

**BA5103– ACCOUNTING FOR MANAGEMENT
QUESTION BANK
UNIT – I**

PART – A

1. Define accounting.
2. Explain the meaning of trial Balance.
3. Distinction between journal and ledger.
4. State the difference between cost accounting and financial accounting.
5. State the difference between cost accounting and management accounting.
6. What is Journal?
7. Explain the golden rules of accounting?
8. What are current assets?
9. What is meant by intangible asset?
10. Write a note on liabilities.
11. Write a note on assets.
12. What is ledger?
13. Explain GAAP
14. Define Balance Sheet.
15. What do you mean by fixed\assets?
16. What are accounting concepts?
17. State the two major drawbacks of historical accounting.
18. What is Duality concept?
19. Define Intangible asset with examples.
20. What is meant by accounting?
21. What is double entry system of book keeping?

PART – B

1. What are the objectives of accounting?
2. What are the advantages of accounting?
3. Explain the purpose and uses of management accounting systems.
4. From the following balances taken out at the close of a year ended 31st December 2007.
Prepare a profit and loss account.

Particulars	Amount	Particulars	Amount
Gross profit	1,02,000	Discount(dr)	1,000
Carriage outwards	5,000	Apprentice Premium	3,000
Salaries	11,000	Printing and stationery	500
Rent	2,200	Rates and taxes	700
Insurance Premium	1,800	Travelling expenses	400
Bad debts	4,200	Depreciation	12,000

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Sundry trade expenses	600	Repairs and maintenances	5,600
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5. The following figures are Available relating to the business of Shri Vel for the year 2002.

Opening stock	25,000
Purchases	92,000
Direct Expenses	4,000
Closing stock	29,600
Sales	1,38,000

Calculate 1) Cost of goods sold and Gross profit.

6. Explain the accounting concepts.
7. What is GAAP? Explain.
8. Write an essay on Inflation accounting.
9. Discuss the importance of human resource accounting.
10. Explain various accounting principles, concepts and conventions.
11. Give a specimen of trading, profit and loss account and Balance Sheet.
12. Explain the accounting for price level changes under Current purchasing power (CPP) method.
13. Explain in detail the accounting concepts and conventions.
14. The following balance has been extracted from the books of Mr.Ganesh on 31.02.2010

Particulars	Rs	Particulars	Rs
Capital	8,00,000	Bad debts	5,000
Drawings	60,000	Sundry creditors	95,000
Machinery(01.04.2009)	2,00,000	Sales	12,00,000
Machinery additions(1.07.2009)	50,000	Purchase returns	10,000
Stock on 1.04.2009	1,50,000	Provision for bad and doubtful debts(01.04.2009)	8,000
		.	
Purchases	8,20,000	Commission received	16,000
Carriage on purchases	20,000	Sundry debtors	52,000
Furniture and fixtures	2,00,000	Insurance charges	10,000
Carriage on sales	25,000	Salaries	2,10,000
Sundry expenses	8,000	Cash in hand	62,000
Printing and stationery	12,000	Cash at bank	2,05,0000
Rent, rates and taxes	40,000		

Adjustments:

- 1) Closing stock Rs.1,40,000
- 2) Create provision for bad and doubtful debts AT 5% ON SUNDRY DEBTORS.

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- 3) Provide depreciation of 20% on plant and machinery and 10% on furniture and fixtures.
- 4) Insurance paid in advance is Rs.1000
- 5) Commission receivable in arrears is Rs5,000
- 6) Salaries payable are Rs.15,000.

Prepare trading accounts, profit and loss account and Balance Sheet for the year ending 31.03.2010.

15. From the following trial balance of evergreen aand company prepare trading and profit and Loss and balance sheet.

Particulars	Debit(Rs)	Credit (Rs)
Cash in hand	2,400	
Purchases	2,40,000	
Stock on 1 st January 2005	70,000	
Debtors	1,00,000	
Plant and Machinery	1,20,000	
Furniture ³	30,000	
Bills receivable	40,000	
Rent and taxes	20,000	
Wages	32,000	
Salaries	37,000	
Capital		2,00,000
Bills payable		44,000
Creditors		48,000
Sales		4,00,000
Total	6,92,000	6,92,000

Additional information:

1. Closing inventory as on 31st December 2005 Rs.50,000
2. Outstanding wages Rs.5,000
3. Depreciation on Plant and Machinery at 10% and Furniture at 5%.

