

Code: BA1T3

I MBA - I Semester - Regular Examinations - December 2015

ACCOUNTING FOR MANAGERS

Duration: 3hours

Max. Marks: 70

SECTION-A

1. Answer any FIVE of the following:

5 x 2 = 10 M

- a) Personal Account
- b) Cost Accounting
- c) Miscellaneous Asset
- d) Net Profit Margin
- e) Zero-Based Budget
- f) Vertical Analysis
- g) Matching Principle
- h) Contribution Margin

SECTION – B

Answer the following:

5 x 10 = 50 M

2. a) Discuss any three accounting concepts which are applicable while preparing a Balance Sheet.

(OR)

b) Management Accounting is a combination of Financial and Cost Accounting. Do you agree? Substantiate. Also explain in case of differences.

3. a) FIFO method of pricing inventories leads to more profit during the times of rising prices. Briefly describe the method of FIFO and explain the statement with an example.

(OR)

b) From the following trial balance of Mr. Sudipta & 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	20000	Capital	80000
Purchases	116800	Sundry Creditors	53600
Sundry Debtors	100000	Sales	250000
Bills Receivables	11200	Bills Payable	20000
Plant & Machinery	40000	Loan from Bank	72000
Interest on Loan from Bank	1200	Bank Overdraft	9600
Wages	60000		
Buildings	96000		
Cash in Hand	2400		
Stationery expenses	4400		
Salaries	32800		
Discount	400		
	485200		485200

Additional Information:

- Closing Stock Rs.22400, out of which goods worth 2400 are damaged and have a scrap value of Rs.1200
- Depreciate the Plant & Machinery and Buildings by 10% and 5% respectively.
- Sundry Creditors offered a discount of Rs.5000, which is yet to be recorded.
- The interest on loan from Bank is 10% p.a.
- The owner would like to draw 10% of the capital (Rs.80,000) if the firm has profits.

4. a) What are common size statements? What are the advantages and limitations of using them for reporting financial information.

(OR)

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

ITEMS OF BALANCE SHEET	AMOUNT	ABRIDGED P&L	AMOUNT
Inventories	1823.20	Net Sales	17756.38
Sundry Debtors	842.46	EBDIT	4750.61
Cash & Balances	1081.55	Depreciation	1278.36

Other Current Assets	3941.33	EBIT	3472.25
Current Liabilities	3600.03	Interest	1008.00
Provisions	265.80	EBT	2464.25
Net Fixed Assets	15448.31	Provision for Tax	61.00
Intangible Assets	0	PAT	2403.25
Investments	6231.97		
Equity	13982.75		
Borrowings	11520.24		

Calculate the following ratios from the above information:

- 1) Current and Quick Ratios
- 2) Assets Turnover Ratio
- 3) Debt Service Coverage Ratio
- 4) Return on Equity

5. a) Zero based budgets are a great boon when you are a start up firm. Explain, by differentiating, the usefulness and superiority of Zero based budgeting over incremental budgeting.

(OR)

b) A firm experiences a contribution margin of Rs.30 per unit. Its annual expense on fixed costs is Rs.1.50 lakhs.

- i) What is the margin on safety of the firm if it sells 10000 units?
- ii) If its current variable costs are Rs.80 and they are expected to increase by 10% and the firm can increase its selling price also by 10%. What do you think will be the new BEP?
- iii) The firm is manufacturing and selling 8000 units as on today. What is its profit and the sales revenue?

6. a) Differentiate between fixed and flexible budgets. Which one do you prefer when you are appraising the performance of a Production Manager? Why?

(OR)

b) Prepare a Cash Budget for the three months ending 31/12/2012 from the following information.

Month	Sales	Raw Materials	Salaries	Overheads
August	30000	20000	10000	8400
September	40000	30000	10000	8800
October	52000	35000	10400	9000
November	64000	40000	11200	9400
December	76000	38000	12000	9600

Additional information:

10% 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 1 month, and there is no delay in the payment of salaries and overheads. The firm commences with a cash balance of Rs.10000 on 1/10/2012. The firm would buy computers worth Rs.1 lakh in Nov'12 and repay the outstanding amount of Rs.20,000 of another loan in Dec'12. Interim dividend of Rs.15000 will be paid in Dec'12. Other income of Rs.10000, and 15000 will be received in the first two months of the budgeting period and a payment for charity is due in Dec'12 for Rs.10000. 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 60000, 75000, 82500, 90000 units in the 1st, 2nd, 3rd and 4th quarters of the coming financial year. The opening stock of finished goods and raw materials are 20000 units and 20000 Kgs, respectively. The closing stock for the same are 32,500 units and 10000 Kgs. Every month the company produces 70% of the current month sale and 30% 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.4/-, Rs.6/-, and Rs.8/- per kilo in each of the first three quarters. In terms of Kilos, it would purchase 40% of the annual requirement in the 1st quarter, 40% in the 2nd quarter and the remaining 20% in the 3rd quarter. Each unit of the product requires 4 Kilos of the raw material.

Prepare

- 1) The production budget for the year in units.
- 2) The raw material consumption budget in units for the year.
- 3) Raw material purchase budget in quantity and value for the Year.

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