2008

(December)

MASTER OF BUSINESS ADMINISTRATION

(*Distance Learning*)

[First Semester]

(*Accounting for Managers*)

PAPER—CP 104

Full Marks : 100

Time : 3 hours

The figures in the right-hand margin indicate marks

Candidates are required to give their answers in their own words as far as practicable

Illustrate the answers wherever necessary

Write the answers to questions of each Half in separate books

FIRST HALF

[*Marks* : 50]

(*Financial Accounting*)

(*Turn Over*)

1. Attempt any *four* questions : 5x4

(*a*) 'Accounting is a social science.' Explain critically.

(*b*) Journalize the following transactions in the books of Mr. Basu :

01.01.07.— Started his business with a cash of Rs. 7,500 , Stock of Rs. 5,000.

04.01.07.— Purchased goods worth Rs. 1,000 from Mr. Paul.

05.01.07.— Goods returned to Mr. Paul Rs. 500.

06.01.07.— Paid Mr. Paul the settlement amount.

09.01.07.— Withdraw cash for household expenses amounted to Rs. 600.

12.01.07.— Paid carriage outward of Rs. 100.

13.01.07.— Purchased a furniture from Sen & Co. of Rs. 1,000.

15.01.07.— Withdraw cash from SBI for official use of Rs. 500.

(*c*) Briefly explain the 'separate entity concept' and 'doctrine of conservatism'.

(*d*) State with reasons whether the following are Capital Expenditure or Revenue Expenditure:

(*i*) Expenses incurred in connection with obtaining a licence for starting the factory were Rs. 10,000.

(*ii*) Rs. 1,000 paid for removal of stock to a new site.

(*iii*) Rings and Pistons of an engine were changed at a cost of Rs. 5,000 to get full efficiency.

(*iv*) Rs. 2,000 spent as lawyer's fee to defend a suit claiming that the firm's factory site belonged to the Plaintiff. The suit was not successful.

(*v*) Rs. 10,000 were spent on advertising the introduction of a new product in the market, the benefit of which will be effective during four years.

(*e*) Distinguish between a 'Trial Balance' and a 'Balance Sheet'.

(*f*) Calculate the valuation of the closing inventory under the 'simple average' method from the following information:

01.01.08— Opening Stock of 500 units @ Rs. 5 each.

05.01.08— Purchase of 2,500 units @ Rs. 6 each.

10.01.08— Issue of 2,000 units.

15.01.08— Purchase of 3,500 units @ Rs. 7 each.

20.01.08— Issue of 3,000 units.

There is a shortage of 250 units on 12.01.08.

2. Attemp any *two* questions: 10×2

(*a*) Mr. P. Sharma is in business as a stationery merchant. From the following business extracted from his books of accounts, you are required to prepare Trading and Profit and Loss Account for the year ended 31st December, 2008 and a Balance Sheet as on that date :

	Dr Rs.	Cr Rs.
Cash in hand	20,000	
Cash at bank	25,000	
Plant and Machinery	50,000	
Furniture and Fixtures	10,000	
Drawings	10,000	
Capital		90,000
Opening stock	20,000	
Trade mark rights (10 year from 1.1.2008)	40,000	
Purchases	1,50,000	
Postages and telegrams	2,000	
Bad Debts	1,000	
Loan from R. D. Bansal @ 6% p.a (taken on1.7.2008)		15,000
Insurance charges	1,000	
Salaries and wages	25,000	

	Dr Rs.	Cr Rs.
Sundry Debtors	35,000	
Interest on loan from Bansal	200	
Creditors		54,200
Sales		2,30,000
	3,89,200	3,89,200

Additional Information :

(*i*) Stock on 31.12.2008 — Rs. 38,000.

(*ii*) Depreciate plant and machinery at 10% and furniture and fixtures at 5% p.a.

(*iii*) Invoices of the value of Rs. 3,000 were recorded in the Sales Book on 29th December, 2008, but goods were not despatched until 7th January, 2009 and were included in the closing stock.

(*iv*) Of the Sundry debtors Rs. 1,000 are bad and should be written-off.

(v) Sundry debtors include Rs. 6,000 due from B. N. Sen where as sundry creditors include Rs. 1,000 also due to B. N. Sen.

