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I Semester M.B.A. Degree Examination, Jan./Feb. 2015  
(CBCS) (2014-15 & Onwards)  
MANAGEMENT  
Paper – 1.3 : Accounting for Managers

Time : 3 Hours

Max. Marks : 70

## SECTION – A

Answer **any five** of the following questions. **Each** question carries **5** marks.

Answer to **each** theoretical question should **not** exceed **250** words. **(5×5=25)**

1. Explain the assumptions underlying accounting measurement.
2. Write a note on Quality of Earnings.
3. Distinguish between cost control and cost reduction.
4. Explain the practical applications of Marginal Costing.
5. On September 1, 2012, Rashmi Sinha established Lovely Beauty Salon. The business engaged in the following transactions in the first month :
  - a) Rashmi Sinha invested Rs. 50,000 cash in business
  - b) Bought equipment for cash Rs. 15,000
  - c) Took a bank loan Rs. 25,000
  - d) Bought supplies on credit Rs. 3,000

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- e) Paid rent Rs. 12,500
- f) Paid creditors Rs. 1,500
- g) Received fee for services provided Rs. 29,000.

You are required to analyze the effect of the above transactions on the accounting equation.

6. XYZ Ltd., has prepared the following budget estimates for the year 2009-10.

Sales in units	15,000
Fixed expenses	Rs. 34,000
Sales in volume	Rs. 1,50,000
Variable cost per unit	Rs. 6

You are required to :

- i) Find out P/V ratio, break-even point and margin of safety.
- ii) Calculate the revised P/V ratio, break-even point and margin of safety in each of the cases :
  - a) Decrease of 10% in selling price
  - b) Increase of 10% in variable costs.



7. Ajay Company reported a net profit after tax of Rs. 3,40,000 for the year ended 31-3-2007. The relevant balance sheet accounts on 31-3-2006 and 31-3-2007 are as follows :

(Amount in Rs.)

Particulars	31-3-2007	31-3-2006
Inventories	59,000	72,000
Debtors	94,000	61,000
Pre paid Expenses	14,000	3,000
Creditors	82,000	78,000
Income Tax Payable	13,000	19,000

Depreciation expenses of Rs. 49,000 and gain on sale of investment of Rs. 8,000 appeared on the Profit and Loss account for the year ended 31-3-2007.

Calculate net cash flow from operating activities using indirect method.

#### SECTION – B

Answer **any three** of the following questions. **Each** question carries **10** marks.

Answer to **each** theoretical question should **not** exceed **500** words. **(10×3=30)**

8. Define Human Resource Accounting. Explain the various valuation techniques of human resource accounting.



9. What are Annual Reports ? Discuss the mandatory disclosures in a Company's Annual Reports.
10. The profitability statement of G Co. Ltd., has been summarized as given below.

Sales		15,00,000
Direct Material	4,50,000	
Direct Wages	3,00,000	
Variable Overheads	1,20,000	
Fixed Overheads	<u>4,40,000</u>	<u>13,10,000</u>
Profit		<u>1,90,000</u>

The budgeted capacity of the company is Rs. 20,00,000 but the key factor is sales demand. It is proposed that in order to utilize the existing capacity, the selling price of the only product manufactured by the company should be reduced by 5%. You are requested to prepare a forecast statement which should show the effect of the proposed reduction in selling price and include any changes in costs expected during the coming year. The following additional information is given.

- Sales forecast Rs. 19,00,000 (after reduction)
- Direct material prices are expected to increase by 2%
- Direct wage rates are expected to increase by 5% per unit
- Variable overheads are expected to increase by 5% per unit
- Fixed overheads will increase by Rs. 20,000.



11. The following is the Balance Sheet of Prashant Ltd., as on 31-3-2013

**Balance Sheet of Prashant Ltd.**

**as at 31 March 2013**

Liabilities and Equity	Amount ₹	Assets	Amount ₹
Share capital		Fixed assets	6,10,000
Equity shares of		(Less: Depreciation)	
10% each      4,00,000		Current assets :	
1,000 12% Preference		Stock-in-trade      1,60,000	
shares of ₹ 100		Sundry debtors      1,20,000	
each              1,00,000	5,00,000	Bills receivable      25,000	
Reserve and surplus	1,00,000	Cash in hand	
12% Debentures	2,00,000	and bank              35,000	3,40,000
Current liabilities			
Creditors	1,20,000		
Bank Overdraft	30,000		
	<u>1,50,000</u>		
	<b>9,50,000</b>		<u><b>9,50,000</b></u>

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**Revenue Statement**  
For the Year Ended 31 March 2013

Particular	Amount (₹)	
Net sales (credit)		7,30,000
Cost of sales		<u>6,20,500</u>
Gross profit		1,09,500
Administrative expenses	18,250	
Selling and distribution expenses	<u>36,500</u>	54,750
Operating profit (before tax)		54,750
Taxation		<u>25,550</u>
Operating profit (after tax)		29,200

From the given information, you are required to compute the following ratios :

- 1) Current ratio
- 2) Liquidity ratio
- 3) Gross profit ratio
- 4) Debtor's velocity
- 5) Net profit ratio
- 6) Capital gearing ratio
- 7) Proprietary ratio
- 8) Stock working capital ratio
- 9) Administrative expenses ratio
- 10) Debt-equity ratio.

## SECTION – C

## 12. Case Study – Compulsory :

(1×15=15)

The following is the trial balance of Venkateshwara Ltd., as at 31.3.2012

	Debit	Credit
Stock on 1 <sup>st</sup> April 2011	7,50,000	–
Sales	–	35,00,000
Purchases	24,50,000	–
Wages	5,00,000	–
Discounts	70,000	50,000
Salaries	75,000	–
Rent	49,500	–
General Expenses Including Insurance	1,75,000	–
Profit and Loss Account on 1 <sup>st</sup> April 2011	–	1,50,300
Dividends Paid	90,000	–
Bad Debts	48,300	–
General Reserve	–	1,55,000
Cash in hand and at Bank	1,62,000	–
Authorized capital and Issued Capital (Fully Subscribed) (1,00,000 Shares of Rs. 10 Each)	–	10,00,000
Sundry Debtors and Creditors	3,75,000	1,79,500
Plant and Machinery	2,90,000	–
<b>Total</b>	<b>50,34,800</b>	<b>50,34,800</b>



You are required to prepare a statement of Profit or Loss and a Balance Sheet for year ended 31<sup>st</sup> March, 2012 as per the Revised Schedule VI of the Companies Act.

- a) Closing Stock Rs. 8,20,000
  - b) Depreciate machinery at 15% p.a.
  - c) One month's rent at Rs. 54,000 p.a. was due on 31<sup>st</sup> March 2012
  - d) Six months insurance was unexpired Rs. 3,750
  - e) The Directors proposed a dividend of 8%.
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