

**C 005**

M.B.A. DEGREE EXAMINATION, NOVEMBER/DECEMBER 2002.

First Semester

BA 105 — ACCOUNTING FOR MANAGEMENT

Time : Three hours

Maximum : 100 marks

Answer ALL questions.

PART A — (10 × 2 = 20 marks)

1. Explain accounting cycle.
2. Give any four managerial applications of accounting information.
3. Explain sectional balancing system.
4. Give any two limitations of cash flow analysis.
5. Define imputed costs.
6. Give any four common bases of apportioning factory overheads.
7. Explain Zero base budget.
8. Define a cost centre
9. Explain direct material cost variances.
10. Explain profit/volume ratio.

PART B — (5 × 16 = 80 marks)

11. Discuss the significance of accounting information from the view point of business stake holders.
12. (a) (i) Explain the objectives of providing depreciation. (8)  
(ii) X Ltd purchased a machine for Rs. 60,000 on 1.1.1998. Depreciation is provided @ 10% p.a., on diminishing balance method. Prepare machinery account for the year 2000 in each of the following alternative cases :
  - (1) If the machine is sold on 1.7.2000 for Rs. 28,600
  - (2) If a new machine costing Rs. 60,000 is purchased on 1.7.2000 after surrendering the old one and paying cash Rs. 35,000. (8)

Or

(b) (i) Explain the factors affecting valuation of shares. (8)

(ii) ABC Ltd. has 15,000 equity shares of Rs. 100 each, Rs. 80 paid. Also 3000 — 8% preference share of Rs. 100 each fully paid. The company transfers 15% of its profit to General Reserve every year. The company expects profits of Rs. 8,00,000 (Before tax). The rate of tax is 40%. You are required to calculate the value of equity shares. The normal rate of dividend is 25%. (8)

13. (a) (i) Explain the difference between cash flow analysis and funds flow analysis. (8)

(ii) Statement of financial position of Mr. A is given below

	1.1.2000	31.12.2000
	Rs.	Rs.
Account payable	29,000	25,000
Capital	7,39,000	6,15,000
	<u>7,68,000</u>	<u>6,40,000</u>
Cash	40,000	30,000
Debtors	20,000	17,000
Stock	8,000	13,000
Building	1,00,000	80,000
Other fixed assets	6,00,000	5,00,000
	<u>7,68,000</u>	<u>6,40,000</u>

Additional information :

There were no drawings.

There were no purchase or sale of either building or other fixed assets.

Prepare statement of cash flow. (8)

Or

- (b) (i) Explain the assumptions of cost — volume — profit analysis. (8)
- (ii) S & Co. Ltd. has three divisions, each of which makes a different product. The budgeted data for the next year is as follows :

Divisions	A Rs.	B Rs.	C Rs.
Sales	1,12,000	56,000	84,000
Costs :			
Direct material	14,000	7,000	14,000
Direct labour	5,600	7,000	22,400
Variable overhead	14,000	7,000	28,000
Fixed costs	28,000	14,000	28,000
Total costs	61,600	35,000	92,400

The management is considering to close down Division C. There is no possibility of reducing variable costs. Advise whether or not division C should be closed down. (8)

14. (a) (i) Outline the usefulness of process costing. (8)
- (ii) Fifty units are introduced into a process at a cost of Rs. 50. The total additional expenditure incurred by the process is Rs. 30. Of the units, introduced 10% are normally spoilt in the course of manufacture these possess a scrap value of Rs. 0.25 each. Owing to an accident only 40% units are produced. You are required to prepare a process account. (8)

Or

- (b) (i) Explain the application of marginal cost analysis for managerial decision making. (8)
- (ii) A product — X, takes 5 hours to be produced on a machine, which is used to full capacity. Its selling price is Rs. 60 and marginal cost Rs. 30. A component — Z, used in the production of X, can be made on the same, machine in 2 hours. The marginal cost of producing Z is Rs. 10. It can be bought at the net price of Rs. 12. From the market should the firm make or buy the component? (8)

15. (a) (i) Explain the features of a flexible budget. (8)

(ii) XY Industries Ltd. is preparing its comprehensive budget for the next year. The sales manager has said that, he does not wish to have, a single estimate of sales, but would prefer to give four forecasts, along with his estimates of the probabilities he attaches to them.

Sales forecasts	Probabilities
Rs. 16,00,000	0.4
Rs. 20,00,000	0.3
Rs. 24,00,000	0.2
Rs. 30,00,000	0.1

Variable costs are 40% of the sales and total fixed costs are Rs. 8,00,000 per year. Prepare budgeted income statement based on each of the four forecasts. (8)

Or

(b) (i) Explain standard costing as a control technique. (8)

(ii) You have been appointed as Financial executive attached to the central office of AB Ltd., with special responsibility for monitoring the performance of the divisions within the company. Each division is treated as an investment centre. Summaries of the Divisions X and Y for the year ending 31st Dec. 2000 are given below :

Particulars	X Rs.	Y Rs.
Sales	7,00,000	9,50,000
Variable costs	3,20,000	4,10,000
Fixed overhead	2,00,000	2,90,000
Divisional assets	2,50,000	3,75,000

You are required to assess the performance of the divisions with the help of ROI. (8)

