

2009

**MASTER OF BUSINESS ADMINISTRATION**

**[1st Semester]**

*(Accounting for Managers)*

PAPER—104

*Full Marks : 100*

*Time : 3 hours*

*The figures in the right-hand margin indicate 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* of the following : 5 × 4

(a) (i) 'Accounting — a means and not an end.'  
Discuss.

(ii) Who are the interested parties in  
Accounting information? 3 + 2

(b) "Accrual concept is essentially the matching  
concept." Explain this statement. 5

(c) (i) Distinguish between 'Capital Reserve' and  
'Reserve Capital'.

(ii) State any three provisions relating to  
redemption of preference shares as per  
Section 80 of the Companies Act, 1956.  
2 + 3

(d) (i) "A Trial Balance is only a prima facie  
evidence of the arithmetical accuracy of  
records" — Do you agree?

(ii) Why is it necessary to distinguish  
expenditure into Capital and Revenue from  
the accounting point of view? 3 + 2

(e) The Trial Balance of Triveni Motor Repairing Works shows a total debit of Rs. 26,560 and total credit Rs. 7,040. After scrutiny the following facts are discovered :

Calculate the correct total of the Trial Balance. 5

<u>Items</u>	<u>Correct Ledger Balance</u>	<u>Figures appeared in Trial Balance</u>
Repairs	6,060	6,060 (credit side)
Bank Overdraft	500	500 (debit side)
Plant	1,500	510 (debit side)
Provision for bad debts	42	24 (debit side)
Carriage outward	450	540 (credit side)
Closing stock (not adjusted)	8,314	8,314 (debit side)

(f) Record the following transactions in the Cash Book of Mr.Z with appropriate columns : 5

2009 March 1	Cash in hand Rs. 10,500
„ 1	Cash at Bank Rs. 15,000
„ 2	Goods purchased from Mr. A less 10% trade discount Rs. 12,000

- 2009 March 3 Paid to Mr. A by Cheque in full
- „ 4 Stopped payment of the cheque which was issued to Mr. A
- „ 14 Sold goods to Mr. B Rs. 15,000
- „ 18 Received a cheque from Mr. B for goods sold to him on 14th March Rs. 15,000
- „ 19 Withdrew from Bank for office use Rs. 1,500
- „ 20 The cheque which was received on 18th March deposited into Bank
- „ 23 Mr. B's cheque was dishonoured
- „ 24 Interest credited by Bank Rs. 450
- „ 25 Incidental charges debited by Bank Rs. 250
- „ 28 Paid wages by cash Rs. 1,200
- „ 31 At the end of the month Mr. Z leaves Rs. 2,000 in the Cash Box and pays the balance into Bank

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

- (a) From the following Trial Balance of a Trader as on 31.03.2009, prepare Trading Account, Profit & Loss Account for the year ended 31st March, 2009 and a Balance Sheet as on that date after making necessary adjustments. 6 + 4

**Trial Balance of the Trader as on 31.03.2009**

	Dr. Rs.	Cr. Rs.
Drawings	12,000	—
Furniture & Fixture	4,000	—
Plant & Machinery	30,000	—
Opening Stock	20,000	—
Purchases	80,000	—
Salaries	17,000	—
Wages	5,400	—
Capital	—	60,000
Debtors	20,400	—
Postage & Telegram	1,500	—
Return Outward	—	2,000
Sales	—	1,30,000
Return Inward	5,000	—
Rent, Rates & Taxes	3,600	—

	Dr.	Cr.
	Rs.	Rs.
Bad debts	400	—
Creditors	—	12,000
Trade Expenses	200	—
Loan at 6% taken from Mr. Mehta on 1.10.08	—	10,000
Interest on Loan taken from Mr. Mehta	150	—
Insurance Premium	800	—
Discount received	—	600
Travelling Expenses	500	—
Sundry Expenses	300	—
Cash in hand	3,050	—
Cash at Bank	10,300	—
	<u>2,14,600</u>	<u>2,14,600</u>

*Adjustment :*

- (i) Closing stock : Cost Price Rs. 21,000 ;  
Market Price Rs. 25,000.

(ii) Of the debtors Rs. 400 are bad and should be written off. Create a provision for Bad Debts at 5% on Sundry Debtors.

(iii) Depreciate Furniture & Fixture by 5% and Plant & Machinery @ 10% per annum.

(iv) Stock destroyed by fire amounted to Rs. 10,000. Insurance Company admitted claim to the extent of Rs. 8,000 only.

(v) Insurance Premium paid for the period from 01.04.2008 to 31.07.2009.

(vi) Purchased a Plant of Rs. 5,000 on 1.10.2008 wrongly debited to Purchase Account.

(b) (i) What are the consequences if depreciation on asset is not provided for ?

(ii) Is 'Reserve' a charge against profit ?

