

Y 7044 ✓

M.B.A. DEGREE EXAMINATION, MAY/JUNE 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 accounting cycle.
2. How would you differentiate between current assets and current liabilities?
3. Define budget and budgetary control.
4. What do you mean by the term Batch costing?
5. Define marginal costing.
6. Bring out any two differences between job costing and process costing.
7. What is meant by overhead charges?
8. What is a direct or chargeable expenses?
9. What is a cash budget?
10. How does zerobase budgeting differ from traditional budgeting?

PART B — (5 × 16 = 80 marks)

11. Explain the different techniques of analysis and interpretation of financial statements.

12. (a) Kailash Ltd. is presently selling a product @ Rs. 10 per unit. The present sales are 30,000 units, and the variable cost per unit is Rs. 6 and the fixed costs amounted to Rs. 60,000. The average collection period is of 30 days.

The company proposes to relax its credit standard resulting in a 15 percent increase in unit sales. The average collection period is expected to increase to 45 days. However, there is to be no change in losses on account of bad debts and collection expenses. The company expects a return on investment at 15%.

You are required to advise whether the company should relax its credit standard.

Or

- (b) The major objectives of inventory management is "to minimize cash outlays for inventories". Explain how this is sought to be achieved.

13. (a) From the following Balance Sheet as on 31st December, you are required to prepare a cash flow statement :

Liabilities	2002	2003	Assets	2002	2003
	Rs.	Rs.		Rs.	Rs.
Share capital	1,00,000	1,50,000	Fixed Assets	1,00,000	1,50,000
Profit and Loss a/c	50,000	80,000	Goodwill	50,000	40,000
General reserve	30,000	40,000	Inventories	50,000	80,000
16% Bonds	50,000	60,000	Debtors	50,000	80,000
Sundry Creditors	30,000	40,000	Bills receivables	10,000	20,000
Expenses O/S	10,000	15,000	Bank	10,000	15,000
	<u>2,70,000</u>	<u>3,85,000</u>		<u>2,70,000</u>	<u>3,85,000</u>

Or

- (b) What do you understand by classification, allocation and apportionment in relation to overhead expenses?

14. (a) From the following figures prepare raw materials purchase budget for January :

Materials (Units)						
	A	B	C	D	E	F
Estimated stock on 1st January	16,000	6,000	24,000	2,000	14,000	28,000
Estimated stock on 31st January	20,000	8,000	28,000	4,000	16,000	32,000
Estimated consumption	1,20,000	44,000	1,32,000	36,000	88,000	1,72,000
Standard price per unit	25 paise	5 paise	15 paise	10 paise	20 paise	30 paise

Or

(b) A company working at 50% capacity manufactures 10,000 units of a product. At 50% capacity the product cost is Rs. 180 and sale price is Rs. 200. The break up of the cost is as below :

Cost per unit

Material	Rs. 100
Wages	30
Factory	30 (40% fixed)
Administration overheads	20 (50% fixed)

At 60% working raw material cost goes up by 2% and sales price falls by 2%. At 80% working the raw material cost increases by 5% and sale price decreases by same percentage i.e. 5%

Prepare a statement to show profitability at 60% and 80% capacity.

15. (a) The budgeted sales for one month and the actual results achieved are as under

Product	Qty. Nos.	Budget	Amount	Qty. Nos.	Actual Rate	Amount
		Rate	Rs.		Rs.	Rs.
A	1,000	100	1,00,000	1,200	125	1,50,000
B	700	200	1,40,000	800	150	1,20,000
C	500	500	1,50,000	600	300	1,80,000
D	<u>300</u>	500	<u>1,50,000</u>	<u>400</u>	600	<u>2,40,000</u>
	<u>2,500</u>		<u>5,40,000</u>	<u>3,000</u>		<u>6,90,000</u>

Calculate in respect of each product, the sales variances.

Or

- (b) Define and explain the following terms :

- (i) Material price variance
- (ii) Material usage variance
- (iii) Material mix variance
- (iv) Material yield variance.

