

**FELLOWSHIP EXAMINATION
MANAGEMENT ACCOUNTING**

Reg. No.

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[Time : 3 Hours]

[Total Marks : 100]

Question **ONE** is compulsory.
Total questions to be attempted are **FIVE**.
All questions carry 20 equal marks.

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| Q.1 Write Short Notes :- | 5 each |
| a) Cash flow statement important tool with investor | |
| b) Section 44 of Income Tax Act 1961 | |
| c) Solvency Margin | |
| d) Break even point | |
| Q.2 Distinguish between : | 5 each |
| a) Accounting Concepts & Accounting standards | |
| b) Fixed costs & Variable costs | |
| c) IRR & NPV methods | |
| d) Current Ratio & Quick Assets Ratio (Acid Test Ratio) | |
| Q.3 a) Explain Pattern of Investment for Life Insurance business & General Insurance business as per IRDA (Investment Regulations) 2002 | 10 |
| b) What are the Types of Budget ? | 10 |
| Q.4 a) What are the provisions of recognising non-performing assets in insurance industry? Explain accounting system for the same. | 10 |
| b) Describe various costing methods | 10 |

Q.5 From the Balance Sheets & Profit & Loss A/c. for 3 years of MSL Ltd., calculate following ratios and give your opinion about performance of the company over the period.

- 1) Current Ratio 2) Debt Equity Ratio 3) Asset Turnover Ratio 4) Net Profit Margin
5) Return on equity 6) Debt / equity ration 7) Quick Ratio

Balance Sheets of MSL LTD as at

Rs. in Lakhs

	31.03.08	31.03.09	31.03.10
Share Capital	24	24	30
Reserves & Surplus	6	10	11
Debentures	12	13	20
Bank overdrafts	12	14	21
Current Liabilities	13	18	25
Total	67	79	107
Fixed Assets	25	32	44
Bank Balnce	5	6	7
Sundry Debtros	15	16	23
Closing Stock	20	22	30
Furniture & IT Hardware	2	3	3
Total	67	79	107

Rs. in Lakhs

	31.03.08	31.03.09	31.03.10
Net Sales	40	61	78
Cost of Goods Sold	32	47	62
Gross Profit	8	14	16
Operating expenses	4	5	7
Operating Profit	4	9	9
Other income	1	2	3
Profit before Int. & Tax	5	11	12
Interest	2	3	4
Profit before Tax	3	8	8
Tax	1	4	3
Profit after Tax	2	4	5

20 Marks

Q.6 From the following Trial Balance as on 31-03-2010 of Super Star Life Insurance Company Ltd., prepare the Revenue Account for the year and Balance Sheet as on that date.

Particulars	Debit	Credit
	Rs. in 000's	Rs. in 000's
Annuities	6,250	-
Agent Balance	2,500	-
Advance Tax Paid	1,250	-
Building Development A/C	-	3,750
Claims less Reinsurance Paid		
By Death	25,000	-
By Maturity	17,500	-
Current Account with Bank	6,250	-
Commission	3,750	-
Claims O/S at Beginning		
By Death	-	10,000
By Maturity	-	7,500
Contingency Reserve	-	2,500
Furniture	6,250	-
House Property	62,500	-
Income Tax	6,250	-
Investments	25,000	-
Interest, Dividend and Rents	-	18,750
Loan on Mortgages	12,500	-
Loan on Policies	12,500	-
Life Assurance Fund at beginning	-	87,500
Management Expenses	31,250	-
Printing and Stationery	6,250	-
Sundry Debtors	12,500	-
Sundry Deposits	15,000	-
Share Capital	-	12,500
Taxation Reserve	-	12,500
Premium Less Reinsurance	-	97,500
	2,52,500	2,52,500

Additional information reveal that there was Management expenses outstanding of Rs. 25 lakhs. Prepaid Expenses were Rs. 12 lakhs and Fifty thousand. Outstanding Premium was Rs. 1.25 crores and commission incurred on this was Rs. 12.50 lakhs. The company also has Rs. 25 lakhs with Govt. of Goa which is deposited with Building Contractor's as Security. Claims less reinsurance at the end of the year - By Death Rs. 62.50 lakhs, By Maturity Rs. 1.25 crores.

20 Marks

Q.7 Supreme manufacturing has a majority of its dealings in cash. The sales of the company are both on credit and cash basis with 60% on credit and 40% on cash for every month. The credit sales are realised in the subsequent month. The company incurs a fixed cost of Rs. 7,00,000 per month and it also incurs a variable cost of 40% which are directly attributable to sales. The company has sold some scrap for Rs. 2,00,000 and realised the entire amount in cash in the month of March 2010. Arrears payment of Salary has been made in the month of May 2010, to the extent of Rs. 4,00,000. The opening balance of cash for January 2010 was Rs. 7,00,000 and the sale for December 2009 was Rs. 2,00,000.

Calculate the net cash flow for Supreme Manufacturing for the six months from January 2010 to June 2010.

The sales figures are as follows :

Rs.					
JAN.	FEB.	MAR.	APR.	MAY	JUN.
10,00,000	5,00,000	10,00,000	25,00,000	10,00,000	10,00,000

20 Marks

- Q.8 a) What is the necessity for reconciliation between financial and costing records? 5 Marks
- b) TMZ Manufacturing Company's net profit for the year ended 31-03-2010 was Rs. 55,433. The cost accounts revealed a profit of Rs. 61,658. With the additional information provided reconcile the two sets of accounts.

Profit and Loss Account	(Rs.)	Costing Records	(Rs.)
Opening Stock	4,35,629	Stock Balance	1,23,416
Purchases	1,74,208	Direct Wages Absorbed	1,13,215
Closing Stock	1,11,119	Factory Overheads	1,08,513
Direct Wages	1,09,102	Mang. Exp	2% of Sales
Factory overheads	1,07,105	Selling Exp	5% of Sales
Management Exp	56,123		
Sales Exp	89,739		
Sales	9,16,220		

15 Marks

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