

I Semester M.B.A. Examination, January 2008
(2007-08 Scheme)

BUSINESS ADMINISTRATION

1.2 : Accounting for Managers

Time : 3 Hours

Max. Marks : 75

SECTION - A

1. Answer **any six** of the following :

(6×2=12)

- a) What is inventory turn-over ?
- b) Define Corporate Governance.
- c) What costs can be capitalised as fixed assets according to AS-10 ?
- d) What are the various disclosures required under AS-6 ?
- e) What is du-pont analysis ?
- f) What is material price variance ?
- g) Differentiate between absorption costing and marginal costing.
- h) What are operating ratios ?
- i) What is activity based costing ?

SECTION - B

Answer **any three** questions :

(8×3=24)

- 2. Discuss the different techniques of evaluating the financial performance of an organisation.
- 3. What is standard costing ? Explain the process of setting standards and variances analysis.

4. The following information is given with respect of an asset.

Cost of Machine	-	Rs. 78,00,000
Expected useful life (years)	-	5
Consideration expected on disposal	-	Rs. 4,20,000
Estimated cost of removal of the machine for disposal	-	Rs. 30,000
Estimated realisable value	-	Rs. 3,90,000

Required :

1. Determine the rate of depreciation as per SLM.
2. Determine the annual depreciation and accumulated depreciation for all the years as per SLM.
3. Show the disclosure of machine in the balance sheet for all the years.
5. Vinak Ltd. produces an article by blending two basic raw materials. It operates a standard costing system and the following standards have been set for raw materials.

Materials	Standard mix	Standard Price per Kg
A	40%	Rs. 3.00
B	60%	Rs. 4.00

The standard loss in processing is 15%. During April 2003, the company produced 1700 Kg. of finished output.

The position of stock and purchases for the month of April 2003 are as under

Material	Stock on 1.4.03 Kg	Stock on 30.04.03 Kg	Purchased during April 2003	
			Kg	Cost Rs
A	35	5	800	3400
B	40	50	1200	3000

Calculate the following variances :

- Material price variance
- Material usage variance
- Material yield variance

6. 'S' Ltd. a multi product company, furnishes the following data relating to the year 2006.

	First half of the year (Rs.)	Second half of the year (Rs.)
Sales	45,00,000	50,00,000
Total cost	40,00,000	43,00,000

Assuming that there is no change in prices and variable costs and that the fixed expenses are incurred equally in the two, half year periods, calculate for the year 2007 :

- the profit-volume ratio
- the fixed expenses
- the break even sales
- the percentage of margin of safety to total sales

SECTION - C

Answer any two questions. Each question carries 12 marks.

(2×12=24)

7. Describe the significance of the cost-volume-profit analysis in business decision making.
8. A company has furnished the following ratio and information relating to the year ended 31st March 2006.

✓ Sales	—	Rs.60,00,000
✓ Current ratio	—	2
Share capital to reserves	—	7:3
✓ Rate of Income tax	—	50%
Return on net worth	—	25%
✓ Net profit to sales	—	6.25%
✓ Inventory turnover (based on C.O.G.S)	—	12
✓ Interest on debentures	—	60,000
✓ Sundry debtors	—	Rs. 2,00,000
✓ Sundry creditors	—	Rs. 2,00,000

Required :

- Determine the operating expenses for the year ending 31st March 2006.
 - Prepare a Balance Sheet as at 31st March 2006.
9. Following are the summarised Balance Sheets of Varsha Ltd. as on 31st December 2005 and 2006.

Liabilities	2005	2006	Assets	2005	2006
✓ Creditors	39,500	41,135	Cash at bank	2,500	2,700
✓ Bills payable	33,780	11,525	✓ Debtors	87,490	73,360

Bank overdraft	59,510	Stock	1,11,040	97,370
Provision for tax	40,000	50,000 Land and buildings	1,48,500	1,44,250
Reserves	50,000	50,000 Plant and machinery	1,12,950	1,16,200
P and L Account	39,690	41,220 Goodwill	-	20,000
Share capital	2,00,000	2,60,000		
	4,62,480	4,53,880	4,62,480	4,53,880

Additional information :

- During the year 2006, an interim dividend of Rs. 26,000 was paid.
- The assets of another company were 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, Goodwill Rs. 20,000.
- Sundry purchases of plant were made totalling Rs. 56,000.
- Income tax paid during 2006 amounted Rs. 25,000.

You are required to prepare Fund Flow Statement for the year 2006 and a Schedule of Changes in Working Capital.

SECTION - D

(1×15=15)

- The following is the trial balance of Sanjay Industries Ltd. as on 31st March 2002.

Accounts	Rs.	Rs.
Stock, 1 st April 2001	6,75,000	
Sales		30,60,000
Wages	2,70,000	
Share capital		9,00,000
(Authorised capital 2,00,000 shares of Rs. 10 each)		

Discount		27,000
Purchases	22,05,000	
Carriage inward	8,550	
Purchases returns		90,000
Patents and trademark	43,200	
Salaries	67,500	
Bills receivable	45,000	
Sundry expenses	63,450	
Bills payable		63,000
Rent	36,000	
Debtors and creditors	2,47,500	1,57,500
Plant and machinery	2,61,000	
Furniture and fittings	1,53,000	
Cash at bank	4,15,800	
General reserve		1,39,500
Profit and loss account, 31st March 2001		54,000
Total	44,91,000	44,91,000

Further information :

1. Outstanding rent amounted to Rs. 7,200 while outstanding salaries Rs. 8,100 at the end of the year.
2. Make a provision for doubtful debts amounting to Rs. 4,590.
3. Stock on 31st March 2002 was valued at Rs. 7,92,000.

4. Depreciate plant and machinery @ 14% and furniture and fittings @ 18%.
5. Amortise patents and trademarks @ 5%.
6. Provide for managerial remuneration @ 10% of the net profits before tax.
7. Make a provision for income tax @ 35%.
8. The Board of Directors propose a dividend @ 10% for the year ended 31st March 2002 after transfer to General Reserve @ 5% of profit after tax.

Required :

1. Prepare the following financial statements of Sanjay Industries Ltd.
 - a) Profit and loss account for the year ended 31st March 2002.
 - b) Profit and loss appropriation account for the year ended 31st March 2002.
 - c) Balance sheet as on 31st March 2002.
 2. Briefly comment upon the performance of the company.
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