I Semester M.B.A. Degree Examination, February 2017
(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) What do you mean by 'Dual Aspect' concept ?
   b) What are the objectives of financial statement analysis ?
   c) What is compound journal entry ?
   d) Define accounting standard.
   e) What is depreciable asset ?
   f) What is trend analysis ?
   g) What is key factor analysis ?
   h) What is margin of safety ?

SECTION – B

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

2. Discuss the users of accounting information and their informational needs.
3. What is budgetary control ? Discuss the objectives and limitations of budgetary control.
4. The following information is given with respect of an asset :

Cost of machine	Rs. 10,40,000
Expected useful life	5 years
Consideration expected on disposal	Rs. 56,000
Estimated realisable value	Rs. 52,000
Estimated cost of removal of machine for disposal	Rs. 4,000

Required :

a) Determine the rate of depreciation as per SLM.

b) Determine the annual depreciation and accumulated depreciation for all the years as per SLM.

c) Show the disclosure of machine in the Balance Sheet for all the years.

5. A factory engaged in manufacturing plastic buckets is working at 40% capacity and produces 10000 buckets per month. The present cost break up for one bucket is as under :

   Materials – Rs. 20

   Labour – Rs. 6

   Overheads – Rs. 10 (60% fixed)

   The selling price is Rs. 40 per bucket. If it is decided to work the factory at 50% capacity, the selling price falls by 3%. At 90% capacity selling price falls by 5% accompanied by similar fall in the price of materials.

   You are required to prepare a statement showing profits at 50% and 90% capacities and also determine the B.E.P. at each of these production levels.

6. The standard cost of a chemical mixture is as under :

   8 tons of material A at Rs. 40 per ton

   12 tons of material B at Rs. 60 per ton

   Standard yield is 90% of output

   Actual cost for a period is as under :

   10 tons of material A at Rs. 30 per ton

   20 tons of material B at Rs. 68 per ton

   Actual yield is 26.5 tons

   Compute :

   a) Material cost variance

   b) Material price variance

   c) Material usage variance.

SECTION – C

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

7. Discuss the different techniques of financial statement analysis.

8. A company having a net working capital of Rs. 2,80,000 as on 30-6-2011 indicates the following financial ratios and performance figures.

Current ratio	:	2.4
Liquidity ratio	:	1.6
Inventory turnover ratio (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 Balance Sheet of the company as on 30-6-2011 showing step by step calculation.

9. From the following Balance Sheets of XYZ Co. Ltd., prepare Funds Flow Statement.

	(Rs. 000)			(Rs. 000)	
Liabilities	**2011**	**2012**	**Assets**	**2011**	**2012**
Equity share capital	600	800	Goodwill	230	180
Preference share capital	300	200	Land and Buildings	400	340
General Reserve	80	140	Plant and Machinery	160	400
Profit and Loss A/c	60	96	Debtors	320	400
Proposed dividend	84	100	Stock	154	218
Creditors	110	166	Bills receivable	40	60
Bills payable	40	32	Cash	50	36
Tax provision	80	100			
	1,354	**1,634**		**1,354**	**1,634**

Additional information :

i) Proposed dividend made during 2011 has been paid during 2012.

ii) Depreciation on Plant and Machinery Rs. 20,000 and Rs. 40,000 on Land and Buildings.

iii) Interim dividend has been paid Rs. 40,000 in 2011.

iv) Income Tax Rs. 70,000 has been paid during 2012.

SECTION – D

10. Case Study : 15

Dee Ltd. presents the following Trial Balance for the year ending March 31, 2010. Prepare Final Accounts.

Trial Balance as on March 31, 2010

Dr. **Particulars**	**Amount**	**Particulars**	**Amount** Cr.
Stock	75,000	Sales	3,50,000
Purchases	2,45,000	Commission received	5,000
Production wages	50,000	Profit and Loss A/c (1-4-09)	15,030
Discount	7,000	Capital 10000 Equity shares	
Salaries	7,500	of ₹ 10 each fully paid	1,00,000
Rent	4,950	Accounts payables	
Insurance	17,050	(creditors)	17,500
Dividend paid (2009)	5,000	General Reserve	15,500
Interim dividend	4,000		
Accounts receivables (debtors)	37,500		
Machinery	29,000		
Cash and bank balance	16,200		
Loan to Directors	3,250		
Bad debts	1,580		
	5,03,030		**5,03,030**

Adjustments :

Depreciate machinery by 10% ; write off further bad debts ₹ 500 reserve 2% for doubtful debts on debtors and 2% for discount on creditors ; goods costing ₹ 3,000 were destroyed by fire and insurance company admitted the claim for only ₹ 2,000 ; insurance premium at the rate of ₹ 2,500 per annum is prepaid for six months ; transfer ₹ 10,000 to General Reserve. No provision for tax is required as company is in backward area. Closing stock for the year was ₹ 50,000.