(iii) On 1st January the stock of a component in the stores was 277 units at Rs. 35 per hundred. During three months the receipts and issues were as follows :

<u>2008</u>	<u>Purchased</u>	<u>Issued</u>
January	217 units @ Rs. 35 per hundred	200 units
February	250 units @ Rs. 40 per hundred	305 units
March	375 units @ Rs. 42 per hundred	475 units

When the stock was taken on 31st March, a discrepancy of 30 units was revealed. Prepare a Store Ledger under FIFO method.

3 + 3 + 4

(c) Alpha Ltd. made an issue of 10,000 Equity Shares of Rs. 15 each payable as follows :

(i) Rs. 4 per share on 'Application'.

(ii) Rs. 7 per share (including Rs. 2 per share as premium) on 'Allotment'.



(iii) Rs. 6 per share on 'Call'.

Mr. Roy holding 50 shares failed to pay the 'Allotment' and 'Call' money. Mr. Gupta holding 80 shares failed to pay 'Call' money.

All these shares were forfeited and subsequently re-issued to Mr. Sen as fully paid up at a discount of Rs. 3 per share.

Pass Journal entries to record the above 'Issue', 'Forfeiture' and 'Re-issue' in the books of Alpha Ltd. 10

[ *Internal Assessment* — 10 Marks ]

## SECOND HALF

[ *Marks : 50* ]

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

(a) Explain the meaning of cost centre and cost unit with an example for each. 5

(b) You are required to prepare the stores ledger for the month of November, 2009 from the following transactions relating to receipt and supply of material on the basis of simple average price method :

5

Receipts :

Date	Qty. of material (kg.)	Rate/kg (Rs.)
02.11.09	200	10
17.11.09	300	12
24.11.09	100	16

Issues :

Date	Quantity of material (kg.)
05.11.09	100
21.11.09	200
28.11.09	200

(c) A factory requires 1500 items per month each costing Rs. 27. The cost per order is Rs. 150 and inventory carrying charges are 20% of the average cost. You are asked to determine the economic order quantity.

Suppose, the supplier offers to give 2% discount in the case of bulk order of 1200 units per order, would you accept his proposal? 2 + 3

(d) How will you treat idle time in Cost Accounting? 5

(e) During the first week of December, 2009, a workman, Nitai manufactured 300 articles. He received wages for a guaranteed 48 hour-week at the rate of Rs. 4 per hour. The estimated time to produce one article is 10 minutes and under incentive scheme, the time allowed is increased by 20%.

You are asked to calculate the effective hourly rate according to Halsey premium (50%) bonus scheme. 5

(f) Write a short note on labour turnover. 5

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

(a) Entertainment Ltd., the manufacturer of pens gives you the following information for the period ended 31.12.2009 :

	Rs.
Raw materials :	
Opening stock	10,000
Purchases	85,000
Closing stock	4,000
Direct wages	20,000
Other direct expenses	10,000
Factory overheads	100% of direct labour
Office overheads	10% of works cost
Selling and distribution overheads	Rs. 2 per unit

Units of finished goods :

In hand at the beginning— 1000 (valued at  
Rs. 16,000)  
Produced during the period — 10,000  
In hand at the end of the period — 2000.

You are required to find out the selling price per unit so as to yield a profit of 20% on sales. There was no opening or closing work-in-progress. [Assume that LIFO method of issue is followed]

8 + 2

(b) (i) The rate of pay of Dhoni is Rs. 3 per hour. He is working under a Rowan scheme. In addition, he receives a cost-of-living bonus of Rs. 36 per week of 45 hour.

During a particular week, he does the following jobs :

Job A : time allowed — 24 hours  
          time taken — 18 hours

Job B : time allowed — 32 hours  
          time taken — 20 hours

Waiting time during the week — 7 hours.

Calculate the worker's earnings and the amount to be charged to each job and overhead account.

(ii) How will you treat the following overtime payments when :

(I) It is not a regular feature, rather it is a temporary phenomenon

(II) It is required because of a customer's request for early delivery.

6 + 4

(c) (i) What do you understand by overhead allocation and overhead apportionment ?

(ii) The expenses on a particular Machine No. 201 and the normal hours for which the machine is expected to be utilised in the year 2010 are given below :

	Rs.	Rs.
Expenses :		5,000

Fixed Variable :

Repairs	3,000	
Lubricants	500	
Power	<u>3,500</u>	<u>7,000</u>
Total		<u><u>12,000</u></u>

Pre-determined normal working hours :

To make ready	250 hours
Running on jobs	<u>1,000 hours</u>
	<u>1,250 hours</u>

( 15 )

From the data given below, compute the cost of Job No. 100 JA.—

Materials consumed

20 kg @ Rs. 10/kg

Machine labour :

To make ready 2 hours @ Rs. 5/hour

Running on job 8 hours @ Rs. 5/hour

5 + 5

[ *Internal Assessment* — 10 Marks ]

---