

2013

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) Explain briefly the convention of Conservatism.
 - (b) What do you mean by Double Entry System of Accounting? State briefly its advantages.
 - (c) Distinguish between Cash basis of accounting and accrual basis of accounting.
 - (d) Write a note on GAAP.

(Turn Over)

(e) Prepare a tripple column cash book from the following information :

2000

- Jan. 1 Cash and Bank balances Rs. 400 and Rs. 3,000 respectively.
- " 4 Paid Samar Pal's A/c for Rs. 2,000 less 3% cash discount by cheque.
- " 6 Received Rs. 580 from A. Guha in cash and allowed him discount Rs. 20.
- " 8 Discounted a bill receivable of Rs. 1000 for Rs. 980 with the bank, the proceeds being credited in pass book.
- " 9 Paid cash Rs. 10 for discount allowed to P. Sen who previously paid his A/c in full.
- " 11 Received cash Rs. 15 for discount from K. Bose whose A/c was previously paid in full. 5

(f) The items included in the balance sheet of Albert Ltd. as at 31st March, 2013 are listed below in random order. Prepare the balance sheet as at March 31, 2013 :

	Rs.		Rs.
Debtors	15,000	Expenses Payable	20,000
Office Equipment	36,000	Land	12,000
Cash	5,000	Office Supplies	2,000
Share Capital	42,000	Bank Loan	8,000

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

- (a) From the following Trial Balance of Mr. K. Jain as at 31st December, 2008, prepare a Trading and Profit & Loss Account for the year ended 31st December, 2008 and a Balance Sheet as at that date :

	Dr. Amt.	Cr. Amt.
	Rs.	Rs.
Capital A/c (1.1.2008)	—	50,000
Stock (1.1.2008)	7,000	—
Purchase and Sales	30,000	73,000
Returns	1,000	2,000
Wages	12,000	—
Salaries	10,000	—
Carriage	2,000	—
Discounts	500	200
Debtors & Creditors	18,000	9,000
Plant & Machinery	20,000	—
Cash & Bank	23,700	—
Furniture & Fittings	8,000	—
Drawings	2,000	—
	1,34,200	1,34,200

Stock on 31.12.2008 was valued at Rs. 13,000. The proprietor used stock worth Rs. 1,000 from the business for his personal use. The proprietor withdrew cash of Rs. 500 on 31st December, 2008 for personal use. No entry for any of the above has ever been passed.

10

- (b) Write a detailed note on buyback of equity shares. Also show the Journal entries required assuming that no further issue of any securities has been made.

10

(c) The Balance Sheet of M&M Ltd. is as follows :

Balance Sheet as at 31.3.2005

<i>Liabilities</i>	<i>Amount (Rs.)</i>	<i>Assets</i>	<i>Amount (Rs.)</i>
Authorised Capital	10,00,000		
Issued & Paid up Capital :			
Eq. Shares @ Rs. 10 each	5,00,000	Sun. Assets	15,03,000
12% Pref. Shares @ Rs. 10 each	3,00,000		
Reserve & Surplus :			
P&L A/c	50,000		
General Reserve	1,50,000		
Share Premium A/c	3,000		
Other liabilities	5,00,000		
	15,03,000		15,03,000

The company resolved the following decisions at the general meeting on 1.4.2005 :

- (i) to issue 10,000 preference shares at 10% premium.
- (ii) to redeem the preference shares at a premium of 4%.

Pass necessary Journal Entries and show the Balance Sheet after redeeming the preference shares.

[Internal Assessment : 10 Marks]

(Second Half)

(Marks : 50)

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

- (a) Distinguish between Cost Accounting and Financial Accounting.
- (b) Hindwares Ltd. manufactures custom tiles. The following information relates to the fiscal year ending March 31, 2013 :

	Rs.
Beginning balance in Raw materials Inventory	2,00,000
Purchase of raw material	8,00,000
Ending balance in Raw material Inventory	1,00,000
Beginning balance of Work in process	4,00,000
Ending balance in Work in process	2,00,000
Direct labour cost	10,00,000
Manufacturing overheads	5,00,000
Opening stock of finished goods	6,00,000
Closing stock of finished goods	3,00,000
Sales	40,00,000
Selling expenses	2,50,000
General and administrative expenses	5,50,000

Prepare a Cost Sheet showing Works Cost, Cost of Goods Sold and Profit.

