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M.B.A. DEGREE EXAMINATION, JANUARY 2005.

First Semester

BA 105 — ACCOUNTING FOR MANAGEMENT

Time : Three hours

Maximum : 100 marks

Answer ALL questions.

PART A — (10 × 2 = 20 marks)

1. Define current assets.
2. Define accounting cycle.
3. Define Internal control systems.
4. Explain the meaning of the term financial statements.
5. Explain comparative financial statements.
6. Define marginal costing.
7. What do you mean by process costing?
8. What is meant by overhead charges?
9. How zero base budgeting differ from traditional budgeting?
10. What do you mean by elements of cost?

PART B — (5 × 16 = 80 marks)

11. (i) Bring out the distinction between job costing and process costing. (8)
- (ii) In Process A, 100 units of raw materials were introduced at a cost of Rs. 1,000. The other expenditure incurred by the process is Rs. 600. Of the units is introduced, 10% are normally scrapped in the course of manufacture and they possess a scrap value of Rs. 7 per unit. The output of Process A was only 75 units. Calculate the value of abnormal loss. (8)

12. (a) (i) Describe how accounting satisfies the various needs of management for arriving at appropriate business decisions. (8)

(ii) The comparative Balance Sheet of Mr. Hitler for the two years are as follows :

Liabilities	2002	2003	Assets	2002	2003
	Rs.	Rs.		Rs.	Rs.
Loan from wife	—	20,000	Cash	11,000	15,000
Bills payable	12,000	8,000	Debtors	40,000	35,000
Creditors	25,000	52,000	Stock	25,000	30,000
Loan from Bank	43,000	60,000	Machinery	20,000	14,000
Capital	66,000	34,000	Land & Buildings	50,000	80,000
	<u>1,46,000</u>	<u>1,74,000</u>		<u>1,46,000</u>	<u>1,74,000</u>

Additional information :

- (1) Net loss for the year 2003 amounted to Rs. 13,000.
- (2) During the year a machine costing Rs. 5,000 (accumulated depreciation Rs. 2,000) was sold for Rs. 2,500. The provision for depreciation against machinery as on 31.12.2002 was Rs. 6,000 and on 31.12.2003 Rs. 7,000. From the above information, prepare a Cash Flow Statement. (8)

Or

(b) (i) Discuss the objectives of Financial Statement Analysis. (8)

(ii) From the following Balance Sheet, prepare a common-size statement : (8)

	1999	2000
	Rs.	Rs.
Assets :		
Cash	27,000	31,500
Debtors	2,20,000	2,11,000
Stock	1,00,000	1,26,000

	1999	2000
	Rs.	Rs.
Prepaid Expenses	11,000	21,000
Bills Receivables	10,000	10,500
Fixed Assets	6,35,000	6,50,000
	<u>10,03,000</u>	<u>10,50,000</u>
Liabilities and Capital :		
Share Capital	6,58,000	7,00,000
Long-term Debt	2,25,000	2,00,000
Sundry creditors	42,000	50,000
Other Liabilities	78,000	1,00,000
	<u>10,03,000</u>	<u>10,50,000</u>

13. (a) (i) State the significance of accounting ratios in the analysis of financial statements. (8)

(ii) The following is the Balance Sheet of a firm :

	Rs.		Rs.
Share Capital	30,000	Fixed Assets	16,500
Creditors	8,000	Cash	1,000
Bills Payable	2,000	Book Debts	6,000
Provision for Tax	3,500	Bills Receivables	2,000
		Stock	17,500
		Prepaid Expenses	500
	<u>43,500</u>		<u>43,500</u>

Comment upon the liquidity of the firm. (8)

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(b) (i) Discuss the relationship of budgetary control and standard costing. (8)

(ii) From the following data calculate overhead variances.

	Budgeted	Actual
Output	15,000 units	16,000 units
Number of working days	25	28
Fixed overheads	Rs. 30,000	Rs. 30,500
Variable overhead	Rs. 45,000	Rs. 47,000

There was an increase of 5% in capacity. (8)

15. (a) (i) Discuss variances, advantages and essentials for the success of budgetary control. (8)

(ii) For the production of 10,000 electric automatic irons; the following are the budgeted expenses : (8)

	Per Unit
	Rs.
Direct Material	60
Direct Labour	30
Variable overhead	25
Fixed overhead (Rs. 1,50,000)	15
Variable expenses (direct)	5
Selling expenses (10%) fixed	15
Administration expenses (Rs. 50,000 rigid For all levels of production)	5
Distribution expenses (20%) fixed	5
The total cost of sale per unit	<u>160</u>

Prepare a budget for the production of 6,000 and 7,000 and 8,000 irons, showing distinctly the marginal cost and the total cost.

Or

- (b) (i) Explain the importance of Historical Costing. (8)
- (ii) Find out different Labour Variances : (8)

	Standard	Actual
Output	1,000 units	1,200 units
Rate of payment	Rs. 6 per unit	Wages paid with bonus Rs. 8,000
Time taken	50 hours	40 hours

