



Semester M.B.A. Degree Examination, Jan./Feb. 2018
(CBCS) (2014-15 and Onwards)
MANAGEMENT
Paper – 1.3 : Accounting for Managers

Time : 3 Hours

SECTION – A

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

(5×5=25)

1. What is window dressing ? Give examples.
2. List and explain in brief the various techniques for cost control and cost reduction.
3. List the various users of financial statements and state their informational needs.
4. The following details are provided for machinery owned by Shiva Industries Ltd.

| | |
|---|---------------|
| Cost of machine | Rs. 78,00,000 |
| Expected useful life | 10 years |
| Consideration expected on disposal | Rs. 4,20,000 |
| Estimated cost of removal of the machine for disposal | Rs. 30,000 |
| Estimated realizable value | Rs. 3,90,000 |

- a) Determine the rate of depreciation as per Straight Line Method.
- b) Determine the annual depreciation and accumulated depreciation for all the years under Straight Line Method.
- c) Show the disclosure of machine in the balance sheet for all the years.

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PG – 767

-2-



5. The budgeted expenses at 10,000 units of production are :

| | Per unit (Rs.) |
|--|----------------|
| Direct materials | 60 |
| Direct labour | 30 |
| Variable overheads | 20 |
| Fixed overheads (Rs. 1,60,000) | 16 |
| Variable expenses (Direct) | 5 |
| Selling expenses (20% fixed) | 15 |
| Administration expenses (Rs. 1,00,000 fixed) | 10 |
| Total | 156 |

Prepare flexible budget for 7,000 units.

6. You are given the following data :

| | |
|----------------|------------------|
| Sales price | Rs. 350 per unit |
| Variable cost | Rs. 200 per unit |
| Fixed expenses | Rs. 16,50,000 |

Ascertain

- break-even point;
 - selling price per unit if break-even point is brought up to 15,000 units; and
 - selling price per unit if break-even point is brought down to 10,000 units.
7. Transactions of Omni Cab Company for the year ended on 31st December 2017 include the following :

| | Rs. |
|---|----------|
| Borrowed from a bank and purchased land | 4,00,000 |
| Sold investment securities | 7,00,000 |
| Paid dividends | 3,00,000 |





| | |
|--------------------------------------|----------|
| Issued 500 equity shares | 3,50,000 |
| Purchased machinery and equipment | 1,75,000 |
| Bank loan paid | 6,50,000 |
| Paid accounts receivable outstanding | 1,00,000 |
| Accounts payable increased | 1,90,000 |

Calculate the Company's net cash flow used in investing and financing activities.

SECTION – B

Answer **any three** questions. Each question carries **ten** marks : **(3×10=30)**

- Explain in detail the various concepts and conventions which influence the preparation of financial statements.
- X Ltd., has manufactured and sold 3 products during 2017 as follows :

| | | |
|-----------|---|-------------|
| Product X | – | 20000 units |
| Product Y | – | 14000 units |
| Product Z | – | 10000 units |

Cost analysis has disclosed as follows :

| | Product X | Product Y | Product Z |
|---------------------------|-----------|-----------|-----------|
| | (Rs.) | (Rs.) | Rs. |
| Marginal cost | 10 | 18 | 16 |
| Listed price | 20 | 30 | 40 |
| Time taken (hours) | 2.5 | 3 | 2.5 |
| Fixed cost - Rs. 2,00,000 | | | |
| Discount – 10% | | | |

Due to shortage of labour, the available hours for the next year are expected to be only 90000 hours.

PG – 767

-4-



Suggest a suitable product mix for the next year.

- a) when there is enough demand for all the three products; and
- b) when the potential demand is
 - i) Product X – 18000 units
 - ii) Product Y – 10000 units
 - iii) Product Z – 12000 units.

