



I Semester M.B.A. Degree Examination, January/February 2015  
(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. **(2×6=12)**
- Define GAAP.
  - Brief about various types of leverages.
  - Write a note on “Trend Analysis”.
  - Enumerate the techniques of financial statement analysis.
  - What are the limitations of management accounting ?
  - List out the methods of cost accounting.
  - What is Du-pont analysis ?
  - Mention four differences between transaction and event.

SECTION – B

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

- “Accounting is a language of business”. Justify.
- Describe the utilities of Fund Flow Statement.
- The following figures have been given for Profit and Sales from the accounts of Zeeslin Ltd.

Year	Sales (₹)	Profit (₹)
2011	2,00,000	20,000
2012	3,00,000	40,000

Calculate the sales required to earn a Profit of ₹ 50,000.





5. Explain the uses of marginal costing in business decision making.
6. M/s. J Stone and Co. Ltd. prepares budgets for a production and sales for 3,00,000 units. The variable cost is ₹ 28 per unit and fixed costs are ₹ 12,00,000. The company fixes its selling price to fetch a profit of 20% on sales.
- You are required to find out the following :
- Ascertain Break-even point in units.
  - Ascertain P/V ratio.
  - If the selling price is reduced by 10%, how will it effect the BEP ?
  - If the company wants to earn a profit of 10% more than the budgeted profit, what should be the sales at reduced price ?

## SECTION – C

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

7. Explain the concept of performance budget and its merits and demerits.
8. From the different ratios given below complete the Balance Sheet in the given format :
- Sales to total assets = 3
  - Sales to fixed assets = 5
  - Current Assets are  $\frac{2}{3}$ <sup>rd</sup> of the fixed assets
  - Inventory Turnover Ratio = 20
  - Debtors' Turnover Ratio = 15
  - Current ratio = 2
  - Total assets to Net worth = 2.5
  - Debt Equity Ratio = 1
  - Sales during the year are Rs. 30,00,000

## Balance Sheet

Liabilities	Assets
Net Worth	? Fixed Assets ?
Long term Debt	? Inventories ?
Current Liabilities	? Debtors ?
	Cash at Bank ?
	??? ?



9. The following are the estimates of Mr. Budget :

Months	Sales (Rs.)	Purchases (Rs.)	Wages (Rs.)	Overheads (Rs.)	
				Factory	Office
February	2,00,000	1,20,000	30,000	20,000	2,000
March	2,60,000	1,40,000	40,000	30,000	2,000
April	2,80,000	1,50,000	50,000	25,000	2,500
May	3,00,000	1,80,000	70,000	30,000	4,000
June	2,50,000	1,20,000	65,000	25,000	6,000
July	3,20,000	2,50,000	50,000	28,000	8,000
August	2,80,000	2,60,000	60,000	32,000	7,500

**Additional Information :**

- 20% of the sales are cash sales. 60% of the credit sales are recovered in the next month while the remaining two months after.
- 10% of the purchases are made by making an advance payment of one month, 20% of the purchases are on cash basis while the remaining purchases are made on 2 months credit.
- 70% of the wages are paid to skilled workmen on monthly basis while the remaining wages are paid to unskilled workmen on weekly basis.
- Factory and office overheads are fixed to the extent of 30% and 70% respectively which are paid one month in arrears.
- Variable overheads are paid in the same month.
- Advance Income Tax Rs. 30,000 is to be deposited in the month of June. Interest on 10,000, 14% convertible debentures of Rs. 10 each, issued 2 years back at 20% premium, is due on 1<sup>st</sup> April and 1<sup>st</sup> October every year.
- Balance as on 31<sup>st</sup> March 2014 was Rs. 1,00,000. You are required to prepare Cash Budget for the period from 1<sup>st</sup> April to 31<sup>st</sup> July 2014.





## SECTION – D

## 10. Case study (Compulsory).

(1×15=15)

The following are the Balance Sheets of UNIBANG Limited, Bangalore, prepared as on 31<sup>st</sup> March 2008 and 31<sup>st</sup> March 2009.

Liabilities.	31-03-08	31-03-09	Assets	31-03-08	31-03-09
Share capital	12,00,000	14,00,000	Plant and Machinery	7,50,000	8,25,000
General Reserve	2,50,000	3,00,000	Land and Building	12,00,000	11,40,000
Profit and Loss A/c	1,52,000	1,56,000	Furniture	1,60,000	2,00,000
Bank Loan	3,50,000	–	Sundry Debtors	1,85,000	1,50,000
15% Debentures	4,00,000	5,00,000	Bills Receivable	80,000	45,000
Sundry Creditors	86,000	68,000	Stock	37,000	30,000
Bills Payable	68,000	73,000	Cash at Bank	78,000	1,10,000
Provision for Taxation	34,000	43,000	Preliminary expenses	50,000	40,000
	<b>25,40,000</b>	<b>25,40,000</b>		<b>25,40,000</b>	<b>25,40,000</b>

You are required to prepare the Fund Flow Statement with necessary working notes after considering the following information :

- Dividend was distributed on the shares @ 15%.
- Plant and Machinery and Furniture was depreciated by 10% and Land and Building was depreciated by 5%.
- The 15% Debentures were issued at 5% discount which was written off using the General Reserve Account.
- During the year Rs. 30,000 are provided for taxes.
- During the year a machine costing Rs. 50,000 having depreciated by 60% was lost by fire and the Insurance Company has settled the claim at 80% of the book value.
- During the year new furniture of Rs. 1,00,000 was purchased and some of the old furniture was sold @ 60% loss.