MEASI
Institute of Management

Subject Name: – ACCOUNTING FOR MANAGERS

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QUESTION BANK

UNIT-1

SNo.	Part A (1 Marks)
1.	Define Accounting..
2.	What is the objective of Financial Accounting?.
3.	Explain the importance of Management Accounting.
4.	How Management Accounting is important to present business organization?
5.	State any two usefulness of trend analysis.
6.	Write any two difference between Trend Analysis and Common size Balance sheet.
7.	What is “Vertical Analysis” of Financial Statement.
8.	List out the Tools of Financial Statement Analysis.
9.	What are the objectives of Management Accounting.
10.	What is the function of Accounting.

11.	Define Financial Statement Analysis. Explain any two advantages of Financial Statement Analysis.
12.	What do you mean by trend analysis? Explain its usefulness.

S.No.	Part B (1 Marks)
1	Prepare a Trial Balance from the given ledger balances.
2.	Explain any five accounting concepts with examples.
3.	Prepare Final Accounts (Trading & P/L) from a given trial balance.
4.	Analyse the functions of accounting in business decision making.
5.	Compare Financial, Cost and Management Accounting.

S.No.	Part C (10 Marks)
1.	Differentiate Management Accounting with Financial Accounting and Cost Accounting.
2.	Explain in detail the Nature and Scope of Management Accounting
3.	Explain the various advantages and limitations of Management Accounting.
4.	How do you apply Management Accounting concepts in the present business scenario?
5.	Analyze and interpret the result for any small business organizations, the application of Management Accounting philosophy.
6.	Illustrate the applications of Management Accounting concepts in any

	industrial sector of your choice.
7.	Evaluate the impact of accounting conventions on financial reporting.
8.	Prepare Final Accounts with adjustments and interpret results.
9.	Construct a complete set of final accounts for a business from raw data.
10.	Critically evaluate the relevance of IFRS in India.
11.	Develop a comprehensive accounting cycle for a medium-sized firm.

UNIT 2

S.No.	**Part A (1 Marks)**
1.	Define Financial Statement Analysis.
2.	What is a Common-size Statement?
3.	What is Ratio Analysis?
4.	What is Trend Analysis?
5.	Define Fund Flow Statement.
6.	What is Working Capital?
7.	Distinguish between Fund Flow and Cash Flow.
8.	What is a Comparative Statement?
9.	State any one limitation of Ratio Analysis.
10.	What is Cash Flow from Operating Activities

<table>
<tr><th>SNo.</th><th>Part B (5 Marks)</th></tr>
<tr><td>1</td><td>Define Financial Statement Analysis. Explain the advantages of Financial Statement Analysis.</td></tr>
<tr><td>2</td><td>What is Ratio Analysis? Explain its pros and cons.</td></tr>
<tr><td>3</td><td>How do you make classification of ratios according to financial statements?</td></tr>
<tr><td>4</td><td>Explain the importance of profitability ratios.</td></tr>
<tr><td>5</td><td>Average stock of the firm is Rs.1,00,000 and its opening stock is Rs.10,000 less than closing stock. Calculate Opening and Closing stocks.</td></tr>
<tr><td>6</td><td>Sales Rs.15,00,000 and Debtors Collection period is 2 months. Find the value of Debtors.</td></tr>
<tr><td>7</td><td>Calculate (a). Gross Profit Ratio (b).Net Profit Ratio from the following:
Sales Rs.10,00,000
Cost of goods sold Rs. 6,00,000
Office expenses Rs.2,00,000
Selling expenses Rs.50,000</td></tr>
<tr><td>8</td><td>Calculate Stock Turnover Ratio from the given:<table><tr><td>Opening stock</td><td>Rs. 28,000</td></tr><tr><td>Closing Stock</td><td>Rs. 32,000</td></tr><tr><td>Sales</td><td>Rs. 3,20,000</td></tr></table>Gross Profit Ratio 25% on sales</td></tr>
</table>

