



**ENGINEERING & MANAGEMENT EXAMINATIONS, DECEMBER - 2006**  
**MANAGEMENT ACCOUNTING**  
**SEMESTER - 3**

Time : 3 Hours ]

[ Full Marks : 70

**Group - A****( Multiple Choice Questions )**

1. Choose the correct alternative for any ten of the following :

10 × 1 = 10

i) Payment of interim dividend is a

- a) service of fund
- b) application of fund
- c) no flow of fund
- d) none of these.

ii) The Trial Balance checks

- a) arithmetical accuracy of books
- b) the honesty of book-keeper
- c) the valuation of closing stock.

iii) The Profit and Loss Account shows

- a) the financial position of the concern
- b) the degree of honesty with which accounting work has been done
- c) the capital invested in the business
- d) profit earned or loss suffered by the firm.

iv) Which one of the following assets does not depreciate ?

- a) Machinery and Equipment
- b) Patents
- c) Land
- d) Furniture.

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- v) Bad Debts Account is a
- a) personal account
  - b) real account
  - c) nominal account.
- vi) In Double Entry System of Book-keeping every business transaction affects
- a) two accounts
  - b) two sides of the same account
  - c) the same account on two different dates.
- vii) A sale of goods to Ram for Cash should be debited to
- a) Ram
  - b) Cash
  - c) Sales.
- viii) A withdrawal of cash from business by the proprietor should be credited to
- a) Drawing Account
  - b) Capital Account
  - c) Cash Account.
- ix) If fixed cost is Rs. 10,000 and P/V ratio is 50%, the break-even point will be
- a) Rs. 20,000
  - b) Rs. 30,000
  - c) Rs. 40,000
  - d) Rs. 50,000.
- x) The term inventory is a wide term and generally includes
- a) stock of raw materials
  - b) semifinished goods
  - c) finished goods
  - d) all of these.

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- xi) Cash Account is a
- a) personal account
  - b) real account
  - c) nominal account.

- xii) Working capital is also called
- a) Revolving Capital
  - b) Circulating capital
  - c) Both of these
  - d) None of these.

**Group - B****( Short Answer Questions )**Answer any *three* questions.

3 × 5 = 15

2. "Capital budgeting is long-term planning for making and financing proposed capital outlays". Explain.
3. What do you understand by break-even point ? Explain the concept of break-even analysis.
4. Discuss any two theories of capital structure.
5. Write short notes on any *two* of the following :
  - a) Profit & Loss Account
  - b) Revenue
  - c) Cost centre
  - d) Gross Profit Ratio
  - e) Balance Sheet.
6. What is budgetary control ? Discuss briefly the salient features of Sales Budget.

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**Group - C**

( Long Answer Questions )

Answer any three questions.

3 × 15 = 45

7. a) Define ratio-analysis. Explain the significance of ratio analysis in financial management. 5
- b) From the following information of Sakoor Ltd. for the year ending 31st March, 2006, examine the details from the point of view of
- i) Solvency position and
- ii) Profitability position. 10

**Balance Sheet**  
as at 31. 03. 2006

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
Equity share capital	12,00,000	Plant & Machinery	10,00,000
8%, Preference share capital	8,00,000	Land & Buildings	10,00,000
5%, Debentures	5,00,000	Furniture & Fixtures	6,00,000
General Reserve	1,00,000	Stock in trade	6,00,000
Profit & Loss Account	2,00,000	Bills Receivable	2,00,000
Sundry Creditors	9,00,000	Debtors	3,80,000
Provision for Taxation	50,000	Cash	20,000
Bank Overdraft	50,000		
	38,00,000		38,00,000

**Profit & Loss Account**  
For the year ended 31st March, 2006

<b>Dr.</b>	<b>Rs.</b>	<b>Cr.</b>	<b>Rs.</b>
To, Opening Stock	4,00,000	By, Sales	21,00,000
To, Purchases	16,00,000	By, Closing Stock	6,00,000
To, Gross Profit c/d	7,00,000		
	27,00,000		27,00,000
To, Trading Expenses	4,10,000	By, Gross Profit b/d	7,00,000
To, Net Profit c/f	3,00,000	By, Interest	10,000
	7,10,000		7,10,000

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8. a) What is a financial statement ?

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b) The following is the trial balance of Mr. A. Agarwal as on 31st March, 2006.

**Trial Balance as on 31. 03. 2006**

Debit balance	Rs.	Credit balance	Rs.
Purchases	15,000 ✓	Interest earned	400 ✓
Debtors	20,000 ✓	Sales	32,100 ✓
Salaries	3,000 ✓	Purchase return	500 ✓
Wages	2,700 ✓	Creditors	12,000 ✓
Rent	1,500 ✓	Capital	10,000 ✓
Sales return	1,000 ✓	Provision for Bad Debts	600 ✓
Drawings	2,400 ✓	Provision for depreciation	200 ✓
Printing and stationary	800 ✓		
Insurance	1,200 ✓		
Opening stock	5,000 ✓		
Office expenses	1,200 ✓		
Furniture and fittings	2,000 ✓		
	55,800		55,800

Prepare Trading and Profit & Loss Account for the year ended 31st March, 2006 and also the Balance Sheet as on that date after making the following adjustments :

- i) Depreciate Furniture and Fittings by 10% on original cost.
  - ii) Make a provision for doubtful debts equal to 5% of Debtors.
  - iii) Insurance is prepaid to the extent of Rs. 200.
  - iv) Provide Rs. 800 for office expenses.
  - v) Stock valued at Rs. 600 was put by Mr. A. Agarwal for his personal use, the cost of which has not been adjusted in the books of account.
  - vi) Closing stock was valued at Rs. 6,000.
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9. a) What is working capital cycle ? State the factors on which depend the duration of the cycle.
- b) How is working capital determined for managing a business concern ?  $(3 + 6) + 6$

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10. a) The following figures are available from the records of 'VENUS ENTERPRISE' as at 31st March :

	2005	2006
	( Rs. in lakh )	( Rs. in lakh )
Sales	150	200
Profit	30	50

- Calculate : i) The P/V ratio and total fixed expenses  
 ii) The break-even level of sales  
 iii) Sales required to earn a profit of Rs. 90 lakhs. 8  
 iv) Profit or Loss that would arise if the sales were Rs. 280 lakhs.

- b) A manufacturer has to supply to his customer 600 units of his product per year. Storage is not allowed and the inventory carrying cost amounts Re. 0.60 per unit per year. The set up cost per run is Rs. 80. Find the

- i) Economic Order Quantity (EOQ);  
 ii) minimum average yearly cost;  
 iii) optimum number of orders per year;  
 iv) optimum period of supply per optimum order. 7

11. a) Record the following transaction in a specimen Stores Ledger :

Date	Material A
2006	
15. 01. 06	Receipts 350 units costing Rs. 310.50
21. 02. 06	Receipts 100 units costing Rs. 120.00
24. 03. 06	Receipts 55 units costing Rs. 65.50
05. 04. 06	Issues 65 units
19. 04. 06	Receipts 60 units costing Rs. 72.00
25. 04. 06	Issues 360 units
28. 04. 06	Receipts 150 units costing Rs. 132.00
03. 05. 06	Issues 60 units.

The issues on 05. 04. 06 and 25. 04. 06 were issued at LIFO method. As from 01. 05. 06, it was decided to price the issues at weighted average price. Have you any comments on the method of pricing ? 10

- b) How is working capital determined for managing a business firm ? 5