



I Semester M.B.A. Degree Examination, February 2016  
(2007-08 Scheme)

MANAGEMENT

Paper – 1.2 : Accounting for Managers

Time : 3 Hours

Max. Marks : 75

SECTION – A

Answer any six of the following. Each sub-question carries 2 marks. (6×2=12)

1. a) What is business entity concept ?
- b) Give two examples of funds flow.
- c) What is Activity Based Costing ?
- d) What is meant by Double Entry System of Book-Keeping ?
- e) What is breakeven point ?
- f) What do you mean by Trend analysis ?
- g) What is stock velocity ?
- h) What is written down value method of depreciation ?

SECTION – B

Answer any three questions. Each question carries 8 marks. (3×8=24)

2. Describe the various contents of annual report.
3. Explain the practical applications of marginal costing.
4. Following is an incomplete Balance Sheet given to you

Liabilities	Rs.	Assets	Rs.
Equity Capital	3,00,000	Fixed Assets	—
Retained Earnings	3,00,000	Inventories	—
Creditors	—	Debtors	—
	10,00,000		10,00,000

P.T.O.



Your are given the additional information

- a) Total Debt is  $\frac{2}{3}$  of the Net Worth
- b) Turnover of total assets is 1.8
- c) 30 days sales are in the form of Debtors
- d) Turnover of inventory is 2
- e) Cost of goods sold in the year is Rs. 9,00,000
- f) Acid Test Ratio is 1 : 1

Complete the Balance Sheet using the additional information.

5. From the following information prepare a flexible budget at 60% and 70% capacity levels :

**50% capacity level**

	Rs.
Materials	1,00,000
Wages	60,000
Variable expenses	30,000
Factory overheads (60% fixed)	10,000
Administrative overheads (fixed)	18,000

6. A manufacturing concern whose books are closed on 31<sup>st</sup> March, purchased Machinery for Rs. 1,50,000 on 1<sup>st</sup> April 2003. Additional machinery was acquired for Rs. 40,000 on 30<sup>th</sup> September, 2004 and for Rs. 25,000 on 1<sup>st</sup> April, 2006. Certain machinery, which was purchased for Rs. 40,000 on 30<sup>th</sup> September, 2004, was sold for Rs. 34,000 on 30<sup>th</sup> September, 2006.

Give the Machinery Account for the year ending 31<sup>st</sup> March, 2007 taking into account depreciation at 10% per annum on the written-down value.



SECTION – C

Answer **any two** questions. **Each** question carries **12** marks.

**(2×12=24)**

7. Define cost : Discuss the various methods of classification of costs.

8. Raj Travels and Tours Ltd. generates average revenue of Rs. 1,00,000 per person on its seven day package tours to Kulu Manali. The variable cost per person are as follows :

	Rs.
Airfare	25,000
Hotel Accommodation	10,000
Meals	15,000
Local transportation	15,000
Other costs	5,000
Total	<b>70,000</b>

Annual fixed costs total Rs. 40,00,000

**Required :**

- a) Calculate the number of package tours that must be sold to break even.
  - b) Calculate the revenue needed to earn a target operating profit of Rs. 16,00,000.
  - c) If fixed costs increase by Rs. 8,00,000 what decrease in variable costs must be achieved to maintain the break-even point calculated in (a) above ?
9. The following are the Ledger Account balances as on 31-3-2006. You are required to prepare Trading and Profit and Loss A/c and Balance Sheet as at that date.

Mr. Arun's Capital	1,08,090	Stock on 1-4-05	46,800
Sales	2,89,600	Sales returns	8,600
Purchases	2,43,000	Purchases return	5,800



Carriage and freight	18,600	Rent and Taxes	5,700
Salaries and wages	9,550	Sundry Debtors	24,000
Sundry Creditors	14,800	Bank Loan @ 6%	20,000
Bank interest paid	900	Printing & Advertising	14,600
Income from investments	250	Cash at Bank	8,200
Discount allowed	7,340	Discount received	3,690
Investments	5,000	Furniture and Fittings	1,800
General expenses	3,600	Audit Fees	500
Insurance	800	Travelling expenses	2,310
Postage and telegram	800	Cash in Hand	380
Bank Deposit @ 5%	30,000	Drawings	10,000
Bad debts	500	Bank Interest received	500
Reserve for bad debts	250		

**Additional information :**

- a) Stock in hand as on 31-3-2006 was Rs. 78,600
- b) Depreciate Furniture and Fittings by 10%
- c) Salaries outstanding Rs. 450 and Carriage outstanding Rs. 100
- d) Insurance prepaid Rs. 200
- e) Create reserve for bad debts @ 5% on Debtors
- f) Goods worth Rs. 2,500 were destroyed by fire, but the Insurance Company admitted the claim for Rs. 1,800 only.



## SECTION - D

Compulsory :

(1×15=15)

10. The Balance Sheets of Western Manufacturers Ltd. as on 1<sup>st</sup> January, 1999 and 31<sup>st</sup> December, 1999 are as follows :

	1 <sup>st</sup> January, 2011 Rs.	31 <sup>st</sup> December, 2011 Rs.
<b>Liabilities :</b>		
Share Capital	2,50,000	2,50,000
5% Debentures	1,00,000	80,000
Sundry Creditors	1,15,000	1,08,000
Profit and Loss account	20,000	27,000
Depreciation fund	40,000	44,000
Reserve for contingencies	70,000	55,000
Outstanding expenses	15,000	24,000
	<b>6,10,000</b>	<b>5,88,000</b>
<b>Assets :</b>		
Land and Buildings	1,50,000	1,50,000
Machinery	82,000	90,000
Stock in trade	1,00,000	1,14,000
Sundry Debtors	85,000	81,000
Cash and Bank balance	60,000	55,000
Temporary investments	1,31,000	95,000
Prepaid expenses	2,000	3,000
	<b>6,10,000</b>	<b>5,88,000</b>



The following additional information is also available :

- a) New machinery was purchased for Rs. 30,000 but old machinery costing Rs. 15,000 was sold for Rs. 5,000, accumulated depreciation was Rs. 8,000.
- b) Rs. 20,000, 5% Debentures were redeemed by purchase from open market @ Rs. 96.
- c) Rs. 36,000 investment were sold at book value.
- d) 12% dividend was paid in cash.
- e) Rs. 15,000 was debited to contingency reserve for settlement of previous tax liability.

You are required to prepare a schedule of changes in working capital and a statement showing the sources and application of funds.

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