9	Balance sheet of a company shows the following contents: Equity Shares of Rs.100 each — Rs.2,00,000 9% Preference Shares of Rs.100 each — Rs. 1,00,000 10% Debentures of Rs.100 each — Rs.1,00,000 General Reserve — Rs. 1,00,000 Calculate Debt-Equity Ratio.
10	Calculate (1) Current Ratio (2) Liquid Ratio, from the following details: Cash in hand — Rs. 6,000 Cast at Bank — Rs.1,30,000 Bills Receivable — Rs. 20,000 Stock — Rs. 2,40,000 Debtors — Rs.1,60,000 Prepaid Expenses — Rs. 4,000 Sundry Creditors — Rs. 2,40,000 Bills Payable — Rs. 40,000
11	Calculate Working Capital Turnover ratio for the following data: Cash — 10,000

		Bills Receivable	5,000
		Sundry debtors	25,000
		Stock	20,000
		Sundry creditors	30,000
		Cost of sales	1,50,000
12	Prepare a Fund Flow Statement using changes in working capital.		
13	Compare Fund Flow and Cash Flow statements.		
14	Analyse the significance of Comparative Statements.		
15	Prepare a Cash Flow Statement from given financial data.		

S.No.	Part C (10 Marks)
1.	Examine the various techniques of Financial statement analysis for a manufacturing industry.
2.	Describe the advantages and disadvantages of the various tools and techniques of Financial Statement Analysis
3.	Explain in detail, the various classifications of ratio.
4.	From the following particulars extracted from the financial statement, compute a) Current Ratio b) Liquid Ratio c) Inventory Turnover Ratio d) Debtors Turnover Ratio e) Creditors Turnover Ratio:

Particulars	Rs.	Particulars	Rs.

Opening stock	47000	Sundry Debtors	40000
Closing stock	53000	Cash	10000
Sales less returns	252000	Bank	8000
Provision for Taxation	15000	Bills Receivables	15000
Sundry Creditors	32000	Short term Marketable securities	8000
Purchases	180000	Bills payable	29000

5. You are supplied with the following information from the records of M/s Anand Prabhat Ltd. for the year ending Dec,31, 2003:

Trade debtors at the end of the year	90,000
Trade creditors in the beginning of the year	25,000
Trade creditors at the end of the year	45,000
Net working capital	1,20,000
Stock turnover ration	5 times
Sales for the year	5,00,000
Gross profit ration	20% on sales

Calculate: a) Average Stock; b) Purchases; c) Average Payment Period; d) Average Collection Period; e) Creditors Turnover Ratio; f) Working Capital

	Turnover Ratio.
6.	Prepare a Balance Sheet with as many details as possible from the following information: Gross Profit ratio 20% Debtor's turnover ratio 6 times Fixed Assets to Net Worth 0.80 Reserves to Capital 0.50 Current Ratio 2.50 Liquid Ratio 1.50 Net Working Capital ₹3,00,000 Stock turnover ratio 6 times
7.	Draw the balance sheet from the following information:

Gross profit	60,000
Gross profit ratio	20%
Stock velocity	6 times
Capital turnover ratio (cost of sales)	2
Fixed assets turnover ratio (cost of sales)	4 times
Debtors velocity	2 months
Creditor velocity	73 days
Reserves & Surplus	20,000

Closing stock	Rs.5,000 in excess of opening stocks

8.	How do you analyze and interpret the various financial ratios.
9.	Explain in detail the various tools and techniques used in Financial Statement Analysis
10.	Draw your own example and interpret the result for trend analysis
11.	Examine the various techniques of Finance statement analysis for a manufacturing industry.
12.	Describe the advantages and disadvantages of the various tools and techniques of Financial Statement Analysis
13.	The following are the income statements of Jeevan Ltd., for the year ending 31st December 2009 and 2008. You are required to prepare a comparative income statement for the two years:

