

RPN – 20

M.Com. (Semester – I) Examination, November 2017  
COC 103 : MANAGERIAL ACCOUNTING (OA-18)

Duration : 3 Hours

Max. Marks : 60

- Instructions :**
- 1) This paper consists of **nine** questions carrying **equal** marks.
  - 2) Question no. 1 consists of **5 compulsory** questions of **2 marks each**.
  - 3) Answer **any 5** questions from questions **2, 3, 4, 5, 6, 7, 8 and 9**.
  - 4) **Each** question carries **10** marks. Figure to the **right** indicate marks.

1. Answer the following short questions in brief : (5×2=10)
- a) Explain the significance of debt equity ratio.
  - b) Compare marginal costing with absorption costing (Give two points).
  - c) What is a profit Centre ?
  - d) Write a short note on cash budget.
  - e) Differentiate between monetary and non-monetary accounts.

2. The balance sheets of A. J. Ltd and R. J. Ltd are given below.

**Balance Sheets as on December 31<sup>st</sup>, 2011**

Liabilities	A.J. Ltd. R.J. Ltd.		Assets	A.J. Ltd. R.J. Ltd.	
	Rs.	Rs.		Rs.	Rs.
Equity shares	3,00,000	8,00,000	Land and building	1,60,000	2,46,000
Preference shares	2,40,000	3,20,000	Plant and machinery	6,68,000	12,00,000
Reserves and surplus	28,000	36,000	Temporary investment	2,000	80,000
Long term loan	2,30,000	2,60,000	Inventories	20,000	50,000
Bills payable	4,000	—	Book debts	8,000	16,000
Sundry creditors	24,000	8,000	Prepaid expenses	2,000	4,000
Outstanding expenses	30,000	12,000	Cash and bank balance	16,000	20,000
Proposed dividend	20,000	1,80,000			
	<b>8,76,000</b>	<b>16,16,000</b>		<b>8,76,000</b>	<b>16,16,000</b>

Compare the financial position of two companies with the help of the common size balance sheet and give interpretations.

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3. Volkswagen Company manufactures and sells direct to consumers 5000 Vento cars per month at a price of Rs. 8,00,000 per car. The company's normal production capacity is 10,000 cars per month. The following cost structure for 5,000 cars is given below :

Particulars	Total variable cost (Rs.) Crores
Direct materials	150
Direct labour	75
Power	50
Other electrical components and seat fabrics	50
Misc. works	25
<b>Total</b>	<b>350</b>

Fixed cost incurred on factory Rs. 40 crores.

The company has received an offer for the export of 60,000 cars per annum at 5,000 cars per month at a price of Rs. 7,50,000 per car.

Write an advisory report about accepting/rejecting the export order to the management of Volkswagen.

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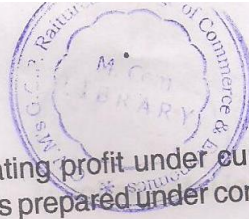
4. The budgeted expenses for the production of 10,000 units in a factory are furnished below :

Particulars	Per Unit (Rs.)
Materials	70
Labour	25
Variable overheads	20
Fixed overheads (Rs. 1,00,000)	10
Direct variable overheads	5
Selling expenses (15% fixed)	13
Distributors expenses (20% fixed)	7
Fixed Administrative expenses (Rs. 50,000)	5

You are required to prepare a budget for the production of 8000 units.

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5. You are required to compute current cost operating profit under current cost accounting technique from the financial statements prepared under conventional accounting and further information is given below :

**Profit and Loss A/c for the year ended 31<sup>st</sup> December 2016**

Particulars	Rs. (lakhs)	Rs. (lakhs)
Sales and other incomes		204
Less : Cost of sales		
Opening stock	16	
Add : purchases	<u>128</u>	
	144	
Less : Closing stock	24	120
Less : Expenses		
Operating expenses	48	
Interest	6	
Depreciation	10	64
		20
Net Profit		10
Less : Provision for tax		6
Less : Dividend		4
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**Balance Sheets as on 31<sup>st</sup> December 2015 and 31<sup>st</sup> December 2016 (Rs. lakh)**

Liabilities	2015	2016	Assets	2015	2016
Share capital	40	40	Fixed Assets	100	100
Reserves and Surplus	12	16	Less : Depreciation	<u>30</u>	<u>40</u>
				70	60
Long term loans	44	40	Stocks	16	24
Sundry creditors	20	24	Debtors	22	28.8
			Cash	8	7.2
	116	120		116	120

**Additional Information :**

1) Value to the business of fixed assets Rs. 132 lakhs (opening) and Rs. 148 lakhs (closing), estimated life 10 years.

2) Stock in trade	Index
Opening	100
Average	110
Closing	120

3) Debtors and creditors	Index
Opening	100
Average	110
Closing	120

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6. Balance Sheet of A.B. Ltd as on 31<sup>st</sup> March, 2009 and 2010 are as follows :

Liabilities	31-3-2009	31-3-2010	Assets	31-3-2009	31-3-2010
	(Rs.)	(Rs.)		(Rs.)	(Rs.)
Share capital	20,00,000	20,00,000	Land and building	15,00,000	14,00,000
General Reserve	4,00,000	4,50,000	Plant and Machinery	18,00,000	17,50,000
Profit and Loss A/c	2,50,000	3,60,000	Investments	4,00,000	3,72,000
10% debentures	10,00,000	8,00,000	Stock	4,80,000	8,50,000
Long term loan	5,00,000	6,00,000	Debtors	6,00,000	7,98,000
Creditors	4,00,000	5,80,000	Prepaid Expenses	50,000	40,000
Outstanding expenses	20,000	25,000	Cash and bank	1,40,000	85,000
Proposed dividend	3,00,000	3,60,000			
Provision for taxation	1,00,000	1,20,000			
	<b>49,70,000</b>	<b>52,95,000</b>		<b>49,70,000</b>	<b>52,95,000</b>





**Additional Information :**

- 1) New machinery for Rs. 3,00,000 was purchased but an old machinery costing Rs. 1,45,000 was sold for Rs. 50,000 and accumulated depreciation there on was Rs. 75,000 and no buildings has been sold during the year.
- 2) 10% debentures were redeemed at 20% premium.
- 3) Investments were sold for Rs. 45,000 and its profit was transferred to general reserve.
- 4) Income tax paid during the year 2009-10 was Rs. 80,000.
- 5) An interim dividend of Rs. 1,20,000 has been paid during the year.
- 6) Investments are non-trade investments.
- 7) Assume proposed dividend and provision for taxation as current liability.

You are required to prepare :

- a) Schedule of changes in working capital.
  - b) Fund flow statement. 10
7. Write short note on following :
- a) IFRS and IAS. 5
  - b) Accounting standard 3. 5
8. What do you understand by leasing ? Explain its advantages and limitations. 10
9. What are accounting concept and conventions ? Explain them clearly. 10