

**G 8156**

M.B.A. DEGREE EXAMINATION, JANUARY 2006.

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 are GAAP?
3. What is depreciation?
4. What are intangible assets?
5. What are ratios?
6. Define the term 'fund'.
7. What is CVP Analysis?
8. What is Process costing?
9. What are incremental costs?
10. What is master budget?

PART B — (5 × 16 = 80 marks)

11. (i) 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 10000 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 that year the 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 Labour	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 (1) When the component X is made and (2) when bought out.

(10)

- (ii) From the following average figures of previous quarters, prepare a manufacturing overhead budget for the quarter ending March 2005. The budgeted output during this quarter is 4,000 units.

Fixed overheads Rs. 20,000

Variable overheads Rs. 10,000 (Varying @ Rs. 5 per unit)

Semi Variable overheads Rs. 10,000 (40% fixed and 60% varying @ Rs. 3 per unit) (6)

12. (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 Miss Biba Ganguly on 31st December 2004.

	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

	Debit	Credit
	Rs.	Rs.
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 :

- (i) Stock on 31st December 2004 Rs. 26,000
- (ii) Furniture to be depreciated by 5%
- (iii) Factory lighting is due for 3 months, but not paid Rs. 150
- (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 2004.

13. (a) What is inventory? Describe the various methods of pricing issue of materials.

Or

- (b) Vijay & Co. purchased a machine on 1st January 2000 for Rs. 9,250 and immediately spent Rs. 750 on its erection. On 1st July 2001, it purchased another machine for Rs. 2,500 and on 1st July 2002, it sold off the first machine purchased in 2000 for Rs. 7,000 and on the same date it purchased another machine for Rs. 6,250. On 1st July, 1998, 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, 2000.

14. (a) What are accounting ratios? Explain its uses and limitations.

Or

(b) From the following Balance Sheets of X Ltd., as on 31st December 2000 and 2001, you are required to prepare

(i) Schedule of changes in working capital and

(ii) Funds flow statement.

Liabilities	2000	2001	Assets	2000	2001
	Rs.	Rs.		Rs.	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
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 2001
- (3) Interim Dividend of Rs. 8,000 was paid during the year 2001.

15. (a) "A firm can avoid standard costing but, of course, at its own peril". Elucidate it and explain the advantages and limitations of standard costing.

Or

(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.
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