16. The following are the ledger balances extracted from the books of Mr.Ramasamy.

Ramasamy's Capital	50,000	Sales	3,01,000
Bank Overdraft	8,400	Return inwards	5,000
Furniture	5,200	Discount (cr.)	800
Business Premises	40,000	Taxes and Insurance	4,000
Creditors	26,600	General Expenses	8,000
Opening Stock	44,000	Salaries	18,000
Debtors	36,000	Commission allowed	4,400
Rent from	2,000	Carriage on	3,600

tenants		purchases	
Purchases	2,20,000	Provision for doubtful debts	1,000
		Bad debts written off	1,600

Adjustments:

- i) Stock on hand on 31-12-2015 was estimated as Rs.40,120
 - ii) Write off depreciation on business premises Rs.600 and furniture Rs.520.
 - iii) Make a provision of 5% on debtors for bad and doubtful debts.
 - iv) Allow interest on capital at 5% and carry forward Rs.1,400 for unexpired insurance.
- Prepare Final accounts for the year ended 31-12-2015.

UNIT – II

PART – A

1. Write the meaning of a Company
2. What is a company?
3. Write the classification of Share capital
4. Define Company? What are the characteristics?
5. Explain ESOP?
6. What is buy-back of securities?
7. What is forfeiture of shares?
8. What is preferential allotment?
9. Distinguish between private company and public limited company.
10. What is allotment of shares?
11. What is compound journal entry?
12. Mention any two methods of alteration of share capital.
13. Discuss the provision on Buy Back of Securities?
14. What is Interim Dividend?
15. What are the various methods of valuation of shares of company?
16. What are statutory books?
17. What is an employee's stock option scheme?
18. Differentiate private limited company from public limited company.
19. Write a short note on preference share capital.
20. What do you understand by reduction of capital?
21. What are the components of final accounts of joint stock company?

PART – B

1. Draft the balance sheet of a limited company in prescribed form as per schedule VI of Indian companies act with imaginary figure?
2. Define share and explain its types.
3. For What purposes the share premium can be utilized?

4. On 1.1.2007 Gaja Ltd. makes an issue of 10,000 equity shares of Rs.10 each payable as:
- On application Rs.3
 - On allotment Rs.3
 - On first and final call Rs.4 (three months after allotment)

Applications are received for 13,000 shares and directors made allotment in full to the applicant demanding five or more shares and returned money to the applicants for 3000 shares. One share holder, who was allotted 200 shares, paid first and final call with allotment money and another shareholder did not pay allotment money on his 300 shares but which he paid with first and final call. Directors have decided to charge and allow interest, as the case may be, on Calls –in-advance respectively according to the provision of Table A. Journalize the transactions including cash transactions.

5. Define goodwill and explain the factors to be considered for valuing the goodwill.
6. A limited company issued 10,000 equity shares of Rs.10 each payable as under Rs.2 on application, Rs.5 on allotment, Rs.3 on final call.
7. The public applied for 8000 shares which were allotted. All the money due on shares was received except the final call on 100 shares. These shares were forfeited and re-issued at Rs.8 per share. Show the journal entries in the books of the company.
8. Write short note on: Buy back of securities, Employees stock option, statutory books, Shares allotted on pro rata basis.
9. Define a company and state its essential characteristics. Explain the documents that have to file with registrar of companies for getting a company in corporate.
10. Explain the different modes of alteration of share capital as per the provision of section 94 to 97 of the companies act.
11. Explain different forms of business organization with emphasis on Ownership, Ease of decision making, Government Regulation, Suitability.
12. Define: (i) Authorized share capital (ii) Paid up capital (iii) Articles of Association (iv) Memorandum of Association (v) Preference share capital (vi) Treasury stock.
13. Write a note on employee stock option and explain its features.
14. 'A' co. ltd was incorporated on May 1,2016 to take over the business of 'X' and co. as a going concern from January 2016. The profit and loss account for the year ending December 31,2016 was as follow:

Profit and Loss account of "A" co. ltd. For the year ended 31-12-2016

Particular (Dr.)		Particulars (Cr.)
To Rent and Taxes	12,000	By Trading account (Gross profit) 1,55,000
To Insurance	3,000	
To Electricity Charges	2,400	
To Salaries	36,000	
To Directors' Fees	3,000	
To Auditors' Fees	1,600	
To Commission	6,000	
To Advertisement	4,000	
To Discount	3,500	

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To Office Expenses	7,500	
To Carriage	3,000	
To Bank Charges	1,500	
To Preliminary Expenses	6,500	
To Bad debts	2,000	
To Interest on loan	3,000	
To Net profit	60,000	
	1,55,000	1,55,000

The total turnover for the year ending December 31, 2016 was Rs.5,00,000 divided into Rs.1,50,000 for the period up to May 1, 2016 and Rs.3,50,000 for the remaining period. Prepare the profit and loss account and ascertain the 'Profit prior to' and after incorporation.

