

NEW

2015

MBA 1st Semester Examination

ACCOUNTING FOR MANAGERS

PAPER—104

Full Marks : 100

Time : 3 Hours

The figures in the margin indicate full marks.

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

Illustrate the answers wherever necessary.

1. Answer *any four* questions : 4×5
- (a) What is the significance of dual aspect concept ?
 - (b) Write a short note on accounting standards.
 - (c) Distinguish between Capital expenditure and Revenue expenditure.

(Turn Over)

- (d) Explain the significance of cash flow analysis.
- (e) On April 1, 2011, Company A purchased an equipment at the cost of Rs. 140,000. This equipment is estimated to have 5 year useful life. At the end of the 5th year, the residual value will be Rs. 20,000. Calculate the depreciation expenses for 2011, 2012 and 2013 using straight line depreciation method and show the machinery account of company A.
- (f) Enter the following transactions in the Journal of Bhagwat and sons.

2006		Amount (Rs.)
January 1	Tarun started business with cash	1,00,000
January 2	Goods purchased for cash	20,000
January 4	Machinery Purchased from Vibhu	30,000
January 6	Rent paid in cash	10,000
January 8	Goods purchased on credit from Anil	25,000
January 10	Goods sold for cash	40,000
January 15	Goods sold on credit to Gurmeet	30,000
January 18	Salaries paid	12,000
January 20	Cash withdrawn for personal use	5,000

2. Answer any *four* of the following questions : 4×5

(a) What is a Bin Card ? Give the specimen form of a Bin Card. How is it different from a Stores Ledger ?

(b) Following particulars relating to a product manufactured by a company could be collected for the year 2015 :

(i) Monthly demand – 1,000 units, (ii) Ordering cost per order – Rs. 80, (iii) Annual carrying cost per unit – Rs. 15, (iv) Normal usage – 50 units per week, (v) Minimum usage – 20 units per week, (vi) Maximum usage – 75 units per week, (vii) Re-order period – 4-6 weeks.

Compute : (a) Re-order quantity, (b) Re-order level, (c) Minimum level, (d) Maximum level, and (e) Average stock level.

(c) During the third week of December, 2015, a worker manufactured 224 articles. Working hours during a week are 48 hours, standard rate of remuneration is Rs. 5 per hour, and standard time to manufacture an article is 20 minutes. Calculate the gross wages of the worker for the week according to : (i) Piece work with guaranteed weekly wages, (ii) Halsey Premium Bonus Plan, and (iii) Rowan Premium Bonus Plan.

- (d) What do you mean by 'Pre-determined overhead rate'?
Mention its advantages.
- (e) The effect of a price reduction is always to reduce 'P/V ratio', to raise 'Break-Even Point' and to shorten the 'Margin of Safety'. Explain the statement with an example.
- (f) Draw a Break-Even Chart and describe it in as much detail as possible. What are common assumptions of a typical Break-Even Chart ?

3. Answer any *two* questions : 2×10

- (a) The books of Aranarasu show the following balances as on 31st December 2011. You are required to prepare a trading and profit and loss account and balance sheet.

	Rs.	Rs.
Stock on 1st January 2011	67,000	
Sales		5,24,600
Bills payable	1,500	
Purchases		4,88,000
Salaries and wages	9,800	
Rent	1,100	

	Rs.	Rs.
Travelling expenses	2,600	
Sundry creditors		57,000
Postage and telegrams	620	
General charges	2,250	
Printing and stationery	350	
Capital account		75,000
Interest and commission	2,200	
Lighting charges	175	
Repairs	35	
Sundry receipts		175
Furniture	3,000	
Bills receivable		4,000
Bad debts	475	
Sundry debtors		85,000
Aranarasu's current account		17,000
Cash with bank		6,500
Cash in hand	2,170	

Depreciate furniture by 6 percent, Outstanding salaries and rent were Rs. 1,100 and Rs. 100 respectively. Stock at 31st December 2011 was valued at Rs. 70,350.

