

T 6039 ✓

M.B.A. DEGREE EXAMINATION, APRIL/MAY 2004.

First Semester

BA 105 — ACCOUNTING FOR MANAGEMENT

Time : Three hours

Maximum : 100 marks

Answer ALL questions.

PART A — (10 × 2 = 20 marks)

1. What is Shareholders Equity?
2. Give any two defects of historical costing.
3. What does a low inventory turnover ratio indicate?
4. Calculate Break Even Point in sales value
Output = 3000 units
Selling price per unit = Rs. 30
Variable cost per unit = Rs. 20
Total fixed cost = Rs. 20,000.
5. What is Receivables Management?
6. Define Differential Cost.
7. Mention any two objectives of providing depreciation.
8. Give the formula for calculating material cost variance.
9. What is zero base budgeting?
10. What do you mean by cost allocation?

PART B — (5 × 16 = 80 marks)

11. Design a Basic Accounting Model as applicable for a medium scale organisation manufacturing and marketing consumer durable item.

12. (a) The following details are available from a company :

	31.12.95 Rs.	31.12.96 Rs.		31.12.95 Rs.	31.12.96 Rs.
Share capital	70,000	74,000	Cash	9,000	7,800
Debentures	12,000	6,000	Debtors	14,900	17,700
Reserve for doubtful debts	700	800	Stock	49,200	42,700
Trade creditors	10,360	11,840	Land	20,000	30,000
P/L A/c	10,040	10,560	Goodwill	10,000	5,000
	<u>1,03,100</u>	<u>1,03,200</u>		<u>1,03,100</u>	<u>1,03,200</u>

The following additional information are given :

- (i) Dividend paid in total Rs. 3,500
- (ii) Land was purchased for Rs. 10,000
- (iii) Amount provided for amortization of goodwill Rs. 5,000
- (iv) Debentures paid off Rs. 6,000.

Prepare cash flow statement.

Or

- (b) (i) Explain the different methods used for the analysis and interpretation of financial statements. (10)
- (ii) Briefly explain the factors influencing the size of receivables in an organisation. (6)

13. (a) The comparative statements of income and financial position are given below :

	1990 Rs.	1991 Rs.
Net sales	1,00,000	1,50,000
Less : Cost of sales	70,000	1,10,000
Gross profit	30,000	40,000
Less : Operating expenses	20,000	25,000
Net profit	10,000	15,000
Cash in hand	5,000	8,000
Cash at Bank	4,000	2,000
Debtors	40,000	25,000
Stock at cost	15,000	10,000
Fixed Asset (Net)	56,000	65,000
	<u>1,20,000</u>	<u>1,10,000</u>
Creditors	36,000	12,000
Bills payable	2,000	1,000
Mortgage loan	10,000	20,000
Equity share capital	60,000	70,000
Reserves and surplus	12,000	7,000
	<u>1,20,000</u>	<u>1,10,000</u>

Calculate the following ratios for both the years :

- (i) Current Ratio (4)
- (ii) Acid Test Ratio (4)
- (iii) Debtors Turnover Ratio (4)
- (iv) Stock Turnover Ratio. (4)

Or

(b) (i) From the following information calculate :

- (1) P/V Ratio
- (2) Break-even Point
- (3) Margin of Safety

Total Sales Rs. 3,60,000

Selling price per unit Rs. 100

Variable cost per unit Rs. 50

Fixed cost Rs. 1,00,000.

- (4) If the selling price is reduced to Rs. 90 by how much is the margin of safety reduced? (10)

(⇒) (ii) Explain the managerial application of differential cost analysis. (6)

14. (a) Following are the particulars for the production of 2000 Sewing Machines of Nath Engineering Co. Ltd., for the year 2002 :

	Rs.
Cost of materials	1,60,000
Wages	2,40,000
Manufacturing expenses	1,00,000
Salaries	1,20,000
Rent, Rates and Insurance	20,000
Selling expenses	60,000
General expenses	40,000
Sales	8,00,000

The company plans to manufacture 3,000 Sewing Machines during 2003. Prepare a statement showing the price at which machines would be sold so as to show a profit of 10% on selling price. The following additional information is given :

- (i) Price of materials is expected to rise by 20%.
- (ii) Wages rates are expected to show an increase of 5%
- (iii) Manufacturing expenses will raise in proportion to the combined cost of materials and wages.
- (iv) Selling expenses per unit will remain the same.
- (v) Other expenses will remain unaffected by rise in output.

Or

- (b) Bengal Chemical Co. Ltd. produced three chemicals during the Month of July, 1998 by three consecutive processes. In each process 2% of the total weight put in is lost and 10% is scrap which from each processes (1) and (2) realises Rs. 100 a ton and from process (3) Rs. 20 a ton.

The product of three processes are dealt with as follows :

Particulars	Process 1	Process 2	Process 3
Passed on to the next process	75%	50%	—
Sent to warehouse for sale	25%	50%	100%

Expenses incurred :

	Process 1		Process 2		Process 3	
	Rs.	Tons	Rs.	Tons	Rs.	Tons
Raw materials	1,20,000	1,000	28,000	140	1,07,840	1,348
Manufacturing wages	20,500	—	18,520	—	15,000	—
General Expenses	10,300	—	7,240	—	3,100	—

Prepare Process Cost Accounts showing the Cost per ton of each product.

15. (a) Using the following information calculate :

- (⇒) (i) Labour Cost Variance (4)
 (ii) Labour Rate of Pay Variance (4)
 (iii) Labour Efficiency Variance (4)
 (iv) Idle Time Variance. (4)

Gross direct wages = Rs. 3,000

Standard hours produced = 1600

Standard rate per hour = Rs. 1.50

Actual hours paid 1500 hours, out of which hours not worked (abnormal idle time) are 50.

Or

(b) From the following forecast of income and expenditure prepare a cash budget for the months January to April 1996 :

Months	Sales (Credit)	Purchases (Credit)	Wages	Manufac- turing expenses	Admini- strative expenses	Selling expenses
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1995 Nov.	30,000	15,000	3,000	1,150	1,060	500
Dec.	35,000	20,000	3,200	1,225	1,040	550
1996 Jan.	25,000	15,000	2,500	990	1,100	600
Feb.	30,000	20,000	3,000	1,050	1,150	620
March	35,000	22,500	2,400	1,100	1,220	570
April	40,000	25,000	2,600	1,200	1,180	710