(vi) Create a provision of 5% on Sundry Debtors for bad and doubtful debts.

(b) Give separate Journal Entries for the following: 3 + 3 + 4

(i) X Ltd. forfeited 100 equity shares of Rs. 10 each held by R. Ram on 15th December, 2007 for non-payment of first call of Rs. 2 per share and the final call of Rs. 3 per share. These shares were re-issued to G. Ram on 25th December, 2007 at a discount of Rs. 3·50 per share.

(ii) X Ltd. forfeited 100 equity shares of Rs. 10 each, issued at a premium of Rs. 5 per share, held by M Ram on 15th December, 2007, for non-payment of the final call of Rs. 3 per share. These shares were reissued to Loknath on 25th December, 2007 at a discount of Rs. 4 per share.

(*iii*) X Ltd. forfeited 100 equity shares of Rs. 10 each, issued at a discount of 10%, held by Raj Kumar on 15th January, 2008 for non-payment of the first call of Rs. 2 per share and the final call of Rs. 3 per share. Out of these 50 equity shares were re-issued to Shri Krishnan at Rs. 8 per share on 30th January, 2008 and the rest of these shares were re-issued on 10th March, 2008 to Ram Nath at Rs. 7 per share.

(*c*) Write short notes on any *two* of the following:

(*i*) Deferred Revenue Expenditure and Capitalised Expenditure

(*ii*) Fundamental Accounting Equation and Dual Aspect Concept

(*iii*) Distinguish between 'provision' and 'reserve'.

[*Internal Assessment* : 10 Marks]

SECOND HALF

[*Marks* : 50]

(*Cost Accounting*)

3. Answer any *four* questions : 5x4

(*a*) What is BEP and how BEP is calculated? Explain with examples.

(*b*) A worker takes 80 hours to do a job for which the time allowed is 100 hours. His daily rate is 2.50 per hour. Calculate the earnings of the worker under the following methods of payment of wages :

(*i*) Halsey Premium Scheme

(*ii*) Rowan Premium Scheme.

(*c*) Define stores ledger and write four methods of pricing of material issues.

(*d*) What do you mean by Economic Ordering Quantity? Why it is called economic?

(*e*) How are normal idle time and abnormal idle time treated in cost accounting?

(*f*) What do you mean by a 'machine hour rate'? When should a machine hour rate be used?

4. Answer any *two* of the following: 10x2

(*a*) The following amounts have been spent on 31.03.2008:

Material sent to site	85,349.00
Labour charges	74,375.00
Plant installed at site at cost	15,000.00
Direct expenses	3,167.00
Establishment Expenses	4,126.00
Material returned to store	549.00
Work certified	1,95,000.00
Cost of work not yet certified	4,500.00
Material in hand 31.03.08	1,883.00
Depreciation plant @ 10% p.a	

The contract price has been agreed at Rs. 2,50,000.00 and cash has been received from the contractee amounting to Rs. 1,80,000.00. Prepare Contract Account.

(*b*) The following figures have been extracted from the books of a manufacturing firm for the first year of its operation.

	Rs.
Direct material issued	50,00,000
Direct wages	30,00,000
Factory overheads	16,00,000
Administrative overheads	7,00,000
Selling and distribution overheads	9,60,000
Bad debts	80,000
Preliminary expenses written off	40,000
Legal charges	1,00,000
Dividend received	1,00,000
Interest received on deposits	20,000
Sales (1,20,000 units)	1,80,00,000
Closing stock :	
Finished goods (4,000 units)	3,20,000
Work-in-progress	2,40,000

Prepare a statement showing

(*i*) Prime cost

(*ii*) Works cost

(*iii*) Cost of production

(*iv*) Cost of goods sold

(*v*) Profit per unit.

(*c*) A Ltd. maintains a margin of safety of 37·5% with an overall contribution to sales ratio of 40%. Its fixed cost amount to Rs. 5 lakhs.
Calculate the following:

(*i*) Break-even Sales;

(*ii*) Total Sales;

(*iii*) Total Variable Cost;

(*iv*) Current profit;

(*v*) New "Margin of Safety" if the sales volume is increased by $7\frac{1}{2}$%.

[*Internal Assessment* : 10 Marks]