

E 6406

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Reg. No.....

Name.....

**B.Com. DEGREE (C.B.C.S.S.) EXAMINATION, MARCH 2019**

**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)]

(2013 Admission onwards)

Time : Three Hours

Maximum Marks : 80

**Part A**

*Answer all questions. Each question carries 1 mark.*

1. Define Common Size Statement.
2. What do you mean by internal analysis ?
3. What is meant by yield ratio ?
4. Explain the term 'liquidity'.
5. What is interest coverage ratio ?
6. Give three examples for sources of fund.
7. Is depreciation a source of fund ?
8. What is Cash Flow Statement ?
9. What are cash equivalents ?
10. What is acid test ratio ?

(10 × 1 = 10)

**Part B**

*Answer any eight questions. Each question carries 2 marks.*

11. What are the features of financial statements ?
12. What are comparative statements ? Give its significance.
13. Give any two efficiency ratio with formulae.
14. Distinguish between analysis and interpretation.
15. Bankers are interested in interest coverage ratio. Why ?
16. What is Stock turnover ratio ? How is it interpreted ?
17. What is meant by trading on equity ?
18. What are the ratios used for analysing liquidity position ?

**Turn over**

19. What do you mean by Funds Flow Statement ?
20. Explain return on capital employed ?
21. What do you mean by collection period ?
22. From the following information, calculate stock turnover ratio :

Net Sales	...	Rs. 3,00,000
Gross Profit	...	20 % on sales
Opening Stock	...	Rs. 35,000
Closing Stock	...	Rs. 45,000

(8 × 2 = 16)

### Part C

*Answer any six questions. Each question carries 4 marks.*

23. What are the limitations of financial statements ?
24. Explain the drawbacks of ratio analysis ?
25. What are solvency ratios ? How are they interpreted ?
26. What are the limitations of funds flow statement ?
27. Analysis and interpretations of financial statements is very important. Give the arguments.
28. From the following information, prepare a Comparative Income Statement :

<i>Particulars</i>	2016	2017
	Rs.	Rs.
Sales	4,00,000	5,00,000
Cost of goods sold	2,00,000	3,00,000
Administrative, selling and distribution expenses	40,000	1,00,000
Other income	20,000	30,000
Income tax	60,000	70,000

29. From the Balance Sheet of ABC Ltd, analyse the liquidity position :

<i>Liabilities</i>	Rs.	<i>Assets</i>	Rs.
Share capital	3,400	Fixed Assets	4,000
Reserve and Surplus	3,000	Stock	1,200
Sundry Creditors	600	Debtors	1,800
Bills Payable	200	Cash at Bank	1,000
Bank overdraft	800		
	<u>8,000</u>		<u>8,000</u>

30. Calculate payment period from the following data :

	Rs.
Opening Creditors ..	1,20,000
Closing Creditors ..	90,000
Opening Bills Payable ..	30,000
Closing Bills Payable ..	40,000
Total Purchases ..	10,00,000
Return outwards ..	20,000
Cash Purchases ..	1,40,000

Take 360 days in an Year.

31. Find out the outflow of funds on account of purchase of fixed assets during 2017 :

Fixed assets at cost on 1-1-2017 ..	2,40,000
Fixed assets at cost on 31-12-2017 ..	3,50,000
Provision for depreciation on 1-1-2017 ..	60,000
Provision for depreciation on 31-12-2017 ..	65,000
Depreciation charged for 2017 ..	30,000

During 2017, an item of fixed asset costing Rs. 40,000 having an accumulated depreciation of Rs. 25,000 was sold for Rs. 10,000.

(6 × 4 = 24)

### Part D

Answer any **two** questions. Each question carries 15 marks.

32. Explain the procedure for preparation of a funds flow statement. List the differences between a Fund Flow Statement and a Balance Sheet.
33. Prepare a common size Balance Sheet from the following :

*Balance Sheet as on 31<sup>st</sup> December 2016 and 2017 :*

Liabilities	2016 (Rs.)	2017 (Rs.)	Assets	2016 (Rs.)	2017 (Rs.)
Share Capital	6,00,000	6,00,000	Land and Building	8,00,000	7,50,000
General Reserve	7,00,000	10,10,000	Plant and Machinery	3,00,000	5,00,000
10 % Debentures	3,00,000	3,00,000	Furniture	1,00,000	1,06,250
Bills Payable	84,000	1,40,000	Stock in Trade	4,50,000	6,25,000
Creditors	3,28,000	4,50,000	Debtors	2,55,000	4,10,000
Outstanding Expenses	8,000	10,000	Cash at bank	95,000	1,08,750
			Preliminary Exp.	20,000	10,000
	20,20,000	25,10,000		20,20,000	25,10,000

Turn over

34. From the given ratios and figures, prepare a B/S :

Working Capital	...	70,000
Reserve and Surplus	...	50,000
Bank overdraft	...	10,000
Fixed Assets/Proprietors funds	...	0.65
Current ratio	...	2.75
Liquid ratio	...	1.25

There are no long term debts or miscellaneous expenses.

35. From the following, prepare a Cash Flow Statement for ABC Ltd for the year 2012 :

ABC Ltd Balance Sheet as at March 31, 2011 and 2012

Liabilities	2011	2012	Assets	2011	2012
Paid up Capital	50	50	Gross fixed assets 1,000		1,125
Retained Earnings	350	415	Less : Accu. dep. 100	900	175
Long term debt	500	550	Inventory	100	110
Notes payable	80	100	Accounts receivable	50	60
Accounts payable	80	90	Cash	10	85
	1,060	1,205		1,060	1,205

Income Statements for March 2012 :

Sales	..	1,200
Cost of goods sold	..	800
Gross Profit	..	400
Selling, general, admn. expenses	..	150
EBIT	..	250
Interest expenses	..	50
EBT	..	200
Taxes (50 %)	..	100
Net Income	..	100

Additional Information :

(a) Dividend Paid	..	Rs. 35
(b) Addition to retained earnings	..	65
(c) Depreciation	..	75

(2 × 15 = 30)