MBA I Year Examination

MP-103- Accounting for Managers

Time: 3 Hours **Max. Marks: 80**

Note: The question paper is divided into three sections A, B & C. Write Answers as per the given instructions.

Section A

(Very Short Answer Type Questions)

Note: Answers all 8 questions. As per the nature of the questions you delimit your answer in one sentence up to 30 words. Each question carries equal marks. (Marks 2x8=16)

1. Distinguish Management and Cost Accounting
2. What is Cost Centre?
3. Define Break Even Point
4. What is Margin of Safety?
5. What is Normal Loss?
6. What is Process Costing?
7. What is differential costing?
8. What is Imputed cost?
9. What do you mean by Management Accounting?
10. What do you understand by GAAP
11. What is petty cash book?
12. What is Fixed Assets?
13. What is Semi-Variable Cost? Give two examples.
14. Describe Contribution.
15. What do you mean by Fictitious Assets
16. What is Contingent Liabilities
17. What is Standard Cost?
18. What do you mean by master budget?
19. What is Fund From Operation?
20. Define working Capital.
21. What do you mean by Return on Capital Employed?

22. What are the types of accounts? Give one examples of each.

23. Define Bad Debts

24. What are the non-financial considerations in Management decision making?

Section B

(Short Answer Type Questions)

Note: Answer any 4 questions. Each answer should not exceed 100 words. Each question carries 08 marks. (Marks 8x4 = 32)

1. Differentiate between Capital Expenditure and Revenue Expenditure
2. What do you understand by 'Ratio Analysis'? What are its Limitations?
3. What are the various sources and uses of funds
4. Explain the significance of Profit Volume Ratio, Margin of safety and Angle of incidences.
5. Differentiate between Capital Receipt and Revenue Receipt.
6. Differentiate between Fund Flow Statement and Cash Flow Statement.
7. The following data are related to production of 'X'. Calculate material variances:

Material	Standard	Actual
X	400 Kgs. @ Rs. 10	550 Kgs. @ Rs. 9
Y	500 Kgs. @ Rs. 5	350s. @ Rs. 7

8. What do you mean by budgeting? Mention different types of budget that a big industrial concern would normally prepare.
9. What are the various sources and uses of funds?
10. What do you mean by double entry system of accounting? State the rule of debit and credit.
11. From the following particulars, prepare a Production budget of a manufacturing company for year ended 31st March 2014:-

Product	**Sales budget (Units)**	**Estimated Stock (units)**	
		01-04-2013	**31-03-2014**
A	7500	700	750
B	5000	250	725
C	3500	400	400

12. Prepare proper subsidiary journal (Books) and post to the ledger from the following transactions for the month of March, 2014

2013

March 1	Goods sold to Ramesh	6,000
March 2	Furniture purchased from Tarun and Company	18,000
March 5	Good sold to Mr. Vijay Mohan and co. for Rs. 66,000, less 5% trade discount	
March 10	Goods return from Ramesh	1,000
March 15	Purchased from Avadhesh Traders	34,000

13. Write short notes on the following:-

a. Narration
b. Petty Cash Book
c. Opening Entry
d. Compound Entry

14. Define cost, costing, cost accounting and cost accountancy.

15. What is Cash Flow Statement? How does it differ from Funds Flow Statement?

16. What do you mean by process costing? Explain its advantages and disadvantages.

17. Explain the meaning of funds flow statement. What are its main objectives

18. Explain factors to be considered while taking make or buy decision.

19. What do you mean by Cost-Volume Profit Analysis? Describe with suitable examples.

20. List out the Four examples of each of the following:

a. Fixed Assets
b. Current Assets
c. Contingent Liabilities

21. What do you mean by Break Even Point? Present a graphical view of Break Even Point?

22. A company producing a single product sells it at Rs. 30 per unit. Variable cost is Rs. 18 per unit and fixed cost is Rs. 1,20,000 per annum. Calculate (a) Break Even Point, (b) Sales volume required to earn a net profit of Rs. 1,80,000 per annum.

