

**E 8044**

M.B.A. DEGREE EXAMINATION, NOVEMBER/DECEMBER 2005.

First Semester

BA 105 — ACCOUNTING FOR MANAGEMENT

Time : Three hours

Maximum : 100 marks

Answer ALL questions.

PART A — (10 × 2 = 20 marks)

1. What are the functions of accounting?
2. What do you mean by accounting cycle?
3. What is meant by ratio analysis?
4. What you mean by depreciation?
5. How will you calculate cash from operation?
6. Why do firms control inventories?
7. Differentiate between standard cost and estimated cost.
8. Explain the managerial use of variance analysis?
9. What do you mean by process costing?
10. Explain the relationship of budgetary control and budgeting.

PART B — (5 × 16 = 80 marks)

11. (i) Explain the methods of financial statement analysis. (8)
- (ii) The summary of Balance sheet in respect of A Ltd. and B Ltd. is as under :

	A Ltd.	B Ltd.
	Rs.	Rs.
Buildings	1,00,000	4,50,000
Machinery	3,00,000	7,50,000
Share capital	4,50,000	14,50,000

	A Ltd. Rs.	B Ltd. Rs.
Retained earnings	50,000	33,000
Debtors	1,15,000	1,60,000
Stocks	60,000	2,17,000
Cash	10,000	5,000
Prepaid expenses	5,000	3,000
Creditors	91,000	1,00,000
Liability for expenses	9,000	17,000
Preliminary expenses	10,000	15,000

Prepare common-size Balance Sheets.

(8)

12. (a) (i) Discuss the objectives and advantages of cash flow statement. (8)

(ii) From the following Balance Sheets as on 31<sup>st</sup> December, you are required to prepare a cash flow statement: (8)

	2003 Rs.	2004 Rs.		2003 Rs.	2004 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 receivable	10,000	20,000
Expenses o/s	<u>10,000</u>	<u>15,000</u>	Bank	<u>10,000</u>	<u>15,000</u>
	<u>2,70,000</u>	<u>3,85,000</u>		<u>2,70,000</u>	<u>3,85,000</u>

Or

(b) (i) Explain the main components of current assets in a manufacturing concern. (8)

(ii) Kailash Ltd. gives the following Balance Sheet. You are required to compute the following ratios :

- (1) Liquid ratio
- (2) Debt-Equity ratio
- (3) Solvency ratio
- (4) Stock-working capital ratio.

(8)

Balance Sheet as on 31<sup>st</sup> Dec.

	Rs.		Rs.
Equity share capital	15,00,000	Fixed assets	14,00,000
Reserves and surplus	1,00,000	Stock	5,00,000
6% Debentures	3,00,000	Debtors	2,00,000
Overdraft	1,00,000	Cash	1,00,000
Creditors	<u>2,00,000</u>		
	<u>22,00,000</u>		<u>22,00,000</u>

13. (a) (i) Discuss the importance of the following in relation to marginal costing :

- (1) Break-even points
- (2) Margin of safety
- (3) Contribution
- (4) P/V ratio.

(8)

- (ii) The particulars of two plants producing an identical product with the same selling price are as under :

	Plant A	Plant B
Capacity utilization	70%	60%
	(Rs. in Lakhs)	(Rs. in Lakhs)
Sales	150	90
Variable cost	105	75
Fixed cost	30	20

It has been decided to merge plant B with plant A. The additional fixed expenses involved in the merger amount to Rs. 2 lakhs.

- (1) Find the break-even point of plant A and plant B before merger and the break-even point of the merged plant.
- (2) Find the capacity utilization of the integrated plant required to earn a profit of Rs. 18 lakhs. (8)

Or

- (b) (i) What do you mean by the term Batch Costing? How is Economic Batch quantity determined? (8)
- (ii) Compute the economic batch quantity for a company using batch costing with the following information :

Annual demand for the parts	4,000 units
Setting up cost	Rs. 100
Cost of manufacture : one unit	Rs. 200
Rate of interest per annum	10%

14. (a) (i) Explain the difference between a forecast and a budget. (8)
- (ii) Prepare a flexible budget for overheads on the basis of the following data. Ascertained the overhead rates at 50%, 60% and 70% capacity :

Variable Overheads	At 60% capacity
Indirect material	6,000
Indirect labour	18,000

Semi-variable overheads :

Electricity (40% fixed 60% variable)	30,000
Repairs (80% fixed 20% variable)	3,000

Fixed overheads :

Depreciation	16,500
Insurance	4,500
Salaries	15,000
Total overheads	93,000
Estimated direct labour hours	1,86,000

(8)

Or

(b) (i) What do you understand by zero base budgeting? How is it different from traditional budgeting? (8)

(ii) From the following particulars, prepare a production budget of a company for the year ended June 30, 2004 : (8)

Product	Sales (units)	Estimated stock (units)	
		1 <sup>st</sup> July 2003	30 <sup>th</sup> June 2004

A	1,50,000	14,000	15,000
B	1,00,000	5,000	14,500
C	70,000	8,000	8,000

15. (a) (i) Explain the importance and advantage of direct costing. (8)

(ii) Calculate the material mix variance from the following : (8)

Material	Standard	Actual
A	90 units at Rs. 12 each	100 units at Rs. 12 each
B	60 units at Rs. 15 each	50 units at Rs. 16 each

Or

Q. 10  
Q. 11

(b) (i) Discuss the importance of combination costing system : (8)

(ii) The labour budget of a company for a week is as follows :

20 skilled men @ 50 paise per hour for 40 hours	= 400
40 unskilled men @ 30 paise per hour for 40 hours	= 480
	<u>880</u>

The actual labour force was used as follows :

30 skilled labour men @ 50 paise per hour for 40 hours	= 600
30 unskilled men @ 35 paise per hour for 40 hours	= 420
	<u>1,020</u>

Analyse labour variance. (8)

