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Z 4506

M.B.A. DEGREE EXAMINATION, MAY/JUNE 2008.

First Semester

BA 1606 — ACCOUNTING FOR MANAGEMENT

(Regulation 2005)

Time : Three hours

Maximum : 100 marks

Answer ALL questions.

PART A — (10 × 2 = 20 marks)

1. Define Financial Accounting.
2. What is HRA?
3. What is matching concept?
4. What is depreciation accounting?
5. What are accounting ratios?
6. Define the term 'flow of funds'.
7. What is CVP Analysis?
8. What is Standard Costing?
9. What are incremental costs?
10. What is responsibility accounting?

PART B — (5 × 16 = 80 marks)

11. (a) Explain the various accounting concepts and conventions which are used in the preparation of accounts.

Or

- (b) The following is the Trial Balance of Shree Ganesh on 30th June 2007.

Name of Account	Debit (Rs.)	Credit (Rs.)
Capital		1,86,000
Drawings	15,735	
Stock (1.7.2006)	17,280	
Sundry Creditors		18,900
Sundry Debtors	43,500	
Machinery	60,000	
Patents	22,500	
Freehold Land	30,000	
Buildings	96,000	
Sales		2,96,340
Purchases	1,22,025	
Sales Returns	2,040	
Purchases Returns		1,500
Cash at bank	7,890	
Cash in hand	1,620	
Insurance	1,800	
General Expenses	9,000	
Salaries	45,000	
Wages	25,440	
Factory fuel and power	14,190	
Carriage on Purchases	6,120	
Carriage on Sales	9,600	
Rent		27,000
	<u>5,29,740</u>	<u>5,29,740</u>

The following adjustments are to be effected :

- (i) Stock on 30th June 2007 Rs. 20,400
(ii) 5% on Sundry Debtors is to be written off as bad.

- (iii) Salaries for the month of June 2007 amounting to Rs. 4,500 were unpaid.
- (iv) Insurance include a premium of Rs. 510 on a policy expiring on December 31st 2007.
- (v) Rent Rs. 3000 is accrued but not received.
- (vi) Depreciate Machinery @ 10% and Patents @ 20%.

You are required to prepare Trading and Profit and Loss Account and the Balance Sheet as on 30th June 2007.

12. (a) What is inventory? Discuss the different methods of inventory valuation with suitable examples.

Or

- (b) Shriram and Co., purchased a machine on 1st January 2002 for Rs. 9,250 and immediately spent Rs. 750 on its erection. On 1st July 2003, it purchased another machine for Rs. 2,500 and on 1st July 2004, it sold off the first machine purchased in 2002 for Rs. 7,000 and on the same date it purchased another machine for Rs. 6,250. On 1st July, 2005, the second machine purchased for Rs. 2,500 was also sold off for Rs. 500. Depreciation was provided on the machinery on written down value basis at 10%. Give machinery account for four years commencing from January 1, 2002.

13. (a) From the following figures and ratios, draw out Trading, Profit and Loss Account and Balance Sheet :

Net current assets	Rs. 1,00,000
Paid up capital	Rs. 3,00,000
Current Ratio	1.8 : 1
Liquid Ratio	1.35 : 1
Fixed Assets to shareholders' equity	80%
Gross Profit Ratio	25%
Net Profit to Paid up Capital	20%
Stock Turnover	5 times
Average age of outstanding customers	36.5 days.

Or

(b) From the following balance sheets of X Ltd., as on 31st December 2006 and 2007, you are required to prepare

(i) Schedule of changes in working capital and

(ii) Funds flow statement.

Liabilities	2006 Rs.	2007 Rs.	Assets	2006 Rs.	2007 Rs.
Share capital	1,00,000	1,00,000	Goodwill	12,000	12,000
General Reserve	14,000	18,000	Building	40,000	36,000
P and L A/c	16,000	13,000	Plant	37,000	36,000
Sundry Creditors	8,000	5,400	Investments	10,000	11,000
Bills Payable	1,200	800	Stock	30,000	23,400
Prov. for Tax	16,000	18,000	Bills Receivable	2,000	3,200
Prov. for Doubtful debts	400	600	Debtors	18,000	19,000
			Cash at bank	6,600	15,200
	<u>1,55,600</u>	<u>1,55,800</u>		<u>1,55,600</u>	<u>1,55,800</u>

Additional Information:

1. Depreciation charged on plant was Rs. 4,000 and on building Rs. 4,000.
2. Provision for taxation of Rs. 19,000 was made during the year 2007.
3. Interim Dividend of Rs. 8,000 was paid during the year 2007.