15. 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 31st March 2016.

Particulars	Debit Balance	Credit Balance
Goodwill	25,000	-
Cash	750	-
Bank	39,900	-
Purchases	1,85,000	-
Preliminary expenses	5,000	-
Share capital	-	4,00,000
12% debentures	-	3,00,000
P&L A/c (Cr)	-	26,250
Calls-in-arrears	7500	-
Premises	3,00,000	-
Plant and Machinery	3,30,000	-
Interim Dividend	39,250	-
Sales	-	4,15,000
Stock (1-4-2015)	75,000	-
Furniture and Fixtures	7,200	-
Sundry Debtors	87,000	-
Wages	84,865	-
General expense	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
Total	12,46,750	12,46,750

Prepare statement of profit and loss and balance sheet in proper form after making the following adjustments.

- i) Depreciate plant and machinery by 15%.
 - ii) Write off 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 31-3-2016 was Rs.95,000.
 - vii) Provide for corporate dividend tax @ 17%.
16. Priya Ltd offer to the public 100000 equity shares and 50000 preference shares of Rs.10 each payable as under.

	Equity Shares (Rs)	Preference shares (Rs)
On Application	2	3
On Allotment	4	4
On First and Final call	4	3

All excess money received on equity shares was rejected. All money due was received. Pass entries, prepare important ledger accounts and extract from the balance sheet. The public applied for 120000 equity shares and 45000 preference shares. Applications for preference shares were accepted.

UNIT – III

PART – A

1. What are fund from operation?
2. Give three components of a cash flow statement.
3. What does ratio analysis mean?
4. What are profitability ratios?
5. What are the sources of cash inflows?
6. What are financial statements?
7. How a ratio is expressed?
8. Define Ratio Analysis.
9. What is fund flow analysis?
10. What is cost-volume profit analysis?
11. What is a current ratio? What is the ideal current ratio?
12. What does capital gearing or leverage means?
13. What is the difference between current ratio and liquid ratio?
14. What is the meaning of Funds from operations?
15. What is Inventory turnover ratio?
16. State two uses of cash flow analysis.
17. What is meant by comparative financial statement?
18. What does turnover ratios indicate?
19. Calculate Debtors Turnover Ratio from the following:
Total Sales Rs.2,00,000.

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Cash Sales Rs.40,000.
Opening debtors Rs.35,000.
Closing debtors Rs.45,000.

PART – B

1. Explain the difference between fund flow statement and cash flow statement.
2. Explain various techniques or tools of financial statement analysis.
3. Name the classification of Ratios?
4. List down the sources of funds
5. Differentiate between fund flow statement and income statement.
6. What do you mean by funds from operations? How it is determined?
7. From the following details of a business concern calculate net profit ratio.

	Rs
Sales	3,50,000
Cost of goods sold	1,50,000
Administration exp.	50,000
Selling expenses	10,000

From the following details you are required to ascertain net profit and calculate net profit ratio.

	Rs.
Sales	5,40,000
Sales returns	40,000
Gross profit	3,00,000
Income from investments	40,000
Loss on sale of plant	30,000
Operating expenses	1,20,000
Provision for fax	50,000

8. From the following profit and loss account of a company, ascertain the following ratios.
 - Gross profit ratio
 - Net profit ratio
 - Operating ratio
 - Operating profit ratio
 - Stock turnover ratio

General Reserve	40,000	70,000	Debtors	1,60,000	2,00,000
P&L A/c	30,000	48,000	Stock	77,000	1,09,000
Proposed Dividends	42,000	50,000	Bills receivable	20,000	30,000
Creditors	55,000	83,000	Cash in hand	15,000	10,000
Bills payable	20,000	16,000	Cash at bank	10,000	8,000
Provision for taxation	40,000	50,000			
	6,77,000	8,17,000		6,77,000	8,17,000

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Following is the additional information available:

1. Depreciation of Rs.10,000 and Rs.20,000 have been charged on plant and land and buildings respectively in 2,000.
 2. An interim dividend of Rs.20,000 has been paid in 2,000
 3. Income tax of Rs.35,000 has been paid in 2,000.
9. Following is the Balance sheet of a ABC Ltd as on 31st Mar.

