

M.B.A. DEGREE EXAMINATIONS: DECEMBER 2008

First Trimester

P07BA106 ACCOUNTING FOR MANAGEMENT**Time: Three hours****Maximum Marks: 100****Answer ALL Questions:-****PART-A (1 x 20 = 20 Marks)**

1. The following is the Trial Balance of Mr. Ramu as on 31st December 2007.

Particulars	Debit Rs.	Credit Rs
Capital		20,000
Plant and Machinery	25,000	
Office furniture and fittings	1,300	
Stock on 1-1-2004	24,000	
Motor Vehicle	6,000	
Sundry Debtors	22,850	
Cash in hand	200	
Cash at bank	3,250	
Wages	75,000	
Salaries	7,000	
Purchases	1,06,750	
Sales		2,40,000
Bills Receivable	3,600	
Bills Payable		2,800
Sundry Creditors		26,000
Returns inwards	4,650	
Provision for doubtful debts		1,250
Drawings	3,500	
Returns Outwards		2,750
Rent	3,000	
Factory lighting	400	
Insurance	3,150	
General Expenses	500	
Bad debts	1,250	
Discount	3,250	1,850
	2,94,650	2,94,650

The following adjustments are to be effected:

- Stock on 31st December 2007 Rs. 26,000
- Furniture to be depreciated by 5%
- Factory lighting is due for 3 months, but not paid Rs.150
- Write off further bad debts Rs. 350
- The provision for doubtful debts to be increased to Rs. 1500, and provision for discount on debts at 2% to be made
- During the year, machinery was purchased for Rs. 10,000 but it was debited to purchases account

You are required to prepare the Trading and Profit and Loss Account and the Balance Sheet as on 31st December 2007.

PART B (10 x 2= 20 Marks)

2. Define accounting.
3. Calculate Ramu's Capital on the basis of the following information

Cash in hand	2,000
Stock	10,000
Plant	15,000
Sundry Creditors	10,000
4. What are the various elements of cost?
5. What is master budget?
6. What is break even point?
7. What is activity based costing?
8. What is depreciation?
9. What is margin of safety?
10. What is standard costing?
11. What is CVP analysis?

PART C (4 x 15 = 60 Marks)

12. a. What is Human resource accounting? Discuss its uses and limitations.

(OR)

- b. Explain the various accounting concepts and conventions which are used in the preparation of accounts.

13. a. From the following information prepare the balance sheet

Stock velocity	= 6
Fixed assets turnover ratio	= 4
Capital turnover ratio	= 2
Gross profit	= 20%
Debt collection period	= 2 months
Creditors payment period	= 73 days
Gross profit	= Rs. 60000

Closing stock is Rs. 5000 more than the opening stock.

(OR)

- b. From the following Balance Sheets of Somu 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&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
Provision for tax	16,000	18,000	Bills Receivable	2,000	3,200
Provision for doubtful debts	400	600	Debtors	18,000	19,000
			Cash at bank	6,600	15,200
	1,55,600	1,55,800		1,55,600	1,55,800

Additional information:

- (1) Depreciation charged on plant was Rs. 4000 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. 8000 was paid during the year 2007

14. a. The cost of sale of Product A is as follows

Materials used in manufacturing		5,500
Materials used in packing materials	1,000	
Materials used in selling the product	150	
Materials used in the factory	75	
Materials used in the office		125
Labour required in producing	1,000	
Labour required for supervision of the management – Factor	200	
Expenses- Direct – Factory	500	
Expenses- Indirect- Factory	100	
Expenses- Office		125
Depreciation – Office building and Equipment		75
Depreciation – Factory		175
Selling expenses		350
Freight	500	
Advertising		125

The products manufactured are sold, what should be the selling price to obtain a profit of 25% on selling price?

(OR)

14.b.The sales turnover and profit during two periods were as follows:

Period 1	Sales Rs.20 lakhs	Profit Rs.2 lakhs
Period 2	Sales Rs.30 lakhs	Profit Rs.4 lakhs

Calculate:

- (i) P/V Ratio
- (ii) Sales required to earn a profit of Rs.5 lakhs and
- (iii) Profit when sales are Rs.10 lakhs.

15. a. Prepare a Cash budget for the first four months from the following estimated revenues and expenses

Month	Sales (Rs)	Purchases (Rs)	Labour (Wages) (Rs)	Overheads- Administrative (Rs)	Overheads- Distribution (Rs)
April	60,000	60,000	12,000	2,000	1,200
May	66,000	42,000	14,000	2,200	1,400
June	72,000	40,000	16,000	2,200	1,400
July	78,000	36,000	18,000	2,400	1,600
August	84,000	34,000	20,000	2,600	1,600

Additional information:

- (i) Cash balance on 1st April was Rs.35,000
- (ii) 50% of sales are on credit basis which are realized in the subsequent month
- (iii) Suppliers are paid in the month following the month of supply
- (iv) Delay in payment of wages and overheads is 30 days
- (v) Dividends on investments amounting Rs.10,000 may be received to April and July
- (vi) The company plans to purchase a machine for Rs.60,000 for which it has to pay the consideration in three equal installments in the month of April, June and July.

(OR)

15. b. Explain the concept of budgeting and budgetary control. What are the essentials of an effective budgetary control system?
