

G 4506

M.B.A. DEGREE EXAMINATION, MAY/JUNE 2007.

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. What is the relationship between management, cost and Financial accounting?
2. Who are the users of Balance Sheet and Profit and Loss Account?
3. What are the Basic records used before preparing Trading, Profit and Loss A/c and Balance Sheet?
4. State any four methods of Depreciation.
5. From the following details of a concern, Calculate Liquidity Ratios.
Current Assets Rs. 1,90,000
Quick Assets Rs. 1,50,000
Current Liabilities Rs. 75,000.
6. Draw a specimen form of Funds Flow Statement.
7. Distinguish between variable, fixed and semivariable costs.
8. What is Break-Even point?
9. Write a short note on make or buy Decision.
10. What is Cash Budget?

PART B — (5 × 16 = 80 marks)

11. (a) The Income Statement of CRM Ltd., are given for the years 2004 and 2005. Convert them into common-size income statement and interpret the changes. (16)

Income Statements for the year ending 2004 and 2005

	2004	2005		2004	2005
To Cost of sales	5,95,000	6,15,000	By Gross sales	7,25,000	8,15,000
To Gross profit	1,05,000	1,85,000	Less : Returns	25,000	15,000
	7,00,000	8,00,000	Net sales	7,00,000	8,00,000
To Operating expenses :			By Gross profit b/d	1,05,000	1,85,000
To Selling and distribution expenses	23,000	24,000	By Other income	1,200	8,000
To Administrative expenses	12,700	12,500			
To Non operating expenses	17,500	19,400			
To Net profit during the year	53,000	1,37,150			
	1,06,200	1,93,050		1,06,200	1,93,050

Or

- (b) Discuss the concept of Human Resource Accounting. Explain its importance in the present context.
12. (a) Write short notes on :
- (i) Business entity concept
 - (ii) Going concern concept and cost concept
 - (iii) Money measurement concept
 - (iv) Double entry concept.

Or

- (b) From the following Trial Balance, prepare (i) Trading and Profit and Loss a/c and (ii) Balance Sheet.

Trial Balance as on 31.12.2005

Debit Balances	Rs.	Credit Balances	Rs.
Cash in hand	2,000	Capital	2,00,000
Machinery	60,000	Sales	2,54,800
Stock	50,000	Sundry creditors	40,000
Bills Receivables	1,600	Bank overdraft	22,000
Sundry debtors	50,000	Return outwards	3,000
Wages	70,000	Discount received	1,800
Land	40,000	Bills payable	1,800
Carriage inwards	2,400		
Purchases	1,80,000		
Salaries	24,000		
Rent	4,000		
Postage	1,000		
Return inwards	3,200		
Drawings	10,000		
Furniture	18,000		
Interest	600		
Cash at Bank	6,600		
Total	5,23,400		5,23,400

Stock as on 31.12.2005 was Rs. 1,00,000

Outstanding Rent Rs. 4,000

Provision for Bad debts is to be 10%. (16)

13. (a) (i) State the uses and significance of cash flow statement. (8)
- (ii) What are the limitations of Ratio Analysis? (8)

Or

- (b) From the following details, make out a Balance Sheet with as many details as possible.
- (i) Stock velocity = 6
- (ii) Capital turnover Ratio = 2
- (iii) Fixed Assets turnover = 4
- (iv) Gross profit ratio = 20%

- (v) Debtors velocity = 2 months
- (vi) Creditors velocity = 73 days.

The Gross profit was Rs. 60,000. Reserves and surplus amounts to Rs. 20,000. Closing stock was Rs. 5,000 in excess on opening stock. The cost of goods sold is Rs. 2,40,000. (16)

14. (a) Discuss various basis of classification of cost and various types of costs. (16)

Or

- (b) From the following data, you are required to calculate (i) P/V ratio (ii) Break-even sales (iii) Sales required to earn a profit of Rs. 4,50,000 (iv) Contribution per unit.

Fixed expenses = Rs. 90,000

Variable cost per unit :

Direct Material = Rs. 5

Direct Labour = Rs. 2

Direct overheads = 100% of direct labour

Selling price per unit = Rs. 12. (4 × 4 = 16)

15. (a) Explain different types of Budgets and its uses. (16)

Or

- (b) (i) What is Responsibility Accounting?
 (ii) The components of an item are manufactured by another unit under the same management. The unit at present manufacturing 1,00,000 units (the present requirements of the main factory) at the following costs :

	Rs.
Materials	5,00,000
Labour	2,50,000
Overheads	<u>2,00,000</u>
	<u>9,50,000</u>

Labour is paid at Rs. 2 per unit, the fixed D.A. and other allowances monthly. The components required by the main factory are increased by 20%. The components factory can increase production upto 25% without any additional labour force, overheads variable to the extent of 25% of the present amount.

The additional requirement may be purchased from the market at Rs. 8.50 per unit. Suggest which will be better?