- (c) Distinguish between :
- (i) Cost Centre and Cost Unit.
- (ii) Overhead Apportionment and Overhead Absorption.

- (d) The standard time for a job is 60 hours. The hourly rate of guaranteed wage is Re. 0.75. Because of savings in time, a worker A gets an hourly wage of Re. 0.90 under Rowan Premium Bonus system. For the same savings in time, calculate the hourly rate of wages of a worker B will get under Halsey-Weir Premium Bonus system assuming 40 percent to worker.
- (e) (i) What is Always Better Control (ABC) analysis in inventory management?
 (ii) Distinguish between Bin Card and Store Ledger in Material costing. 2+3
- (f) 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 :

	From Outside Supplier	From Subsidiary Company
	Rs.	Rs.
Purchase price per unit	12	13
Cost of placing order	10	10
Cost of receiving an order	20	25
Storage and all carrying cost including Capital Cost per unit per annum	2	2

- (i) What purchase quantity from which source would you recommend?
- (ii) What would be the minimum total cost?

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

(a) (i) Is there any differences between First in First out (FIFO) and Last in First out (LIFO) method in stock valuation ?

(ii) The following is the record of receipts and issues of materials in a factory during February, 2013 :

Feb. 1	Opening balance	500 qtls. @ Rs. 20
" 3	Issued	80 qtls.
" 5	Issued	100 qtls.
" 7	Issued	70 qtls.
" 10	Purchased	250 qtls. @ Rs. 19.50
" 15	Refund of surplus	15 qtls. @ Rs. 19
" 16	Issued	200 qtls.
" 18	Purchased	240 qtls. @ Rs. 18.75
" 22	Issued	300 qtls.
" 25	Purchased	320 qtls. @ Rs. 19.25
" 26	Issued	125 qtls.
" 27	Refund of surplus	15 qtls.
" 28	Purchased	100 qtls. @ Rs. 20

Issues are to be priced on the FIFO method. The Stock Verifier of the factory noted that on the 15th, he had found a shortage of 5 quintals and on the 26th, another shortage of 7 quintals.

Write down the complete Stores Ledger Account in regard to the above transactions of materials.

Write the name of any three non-monetary incentives. 3+7

(b) 'Cost may be classified in a variety of ways according to their nature and the information needs of management'. Explain and discuss this statement illustrating with examples of classification required for different purposes.

- (c) (i) Distinguish between Primary distribution and Secondary distribution of Overhead.
- (ii) A company has three production departments A, B and C and two service departments X and Y. The following information in available regarding various expenses :

	(Rs.)		(Rs.)
Power	2,400	Insurance on assets	1,000
Rent	4,200	Depreciation	
Canteen	3,000	(10% of Capital value)	
Fire Precaution		Personal Department	3,000
Service	1,200	Time Office	1,000
		Maintenance of Building	2,400

The additional information :

	Production Departments			Service Departments	
	A Rs.	B Rs.	C Rs.	X Rs.	Y Rs.
Area (sq. metres)	400	400	300	200	100
K.W. hours	2,000	2,200	800	750	250
No. of workers	90	120	30	40	20
Capital value of assets (Rs. 00000)	.50	.60	.40	.30	.20

The services of X and Y departments are used by the others departments in the following proportion :

	A	B	C	X	Y
X	25%	30%	25%	—	20%
Y	40%	20%	30%	10%	—

Calculate the total overheads of Production depts. after reapportioning service department overheads through Repeated Distribution Method.

[Internal Assessment : 10 Marks]