

2014

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.

1. Answer any *eight* questions from the following : 5×8
- (a) Define the term 'Accounting'. State the important functions of accounting. 2+3
 - (b) How does Journal differ from Ledger ?
 - (c) Write a short note on 'Dual Aspect Concept'.
 - (d) Pass necessary Journal entries and post them in the appropriate Ledger Accounts of NPW for the month of March, 2014 :
 - 1 Started business with Rs. ₹ 80,000 in the bank and ₹ 20,000 cash.
 - 2 Bought goods for resale from Z4 Com. ₹ 25,000.
 - 13 Cash sales ₹ 10,000.
 - 24 Paid wages of assistant in cash ₹ 2,000.
 - 25 Paid ₹ 10,000 into the bank.

(Turn Over)

- (e) Mr. Ganguli purchased a machine on 01.04.2010 for ₹ 1,30,000. He engaged Kapur to erect the unit, who charged ₹ 10,000. The machinery was depreciated @10% p.a. using the fixed installment method. Each Accounting Year starts in April and ends in March. On 01.10.2012, a single unit costing ₹ 20,000 was sold for a cash price of ₹ 14,000. On the same date, a new machine costing ₹ 10,000 (paid for by cheque) was installed.

Prepare the Machinery Account for the years 2010-11, 2011-12 and 2012-13 and also show Machinery Disposal Account.

- (f) Explain the Concept of 'Working Capital Flow'.
- (g) How can you classify costs on different bases? Give a brief explanation to each such cost.
- (h) From the details given below, calculate : (i) Reorder Level, (ii) Maximum Level, and (iii) Minimum Level. Reordering quantity is to be calculated on the basis of the following information :
- Cost of placing a purchase order – Rs. 20 ; Number of units to be purchased during the year – 5000 ; Purchase price per unit – Rs. 50 ; Annual cost of storage per unit – Rs. 5.
- Details of lead time : Average – 10 days, Maximum – 15 days, Minimum – 6 days.
- Rate of Consumption per day : Average – 10 units, Maximum – 20 units, Minimum – 10 units.
- (i) What is 'Idle Time'? How can you classify it on the basis of originating causes? What way is idle time different from overtime?
- (j) What is Overhead? Distinguish between 'Allocation', 'Apportionment', and 'Absorption' in relation to Overhead.

- (k) 'Fixed costs are variable per unit of output and Variable costs are fixed per unit of output, though in the long run all costs are variable'. Explain.
- (l) Show the Stores Ledger entries as they would appear when using the LIFO Method, of pricing issues, in connection with the following transactions :

Date	April	Units	Value (Rs.)
1	Balance in hand b/f	300	600
2	Purchased	200	440
4	Issued	150	-
6	Purchased	200	460
11	Issued	150	-
19	Issued	200	-
22	Purchased	200	480
27	Issued	250	-

2. Answer any *four* questions from the following : 10×4

(a) From the following data of 'DIL' prepare :

- (i) a schedule of changes in working capital ;
 (ii) a cash-flow statement.

Balance Sheet for the year ended on 31st December :

Assets	2014	2013
	(₹)	(₹)
Short-term investment	42,400	30,000
Stock	36,000	12,000
Long-term investment	28,000	44,000
Machinery	2,00,000	1,40,000
Building	2,40,000	80,000
Land	22,000	22,000
Cash	25,000	18,000
	<u>5,93,400</u>	<u>3,46,000</u>

(Contd.)

<i>Liabilities & Equity</i>	2014	2013
	(₹)	(₹)
Accumulated depreciation	1,10,000	60,000
Creditors	24,400	18,000
Secured loan	2,00,000	1,00,000
Share capital	2,20,000	1,60,000
Share premium	24,000	—
Bills payable	15,000	8,000
	<u>5,93,400</u>	<u>3,46,000</u>

Income Statement for the year ended on 31 Dec. 2014

	<i>Amount</i>
	(₹)
Sales	2,40,000
Cost of goods sold	1,34,800
Gross Profit	<u>1,05,200</u>
<i>Less : Operating Expenses ---</i>	
Depreciation — Machinery	20,000
Depreciation — Building	32,000
Other Expenses	<u>40,000</u>
Net Profit from the operations	13,200
Gain on sale of long term investment	<u>4,800</u>
Total	18,000
<i>Less : Loss on sale of machine</i>	<u>2,000</u>
Net Profit	<u>16,000</u>

Additional information : The proceeds from the sale of machinery were ₹6,000.

