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B. B. A. ( Semester - III ) Examination - 2009

MANAGEMENT ACCOUNTING

(2008 Pattern)

Time : 3 Hours]

[Max. Marks : 80

*Instruction :*

*All questions are compulsory and carry equal marks.*

**Q.1)** Define the term 'Management Accounting'. Explain its objective and importance in the success of any large scale business. [16]

**OR**

**Q.1)** What is Working Capital ? Explain various factors affecting the need of Working Capital. [16]

**Q.2)** The following are the Balance Sheets of R.A. Limited and A.R. Limited, drawn on 31-03-2009 :

**Balance Sheets**

Liabilities	R.A. Ltd.	A.R. Ltd.	Assets	R.A. Ltd.	A.R. Ltd.
Share Capital	6,00,000	8,00,000	Land and Building	5,00,000	8,00,000
Reserve and Surplus	1,50,000	3,50,000	Plant and Machinery	3,00,000	7,00,000
14% Debentures	4,00,000	10,00,000	Furniture	2,00,000	4,00,000
Mortgaged Loan	1,00,000	5,00,000	Office Equipments	1,10,000	2,30,000
Sundry Creditors	2,00,000	3,00,000	Stock	3,00,000	5,00,000
Bills Payables	1,00,000	2,50,000	Sundry Debtors	1,50,000	3,00,000
Bank Overdraft	50,000	–	Cash and Bank	30,000	1,50,000
Outstanding Expenses	10,000	20,000	Bill Receivables	20,000	1,40,000
	<b>16,10,000</b>	<b>32,20,000</b>		<b>16,10,000</b>	<b>32,20,000</b>

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**Additional Information :**

- (1) Sales during the year - R.A. Ltd. – Rs. 10,00,000  
A.R. Ltd. – Rs. 15,00,000

(2) Goods are sold by both the companies @ 25% gross profit.

You are required to comment on the financial stability and overall performance of the companies by calculating :

- (a) Current Ratio  
(b) Debt-Equity Ratio  
(c) Inventory Turnover Ratio  
(d) Fixed Assets Turnover Ratio [16]

**OR**

**Q.2)** Define the terms 'Budget' and 'Budgetary Control'. Explain the advantages and limitations of Budgetary Control System. [16]

**Q.3)** The following information is furnished by UOP Limited, Pune for the year 2008-09 :

- Sales Price Rs. 80 per unit
- Number of Units sold 60,000
- Direct Material Cost Rs. 30 per unit
- Direct Labour Cost Rs. 15 per unit
- Overheads Rs. 10 per unit [30% are variable]

You are required to :

- (a) Find out :
- (1) P/V Ratio  
(2) Break-even Point and  
(3) Margin of Safety [08]

- (b) Find out the changes in your calculations in the following circumstances :
- (1) If Sales Price is increased by 10%.
  - (2) If Fixed Cost is decreased by 10%.
  - (3) If Sales in units is increased by 25%. [08]

**Q.4)** The following are the estimates furnished to you by Wcap Limited :

- (1) Estimated Output 60,000 units.
- (2) Cost Price Rs. 90 consisting of Raw Material, Labour Cost and Overheads in the ratio of 3 : 2 : 1.
- (3) Raw Material and Finished Goods will remain in stock for 20 days and 10 days respectively.
- (4) Work in Process will be for on an average 15 days, for which labour cost and overheads are to be considered at 60% and 50% completion stage respectively.
- (5) Goods are sold at one month credit.
- (6) 20% of the purchases are made by advance payment of one month, 20% are on cash basis and the remaining purchases are on 2 months credit.
- (7) Wages are paid on monthly basis.
- (8) Overheads are paid with 20 days time lag.
- (9) The management wants to maintain minimum cash balance of Rs. 1,00,000.

Prepare a statement showing estimated working capital. [16]

**OR**

**Q.4)** What is Fund Flow Analysis ? Explain its importance and limitations in the Analysis of Financial Statement. [16]

**Q.5) Write notes : (Any Two)**

**[16]**

- (a) Distinction between 'Management Accounting' and 'Financial Accounting'.
  - (b) Distinction between 'Fixed Budget' and 'Flexible Budget'.
  - (c) Analysis and Interpretation of Financial Statements.
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