Liabilities	Rs.	Assets	Rs.
Share capital	2,00,000	Land and Buildings	1,40,000
Profit and Loss Account	30,000	Plant and Machinery	3,50,000
General Reserve	40,000	Stock	2,00,000
12% Debentures	4,20,000	Sundry Debtors	1,00,000
Sundry Creditors	1,00,000	Bills Receivable	10,000
Bills payable	50,000	Cash at Bank	40,000
	8,40,000		8,40,000

Calculate:

- i) Current Ratio
- ii) Quick Ratio
- iii) Inventory to working capital
- iv) Debt to Equity Ratio
- v) Capital gearing ratio
- vi) Current Assets to Fixed Assets Ratio.

UNIT – IV

PART – A

1. What is cost volume profit analysis?
2. What are the elements of cost?
3. Define process costing.
4. State the main objectives of budget.
5. What are financial budget
6. Define budget.
7. What is flexible budget?
8. What is a zero base budget?
9. What are the objectives of budgetary control?
10. What is master budget?
11. What is financial budget?
12. What is production budget.
13. What is fixed cost?
14. What are variable costs?
15. What is cost sheet?
16. Define Marginal costing.
17. Define contribution margin with formula.

18. What is Target costing?
19. What is standard costing?
20. Calculate the minimum limit or level of inventory from the following data:
 - Normal usage 100 units per day
 - Maximum usage 130 units per day
 - Minimum usage 70 units per day
 - Re-order period 25 to 30 days

PART – B

1. Explain in detail the advantages and disadvantages of budgetary control system.
2. What are the objectives of budgetary control?
3. State the advantages of budgetary control
4. State the limitations of budgetary control.
5. What are the features of zero base budgeting.
6. Classify the budgets.
7. What is a budget? What are the essential elements of a budget?
8. Explain various types of budget.
9. What is Zero base budgeting? Explain its advantages .
10. For production of 10,000 electrical automatic Irons the following are the budgeted expenses.

Cost element	Cost per unit
Direct material	60
Direct labour	30
Variable overheads	25
Fixed overheads (rRs1,50,000)	15
Variable expenses (direct)	5
Selling expenses (10% fixed)	15
Administration expenses (Rs50,000 rigid for all levels of production)	5
Distribution Expenses (20% fixed)	5
Total cost of sale per unit	160

Prepare a Budget for production of 6000.7000 and 8000 irons showing distyinctly marginal cost and total cost.

11. ABC Ltd has prepared the budget for the production of one lakh unit of the only commodity manufactured by them for a costing period as under.

Raw materials	rs.2.52 per unit
Direct material	rs.0.75 per unit
Direct expenses	rs.0.10 per unit
Works overhead (60% fixed)	rs2.50 per unit
Administrative overhead (80% fixed)	rs.0.40 per unit
Selling overhead(50% fixed)	rs.0.20 per unit.

The actual production during the period was only60,000 units. calculate the revised budgeted cost per unit.

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12. From the following forecasts of income and expenditure prepare a cash budget for the three months commencing 1st June, when the bank balance was Rs.1,00,000.

Months	Sales	Purchases	Wages	Factory expenses	Administration and selling expenses
April	80,000	41,000	5,600	3,900	10,000
May	76,500	40,000	5,400	4,200	14,000
June	78,500	38,500	5,400	5,100	15,000
July	90,000	37,000	4,800	5100	17,000
August	95,000	35,000	4,700	6000	13,000

A sales commission of 5% on sales due, two months after sales is payable in addition to the selling expenses. Plant valued at Rs.65,000 will be purchased and paid for in August and the dividend for the last financial year of Rs.15,000 will be paid in Jul. There is a two months credit period allowed to customers and received from suppliers.

Explain the advantages and disadvantages of budgetary control.

13. Chad's Chocolates produces premium chocolate candy. For Easter, Chad's produces and sells 20,000 boxes of a special collection of chocolates that sell for Rs.50 a box. Costs for producing a box of the chocolates are as follows:

Direct Material	–Rs.18
Direct Labour	– Rs.15
Manufacturing Overhead, variable	- Rs.7
Variable Selling, General and Advertisement	- Rs.4
Manufacturing overhead, fixed	– Rs.75,000
Fixed Selling, General and Advertisement	– Rs.15,000

Unless otherwise instructed, return to this original data for each problem.

