

MBAC 1003

M.B.A. DEGREE EXAMINATION, JANUARY 2021.

First Semester

General (Common)

ACCOUNTING FOR MANAGERS

Time : Three hours

Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions.

All questions carry equal marks.

1. Analyse any six differences between financial accounting and cost accounting.
2. Give the meaning of capital receipts. State its features.
3. Analyse the causes of providing depreciation.
4. What are the uses of Funds Flow statement?
5. Differentiate Funds Flow statement from Cash flow statement.
6. State the circumstances under which selling price is fixed at marginal cost or below marginal cost.

7. Analyse the classification of cost on the basis of elements.
8. Discuss the causes for price variance.

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

All questions carry equal marks.

9. From the following Trial Balance of Mr. X, prepare the Trading and Profit and Loss account for the year ended December 31, 2015 and a Balance Sheet date as at that date.

Trial Balance		
	Debit	Credit
	₹	₹
Capital		60,000
Sales		35,000
Purchases	20,000	
Salaries	3,000	
Rent	2,000	
Insurance	500	
Drawings	6,000	
Machinery	30,000	
Bank	4,500	

	Debit ₹	Credit ₹
Cash	18,000	
Stock	7,000	
Debtors	5,000	
Creditors		2,000
Bad debts	1,000	
	97,000	97,000

Adjustment :

- (a) Stock on hand on December 31, 2015
₹ 5,000
 - (b) Salaries owing ₹ 500
 - (c) Rent paid in advance ₹ 500
 - (d) Insurance paid in advance ₹ 200
 - (e) Depreciation Machinery by 10 percent.
 - (f) During December Mr. X took ₹ 500 in goods.
10. Differentiate Trial balance from Balance sheet.
 11. Write note on Annuity method of providing depreciation.

12. Using the following data, complete the balance sheet given below

Gross profit (0.20 × sales)	60,000
Shareholders' equity	50,000
Credit sales to total assets	0.80
Total assets turnover (times)	3
Inventory turnover to cost of sales (times)	8
Average collection period (360 days year) (days)	18
Current ratio	1.6
Long-term debt to equity	0.40

Balance sheet

Creditors	–	Inventory	–
Long term debt	–	Cash	–
Shareholder's equity	–	Debtors	–
		Fixed Assets	–
	_____		_____
	_____		_____

13. From the following information Prepare Fund Flow Statement for the year 31.12.2015 :

- (a) Increase in working capital ₹ 4,000.
 (b) Net Profit before writing off goodwill ₹ 10,750.

- (c) Depreciation for fixed assets ₹ 1,750.
- (d) Dividend paid ₹ 3,500.
- (e) Goodwill ₹ 5,000 written out of Profits.
- (f) ₹ 5,000 share capital was issued for cash.
- (g) Machinery was purchased for ₹ 10,000.

14. Analyse the limitations of cash flow statement.

15. ABC Ltd., manufactures fans, which are sold at ₹ 400 per fan. The cost of sale is composed of 40% of direct material, 30% of wages and 30% of overhead.

An increase in material price by 25% and in wage rate by 10% is expected in the forthcoming year, as a result of which the profit at current selling price may dwindle by 39% of present gross profit.

With the above information, Required to

- (a) prepare a statement showing current and future costs and profit at present selling price, and
- (b) determine the future selling price, if the present rate of gross profit is to be maintained. (2 + 4 + 1 = 7)

16. The standard labour employment and the actual labour engaged in a 40 hours week for a job are as under :

Category of workers	Standard		Actual	
	No. of workers	Wage rate per hour ₹	No. of workers	Wage rate per hour ₹
Skilled	65	45	50	50
Semi skilled	20	30	30	35
Unskilled	15	15	20	10

Standard output : 2000 units; Actual output : 1,800 units; Abnormal idle time : 2 hours in the week.

Calculate :

- Labour cost variance
- Labour Efficiency variance
- Labour idle time variance and show your workings.

PART C — (1 × 20 = 20 marks)

(Compulsory)

17. A Ltd. has a plant capacity adequate to provide 39,600 hours of machine use. The plant can produce all A type tools or all B type tools or a mixture of the two types. The following information is relevant.

Per type	A	B
Selling Price (₹)	20	30
Variable cost (₹)	17	24
Hours required to produced	6	8

Market conditions are such that no more than 4000 A type tools and 3000 B type tools can be sold in a year. Annual fixed costs are ₹ 19,800.

Compute the product mix that will maximise the net income to the company and find the maximum net income.
