

MBA 03

M.B.A. DEGREE EXAMINATION, JUNE 2006.

First semester
(Common for HRM/Marketing/Finance/ International Business)

ACCOUNTING FOR MANAGERS

Time: Three hours

Maximum: 100 marks

SECTION A –(5 x 6 = 30 marks)

Answer any FIVE of the following

1. Explain the accounting principles governing the preparation of Balance Sheet.
2. What is receipts and expenditure account? Does it differ in any way from income account ? If so mention points of distinction.
3. Enumerate the methods of calculating depreciation.
4. "Costing is an aid to management". Enumerate the main points in support of this statement.
5. "The effect of a price reduction is always to reduce the P/V ratio and to raise the BEP". Explain.
6. Briefly describe the all financial resources concept of funds flow.
7. What procedure would you adopt to study the liquidity of a business firm?
8. Who are all the parties interested in knowing accounting information?

SECTION B – (5 x 10 = 50 marks)

Answer any FIVE of the following

9. From the following particulars you are required to prepare a statement showing
 - (a) The cost of material consumed
 - (b) Prime Cost
 - (c) Work Cost
 - (d) Total Cost and
 - (e) Cost Of sales and profit

	Rs
Stock of finished goods on 31.12.03	73,000
Stock of Raw –Materials on 31.12.03	35,000
Purchase of raw- materials	7,60,000
Productive wages	5,20,000
Stock of finished goods on 31.12.04	82,500
Stock of raw materials on 31.12.04	37,500
Sale of finished of goods	15,45,800
Works overhead charges	1,30,200
Offices and general charges	69,700

10. A company budgets a production of 5,00,000 units at a variable costs of Rs.20 each .The fixed costs are Rs.20,00,000.The Selling price is fixed to yield 25% on cost. You are required to calculate :

(a) P/V ratio

(b) Break even point

If the selling price is reduced by 20 % find

(i) the effect of the price reduction on the BEP and P/V ratio

(ii) the number of units required to be sold at the reduced selling price to obtain an increase of 20% over the budgeted profit

11. From the following information ,prepare a summarized balance sheet as on 31st March

	Rs
Working capital	1, 20,000
Reserves and surplus	80,000
Bank overdraft	20,000

Asset (fixed) to proprietary ratio .75

Current ratio 2.5

Liquid ratio 1.5

12. A manufacturing company purchased on 1st January 2001 ,a second hand plant for Rs. 30,000 and immediately spent Rs 20,000 on overhauling it .On 1st July 2001, additional machinery costing Rs. 25,000 was purchased .On 1st July 2003, the plant purchased on 1st January 2001 became obsolete and was sold for Rs.10,000.On that date a new machinery was purchased at a cost of Rs 60,000

Depreciation was provided for annually on 31st December, at the rate of 10 % per annum on the original cost of asset .In 2005 ,how ever the company changed this method of providing depreciation and adopted the method of writing off 15% on diminishing value.

Show the machinery account for the years 2001 to 2005 (both inclusive).

13. How Cost Accounting is different in techniques and procedures from financial accounting and management accounting.

14. How is contribution in marginal costing important? Explain briefly its role in profit maximisation and fixation of selling price decisions.

15. Discuss the importance of ratio analysis for inter-firm and intra-firm comparisons including circumstances responsible for its limitations .If any.

16. Explain the accounting standards which are applicable to a company.

SECTION C - (1X20=20 marks)

(Compulsory)

17. On 31st March 2004, the following trial balance of R.Rama was taken out .Prepare final accounts for the year after making the following adjustments :
- (a) Depreciation :5 % of plant and machinery and 10 % of fixtures and fittings
 - (b) Reserve for bad debts 2 ½ % on sundry debtors.
 - (c) Insurance unexpired on 31st March 2004 Rs. 70
 - (d) Outstanding wages Rs 800 and salaries Rs 350.

Trial Balance	
Dr Balances	Rs
Plant and Machinery	55,000
Fixtures and Fittings	1,720
Fuel and Power	542
Office Salaries	3,745
Lighting (factory)	392
Traveling expenses	925
Carriage on sales	960
Cash at Bank	2,245
Cash in Hand	68
Sundry debtors	47,800
Purchases	66,710
Wages	9,915
Rent and Rates	1,915
Offices expenses	2,778
Carriage on Purchases	897
Discount	422
Drawings account	6,820
Stock on 1.4.03	21,725
Manufacturing expenses	2,680
Sales returns	7,422
Insurance	570
Closing Stock	16,580
Cr. Balances	Rs.
Rent outstanding	150
R. Rama's Capital	93,230
Sales	1, 26,177
Sundry Creditors	22,680
Purchases returns	3,172
Bills payable	6,422
