

**B.Com. DEGREE (C.B.C.S.S.) EXAMINATION, MARCH 2014****Sixth Semester****Core Course 17—ACCOUNTING FOR MANAGERIAL DECISIONS**

(Common for B.Com., Model I, B.Com. (Vocational Model II) and Model III  
B.Com. Degree Programmes)

Time : Three Hours

Maximum Weight : 25

*Answers may be written either in English or in Malayalam.*

**Section A**

*This section consists of four bunches of four questions each.*

*Answer all questions.*

*Each bunch carries a weight of 1.*

I. Choose the correct answer from choices given :

1. Internal analysis of Financial Statements is done by the :

- |                 |                   |
|-----------------|-------------------|
| (a) Bankers.    | (b) Customers.    |
| (c) Management. | (d) Shareholders. |

2. Liquid liabilities exclude :

- |                       |                       |
|-----------------------|-----------------------|
| (a) Bills payable.    | (b) Bank overdraft.   |
| (c) Sundry creditors. | (d) Accrued expenses. |

3. Sale of fixed assets causes cash out flow from :

- |                           |                           |
|---------------------------|---------------------------|
| (a) Operating activities. | (b) Investing activities. |
| (c) Financing activities. | (d) None of these.        |

4. Credit purchase of goods :

- |  |
|--|
| (a) Increases funds from operation.    |
| (b) Decreases funds from operation.    |
| (c) No effect on fund from operations. |
| (d) All of these.                      |

II. Fill in the blanks :

5. Vertical analysis is also called \_\_\_\_\_.
6. Working capital is the excess of current assets over current liabilities \_\_\_\_\_.
7. A decrease in the current assets between *two* balance sheet dates indicates \_\_\_\_\_.
8. Acid Test Ratio is also known as \_\_\_\_\_.

**Turn over**

III. State whether the following statements are True or False :

9. Debt-Equity Ratio measures the short-term financial position of the business.
10. Responsibility Accounting is used as a control device.
11. Cash Flow Statement is a technique of financial forecasting.
12. Difference between sources and applications of Fund may increase or decrease in the working capital.

IV. Match the following :

- | <i>A</i>                         | <i>B</i>                        |
|----------------------------------|---------------------------------|
| 13. Purchase of machinery        | (a) Long term solvency.         |
| 14. Amortization of patent right | (b) Mixed ratio.                |
| 15. Quick Ratio                  | (c) Profitability ratio.        |
| 16. Return on Capital Employed   | (d) Out flow of fund.           |
|                                  | (e) Has no effect on Cash flow. |
|                                  | (f) Balance Sheet Ratio.        |

(4 × 1 = 4)

### Section B

*Answer any five questions.*

*Each question carries 1 weight.*

17. What is Financial Statement Analysis ?
18. What is trend analysis ?
19. Name any *two* non-operating expenses.
20. What is Net-worth ?
21. What is meant by Financing Activities ?
22. What is Fund from Operation ?
23. What is Responsibility Centre ?
24. What is Feedback Report ?

(5 × 1 = 5)

### Section C

*Answer any four questions.  
Each question carries 2 weight.*

25. What is Common-size Financial Statement ? What are its advantages ?
26. Discuss the significance of Ratio Analysis in accounting.
27. "Responsibility Accounting is an important device of control". Discuss.
28. What do you mean by Working Capital ? What are its needs and importance ?
29. A trader purchase goods on Cash and Credit terms. The following particulars are obtained from the books :

	Rs.
Total Purchases ...	2,00,000
Cash Purchases ...	20,000
Purchase Returns ...	34,000
Creditors at close ...	40,000
Bills payable at close ...	70,000
Reserve for Discount on creditors ...	5,000

Calculate Average Payment period.

30. Prepare a comparative common size statement and comment.

	2011	2012
	Rs.	Rs.
Sales ...	8,00,000	10,00,000
Cost of sales ...	5,60,000	6,00,000
Expenses ...	80,000	1,00,000
Other Income ...	20,000	20,000

(4 × 2 = 8)

### Section D

*Answer any two questions.  
Each question carries 4 weight.*

31. From the following information, find out (a) Sales ; (b) Closing Stock ; and (c) Sundry Debtors and Sundry Creditors.

**Turn over**

Gross Profit Ratio	:	25%
Debtor's Turn over Ratio	:	4 months
Stock Turn over Ratio	:	4 times
Creditors Turn over Ratio	:	6 months.

Closing Stock is Rs. 10,000 more than the Opening Stock. Bills Receivable amounts to Rs. 65,000 and Bills Payable to Rs. 80,000. Cost of Goods sold for the year is Rs. 9,00,000.

32. From the following information, Prepare Cash Flow Statement for the year that ended on 31<sup>st</sup> March 2012.

*Balance Sheet as on :*

<i>Liabilities</i>		31 <sup>st</sup> March	31 <sup>st</sup> March	<i>Assets</i>		31 <sup>st</sup> March	31 <sup>st</sup> March
		2011	2012			2011	2012
		(Rs.)	(Rs.)			(Rs.)	(Rs.)
Share Capital	..	2,00,000	3,00,000	Land and Building	..	1,20,000	1,70,000
Profit and Loss a/c	..	40,000	90,000	Machinery	..	1,60,000	2,40,000
Bank loan	..	1,00,000	60,000	Stock	..	60,000	40,000
Creditors	..	50,000	75,000	Debtors	..	50,000	50,000
Bills Payable	..	40,000	25,000	Cash	..	40,000	50,000
		<u>4,30,000</u>	<u>5,50,000</u>			<u>4,30,000</u>	<u>5,50,000</u>

*Additional information :*

- (a) Net profit for the year 2011–12 amounted to Rs. 50,000.
- (b) During the year 2011–12, a machine costing Rs. 50,000 (accumulated depreciation Rs. 20,000) was sold for Rs. 25,000. The provision for depreciation against Machinery as on 31<sup>st</sup> March 2011 was Rs. 30,000 and on 31<sup>st</sup> March 2012 was Rs. 70,000.
33. From the following information, prepare a summarized Balance Sheet as on 31<sup>st</sup> Dec. 2012.

Stock Velocity	—	6
Fixed Assets Turnover Ratio	—	4
Capital Turnover Ratio	—	2
Gross Profit Ratio	—	20%
Debt Collection period	—	73 days
Gross Profit	—	Rs. 60,000

Closing Stock was Rs. 5,000 in excess of Opening Stock.