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. Wh 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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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
Tota	**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

a) break-even point;

b) selling price per unit if break-even point is brought up to 15,000 units; and

c) 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)**

8. Explain in detail the various concepts and conventions which influence the preparation of financial statements.

9. 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 :

	Per Unit		
	Product X (Rs.)	**Product Y (Rs.)**	**Product Z 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.

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	–

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.