

I Semester M.B.A. (Day) Examination, January 2009

(2007-08 Scheme)

MANAGEMENT.

1.2 : Accounting for Managers

Time : 3 Hours

Max. Marks : 75

SECTION - A

1. Answer any six of the following questions. Each question carries two marks.

(6×2=12)

- a) What is window-dressing ?
- b) What is Activity based costing ?
- c) List the techniques for cost control and reduction.
- d) State the provision for valuation of inventory according to AS2.
- e) What is 'marginal cost' ?
- f) State the classification of activities in a Cash-Flow Statement, according to AS-3.
- g) What is 'Depreciation' ?
- h) Differentiate between 'Reserve' and 'Provision'.
- i) What is a flexible budget ?

P.T.O.



SECTION - B

Answer any **three** of the following questions. Each question carries **eight** marks.

(3×8=24)

2. List the various users of financial statements and state their informational needs.

3. Explain briefly the concept of Du Pont Control Chart.

4. Prepare a trial balance from the following ledger balances :

Capital Rs. 60,000; Stock at the commencement Rs. 5,000; discount allowed Rs. 500; commission received Rs. 700; Fixed assets Rs. 60,000; sales Rs. 85,000; purchases Rs. 45,000; return outward Rs. 1,000; return inward Rs. 2,000; carriage inward Rs. 600; carriage outward Rs. 700; wages and salary Rs. 25,500; Debtors Rs. 16,500; creditors Rs. 13,900; rent Rs. 3,000; interest paid Rs. 2,000; cash Rs. 800; stock at the end Rs. 33,800.

5. You are given the following data :

Sales price Rs. 350 per unit

Variable cost Rs. 200 per unit

Fixed expenses Rs. 16,50,000.

**Ascertain :**

a) Break-even point;

b) Selling price per unit if break-even point is brought up to 15,000 units; and

c) Selling price per unit if break-even point is brought down to 10,000 units.



State the effect of following transactions on working capital, i.e., increase or decrease or no change in working capital.

- |                                |                               |
|--------------------------------|-------------------------------|
| a) Issue of equity shares for  | Rs. 10,00,000.                |
| b) Redemption of Debentures    | Rs. 6,00,000.                 |
| c) Borrowing of a loan         | Rs. 6,00,000.                 |
| d) Purchase of a fixed asset   | Rs. 4,00,000.                 |
| e) Sale of investments costing | Rs. 2,50,000 for Rs. 3,00,000 |
| f) Purchase of machinery by    |                               |
| issue of shares                | Rs. 16,00,000                 |
| g) Purchase of goods for cash  | Rs. 10,000 ✓                  |
| h) Collected cash from debtors | Rs. 85,000. ✓                 |

SECTION - C

Answer any two of the following questions. Each question carries twelve marks.

(2×12=24)

Explain in detail the various concepts and conventions which influence preparation of financial statements.

X Ltd., has manufactured and sold 3 products during 2003 as follows :

Product X	-	20,000 units
Product Y	-	14,000 units
Product Z	-	10,000 units



Cost analysis has disclosed as follows

	Per Unit		
	Product X (Rs.)	Product Y (Rs.)	Product Z (Rs.)
Marginal cost	10	18	16
Listed price	20	30	40
Time taken (hours)	2.5	3	2.5
Fixed cost - Rs. 2,00,000	-	-	-
Discount - 10%	-	-	-

Due to shortage of labour, the available hours for the next year are expected to be only 90,000 hours.

Suggest a suitable product mix for the next year :

- a) When there is enough demand for all the three products; and
- b) When the potential demand is :
  - i) Product X - 18,000 units
  - ii) Product Y - 10,000 units
  - iii) Product Z - 12,000 units.

9. With the following ratios and further information given below, complete the Trading Account, Profit and Loss Account and Balance Sheet of Mr. X :

Gross Profit Ratio	25%
Net Profit Ratio	20%
Sales/Inventory Ratio	8



Fixed Assets/Total Current Assets	3:4
Fixed Assets/Total Capital	3:2
Capital/Total outside Liabilities	2:5
Fixed Assets	Rs. 15,00,000
Closing Stock	Rs. 2,00,000

**Proforma Trading and Profit and Loss Account**

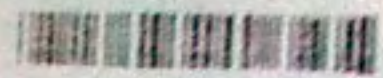
	Rs.		Rs.
To Cost of Sales	-----	By Sales	-----

To Gross Profit	----- ----- -----	By Gross Profit	----- ----- -----
To Expenses To Net Profit	----- ----- ----- -----		----- ----- -----

**Proforma Balance Sheet**

Liabilities	Rs.	Assets	Rs.
Capital	-----	Fixed Assets	-----
Add Net Profit	-----	Inventories	-----
	-----	Other Current Assets	-----
Total-Outside Liabilities	----- -----		----- -----





## SECTION - D

10. Compulsory question. The question carries fifteen marks.

(1×15=15)

Following is the trial balance of Mahesh Ltd., as on 31<sup>st</sup> March 2008 :

	Debit Rs.	Credit Rs.
Equity Share Capital	-	3,00,000
12% Preference Share Capital	-	2,00,000
Reserve Fund	-	1,50,000
Buildings	5,00,000	-
10% Debentures	-	2,00,000
Plant and Machinery	2,00,000	-
Purchases and Sales	2,50,000	6,00,000
Salary	60,000	-
Debtors and Creditors	2,30,000	1,75,000
Bills	80,000	90,000
Directors Fees	20,000	-
Bad Debts	5,000	-
Returns	15,000	20,000
Wages	15,000	-
Opening Stock	45,000	-
Profit and Loss Account on 01.04.2007	-	60,000
Loose Tools	60,000	-





Goodwill	80,000	-
Discount on issue of shares	20,000	-
Cash and Bank balances	33,000	-
12% Investments (01.04.2007)	2,00,000	-
Interest on Investments	-	18,000
<b>Total</b>	<b>18,13,000</b>	<b>18,13,000</b>

**Adjustments :**

- a) Closing stock is valued at Rs. 1,40,000.
- b) Outstanding wages Rs. 2,500.
- c) Debenture interest is outstanding for the whole year.
- d) Write off Rs. 5,000 further bad debts.
- e) Buildings and plant and machinery to be depreciated by 5% and 10% respectively.
- f) Transfer Rs. 25,000 to reserve.
- g) The directors propose 15% dividend to equity shareholders.

You are required to prepare company's final accounts.