



**S.A. COLLEGE**  
OF  
**ARTS & SCIENCE**  
Affiliated to the University of Madras

## **Question Bank**

**Subject Name** : **Management Accounting**

**Class** : **BBA**

**Year** : **I**

**Semester** : **II**

**Academic Year** : **2020 – 2021**

**Faculty Name** : **Dr.R.KAMARAJ**

# **Unit I**

## **Part A**

1. Define the term Management accounting.
2. What do you mean by Financial Accounting?
3. What is mean by Monetary Management?
4. Define the term Planning.
5. What do you mean by Interpreting?
6. Define the term Controller.
7. What do you mean by Treasurer?
8. Define the term Cost Accounting.
9. What do you mean Prime and Factory Cost?
10. Define the term cost control and cost unit.

## **Part B**

1. State the objectives of Management accounting.
2. Explain the nature of Management accounting
3. What are the scope of Management accounting
4. List out the importance and Limitations of Management accounting
5. Explain the needs of Management accounting

## **Part C**

1. Describe the functions of Management accounting? Explain Briefly.
2. Differentiate the Management, Financial and Cost accounting.

## Unit II

### Part A

1. Define the term Income Statement.
2. What do you mean by Balance sheet?
3. What is mean by statement of Retained Earnings?
4. Define the term Statement of changes in financial positions.
5. What do you mean by current assets and current liabilities?
6. Define the term comparative financial statement.
7. What do you mean by comparative Income statement?
8. Define the term Comparative balance sheet.
9. What do you mean common size financial statements?
10. Define the term trend Analysis.

### Part B

1. What are techniques of Financial Analysis?
2. Explain the types of financial analysis.
3. Convert the following Income statement into comparative income statement.

Particulars	1997 Rs.	1998 Rs.
Sales	150,000	1,80,000
Cost of sales	91,000	1,01,250
Gross Profit	59,000	78,850
Operating Expenses:		
Sales Expenses	30,000	33,000
Administration Expenses	15,000	17,000
	45,000	50,000
Income from operations	14,000	28,850
Other Expenses	2,000	3,000
	12,000	25,850

4. Compute the trend percentages form the following data taking 1992 as the base year.

Year	Sales Rs.	Stock Rs.
1992	20,000	2,000
1993	26,000	2,500
1994	32,000	3,000
1995	31,000	2,800
1996	32,000	2,700
1997	30,000	2,900
1998	24,000	2,600

5. Following is the trading account of Skylarks Ltd. Calculate the stock Turnover ratio.

Dr.		Trading Account		Cr.	
	Rs.			Rs.	
To opening stock	40,000	By sales		2,00,000	
To purchases	1,00,000	By closing stock		20,000	
To carriage	10,000				
To gross profit	70,000				
	2,20,000			2,20,000	

### Part C

1. Following is the profit and loss account and balance sheet of ABC Ltd. You are required to redraft them for the purpose of financial analysis:

Profit and Loss account  
For the year ending 31<sup>st</sup> March, 1998

Dr.		Cr.		
Particulars	Rs.	Particulars	Rs.	Rs.
Opening stock	5,00,000	Sales		
Purchases	11,00,000	Cash	3,00,000	
Wages	3,00,000	Credit	17,00,000	20,00,000
Factory overheads	2,00,000	Closing stock		6,00,000
Gross Profit	5,00,000			
	<u>26,00,000</u>			<u>26,00,000</u>
Administration Expenses	75,000	Gross Profit		5,00,000
Selling and	50,000	Dividend on		10,000

distribution expenses		Investment		
Interest on bank overdraft	20,000	Profit on sale of furniture		20,000
Depreciation: Office equipment's	60,000			
Loss on sale of motor car	5,000			
Net Profit	<u>3,20,000</u>			
	<u>5,30,000</u>			<u>5,30,000</u>
Preference dividend (Net) Interim	15,000	Balance b/d		2,71,000
Provision for Taxation	1,76,000	Net Profit		3,20,000
Balance c/d	<u>4,00,000</u>			
	<u>5,91,000</u>			<u>5,91,000</u>

