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**Question Paper Code : 71124**

M.B.A. DEGREE EXAMINATION, APRIL/MAY 2018  
First Semester  
BA7106 – ACCOUNTING FOR MANAGEMENT  
(Regulations 2013)

Time : Three Hours

Maximum : 100 Marks

Answer ALL questions

PART – A

(10×2=20 Marks)

1. What is Duality Concept ?
2. Define Intangible asset with examples.
3. Differentiate Private Limited Company from Public Limited Company.
4. Write a short note on Preference Share Capital.
5. What is Inventory Turnover Ratio ?
6. State two uses of cash flow analysis.
7. Define Contribution Margin with formula.
8. What is Target Costing ?
9. Outline the advantages of Computerized Accounting System over Manual Accounting System.
10. Explain the need for “Codification of Accounts”. What are its benefits ?



## PART – B

(5×13=65 Marks)

11. a) Explain in detail the Accounting Concepts and Conventions.

(OR)

b) Given below is the trial balance of Fun and Fun Ltd. for the year ending 31 Mar. 2005. Prepare Profit and Loss Account and Balance Sheet as on 31 Mar. 2005.

Particulars	Dr.(Rs.)	Cr.(Rs.)
Drawings	6,300	
Cash at Bank	13,870	
Capital		1,50,000
Bills Receivable	1,860	
Land and Building	42,580	
Furniture	5,130	
Discount allowed	3,960	
Bank Charges	100	
Salaries	6,420	
Purchases	1,99,080	
Stock	60,220	
Sales return	1,870	
Carriage	5,170	
Rent and Taxes	7,680	
General expenses	3,630	
Plant and Machinery	31,640	
Debtors	82,740	
Bad debts	1,250	
Insurance	750	
Discount received		2,980
Loans		15,000
Purchase return		1,450
Sales		2,81,500
Creditors		23,320
<b>Total</b>	<b>4,74,250</b>	<b>4,74,250</b>

Closing Stock Rs. 80,000.



12. a) Explain different forms of Business Organization with emphasis on Ownership, Ease of Decision Making, Government Regulation, Suitability.

(OR)

b) Define :

- i) Authorized Share Capital
- ii) Paid up Capital
- iii) Articles of Association
- iv) Memorandum of Association
- v) Preference Share Capital
- vi) Treasury Stock.

13. a) Following is the Balance Sheet of a ABC Ltd. as on 31<sup>st</sup> Mar.

Liabilities	Rs.	Assets	Rs.
Share Capital	2,00,000	Land and Buildings	1,40,000
Profit and Loss Account	30,000	Plant and Machinery	3,50,000
General Reserve	40,000	Stock	2,00,000
12% Debentures	4,20,000	Sundry Debtors	1,00,000
Sundry Creditors	1,00,000	Bills Receivable	10,000
Bills Payable	50,000	Cash at Bank	40,000
	<b>8,40,000</b>		<b>8,40,000</b>

Calculate :

- i) Current Ratio.
- ii) Quick Ratio.
- iii) Inventory to Working Capital.
- iv) Debt to Equity Ratio.
- v) Capital Gearing Ratio.
- vi) Current Assets to Fixed Assets Ratio.

(OR)



- b) The below data has been taken from the Balance Sheet of Bil and Bill Limited.

Particulars	Amount (Rs.)
Current Liabilities	2,80,000
Bonds Payable @ 15%	1,20,000
Preferred stock @ 13%, Rs. 100 par value	2,00,000
Equity Shares – Rs. 25 par value, 16,000 shares	4,00,000
Premium on equity shares	2,40,000
Retained Earnings	2,00,000

Income before taxes is Rs. 1,60,000. The tax rate is 45%. Shareholder's equity in the previous year was Rs. 8,00,000. The market price of one equity share is Rs. 35.

**Calculate :**

- i) Net Income.
  - ii) Preferred Dividends.
  - iii) Return on Networth.
  - iv) Time interest earned.
  - v) Earnings per share.
  - vi) Price earnings ratio.
  - vii) Book value per share.
14. a) Chad's Chocolates produces premium chocolate candy. For Easter, Chad's produces and sells 20,000 boxes of a special collection of chocolates that sell for Rs. 50 a box. Costs for producing a box of the chocolates are as follows :

Direct Material	– Rs. 18
Direct Labor	– Rs. 15
Manufacturing Overhead, variable	– Rs. 7
Variable Selling, General and Advertisement	– Rs. 4
Manufacturing Overhead, fixed	– Rs. 75,000
Fixed Selling, General and Advertisement	– Rs. 15,000



Unless otherwise instructed, return to this original data for each problem.

