

2011**M B A****1st Semester Examination****ACCOUNTING FOR MANAGERS****PAPER—MBA-104****Full Marks : 100****Time : 3 Hours**

The figures in the right-hand margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Illustrate the answers wherever necessary.

Write the answers to Questions of each Half in separate books.

(First Half)**(Marks : 50)**

1. Answer any *four* questions from the following : 5×4
- (a) Distinguish between separate legal entity and separate accounting entity. "Accounting entity and legal entity correspond to each other only in case of corporate form of enterprise" Explain.
 - (b) "A Cash Book is a journalised ledger". Do you agree? Give reasons.
 - (c) (i) Write short notes on Deferred Revenue Expenditure and Capitalised Expenditure.
(ii) What is Dual Aspect Concept? 3+2

(Turn Over)

- (d) (i) What are the disadvantages of applying Cash Basis of Accounting in case of a Going Concern ?
 (ii) Is reserve a charge against profit ? 3+2
- (e) The under mentioned Trial Balance of M/s P & Co. has been wrongly drawn; you are to redraft the same correctly :

Trial balance as at 31st March, 2011

	Debit Rs.	Credit Rs.
Stock as on 1.4.2010	—	70,000
Stock as on 31.3.2011	80,000	—
Carriage inward	21,200	—
Machinery	17,000	—
Land and Building	1,14,000	—
Bills Receivable	—	40,000
Capital	—	1,70,000
Furniture	19,000	—
Salaries	37,300	—
Purchases	2,40,000	—
Sales	—	4,26,000
Carriage outward	—	8,000
Accrued interest	600	—
Labour charges	33,500	—
Bills Payable	48,400	—
Balance of Customers A/c	82,000	—
Cash in hand	1,800	—
Drawings	—	10,000
Balance of Suppliers A/c	—	48,000
Provision for doubtful debts	—	3,600
Reserve for discount on creditors	—	1,600
Suspenses A/c	82,400	—
	<u>7,77,200</u>	<u>7,77,200</u>

- (f) Prepare a cash book with suitable columns from the following transactions and bring down the balances :

2011		Rs.
Jan. 1	Cash in hand	6,000
" 1	Cash at Bank	10,500
" 4	Purchased goods for cash for Rs. 4,000 less trade discount @ 10% and cash discount @ 5%	—
" 5	Purchased goods from M/s Rahim & Bros. on credit	3,000
" 8	Paid salary by cheque	10,000
" 12	Cash sales worth Rs. 8,000 less trade discount @ 5% and cash discount @ 10%	—
" 18	Paid to S. Dhar — Cash Rs. 400 and cheque for Rs. 550 in full settlement of his dues for Rs. 1,000	—
" 19	Received a cheque from Chandan	1,000
" 20	Endorsed the above cheque to Ramen	—
" 22	Cash withdrew from bank for office use	2,000
" 23	Ramen reported that the cheque was dishonoured while collecting through his bank	—
" 24	Gave wife for household expenses	500
" 26	Cashed for a friend and cheque paid into bank	500

2. Answer any two of the following : 10×2

- (a) (i) Distinguish between Capital Reserve and Reserve Capital.
- (ii) Particulars regarding machinery in the books of Mr. X are as follows :

<i>Date of Purchase</i>	<i>Cost of Machine</i>
01.04.2007	Rs. 1,20,000
01.10.2007	Rs. 80,000
01.07.2008	Rs. 40,000

On 1.1.2009 $\frac{1}{3}$ rd of machinery which was purchased on 1.4.2007, became obsolete and was sold for Rs. 12,000. The machinery was to be depreciated by fixed instalment method at a rate of 10% per annum.

Show how the machinery account would appear in the ledger of the company for the years 2007, 2008 and 2009 and also the position of the balance sheet for the year 2009. Assume that the accounting year of the company ends on 31st December every year. 3+7

- (b) (i) What are the provisions relating to redemption of preference share as per the Companies Act, 1956?
- (ii) "A Balance Sheet may be called a second Trial Balance". Comment. 6+4

- (c) From the following Trial Balance of Mr. L, you are required to prepare a Trading and Profit & Loss Account for the year ended 31st December 2010 and a Balance Sheet as on that date after making the necessary adjustments :

	Dr. Rs.	Cr. Rs.
Capital and Drawings	10,000	2,00,000
Purchases and Sales	84,000	2,10,000
Returns	2,000	1,000
Freehold Property	60,000	—
Plant & Machinery	1,00,000	—
Salaries	14,000	—
Printing and Stationery	2,000	—
Furniture and Fixtures	4,000	—
Discount	1,500	—
Bills Payable	—	3,700
Stock on 1.1.2010	30,000	—
Wages	27,000	—
Sundry Debtors and Creditors	23,000	40,000
Insurance Charges	3,000	—
Gas and Fuel	2,700	—
Bad Debts	600	—
Office Rent	2,600	—
Freight and Duty	5,000	—
Loose Tools Balance as on 1:1.2010	2,000	—
Factory Lighting	2,600	—
Provision for doubtful debts	—	800
Loan to Mr. Q at 5% p.a.	40,000	—
Interest on above loan	—	1,000
Cash at bank	25,000	—
Cash in hand	5,500	—
	<u>4,56,500</u>	<u>4,56,500</u>

