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I Semester M.B.A.(Day/Evening) Degree Examination, August - 2021

**MANAGEMENT**  
**Managerial Accounting**  
**(CBCS Scheme 2019-2020)**

**Paper : 1.2**

**Time : 3 Hours**

**Maximum Marks : 70**

**SECTION - A**

Answer any **Five** of the following questions. Each question carries **5** marks. (5×5=25)

1. Explain the main branches of Accounting.
2. Discuss the fraud and ethical issues in Accounting.
3. Explain the importance of IFRS and its implementation.
4. The ratio of variable cost to sales is 70%. The break-even point occurs at 60% of the capacity sales. Find the capacity sales when fixed costs are Rs. 90,000. Also compute profit at 75% of the capacity sales.
5. Rainbow Ltd., has prepared the budget for the production of one lakh units of the commodity manufactured, the cost incurred are as follows:

(In lakhs)

i) Raw Material	2.52
ii) Direct Labour	0.75
iii) Direct Expenses	0.10
iv) Works Overheads (60% fixed)	2.25
v) Administrative overheads (80% fixed)	0.40
vi) Selling overheads (50% fixed)	0.20

The actual production during the period was only 60,000 units. Calculate the revised budget cost per unit.

6. A firm purchased certain machineries on 1/1/2016 for Rs. 1,80,000 for which the cost of carriage was Rs.10,000 and cost of installation was Rs.10,000. Depreciation on machinery is charged @ 10% per annum on reducing balance method. The accounting year of the firm ends on 31st December.

On 1<sup>st</sup> July 2018 one fourth of the machinery was sold @ 20% more than the book value and another machine costing Rs.80,000 was purchased on the same date.

On 1<sup>st</sup> January 2019 one fourth of the machinery installed on 1<sup>st</sup> January 2016 was sold @ 10% less than its depreciated value. Another machine was purchased on 1<sup>st</sup> January 2019 for Rs.1,00,000.

Prepare the Machinery Account for 4 years from 2016 to 2019.

[P.T.O.]



7. Show the Accounting Equation on the basis of the following transactions:

	Rs.
i) Ram commenced business with cash	15,000
ii) He purchased goods on credit	5,000
iii) He sold goods for cash (Costing Rs.2,500) for	3,000
iv) Purchased furniture for cash	1,500
v) Sold goods to Lakshman on credit (Costing Rs. 400) for	500
vi) Paid Salaries	250
vii) Received Cash from Lakshman	500
viii) Withdrew Cash for private use	1,200
ix) Received rent from tenants	1,500
x) Purchased goods from Bharat for cash	500

### SECTION - B

Answer any **Three** of the following questions. Each question carries **10 Marks.**(3×10=30)

8. Explain the accounting concepts and conventions. Discuss its importance in-maintenance of Books of Accounts.
9. With the help of the following ratios regarding Galaxy Films, draw the Balance Sheet of the company for the year 2018:

Current Ratio	2.5
Liquidity Ratio	1.5
Net working capital	Rs. 3,00,000
Stock Turnover Ratio (Cost of sales/closing stock)	6 times
Gross profit Ratio	20 per cent
Fixed Assets Turnover Ratio (on cost of sales)	2 times
Debt Collection period	2 months
Fixed Asset to shareholders net worth	0.80
Reserve and surplus to capital	0.50

10. From the following details relating to the Accounts of phoenix Ltd. Prepare Cash flow Statement:

	31.03.2018 (Rs.)	31.03.2017 (Rs.)
<b><u>Liabilities</u></b>		
Share Capital	10,00,000	8,00,000
Reserve	2,00,000	1,50,000
Profit & Loss Account	1,00,000	60,000
Debentures	2,00,000	-
Provision for taxation	1,00,000	70,000
Proposed Dividend	2,00,000	1,00,000
Sundry Creditors	7,00,000	8,20,000
	<u>25,00,000</u>	<u>20,00,000</u>



**Assets**

Plant & Machinery	7,00,000	5,00,000
Land & Building	6,00,000	4,00,000
Investments	1,00,000	-
Sundry Debtors	5,00,000	7,00,000
Stock	4,00,000	2,00,000
Cash on hand/bank	2,00,000	2,00,000
	<u>25,00,000</u>	<u>20,00,000</u>

- i) Depreciation @ 25% was charged on the opening value of plant & Machinery.
- ii) During the year one old machine costing 50,000 (WDV 20,000) was sold for Rs. 35,000.
- iii) Rs. 50,000 were paid towards income tax during the year.
- iv) Building under construction was not subject to any depreciation.

11. The balance sheet of Atria Ltd on March 31, 2019 is given below.

<b>Sources of Funds</b>	<b>Amount (Rs.)</b>
1) Equity and Liabilities	7,99,200
Shareholder's Funds	<u>2,48,000</u>
Reserves & Surplus	<u>10,47,200</u>
2) Non Current Liabilities	
Long term borrowings	<u>2,10,800</u>
3) Current Liabilities	
Sundry creditors	1,60,000
Other current liabilities	6,000
Short term provisions	<u>1,02,400</u>
	<u>2,68,400</u>
<b>Total of Equity Liabilities</b>	<b><u>15,26,400</u></b>
<b>Application of Funds</b>	<b>Amount (Rs.)</b>

## Non current Assets

1) Fixed Assets	
Tangible assets	9,00,000
Intangible assets	10,640
Total Fixed Assets	<u>9,10,640</u>
2) Current Assets	
Inventories	2,00,000
Trade Receivables	1,60,000
Cash & Cash equivalent	2,21,600
Short term loans & advances	34,160
Total of Current Assets	<u>6,15,760</u>
<b>Total of all assets</b>	<b><u>15,26,400</u></b>

Interpret the financial performance/Position of the company by reading the Balance sheet, as a financial expert.



(4)

62202

## SECTION - C

## 12. CASE STUDY (Compulsory)

Following is the trial balance of Paresh Shah Ltd., as on 31-03-2018.

(1×15=15)

	Rs.	Rs.
Share Capital		
General Reserve		10,00,000
Debenture Redeemable reserve		60,000
10% Debentures		40,000
Public deposits		2,00,000
Debenture Interest paid	15,000	80,000
Calls in arrears	50,000	
Purchases	5,00,000	
Opening stock	80,000	
Debtors	2,00,000	
Purchase return		20,000
Sales		12,00,000
Creditors		30,000
Unclaimed Dividends		10,000
Prepaid insurance	30,000	
10% Government loan	1,00,000	
Land & Building	14,00,000	
Plant & Machinery	2,30,000	
Bad Debt reserves		18,000
P/L A/c (01-04-2017)		42,000
Sales Return	25,000	
Salary & Office expenses	70,000	
	<u>27,00,000</u>	<u>27,00,000</u>

**Additional information :**

- Closing Stock Rs. 40,000
- Make provisions for taxation @ 50% of profit.
- Make provision for Bad debts @ 10% on Debtors
- Proposed Dividend 10% on share capital, after transferring Rs. 20,000 to General reserve.

Prepare the final A/c s as per schedule III of companies Act of 2013.