



## DEPARTMENT OF COMMERCE

### QUESTION BANK FOR B.COM

### MANAGEMENT ACCOUNTING

(Based on Bloom's Taxonomy)

#### MODULE I- INTRODUCTION TO MANAGEMENT ACCOUNTING

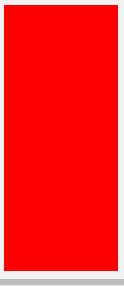
#### COI- Describe Management Accounting ( Understand)

##### SECTION A

1. Define Management accounting.
2. Narrate evolution of management accounting
3. Enlist the functions of management accounting
4. Enumerate the relationship between management, cost and financial accounting
5. Write down the limitations of financial accounting
6. Discuss the functions of financial accounting
7. Narrate the importance of cost accounting to management
8. Explain any two objectives of management accounting
9. Compare nature and reporting in management accounting and financial accounting.
10. List out the limitations of management accounting

##### SECTION B

11. Differentiate cost accounting and management accounting.
12. 'Management accounting aims at providing financial results of the business to the management for taking decisions'. Explain it.
13. Discuss the limitations of management accounting
14. Explain the functions of management accounting.
15. Briefly explain narrate the characteristics of management accounting



16. Show the merits of management accounting
17. 'Management accounting is a financial accounting belt at its elastic point'. How far do you agree with this statement?
18. Discuss the functions and limitations of financial accounting

### **SECTION C**

19. Compare management accounting and financial accounting
20. Discuss the tools and techniques of management accounting
21. Explain the scope of management accounting
22. Explore the objectives of management accounting with suitable illustrations.

## **MODULE II- FINANCIAL STATEMENT ANALYSIS**

### **CO- Scrutinize the financial statements(Analyse)**

#### **SECTION A**

23. Define financial statement
24. What is financial statement analysis
25. What is income statement
26. What is position statement
27. Narrate comparative statements
28. What is break-even point analysis
29. Explain the objectives of common size income statement
30. List out the limitations of financial statement analysis
31. Narrate any 4 objectives of the financial statement.
32. Explain the trend analysis.

#### **SECTION B**

33. Narrate the advantages of financial statements.
34. Explain the types of financial statement analysis.
35. Discuss the utility of common size statements



36. Distinguish between common size & comparative financial statement analysis.
37. The following is the income statement of a company for the year ending 31st March 2011. Prepare a Common size income statement and give your interpretation.

Sales	₹ 500
Miscellaneous income	₹ 20
Cost of sales	₹ 325
Office expenses	₹ 20
Selling Expenses	₹ 30
Interest	₹ 25

38. Calculate the trend percentage from the following figures of the company taking 2005 as base. Also interpret the result

Year	2005	2006	2007	2008	2009	2010	
Sale (₹ in lakhs)		30	40	48	56	70	90
Profit (₹ in lakhs)	5	8	10	15	20	24	

39. Prepare a comparative balance sheet with imaginary figures.
40. Draw up the proforma of a common size balance sheet with imaginary figures.

## SECTION C

41. What is meant by financial statement analysis and explain tools and techniques used for analysis.
42. "Financial statements become meaningless unless they are analyzed & interpreted".  
Comment on this statement.
43. From the following, prepare a common size Balance Sheet.



Particulars	2019	2018
Share Capital	8, 00,000	6, 00,000
8% Debentures	6, 00,000	4, 00,000
Goodwill	1, 00,000	50,000
Land and Buildings	5, 00,000	6, 00,000
General Reserve	4, 00,000	2, 00,000
Creditors	1, 00,000	160,000
Bills Payable	20,000	80,000
Bank O/D	80,000	60,000
Inventories	400,000	2, 00,000
Trade Receivables	8, 00,000	5, 00,000
Cash at bank	2, 00,000	150,000

**44.** The following are the extracts from the income statements of X Ltd, for the 6 Years ending 2010. You are required to calculate trend percentages.

Particulars	2005	2006	2007	2008	2009	2010
Sales	300	340	420	480	520	600
Cost of goods sold	180	204	256	287	300	330
Office expenses	40	42	45	50	55	60
Selling	20	25	30	40	50	60



expenses						
Net profit/loss	60	69	89	103	115	150

**MODULE: III**  
**RATIO ANALYSIS**

**CO3: Identify ratios to analyze Financial Statements**

**SECTION A**

45. Explain ratio analysis?
46. Describe an accounting ratio.
47. What is an ideal current ratio?
48. What are activity ratios?
49. What is stock velocity?
50. Narrate EPS
51. Outline operating ratio?
52. Illustrate return on capital employed?
53. What do you mean by leverage?
54. If current ratio is 2.7: 1 and quick ratio is 0.9:1, what inference can be put forward to firm for decision making?
55. What are leverage ratios?