	31.12.2008(Rs.)	**31.12.2009**(Rs.)
Net sales	1000000	1200000
Cost of goods sold	550000	605000
Operating expenses:		
Administration	80000	100000
Selling	60000	80000
Non-operating expenses:		
Interest	40000	50000

		Income tax	50000	80000	

14. Sudeesh Co. Ltd., furnishes its balance sheet for the years 2003 and 2004 and requests you to prepare a comparative balance sheet for those years:

Balance Sheet

Liabilities	**2003**	**2004**	**Assets**	**2003**	**2004**
Equity share capital	80000	80000	Land and buildings	80000	74000
8% debentures	80000	90000	Plant and machinery	60000	54000
Retained earnings	40000	49000	Furniture	20000	28000
Sundry creditors	50000	70000	Inventory	40000	60000
Bills payable	10000	15000	Debtors	40000	80000
			Cash	20000	8000
	260000	304000		260000	304000

15. The following are the income statements of X, Y, Z Co. Ltd., for the years 2011 and 2012. Prepare common size income statements for the two years:

Trading and Profit and Loss A/c

Particulars	**2011**	**2012**	**Particulars**	**2011**	**2012**
To cost of sales	240000	350000	By sales	400000	500000
To gross profit c/d	**160000**	**150000**			
	400000	**500000**		**400000**	**500000**
To operating exp:			By gross profit b/d	**160000**	**150000**
Administration	25000	30000			
Selling	15000	20000			
Distribution	10000	10000			
To non-operating expenses:			By interest on investment	20000	50000
Finance	000	20000			
Goodwill written off	10000	-			
To net profit	**100000**	**120000**			
	180000	**200000**		**180000**	**200000**

16. From the following data, you are required to calculate the trend percentages taking 2005 as base year:

(₹ in thousands)

Particulars	2005	2006	2007	2008
Cash	100	120	80	140
Debtors	200	250	325	400
Stock-in-trade	300	400	350	500
Other Current Assets	50	75	125	150
Land	400	500	500	500
Building	800	1000	1200	1500
Plant	1000	1000	1200	1500
Total	2850	3345	3780	4690

17. Examine the various techniques of Finance statement analysis for a manufacturing industry.

18. Calculate funds from operations from the following:

Particulars	31-03-2009 (Rs.)	31-03-2010 (Rs.)
Profit & Loss Account	22,200	29,600
General Reserve	14,800	18,500
Goodwill	7,400	3,700
Preliminary expenses	4,400	3,000
Provision for	7,400	8,800

	Depreciation			

19. Prepare statement of changes in working capital from the following:

Item	Beginning of the year (Rs.)	Ending of the year (Rs.)
Creditors for goods	1,70,000	1,60,000
Provision for Income tax	60,000	80,000
Stock in trade	2,40,000	3,70,000
Book Debts	2,50,000	2,30,000
Cash	1,00,000	75,000

20. From the following Profit and Loss Account, prepare funds from Operations:

Profit and loss account

Particulars	Rs.	**Particulars**	Rs.
To Expenses	4,50,000	By Gross Profit	6,75,000
To Depreciation	1,05,000	By Gain on sale of Building	90,000
To Loss on sale of Machinery	6,000		
To Discount	300		
To Goodwill	30,000		

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To Net Profit	1,73,700		
	7,65,000		**7,65,000**

21. The following are the summarized Balance Sheet of M/s. Krishna Ltd. as on 31.3.2003 and 2004. You are required to prepare Fund Flow Statement.

