

## **BBA 3005**

B.B.A. DEGREE EXAMINATION, JANUARY 2022.

Third Year/Non-Semester

Business Administration

ACCOUNTING FOR MANAGEMENT DECISIONS

Time : Three hours

Maximum : 100 marks

PART A — (5 × 8 = 40 marks)

Answer any FIVE out of Eight questions.

1. State the difference between management accounting and cost accounting.
2. Given :

Fixed cost	Rs. 8,000
Break even sales in units	4,000
Sales in units	7,000
Selling price per unit	Rs. 10

Calculate :

- (a) Variable cost
- (b) Profit.

3. The standard time and rate for unit component are given below :

Standard units                      20

Standard rate per hour      Rs.5

Actual data and related information are as under:

Actual production              1,000 units

Actual hours                      20,500

Actual rate per hour          Rs.4.80

Calculate :

- (a) labour cost variance
  - (b) labour efficiency variance
  - (c) labour rate variance.
4. What is meant by analysis and interpretation of financial statement?
5. From the following details find out :
- (a) current asset
  - (b) current liabilities
  - (c) liquid assets
- Current ratio 2.5  
Liquid ratio 1.5  
Working capital Rs. 90,000

6. From the following information, calculate funds from operations of the second year :

	I Year	II Year
Profit and loss account	25,000	40,000
General reserve	40,000	45,000
Goodwill	7,000	4,000
Preliminary expenses	5,000	3,000
Provision of depreciation of machinery	10,000	12,000

7. How cash flow statement differs from funds flow statement?
8. Point out the advantages of budgetary control.

PART B — (4 × 15 = 60 marks)

Answer any FOUR out of Six questions.

9. Explain the scope and functions of management accounting.
10. What do you understand the term break even analysis? Enumerate the merits and demerits.
11. Discuss the limitation of financial statements.

12. Following ratios are related to the trading activities of Ram limited.

Debtor's velocity      3 months  
 Stock velocity         8 months  
 Creditor's velocity    2 months  
 Gross profit ratio      25%

Gross profit for the year ended 31<sup>st</sup> Dec. 1999 amounts to Rs 4,00,000 closing stock of the year is Rs. 10,000 above the opening stock. Bills receivable amount to Rs. 25,000 and bills payable to Rs. 10,000.

Find out :

- (a) Sales
- (b) Sundry debtors
- (c) Closing stock
- (d) Sundry creditors.

13. The comparative Balance sheets of M/S : Maruthi brothers for the two years are as follows :

Liabilities	December 31		Assets	December 31	
	1998 Rs.	1999 Rs.		1998 Rs.	1999 Rs.
Capital	1,50,000	1,75,000	Land and buildings	1,10,000	1,50,000
Loan from bank	1,60,000	1,00,000	Machinery	2,00,000	1,40,000

Liabilities	December 31		Assets	December 31	
	1998	1999		1998	1999
	Rs.	Rs.		Rs.	Rs.
Creditors	90,000	1,00,000	Stock	50,000	45,000
Bill payable	50,000	40,000	Debtors	70,000	80,000
Loan from SBI			Cash	20,000	25,000
		25,000			
	<u>4,50,000</u>	<u>4,40,000</u>		<u>4,50,000</u>	<u>4,40,000</u>

Additional information :

- (a) Net profit for the year 1999 amounted to Rs. 60,000
- (b) During the year a machine costing Rs. 25,000 (accumulated depreciation Rs. 10,000) was sold for Rs. 13,000. The provision for depreciation against machinery as on 31.12.1998 was Rs. 50,000 and on 31.12.1999 Rs. 85,000. You are required to prepare a cash flow statement.

14. BPL Ltd. Wishes to arrange overdraft facilities with its bankers during the period April to June 2008 when it will be manufacturing mostly for stock. Prepare a cash budget for the above period from the following data, indicating the extent of bank facilities the company will require at the end of each month.

(a)	Credit sales	Purchase	Wages
	Rs.	Rs.	Rs.
February 2008	1,80,000	1,24,800	12,000
March	1,92,000	1,44,000	14,000
April	1,08,000	2,43,000	11,000
May	1,74,000	2,46,000	10,000
June	1,26,000	2,68,000	15,000

- (b) 50% of credit sales are realized in the month following the sales and the remaining 50% in the second month following.

Creditors are paid in the month of following the month of purchase.

Lag in payment of wages 1 month.

- (c) Cash at bank on 1.4.2008 (estimated)  
Rs.25,000

---