23. From the following Trial Balance, prepare a Trading and Profit and Loss Account for the year ending March 31, 2014 and the Balance sheet as in that date

	Rs.	Rs.
Capital		5,00,000
Plant and Machinery	1,00,000	
Land and Buildings	1,20,000	
Sales		8,00,000
Furniture and other equipment	60,000	
Trade Expenses	30,000	
Cash at Bank	2,50,000	
Wages and Salaries	60,000	
Repairs	10,000	
Purchases	5,00,000	
Opening Stock	2,00,000	
Sundry Creditors and Sundry Debtors	1,00,000	1,30,000
Purchase returns		10,000
Rent		12,000
Discount	8,000	
Drawings		35,000
Bills Receivable/Bills Payable	10,000	10,000
Bad Debts	45,000	
Interest	4,000	

The stock on 31st March, 2014 was valued at Rs. 1,40,000

24. The following data is related to G. C. Enterprises:

Opening Stock	40,000
Closing Stock	30,000
Purchases	80,000
Carriage Inwards	10,000
Sales	1,50,000
Opening Debtors	36,000
Closing Debtors	24,000

Calculate the following ratios from the above information:

(a) Stock Turnover Ratio

(b) Debtor's Turnover Ratio

(c) Average Collection Period

Section C

(Long Answer Type Questions)

Note: Answer any 2 questions. Each answer should not exceed 800 words. Each question carries 16 marks. (Marks 2x16=32)

1. From the following Trial Balance of Bissa Limited, prepare Trading and Profit and Loss A/c for the year ending 31st March, 2014 and Balance Sheet as on that date. The Closing Stock on 31st march 2014 was value at Rs. 15,000.

	Rs.		**Rs.**
Stock (01-04-2013)	10,000	Sundry Creditors	15,000
Purchases	75,000	Purchases Returns	3,000
Sales Return	8,000	Sales	2,50,000
Freight and Carriage	44,000	Commission	2,000
Salaries	12,000	Capital	1,70,000
Repairs	1,200	Interest on Bank Deposit	2,000
Trade Expenses	4,000	B/P	6,200
Rent and taxes	24,000		
Cash in hand	5,000		
B/R	4,000		
Debtors	55,000		
Plant and Machinery	1,60,000		
Withdrawals (Drawings)	16,000		
Bank Deposit	20,000		
	4,38,200		**4,38,200**

2. What are the Various Methods of Preparing Final Accounts? Explain in details with suitable examples.

3. What do you mean by Accounting Assumptions? Explain Accounting Conventions.

4. Draw a break even chart with the help of data given below at different production levels of 0 unit, 30,000 units, 60,000 units, 90,000 units, 1,20,000 units and 1,60,000 units.

Sale Price	Rs. 3 per unit
Variable Cost	Rs. 2 per unit
Fixed cost	Rs. 90,000

5. The cost data of G M Wood Crafts Ltd. is as follows:

	Product A	Product B	Product C	Total Rs.
Sales (in the ratio of 40:50:10) in Rs.	80,000	1,00,000	20,000	2,00,000
Variable Costs (Rs.)	50,000	60,000	10,000	1,20,000
Fixed Cost (Rs.)	------	------	------	50,000
Profit	------	-------	-------	30,000

You are required to calculate followings

(a) Break Even Point

(b)Break Even point if sales mix ratio is changed to 30:50:20

6. A product passes through two process viz. M and N. Prepare Process Accounts, Abnormal Wastage and Abnormal Gain Account from the following;

	Process M Rs.	Process N Rs.
Unit introduced 1000 at a cost of	20,000	-------
Material Consumed	24,000	12,000
Direct Labor	28,000	16,000
Normal loss on input	5%	10%
Manufacturing Expenses	8,000	8,567
Scrap Value of Normal Wastage (per 100 units)	40	50
Output in units	9,400	8,500

