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**I Semester M.B.A. Degree Examination, Jan./Feb. 2015
(CBCS) (2014-15 & Onwards)
MANAGEMENT
Paper – 1.3 : Accounting for Managers**

Time : 3 Hours

Max. Marks : 70

SECTION – A

Answer **any five** of the following questions. **Each** question carries **5** marks.

Answer to **each** theoretical question should **not** exceed **250** words. **(5×5=25)**

1. Explain the assumptions underlying accounting measurement.
2. Write a note on Quality of Earnings.
3. Distinguish between cost control and cost reduction.
4. Explain the practical applications of Marginal Costing.
5. On September 1, 2012, Rashmi Sinha established Lovely Beauty Salon. The business engaged in the following transactions in the first month :
 - a) Rashmi Sinha invested Rs. 50,000 cash in business
 - b) Bought equipment for cash Rs. 15,000
 - c) Took a bank loan Rs. 25,000
 - d) Bought supplies on credit Rs. 3,000

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- e) Paid rent Rs. 12,500
- f) Paid creditors Rs. 1,500
- g) Received fee for services provided Rs. 29,000.

You are required to analyze the effect of the above transactions on the accounting equation.

6. XYZ Ltd., has prepared the following budget estimates for the year 2009-10.

| | |
|------------------------|--------------|
| Sales in units | 15,000 |
| Fixed expenses | Rs. 34,000 |
| Sales in volume | Rs. 1,50,000 |
| Variable cost per unit | Rs. 6 |

You are required to :

- i) Find out P/V ratio, break-even point and margin of safety.
- ii) Calculate the revised P/V ratio, break-even point and margin of safety in each of the cases :
 - a) Decrease of 10% in selling price
 - b) Increase of 10% in variable costs.



7. Ajay Company reported a net profit after tax of Rs. 3,40,000 for the year ended 31-3-2007. The relevant balance sheet accounts on 31-3-2006 and 31-3-2007 are as follows :

(Amount in Rs.)

| Particulars | 31-3-2007 | 31-3-2006 |
|--------------------|-----------|-----------|
| Inventories | 59,000 | 72,000 |
| Debtors | 94,000 | 61,000 |
| Pre paid Expenses | 14,000 | 3,000 |
| Creditors | 82,000 | 78,000 |
| Income Tax Payable | 13,000 | 19,000 |

Depreciation expenses of Rs. 49,000 and gain on sale of investment of Rs. 8,000 appeared on the Profit and Loss account for the year ended 31-3-2007.

Calculate net cash flow from operating activities using indirect method.

SECTION – B

Answer **any three** of the following questions. **Each** question carries **10** marks.

Answer to **each** theoretical question should **not** exceed **500** words. (10×3=30)

8. Define Human Resource Accounting. Explain the various valuation techniques of human resource accounting.

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9. What are Annual Reports ? Discuss the mandatory disclosures in a Company's Annual Reports.
10. The profitability statement of G Co. Ltd., has been summarized as given below.

| | | |
|--------------------|-----------------|------------------|
| Sales | | 15,00,000 |
| Direct Material | 4,50,000 | |
| Direct Wages | 3,00,000 | |
| Variable Overheads | 1,20,000 | |
| Fixed Overheads | <u>4,40,000</u> | <u>13,10,000</u> |
| Profit | | <u>1,90,000</u> |

The budgeted capacity of the company is Rs. 20,00,000 but the key factor is sales demand. It is proposed that in order to utilize the existing capacity, the selling price of the only product manufactured by the company should be reduced by 5%. You are requested to prepare a forecast statement which should show the effect of the proposed reduction in selling price and include any changes in costs expected during the coming year. The following additional information is given.

- a) Sales forecast Rs. 19,00,000 (after reduction)
- b) Direct material prices are expected to increase by 2%
- c) Direct wage rates are expected to increase by 5% per unit
- d) Variable overheads are expected to increase by 5% per unit
- e) Fixed overheads will increase by Rs. 20,000.



11. The following is the Balance Sheet of Prashant Ltd., as on 31-3-2013

Balance Sheet of Prashant Ltd.

as at 31 March 2013

| Liabilities and Equity | Amount ₹ | Assets | Amount ₹ |
|------------------------|-------------|----------------------|-------------|
| Share capital | | Fixed assets | 6,10,000 |
| Equity shares of | | (Less: Depreciation) | |
| 10% each 4,00,000 | | Current assets : | |
| 1,000 12% Preference | | Stock-in-trade | 1,60,000 |
| shares of ₹ 100 | | Sundry debtors | 1,20,000 |
| each 1,00,000 | 5,00,000 | Bills receivable | 25,000 |
| Reserve and surplus | 1,00,000 | Cash in hand | |
| 12% Debentures | 2,00,000 | and bank | 35,000 |
| Current liabilities | | | 3,40,000 |
| Creditors | 1,20,000 | | |
| Bank Overdraft | 30,000 | | |
| | 1,50,000 | | |
| | 9,50,000 | | 9,50,000 |

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Revenue Statement
For the Year Ended 31 March 2013

| Particular | Amount (₹) |
|-----------------------------------|-----------------|
| Net sales (credit) | 7,30,000 |
| Cost of sales | <u>6,20,500</u> |
| Gross profit | 1,09,500 |
| Administrative expenses | 18,250 |
| Selling and distribution expenses | <u>36,500</u> |
| Operating profit (before tax) | 54,750 |
| Taxation | <u>25,550</u> |
| Operating profit (after tax) | 29,200 |

From the given information, you are required to compute the following ratios :

- 1) Current ratio
- 2) Liquidity ratio
- 3) Gross profit ratio
- 4) Debtor's velocity
- 5) Net profit ratio
- 6) Capital gearing ratio
- 7) Proprietary ratio
- 8) Stock working capital ratio
- 9) Administrative expenses ratio
- 10) Debt-equity ratio.



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SECTION – C

12. Case Study – Compulsory :

(1×15=15)

The following is the trial balance of Venkateshwara Ltd., as at 31.3.2012

| | Debit | Credit |
|--|------------------|------------------|
| Stock on 1 st April 2011 | 7,50,000 | — |
| Sales | — | 35,00,000 |
| Purchases | 24,50,000 | — |
| Wages | 5,00,000 | — |
| Discounts | 70,000 | 50,000 |
| Salaries | 75,000 | — |
| Rent | 49,500 | — |
| General Expenses Including Insurance | 1,75,000 | — |
| Profit and Loss Account on 1 st April 2011 | — | 1,50,300 |
| Dividends Paid | 90,000 | — |
| Bad Debts | 48,300 | — |
| General Reserve | — | 1,55,000 |
| Cash in hand and at Bank | 1,62,000 | — |
| Authorized capital and Issued Capital (Fully Subscribed) (1,00,000 Shares of Rs. 10 Each) | — | 10,00,000 |
| Sundry Debtors and Creditors | 3,75,000 | 1,79,500 |
| Plant and Machinery | 2,90,000 | — |
| Total | 50,34,800 | 50,34,800 |

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You are required to prepare a statement of Profit or Loss and a Balance Sheet for year ended 31st March, 2012 as per the Revised Schedule VI of the Companies Act.

- a) Closing Stock Rs. 8,20,000
 - b) Depreciate machinery at 15% p.a.
 - c) One month's rent at Rs. 54,000 p.a. was due on 31st March 2012
 - d) Six months insurance was unexpired Rs. 3,750
 - e) The Directors proposed a dividend of 8%.
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