

**M.B.A DEGREE EXAMINATIONS: NOV//DEC 2010**

Second Trimester

**MASTER OF BUSINESS ADMINISTRATION**

P07BA214: Accounting For Managers – II

**Time: Three hours****Maximum Marks: 100****Answer All the Questions:-****PART A (1 x 20= 20 Marks)****1. Case Study:**

For the production of 10,000 electrical automatic irons, the following are the budgeted expenses:

Particulars	Amount per unit in Rs.
Direct materials	60
Direct labour	30
Variable overhead-production	25
Fixed overheads (Rs.1,50,000)	15
Variable expenses (direct)	5
Selling expenses (10% fixed)	15
Administrative expenses (Rs.50,000 rigid for all levels of production)	5
Distribution expenses (20% fixed)	5
Total cost of sale per unit	160

Prepare a budget for production of 6000, 7000, and 8000 Irons showing distinctly marginal cost and total cost.

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

2. Define Management Accounting.
3. Mention any 2 uses of common size statements.
4. What is indicated when the average age of accounts receivable for a firm is 45 days, but credit terms require customers to pay accounts within 30 days?
5. Mention any 2 limitations of absorption costing.
6. Differentiate Contribution from Profit.
7. Mention any 2 differences between a budget and a forecast.

8. Crisply explain the logic of how more capacity utilization and output lead to reduction in cost?
9. Define budgetary control.
10. Mention any 2 advantages of Zero Base Budget.
11. What is Differential Costing?

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

12. a) In projecting the financial plan of Navajeevan trading company limited, the use of the following accounting ratios is made:

Estimated annual sales	Rs.2,00,000	Sales to net worth	2.5 times
Current ratio	3.6 times	Total debt to net worth	60%
Current debt to net worth	25%	Fixed assets to net worth	70%
Average collection period (taken as 360 days in a year)	36 days	Net sales to inventory	4 times

On the basis of the above information, prepare a proforma balance sheet of the company.

**(OR)**

- b) From the Balance Sheets of Alcon Limited, prepare a Funds flow statement.

Balance sheets

<b>Liabilities</b>	<b>2004</b>	<b>2005</b>		<b>Assets</b>	<b>2004</b>	<b>2005</b>
Equity share capital	3,00,000	4,00,000		Goodwill	1,15,000	90,000
12% Redeemable preference share capital	1,50,000	1,00,000		Land & Building	2,00,000	1,70,000
General reserve	40,000	70,000		Plant	80,000	2,00,000
Profit & Loss a/c	30,000	48,000		Debtors	1,60,000	2,00,000
Proposed dividends	42,000	50,000		Stock	77,000	1,09,000
Creditors	55,000	83,000		B/R	20,000	30,000
Bills payable	20,000	16,000		Cash in hand	15,000	10,000
Prov. for taxation	40,000	50,000		Cash at bank	10,000	8,000
<b>Total</b>	<b>6,77,000</b>	<b>8,17,000</b>		<b>Total</b>	<b>6,77,000</b>	<b>8,17,000</b>

Following is the additional information available:

- (i) Depreciation of Rs. 10,000 and Rs. 10,000 and Rs. 20,000 have been charged on Plant and Land Buildings respectively in 2005.

(ii) An interim dividend of Rs. 20,000 has been paid in 2005.

(iii) Income tax of Rs. 35,000 has been paid in 2005.

13. a) Classify and explain the types of budgets.

**(OR)**

b) Explain the steps involved in Zero based budgeting and its importance.

14. a) From the following particulars, you are required to calculate:

(i) P/V Ratio, (ii) Break Even Point, (iii) Profit when sales volume is Rs.2, 00, 000,

(iv) sales required to earn a profit of Rs.30,000.

Year	Sales Rs.	Total cost Rs.
2007	1,62,000	1,50,000
2008	1,92,000	1,70,000

**(OR)**

b) Explain the utility of break-even point in managerial decision making.

15. a) The following particulars are obtained from costing records of a factory.

Particulars	Product A	Product B
	Per Unit Rs.P.	Per Unit Rs.P.
Selling price	200	500
Material (Rs.20 per kg)	40	160
Labour (Rs.10 per hour)	50	100
Variable overhead	20	40

Total fixed overheads Rs.15, 000

Comment on the profitability of each product when:

(i) Raw material is in short supply.

(ii) Production capacity is limited.

(iii) Sales quantity is limited.

(iv) Sales value is limited.

(v) Only 1,000 kgs of raw material is available for both type of products in total and maximum sales quantity of each product is 300 units.

**(OR)**

b) Following information has been made available from the cost records of an automobiles spare parts manufacturer.

<b>Particulars</b>	<b>Amount in Rs.P.</b>
Direct materials: X	8
Y	6
Direct wages: X	24 hours @ 25 paise per hour
Y	16 hours @ 25 paise per hour
Variable overheads	150% of wages
Fixed overheads	Rs.750
Selling price: X	25
Y	20

The directors want to be acquainted with the desirability of adopting any one of the following alternative sales mixes in the budget for the next period.

- (i) 250 units of X and 250 units of Y.
- (ii) 400 units of Y only.
- (iii) 400 units of X and 100 units of Y.
- (iv) 150 units of X and 350 units of Y.

State which of the alternative sales mixes you would recommend to your management and Why?

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