14. Explain how management accounting helps in decision making.

15. Explain the process of standard costing with its advantages.

16. Bring out the limitations of management accounting.

PART C — (1 × 20 = 20 marks)

(Compulsory)

17. A project needs an investment of Rs. 1,38,500. The cost of capital is 12%. The net cash inflows are as under.

Year :	1	2	3	4	5
Inflow (Rs.) :	30000	40000	60000	30000	20000

Evaluate the project based (a) ARR and (b) NPV and suggest whether the project should be accepted or not.

———————

OCTOBER 2011

P/ID 77504/ PMBD/PMB1D

Time : Three hours Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions.

All questions carry equal marks.

1. Bring out the scope of management accounting.

2. What is liquidity ratio how do you calculate?

3. Explain the importance of financial statements analysis.

4. What are the elements of costing?

5. What is break even analysis?

6. Examine the rationale of capital budgeting.

7. Discuss the concept of zero base budgeting.

8. Write a note on process costing?

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

All questions carry equal marks.

9. From the following balances, prepare profit and loss account on 31.3.2006.

	Rs.
Gross profit	90,000
Salaries	11,000
Fire insurance premium	3,000
Advertisement	1,000
Trade expenses	500
Carriage outward	5,000
Rent	4,000
Bad debts	2,500
Travelling expenses	2,000

10. Calculate funds from operation from the following information.

Net profit for the year	Rs. 6,50,000
Gain on sale of building	Rs. 35,500
Goodwill written off during year	Rs. 18,000

Old machinery worth Rs. 8,000 has been sold for Rs. 6,500 during the year.

Rs. 1,25,000 has been transferred to reserve fund. Depreciation of assets for the year amounts Rs. 15,000.

11. Calculate (a) current ratio (b) liquidity ratio (c) proprietary ratio (d) debt-equity ratio with the help of following information.

Liabilities	Amount	Assets	Amount
Capital	5,00,000	Land and building	6,00,000
Preference capital	2,00,000	Plant and machinery	5,00,000
Debentures	4,00,000	Debtors	2,00,000
Reserves	3,00,000	Stock	2,40,000
Creditors	2,00,000	Cash balance	55,000
		Prepaid expenses	5,000
	16,00,000		16,00,000

12. Calculate (a) profit volume ratio (b) BEP (c) profit when sales are Rs. 1,00,000. When sales Rs. 1,20,000, profit 9,000 and fixed cost Rs. 20,000?

13. The cost structure of production of 60,000 units is given below, prepare a budget for 1,00,000 units of production.

Raw material Rs. 2.50 per unit

Direct labour Rs. 1.00 per unit

Direct expenses Rs. 0.50 per unit.

Work overheads (60% fixed) Rs. 2.00 per unit

Administrative overhead (80% fixed) Re. 1.00 per unit.