10. From the following information prepare Cash Flow Statement by Indirect Method (AS-III).

Comparative Balance Sheet
Excellent Ltd.

| Liabilities and Capital | As at 31-3-2015 Rs. | As at 31-3-2016 Rs. | Assets | As at 31-3-2015 Rs. | As at 31-3-2016 Rs. |
|-------------------------|---------------------------|---------------------------|------------------|---------------------------|---------------------------|
| Share capital | 50,00,000 | 40,00,000 | Fixed assets | 31,00,000 | 30,00,000 |
| Reserves | 15,00,000 | 5,00,000 | Investments | 1,50,000 | |
| Secured loans | 35,00,000 | 40,00,000 | Cash balance | 2,50,000 | 1,25,000 |
| Sundry creditors | 30,00,000 | 35,00,000 | Inventory | 75,00,000 | 78,75,000 |
| Bills payable | 20,00,000 | 25,00,000 | Sundry debtors | 30,00,000 | 28,00,000 |
| | | | Bills receivable | 10,00,000 | 7,00,000 |
| | 1,50,00,000 | 1,45,00,000 | | 1,50,00,000 | 1,45,00,000 |

Additional information :

- i) The net profit for the year after adjustment in respect of provisions for dividends and taxation is Rs. 10,00,000.
- ii) There was addition to fixed assets during the year amounting to Rs. 4,00,000 and depreciation for the year was Rs. 3,00,000.



11. A company has furnished the following Ratios and information for the year ended 31st March 2016.

| | |
|------------------------------------|---------------|
| Sales | Rs. 60,00,000 |
| Current ratio | 2 |
| Share capital to reserves | 7:3 |
| Return on net worth | 25% |
| Net profit to sales | 6.25% |
| Inventory turnover (based on COGS) | 12 |
| Cost of goods sold | Rs. 18,00,000 |
| Interest on debentures | Rs. 60,000 |
| Sundry debtors | Rs. 2,00,000 |
| Sundry creditors | Rs. 2,00,000 |

You are required to draw the Balance Sheet as at 31st March 2016 in the following format by supplying the missing figures.

Balance Sheet as at 31st March 2016

| Liabilities | Rs. | Assets | Rs. |
|---------------------|-----|----------------|-----|
| Share capital | — | Fixed assets | — |
| Reserve and surplus | — | Current assets | — |
| 15% debentures | — | Stock | — |
| Sundry creditors | — | Debtors | — |
| | | Cash | — |

PG – 767

-6-



SECTION – C

 This is a **compulsory** question carrying **fifteen** marks :

(1×15=15)

 12. Following is the Trial Balance of XYZ Ltd. as on 31st March 2016.

| Particulars | Debit (Rs.) | Credit (Rs.) |
|---------------------------------------|--------------------|--------------------|
| Equity share capital | | 30,00,000 |
| 12% preference share capital | | 20,00,000 |
| Reserve fund | | 15,00,000 |
| Buildings | 50,00,000 | |
| 10% debentures | | 20,00,000 |
| Plant and machinery | 20,00,000 | |
| Purchase and sales | 25,00,000 | 60,00,000 |
| Salary | 6,00,000 | |
| Debtors and creditors | 23,00,000 | 17,50,000 |
| Bills | 8,00,000 | 9,00,000 |
| Directors fees | 2,00,000 | |
| Bad debts | 50,000 | |
| Returns | 1,50,000 | 2,00,000 |
| Wages | 1,50,000 | |
| Opening stock | 4,50,000 | |
| Profit and Loss Account on 01-04-2015 | | 6,00,000 |
| Loose tools | 6,00,000 | |
| Goodwill | 8,00,000 | |
| Discount on issue of shares | 2,00,000 | |
| Cash and bank balances | 3,30,000 | |
| 12% investments (01-04-2015) | 20,00,000 | |
| Interest on investments | | 1,80,000 |
| Total | 1,81,30,000 | 1,81,30,000 |

**Adjustments :**

1. Closing stock valued at Rs. 14,00,000.
2. Outstanding wages Rs. 25,000.
3. Debenture interest is outstanding for the whole year.
4. Write off Rs. 50,000 further bad debts.
5. Buildings and plant and machinery to be depreciated by 5% and 10% respectively.
6. Transfer Rs. 2,50,000 to reserve.
7. The directors propose 15% dividend to equity shareholders.

You are required to prepare Profit and Loss Account and Balance Sheet as on 31st March 2016 in the vertical form as per Part I of Schedule VI of the Companies Act, 1956.