PG – 664

I Semester M.B.A. (Day) Examination, January 2010
(2007-08 Scheme)
MANAGEMENT
Paper – 1.2 : 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) When borrowing is favourable to the equity share holder ?
   b) Calculate return on equity with the following information :
      EBIT Rs. 50,000
      6% Debentures 5,00,000
      Tax rate 50%
      Equity share capital 1,00,000 (Face value Rs. 10)
      General reserves 3,00,000.
   c) Balance Sheet is a 'Snap Shot'. Why it is so called ?
   d) What do you mean by marshalling of Balance Sheet ?
   e) What is meant by "Flows" in the context of cash flow statement ?
   f) What is 'Zero-Base Budgeting" ? State its utility.
   g) What is financial statement analysis ?
   h) What do you mean by GAAP ?

SECTION – B

Answer **any three** of the following. **Each** question carries **8** marks. **(8×3=24)**

2. If the value of the fixed assets falls, is if necessary to provide depreciation ? What are the basic factors for calculation of depreciation ?

3. What is the utility of marginal costing as this technique, totally, ignores fixed costs, while calculating costs ?

4. Evaluate the significance of cash flow information vis-a-vis Balance Sheet and Income Statement for analysing the financials of a company.

5. A company producing 80,000 units of product 'B' working at 80% capacity, receives an order from foreign dealer for 20,000 units at Rs. 100 per unit, although the local sales price is Rs. 180 per unit.

P.T.O.

The present cost sheet is given below :

Element of cost	Cost per units (in Rs.)
Materials	40
Labour skilled (fixed)	20
Unskilled (variable)	20
Variable overheads	20
Fixed overheads	40
	140

a) Advise the management whether to accept the foreign order or not.

b) What will be your advice, if the same order had come from a local merchant ?

6. From the following Balance Sheet of XYZ Ltd, prepare funds flow statement.

Particulars	2008	2009
Liabilities		
Equity share capital	4,80,000	7,20,000
Preference share capital (redeemable)	2,40,000	1,20,000
General reserve	48,000	72,000
P & L a/c	43,000	64,800
Proposed dividends	67,400	93,600
Sundry creditors	70,000	1,00,000
Bills payable	14,000	27,200
Outstanding salary	19,200	14,400
Provision for taxation	67,200	76,800
Total	**10,48,800**	**12,88,800**
Assets		
Discount on issue of shares	1,20,000	96,000
Factory	2,40,000	1,20,000
Machinery	2,16,000	4,58,400
Fixed Deposits with Canara Bank	24,000	84,000
Sundry debtors	1,80,000	2,59,200
Stock	2,04,000	1,87,200
Bank	30,600	50,000
Cash	10,200	17,200
Preliminary Expenses	24,000	16,800
	10,48,800	**12,88,800**

SECTION – C

Answer **any two** questions. **Each** question carries **12** marks. **(12×2=24**

7. Discuss the requisites of a good budgetary control system. Explain briefly the essential steps in setting up of a budgetary control system, so that its working efficiency is ensured.

8. Prepare Trading and Profit and Loss Account for the year ended 31-3-2007 and Balance Sheet of M/s Fy International Company as on that date from the following trail balance.

Particulars	**Dr. (Rs.)**	**Cr. (Rs.)**
Purchase	70,000	–
Goods returned	–	5,000
Carriage inwards	1,500	–
Salaries and wages	14,000	–
Rent, rate and taxes	2,800	–
Insurance	500	–
Discount	800	–
Bank	13,700	–
Plant and Machinery	12,000	–
Investments	8,000	–
Furniture and Fittings	5,000	–
Bills Receivables	45,500	–
Cash in hand	1,000	–
Sundry expenses	500	–
Opening stock	31,500	–
Sales	–	1,10,000
Bill payable	–	15,800
Capital a/c	–	76,000
	2,06,800	**2,06,800**

Adjustments :

a) Provide outstanding salary Rs. 2,500/-

b) Make provision for bad debts in bills receivables by Rs. 1,500-

c) Closing stock Rs. 65,000/-

d) Stock lost by fire were Rs. 7,000/- However the insurance company settled the claim for Rs. 5,000/- and is still receivable.

e) Manager is entitled the commission at 10% on net profit.

9. The following particulars have been taken from the books of BT Ltd.

Particulars	**2006**	**2007**
Sales	20,00,000	25,00,000
Profit/loss	1,00,000 (loss)	1,00,000 (profit)

Calculate :

a) P.V. Ratio.

b) Break even - sales

c) Sales required to earn a profit of Rs. 50,000.

SECTION – D
Compulsory

Case Study **(1×15=**

The capital employed in a business has been financed, as below

Equity share capital	6,00,000
7% preference share capital	4,00,000
6% Debentures	8,00,000
Reserves & surplus	2,00,000

The company earns a profit of Rs. 4,00,000 before interest. Tax rate may be taken 50%. You are required to

a) Explain the principle of "Trading on equity" and test the data for the principle.

b) Elaborate the impact of changes in EBIT, both increase and decrease, on return on capital employed (ROCE) and return on equity (ROE) with suitable example, making the required valid assumption.