Adjustments :

- (i) Wages Rs. 1,500 and Salaries Rs. 700 were outstanding.
- (ii) Insurance prepaid Rs. 400.
- (iii) Stock of the value of Rs. 5,000 was destroyed by fire on 25th December, 2010 and the Insurance Company admitted a claim for Rs. 4,000.
- (iv) A new machine was installed on 30th September 2010 costing Rs. 15,000 but it was not recorded in the books and no payment was made for it. Wages Rs. 1,000 paid for its erection have been debited to Wages Account.
- (v) Loan given on 1.1.2010 to Mr. Q.
- (vi) Depreciate on :
 - (a) Plant & Machinery 10% p.a.
 - (b) Furniture & Fixture 5% p.a.
- (vii) Maintain Provision of 5% on Sundry Debtors for Doubtful Debts and 2% on Discount on Debtors.
- (viii) Stock on 31st December, 2010 was valued at Rs. 70,000.

[Internal Assessment : 10 Marks]

(Second Half)

(Marks : 50)

3. Answer any *four* of the following questions : 5×4

(a) From the following figures you are required to prepare a cost sheet.

	Rs.
Raw material on 1.4.2010	1,00,000
Raw material on 31.3.2011	1,23,500
Finished goods on 1.4.2010	71,500
Finished goods on 31.3.2011	42,000
Work in Progress on 1.4.2010	31,000
Work in Progress on 31.3.2011	34,500
Purchase of Raw material	88,000
Wages direct	70,000
Wages indirect	2,500
Work charges	37,000
Administration expenses	13,000
Selling expenses	15,000
Sales	2,84,000

(b) Mention any five criteria of an ideal wages system.

(c) From the following particulars calculate machine hour rate.

	Rs.
Cost of machine (including installation charges)	1,05,000
Rent of shop p.m.	1,000
Lighting of shop p.a.	1,500

(Contd.)

	Rs.
Repairs p.a.	1,700
Supervisor's salary p.m.	1,200
Insurance premium of the machine per quarter	375

The life of the machine is 10 years with a scrap value of Rs. 5,000.

It occupies $\frac{1}{5}$ th of the shop area and consumes 3 units of power per hour @ $33\frac{1}{3}$ paise per unit. Supervisor devotes $\frac{1}{3}$ rd of his time to the machine. The machine has the capacity of working 5,000 hours per annum but actually worked 90% the capacity.

- (d) What is Economic Order Quantity (EOQ) ? Write the major assumptions of EOQ.
- (e) A company works 50 weeks in a year for a certain part, included in the assembly of several parts, there is an annual demand of 10,000 units. The part may be obtained from either an outside supplier or a subsidiary company. The following data relating to the part are given below :

	<i>From Outside Supplier Rs.</i>	<i>From Subsidiary Company Rs.</i>
Purchase price per unit	12	13
Cost of placing an order	13	10
Cost of receiving an order	25	20
Rent, Insurance, taxes per unit per annum	2	2.5

What purchase quantity from which source would you recommend ?

(f) Distinguish between Cost Accounting and Financial Accounting.

4. Answer any two of the following : 10×2

(a) The following particulars are furnished in respect of a material :

Jan. 1	Stock in hand	100 units @ Rs. 2 per unit
" 5	Purchases	200 units @ Rs. 3 per unit
" 10	Issues	120 units
" 16	Purchases	250 units @ Rs. 3.20 per unit
" 20	Issues	150 units
" 31	Purchases	100 units @ Rs. 3.40 per unit
Feb. 10	Issues	300 units
" 15	Purchases	200 units @ Rs. 3.60 per unit
" 20	Issues	150 units
" 25	Purchases	100 units @ Rs. 4 per unit

Draw up stores ledger accounts for this material using both periodic simple average and periodic weighted average methods (for each month). Ignore opening stock in averaging. 5+5

(b) (i) Distinguish between Halsey Premium scheme and Rowan Premium scheme in labour bonus computation.

(ii) From the following particulars, you are required to workout the earning of worker for a week under :

(a) Differential Piece Rate,

(b) Halsey Premium scheme and

(c) Rowan Premium Scheme.

Weekly working hours :	48
Hourly wage rate :	Rs. 7.50
Piece rate per unit :	Rs. 3.00
Normal time taken per piece :	24 minutes
Normal output per week :	120 Pieces
Actual output for the week :	150 Pieces
Differential Piece rate :	80% of pieces rate when output is below normal and 120% of piece rate when out put above normal.

- (c) (i) Distinguish between Allocation and Apportionment.
- (ii) Calculate the overheads applicable to Production departments A and B. There are also service departments X and Y. X renders service worth Rs. 12,000 to Y, and the balance to A and B in 3 : 2. Y renders services to A and B in 9 : 1.

	A	B	X	Y
Floor space (Sq. ft.)	5,000	4,000	1,000	2,000
Assets (Rs. '00000)	10	5	3	1
H.P. machine	1,000	500	400	100
No. of workers	100	50	50	25
Light and Fan Points	50	30	20	20
Expenses and Charges are:				Rs.
Depreciation				1,90,000
Rent and Rates				36,000
Insurance				15,200
Power				20,000
Canteen				10,800
Electricity				4,800
				3+7

[Internal Assessment : 10 Marks]