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**Y 4044**

M.B.A. DEGREE EXAMINATION, MAY/JUNE 2008.

First Semester

BA 105 — ACCOUNTING FOR MANAGEMENT

(Regulation 2002)

Time : Three hours

Maximum : 100 marks

Answer ALL questions.

PART A — (10 × 2 = 20 marks)

1. What is a journal?
2. Distinguish between gross profit and net profit.
3. What are the common constituents of liabilities?
4. What is meant by depreciation?
5. What are the limitations of financial statement analysis?
6. What are the applications of funds flow statement?
7. What is meant by contribution margin?
8. What is a fixed budget?
9. Give two uses of variance analysis.
10. What is meant by direct costing?

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PART B — (5 × 16 = 80 marks)

11. (a) Elaborate on the concepts and conventions of accounting.

Or

(b) From the following information, prepare trading account, P & L a/c and balance sheet as on 31st December 2006.

Particulars	Debit (Rs.)	Credit (Rs.)
Opening stock	10,000	
Cash and Bank	4,000	25,000
Purchases and sales	70,000	90,000
Returns	3,000	4,000
Debtors and creditors	30,000	21,000
Buildings	30,000	
Capital		30,000
Furniture and fittings	7,000	
Bad debts reserve		2,000
Petty cash	200	
Carriage inwards	800	
Salaries	11,000	
Interest charges	500	
Sundry trade expenses	6,000	
Insurance premium paid	1,000	
Telephone charges	500	
Commission		2,000

Additional Information :

- (i) Closing stock Rs. 15,000.
- (ii) Buildings and furniture and fittings are to be depreciated by 10% and 20% respectively.
- (iii) Bad debts Rs. 1,000 are to be written off and a reserve of 5% is to be kept on remaining debtors.
- (iv) Commission received in advance Rs. 1,000.

12. (a) (i) Write notes on methods of depreciation. (8)  
(ii) Write notes on inventory accounting methods. (8)

Or

- (b) Illustrate adjusting entries made in relation to final accounts. Give any four instances. (16)

13. (a) (i) What are the limitations of ratio analysis? (4)

- (ii) From the following details find (1) Sales (2) Debtors (3) Closing stock (4) Creditors.

Stock velocity	-	8 months
Debtors velocity	-	3 months
Creditors velocity	-	2 months
Gross profit ratio	-	25%

Gross profit for the year is Rs. 4,00,000. Bills receivable is Rs. 25,000 and bills payable is Rs. 10,000. Closing stock for the year is Rs. 10,000 more than the opening stock. (12)

Or

- (b) The comparative balance sheets of x and y are given.

<u>Liabilities</u>	31.12.05 Rs.	31.12.06 Rs.
Sundry creditors	80,000	85,000
Loan from individuals	40,000	35,000
Loan from bank	80,000	90,000
Combined capital	1,25,000	1,50,000
	<u>3,25,000</u>	<u>3,60,000</u>
<u>Assets</u>		
Cash	20,000	15,000
Receivables	50,000	90,000
Inventories	70,000	60,000
Plant and machinery	80,000	55,000
Land and buildings	1,05,000	1,40,000
	<u>3,25,000</u>	<u>3,60,000</u>

During the year, a machine costing Rs. 10,000 (accumulated depreciation Rs. 4,000) was sold for Rs. 7,000. The provision for depreciation against plant and machinery as on 31.12.2005 was Rs. 25,000 and on 31.12.2006, Rs. 40,000. Net profit for the year 2006 amounted Rs. 46,000.

Prepare

- (i) Schedule of changes in working capital. (8)
- (ii) Statement of sources and applications of funds (8)
14. (a) (i) What is job costing? Give the procedure. (8)
- (ii) What are the advantages and limitations of process costing? (8)

Or

- (b) A product passes through two distinct processes A and B and then to finished stock. The output of A passes direct to B and that of B to finished stock. Based on the following information, prepare the process accounts.

	A (Rs.)	B (Rs.)
Materials consumed	12,000	6,000
Direct labour	14,000	8,000
Manufacturing expenses	4,000	4,000
Input in process A (10,000 units)	10,000	
Output (units)	9,400	8,300
Normal wastage (on input)	5%	10%
Value of normal wastage (per 100 units)	8	10

No opening or closing stock is in process.

15. (a) (i) Discuss the different types of budgets. (8)
- (ii) What are the features of a zero based budget? (8)

Or

- (b) From the following information relating to the manufacture of a product ascertain the actual consumption of materials, actual price and material usage variance.

Material cost variance	Rs. 700 (adverse)
Standard quantity	1,000 kgs
Material price variance	Rs. 300 (favourable)
Standard price	Rs. 5 per kg.

