

Y 4044

M.B.A. DEGREE EXAMINATION, NOVEMBER/DECEMBER 2006.

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 are the functions performed by the accounting system?
2. What are the components of current assets?
3. Define the nature of cash.
4. What do you understand by accounts receivable?
5. What are the methods of financial statement analysis?
6. What is a cash flow statement?
7. What is meant by cost-volume-profit analysis?
8. What do you understand by job order cost accounting?
9. What are the essentials of a sound system of budgeting?
10. Describe the managerial use of variance analysis.

PART B — (5 × 16 = 80 marks)

11. (a) Define and explain briefly the following :
 - (i) Flexible budget.
 - (ii) Sales budget.
 - (iii) Labour budget.
 - (iv) Overhead budget.

Or

- (b) (i) Discuss the relevance of zero base budgeting for the present situation. (10)
- (ii) What are the advantages of profit budgeting? (6)

12. (a) The current credit terms of Kailash Ltd. are "net 30". It is considering to change them to "3/15, net 45" credit terms in order to increase its sales. The proposed change is expected to have the following implications :

Current sales	Rs. 50,00,000
Estimated increase in sales	10%
Estimated total sales that will avail discount offer	Rs. 15,00,000
Estimated increased investment in receivables	4,00,000
Estimated increased costs :	
Bad debt losses	1% of increased sales
Production administrative and selling costs	74% of increased sales
Required return on investment	10%
Cash Discount	3% of sales

You are required to state whether it is desirable to introduce the changes in credit terms.

Or

(b) "Efficient cash management will aim at maximizing the availability of cash inflows by decentralizing collections and decelerating cash outflows by centralizing disbursements". Discuss.

13. (a) Explain the different techniques of analysis and interpretation of financial statements.

Or

(b) From the following balances, you are required to calculate cash from operations :

	31st December	
	1999	2000
	Rs.	Rs.
Debtors	50,000	47,000
Bills Receivable	10,000	12,500
Creditors	20,000	25,000
Bills payable	8,000	6,000
Expenses O/S	1,000	1,200

Expenses prepaid	800	700
Accrued income	600	750
Income received in advance	300	250
Net profit made	-	1,30,000

14. (a) You are given the following data for the year 2004 of the company :

Variable cost	Rs. 6,00,000
Fixed cost	Rs. 3,00,000
Net profit	Rs. 1,00,000
Sales	Rs. 10,00,000

Find (i) P/V ratio (ii) B.E.P. (iii) Profit when sales amounted to Rs. 12,00,000 (iv) Sales required to earn a profit of Rs. 2,00,000.

Or

- (b) The product of a manufacturing concern passes through two processes A and B and then to finished stock. It is ascertained that in each process normally 5% of the total weight is lost and 10% is scrap which from processes A and B realizes Rs. 80 per tonne and Rs. 200 per tonne respectively.

The following are the figures relating to both the processes :

	Process A	Process B
Materials in tonnes	1,000	70
Cost of material in rupees per tonne	125	200
Wages in rupees	28,000	10,000
Manufacturing expenses in rupees	8,000	5,250
Output in tonnes	830	780

Prepare Process Cost Accounts showing cost per tonne of each process. There was no stock or work-in-progress in any process.

15. (a) A department of company X attains sales of Rs. 6,00,000 at 80% of its normal capacity and its expenses are given below :

Administration Costs :

Office Salaries	Rs. 90,000
General Expenses	2% of sales
Depreciation	Rs. 7,500
Rates and taxes	Rs. 8,750

Selling Costs :

Salaries	8% of sales
Travelling Expenses	2% of sales
Sales office	1% of sales
General Expenses	1% of sales

Distribution Costs :

Wages	Rs. 15,000
Rent	1% of sales
Other expenses	4% of sales

Draw up flexible administration, selling and distribution cost budget, operating at 90%, 100% and 110% of normal capacity.

Or

- (b) Is it necessary to separate variable-overhead and fixed-overhead variances? What is the fundamental difference between these two kinds of variances?

