

2012**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 : 5×4
- (a) Explain briefly the propriety concept.
 - (b) Distinguish between capital expenditure and revenue expenditure.
 - (c) Bose Bros. purchased a machinery for Rs. 22,000. Experts are of the opinion that it would last for five years only and the scrap value of the machine at the end of the fifth year will be Rs. 2000. You are asked to depreciate the machine over the five years according to Straight Line Method and show the Machinery A/c over the five years.

(Turn Over)

- (d) State the utility of a Trial Balance.
- (e) Discuss briefly the FIFO and LIFO methods of inventory valuation.
- (f) Distinguish between 'Reserve Capital' and 'Capital Reserve'.

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

- (a) D. C. Ltd. issued 50,000 equity shares of Rs. 10 each issued at a premium of 10% payable as under :

On application Rs. 2

On allotment Rs. 3 (including premium)

On first call Rs. 3

On final call Rs. 3

The entire amount of the issue was called up by the company and all the money were duly received, except the first call on 300 shares and the final call on 500 shares (including the 300 shares on which the first call was not paid). These shares were, therefore forfeited and later on re-issued at Rs. 9 per share fully paid.

Pass necessary journal entries to record the above transactions.

(b) Sri B. K. Sinha commences his business on 1st January, 2000, with a capital of Rs. 25,000. At the end of the year, a Trial Balance is drawn up from his books as follows :

	Dr. Rs.	Cr. Rs.
B. K. Sinha — Capital A/c	—	30,000
— Drawings	2,600	
Plant and Fixturer	3,000	—
Purchases	1,04,000	—
Carriage Inward	1,000	—
Returns Inward	3,200	—
Returns Outward	—	2,400
Wages	7,000	—
Sales	—	1,32,000
Salaries	6,000	—
Printing and Stationary	500	—
Advertisement	700	—
Trade Charges	400	—
Rent and Taxes	900	—
Sundry Debtors	16,400	—
Sundry Creditors	—	6,800
Bills Receivable	2,200	—
Bills Payable	—	4,600
Investments	14,000	—
Discount (Balance)	500	—
Cash at Bank	13,000	—
Cash in Hand	400	—
Total Rs.	1,75,800	1,75,800

The value of the stock as at 31st December, 2000, was Rs. 12,200. You are required to prepare his Trading and Profit and Loss A/c for the year ended 31st December, 2000, and a Balance Sheet as on that date, after taking into consideration the following facts and adjustments :

- (i) Interest on Capital @ 6% p.a.
 - (ii) Mr. Sinha had introduced Rs. 5,000 by way of further capital on 1st July, 2000.
 - (iii) Plant and Fixture to be depreciated @ 10% p.a.
 - (iv) Outstanding salary on 31.12.2000 amounts to Rs. 300.
 - (v) Accrued interest on investments on 31.12.2000 Rs. 250.
 - (vi) Of the Debtors Rs. 400 is bad. A Reserve for Doubtful Debts is to be created at 5% on the balance.
- (c) Briefly describe the users of accounting information.

[Internal Assessment : 10 Marks]

(Second Half)

(Marks : 50)

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

(a) The Directors of a Manufacturing business require a statement showing the production results of the business for the month of March. The accounts reveal the following information :

	Rs.
Stock in hand on 1st march :	
Raw materials	25,000
Finished Goods	17,360
Stock in hand on 31st March :	
Raw Materials	26,250
Finished Goods	15,750
Purchase of Raw materials	21,900
Direct wages	17,150
Non-productive wages	830
Works expenses	8,340
Office and Administrative expenses	3,160
Selling and Distribution expenses	4,210
Sales of finished goods	72,310

You are required to show :

- (i) Works Cost.
- (ii) Cost of goods sold.
- (iii) Net profit for the month.

2+2+1

- (b) Two components X and Y are used as follows :
- Normal usage 50 units per week each
 Minimum usage 25 units per week each
 Maximum usage 75 units per week each
 Re-order Quantity : X—300 units ; Y—500 units.
 Re-order Period : X—4 to 6 weeks ; Y—2 to 4 weeks
- Calculate for each components :
- (i) Re-order level ;
 - (ii) Minimum level ; and
 - (iii) Maximum level.
- (c) Write the major causes of labour turnover and also mention the costs involved in labour turnover.
- (d) The monthly budget of a department is as under :

	Rs.
Direct materials	45,000
Direct Wages	60,000
Overheads	90,000
Direct Labour hour	15,000
Machine hour	30,000

Find out the overhead recovery rate based on at least five different possible methods of absorption of overheads.

- (e) A company was predetermined overhead recovery rates based on machine hours. Budgeted factory overhead for a year amounted to Rs. 72,00,000, but the actual factory overhead incurred was Rs. 73,80,000. During the year, the company absorbed Rs. 71,40,000 of factory overhead on 1,19,000 actual machine hours.

What was the company's budgeted level of machine hours for the year ?

(f) Describe three different methods of cost classification.

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

(a) From the following record of receipts and issues of coal and the stores verification report, find out the value of stock both under FIFO and LIFO method separately.

April	1	Opening balance 100 tonnes @ Rs. 50 per tonne
"	5	Issue 60 tonnes
"	6	Received 120 tonnes @ Rs. 50.50 per tonne
"	7	Issued 50 tonnes. The stock verification report reveals a loss of one tonne
"	8	Received back from completed jobs 2 tonnes, previously issued @ Rs. 50.25 per tonne
"	9	Issued 80 tonnes

(b) (i) Write any six major criteria of a good wage system.

(ii) Calculate the earnings of a worker under Rowan Premium Bonus System and Halsey Premium Bonus System from the following information :

Hourly rates of wages (guaranteed) Rs. 5.00

Standard time for producing one dozen-articles in 3 hours

Actual time taken by the worker to produce 20 dozen articles is 48 hours.

(c) (i) Explain the term 'Prime Cost' and 'Cost of Sales'.

(ii) A company has four departments. The following are the expenses for a period of these months:

	Rs.		Rs.
Rent	1,000	Insurance of Plant	500
Repairs	600	Employees' Insurance	150
Depreciation	450	Power	900
Light	100		
Supervision	1,500		

The following data are also available :

Departments	A	B	C	D
Area (Sq. Ft.)	75	55	45	25
Total wages (Rs.)	4,000	3,000	2,000	1,000
Number of workers	12	8	6	4
Value of Plant (Rs.)	12,000	9,000	6,000	3,000

Prepare a statement showing the apportionment of cost to the various departments. (2+2)+6

[Internal Assessment : 10 Marks]