

Code : 313301

**B.Com (Professional) 3rd Semester  
Exam., 2015**

**MANAGEMENT ACCOUNTING**

Time : 3 hours

Full Marks : 60

Instructions :

- (i) The marks are indicated in the right-hand margin.
- (ii) There are **SEVEN** questions in this paper.
- (iii) Attempt **FIVE** questions in all.
- (iv) Question Nos. 1 and 2 are compulsory.

1. Choose the correct answer (any six) :  $2 \times 6 = 12$

(a) Acid-test ratio is

- ☒ (i)  $\frac{\text{Current Assets} - \text{Stock}}{\text{Current Liabilities}}$
- (ii)  $\frac{\text{Current Assets} + \text{Stock}}{\text{Current Liabilities}}$
- (iii)  $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
- (iv)  $\frac{\text{Current Liabilities} - \text{Stock}}{\text{Current Assets}}$

( Turn Over )

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(b) CFS is prepared to know the position of

- (i) assets
- ☒ (ii) cash
- (iii) profit
- (iv) flow

(c) Which of the following would not improve the current ratio?

- (i) Borrow short-term finance to additional fixed assets
- (ii) Issue long-term debt to buy inventory
- ☒ (iii) Sell common stock to reduce current liabilities
- (iv) Sell fixed assets to reduce account payable

(d) In conducting a common-size analysis, every balance sheet item is divided by — and every income statement is divided by —.

- ☒ (i) its corresponding base year balance sheet item; its corresponding base year income statement item
- (ii) its corresponding base year income statement item; its corresponding base year balance sheet item
- (iii) net sales or revenues; total assets
- (iv) total assets; net sales or revenues

( Continued )

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(e) Which group of ratios measure how effectively the firm is using its assets?

- (i) Debt ratio
- (ii) Profitability ratio
- ☒ (iii) Activity ratio
- (iv) Liquidity

(f) According to the Financial Accounting Standards Board (FASB), which of the following is a cash flow from a 'financing' activity?

- (i) Cash outflow to the government for taxes
- ☒ (ii) Cash outflow to shareholders as dividends
- (iii) Cash outflow to lenders as interest
- (iv) Cash outflow to purchase bonds issued by another company

(g) On an accounting statement of cash flows, an 'increase (decrease) in cash and cash equivalents' appears as

- (i) a cash flow from operating activities
- (ii) a cash flow from investing activities
- (iii) a cash flow from financing activities
- ☒ (iv) None of the above

(h) An examination of the sources and uses of funds statement is part of

- (i) a forecasting technique
- ☒ (ii) a funds flow analysis
- (iii) a ratio analysis
- (iv) calculations for preparing the Balance Sheet

(i) In the context of Cash Flow Statement, the term 'cash' is equivalent to

- ☒ (i) physical cash on hand
- (ii) physical cash on hand and demand deposit in a bank
- (iii) physical cash on hand and all types of deposit <http://www.akubihar.com>
- (iv) None of the above

(j) In the context of Funds Flow Statement, the term 'fund' refers to

- (i) working capital
- (ii) cash and cash equivalent
- ☒ (iii) total resources
- (iv) None of the above

2. Answer any three short answer-type questions :  $4 \times 3 = 12$

- (a) What is the scope of Management Accounting? What are its advantages and limitations?
- (b) What is the golden rule in respect of long-term and short-term sources of fund? What is the consequence of diversion of funds?
- (c) What is the purpose of Cash Flow Statement?
- (d) Do you consider that inventory and receivable stand on the same level in respect of realization into cash?
- (e) "A proper reporting system is essential for efficient management." Explain.

Answer any three long answer-type questions :  $12 \times 3 = 36$

3. How is the common-size analysis used to evaluate the financial health of an organization?

4. The following figures are extracted from the Balance Sheets of Sonal Ltd. as on 31st December of 2008 and 2009 :

Assets	2008 (in ₹)	2009 (in ₹)
Fixed Assets	140	200
Cash	1	2
Cash at Bank	2	1
Debtors	90	60
Bills Receivable	12	10
Stock	15	12
Prepaid Expenses	6	2
Advance Income-tax	3	1
<b>Total</b>	<b>269</b>	<b>288</b>

Liabilities	2008 (in ₹)	2009 (in ₹)
Equity Share Capital	120	120
General Reserve	80	63
Share Premium	14	14
Bank Overdraft	22	35
Creditors	22	45
Bills Payable	3	5
Provision for Income-tax	8	6
<b>Total</b>	<b>269</b>	<b>288</b>

Calculate any two liquidity ratios and comment on financial prudence of the company.

5. (a) From the following balances of a company as on 31st December, 2008 and 31st December, 2009, you are required to calculate the funds from operations :

Particulars	As on 31st December	
	2008 (in ₹)	2009 (in ₹)
Profit and Loss Appropriation Account	30,000	40,000
General Reserve	20,000	25,000
Goodwill	10,000	5,000
Preliminary Expenses	6,000	4,000
Provision for Depreciation on Machinery	10,000	12,000

- (b) What is meant by 'flows' in the context of Cash Flow Statement?

6. Differentiate between Funds Flow Statement and Cash Flow Statement.

7. Write short notes on the following :

- (a) Operating profits  
(b) Difference between Cost Accounting and Management Accounting

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