I Semester M.B.A. (Day) Degree Examination, Jan./Feb. 2006
(Updated Scheme)
Paper 1.5 : ACCOUNTING FOR MANAGERS

Time : 3 Hours Max. Marks : 75

SECTION – A

1. Answer **any six** of the following. **Each** question carries 2 marks : **(6×2=12)**
   a) What is business entity concept ?
   b) Define Accounting Standard.
   c) Define Human Resource Accounting.
   d) What is value added statement ?
   e) What is capital gearing ratio ?
   f) What is 'key factor' ?
   g) What is angle of incidence ?
   h) What is Material Price Variance ?
   i) What is Job Costing ?

SECTION – B

Answer **any four** of the following questions. **Each** question carries **5** marks : **(4×5=20)**

2. What is GAAP ? Explain the need and objectives of accounting standards.
3. Explain any five accounting concepts that are to be kept in view while preparing financial statements.
4. What are the practical applications of marginal costing ?
5. Given the following data :

   Sales 25000 units @ Rs. 10 per unit, variable cost Rs. 4 per unit, fixed cost Rs. 25,000.

   It has been decided to reduce the selling price by 20%.

   Calculate the present and future profit volume ratios and the sales volume required to earn the present profit with reduced selling price.

6. The expenses budgeted for production of 10000 units in a factory are furnished below :

	Per unit (Rs.)
Materials	60
Labour	30
Variable overheads	20
Administration over heads (80% fixed)	14
Selling over head (20% fixed)	10
Fixed overheads	5
Total	**139**

Prepare flexible budget for 6000 and 8000 units.

7. Varsha Ltd. acquired the following assets on Jan. 1, 2005 :

	X	Y
Cost	26,00,000	44,00,000
Scrap value	3,00,000	4,00,000
Estimated Life	6 years	5 years

Compute the amount of depreciation to be recorded for each asset for the year ending 31 December 2005 under each of the following methods.

a) Sum of years digits.

b) Declining balance at twice the straight line rate.

SECTION – C

Answer **any three** of the following. **Each** question carries **10** marks. **(3×10=**

8. A company having a net working capital of Rs. 2,80,000 as on 31.3.2005 indicates the following financial ratios and performance figures.

Current ratio	2.4
Liquidity Ratio	1.6
Inventory turnover (on cost of sales)	8
Gross profit on sales	20%
Credit allowed (months)	1.5

The company's fixed assets is equivalent to 90% of its net worth (share capital plus reserves) while reserves amounted to 40% of share capital.

Prepare the balance sheet of the company as on 31.3.2005 showing step by step calculations.

9. The following schedule shows the Balance Sheet in condensed form of Machinery Manufacturing Company Ltd. at the end of the year 2004 :

Liabilities	**2003**	**2004**	**Assets**	**2003**	**2004**
Sundry Creditors	1,03,000	96,000	Cash and Bank balance	90,000	90,000
Outstanding Expenses	13,000	12,000	Sundry Debtors	67,000	43,000
8% debentures	90,000	70,000	Temporary Investments	1,10,000	74,000
Depreciation Fund	40,000	44,000	Prepaid Expenses	1,000	2,000
Reserve for contingencies	60,000	60,000	Stock in trade	82,000	1,06,000
Profit and Loss A/c	16,000	23,000	Land and Buildings	1,50,000	1,50,000
Capital	2,30,000	2,30,000	Machinery	52,000	70,000
	5,52,000	**5,35,000**		**5,52,000**	**5,35,000**

The following information is available

a) 10% dividend was paid in cash.

b) New machinery for Rs. 30,000 was purchased but old machinery costing Rs. 12,000 was sold for Rs. 4,000, accumulated depreciation was Rs. 6,000.

c) Rs. 20,000, 8% debentures were redeemed by purchase from open market @ 96 for a debentures of Rs. 100.

d) Rs. 36,000 investments were sold at book value.

10. From the following data compute

a) Material cost variance

b) Material price variance

c) Material usage variance

d) Material mix variance

	Standard		**Actual**	
Name of the Material	**Qty Units**	**Price Rs.**	**Qty Units**	**Price Rs.**
Zee	3500	10	3700	12
Wee	1500	21	1650	20
Tee	1000	33	1250	36

11. What is Financial Analysis ? State and explain the tools used for the analysis of financial statements.

12. What are the objectives of budgetary control ? Explain the type of budgets normally prepared by a big industrial concern.

SECTION – D

Case Study

13. The Deccan Ltd. manufactures three products and their particulars are given below :

Particulars	A	B	C
Units budgeted to be produced and sold	1,800	3,000	1,20(
Selling price per unit	Rs. 60	55	50
Direct Material	Rs. 20	12	16
Direct Labour	4 hrs.	3 hrs.	2 hrs
Direct labour hour rate	Rs. 2	Rs. 2	Rs. 2
Variable overhead	Rs. 7	13	8
Fixed overhead	Rs. 10	10	10
Maximum possible units of sale	4,000	5,000	1,50(

All the 3 products are produced from the same direct material using the same type of machines and labour. Direct labour which is the key factor is limited to 18600 hours.

You are required to prepare :

a) The profit expected on the current sales.

b) The profit that can be expected if the most profitable mix was produced as per your suggestion.