- What is chad's break even point in units? In Rs?
- Chad has just completed union negotiations that resulted in a 10% increase in the wage rates for his direct laborers. What is the new break even point in units? In Rs?
- Chad has just been approached by his marketing vice president who says that if we spend Rs.25000 on extra advertising in The Lariat, we can increase our sales by 15% (in terms of units). Should chad advertise in The Lariat?
- Chad has just received a brochure in the mail describing a new candy press that sells for Rs.35000. Chad believes that the machine will last for 5 years and will have no salvage value. The new press will decrease the required direct labour by 10%. Should chad invest in the new machine.

UNIT – V

PART – A

- Write the meaning of computerized accounting
- What is account codification?
- Define data validation.
- Write down the methods of data processing.

5. What are master files and transaction files?
6. What is Data processing?
7. Define data entry
8. Define storage
9. Define real time processing
10. What do you mean by adhoc report?
11. Describe a program for simple book keeping system.
12. What is the need for codification of accounts?
13. Mention the uses of pre packaged accounting software.
14. Outline the advantages of computerized accounting system over manual accounting system.
15. Explain the need for “Codification of Accounts”. What are its benefits?

PART – B

1. Explain the role of computers in accounting
2. Describe in detail about the accounting software.
3. Discuss the pre-packaged accounting software mechanisms.
4. Explain the components of computer
5. State the limitations of a computer?
6. State the objectives of introducing computer in accounting.
7. Explain the roles of computers in accounting
8. Enumerate the advantages and disadvantages of computer accounting
9. State the meaning and characteristics of computer
10. Briefly explain the computer application in business
11. State the advantages and disadvantages of computerized accounting.
12. Explain the features of computerized accounting environment.
13. What is an ERP package? Outline the merits and demerits of using an accounting package as a part of an ERP package?
14. Explain the concept of customized accounting software. What are the advantages of using it?

General Questions:

1. Explain the Human resource cost accounting and Human resource value accounting. How do they differ?
2. You are given the following information:

Balance sheet of XYZ co. Ltd.

Liabilities	31-03-14	31-03-15	Assets	31-03-14	31-03-15
Preference shares	5,25,000	4,40,000	Trade Marks	2,70,000	2,40,000
P&L A/c	2,50,000	1,75,000	Land and Building	5,50,000	6,50,000

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Bank loans	1,50,000	3,20,000	Trade Receivables	3,80,000	5,00,000
Public Deposits	2,00,000	2,40,000	Inventory	1,20,000	90,000
Trade payables	3,80,000	4,28,000	Discount on Shares	15,000	10,000
Depreciation provision	45,000	75,000	Cash	2,15,000	1,88,000
Total	15,50,000	16,78,000	Total	15,50,000	16,78,000

Additional information: A part of the Land and Building, costing Rs.1,10,000 (accumulated depreciation- Rs.37,000) was sold for Rs.54,000.

Prepare:

- i) Cash flow statement as per Revised Accounting standard-3
 - ii) Land and Building Account
 - iii) Land and Building sold Account
 - iv) Provision for Depreciation Account.
3. The Balance sheet of X ltd as on 31st March,2015 and 31st March 2016 are as follows:

Liabilities	2015 (Rs)	2016 (Rs)	Assets	2015 (Rs)	2016 (Rs)
Share Capital	5,00,000	7,00,000	Land and Buildings	80,000	1,20,000
Profit and Loss a/c	1,00,000	1,60,000	Plant and Machinery	5,00,000	8,00,000
General Reserve	50,000	70,000	Stock	1,00,000	75,000
Sundry creditors	1,63,000	2,00,000	Sundry Debtors	1,40,000	1,50,000
Bills payable	30,000	40,000	Prepaid expenses	14,000	12,000
Outstanding Expenses	7,000	5,000	Cash at Bank	16,000	18,000
Total	8,50,000	11,75,000	Total	8,50,000	11,75,000

Additional Information:

- i) Rs.50,000 depreciation has been charged to plant and machinery during the year 2016.
- ii) A piece of machinery was sold for Rs.8,000 during 2016. It had cost Rs.12,000, depreciation of Rs.7,000 has been provided on it.

Prepare a Cash flow statement from the above details.