7. Define Management Accounting and Explain its Functions and Objectives.

8. Following is the Balance Sheet of T. K. Engineering Company. As on 31st march, 2014

Liabilities	**Rs.**	**Assets**	**Rs.**
Equity Share Capital	2,00,000	Plant and Machinery	2,50,000
Profit and Loss Account	20,000	Stock	40,000
Debentures	80,000	Sundry Debtors	30,000
Sundry Creditors	50,000	Cash in Hand	25,000
Provision for Taxation	10,000	Cash at Bank	10,000
		Prepaid Expanses	5,000
	3,60,000		**3,60,000**

Calculate the following ratios:

(a) Current Ratio

(b) Quick Ratio

(c) Absolute Liquidity Ratio

9. Following are the comparative Balance Sheets of Asian Paints Limited as on 31st March 10, 2013 and 31st March, 2014

Liabilities	**2013**	**2014**	**Assets**	**2013**	**2014**
Equity Share Capital	2,50,000	3,00,000	Land	1,45,000	2,58,000
P & L A/c	10,000	25,000	Building	90,000	1,10,000
Reserve and Surplus A/c	13,000	40,000	Machinery	60,000	25,000
Debentures	40,000	10,000	Investments (Long Term)	44,000	10,000
Outstanding Expenses	25,000	15,000	Stock	32,000	12,000
Bank Overdraft	16,000	2,000	Debtors	9,000	14,000
Creditors	50,000	90,000	Prepaid Expenses	4,000	6,000
Short Term Loan	30,000	10,000	Cash	10,000	2,000
			Bank	30,000	50,000
			Preliminary Expenses	10,000	5,000
	4,34,000	**4,92,000**		**4,34,000**	**4,92,000**

Additional Information

(a) Dividend paid during 2014 was Rs. 30,000

(b) Investment costing Rs. 40,000 were sold in 2014 for Rs. 80,000

(c) Machinery costing Rs. 50,000 on which Rs. 10,000 depreciation was accumulated, was sold for Rs. 60,000 in the year 2014.

Prepare Fund flow statement for the year 2014.

10. The following are the balance sheets of Anand Limited for the year ended 31st March, 2013 and 2014. Prepare Cash Flow Statement for the year 2013-2014

Liabilities	**2013**	**2014**	**Assets**	**2013**	**2014**
Equity Share Capital	1,00,000	2,00,000	Goodwill	15,000	10,000
Net Profit	63,250	68,250	Plan and Machinery	1,50,000	2,40,000
Debentures	50,000	-----	Land and Buildings	20,000	40,000
Sundry Creditors	1,22,750	1,14,850	Debtors	75,000	80,000
Accrued Expenses	9,000	18,000	Stock	1,08,000	60,000
Provision for Tax	5,000	5,400	Bank Balance	29,000	28,000
Outstanding Expenses	50,000	55,000	Prepaid Expenses	3,000	3,500
	4,00,000	**4,61,500**		**4,00,000**	**4,61,500**

Additional Information

(a) The company paid dividend of Rs. 30,000 during the year.

(b) A Machinery costing Rs. 75,000 (Accumulated Depreciation was Rs. 32,000) was sold for Rs. 40,000.

11. From the following data, calculate variable and fixed overhead variance:

Budgeted Output	50 lot
Actual Output	60 lot
Fixed overhead absorption rate per hour	Rs. 3
Variable overheads (actual as well as budgeted)	Rs. 7500
Standard hours per lot	100 hours
Actual fixed overheads	Rs. 14500
Actual hours worked	5600 hours

12. What is the significance of ratio analysis? Explain any two ratios each for measuring Liquidity and Profitability.

13. What is the application of variance amount calculated through standard costing?

14. Detail the techniques of Decision Making.

15. "Trial Balance is a conclusive proof of accuracy" , if not then what are the errors ?

16. A company manufactured 4,000 units in the month of November 2013 and its cost data are given below:

	Rs.
Material	32,000
Wages	20,000
Direct Expenses	4,000
Fixed overhead	8,000
Variable overhead	12,000

There is an offer for the company to supply 1,000 units @ Rs. 18 should the company accept this offer?