56. What is average debt collection period?
57. What do you mean by Price-Earnings Ratio
58. What is capital Gearing Ratio?
59. Give two objectives of ratio analysis.
60. Describe working capital turnover ratio.
61. What is interest coverage ratio?
62. Compare Debtors Turnover Ratio and Creditors Turnover Ratio.
63. Narrate Leverage Ratio.
64. What is Average Debt Collection Period?
65. What do you mean by Price Earnings Ratio?
66. Explain the term Leverage.

## SECTION B

67. What is Gross Profit Ratio? What are the measures to be taken for improving the gross profit ratio?
68. Distinguish between current ratio and quick ratio?
69. What are turnover ratios? Discuss its significance.
70. What is the difference between operating profit and net profit?
71. Explain the limitations of ratios.
72. From the following information, calculate debtors turnover ratio and average collection period.

Total Sales	₹ 1,00,000
Cash Sales(included in the above)	₹ 20,000
Sales returns	₹ 7,000
Total Debtors as on 31-12-2003	₹ 9,000
Bills receivables as on 31-12-2003	₹ 2,000
Provision for doubtful debts	₹ 1,000
Trade creditors as on 31-12-2003	₹ 10,000
73. Calculate stock turnover ratio in the following case:



a. Cost of goods sold	₹ 2,00,000
Average stock	₹ 40,000
b. Sales	₹ 2,20,000
Average stock	₹ 40,000
Sales return	₹ 20,000
Gross profit - 20% on sales	
c. Opening stock	₹ 21,000
Closing stock	₹ 29,000
Purchases	₹ 1, 00,000
Wages	₹ 10,000

74. (a) Current Ratio is 2.5 times and Current liabilities are 20000.calculate current assets.  
(b) Calculate current liabilities, if current asset is 120000 and current ratio is three times.  
© If current liabilities are 30000 , current ratio is2.25 times and liquid ratio 1.25 times.  
Calculate current assets, liquid assets, and stock in trade.

75. Explain Du-pont Control Chart?

76. The balance sheet of Adarsh Ltd as on 31.3.2019 is given below.

### BALANCESHEET

Liabilities	Rs	Assets	Rs
Equity Share Capital	2,00,000	Fixed Assets	360,000
9%Preference Share Capital	1,00,000	Stock	50,000
8% Debentures	1,00,000	Debtors	110,000



Profit and Loss A/c	40,000	Bills Receivable	4,000
Creditors	50,000	Cash at Bank	6,000
Bills Payable	40,000		
	530,000		530,000

Calculate:

1. Current Ratio
2. Liquid Ratio(Quick Ratio)
3. Debt Equity Ratio
4. Proprietary Ratio
5. Capital Gearing Ratio

77. From the following, calculate

- (a) Gross Profit Ratio
- (b) Operating Ratio
- (c) Operating Profit Ratio
- (d) Net Profit Ratio
- (e) Expenses Ratio: Administrative Expenses and Selling Expenses

Opening Inventory	3,00,000
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Closing Inventory	420,000
Purchases	14,00,000
Wages	370,000
Carriage Inwards	150,000
Administrative Expenses	84,000
Selling Expenses	36,000
Income Tax	1,00,000
Profit on sale of fixed Assets	20,000
Revenue from Operations (Sales)	24,00,000

## SECTION C

77. From the following information prepare a Balance sheet with as many details as possible

- a) Current ratio : 2.5
- b) Liquidity Ratio : 1.5
- c) Proprietary ratio ( Fixed Assets: Proprietor's fund) : 0.75
- d) Working Capital : ₹ 60,000
- e) Reserves & Surplus : ₹ 40,000



f) Bank Overdraft : ₹ 10,000

g) There is no long term loan or fictitious assets

24. From the following summarized Balance sheet of Nataraj Ltd as on 31.12. 2018 and 2019

Balance sheet

Particulars	Note No	2018( ₹ )	2019(₹ )
I Equity and Liabilities			
(I) Shareholders fund			
a) Share capital		6,00,000	7,00,000
b) Reserves & Surplus			
i) General Reserve		4,00,000	4,20,000
II) Profit and Loss		1,00,000	1,20,000
(2) Share Application Money Pending Allotment			
(3) Non Current Liabilities			



