

P 166

M.B.A. DEGREE EXAMINATION, NOVEMBER/DECEMBER 2003.

First Semester

BA 105 — ACCOUNTING FOR MANAGEMENT

Time : Three hours

Maximum : 100 marks

Answer ALL questions.

PART A — (10 × 2 = 20 marks)

1. Explain the sequential steps involved in an accounting cycle.
2. Define current liabilities.
3. Give any four objectives for providing depreciation.
4. Give any four limitations of financial statement analysis.
5. Explain cost-volume-profit analysis.
6. Give the significance of pay-out ratio.
7. Explain value variance.
8. Mention any four uses of cash flow statement.
9. Explain zero base budget.
10. Define a cost centre.

PART B — (5 × 16 = 80 marks)

11. Discuss the managerial applications of accounting information. (8)
12. (a) (i) Explain any two methods of providing depreciation. Also give the relative merits and demerits of those methods. (8)
- (ii) On 1st Jan. 1998, X Ltd. purchased a machinery for Rs. 58,000 and spent Rs. 2,000 on its erection. On 1st July 1998 an additional Rs. 20,000 worth of machinery was purchased. On 1st July 2000, the machine purchased on 1st Jan. 1998 was sold for Rs. 28,600 and on the same date, a new machine was purchased at a cost of Rs. 40,000. Show the machinery account for first four calendar years according to written down value method taking the rate of depreciation @ 10%. (8)

Or

- (b) (i) Explain any two methods of valuation of shares. (8)
- (ii) From the below given information, you are required to calculate the intrinsic value of shares

Capital : Rs. 2,500, 7% preference share of Rs. 120 each fully paid  
6000 equity shares of Rs. 100 each fully paid

Reserve Fund Rs. 15,000

External liabilities Rs. 40,000

Assets worth Rs. 3,000 are fictitious.

13. (a) (i) Explain the significance of ratio analysis. (8)
- (ii) From the following you are required to comment upon the long term as well as short term solvency of the company. (8)
- Balance sheet as on 31st December 2000

	Rs.		Rs.
Share capital	5,00,000	Fixed assets	6,00,000
Fixed liabilities	2,50,000	Liquid assets	3,00,000
Current liabilities	2,50,000	Stock in hand	1,00,000
	<u>10,00,000</u>		<u>10,00,000</u>

Or

(b) (i) Explain the importance as well as the limitations of P/V ratio. (8)

(ii) K & Co. produces a single article. Following cost data is given :

Selling price per unit Rs. 20

Marginal cost per unit Rs. 12

Fixed cost per annum Rs. 800

Calculate :

- P/V Ratio
- Break-even sales
- Sales to earn a profit of Rs. 1,000
- New break even sales if the sales price is reduced by 10% (8)

14. (a) (i) Explain any four methods of overhead absorption. (8)

(ii) A product passes through two distinct process : A and B and then to finished stock. The output of A, passes direct to B and that of B passes to finished stock. From the following information you are required to prepare process account : (8)

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

No opening or closing stock is held in the process.

Or

- (ii) A company is considering an outlay on new investment projects for its two divisions X and Y. The details about new investment projects are given below :

Particulars	Divisions	
	X	Y
Investment outlay (Rs.)	75,000	75,000
Expected return on new projects (Rs.)	14,000	10,000
Current ROI	16%	18%

The company's cost of capital is 12%. You are required to give your opinion to the company regarding the investments in the above divisions.  
(8)