- i) What is Chad's break-even point in units ? in Rs. ?
- ii) Chad has just completed union negotiations that resulted in a 10% increase in the wage rates for his direct laborers. What is the new break-even point in units ? in Rs. ?
- iii) Chad has just been approached by his marketing vice-president who says that if we spend Rs. 25,000 on extra advertising in The Lariat, we can increase our sales by 15% (in terms of units). Should Chad advertise in The Lariat ?
- iv) Chad has just received a brochure in the mail describing a new candy press that sells for Rs. 35,000. Chad believes that the machine will last for 5 years and will have no salvage value. The new press will decrease the required direct labor by 10%. Should Chad invest in the new machine.

(OR)

- b) Surya Lighting House plans inventory level (at cost) at the end of each month as follows :

May – Rs. 2,75,000; June – Rs. 2,20,000; July – Rs. 2,70,000 and August – Rs. 2,40,000. Sales are expected to be June – Rs. 4,40,000; July – Rs. 3,50,000; August – Rs. 4,20,000. Cost of goods sold is 60% of sales.

Purchases in April were Rs. 2,50,000; May – Rs. 1,80,000. Payments for each month's purchases are made as follows : 10% during that month; 80% the next month; and final 10% the next month.

Prepare budget schedules for June, July and August for Purchases and for disbursements for purchases.

- 15. a) What is an ERP Package ? Outline the merits and demerits of using an accounting package as a part of an ERP package ?

(OR)

- b) Explain the concept of Customized Accounting Software. What are the advantages of using it ?



## PART – C

(1×15=15 Marks)

16. a) These following financial statement balances are for Wellington Design Services for the end of the financial year, 30 June 2012 (Amount in Rs.) :

<b>Account Title</b>	
Accounts Payable	11,000
Accounts Receivable	9,800
Accumulated Depreciation Building	14,000
Bank Loan	1,10,000
Building	1,40,000
Capital	1,63,000
Cash	25,000
Drawings	10,200
Fees Revenue	1,00,000
Inventory	20,000
Land	1,20,000
Motor Vehicle Expenses	20,000
Other Expenses	38,000
Rent Revenue	50,000
Rent Revenue Received in Advance	2,000
Salaries Expense	40,000
Supplies used	20,000

**Additional Information :**

- i) Depreciation expense for non-current assets amounts to Rs. 7,000.
- ii) The owner withdrew Rs. 1,500 cash for personal use.
- iii) The business received an invoice requiring payment amounting to Rs. 1,200 for an advertising campaign that ran during the month of June.

Required : Prepare an Income Statement and Balance Sheet for the year.

(OR)



b) You are given the following information :

**Balance Sheet of XYZ Co. Ltd.**

Liabilities	31-03-14		31-03-15		Assets	31-03-14		31-03-15	
Preference Shares	5,25,000		4,40,000		Trade Marks	2,70,000		2,40,000	
P and L Account	2,50,000		1,75,000		Land and Building	5,50,000		6,50,000	
Bank Loans	1,50,000		3,20,000		Trade Receivables	3,80,000		5,00,000	
Public Deposits	2,00,000		2,40,000		Inventory	1,20,000		90,000	
Trade Payables	3,80,000		4,28,000		Discount on Shares	15,000		10,000	
Depreciation Provision	45,000		75,000		Cash	2,15,000		1,88,000	
<b>Total</b>	<b>15,50,000</b>		<b>16,78,000</b>		<b>Total</b>	<b>15,50,000</b>		<b>16,78,000</b>	

**Additional Information :** A part of the Land and Building, costing Rs. 1,10,000 (accumulated depreciation – Rs. 37,000) was sold for Rs. 54,000.

Prepare :

- i) Cash Flow Statement as per Revised Accounting Standard – 3.
  - ii) Land and Building Account.
  - iii) Land and Building sold Account.
  - iv) Provision for Depreciation Account.
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