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**SARDAR PATEL UNIVERSITY**
**B.B.A. (II Semester) EXAMINATION**
**Thursday, 28th March, 2019**
**2.00 p.m. to 4.00 p.m.**
**UM02CBBB04 :Cost and Management Accounting**
**(International Business)**

**Maximum Marks : 60**

Note : Figures to the right indicate full marks of the question.

Q.1 The following is the Balance Sheet of Vrunda Company Ltd. as on 31-03-2018. [15]

| Liabilities | Rs. | Assets | Rs. |
|---|---|---|---|
| Equity Share Capital | 400000 | Land and Building | 350000 |
| General Reserve | 100000 | Plant and Machinery | 250000 |
| Profit and Loss Account | 100000 | Furniture | 40000 |
| 20% Debentures | 200000 | Stock | 100000 |
| Creditors | 70000 | Debtors | 150000 |
| Bills Payable | 30000 | Bills Receivable | 50000 |
| Bank Overdraft | 60000 | Cash of Hand | 20000 |
| | 960000 | | 960000 |

| Additional information | 31-03-2018 Rs. |
|---|---|
| Total Sales (Out of which 20% are cash sales) | 1125000 |
| Gross Profit | 425000 |
| Net profit (Before interest on debentures and taxes) | 200000 |
| Rate of Tax is | 50% |
| Stock as on 01-04-2017 | Rs. 150000 |

From the above information, calculate the following Accounting Ratio.

(1) Net Profit Ratio
(2) Stock Turnover Ratio
(3) Debtors Ratio (360 days to be taken for the year
(4) Current Ratio
(5) Return on Capital Employed
(6) Return on Equity Share holders' Funds.

**OR**

Q.1(A) From the information given below, calculate the following Ratios. [08]

(1) Quick Ratio (2) Stock Turnover Ratio

(3) Debt Equity Ratio (4) Return on investment

Information :

| | Rs. |
|---|---|
| Current Assets | 500000 |
| Opening Stock | 50000 |
| Closing Stock | 150000 |
| Cost of Goods Sold | 1200000 |
| Gross profit | 200000 |
| Indirect Expenses | 20000 |
| Equity share capital | 700000 |
| 10% preference share capital | 300000 |
| 12% Debentures | 200000 |
| Current Liabilities | 200000 |
| General Reserve | 100000 |

(B) Discuss the limitations of Accounting Ratios. [07]

Q.2 The balance sheets of Vidit Ltd. as on 31-12-2017 and 31-12-2018 are given below. Prepare sources and Application of funds statement. [15]

| Liabilities | 31-12-17 | 31-12-18 | Assets | 31-12-17 | 31-12-18 |
|---|---|---|---|---|---|
| Share Capital | 300000 | 400000 | Fixed Assets | | |
| Capital Res. | --- | 10000 | (At Cost) | 800000 | 950000 |
| General Res. | 170000 | 200000 | Less: | | |
| Profit and | | | Depreciation | 230000 | 290000 |
| Loss A/c | 60000 | 75000 | | 570000 | 660000 |
| Debentures | 200000 | 140000 | Investments | 100000 | 80000 |
| Current | | | Current | | |
| Liabilities | 120000 | 130000 | Assets | 280000 | 330000 |
| Provision for | | | Preliminary | | |
| Taxation | 90000 | 85000 | Expenses | 20000 | 10000 |
| Proposed | | | | | |
| dividend | 30000 | 36000 | | | |
| Unpaid | | | | | |
| Dividend | -- | 4000 | | | |
| | 970000 | 1080000 | | 970000 | 1080000 |

During the year 2018 the company

(1) Sold one machine for Rs. 25000 the cost of which was Rs.50000 and depreciation provided of it was Rs. 21000.

(2) Provided Rs. 95000 as depreciation

(3) Redeemed 30% of debentures at Rs. 103.

(4) Sold Some Trade investments at a Profit which was Credited to Capital Reserve

(5) Decided to value stock at cost where as previously the practice was to value stock at cost less 10%. The stock according to books on 31-12-2017 was Rs. 54000. The stock on 31-12-2018 was correctly valued at cost Rs. 75000.

(6) Write off fixed assets costing Rs. 14000 which is fully depreciated.

Q.2 Balance sheets of M/s A and B as on 1st January 2018 and 31st December. [15]

**Balance Sheet**

| Liabilities | 01-01-18 | 31-12-18 | Assets | 01-01-18 | 31-12-18 |
|---|---|---|---|---|---|
| | Rs. | Rs. | | Rs. | Rs. |
| Creditors | 40000 | 44000 | Cash | 10000 | 7000 |
| Mrs. A's Loan | 25000 | --- | Debtors | 30000 | 50000 |
| Loan from | | | Stock | 35000 | 25000 |
| Bank | 40000 | 50000 | Machinery | 80000 | 55000 |
| Capital | 125000 | 153000 | Land | 40000 | 50000 |
| | | | Buildings | 35000 | 60000 |
| | 230000 | 247000 | | 230000 | 247000 |

During the year a machine costing Rs. 10000 (accumulated depreciation Rs. 3000) was sold for Rs.5000. The balance of Provision for depreciations against machinery as on 1st January 2018 was Rs. 25000 and on 31st December 2018 Rs. 40000. Net profit for the year 2018 amounted to Rs. 45000. You are required to prepare cash flow statement.

Q.3(A) Define Cost Accounting. Discuss its importance. [08]

(B) Give a specimen of Cost Sheet with imaginary figures. [07]

**OR**

Q.3(A) Distinguish between Financial Accounting and Cost Accounting. [08]

(B) Explain any three methods of costing. [07]

Q.4(A) Assuming that the cost structure and selling prices remain the same in period-I and II find out. [08]

(1) Profit volume Ratio
(2) Break even point for sales
(3) profit when sales are Rs. 100000
(4) Sales required to earn a profit of Rs. 20000

| Period | Sales (Rs.) | Profit(Rs.) |
|---|---|---|
| I | 120000 | 9000 |
| II | 140000 | 13000 |

(B) A company sells its product at Rs. 15 per unit. In a period if it produces and sells 8000 units it incurs a loss of Rs. 5 per unit. If the volume is raised to 20000 units, it earns a profit of Rs. 4 per unit. Calculate break-even point both in terms of Rupees as well as in units. [07]

**OR**

Q.4 A mechanical toy factory presents the following information for the year ended 31st March 2018. [15]

| | Rs. |
|---|---|
| Material Cost | 120000 |
| Labour Cost | 240000 |
| Fixed overheads | 120000 |
| Variable overheads | 60000 |
| Units produced | 12000 |
| Selling Price per Unit | 50 |

The available capacity is a production of 20000 units per year. The firm has an offer for the purchase of 5000 additional units at a price of Rs. 40 per unit. It is expected that by accepting this offer there will be a saving of rupee one per unit in material cost on all units manufactured, the fixed overhead will increase by Rs. 35000 and the overall efficiency will drop by 2% on all production. State whether offer is acceptable or not.

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