17. How many types of variance are their? Discuss.

18. Define management accounting. What are its objectives and functions?

19. Provide the meaning of Decision Making Process and also explain the stages of decision making process.

20. From the following budgeted figures prepare a Cash Budget in respect of three months to June 30, 2013.

Month	Sales (Rs.)	Material (Rs.)	Wages (Rs.)	Overhead (Rs.)
January	60,000	40,000	11,000	6,200
February	56,000	48,000	11,600	6,600
March	64,000	50,000	12,000	6,800
April	80,000	56,000	12,400	7,200
May	84,000	62,000	13,000	8,600
June	76,000	50,000	14,000	8,000

Additional information:

1. Expected Cash balance on 1st April, 2013 – Rs. 20,000
2. Materials and overheads are to be paid during the month following the month of supply.
3. Wages are to be paid during the month in which they are incurred.
4. All sales are on credit basis.
5. The terms of credits are payment by the end of the month following the month of sales: Half of credit sales are paid when due the other half to be paid within the month following actual sales.
6. 5% sales commission is to be paid within in the month following sales
7. Preference Dividends for Rs. 30,000 is to be paid on 1st May.
8. Share call money of Rs. 25,000 is due on 1st April and 1st June.
9. Plant and machinery worth Rs. 10,000 is to be installed in the month of January and the payment is to be made in the month of June.

21. From the data given below, calculate: Material Cost Variance, Material Price Variance and Material Usage Variance

Products	Standard Quantity (units)	Standard Price (Rs.)	Actual Quantity (Units)	Actual Price (Rs.)
A	1050	2.00	1,100	2.25
B	1500	3.25	1,400	3.50
C	2100	3.50	2,000	3.75

22. "Cost is a vague term, which can be classified in a number of ways".

Elaborate this statement classifying cost on various important basis.

Also, briefly discuss use of various types of costs for Managerial Decision Making.

23. Give the Journal entries of the Following in the Journal of Oswal Furniture Mart:

Year & Date	Particulars
2014	
Jan. 01	Commenced business with cash Rs. 10,000, goods Rs. 2,000, and furniture Rs. 3,000.
Jan. 02	Deposited into bank Rs. 9,000.
Jan. 03	Purchased Machinery Rs. 5,000 from Ranbir Singh and amount is being paid by cheque.
Jan. 05	Cash Sales Rs. 1,500.
Jan. 09	Purchase on credit from Deepika goods Rs. 10,000 with 10% trade discount.
Jan. 12	Sales to Mohan Rs. 5,000.
Jan. 18	Mohan become insolvent and only 60 Paisa in a rupee were recovered.
Jan. 23	Credit Sales to Ritik Rs. 3,000.
Jan. 25	Cheque received from Ritik Rs. 2800 in full settlement.
Jan. 27th	purchase goods from Kapoor Traders worth Rs. 5000 with 10% trade discount and 10% case discount.
Jan. 30th	Paid salary Rs. 2000 and rent Rs. 1000 by cheque.
Jan. 31st	Paid to Deepika Rs. 8900 in full settlement.

24. The managing director of a small manufacturing concern consults you at to the minimum price at which he can sell the output of one of the departments of the company which is intended for mass production in future. The company's records show the following particulars for this department for the past year.

Production and Sales 100 Units

Material	4,200
Direct Labour	3,800
Direct expenses	400
Factory expenses	1,800
Office expenses	900
Selling expenses	900
Profit	1,500
	13,500

It is ascertained from the records that 60% of the works overhead fluctuate directly with production and 50% of the selling expenses fluctuate with sales. It is anticipated that the department would produce and sell 1,000 units per annum and that direct labour per unit will be reduced by 20% while fixed works overhead will increase by Rs. 1,200. Office on cost and fixed selling on charges are expected to show an increase of 20%. Besides these, no other charges are anticipated.

Prepare a statement for submission to your client.