

Q 6506

M.B.A. DEGREE EXAMINATION, MAY/JUNE 2006.

First Semester

BA 1606 – ACCOUNTING FOR MANAGEMENT

Time : Three hours

Maximum : 100 marks

Answer ALL the questions.

PART A — (10 × 2 = 20 marks)

1. Define Management Accounting?
2. What is the Convention of Consistency?
3. What is revenue expenditure?
4. Give four examples of intangible asset.
5. What is the formula for calculating Average Collection period?
6. How cash flow statement is different from fund flow statement?
7. Define Activity based costing.
8. What is Target Costing?
9. What is a Production Budget?
10. Give four uses of marginal costing?

PART B — (5 × 16 = 80 marks)

11. SV Limited budgeted the manufacture of 30,000 units of its only product A for the next quarter. The capacity of the factory has not been fully utilized.

The variable costs per unit of product A are as under :

	Rs.
Direct material	48.00
Direct wages (Rs. 4 per hour)	36.80
Factory variable overheads	27.60
Selling overheads-variable	18.00

Product A is sold at Rs. 200 per unit. Fixed overheads for the quarter are Rs. 15,00,000. At present the company manufacturers component P, one unit of which is used in each unit of product A. The cost of this component is already included in the cost structure of product A as aforesaid. Anyhow, the cost per batch of 1,000 units of the component P is separately supplied as under :

	Rs.
Direct material	6,000
Direct wages	4,800
Factory variable overheads	3,600
Fixed overhead apportioned to the component	3,600
Total Cost	<u>18,000</u>

It is proposed to utilize the spare capacity by manufacture of 1,500 units of product B for export. The details are as under :

	Rs.
Export selling price	228 per unit
Direct material costs	80 per unit
Direct labour	16 hours per unit
Variable selling expense applicable to this product	20 per unit

Factory variable overheads have to be charged, calculated on the basis of direct labour hour rate applicable to product A.

It has to be noted that component P is not used in the manufacture of Product B.

- (i) Present a statement showing the profit as originally envisaged in the budget.
- (ii) State whether component P should be manufactured or bought from the market if this can be procured at a price of Rs. 16 per unit.
- (iii) Calculate the contribution on account of accepting the export order of Product B. (5 + 5 + 6)

12. (a) (i) Explain any four concepts used in accounting.
(ii) How financial accounting and cost accounting are related? (8 + 8)

Or

- (b) The following is the Trial Balance of B Govil on 31st March 2000.

	Dr.	Cr.
Cash in hand	540	
Cash at bank	12,630	
Purchases account	1,40,675	
Sales account		2,58,780
Returns inwards account	2,680	
Returns outwards account		1,500
Wages account	20,480	
Fuel and power account	4,730	
Carriage on sales account	3,200	
Carriage on purchases account	2,040	
Stock account (1 st April, 1999)	25,760	
Buildings account	30,000	
Freehold land account	20,000	
Machinery account	20,000	
Patents account	7,500	
Salaries account	15,000	
General expenses account	13,000	
Insurance account	600	
Drawings account	15,245	
Capital account		82,000
Sundry debtors	14,500	6,300
	<u>3,48,580</u>	<u>3,48,580</u>

Taking into account into the following adjustments, and prepare Trading and Profit and Loss account and Balance Sheet :

- (i) Stock on hand on 31st March, 2000 is Rs. 26,800.
- (ii) Machinery is to be depreciated at the rate of 10% and patents at the rate of 20%.
- (iii) Salaries for the month of March 2000 amounting to Rs. 1,500 were unpaid.
- (iv) Insurance includes a premium of Rs. 170 on a policy, expiring on 31st September 2000.
- (v) Wages include a sum of Rs. 2,000 spent on the erection of a cycle shed for employees and customers.
- (vi) A provision for bad and doubtful debts to be created to the extent of 5 per cent on sundry debtors.