**BALANCE SHEET  
AS AT 31<sup>ST</sup> MARCH, 1998**

Dr.			Cr.
Liabilities	Rs.	Assets	Rs.
Equity share capital	10,00,000	Goodwill (at cost)	5,00,000
6% preference share capital	5,00,000	Plant and machinery	6,00,000
General reserve	1,00,000	Land & Building	7,00,000
profit and loss account	4,00,000	Furniture and fixture	1,00,000
Provision for taxation	1,76,000	Stock in trade	6,00,000
Bills payable	1,24,000	Bills receivable	30,000
Bank overdraft	1,20,000	Debtors	1,50,000
Creditors	4,80,000	Bank	2,20,000
	29,00,000		29,00,000

2. Calculate the following ratios from the balance sheet given below:

- a) Debit – Equity Ratio, b) Liquidity Ratio, c) Fixed Assets to Current Assets, and d) Fixed Assets / Turnover.

## BALANCE SHEET

Dr.			Cr.
Liabilities	Rs.	Assets	Rs.
Equity share capital of Rs.10 each	1,00,000	Goodwill	60,000
Reserve	20,000	Stock	1,40,000
Profit & Loss A/c	30,000	Sundry debtors	30,000
Secured Loan	80,000	Advances	30,000
Sundry Creditors	50,000	Cash balances	10,000
Provision for Taxation	<u>20,000</u>		30,000
	<u>3,00,000</u>		<u>3,00,000</u>

The sale for the year were Rs. 5,60,000.

## Unit III

### Part A

1. Define the term Ration analysis.
2. What do you mean by coverage Ratio?
3. What is mean by Turnover Ratio?
4. Define the term Financial Ratio.
5. What do you mean by Computation of Ratio?
6. Define the term profitability Ratios.
7. What do you mean by Liquidity Ratio?
8. Define the term Stability Ratio.
9. What do you mean Earning Per Share?
10. Define the term Price Earnings Ratio.

### Part B

1. What are the advantages of ratio analysis
2. List out the limitations of accounting ratios?
3. What are the functions of capital structure Ratios?
4. From the following, Computer the Fixed Assets Ratio:

Particulars	Rs.	Particulars	Rs.
Share capital	1,00,000	Furniture	25,000
Reserves	50,000	Trade Debtors	50,000
12% Debentures	1,00,000	Cash Balance	30,000
Trade Creditors	50,000	Bills Payable	10,000
Plant and Machinery	1,00,000	Stock	10,000
Land and Building	1,00,000		40,000

5. The capital employed in a business has been financed as below:

Particulars	Rs.
Equity share capital	3,00,000
Reserves	1,00,000
6% Debentures	4,00,000
7% Preference share capital	2,00,000
	10,00,000

The company earns a profit of Rs.2,00,000 before interest and tax. Calculate the capital gearing ratio and test it for "Trading on Equity". Tax rate may be taken at 50%.

### Part C

1. From the following statement of X Ltd, for the year ending 31<sup>st</sup> March, 2008 you are required to rearrange the items for purposes of financial analysis and calculate the following ratios:

a) Current ratio, b) Quick Ratio, c) Operating Ratio, d) Stock Turnover Ratio, e) Fixed Assets Turnover Ratio, f) Debtors Turnover Ratio g) Net Profit to Capital employed.

b) BALANCE SHEET  
c) AS AT 31<sup>ST</sup> MARCH, 1998

d) Dr.

Cr.

Liabilities	Rs.	Assets	Rs.
Share capital: Issued and Fully paid up 50,000 equity shares of Rs.10 each	5,00,000	Land and buildings	1,00,000
Capital Reserve	4,00,000	Plant and Machinery	2,00,000
Profit & Loss Account	1,50,000	Stock	1,50,000
Sundry Creditors	2,00,000	Sundry Debtors	2,50,000
		Cash and Bank	1,50,000
		Balance	
	<u>12,50,000</u>		<u>12,50,000</u>



Profit and Loss account  
For the year ending 31<sup>st</sup> March, 1997

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To opening stock	2,50,000	By Sales	18,00,000
To Purchases	10,50,000	By Closing Stock	1,50,000
To Gross Profit b/d	6,50,000		
	19,50,000		19,50,000
To Selling and Distribution Expenses	1,00,000	By Gross Profit b/d	6,50,000
To administration Expenses	2,30,000	By Profit on Sale of fixed assets	50,000
To Finance Expenses	20,000		
To Net Profit	3,50,000		
	7,00,000		7,00,000

