

**I Semester M.B.A. (Day) Examination, January 2009****(2007-08 Scheme)****MANAGEMENT****1.2 : Accounting for Managers**

Time : 3 Hours

Max. Marks : 75

SECTION - A

1. Answer any six of the following questions. Each question carries two marks.

(6×2=12)

- a) What is window-dressing ?
- b) What is Activity based costing ?
- c) List the techniques for cost control and reduction.
- d) State the provision for valuation of inventory according to AS2.
- e) What is 'marginal cost' ?
- f) State the classification of activities in a Cash Flow Statement, according to AS-3.
- g) What is 'Depreciation' ?
- h) Differentiate between 'Reserve' and 'Provision'.
- i) What is a flexible budget ?

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SECTION – B

Answer any three of the following questions. Each question carries eight marks.

(3×8=24)

2. List the various users of financial statements and state their informational needs.
3. Explain briefly the concept of Du Pont Control Chart.
4. Prepare a trial balance from the following ledger balances :

Capital Rs. 60,000; Stock at the commencement Rs. 5,000; discount allowed Rs. 500; commission received Rs. 700; fixed assets Rs. 60,000; sales Rs. 85,000; purchases Rs. 45,000; return outward Rs. 1,000; return inward Rs. 2,000; carriage inward Rs. 600; carriage outward Rs. 700; wages and salary Rs. 25,500; Debtors Rs. 16,500; creditors Rs. 13,900; rent Rs. 3,000; interest paid Rs. 2,000; cash Rs. 800; stock at the end Rs. 33,800.

5. You are given the following data :

Sales price	Rs. 350 per unit
Variable cost	Rs. 200 per unit
Fixed expenses	Rs. 16,50,000.

Ascertain :

- a) Break-even point;
- b) Selling price per unit if break-even point is brought up to 15,000 units; and
- c) Selling price per unit if break-even point is brought down to 10,000 units.



6. State the effect of following transactions on working capital, i.e., increase or decrease or no change in working capital.

- a) Issue of equity shares for Rs. 10,00,000.
- b) Redemption of Debentures Rs. 6,00,000.
- c) Borrowing of a loan Rs. 6,00,000.
- d) Purchase of a fixed asset Rs. 4,00,000.
- e) Sale of investments costing Rs. 2,50,000 for Rs. 3,00,000
- f) Purchase of machinery by issue of shares Rs. 16,00,000
- g) Purchase of goods for cash Rs. 10,000
- h) Collected cash from debtors Rs. 85,000.

SECTION - C

Answer any two of the following questions. Each question carries twelve marks.

(2×12=24)

7. Explain in detail the various concepts and conventions which influence preparation of financial statements.

8. X Ltd., has manufactured and sold 3 products during 2003 as follows :

- Product X - 20,000 units
- Product Y - 14,000 units
- Product Z - 10,000 units



Cost analysis has disclosed as follows :

	Per Unit		
	Product X (Rs.)	Product Y (Rs.)	Product Z (Rs.)
Marginal cost	10	18	16
Listed price	20	30	40
Time taken (hours)	2.5	3	2.5
Fixed cost - Rs. 2,00,000			
Discount - 10%			

Due to shortage of labour, the available hours for the next year are expected to be only 90,000 hours.

Suggest a suitable product mix for the next year :

- a) When there is enough demand for all the three products; and
- b) When the potential demand is :
 - i) Product X - 18,000 units
 - ii) Product Y - 10,000 units
 - iii) Product Z - 12,000 units.

9. With the following ratios and further information given below, complete the Trading Account, Profit and Loss Account and Balance Sheet of Mr. X :

Gross Profit Ratio	25%
Net Profit Ratio	20%
Sales/Inventory Ratio	8



Fixed Assets/Total Current Assets 3:4
 Fixed Assets/Total Capital 3:2
 Capital/Total outside Liabilities 2:5
 Fixed Assets Rs. 15,00,000
 Closing Stock Rs. 2,00,000

Proforma Trading and Profit and Loss Account

	Rs.		Rs.
To Cost of Sales	-----	By Sales	-----

To Gross Profit	----- ----- -----	By Gross Profit	----- ----- -----
To Expenses	-----		-----
To Net Profit	----- ----- -----		----- ----- -----

Proforma Balance Sheet

Liabilities	Rs.	Assets	Rs.
Capital -----	----- ----- -----	Fixed Assets -----	-----
Add Net Profit -----		Inventories -----	-----
-----		Other Current Assets -----	-----
Total Outside Liabilities -----	----- -----		----- -----



SECTION - D

10. Compulsory question. The question carries fifteen marks. (1×15=15)

Following is the trial balance of Mahesh Ltd., as on 31st March 2008 :

	Debit Rs.	Credit Rs.
Equity Share Capital	-	3,00,000
12% Preference Share Capital	-	2,00,000
Reserve Fund	-	1,50,000
Buildings	5,00,000	-
10% Debentures	-	2,00,000
Plant and Machinery	2,00,000	-
Purchases and Sales	2,50,000	6,00,000
Salary	60,000	-
Debtors and Creditors	2,30,000	1,75,000
Bills	80,000	90,000
Directors Fees	20,000	-
Bad Debts	5,000	-
Returns	15,000	20,000
Wages	15,000	-
Opening Stock	45,000	-
Profit and Loss Account on 01.04.2007	-	60,000
Loose Tools	60,000	-



Goodwill	80,000	-
Discount on issue of shares	20,000	-
Cash and Bank balances	33,000	-
12% Investments (01.04.2007)	2,00,000	-
Interest on Investments	-	18,000
Total	18,13,000	18,13,000

Adjustments :

- a) Closing stock is valued at Rs. 1,40,000.
- b) Outstanding wages Rs. 2,500.
- c) Debenture interest is outstanding for the whole year.
- d) Write off Rs. 5,000 further bad debts.
- e) Buildings and plant and machinery to be depreciated by 5% and 10% respectively.
- f) Transfer Rs. 25,000 to reserve.
- g) The directors propose 15% dividend to equity shareholders.

You are required to prepare company's final accounts.