13. (a) On 1st July, 1997 a company purchased a machine for Rs. 3,90,000 and spent Rs. 10,000 on its installation. It decided to provide depreciation at 15% per annum, using written down value method. On 30th November, 2000 the machine was dismantled at a cost of Rs. 5,000 and then sold for Rs. 1,00,000. On 30th November, 2000 the machine was dismantled at a cost of Rs. 5,000 and then sold for Rs. 1,00,000. On 1st December, 2000 the company acquired and put into operation a new machine at a total cost of Rs. 7,60,000. Depreciation was provided on the new machine on the same basis as had been used in the case of the earlier machine. The company closes its books of account every year on 31st March. Prepare Machinery Account for four accounting year ending 31.03.2001.

Or

- (b) (i) Calculate the value of stock under.

(1) LIFO

(2) FIFO

Opening stock 1000 units - Rs. 10,000.

Receipts

01.03.2006 500 units @ Rs. 12

05.03.2006 1000 units @ Rs. 15

10.03.2006 750 units @ Rs. 20

15.03.2006 500 units @ Rs.25

Issues

02.03.2006 750 units

07.03.2006 900 units

13.03.2006 500 units

- (ii) What are the different methods of valuing goodwill?

(10 + 6)

14. (a) From the Balance Sheets of A Limited, make out :
 (i) Statement of changes in the working capital
 (ii) Funds flow statement.

Balance sheets

Following is the additional information available :

Liabilities	2004	2005	Asset	2004	2005
Equity share capital	3,00,000	4,00,000	Goodwill	1,15,000	90,000
12% Redeemable preference share capital	1,50,000	1,00,000	Land & Building	2,00,000	1,70,000
General reserve	40,000	70,000	Plant	80,000	2,00,000
Profit & Loss a/c	30,000	48,000	Debtors	1,60,000	2,00,000
Proposed dividends	42,000	50,000	Stock	77,000	1,09,000
Creditors	55,000	83,000	Bills receivable	20,000	30,000
Bills payable	20,000	16,000	Cash in hand	15,000	10,000
Provision for taxation	40,000	50,000	Cash at bank	10,000	8,000
Total	<u>6,77,000</u>	<u>8,17,000</u>		<u>6,77,000</u>	<u>8,17,000</u>

- (1) Depreciation of Rs. 10,000 and Rs. 20,000 have been charged on Plant and Land & Buildings respectively in 2005.
 (2) An interim dividend of Rs. 20,000 has been paid in 2005.
 (3) Income tax of Rs. 35,000 has been paid in 2005.

Or

- (b) 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-turnover ratio 10%
 (iv) Net profit/capital 1/5
 (v) Capital to Total Liabilities $\frac{1}{2}$
 (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

15. (a) The company manufactures a particular product the standard direct materials cost of which is Rs. 10 per unit. The following information is obtained from the costing records :

(i) Standard Mix :

Material	Quantity	Rate	Amount
	Units	Rs.	Rs.
A	70	10	700
B	30	5	150
	100		850
Loss (15%)	15		-
	85		850

(ii) Actual results for June 1998 :

Material	Quantity	Rate	Amount
	Units	Rs.	Rs.
A	400	11	4,400
B	200	6	1,200
	600		5,600
Loss (10%)	60		-
	540		5,600

Compute :

- (1) Material price variance;
- (2) Material mix variance;
- (3) Material yield variance;
- (4) Material usage variance; and
- (5) Total material cost variance.

Or

- (b) A small tool company uses job costing. The following cost data is obtained from the books of the previous year ended December 31.

Particulars	Amount Rs.
Direct materials	90,000
Direct wages	75,000
Profit	60,900
Selling and distribution overheads	52,500
Administration overheads	42,000
Factory overheads	45,000

Required

- (i) Prepare a job cost sheet indicating the prime cost, work cost, production cost, cost of sales, and sales.
- (ii) In the current year, the company has received orders for a number of jobs. It is estimated that direct materials required will be Rs. 1,20,000 and direct labour cost Rs. 75,000. What should be the price for these jobs if the factory intends to earn the same rate of profit on sales, assuming that the selling and distribution overheads have gone up by 15%. The factory recovers factory overheads as a percentage of direct wages and administration and selling and distribution overhead as a percentage of works cost, based on cost rates prevailing in the previous year. (8 + 8)