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**Question Paper Code : 60306**

M.B.A. DEGREE EXAMINATION, MAY/JUNE 2014.

First Semester

BA 7106 — ACCOUNTING FOR MANAGEMENT

(Regulation 2013)

Time : Three hours

Maximum : 100 marks

(Codes/Tables/Charts to be permitted, if any, may be indicated)

Answer ALL questions.

PART A — (10 × 2 = 20 marks)

1. What is GAAP?
2. What is human resource accounting?
3. Define a 'joint stock company'.
4. What do you mean by employees stock option scheme?
5. Define the term fund.
6. From the following information, calculate cash from operations :

Rs.

Funds from operation	84,000
Increase in current assets	73,000
Increase in current liabilities	21,000
Decrease in current assets	20,000

7. From the following information, calculate gross profit ratio

Rs.

Sales	10,00,000
Sales returns	1,00,000
Cost of goods sold	5,85,000

8. What is target costing?

9. Calculate break even point from the following :  
 Sales 1,000 units at Rs.10 each Rs. 10,000  
 Variable cost Rs.6 per unit  
 Fixed cost Rs. 8,000.
10. State any two limitations of computerized accounting.

PART B — (5 × 16 = 80 marks)

11. (a) A Ltd. was registered with an authorized capital of Rs. 6,00,000 in equity shares of Rs.10 each. The following is its Trial balance on 31<sup>st</sup> March, 2009.

Particulars	Debit	Credit
Goodwill	25,000	—
Cash	750	—
Bank	39,900	—
Purchase	1,85,000	—
Preliminary expenses	5,000	—
Share capital	—	4,00,000
12% debentures	—	3,00,000
Profit and loss account	—	26,250
Calls in arrears	7,500	—
Premises	3,00,000	—
Plant and machinery	3,30,000	—
Interim dividend	39,250	—
Sales	—	4,15,000
Stock	75,000	—
Furniture	7,200	—
Sundry debtors	87,000	—
Wages	84,865	—
General expenses	6,835	—
Freight and carriage	13,115	—
Salaries	14,500	—
Directors' fees	5,725	—
Bad debts	2,110	—
Debenture interest paid	18,000	—
Bills payable	—	37,000
Sundry creditors	—	40,000
General reserve	—	25,000
Provision for bad debts	—	3,500
	<u>12,46,750</u>	<u>12,46,750</u>

Prepare profit and loss a/c profit and loss appropriation a/c and balance sheet in proper form after making the following adjustments :

- (i) Depreciate plant and machinery by 15%
- (ii) Write off Rs.500 from preliminary expenses
- (iii) Provide for 6 months interest on debentures
- (iv) Leave bad and doubtful debts provision at 5% on sundry debtors
- (v) Provide for income tax at 50%
- (vi) Stock on 31.3.2010 was Rs. 95,000

Or

- (b) The following is the trial balance of Mr. Kumar as on 31<sup>st</sup> March, 2008 :

	Debit	Credit
	Rs.	Rs.
Sales		1,20,000
Purchases	82,000	
Customs Duty	8,000	
Royalty	5,000	
Opening stock	12,000	
Accounts receivable	22,000	
Accounts payable		11,000
Bills receivable	10,000	
Bills payable		8,000
Bad debts	2,000	
Carriage inwards	1,000	
Telephone charges	2,000	
Printing and stationery	500	
Investments	6,000	
Interest		800
Land and buildings	40,000	
Rent		3,200
Income tax paid	3,000	
Cash	1,500	
Furniture	5,000	
Capital		57,000
	2,00,000	2,00,000

Adjustments :

- (i) Closing stock is valued at Rs. 22,000
- (ii) Carriage on purchase outstanding amounts to Rs. 300
- (iii) Interest receivable amounts to Rs. 200
- (iv) Rent received in advance amounts to Rs. 400
- (v) Depreciation @ 10% is required on furniture.

Prepare Final accounts.

12. (a) G Ltd. was registered on 1.7.07 to acquire the running business of S & Co. with effect from 1.1.07. The following was the profit and loss a/c of the company on 31.12.07.

Particulars	Rs.	Particulars	Rs.
To Office expenses	54,000	By Gross profit b/d	2,25,000
To Formation expenses	10,000		
To Stationery and postage	5,000		
To Selling expenses	60,000		
To Director's fees	20,000		
To Net profit	76,000		
	<u>2,25,000</u>		<u>2,25,000</u>

You are required to prepare a statement showing profit earned by the company in the pre and post incorporation periods. The total sales for the year took place in the ratio of 1 : 2 before and after incorporation respectively.

Or

- (b) Explain the concepts and conventions of accounting.

13. (a) From the following information, you are required to prepare a balance sheet :

Current ratio	1.75
Liquid ratio	1.25
Stock turnover ratio (cost of sales/closing stock)	9
Gross profit ratio	25%
Debt collection period	1.5 months
Reserves and surplus to capital	0.2
Fixed assets turnover (on cost of sales)	1.23
Capital gearing ratio (long term debt to share capital)	0.6
Fixed assets to net worth	1.25
Sales for the year	Rs. 12,00,000

Or

(b) Goodwill Ltd. Supplies you the following balance sheets on 31<sup>st</sup> December, 2011 and 2012 :

Liabilities	2011 Rs.	2012 Rs.	Assets	2011 Rs.	2012 Rs.
Share capital	70,000	74,000	Bank Balance	9,000	7,800
Bonds	12,000	6,000	Accounts Receivable	14,900	17,700
Accounts Payable	10,360	11,840	Inventories	49,200	42,700
Provision for Doubtful Debts	700	800	Land	20,000	30,000
Reserves and surplus	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>

Following additional information has also been supplied to you :

- (i) Dividends amounting to Rs. 3,500 were paid during the year 2012
- (ii) Land was purchased for Rs. 10,000
- (iii) Rs.5,000 were written off on account of goodwill during the year
- (iv) Bonds of Rs.6,000 were paid during the course of the year.

You are required to prepare a Cash Flow Statement.

14. (a) The product of a company passes through 3 distinct processes. The following information is obtained from the accounts for the month ending January 31. 2008.

Particulars	Process		
	A	B	C
Direct material	7,800	5,940	8,886
Direct wages	6,000	9,000	12,000
Production overheads	6,000	9,000	12,000

3000 units @ Rs. 3 each were introduced to process – I. There was no stock of materials or work in progress. The output of each process passes directly to the next process and finally to finished stock A/c.

The following additional data is obtained :

Process	Output Units	% of normal loss	Value scrap per unit Rs.
Process A	2850	5	2
Process B	2520	10	4
Process C	2250	15	5

Prepare Process Cost Accounts, Normal Cost Account and Abnormal Gain or Loss Account.

Or

- (b) Prepare a flexible budget for overheads on the basis of the following data and ascertain overhead rates at 50%, 60% and 70% capacity.

	At 60% capacity Rs.
Variable overheads :	
Indirect material	6,000
Indirect labour	18,000
Semi-variable overheads :	30,000
Electricity (40% fixed 60% variable)	3,000
Repairs (80% fixed 20% variable)	
Fixed overheads :	
Depreciation	16,500
Insurance	4,500
Salaries	15,000
Total overheads	<u>93,000</u>
Estimated direct labour hours	<u>1,86,000</u>

15. (a) Explain the significance of computerized accounting and role of computer in accountancy.

Or

- (b) Explain the considerations for selecting Pre-packaged accounting software and discuss its advantages and disadvantages.