purchase from open market @ ₹ 96.
- 4) ₹ 10,000 was debited to General reserve for settlement of previous tax liability.
- 5) ₹ 26,000 investments were sold at book value.

7. Prasad & Co. wishes to prepare cash budget from January. Prepare a cash budget for the first six months from the following estimated revenue and expenses: 14

| Months | Total sales ₹ | Materials ₹ | Wages ₹ | production over heads ₹ | Selling and Distributed over heads ₹ |
|----------|------------------|----------------|------------|-------------------------------|--|
| January | 10,000 | 10,000 | 2,000 | 1,600 | 400 |
| February | 11,000 | 7,000 | 2,200 | 1,650 | 450 |
| March | 14,000 | 7,000 | 2,300 | 1,700 | 450 |
| April | 18,000 | 11,000 | 2,300 | 1,750 | 500 |
| May | 15,000 | 10,000 | 2,000 | 1,600 | 450 |
| June | 20,000 | 12,500 | 2,500 | 1,800 | 600 |

Additional Information

1. Cash balance on 1st January was ₹ 5,000. A new machinery is to be installed at ₹10,000 on credit, to be repaid by two equal installments in March and April.
2. Sales commission @ 5% on total sales is to be paid within a month of following actual sales.
3. ₹ 5,000 being the amount of 2nd call may be received in March. Share premium amounting to ₹ 1,000 is also obtained with the 2nd call.
4. Period of credit allowed by suppliers -2 months.
5. Period of credit allowed by customers – 1 month
6. Delay in payment of over heads – 1 month
7. Delay in payment of wages - ½ month
8. Assume cash sales to be 50% of total sales.

8. From the following profit and Loss Account and balance sheet relating to Ramesh Company presented as on 31st March, 2003: 14

Profit and Loss Account

| Dr | | Cr | |
|------------------------------------|----------|-------------------------------|----------|
| Particulars | ₹ | Particulars | ₹ |
| To Opening stock | 3,000 | By Gross sales ₹ 2,00,000 | |
| To Purchase | 1,20,000 | Less: sales Return ₹ 5,000 | 1,95,000 |
| To wages (Direct) | 7,000 | By closing stock | 5,000 |
| To Gross profit C/d | 70,000 | | |
| | 2,00,000 | | 2,00,000 |
| To Administrative Expn | 15,000 | By Gross Profit b/d | 70,000 |
| To selling & Distribution expenses | 20,000 | By dividend Received | 10,000 |
| To Loss on sale of fixed Assets | 5,000 | | |
| To Net Profit | 40,000 | | |
| | 80,000 | | 80,000 |

Balance Sheet as on 31st March 2002

| Liabilities | ₹ | Assets | ₹ |
|---|----------|-------------------|----------|
| Equity share capital (5,000 equity shares of 100 each) | 5,00,000 | Land | 1,50,000 |
| General Reserve | 50,000 | Building | 2,00,000 |
| Profit & Loss A/c | 70,000 | Plant & Machinery | 2,00,000 |
| Sundry Creditors | 80,000 | Stock | 80,000 |
| | | Debtors | 50,000 |
| | | Bank Balance | 20,000 |
| | 7,00,000 | | 7,00,000 |

From the above information, you are required to calculate:

- 1) Gross profit Ratio.
- 2) Operating Ratio.
- 3) Operating Profit Ratio.
- 4) Net profit to capital employed Ratio.
- 5) Current Ratio.
- 6) Liquid Ratio.
- 7) Stock Turnover Ratio.
- 8) Debtor's Turnover Ratio.
- 9) Debt Collection period Ratio.

9. A manufacturing company submits the following information on 31st March 2002.

14

| | ₹ |
|------------------------------|----------|
| Sales for the year | 2,75,000 |
| Inventories as on 1.4.2001 | |
| Materials | 3,000 |
| Work-in-progress | 4,000 |
| Finished goods | 8,000 |
| Raw materials purchased | 1,10,000 |
| Direct labour | 65,000 |
| Chargeable expenses | 10,000 |
| Inventories as on 31.03.2002 | |
| Materials | 4,000 |
| Work-in-progress | 6,000 |
| Finished goods | 7,000 |

Other expenses:

Factory overheads @ 50% of direct labour.

Administration overheads @ 10% of works cost.

Selling overheads @ 5% of sales.

Prepare a cost sheet.

10. The following is the ledger balance of Himalayan construction company engaged on the execution of ABC Apartments for the year ending 31st March, 2003. 14

| | |
|-----------------------------------|-----------|
| Direct wages | 1,25,000 |
| Bank Balances | 66,500 |
| Rates and Taxes | 7,500 |
| Direct Expenses incurred | 2,500 |
| General overhead allocated | 6,000 |
| Fuel and power expenses | 62,500 |
| Materials issued to contract | 7,00,000 |
| Furniture | 30,000 |
| Plant and Machinery (60% at site) | 12,50,000 |
| Land and Building | 11,50,000 |

The ABC Apartment was commenced on 1st April, 2002. Himalayan paid up capital of ₹ 25,00,000. The contract price was ₹ 30,00,000. Cash received on account of contract up to 31st March 2003 was ₹ 9,00,000 (being 90% of the work certified). Work completed but not certified ₹ 15,000. Machinery at site costing ₹ 1,00,000 was returned to stores and wages outstanding were ₹ 2,500. Plant & Machinery at site is to be depreciated at 5%. Prepare the contract Account and Balance sheet.
