

**PG – 1078**

**I Semester M.B.A. Degree Examination, February 2016
(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. (5×5=25)

1. What are the differences between Financial Accounting and Management Accounting ?
2. How is depreciation for partial periods recorded ?
3. What procedure would you adopt to study the liquidity of firm ?
4. Calculate stock turnover ratio from the following data :
Stock at the beginning of the year : Rs. 10,000/-
Stock at the end of the year : Rs. 5,000/-
Purchases : Rs. 25,000/-
Carriage inwards : Rs. 2,500/-
Total Sale : Rs. 50,000/-
Cash Sales : Rs. 5,000/-
5. Define standard costs and briefly indicate how they may be used by management in planning and control.
 - 1) Prepare common-size income statement for 2016 and 2015.
 - 2) What caused Karl's profitability to decline so dramatically in 2016 ?
 - 3) Analysis : in 2016 Karl's operating income was less than its interest expense. Does this mean that Karl was unable to make its interest payments in 2016 ? Explain.
6. How are the following items treated in determining net cash flow from operating activities :
 - a) interest paid
 - b) interest received
 - c) dividend paid

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- d) dividend received
- e) gain on sales of investments
- f) loss on exchange of plant; and
- g) gain on redemption of debenture ?

7. "Expenses are used-up assets". Explain.

SECTION – B

Answer any three questions. Each question carries ten marks.

(3×10=30)

8. Form the following particulars, calculate;

- I) Break-even point in terms of sales value and in units,
- II) Number of units that must be sold to earn a profit of Rs. 1,00,000/-.

Fixed factory overhead cost	1,20,000
Fixed selling overhead cost	2,400
Variable manufacturing cost per unit	24
Variable selling cost per unit	6
Selling price per unit	48

9. What are the differences between current liabilities and long term liabilities ?

 10. In Department 'A' the following data is submitted for the week ending 31st October :

Standard output for 40 hours per week	1,400 units
Standard fixed overhead	Rs.1,400
Actual output	1,200 units
Actual hours worked	Rs. 32 hrs.
Actual fixed overhead	Rs. 1,500

Prepare a Statement of Variance

11. Preparation of Adjusting entries and Financial Statements. Indian Business Service Ltd. was set up on January 1, 2009. Its Trial Balance on January 31, 2009 was as follows :

Account	Debit	Credit
Buildings	15,000	
Office equipment	12,000	



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Office supplies	2,140	
Debtors	1,640	
Cash	630	
Prepaid Rent	3,600	
Creditors		1,020
Unearned Revenue		1,600
Share capital		20,000
Dividends	1,000	
Revenue from services		16,870
Salaries expenses	3,100	
Electricity expenses	380	
Total	39,490	39,490

The following additional information is available :

- The building is expected to be useful for 10 years and the office equipment has an estimated useful life of four years. None of these assets are expected to have any salvage value.
- The inventory of office supplies on January 31 is Rs. 970.
- Services for Rs. 900 were provided to customers in January although no bills have been raised.
- Services for Rs. 720 were provided to customers who had made full advance payments.
- Salaries of staff for the second fortnight totaling Rs. 3,100 have not been paid.
- The telephone company sent a bill for Rs. 480 for January after the close of the month's transaction.
- The company paid six month's rent as advance on January 1.

Required :

- Prepare adjusting entries and post them to the T accounts.
- Prepare an adjusted Trial Balance, a Profit and Loss Account, a statement of retained earnings, and a Balance Sheet.

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SECTION – C

 This is a **Compulsory** Section.

(1×15=15)

12. Determining Net Cash Flow from Operating Activities-Indirect Method : Dutt Company's Profit and Loss Account for the year ended June 30, 2015 is as follow :

Dutt Company : Profit and Loss Account (In INR) For the Year Ended June 30, 2015

Sales	75,800
Gain on sales of investments	1,200
Interest income	900
Dividend from subsidiaries	300
Cost of goods sold	43,900
Depreciation Expense	6,700
Selling and Administration expense	8,500
Interest Expense	1,100
Loss on sales of plant and machinery	800
Profit before income tax	17,200
Income tax	8,300
Profit after Tax	8,900

Relevant Balance Sheet accounts on June 30, 2015 and 2014 are as follows :

	June 30, 2015	June 30, 2014
Inventories	9,300	7,900
Debtors (net of provision for Doubtful Debts of Rs. 1,600 and Rs. 800)	6,600	5,300
Prepaid Expenses	1,100	800
Creditors	8,400	6,300
Bill Payable	2,100	6,500
Income Tax Payable	2,100	2,800

Selling and Administrative Expenses included bad debt expense of Rs. 1,500. During the year ended June 30, 2015, Debtors totaling Rs. 700 were written off.

Required : Compute Net Cash Flow from operating activities using the Indirect method.