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**MBAH 502**

**Third Semester M.B.A. Degree Examination, April 2021  
(Choice Based Credit System)  
BUSINESS ADMINISTRATION  
Management Accounting**

Time : 3 Hours

Max. Marks : 70

**Instruction : Answer all Sections.**

**SECTION – A  
(Compulsory)**

**(2×10=20)**

**Note :** Answer **any two** questions. **Each** question carries **10** marks. Answer to the question should **not** exceed **six** pages.

1. Define cost analysis. Briefly explain the different types of element of cost with an illustration.
2. "Capital budgeting is long-term planning for making and financing proposed capital outlays". Explain. What are the techniques of capital budgeting ?
3. What is meant by working capital ? Differentiate between Gross working capital and net working capital.

**SECTION – B**

**(3×12=36)**

**Note :** Answer **any three** questions. **Each** question carries **12** marks. Answer to the question should **not** exceed **six** pages.

4. "Management accounting is nothing more than the use of financial information for management purposes". Explain this statement and clearly distinguish between Financial Accounting and Management Accounting.
5. What do you understand by the analysis and interpretation of financial statements ? Discuss their utility and significance to the management and others who are interested in the business.

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6. The accounts of ABC Ltd. consist of fixed assets and while its current liabilities comprise bank credit and trade credit in the ratio of 2 : 1. From the following figures relating to the company for the year 2010, prepare its Balance Sheet showing the details of working :

Share Capital	Rs. 1,99,500
Working Capital	Rs. 45,000
Gross Margin	20%
Inventory Turnover	6
Average Collection Period	2 months
Current Ratio	1.5
Quick Ratio	0.9
Reserves and Surplus to Working Capital	0.9

7. A company has a paid up equity capital of 6,00,000 equity shares of Rs. 10 each. The current market price of the share is Rs. 24. During the current year, the company has declared a dividend of Rs. 6 per share. The company has also previously issued 14% preference shares of Rs. 10 each aggregating Rs. 30 lakhs and 13% 50,000 debentures of Rs. 100 each. The company's corporate tax rate is 40%. The growth in dividends on equity shares is expected at 5%. In case of preference shares, the company has received only 95% of the face value of shares after deducting issue expenses. Calculate the weighted Average Cost of capital of the company.
8. Two cement plants decide to merge to earn higher profits. The working results of the two plants for the last year were as follows :

	Plant I	Plant II
Capacity utilization	80%	60%
Sales (lakhs of rupees)	400	240
Variable cost (lakhs of rupees)	320	180
Fixed cost (lakhs of rupees)	60	50

After merger, the management wants information on the following :

- Capacity at which the combined plant will break-even.
- Profit likely to be made if the combined plant works at 90% capacity.
- Sales required to earn profit of Rs. 60 lakhs. If the total fixed costs are reduced by Rs. 10 lakhs, what sales will yield a profit of Rs. 60 lakhs ?





SECTION – C  
(Compulsory)

(1×14=14)

**Note :** Answer to the question should **not** exceed **six** pages. This question carries **14** marks.

9. Given below are the Balance Sheet of Grow More Ltd. as on 31<sup>st</sup> December, 1994 and 31<sup>st</sup> December, 1995 :

<b>Balance Sheets</b>					
<b>Liabilities</b>	<b>1994</b>	<b>1995</b>	<b>Assets</b>	<b>1994</b>	<b>1995</b>
	<b>Rs.</b>	<b>Rs.</b>		<b>Rs.</b>	<b>Rs.</b>
Issued Share Capital	1,20,000	1,50,000	Freehold Properties		
Share Premium A/c	–	10,000	at cost	66,000	48,000
Capital Reserve (Profit on sale of freehold property)	–	34,000	Plant and Machinery at cost, less depreciation	41,600	1,20,600
Profit and Loss A/c	43,000	42,400	Preliminary Expenses	2,400	1,200
Trade Creditors	54,400	65,200	Stock-in-trade	60,700	63,700
Proposed Dividend	12,000	17,000	Debtors	40,200	49,500
			Balance at Bank	18,500	33,600
	<b>2,29,400</b>	<b>3,18,600</b>		<b>2,29,400</b>	<b>3,18,600</b>

The following is a summary of the Profit and Loss A/c for the year 1995 :

<b>Profit and Loss Account</b>			
Proposed Dividends	17,000	Net profit for the year	16,400
Balance c/f	42,400	Balance from 1994	43,000
	<b>59,400</b>		<b>59,400</b>

No plant and machinery was sold during 1995. The net profit Rs. 16,400 is the amount after charging Rs. 15,000 for depreciation of Plant and Machinery and after writing off preliminary expenses Rs. 1,200.

Prepare a statement showing :

- i) The net increase in Working Capital during the year 1995 and
- ii) The Sources and Applications of Working Capital during that year.