2. Discuss with the Leverage and explain the types of Leverage.

## Unit IV

### Part A

1. Define the term Fund Flow Analysis.
2. What do you mean by Flow of Fund?
3. Define the term Non- Current Assets.
4. What do you mean by Non- Current Liabilities?
5. Define the term applications of Funds.
6. Define the term Cash Flow Analysis.
7. What do you mean by Issue of Shares
8. Define the term Sources of Funds.
9. What do you mean by Changes in Working Capital?
10. Define the term Provision for Taxation.

### Part B

1. State the objectives of Fund Flow and Cash Flow Statement.
2. List out the merits and demerits of budgetary Control?
3. State the objectives of Capital Budgeting.
4. From the following Profit and Loss Account, Compute the Funds From Operations:

#### Profit and Loss Account

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Salaries	5,000	By Gross Profit b/d	1,000
To Rent	2,000	By Rent	5,000
To Depreciations	1,000	By Interest on Investment	4,000
To Preliminary Expenses	2,000	By Net Loss	5,000
To Loss on Sale of Land	5,000		
	15,000		15,000

5.

Trading and Profit and Loss Account  
For the year ending 31<sup>st</sup> March, 1998

Cr.

Particulars	Rs.	Particulars		Rs.
To Purchases	20,000	By Sales		30,000
To wages	5,000			
To Gross Profit c/d	<u>5,000</u>			
	<u>30,000</u>			<u>30,000</u>
To salaries	1,000	By Gross profit b/d		5,000
To Rent	1,000	By Profit on sale of building		
To Depreciation on Plant	1,000	Book value	10,000	
To Loss on sale of furniture	500	Sold for	15,000	5,000
To Goodwill written off	1,000			
To Net Profit	5,500			
	10,000			10,000

Calculate the cash from operations.

**Part C**

1. Differentiate the fund flow analysis and cash flow analysis.
2. From the following Profit and Loss Account, you are required to compute Cash from Operations:

Profit & Loss Account  
For the year ending 31<sup>st</sup> December 1998

Particulars	Rs.	Particulars	Rs.
To salaries	5,000	By Gross Profit	25,000
To Rent	1,000	By Profit on Sale of Land	5,000
To Depreciation	2,000	By Income Tax Refund	3,000
To Loss on sale of Plant	1,000		
To Goodwill written off	4,000		
To proposed Dividends	5,000		
To Provision for Taxation	5,000		
To Net Profit	10,000		
	33,000		33,000

## **Unit V**

### **Part A**

1. Define the term Investment decisions.
2. What do you mean by cost of capital?
3. Define the term capital budgeting.
4. What do you mean by Average Rate of Returns?
5. Define the term Pay Back Period.
6. Define the term Net present Value.
7. What do you mean by Internal Rate of returns?
8. Define the term capital rationing.
9. What do you mean by Accounting Rate of Returns?
10. Define the term Profitability Index.

### **Part B**

1. What are features of Cost of Capital?
2. State the objectives of Capital Budgeting.
3. List out the methods of Capital Budgeting?
4. Differentiate the Average Rate of Returns and Pay Back Period.
5. A project requires an initial investment of Rs. 40,000 and it is estimated to generate a cash inflow of Rs.5,000 per year for 10 years. Calculate the Payback Period.

### Part C

1. A Project requires an initial investment of Rs.5,00,000 and is estimated to generate future cash inflow of Rs.62,000, Rs.70,000, Rs.45,000, Rs.72,000, Rs.75,000, Rs. 85,000, Rs.90,000, Rs.56,000, Rs.50,000 and Rs. 55,000. Compute the Payback Period.

2. An Initial investment of Rs.1,30,000 is expected to generate annual cash inflow of Rs.32,000 for 6 years. Depreciation is allowed on the straight line basis. It is estimated that the project will generate scrap value of Rs.10,550 at end of the 6<sup>th</sup> Year. Calculate its accounting rate of return assuming that there are no other expenses on the project.