Liabilities	2003	2004	Assets	2003	2004
10% Preference Share	100000	110000	Machinery	200000	230000
Equity Shares	220000	250000	Buildings	150000	176000
Share premium	20000	26000	Land	18000	18000
Profit & Loss A/c	104000	134000	Cash	42000	32000
12% Debentures	70000	64000	Debtors	38000	38000
Creditors	38000	46000	Bills receivables	42000	62000
Bills Payable	5000	4000	Stock	84000	98000
Provision for tax	10000	12000			
Dividend payable	7000	8000			

	Total	574000	654000	Total	574000	654000

22. With your own example interpret the result of Fund Flow Statement

23. Prepare Cash Flow Statement from the following information:

Lia.	**2005**	**2006**	**Assets**	**2005**	**2006**
Capital	,00,000	,00,000	Buildings	,00,000	,60,000
General Reserves	6,000	10,000	Furniture	,55,000	,00,000
P/L A/c	14,000	31,000	Investment	,00,000	24,000
10% Deben.	,00,000	75,000	Stock	81,000	70,000
Creditors	,00,000	60,000	Debtors	41,000	76,000
Bills Payables	-	24,000	Cash	43,000	70,000
	,20,000	**,00,000**		**,20,000**	**,00,000**

24. With your own example, interpret the results of Cash Flow Statement.

25. Draw the format for preparing the fund flow and cash flow statement.

UNIT 3

S.No.	Part A (2 Marks)
1.	Define Marginal Costing.
2.	What is Contribution?
3.	Define Break-even Point.
4.	What is P/V Ratio?
5.	What is Margin of Safety?
6.	What is a Key Factor?
7.	Distinguish between Marginal and Absorption Costing.
8.	What is Make or Buy decision?
9.	What is Sales Mix?
10.	What is Differential Cost

S.No.	Part B (5 Marks)
1.	Define Marginal Costing with its advantages.
2.	Short Note on: BEP and CVP

3.	What do you mean by P/V ratio? Evaluate its application to business firms.
4.	"Angle of incidence is important for knowing the degree of profit in any business organization" Do you agree.
5.	How do you calculate Break Even Sales?
6.	Explain the advantages of Marginal Costing.
7.	Calculate PV ratio and BES when Sales Rs.5,00,000, Variable cost Rs.2,50,000 and Fixed cost Rs.1,00,000
8.	Calculate the margin of safety where the actual sales are Rs. 5,00,000 and Break-Even Sales is 75% on actual sales.
9.	Compute PV ratio when sales is Rs.7,50,000 and variable cost is 40% on sales.
10.	Draw Break Even Graph and name the items.

S.No.	Part C (10 Marks)
1.	Evaluate the application of marginal costing techniques.
2	Short Note on: a) P/V ratio, b) BEP, c) BES, d) Margin of Safety, e) Angle of incidence, and f) CVP
3.	The sales and profit for 2008 and 2009 are as follows:

Year	Sales (in Rs.)	Profit (in Rs.)
2008	150000	20000
2009	170000	25000

Find out:

a) P/V ratio

	b) BEP (in Rs.) c) Fixed Cost d) Sales required for a profit of Rs.40,000 e) Profit from the sales of Rs.2,50,000 and f) Margin of Safety
4.	You are given the following data for the year ended 2009-2010: Variable cost Rs.12,00,000 Fixed cost Rs.6,00,000 Profit Rs.1,25,000 Sales Rs.20,00,000 Calculate: a) P/V ratio b) BEP (in Rs.) c) Sales required for a profit of Rs.2,00,000 d) Profit from the sales of Rs.30,00,000 and e) Margin of Safety
5.	You are given the following data for the year ended 2007-2008: Variable cost Rs.6,00,000 Fixed cost Rs.3,00,000 Profit Rs.1,00,000 Sales Rs.10,00,000 Calculate: f) P/V ratio g) BEP (in Rs.)

h) Sales required for a profit of Rs.2,00,000

i) Profit from the sales of Rs.12,00,000 and

j) Margin of Safety

6. The following data is available for a company:

	Rs.
Selling price	20 per unit
Variable manufacturing costs	11 per unit
Variable selling costs	3 per unit
Fixed factory overheads	5,40,000 per year
Fixed selling costs	2,52,000 per year

You are required to compute:

(i) Break-even point expressed in amount of sales in rupees;

(ii) Number of units that must be sold to earn a profit of Rs. 60,000 per year;

(iii) How many units must be sold to earn a net income of 10% of sales?

