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(Department of Distance Education)

M.Com. (I year) Home Assignment – May 2011-12

Subject: Management Accounting

Subject Code:- MC-101

Instructions:

- 1) All questions carry equal marks (16 marks each)
- 2) All questions are compulsory

1. State true or False.

1. Management accounting provides decisions to the management.
2. Management accounting deals only with that information which is useful to the management.
3. Management accounting deals with both quantitative and qualitative information.
4. Publication of management accounting statements is not compulsory.
5. Management accounting reports are based on current year's figures as in financial accounting.
6. In management accounting only those figures which can be measured in monetary terms are used.

2. The capital of Samy Co. Ltd. is as follows:

	Rs.
9% Pref shares of Rs. 10/each	3,00,000
Equity shares of Rs. 10/each	8,00,000
	11,00,000

The accountant has ascertained the followings:

Profit after tax at 60%	Rs. 2,70,000
Depreciation	Rs. 60,000
Equity dividend paid	20%
Reserves	Rs. 77,000
Market price per Equity share	Rs. 40

Calculate-

- a) Dividend yield on equity shares
- b) Cover for preference dividend
- c) Earnings per share
- d) The price Earnings ratio
- e) Dividend payout-ratio
- f) Net cash inflow
- g) Book value per share.

3. From the following balance sheets, prepare a statement showing application and sources of funds for the year 1995.

Liabilities	31.12.94 Rs.	31.12.95 Rs.	Assets	31.12.94 Rs.	31.12.95 Rs.
Eq. Share capital	1,50,000	2,00,000	Fixed assets(Net)	3,00,000	4,00,000
6% Pref. Share capital	1,50,000	1,00,000	Investment	50,000	90,000
Debentures	50,000	1,00,000	Current Assets	1,50,000	2,50,000
Reserves & Surplus	1,10,000	2,40,000	Dis. On debentures	10,000	5000
Current Liabilities	50,000	1,05,000			
	5,10,000	7,45,000		5,10,000	7,45,000

You are informed that during the year-

- i) A machine with a book value of Rs. 25,000 was sold for Rs. 5,000.
- ii) Dividend at 10% was paid on equity shares for 1994.
- iii) Depreciation charged during the year was Rs. 50,000.
- iv) Preference share redemption was done at a premium of 20% on 31.12.95.

4. Assuming a year of 50 weeks of 5 days each, calculate the working capital requirements from the following data:

Sales 2,00,000 units sold at Rs. 5 per unit on credit. Customers are allowed 45 days credit.

Production cost: Raw material Rs. 2
 Labour Rs. 1.50
 Other variable Rs. 1
 expenses.

The production cycle is 25 days and all materials are issued at the commencement of each cycle.

Credit allowed by suppliers 90 days.

Cash required to the extent of 10% of the remaining current assets.

Stock levels: Raw materials: 50 days of supply

Finished goods: 25 days of supply

Ignore work-in-progress.

5. Summarised below are the Income and Expenditure forecasts for the months of March to July 2009.

Month	Sales Rs.	Purchases Rs.	Wages Rs.
March	60,000	36,000	9,000
April	62,000	38,000	8,000
May	64,000	33,000	10,000
June	58,000	39,000	8,500
July	56,000	39,000	9,500

Prepare cash budgets for 3 months starting from 1st May 2009.

i) Cash balance on 1st May 2009 Rs. 8,000.

- ii) Advance tax Rs. 8,000 payable in March and June each.
 - iii) Credit allowed by suppliers is 2 months and allowed to customer is one month.
 - iv) Lag in payment of wages is one month.
6. A company has an investment project costing Rs. 40,000 with the following expected net cash flow (i.e., after taxes and before depreciation).

Year	Net cash flow (Rs.)	Year	Net cash flow (Rs.)
1	7,000	6	8,000
2	7,000	7	10,000
3	7,000	8	15,000
4	7,000	9	10,000
5	7,000	10	4,000

Using 10% as the cost of capital (rate of discount):

Determine the following:

- i) Payback period
- ii) Net present value of 10 % discounting factor.
- iii) Internal rate of return with the help of 10% discounting factor and 15% discounting factor.