

**M.B.A DEGREE EXAMINATIONS: JUNE 2010**

First Trimester

**MBA504: ACCOUNTING FOR MANAGERS – I****Time: Three Hours****Maximum Marks: 100****Answer All Questions: -****PART A (1 x 20 = 20 Marks)****1. CASE STUDY**

On 1<sup>st</sup> January, 1982 A Ltd., Purchased from B Ltd., five truck under hire purchase system, Rs 20,000 being paid on delivery and the balance in five installments of Rs 75,000 each payable annually on 31st Dec. The vendor charges 5% per annum interest on yearly balances. The cash price on the five trucks was Rs 3,75,000.

Show how this transaction should be recorded in the books of both companies, if A Ltd writes off depreciation at 10 per cent per annum on the written-down value. Also show how the items will appear in the balance sheet as on 31<sup>st</sup> December, 1982.

(You may round the interest amount to the nearest ten).

**PART B (10 x 2 = 20 Marks)**

2. What are the objectives of accounting?
3. Differentiate between Capital and Revenue Expenditure
4. What are the features of inflation accounting?
5. Write short notes on accounting Standards-setting in India?
6. Following figure have been taken from the trial balance of a trader

	Rs.
Purchase	30,000
Purchase Returns	5,000
Sales	40,000
Sales Returns	5,000

Calculate the amount of profit or loss made by the trader.

7. Why Inventory System is nificant?
8. Write short notes on Group depreciation method.
9. What are the elements of cost?
10. What is Activity Based costing?
11. What is Sunk cost?

**PART C (4 x 15 = 60 Marks)**

12. a (i) Explain the comparison between Financial and Management Accounting (9)  
(ii) Explain the accounting Conventions of financial statements. (6)

(OR)

- b. (i) M/s Swadeshi Cotton Mills Ltd. Take a periodic inventory of their stocks on chemical “y” at the end of each month. The physical inventory taken on June 30 shows a balance of 1,000 liters of chemical “y” in hand @ Rs. 2.28 per liter.

The following purchases were made during July.

- July 1 14,000 liters @ Rs. 2.30 per litre  
July 7 10,000 liters @ Rs. 2.32 per litre  
July 9 20,000 liters @ Rs. 2.33 per litre  
July 25 5,000 liters @ Rs. 2.35 per litre

A physical inventory on July 31 discloses that there is a stock of 10,000 liters.

You are required to compute the inventory value on July 31, by each of the following methods:

- (i) First in first out  
(ii) Last in First out  
(iii) Average Cost Method (10)

- (ii) Explain the any two Depreciation Methods. (5)

- 13.a.(i) From the following information and Trial balance prepare a profit and loss account for the year ended 31.3.2002 and a balance sheet as on that date.

**Trial Balance As On 31.03.2002**

**Dr.**

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<b>Debit Balance</b>	<b>Amount (Rs.)</b>	<b>Credit Balance</b>	<b>Amount (Rs.)</b>
Building	50,000	Sales	2,00,000
Motor vehicle	50,000	Commission	20,000
Machinery	1,50,000	Capital	2,00,000
Purchases	1,00,000		
Stock (1.4.2002)	25,000		
Wages	15,000		
Salaries	10,000		
Rent	20,000		
	<b>4,20,000</b>		<b>4,20,000</b>

**Adjustments**

- Closing stock was valued at Rs. 20,000.
  - Salary of Rs. 2,000 relating to March remains unpaid.
  - Rs. 10,000 rent relates to the year ending 31.3.2004. (9)
- (ii) Explain the three methods of valuating inventories. (6)

(OR)



The variable overheads are as follows:

Department - A: Rs. 5,000 for 5,000 hours

B: Rs. 3,000 for 1,500 hours

C: Rs. 2,000 for 500 hours

Fixed expenses estimated at Rs. 20,000 for 10,000 working hours.

Calculate the cost of the Job No. 707 and the price for the Job to give a profit of 25% on the selling price. (5)

15. a (i) The product of company passes through three distinct processes to completion. They are known as A, Band C. From past experience it is ascertained that loss is incurred in each process as: Process A-2%, Process B-5%, Process C- 10%.

In each case the percentage of loss is computed on the number of units entering the process concerned. The loss of each process possesses a scrap value. The loss of processes A and B is sold at Rs. 5 per 100 units and that of process C at Rs. 20 per 100 units.

The output of each process passes immediately to the next process and the finished units are passed from process C into stock.

	<b>Process A</b>	<b>Process B</b>	<b>Process C</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
Materials consumed	6,000	4,000	2,000
Direct Labour	8,000	6,000	3,000
Manufacturing expenses	1,000	1,000	1,500

20,000 units have been issued to process A at a cost of Rs. 10,000. The output of each process has been as under:

Process A 19,500; Process B 18,800; Process C 16,000.

There is no work-in-progress in any process. Prepare Process Accounts. Calculations should be made to the nearest rupee.

**(OR)**

- b (i) From the following Trial Balance of Mr. Sundar prepare the final accounts for the year ended 31<sup>st</sup> December 1997.

<b>Debit Balance</b>	<b>Rs.</b>	<b>Credit Balance</b>	<b>Rs.</b>
Purchases	1,18,700	Capital A/c	80,000
Debtors	75,800	Bad debts recovered	2,500
Returns Inwards	4,500	Creditors	12,500
Bank Deposit	27,500	Returns Outwards	3,500
Rent	3,600	Bank Overdraft	3,500

Salaries	8,500	Sales	1,46,900
Travelling Expenses	3,000	Bills Payable	13,500
Cash in hand	2,100		
Stock [01-01-1997]	24,500		
Discount Allowed	400		
Drawing	6,000		
<b>Total</b>	<b>2,74,600</b>	<b>Total</b>	<b>2,74,600</b>

**Adjustments:**

1. The Closing Stock on 31<sup>st</sup> December 1997 was Rs.42,000
  2. Write off Rs. 800 as bad debts and create a reserve for bad debts at 5% on Sundry Debtors.
  3. Three months rent is outstanding.
  4. Interest on Bank Deposit Rs.1,350 credited by the bankers and interest on overdraft Rs.1,570 debited by them in the pass book have not been entered in the books. (9)
- (ii) Explain about Human Resource Accounting and its classifications. (6)

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