Code: **BA1T3**

PVP 12

I MBA-I Semester-Regular Examinations FEBRUARY 2014

ACCOUNTING FOR MANAGERS

Duration: 3 hours Max. Marks: 70 M

SECTION-A

1. Answer any FIVE of the following: 5 x 2 = 10 M

a) Real Account
b) Financial Accounting
c) Prepaid Expenses
d) Margin of Safety
e) Fixed Budget
f) Common Size Statement
g) Going Concern Concept
h) Acid-Test Ratio

SECTION – B

Answer the following: 5 x 10 = 50 M

2. a) Discuss any three accounting concepts which are applicable while preparing a Profit & Loss Account.

OR

b) What are the objectives of Management Accounting? Describe any two techniques of Management Accounting, which are used for decision making in organizations.

3. a) Depreciation saves tax. Explain. What is the impact of using straight line method or written down value method on the profits of a firm. Show with the help of an illustration for atleast 3 years.

OR

b) From the following trial balance of Mr. Aditya & Co, prepare Trading & Profit & Loss Account for the year ended 31-3-2012, and a balance sheet as on that date.

Particulars- debit	Amount	Particulars-credit	Amount
Opening Stock	10000	Capital	40000
Purchases	58400	Sundry Creditors	26800
Sundry Debtors	50000	Sales	125000
Bills Receivables	5600	Bills Payable	10000
Plant & Machinery	20000	Loan from Bank	36000
Interest on Loan	600	Bank Overdraft	4800
Wages	30000		
Buildings	48000		
Cash in Hand	1200		
Stationery	2200		
Salaries	16400		
Discount	200		
	242600		**242600**

Additional Information:

i) Closing Stock Rs.11200.

ii) Depreciate the Plant & Machinery and Buildings by 10% and 5% respectively.

iii) Stationery worth of Rs.2000 was left over as on 31/3/2012 as stock.

iv) The interest on capital is yet to be paid, provide for it @5% p.a.

v) A bad debt of Rs.2000 is yet to be recorded as on 31/3/2012.

4. a) Ratio Analysis is something like Garbage In Garbage Out. Explain with three more limitations of Ratio Analysis.

OR

b) The following is the financial information of Maruti Sahayog Ltd., as on 31/3/12

Items of Balance Sheet	Amount	Abridged P & L	Amount
Inventories	1182.10	Net Sales	10588.30
Sundry Debtors	264.51	EBDIT	1826.42
Cash & Balances	522.08	Depreciation	130.94
Other Current Assets	792.62	EBIT	1695.48
Current Liabilities	2234.28	Interest	13.15
Provisions	962.91	EBT	1682.33
Net Fixed Assets	1156.15	Provision for Tax	355.00
Intangible Assets	47.32	PAT	1327.33

Investments	1832.24		
Equity	2488.23		
Borrowings	111.60		

Calculate the following ratios from the above information:

i) Current and Quick Ratios
ii) Debt Equity Ratio
iii) Operating Ratio
iv) Return on Capital Employed

5. a) What is the meaning of Budgetary Control? How does it help improve monitoring the performance of an organization?

OR

b) A firm sells its product at a unit price of Rs.100 and incurs Rs.75 per unit as variable costs. It incurs an annual expense of Rs.1 lakh in Fixed Costs.

i) What is the volume of sales at which its contribution will be equal to fixed costs?
ii) What is the level of sales revenue to be achieved by the firm to realize a profit of Rs.20000.
iii) If the Variable Costs increases to Rs.80 per unit, what will be the new break-even point of the firm?

6. a) A Master Budget is a budget of all budgets. Comment on the statement giving a rough sketch of its major components and format.

OR

b) Prepare a Cash Budget for the three months ending 30/9/2012 from the following information.

Month	**Sales**	**Raw Materials**	**Wages**	**Overheads**
May	28000	19200	6000	3400
June	30000	18000	6000	3800
July	32000	18400	6400	4000
August	34000	20000	7200	4400
September	36000	20800	8000	4600

Additional information:

20% of the sales of a month are on Cash and the rest on credit, 50% of which realize in the first month and the balance in the second month. Creditors for materials are paid with a delay of 2 months, and there is no delay in the payment of wages and overheads. The firm commences with a cash balance of Rs.20000 on 1/7/2012. The firm would raise an amount of loan of Rs.1 lakh in Aug'12 and repay the outstanding amount of Rs.50,000 of another loan in Sept'12. Advance tax of Rs.15000 will be paid in Sep'12. Other income which is received during the three months of budgeting is Rs.5000, Rs.10000, Rs.15000, respectively. Shortages of cash may be arranged by ST loans from Banks and be repaid when in surplus.

SECTION – C

7. Case Study **1 x 10 = 10 M**

A company is planning to sell 30000, 37500, 41250, 45000 units in the 1st, 2nd, 3rd and 4th quarters of the coming financial year. The opening stock of finished goods and raw materials are 10000 units and 10000 kgs. The closing stock for the same are 16,250 units and 5000 Kgs. Every month the company produces 80% of the current month sale and 20% of the coming month sale. The entire raw material required for the year will be purchased in the first 3 quarters of the year priced @ Rs.2/-, Rs.3/-, and Rs.4/- per kilo in each of the first three quarters. In terms of Kilos, it would purchase 30% of the annual requirement in the 1st quarter, 50% in the 2nd quarter and the remaining 20% in the 3rd quarter. Each unit of the product requires 2 Kilos of the raw material.

Prepare

a) The production budget for the year in units.

b) The raw material consumption budget in units for the year.

c) Raw material purchase budget in quantity and value for the year.

Note: Please show the working notes. Make assumptions in case of data insufficiency.