PG – 803

I Semester M.B.A. (Day) Examination, February/March 2014
(Scheme : 2007-08)
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 : **(2×6=12)**
   a) Define accounting standard.
   b) What is compound journal entry ?
   c) What is depreciable asset ?
   d) What are the limitations of financial statements ?
   e) What is stock velocity ?
   f) What is flexible budget ?
   g) What is margin of safety ?
   h) What is activity based costing ?

SECTION – B

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

2. What is window dressing ? Explain the motives and forms of window dressing of financial statements.

3. Discuss the various methods of classification of costs.

4. ABC Ltd purchased on 1st April 2010 a small plant for Rs. 4,50,000 on 1st October. In the same year, additional plant was purchased costing Rs. 2,22,500. On 1st Oct. 2011, plant purchased on 1st April 2010 having become obsolete, was sold for Rs. 1,80,000. On 1st Oct. 2012, fresh plant was purchased for Rs. 5,40,000 and the plant purchased on 1st October 2010 was sold for Rs. 1,89,000. Depreciation is provided at 10% p.a. on straight line method for year ending on 31st March. Show the Machinery Account up to 31st March 2012.

P.T.O.

5. A company producing a single product sells it at Rs. 50 per unit. Unit variable cost is Rs. 35 and fixed cost amounts to Rs. 12,00,000/- p.a. With this data you are required to calculate the following, treating each independent of the other.
   a) P.V. ratio and break-even sales
   b) New break-even sales if variable cost increase by Rs. 3 per unit
   c) Increase in sales required if profits are to be increased by Rs. 2,40,000/-

6. From the following data prepare a flexible budget for production of 40,000 units and 60,000 units of product 'X', distinctly showing variable and fixed cost as well as total cost. Also indicate element wise cost per unit.

   Budgeted output and Budgeted cost per unit (in Rs.).

Budgeted output	**1,00,000 units (per unit cost) in Rs.**
Direct material	90
Direct labour	45
Direct variable expenses	10
Manufacturing variable overhead	40
Fixed production overhead	5
Administrative overhead (fixed)	5
Selling overhead (10% fixed)	10
Distribution overhead (20% fixed)	15

SECTION – C

Answer **any two** of the following. **Each** question carries **12** marks : **(2×12=24)**

7. What is financial statement analysis ? Explain the different techniques of financial statement analysis.

8. A company having a networking capital of Rs. 2,80,000 as on 31-3-2012 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% share capital. Prepare the Balance sheet of the company as on 31.3.2012 showing step by step calculation.

9. The following are the summarised balance sheets of Yeshas Ltd. as on 31^{st} Dec. 2011 and 2012.

Liabilities	**2011**	**2012**	**Assets**	**2011**	**2012**
Share capital	2,00,000	2,60,000	Goodwill	–	20,000
Reserves	50,000	50,000	Plant & Machinery	1,12,950	1,16,200
Profit & Loss A/c	39,690	41,220	Land & Buildings	1,48,500	1,44,250
Creditors	39,500	41,135	Stock	1,11,040	97,370
Bills payable	33,780	11,525	Debtors	87,490	73,360
Bank overdraft	59,510	–	Cash at Bank	2,500	2,700
Provision for tax	40,000	50,000			
	4,62,480	**4,53,880**		**4,62,480**	**4,53,880**

Additional Information :

a) During the year 2012 an interim dividend of Rs. 26,000 was paid.

b) The assets of another company was purchased for Rs. 60,000 payable in fully paid shares of the company. These assets consisted of stock Rs. 22,000/-, Machinery Rs. 18,000/- and Goodwill Rs. 20,000/-

c) Sundry purchases of plant were made totalling Rs. 5,600/-

d) Income tax paid during the year 2012 amounted to Rs. 25,000/-

You are required to prepare a funds flow statement for the year 2012 and a schedule setting out charges in working capital.

SECTION – D

10. **Case study :** 15

The following is the trial balance of Ramson Limited as on December 31, 2003 :

	Dr. **(Rs.)**	**Cr.** **(Rs.)**
Stock	1,25,000	–
Sales	–	4,00,000
Purchases	3,45,000	–
Wages	50,000	–

Discount	7,000	5,000
Salaries	7,500	–
Rent	4,950	–
General expenses including insurance	17,050	–
Profit and loss account	–	15,030
Dividend paid	9,000	–
Capital (10,000 shares of Rs. 10 each)	–	1,00,000
Debtors and creditors	37,500	17,500
Machinery	29,000	–
Cash in hand	16,200	–
Reserve fund	–	1,15,500
Bad debts	4,830	–
	6,53,030	**6,53,030**

Prepare Trading and Profit and Loss Account for the year ended 31.12.2003 and a Balance Sheet on that date after taking into account the following :

a) Stock Rs. 3,00,000.

b) Purchases include Rs. 5,000 for machinery purchased on 1.7.2003.

c) On 31.12.2003, goods worth Rs. 30,000 were sold to a customer. He has taken away the goods but the transaction was not entered in the Sales Book.

d) Directors want to provide (i) 10% final dividend ; (ii) income-tax Rs. 30,000 and (iii) reserve fund Rs. 20,000.