UNIVERSITY OF NORTH BENGAL

B.Com. Honours Part-III Examination, 2021

B.COM.

PAPER-3H2 (Revised New Syllabus)

(For Honours in Accounting Only)

MANAGEMENT ACCOUNTING

Full Marks: 100

ASSIGNMENT

The figures in the margin indicate full marks.
Candidates are required to give their answers in their own words as far as practicable.
All symbols are of usual significance.

Answer any *four* questions from the following 25×4=100

1. (a) Distinguish between Budget and Budgetary Control. 5+12+8

(b) X Ltd. at present operates at 60% Capacity. The following are the figures relating to 50% and 60% capacity levels:

Particulars	At 50% Capacity (₹)	At 60% Capacity (₹)
Materials	10,00,000	12,00,000
Labour	8,00,000	9,00,000
Manufacturing Overheads	6,00,000	6,60,000
Administrative Overheads	3,50,000	3,50,000
Selling & Distribution Overheads	4,50,000	5,00,000
Research & Development Expenditure	1,50,000	2,00,000
Total	33,50,000	38,10,000
Profit	1,50,000	3,90,000
Sales	35,00,000	42,00,000

Prepare a Flexible Budget at 80% capacity level considering that–

(i) Sales at this level can be maintained only by a flat 5% reduction in selling price.

(ii) Economy in purchase of material will equal to $2\frac{1}{2}$% of the current amount.

(iii) The Research and Development Expenditure will be pegged at 2,50,000 p.a. and,

(iv) Administrative overheads will require 10% increase.

(c) Distinguish between Cash Budget and Cash Flow Statement.

2. (a) Explain the uses of ratio analysis from the view point of Management of a large Company, its Shareholders, its Investors, its Creditors and the Government. 10+15

(b) The following are the information relating to ABC Ltd:

Current Ratio	2.5
Liquidity Ratio	1.5
Net Working Capital	3,00,000
Fixed Assets Turnover Ratio (on cost of sales)	2 times
Average Debt Collection Period	2 months
Stock Turnover Ratio (Cost of Sales / Closing Stock)	6 times
Gross Profit ratio	20%
Fixed assets / Shareholder's Net Worth	0.80
Reserve & Surplus / Capital	0.50

Draw up the Balance Sheet of the Company. Working Notes should be shown in detail.

3. (a) Discuss the scope and benefits of Cash Flow Statement. 7+12+6

(b) From the following information of M Ltd., prepare a Cash Flow Statement for the year ended 31.03.2021:

Liabilities:	31.03.2020 (₹)	31.03.2021 (₹)
Equity Share Capital	3,00,000	4,00,000
8% Preference Share Capital	1,50,000	1,00,000
Capital Reserve	—	20,000
General Reserve	40,000	50,000
Profit & Loss Account	30,000	48,000
Proposed Dividend	42,000	50,000
Sundry Creditors	25,000	47,000
Bills Payable	20,000	16,000
Liability for Expenses	30,000	36,000
Provision for Taxation	40,000	50,000
Total	6,77,000	8,17,000
Assets:	**31.03.2020 (₹)**	**31.03.2021 (₹)**
Goodwill	1,00,000	80,000
Land and Building	2,00,000	1,70,000
Plant	80,000	2,00,000
Investment	20,000	30,000
Sundry Debtors	1,40,000	1,70,000

Stock	77,000	1,09,000
Bills Receivable	20,000	30,000
Cash in Hand	15,000	10,000
Cash at Bank	10,000	8,000
Preliminary Expenses	15,000	10,000
Total	6,77,000	8,17,000

Additional Information:

(i) A piece of land has been sold during the year and the profit on sale has been credited to Capital Reserve. Depreciation charged on Building during the year is ₹5,000. No additions have been made under this head during the year.

(ii) A machine has been sold for ₹10,000. The written down value of the machine was ₹12,000. Depreciation of ₹10,000 has been charged on Plant in 2020-21.

(iii) Investments are trade investments. ₹3,000 by way of dividend is received including ₹1,000 from pre-acquisition profit which has been credited to investment account.

(iv) An interim dividend of ₹20,000 has been paid in 2020-21.

Working Notes should be shown in detail.

4. (a) Discuss the new trends in financing of working capital by business. 10+15

(b) Johnson Ltd. plans to manufacture and sell 400 units of PPE Kits per month at a price of ₹600 each. The ratio of costs to selling price are as follows:

	(% of selling price)
Raw materials	30%
Packing materials	10%
Direct labour	15%
Direct expenses	5%

Fixed overheads are estimated at ₹4,32,000 per annum.

The following norms are maintained for inventory management:

Raw materials: 30 days ; Packing materials: 15 days ; Finished goods: 200 units ; Work-in-progress: 7 days.

Other particulars are given below:

(i) Credit sales represent 80% of total sales and the dealers enjoy 30 working days credit. Balance 20% are cash sales.

(ii) Creditors allow 21 working days credit for payment.

(iii) Lag in payment of overheads and expenses is 15 working days.

(iv) Cash requirements to be 12% of net working capital.

(v) Working days in a year are taken as 300 for budgeting purpose.

Prepare a Working Capital requirement forecast for the budget year.

5. (a) From the following information of Raja Ltd., determine the weighted average cost of capital using 10+15

(i) Book-value and (ii) Market value as weights for evaluating long-term investment projects of the company.

Cost of Equity	0.18
After tax cost of long-term debt	0.08
After tax cost of short-term debt	0.09
Cost of Reserve	0.15

Sources:	Book Value (₹)	Market Value (₹)
Equity Capital	3,00,000	7,50,000
Reserve	2,00,000	—
Long-term debt	4,00,000	3,75,000
Short-term debt	1,00,000	1,00,000
	10,00,000	12,25,000

(b) Ram Tec Ltd is considering of purchasing a machine in replacement of an old one. Two models viz. 'Classic' and 'Pro' are offered at price of ₹22.5 lakhs and ₹30 lakhs respectively. Further particulars regarding these models are given below:

Particulars	Classic	Pro
Economic Life (in years)	5	6
After Tax Cash inflow:		
Year	₹ in lakhs	₹ in lakhs
1	5.00	6.00
2	7.50	8.00
3	10.00	10.00
4	9.00	12.00
5	8.50	10.50
6	—	9.50

Present value factors at 12% p.a. are as follows:

Year	1	2	3	4	5	6
P.V. factor:	0.893	0.797	0.712	0.636	0.567	0.507

Which model will you recommend any way?

6. Define Management Accounting. Discuss the concept and scope of Management Accounting. How does Management Accounting differs from Financial Accounting? 3+6+8+8

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