Long term Borrowings( Loan from SBI)		----	1,60,000
Provision for Tax		75,000	40,000
(4) Current Liabilities			
Trade Payables		2,00,000	1,60,000
Total		13,75,000	16,00,000
II Assets			
(I) Non Current Assets			
a) Fixed Tangible		5,00,000	4,00,000
b) Intangible		----	----
c) Non Current Investment		50,000	80,000
(2) Current Assets			
a) Inventories		3,00,000	5,00,000
b) Trade receivables		4,50,000	6,00,000



c) Cash and cash equivalents(cash at Bank)		75,000	20,000
Total		13,75,000	16,00,000

78. What do you mean by ratio Analysis? State the significance of ratio analysis.
79. Explain the different types of accounting ratios.
80. “Ratio analysis is a tool to examine the health of a business with a view to make financial results more intelligible.” Explain.
81. What are profitability ratios? Explain the significance.
82. What are the advantages and disadvantages of ratio analysis?

## MODULE IV FUND FLOW ANALYSIS

### CO4- Investigate the “flow of sources and application of funds” (Analyze)

#### SECTION A

77. Define Fund flow Statement.
78. Narrate the managerial uses of fund flow statement
79. Name various sources of funds



80. Interpret why Net increase in working capital shown in the Application Side of Fund Flow Statement.
81. Compare Fund Flow Statement from Balance Sheet.
82. Analyze the movement of Fund when
- Machinery Purchased for ₹ 5,00,000
  - Amount received from Debtors ₹ 25,000
83. Illustrate fund from operations with your own example
84. Show the accounting treatment of Provision for taxation in preparation of fund flow statement
85. Show the change in working capital due to change in change in current assets and current liabilities
86. Identify the sources of fund from the following transaction also show the journal entry;  
The assets of another company were purchased for ₹ 60,000 payable in fully paid shares of the company. The assets consisted of stock ₹ 21,640, machinery ₹ 18,360.

## SECTION B

87. Comment “ Is depreciation a source nor a fund”
88. Distinguish between fund flow statement and Balance sheet.
89. Narrate the accounting procedure to be followed for the preparation of fund flow statements.
90. Calculate fund from operation from the information given below as on 31.12.2019 :

Net profit for the year ended 31.12.2019, ₹ 650000. Profit on sale of land and Buildings, ₹ 35500. Goodwill appears in the books at ₹ 180000: it has been decided to write off 10% of goodwill. Old Machinery worth ₹ 8000 has been sold for ₹ 6500 during the year. ₹ 125000 have been transferred to the General Reserve. Depreciation provided on Machinery ₹ 80000 and on Furniture ₹ 50000. Provision for Tax created during the year ₹ 120000. Dividend on



shares proposed, ₹ 80000. Interim Dividend paid ₹ 10000. Preliminary Expenses written off ₹ 11000. Interest and dividend received from investment ₹ 20000.

91. Identify the accounting treatment for

- a. Provision for taxation
- b. Proposed dividend

92. How will you calculate funds from operations in Funds flow analysis?

93. Explain the procedure for the preparation of schedule of changes in working capital.

94. Narrate meaning, objectives and importance of fund flow statements.

### SECTION C

95. “Fund flow statement is an effective tool for managerial decision making”. Comment.

96. From the following balance sheet of X Ltd prepare: a schedule of changes in working capital & a fund flow statement.

Liabilities	2018	2019	Assets	2018	2019
Share capital	240000	360000	Land & Buildings	166200	339600
Securities premium	24000	36000	Plant & machinery	106800	153900
General reserve	18000	27000	Furniture	7200	4500
Profit and	58500	62400	Stock	66300	78000



loss					
8% Debentures		78000	Sundry debtors	109500	117300
Provision for tax	29400	32700	Cash at bank	20000	30000
Proposed dividend	20000	30000	Cash in hand	14400	12000
Sundry creditors	100500	109200			
Total	490400	735300	Total	490400	735300

Depreciation written off during the year: On machinery-Rs.38400, On furniture-Rs.1200.

97. Narrate the causes for change in working capital.
98. "Retained earnings and the allowance for depreciation are the two primary sources of funds". Comment.