- (b) From the following balances calculate cash from operations :

	December 31	
	2010	2011
Profit and loss a/c balance	75,000	1,55,000
Debtors	45,000	42,000
Creditors	20,000	26,000
Bills receivable	12,000	15,000
Cash in hand	2,500	3,000
Prepaid expenses	1,600	1,400
Bills payable	18,000	16,000
Cash at bank	8,000	10,000
Outstanding expenses	1,200	1,600
Income received in advance	250	300
Outstanding income	800	900

Additional information :

- (i) depreciation written off during the year Rs. 10,000
- (ii) transfer to general reserve Rs. 10,000.

- (c) On 1st Jan. 2003 machinery was purchased for Rs. 80,000. On 1st Jan. 2004 additions were made to

the machinery of Rs. 40,000. On 31st March 2005, machinery purchased on 1st January 2004, costing Rs. 12,000 was sold for Rs. 11,000, and on 30th June 2005, machinery purchased on 1st Jan. 2003 costing Rs. 32,000, was sold for Rs. 26,700. On 1st Oct, 2005 additions were made to the amount of Rs. 20,000. Depreciation was provided at 10% p.a. on the Diminishing Balance Method.

Show the Machinery Account for the three years from 2003 to 2005 December 31st.

4. Answer any *two* of the following : 2×10

- (a) A company has three production departments and two service departments. The following figures have been extracted from the records of the company for a particular given period :

Items of cost	Amount (Rs)	Items of cost	Amount (Rs)
Rent and Rates	25,000	Power	3,000
General Lighting	3,000	Depreciation on	
Indirect Wages	15,000	Machinery	75,000
Salesmen's		Sundries	25,000
remuneration	30,000	Supervision	1,500

The following further details have been extracted from the books of the respective departments :

Particulars	Production Departments			Service Departments	
	A	B	C	X	Y
Direct Wages (Rs.)	15,000	10,000	15,000	7,500	2,500
Floor space (Square feet)	2,000	2,500	3,000	2,000	500
No. of Employees	2,000	1,000	500	500	100
Cost of Machinery (Rs.)	3,00,000	4,00,000	5,00,000	25,000	25,000
Lighting Points (No.)	10	15	20	10	5
H.P. of Machines used	60	30	50	10	—
Sales Value (Rs.)	1,50,000	50,000	1,00,000	—	—
Production Hours	6,000	5,000	4,000	—	—

A technical assessment for the apportionment of expenses of Service Departments is as under :

Departments	A	B	C	X	Y
Service Dept. X	40%	25%	30%	—	10%
Service Dept. Y	50%	40%	—	10%	—

You are required :

- (i) To prepare a statement showing distribution of overheads to various departments ;

- (ii) To prepare a statement showing re-distribution of service departments' expenses to production departments ;
- (iii) To compute Overhead Rates of the Production departments - A, B and C. 5+3+2
- (b) (i) From the following data calculate : (i) P/V Ratio, (ii) Profit when sales are Rs. 30,000 and (iii) New Break Even Point if selling price is reduced by 10%.
Fixed cost – Rs. 4,000, Break Even Point – Rs. 10,000.
- (ii) What do you mean by overhead absorption ? Explain briefly any two methods of absorbing factory overheads. 5+5
- (c) (i) From the particulars given below prepare the labour cost per man-day of 8 hours :
- | | |
|-----------------------|---|
| 1. Basic Salary | Rs. 100 per day |
| 2. Dearness Allowance | Rs. 2.50 per every point over 100 points cost of living index of working class. |
| | Current index is 700 points. |

3. Leave Salary	10% of 1 and 2
4. Employer's contribution of Provident Fund	8% of 1, 2 and 3
5. Employer's Contribution of State Insurance	2.5% of 1, 2 and 3
6. Expenditure on amenities of labour	Rs. 200 per head per month
7. No. of working days in a month	25 days of 8 hours per day

(ii) Explain the terms 'Factory Cost' and 'Cost of Sales'.

5+5

[Internal Assessment : 20]