14. (a) A Product passes through three processes to completion. During the quarter ending 31st March 2007, the cost and production were as under :

Processes	Total Rs.	A Rs.	B Rs.	C Rs.
Direct Material	84,820	20,000	30,200	34,620
Direct Labour	1,20,000	30,000	40,000	50,000
Direct Expenses	7,260	5,000	2,260	—
Production overhead	60,000	—	—	—
Normal loss in input	—	10%	5%	10%
Sale of scrap per unit	—	Rs. 30	Rs. 50	Rs. 60
Production in units	—	920	870	800

1,000 units at Rs. 50 per unit were introduced to process A. There were no stock of material or work-in-progress in any process department at the beginning or end of the period. Production overhead is allocated to each process on the basis of 50% of direct labour cost. Prepare Process A/cs.

Or

(b) The following data are obtained from the records of a factory :

Sales 4000 units ~ Rs,25 each		Rs.1,00,000
Material consumed	Rs.40,000	
Variable overheads	Rs.10,000	
Labour charges	Rs.20,000	
Fixed overheads	Rs.18,000	
		Rs. 88,000
Net Profit		<u>Rs. 12,000.</u>

Calculate :

- (i) the number of units by selling which the company will neither lose nor gain anything ;
 - (ii) The sales need to earn a profit of 20% on sales;
 - (iii) The extra units which should be sold to obtain the present profit if it is proposed to reduce the selling price by 20% and 25% and
 - (iv) The selling price to be fixed to bring down its breakeven point to 500 units under present conditions.
15. (a) The Managing Director of A Pvt. Ltd. asks for your assistance in arriving at a decision as to continue manufacture a component X; or to buy it from an outside supplier. The component X is used in the finished products of the company. The following data are supplied.

The annual requirement of component X is 10,000 units. The lowest quotation from an outside supplier is Rs.8.00 per unit. The component X is manufactured in the machine shop. If the component X is bought out, certain machinery will be sold at its book value and the residual capacity of the machine shop will remain idle.

The total expenses of the Machine Shop for the year ending 31.3.2004 are as follows. During the year thhe Shop manufactured 10,000 units of X :

	Rs.
Material	1,35,000
Direct Labour	1,00,000
Indirect Labour	40,000
Power and Fuel	6,000
Repairs and Maintenance	11,000
Rates, Taxes and insurance	16,000
Depreciation	20,000
Other overhead expenses	29,600

The following expenses of the machine shop apply to manufacturing of component X :

	Rs.
Materials	35,000
Direct Labours	56,000
Indirect Labour	12,000
Power and Fuel	600
Repairs and Maintenance	1,000

The sale of machinery used for the manufacture of component X would reduce. Depreciation by Rs.4,000 and insurance by Rs.2,000 If the component X is bought out, the following additional expenses would be incurred :

Freight Re.1 .00 per unit

Inspection Rs. 10,000 per annum

You are required to prepare a report to the Managing Director showing the comparison of expenses of Machine Shop

- (i) When the component X is made, and
- (ii) When bought out.

Or

- (b) The expenses for budgeted production of 10,000 units in a factory are furnished below :

	Per Unit (Rs.)
Materials	70
Labour	25
Variable overhead	20
Fixed Overhead (Rs. 1,00,000)	10
Variable Expenses (Direct)	5
Selling Expenses (10% Fixed)	13
Distribution Expenses (20% Fixed)	7
Administration Expenses (Rs.50,000)	5
Total cost per unit (to make and sell)	<u>155</u>

Prepare a budget for production of

- (i) 8,000 units
- (ii) 6,000 units and
- (iii) indicate cost per unit at both the levels. Assume that administration expenses are fixed for all levels of production.