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SARDAR PATEL UNIVERSITY

S.Y.B.B.A. (ISM) (IV Semester) (CBCS) EXAMINATION

Friday, 01st May, 2015

10:30 A.M. TO 12:30 P.M.

UM04CBBS08- MANAGEMENT ACCOUNT

Note: (1) Figures to the right indicate full marks to the question concerned.

(2) Show your workings clearly wherever needed.

(3) Total marks: 60

Q.1(A) How does management accounting differ from financial accounting? 08

Q.1 (B) Short note on management reporting. 07

OR

Q.1(A) What do you mean by the term Management Accounting? Explain how it is useful in different management function. 08

Q.1 (B) Explain the limitation of management accounting. 07

Q.2 Information regarding ujjval company limited is as under: 15

Sales (at the rate of Rs. 24 per unit) 5,000 units, profit volume Ratio $33\frac{1}{3}$%,

Margin of safety 45%.

Find out:

1. Fixed expenditure
2. Profit amount
3. If excess profit of Rs. 22,500 is desired, margin of safety in rupees.
4. If there is a decrease of 25% in variable cost, new break-even point in rupees.
5. If there is an increase of 20% in sales units, profit in rupees,
6. If there is an increase of 10% in fixed cost, by how many units would break even point increased.

OR

Q.2 (A) The result of the last two years of D.G. ltd. Are as under: 05

Year	Sales Rs.	Profit Rs.
2005	5,40,000	12,000
2006	6,00,000	30,000

Find out the following:

1. P.V.Ratio
2. Fixed expenses
3. Break-even point (in rupees)
4. Find out sales to earn profit of Rs. 30,000

Q.2 (B) What do you understand by cost volume profit analysis? Discuss its objective and assumptions. 10

Q.3 The following are the summarized balance sheets of Divya ltd. 15

Balance sheet

Liabilities	31/03/07 Rs.	31/03/08 Rs.	Assets	31/03/07 Rs.	31/03/08 Rs.
Share capital	1,50,000	2,50,000	Land & building	4,20,000	5,40,000
10% preference share	1,00,000	1,00,000	Stock	65,000	92,500
General reserve	70,000	1,20,000	Debtor	70,000	50,000
10% Debentures	1,50,000	1,50,000	Cash	10,000	7,500
Bank over draft	50,000	30,000	Prepaid exp.	5,000	10,000
Creditors	40,000	45,000			
Bills payables	10,000	5,000			
	5,70,000	**7,00,000**		**5,70,000**	**7,00,000**

Additional information:

Particular	2006-07	2007-08
Total sales (cash sales are 4/5th of credit sales)	9,00,000	13,50,000
Gross profit	2,25,000	4,05,000
Net profit (before interest and tax, tax rate 50%)	1,59,000	2,85,000

Stock on 1/4/2006 Rs. 70,000

From the above information, calculate the following accounting ratios for both the years.

1. Net profit ratio
2. Stock turnover ratio
3. Debtor ratio (300 days to the taken for year.)
4. Current ratio
5. Liquid ratio

OR

Q.3 (A) The following information was obtained from the financial statement of William limited. 06

Ratio of current assets to current liabilities 1.75:1

Liquidity ratio (Debtors and Bank balances to current liabilities) 1.25:1

Working capital Rs. 60,600

You are required to determine the value of;

1. Current Assets
2. Current Liabilities

Q.3 (B) What are "Accounting Ratios"? Discuss its advantages and limitations. 09

Q.4 Prepare cash budget for three months ended on 31st October, 2014 based on the following information for Jagruti ltd. 15

Month	Total sales Rs.	Credit purchase Rs.	Wages Rs.	Factory overheads Rs.	Selling & distribution overheads Rs.
June	60,000	60,000	12,000	9,600	2,400
July	66,000	42,000	13,200	9,900	2,700
August	84,000	42,000	13,800	10,000	4,800
September	1,08,000	66,000	13,800	10,100	3,900
October	90,000	60,000	12,000	9,600	2,700

Additional information:

1. Assume cash balance as on 1st august, 2014 Rs. 35,000
2. Sales commission at 5% on total sales is to be paid in the same month.
3. Assume cash sales to be 50% of total sales.
4. Rs. 32,000 being the amount of 2nd installment of shares and share premium amounting Rs. 6,000 will received in the month of august.
5. A new machine is to be installed on 1st September at Rs. 90,000 on hire purchase agreement. The installments are to be paid with zero interest in three equal installments at the end of the months September, October and November.
6. Rs. 5,600 advertisement expenses will be paid in the month of October.
7. Time lag:
   a. Credit purchase-2 months
   b. Credit sales and overheads -1 month
   c. Wages – ½ month.

OR

Q.4 Hitesh ltd. Has annual production capacity of 10,000 units. The estimate of production cost of the company at 40% and 90% production capacity is as under: 15

Particular	40% Capacity Rs.	90% Capacity Rs.
Direct Material	2,00,000	4,50,000
Direct Wages	1,20,000	2,70,000
Direct Expenses	80,000	1,80,000
Factory Overheads	3,60,000	5,60,000
Office Overheads	1,60,000	1,60,000
Selling and Distribution Overheads	2,24,000	3,04,000
Profit/Loss	44,000 (Loss)	1,76,000 (Profit)

Prepare flexible budget at 40%, 50%, and 75% capacity and find out profit or loss.

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