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Y 1606

M.B.A. DEGREE EXAMINATION, AUGUST/SEPTEMBER 2008.

First Semester

DBA 1606 — ACCOUNTING FOR MANAGEMENT

Time : Three hours

Maximum : 100 marks

Answer ALL questions.

PART A — (10 × 2 = 20 marks)

1. What is accrual concept in accounting?
2. Differentiate between revenue expense and capital expenditure.
3. Name the steps involved in the accounting cycle.
4. What is Depreciation?
5. What is defensive interval ratio? It measures what?
6. In a typical cash flow statement what is the 'cash flow from financing activities' refer to?
7. What is Target Costing?
8. What is Margin of safety?
9. What is transfer price?
10. What is a flexible budget?

11. (a) Explain the following concepts:
- (i) Money Measurement Concept
 - (ii) Matching Concept
 - (iii) Cost Concept.
 - (iv) Realisation Concept

Or

- (b) (i) Differentiate between Management Accounting and Financial Accounting.
- (ii) Differentiate between Controllership and Treasurership.
12. (a) From the following trial balance of Mr.Dinesh, Prepare a Trading Account, P&L Account for the current year ended March 2008 and a Balance Sheet as on March 31, 2008.

Particulars	Amount (Rs.)
Dinesh's Capital	8,00,000
Dinesh's Drawings	60,000
Plant and Machinery (1.4.2007)	2,00,000
Plant and Machinery additions (1.7.2007)	50,000
Stock on 1.4.2007	1,50,000
Purchase during the year	8,20,000
Carriage on purchases	20,000
Furniture and fixtures	2,00,000
Carriage on Sales	25,000
Sundry expenses	8,000
Printing, Stationery and Postage	12,000
Rent, rates and taxes	40,000
Bad debts	5,000
Sundry creditors	95,000
Sales	12,00,000
Purchase returns	10,000

Particulars	Amount (Rs.)
Provision for bad and doubtful debts (1.4.2007)	8,000
Commission received	16,000
Sundry debtors	52,000
Insurance charges	10,000
Salaries	2,10,000
Cash in hand	62,000
Cash at bank	2,05,000

Adjustments :

- (i) Closing stock on 31.3.2008 was valued at Rs. 1,40,000
- (ii) Create provision for bad and doubtful debts at 5% on sundry debtors
- (iii) Provide for depreciation on Furniture and fixtures at 10% p.a and on Plant & Machinery at 20% pa.
- (iv) Insurance paid in advance is Rs. 1,000
- (v) Commission receivable in arrears is Rs. 5,000
- (vi) Salaries payable are Rs. 15,000.

Or

(b) Explain the following concepts:

- (i) Periodic Vs. Perpetual Inventory systems
- (ii) LIFO Vs. FIFO
- (iii) Explain depreciable assets.
- (iv) Tangible Vs. Intangible assets.

13. (a) The following are the ratios relating to the activities of National Aluminum Ltd:

Debtors Velocity (months)	3
Stock Velocity (months)	8
Creditors Velocity (months)	2
Gross Profit ratio (%)	25

Gross profit for the current year ended December 31 amounts to Rs. 4,00,000. Closing stock of the year is Rs. 10,000 above the opening stock. Bills receivable amount to Rs. 25,000 and the bills payable to Rs. 10,000. Find out:

- (i) Sales,
- (ii) Closing debtors,
- (iii) Closing stock and
- (iv) Creditors.

Or

- (b) From the following information, compute cash provided from operations during the year 2008.

Particulars	April 1, 2007	March 31, 2008
Sundry debtors	30,000	40,000
Sundry creditors	48,000	30,000
Outstanding expenses	3,000	6,000
Outstanding income	1,000	1,000
Stock in trade	55,000	60,000
Prepaid expenses	3,000	2,000
Accumulated depreciation (no retirements during the year)	50,000	60,000
Provision for doubtful debts	1,500	2,000
Dividends payable	—	3,000
Bills payable	8,000	6,000
Bills receivable	10,000	12,000
Net income (as per P & L account)	—	80,000

14. (a) Market Well Ltd manufactures filing cabinets. For the current year, the company expects to sell 4,000 cabinets involving a loss of Rs. 2,00,000. Only 40% of the plant's normal capacity is being utilized during the current year. The fixed costs for the year are Rs. 10,00,000 and fully variable costs are 60% of sales value.

You are required to

- (i) Calculate the break-even point

- (ii) Calculate the profit if the company operates at 70% of its normal capacity
- (iii) Calculate the sales required to achieve a profit of Rs. 60,00,000
- (iv) Calculate the revised break-even point if the existing selling prices are decreased by 10%, the total fixed and variable expenses remaining the same.

Or

- (b) Explain the following
 - (i) Job / Order Costing
 - (ii) Process Costing
 - (iii) Activity Based Costing
 - (iv) Standard Cost.
15. (a) The following data relate to the working of a factory at Wardha for the current year.

(Figures in Rs.)		
Capacity worked	50%	
Fixed Costs		
Salaries	84,000	
Rent and rates	56,000	
Depreciation	70,000	
Other administrative expenses	80,000	2,90,000
Variable costs		
Materials	2,40,000	
Labour	2,56,000	
Other expenses	38,000	5,34,000
Possible sales at various levels of working are :	Capacity	Sales (Rs)
	(%)	
	60	9,50,000
	75	11,50,000
	90	13,75,000
	100	15,25,000

Prepare a flexible budget and show the forecast of profit at 60,75,90 and 100 percent capacity operations.

Or

(b) Write short note on the following

(i) Cost – volume profit analysis.

(8)

(ii) Incremental analysis.

(8)
