# AB-2751

## Third Year B. Com. (Honours) (Sem. V) Examination

**March / April - 2015**

## Management Accountancy : Paper - VI

Time : Hours] [Total Marks : **50**

**Instructions :**

(1)

નીચે દર્શાવેલ ☛ નિશાનીવાળી વિગતો ઉત્તરવહી પર અવશ્ય લખવી.
**Fillup strictly the details of ☛ signs on your answer book.**

Name of the Examination :
☛ **T. Y. B. COM. (HONOURS) (SEM. 5)**

Name of the Subject :
☛ **MANAGEMENT ACCOUNTANCY : PAPER - 6**

☛ Subject Code No. : **2 7 5 1** ☛ Section No. (1, 2,.....) : **Nil**

Seat No. :

Student's Signature

(2) All questions are **compulsory**.

(3) Show all working as a part of your answer.

1 Write answers in short :

(i) Utility of current ratio. **2**

(ii) What is Break even point ? **2**

(iii) If stock turnover is 5 times, opening stock is Rs. 5,000 less than the closing stock and average stock is Rs. 20,000. Find out purchases. **3**

(iv) Auto Wheels Ltd. has an annual production of 90,000 units for a motor component. The component cost structure is as below : **3**

| | | |
|---|---|---|
| Materials | Rs. 270 | per unit |
| Labour (25% fixed) | 180 | per unit |
| Expenses : | | |
| Variable | 90 | per unit |
| Fixed | 135 | per unit |
| | ***675*** | ***per unit*** |

The purchase manager has an offer from a supplier who is willing to supply the component at Rs. 540. Should the component be purchased and production stopped ?

2 (a) A company is having a production capacity of 1,00,000 units per year. The normal capacity utilization is reckoned at 80%. The standard variable production costs are Rs. 15 per unit and fixed production costs are Rs. 3,20,000 per year. The variable selling costs are Rs. 4 per unit and fixed selling costs are Rs. 1,60,000 per year. The unit selling price is Rs. 30. During the year that ended on 31$^{st}$ March 2014, 75,000 units were produced and 70,000 units were sold. The closing inventory on 31$^{st}$ March, 2014 was 10,000 units. The actual variable production cost for the year was Rs. 75,000 which was higher than the standard. Prepare an income statement under : **7**

(1) Marginal costing technique.

(b) The following figures are available from the books of MN. Ltd. : **7**

| ***Year*** | ***2013*** | ***2014*** |
|---|---|---|
| Sales | 2,00,000 | 3,00,000 |
| Loss | 20,000 | – |
| Profit | – | 30,000 |

***Calculate :***

(i) Fixed cost

(ii) Break even point

(iii) Margin of safety for 2014

(iv) Sales required to earn a profit of Rs. 60,000.

(v) Profit or loss at a sales of Rs. 2,50,000.

3 (a) The following is the Balance Sheet of Rajkumar Ltd. as on 31-3-2014 : **10**

| ***Liabilities*** | ***Rs.*** | ***Assets*** | ***Rs.*** |
|---|---|---|---|
| Equity share capital | 5,00,000 | Fixed assets | 9,60,000 |
| 10% Preference share capital | 2,00,000 | Stock | 2,25,000 |
| Reserve | 2,25,000 | Debtors | 1,75,000 |
| 12% Debentures | 3,00,000 | Bills receivable | 50,000 |
| Bank overdraft | 50,000 | Cash and bank | 90,000 |
| Creditors | 1,90,000 | Preliminary exps. | 25,000 |
| Bills payable | 60,000 | | |
| | ***15,25,000*** | | ***15,25,000*** |

*Additional Information :*

| | | Rs. |
|---|---|---|
| (1) | Total sales (Cash sales are 20% of credit sales) | 18,00,000 |
| (2) | Gross profit | 7,20,000 |
| (3) | Net profit (before-interest and 50% tax) | 4,86,000 |
| (4) | Stock on 1-4-2013 | 2,07,000 |

From the above information calculate the following Ratios and comment in brief :

(1) Current ratio

(2) Debtors ratio (300 days)

(3) Net profit ratio

(4) Capital gearing ratio

(5) Return on shareholders fund

(6) Stock ratio.

(b) A company producing 24,000 units provides you the following information : 4

| | Rs. |
|---|---|
| Direct material | 2,40,000 |
| Direct wages | 1,68,000 |
| Variable overheads | 96,000 |
| Semi-variable overheads | 56,000 |
| Fixed overheads | 1,60,000 |
| ***Total cost*** | ***7,20,000*** |

The product is sold at Rs. 40 per unit.

The management proposes to increase the production by 3,000 units for sales in the foreign market. It is estimated that the semi - variable overheads will increase by Rs. 2,000. But the product will be sold at Rs. 28 per unit in the foreign market. However, no additional capital expenditure will be incurred. The management seeks your advice as a cost accountant. What will you advise them ?

4 Write short notes : **12**

(1) Advantages and limitation of management accounting

(2) Trend percentage method

(3) Difference between Marginal and Absorption costing.