- (b) What do you mean by Trial Balance? Discuss clearly the various classes of errors which a Trial Balance fails to disclose. 2+8
- (c) From the following figures, you are required to prepare a Trading and Profit & Loss A/c for the year ended 31st March, 2014 and a Balance Sheet as on that date after making the necessary adjustments :

	(₹)
Capital	1,14,000
Plant & Machinery	99,000
Freehold Property	33,000
Purchase	55,000
Return Outward .	550
Salaries	6,600
Office Expenses	3,575
Office Furniture	5,500
Discount A/c (Dr.)	1,320
Stock (01.04.2013)	28,500
Wages	25,200
Sundry Creditors	34,000
Bad Debts	660
Factory Lighting	1,100
Loan @ 10% p.a.	44,000
Interest on Loan	1,100
Cash in Hand	15,015
Sales	1,16,000
Provision for Doubtful Debts	880
Sundry Debtors	29,260
Cash at Bank	15,000

Adjustments :

- (i) Stock on 31st March, 2014 was valued at ₹ 72,600.
- (ii) A new machine was installed during the year costing ₹15,400 but it was not recorded in the

books as no payment was made for it. Wages ₹1,100 paid for its installation were debited to wages account.

- (iii) Depreciate plant and machinery @ $33\frac{1}{3}\%$, furniture @ 10% and freehold property @ 5%.
- (iv) Of the Sundry debtors, debtors of ₹660 have become bad debt and it should be written off.
- (v) Maintain a Provision of 5% on Sundry debtors for doubtful debts.
- (d) The following figures are taken from the books of a manufacturing company for the year ended on December 31, 2014. Prepare a cost sheet showing clearly the cost per unit under the various elements and also the profit or loss per unit :

Particulars	Amt. (Rs.)	Particulars	Amt. (Rs.)
Direct materials	25,00,000	Branch office exps.	30,000
Direct labour	8,00,000	Depreciation of office building	10,000
Depreciation of factory building	16,000	Depreciation of staff cars	15,000
Insurance :		Electricity (including Rs. 5,000 for administrative office)	15,000
Staff cars	2,000		
Office building	1,500	Office administration expenses	60,000
Factory building	2,000		
Delivery Van : Maintenance & running expenses	12,000	Expenses for participating in industrial exhibition	8,000
Salaries (including that of Sales Manager Rs. 20,000 and Factory Chief Engineer Rs. 25,000)	2,75,000	Sales promotion	4,000
Advertisement	18,000	Sales (10,000 units)	50,00,000
Sundry factory expenses	4,20,000	Units produced
		10,000	

- (e) A factory has three production departments and two service departments. The following figures have been extracted from the financial books :

<i>Items of Cost</i>	<i>Amount (₹)</i>
Supervision	6,000
Repairs of Plant & Machinery	3,000
Rent	8,000
Light	2,000
Power	3,000
Employer's contribution to ESI	600
Canteen Expenses	1,000
Indirect materials	3,000

The following further details have been extracted from the books of the respective departments :

<i>Particulars</i>	<i>Production Departments</i>			<i>Service Departments</i>	
	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>
Direct Materials (₹)	5,000	4,000	3,000	2,000	1,000
Direct Wages (₹)	4,000	3,000	2,000	2,000	1,000
Area (Square feet)	2,000	1,000	500	500	100
No. of Employees	50	40	20	20	10
Value of Machinery (₹)	10,000	5,000	3,000	3,000	1,000
Light Points (No.)	80	60	30	30	20
H.P. of Machines	200	100	50	50	20

- (f) (i) The following figures are related to XYZ Ltd. for the year ended 31st December 2014 :

Sales : 30,000 units @ ₹ 150 per unit ; P/V ratio : 25% ; Break-even point : 50% of sales.

You are required to calculate :

Fixed cost for the year, Profit earned for the year, Number of units to be sold to earn a net income of 25% on cost.

- (ii) Explain the terms 'Cost Centre' and 'Cost Unit'. What do you mean by 'Composite Cost Unit'?

6+4

[Internal Assessment : 10 Marks]
