

D 405 ✓

M.B.A. DEGREE EXAMINATION, APRIL/MAY 2003.

First Semester

BA 105 — ACCOUNTING FOR MANAGEMENT ✓

Time : Three hours

Maximum : 100 marks

Answer ALL questions.

PART A — (10 × 2 = 20 marks)

1. What do you mean by Accounting Cycle?
2. What is meant by absolute Liquidity ratio?
3. The profit for the current year is Rs. 14,000, opening prepaid expenses is Rs. 28,000 and closing prepaid expenses is Rs. 22,000. Find out the cash from operation.
4. A.R. Ltd. has four sales division. The relevant data for its northern division is reproduced below.

Direct fixed cost Rs. 10,000

P/V Ratio 0.40.

Allocated fixed cost from head office Rs. 5,000. Find out the sales volume required to cover all direct expenses and all fixed costs.

5. What is meant by Job costing?
6. Why is the overhead expenditure to be allocated?
7. How is the zero base budgeting different from traditional budgeting?
8. List out any four limitations of standard costing?
9. Give the formula for calculating Labour cost variance.
10. How do you measure business income?

PART B — (5 × 16 = 80 marks)

11. From the data given, calculate the material price variance, material usage variance and material mix variances?

Material	Standard	Actual
A	40 units @ Rs. 40 per unit	50 units @ Rs. 50 per unit
B	60 units @ Rs. 40 per unit	60 units @ Rs. 45 per unit

12. (a) From the following information at 50% capacity, prepare a flexible budget and forecast the profit or loss at 60%, 70% and 90% capacity.

Expenses at 50% capacity

Rs.

Fixed Expenses :

Salaries	50,000
Rent and Taxes	40,000
Depreciation	60,000
Administrative expenses	70,000

Variable Expenses :

Material	2,00,000
Labour	2,50,000
Others	40,000

Semi variable :

Repairs	1,00,000
Indirect labour	1,50,000
Others	90,000

It is estimated that fixed expenses will remain constant at all capacities. Semi-variable expenses will not change between 45% and 60% capacity, will rise by 10% between 60% and 75% capacity, a further increases of 5% when capacity crosses 75%.

Estimated sales at various levels of capacity are :

Capacity	Sales (Rs.)
60%	11,00,000
70%	13,00,000
90%	15,00,000

Or

- (b) The following is the summarized Trading profit and loss account of Boppana Manufactures' Ltd. for the year ended 31st December 1992 in which year 800 clocks were sold by the company.

Trading, Profit and loss account

	Rs.		Rs.
To Cost of materials	32,000	By sales	1,60,000
To Direct wages	48,000		
To Manufacturing charges	20,000		
To Gross Profit c/d.	60,000		
	1,60,000		1,60,000
To Office salaries	24,000	By Gross Profit, b/d.	60,000
To Rent and taxes	4,000		
To Selling expenses	8,000		
To General expenses	12,000		
To Net profit	12,000		
	60,000		60,000

The following estimates were made by the cost department of the company for the year ended 31st December, 1993.

- (i) The output and sales will be of 1000 clocks
- (ii) The ratio of materials will rise by 25% on the previous years level.

- (iii) Wages during the year will rise by 12%
- (iv) Manufacturing costs will be 25% of the combined cost of materials and wages
- (v) Selling cost per unit will remain unchanged
- (vi) Other expenses will remain unaffected by the rise in output.

From the above information, prepare a cost sheet showing the price at which the stocks would be marketed so as to show a profit of 10% on the selling price. The cost statement is to show cost per unit also.

13. (a) (i) What are the different classifications of budgets? Briefly explain. (10)
- (ii) What is "Variance"? Indicate its significance to the Management? (6)

Or

- (b) From the following information, calculate the Break Even Point and turnover required to earn a profit of Rs. 36,000.

Fixed overheads Rs. 1,80,000

Variable cost per unit Rs. 2

Selling price Rs. 20

If the company is earning a profit of Rs. 36,000, express the margin of safety available to it?

14. (a) (i) What are the various determinants of standard costs? (10)
- (ii) What do you mean by Historical costing? Explain. (6)

Or

- (b) Following is the summarized balance sheet of a concern as at 31st December.

Balance Sheet as on 31st December

Liabilities	Rs.	Assets	Rs.
6% Preference Share Capital	1,50,000	Goodwill	20,000
Equity share capital	2,50,000	Land and Building	2,50,000
General Reserve	20,000	Machinery	1,75,000
Profit and loss	15,000	Furniture	10,000
5% Debentures	1,00,000	Stock	90,000
Sundry Creditors	28,000	Sundry Debtors	21,000
Bills Payable	12,000	Cash at Bank	5,000
		Preliminary expenses	4,000
	5,75,000		5,75,000

Other information :

Total sales Rs. 4,00,000, 20% of which is made on credit. Gross profit and Net profit (after tax) for the year ended amounted to Rs. 80,000 and Rs. 20,000 respectively.

Comment on the financial condition of the concern.

15. (a) (i) Explain the accounting treatment for Merchandising transactions? (10)
- (ii) Name the persons interested in Financial statement? Explain. (6)

Or

- (b) The Balance sheet of a firm as on 31st December 1999 and 2000 are given below.

Liabilities	1999	2000	Assets	1999	2000
	Rs.	Rs.		Rs.	Rs.
Share Capital	1,00,000	1,60,000	Fixed assets at cost	1,52,000	2,00,000
Retained Earnings	70,250	85,300	Inventory	93,400	89,200
Accumulated			Debtors	30,800	21,100
Depreciation	60,000	40,000	Expenses prepaid	3,950	3,000
12% Debentures	50,000	—	Bank	28,100	20,000
Sundry Creditors	28,000	48,000			
	3,08,250	3,33,300		3,08,250	3,33,300

The following additional information for 2000 are also given :

- (i) Net profit of Rs. 27,050.
- (ii) Depreciation charged Rs. 10,000
- (iii) Cash Dividend declared during the period Rs. 12,000.
- (iv) An addition to the building was made during the year at a cost of Rs. 78,000 and fully depreciated equipment costing Rs. 30,000 was discarded as no salvage being realised.

Prepare a Cash Flow Statement.

