

**Z 4506**

M.B.A. DEGREE EXAMINATION, JANUARY 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. Define Financial Accounting.
2. What do you mean by Inflation Accounting?
3. Define Inventory turnover ratio.
4. Define Process Costing.
5. What do you mean by Margin and Safety?
6. What do you mean by Cash from Operation?
7. Define Target Costing.
8. What do you mean by Material Mix Variance?
9. Define Incremental Analysis.
10. What do you mean by Responsibility Accounting?

PART B — (5 × 16 = 80 marks)

11. (a) Define Human Resources Accounting. Explain their uses and abuses?

Or

- (b) Prepare Trading and Profit and Loss Account for the year ended 31<sup>st</sup> March, 1990 and Balance Sheet as at the date from the following Trial Balance of K. Rama Rao

Dr. Balances	Rs.	Cr. Balances	Rs.
Drawings	45,000	Capital	1,60,000
Goodwill	80,000	Bills Payable	33,800
Land and Buildings	60,000	Creditors	70,000
Plant & Machinery	40,000	Purchases Returns	2,650
Loose Tools	3,000	Sales	4,18,000
Bills Receivable	3,000		
Stock, 1 <sup>st</sup> April, 1989	40,000		
Purchases	2,51,000		
Wages	20,000		
Carriage Outwards	500		
Carriage Inwards	1,000		
Coal	5,800		
Salaries	35,000		
Rent, Rates & Taxes	2,800		
Discount	1,500		
Cash at Bank	25,000		
Cash in hand	400		
Sundry Debtors	45,000		
Repairs	1,800		
Printing and Stationery	500		
Bad Debts	1,200		
Advertisements	3,500		
Sales Returns	2,000		
Furniture	11,200		
General Expenses	5,250		

Adjustments :

- (i) Closing Stock on 31<sup>st</sup> March, 1990 was Rs. 35,000.
- (ii) Depreciate Plant and Machinery, Tools and Furniture by 10% and Land and Building by 5%.
- (iii) Provide Rs. 1,500 for wages.
- (iv) Advertisements prepaid are Rs. 500.
- (v) Provide 5% on Debtors against bad debts and 2% against discount.

12. (a) Explain various methods of pricing the Inventory?

Or

(b) A company purchased a four years lease on April 1, 1987 for Rs. 10,00,000. It is decided to provide for the replacement of the lease at the end of four years by setting up a depreciation fund. It is expected that investments will fetch interest at 12%. Sinking fund tables show that Re. 0.209234 invested each year will produce Re. 1 at the end of four years at 12% per annum. Investments were made in 12% Bonds of Rs. 100 each available at a face value. Interest was receivable yearly on 31<sup>st</sup> March.

On March 31<sup>st</sup>, 1991, the investments were sold for Rs. 6,98,940. On 1<sup>st</sup> April, 1991 the same lease was renewed for a further period of 4 years by payment of Rs. 12,00,000

Show journal entries and give the important ledger accounts to record the above.

13. (a) Define Ratio Analysis. Indicate uses and abuses?

Or

(b) The following are the summarized balanced sheets of Good Luck Ltd., as on 31<sup>st</sup> December, 1999 and 31<sup>st</sup> December, 2000.

Liabilities	31 <sup>st</sup> Dec '99	31 <sup>st</sup> Dec '00	Assets	31 <sup>st</sup> Dec '99	31 <sup>st</sup> Dec. '00
	Rs.	Rs.		Rs.	Rs.
Equity Share Capital	2,00,000	2,40,000	Land and Buildings	1,05,000	1,50,000
8% Debentures	50,000	—	Plant and		
Share Premium	—	10,000	Machinery (at cost)	2,90,000	3,20,000
General Reserve	30,000	50,000	Furniture (at cost)	9,000	10,000
Profit and Loss					
Account	48,000	68,000	Inventories	1,30,000	1,05,000
Sundry Creditors	1,30,000	1,50,000	Sundry Debtors	75,000	85,000
Proposed Dividend	20,000	24,000	Cash	15,000	26,000
Provision for					
Depreciation :					
Plant and Machinery	1,40,000	1,50,000			
Furniture	6,000	4,000			
Totals :	<u>6,24,000</u>	<u>6,96,000</u>		<u>6,24,000</u>	<u>6,96,000</u>

Additional information is as follows :

- (i) Furniture which cost Rs. 5000, written down value Rs. 1000 was sold during the year 2000 for Rs. 2000.
- (ii) Plant and Machinery which cost Rs. 20,000 and in respect of which Rs. 13,000 had been written off as depreciation was sold during the year 2000 for Rs. 3,000.
- (iii) The dividend of 1999 was paid during 2000.

You are required to prepare :

- (1) A statement of changes in working capital during 2000
- (2) Funds flow statement for the year 2000.

14. (a) Explain the Uses and Abuses of Marginal Costing and Cost Volume Profit Analysis?

Or

- (b) The following figures of sales and profits for two periods are available in respect of concern :

	Sales Rs.	Profit Rs.
Period I	1,00,000	15,000
Period II	1,20,000	23,000

You are required to find out :

- (i) P/V ratio
  - (ii) Fixed cost
  - (iii) Break-even point
  - (iv) Profit at an estimated sale of Rs. 1,25,000
  - (v) Sales required to earn a profit of Rs. 20,000
15. (a) Define Budget. Indicate the procedure for introduction of Budgetary Control in an Organization.

Or

- (b) A factory is producing three joint products A, B and C. The actual joint expenses of manufacture for a period were Rs. 19,600. The other details are as follows :

	Subsequent Expenses		
	A Rs.	B Rs.	C Rs.
Material	1,500	1,300	1,000
Labour	200	150	100
Overheads	<u>800</u>	<u>550</u>	<u>400</u>
	2,500	2,000	1,500
Selling price	30,000	24,000	20,000
Estimate Profits on selling prices	30%	25%	20%

Show how you would propose to apportion the joint costs of manufacture.