7. The following figures of Sales and profit for the two periods are available in respect of a concern:

Particulars	Year I	Year II
Sales (Rs. lakhs)	300	400
Profit (Rs. lakhs)	60	100

You are required to find out:

a) P/V ratio, b) Fixed cost, c) Break-even point, d) Sales required to earn a profit of Rs.90 lakhs and e) Profit for an estimated sale of Rs.280 lakhs

8. Read the given data carefully:

Year	Sales in Rs.	Profit in Rs.
2004	600000	80000
2005	800000	120000

Compute:

1) Variable cost and contribution for both the years

2) Fixed cost

3) Break Even Point

4) Margin of Safety

9.	Explain the applications of marginal cost techniques for a manufacturing sector
10.	Evaluate the assumptions of marginal costing

UNIT 4

SNo.	**Part A (1 Marks)**
1.	Define Budget.
2.	What is Budgetary Control?
3.	What is a Flexible Budget?
4.	Define Cash Budget.
5.	What is Zero Base Budgeting?

6.	What is Master Budget?
7.	State any one objective of Budgetary Control.
8.	What is Fixed Budget?
9.	What is a Performance Budget?
10.	Define Budget Manual.

SNo.	Part B (5 Marks)
1.	Define Budgetary Control.
2.	What do you mean by budgeting?
3.	Classify budgets based on their functions.
4.	State any two advantages of budgeting
5.	List any four types of budget.
6.	What is Fixed and Flexible budget?
7.	Give any two differences between Fixed and Flexible budget.
8.	Write the steps for Production budget.
9.	State any two advantages of Cash budget
10	Write the procedure for preparation of Cash budget

11	State the Objectives of Budgetary Control.
12	Write the short note on Capacity Utilization in Budgeting.
13	How MBE is helpful in Budgeting?

SNo.	**Part C (10 Marks)**
1.	Define budgetary control and explain its advantages and limitations.
2.	Enumerate the various classification of budgets
3.	Draw a flexible budget for overhead expenses on the basis of the following data and determine the overhead rate at 70%, 80% and 90% plant capacity:

Particulars	**Capacity Levels**		
	70% (Rs.)	**80% (Rs.)**	**90% (Rs.)**
Variable Overheads:			
Indirect labour	(-)	12,000	(-)
Stores including spares	(-)	4,000	(-)
Semi Variable Overheads:			
Power (30% fixed , 70% variable)	(-)	20,000	(-)
Repairs & Maintenance (60% fixed, 40% variable)	(-)	2,000	(-)

Fixed Overheads:			
Depreciation	(-)	11,000	(-)
Insurance	(-)	3,000	(-)
Salaries	(-)	10,000	(-)
Total Overheads		62,000	
Estimated labour hours		**1,24,000**	

4.

Prepare a Production budget for the following for a period of 3 months from the following:

TYPE OF PRODUCT	STOCK ON 1.01.2015	STOCK ON 31.3.2015	SALES DURING 1.1.2015 TO 31.3.2015
A	2,000	5,000	10,000
B	3,000	4,000	15,000
C	4,000	3,000	13,000
D	5,000	2,000	12,000

5. Prepare a cash budget for July, August and September 2016.

Month	Sales	Purchases	Expenses
May	3,00,000	1,00,000	20,000
June	4,00,000	2,00,000	30,000

July	5,00,000	2,50,000	40,000
August	6,00,000	3,00,000	50,000
September	7,00,000	4,00,000	70,000

Additional Information:

(i) Opening cash balance Rs.20,000.

(ii) Payment of Tax is expected to pay in July 2016 Rs.25,000.