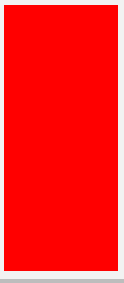
## MODULE V

### CASH FLOW STATEMENT

#### CO5- Determine cash flow (Evaluate)

### SECTION A

99. Explain the meaning of cash flow analysis.
100. Narrate the importance of cash flow statements.
101. Enlist the financing activities



102. Show the investing activities
103. Illustrate the accounting treatment for dividend received and dividend paid in cash flow statement
104. Criticize the accounting treatment for interest received and Interest paid in cash flow statements.
105. Demonstrate the cash from operating activities under direct method.
106. Narrate the term cash equivalents
107. Explain extraordinary items
108. Justify which of the following transactions would result in inflow or outflow of cash and cash equivalents:
- a. Declaration of final dividend
  - b. Purchase of inventories for cash
  - c. Redemption of debentures
  - d. Sale of fixed assets ( book value ₹ 20,000) at a loss of ₹ 2,000

## SECTION B

109. Differentiate cash flow statement from fund flow statement
110. Illustrate how cash from operations under indirect methods differs from funds from operations.
111. Explain the procedure for preparing cash flow statement
112. Evaluate the merits and demerits of cash flow statement
113. How will you treat “Interest on Debentures” while preparing a cash flow statement.
114. Draw up a cash flow statement with imaginary figures.(Direct method)
115. From the following information, calculate net cash flow from operating activities:

Cash sales	1800000
Cash collected from debtors	2800000





Cash purchases	200000
Cash paid to trade creditors	500000
Employee benefit expenses paid (salaries)	240000
Rent paid	60000
Manufacturing Expenses paid	280000
Office & Administration expenses paid	260000
Selling Expenses paid	120000
Trading Commission paid	120000
Trading commission received	400000
Income Tax paid	500000
Income tax refund received	80000
Insurance proceeds from earthquake disaster settlement	400000.

116. Narrate the classification of cash flows.

### SECTION C

117. Deco Ltd provides you the following information for the year ending 31st March, 2014

- Sales for the year amounted to ₹ 2,00,000 out of which 60% for cash
- Cost of goods sold was 50% of total sales
- All inventory is purchased on credit
- Collections from debtors amounted to ₹ 60,000



- e. Payments to creditors of inventory totaled ₹ 45,000
- f. Depreciation charged during the year on machinery amounted to ₹ 5,000
- g. Goodwill written off during the year ₹ 3,000
- h. Total salary for the period amounted to ₹ 6,000 out of which ₹ 1,000 was outstanding
- i. Office expenses paid in cash ₹ 8,000, outstanding office expenses ₹ 2,000
- j. Land was purchased for ₹ 2,50,000 and the consideration was discharged by the allotment to the vendors of zero percent convertible debentures.
- k. Fully paid equity shares of the face value of ₹ 2,00,000 were issued at a premium of 10%
- l. A machine was sold for ₹ 15,000. The book value of the machine was ₹ 12,000.
- m. Another machine having a book value of ₹ 4,000 was scrapped and was treated as ordinary business loss
- n. A vehicle was purchased for cash at a cost ₹ 1,50,000
- o. Dividends paid during the period amounted to ₹ 40,000
- p. Income tax paid ₹ 10,000
- q. Cash in hand and bank as at 31st March 2013 totaled ₹ 25,000

You are required to prepare a Cash Flow Statement using direct method

- I 18. Prepare the proforma of cash flow statements (indirect method) with imaginary figures.
- I 19. What is a cash flow statement? What are its limitations and differentiate between fund flow analysis and cash flow analysis.
- I 20. Balance Sheet of M/S Tom and Jerry for 2018 and 2019 are given below



Liabilities	2018	2019	Assets	2018	2019
Sundry Creditors	50,000	72,000	Cash at bank	5000	44,000
Loan from Bank	40,000	10,000	Sundry Debtors	25000	20,000
Capital	1,00,000	160,000	Stock	20,000	22,000
			Machinery	100,000	86,000
			Land and Buildings	40,000	70,000
	<b>190,000</b>	<b>242,000</b>		<b>190,000</b>	<b>242,000</b>

### Additional Information

1. During the year the partners withdraw Rs.2000 per month for their personal use.
2. A machinery costing rs.40,000 (accumulated depreciation Rs.15,000) was sold for Rs.16,000
3. Depreciation on Machinery charged during the year was Rs.20,000
4. Interest on loan paid during the year was Rs.4000

Prepare a cash flow statement.