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**K 4506**

M.B.A. DEGREE EXAMINATION, JANUARY 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 inflation accounting.
2. What is Human Resource accounting?
3. What are financial statements?
4. What is amortisation?
5. What are accounting ratios?
6. What is funds flow statement?
7. What is standard costing?
8. What is job costing?
9. What are sunk costs?
10. What is budgetary control?

PART B — (5 × 16 = 80 marks)

11. (a) Define accounting. What are its objectives, branches? Who are the parties interested in accounting information?

Or

(b) The following is the Trial Balance of Mr. Viswanathan on 31st December, 2006

	Debit Rs.	Credit Rs.
Capital		20,000
Plant and Machinery	25,000	
Office Furniture and Fittings	1,300	
Stock on 1.1.2006	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
	<u>2,94,650</u>	<u>2,94,650</u>

The following adjustments are to be effected :

- (i) Stock on 31st December, 2006 Rs. 26,000.
- (ii) Furniture to be depreciated by 5%.
- (iii) Factory lighting is due for 3 months, but not paid Rs. 150.

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- (iv) Write off further bad debts Rs. 350.
  - (v) The provision for doubtful debts to be increased to Rs. 1,500, and provision for discount on debts at 2% to be made.
  - (vi) 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, 2006.

12. (a) Discuss the various accounting concepts and conventions which are used in the preparation of financial statements.

Or

- (b) On 1st January, 2002, a company purchased a machinery for Rs. 58,000 and spent Rs. 2,000 on its erection. On 1st July, 2002 an additional machinery costing Rs. 20,000 was purchased. On 1st July, 2004 the machinery purchased on 1.1.2002 was sold for Rs. 28,600 and on the same date, a new machine was purchased at a cost of Rs. 40,000. Show the machinery account for the first four calendar years according to written down value method taking the rate of depreciation at 10%.
13. (a) With the following ratios and further information given below, prepare a Trading Account, Profit and Loss Account and a Balance Sheet of Shri Narain :
- (i) Gross Profit Ratio 25%
  - (ii) Net Profit/sales 20%
  - (iii) Stock turn over ratio 10
  - (iv) Net Profit/capital 1/5
  - (v) Capital to total liabilities 1/2
  - (vi) Fixed assets/capital 5/4
  - (vii) Fixed assets/Total current assets 5/7
  - (viii) Fixed assets Rs. 10,00,000
  - (ix) Closing stock Rs. 1,00,000.

Or

- (b) What is cash flow statement? Explain its utility and limitations. Differentiate it from funds flow statement.
14. (a) Define cost accounting. Classify the costs into different categories based on various purposes.

Or

(b) The sales turnover and profit during two years were as follows :

Year	Sales (Rs.)	Profit (Rs.)
2005	1,50,000	20,000
2006	1,70,000	25,000

Calculate : (i) fixed cost ; (ii) P/V ratio ; (iii) BEP (iv) Margin of safety for 2006 ; (v) sales required to earn a profit of Rs. 40,000 ; (vi) Profit when sales are Rs. 50,000.

15. (a) A company manufactures automobile accessories and parts. The following are the total costs of processing 1,00,000 units :

Direct material cost	Rs. 45 lakhs
Direct labour cost	Rs. 8 lakhs
Variable factory overhead	Rs. 6 lakhs
Fixed factor overhead	Rs. 5 lakhs

The purchase price of the component is Rs. 22. The fixed overhead would continue to be incurred even when the component is bought from outside, although there would have been reduction to the extent of Rs. 2,00,000.

Required :

- (i) Should the part be made or bought considering that the present facility when released following a buying decision would remain idle?
- (ii) In case the released capacity can be rented out to another manufacturer for Rs. 1,50,000 having good demand, what should be the decision?

Or

- (b) (i) "Budgetary control improves planning, aids in coordination and helps in having comprehensive control". Elucidate this statement by highlighting its uses and limitations. (8)
- (ii) Explain responsibility accounting as applicable to a BPO. (8)