(iii) 50% of sales are in cash and rest on credit which is recovered in next two subsequent months.

(iv) An installment of Rs.1,00,000 to be paid in the month of July.

(v) Dividend of Rs.20,000 is receivable in the month of September 2016.

6. You are required to prepare Cash Budget from 1st October 2017 to 31st October 2017 from the following data:

Months	Sales (Rs.)	Purchases(Rs.)	Wages (Rs.)
August	3,60,000	2,49,000	24,000
September	3,84,000	2,88,000	28,000
October	2,16,000	4,86,000	22,000
November	3,42,000	4,92,000	20,000
December	2,56,000	5,36,000	30,000

Additional Information:

(i) 50% of credit sales are realized in the month following sales and the remaining 50% in the second following.

(ii) Creditors are paid in the month following in the month of purchase.

(iii) Estimated cash at bank on 1st October 2017 Rs.50,000.

7. The following are the expenses related to the production of 5,000 units, prepare flexible budget for 6,000 units and 7,000 units:

Particulars	Cost Per Unit
Materials	10
Labour	5
Other variables Overheads	5
Fixed Overheads (50,000)	10
Power 25% fixed	4
Other expenses 50% fixed	6
TOTAL	**40**

8. The following data are taken from ABC Ltd for the production of 10,000 from boxes. Prepare a flexible budget for the Production of 6,000 , 8,000 and 10,000 units

Particulars	**Cost per unit**
Materials and labour Variable Overheads	90
Other Variable Overheads	25
Other variable expenses	5
Fixed Overheads (1,50,000)	15
Administration Overheads	5
Sundry expenses 10% fixed	15
Sales Promotional expenses 20% fixed	5
Total Cost Per Unit	**160**

9. The following are the expenses are the production 10,000 units in a factory. Prepare flexible budget for 9,000 and 8,000 units.

Particulars	**Per unit (in Rs.)**
Materials	70
Labour	25

Variable expenses	20
Fixed Overhead (1,00,000)	10
Other variable expenses	5
Selling expenses 10% Fixed	13
Office expenses 20% Fixed	7
Administrative expenses	5
Total Cost Per Unit	**155**

10. Draw a flexible budget on the basis of a following data and find the overhead rate at 50 % , 60% and 70% respectively:

Particulars	**60% (Rs.)**	**50% (Rs.)**	**70% (Rs.)**
Materials	6,000	(-)	(-)
Labour Power (50% fixed)	3,000	(-)	(-)
Repairs & Maintenance (20% fixed)	6,000	(-)	(-)
Fixed Overheads:	12,000	(-)	(-)
Insurance	1,000	(-)	(-)
Rent	1,000	(-)	(-)

Salaries	1,000	(-)	(-)
Total Overheads	30,000	(-)	(-)
Estimated labour hour	**60,000 hrs**	**(-)**	(-)

UNIT 5

S.No.	**Part A (16 Marks)**
1.	Define Cost Accounting.
2.	What is Cost Unit?
3.	What is Standard Costing?
4.	Define Variance.
5.	What is Cost Centre?
6.	What is a Cost Sheet?
7.	Mention any one method of costing.
8.	What is Management Reporting?
9.	What is Accounting Information?
10.	Name any element of cost.

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S.No.	Part B (5 Marks)
1.	Prepare a Cost Sheet from the provided cost data.
2.	Compute material and labour variances.
3.	Analyse the role of standard costing in cost control.
4.	Compare job costing and process costing with examples.
5.	Apply cost information to managerial decision making.
80.	Explain the role of accounting information in managerial reporting.

S.No.	Part C (10 Marks)
1	Evaluate the importance of standard costing and variance analysis.
2.	Prepare a detailed Cost Sheet and analyse cost behaviour.
3.	Construct a full variance analysis (material, labour, overhead).
4	Critically examine different costing methods used in manufacturing.
5	Develop a management reporting system using accounting information.