



PJ – 671

I Semester M.B.A. Degree Examination, January/February 2019
(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 **five** marks. (5×5=25)

1. Explain the concepts underlying the preparation of Financial Statements.
2. Define inventory according to AS – 2. Explain its scope and coverage.
3. Write a note on Target costing.
4. On 1-4-2016 Raj purchased a machinery for Rs. 7,20,000 and spent 80,000 for installation. On 30-9-2017 he sold a part of machinery costing Rs. 1,80,000 for 1,20,000. New machinery was purchased on the same day for Rs. 3,00,000 and spent 60,000 for transportation. The depreciation was charged at 10% per annum on W.D.V. Show the machinery account for four year from 1-4-2016.
5. From the following details, prepare commonsize income statement for the year ending 31-3-2017 and 31-3-2018 and comment on the financial position of the concern.

| Particular | 31-3-2017 | 31-3-2018 |
|--------------------|-----------|-----------|
| | Rs. | Rs. |
| Sales | 35,00,000 | 50,00,000 |
| Cost of goods sold | 2,40,000 | 36,00,000 |
| Operating expenses | 4,00,000 | 5,00,000 |
| Financial expenses | 2,00,000 | 3,00,000 |
| Tax rate | 35% | 35% |

6. From the following data, calculate break even point.

| | |
|----------------------------|--------------|
| Budgeted output (in units) | 70,000 |
| Fixed cost : | Rs. 8,00,000 |
| Selling price per unit : | Rs. 44 |
| Variable cost per unit : | Rs. 24 |

If the selling price is reduced to Rs. 40 per unit, what will be the revised BEP ?

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7. The details given below related to 60% capacity, when the production was 6000 units.
- Material – 240 per unit
 - Labour – 100 per unit
 - Direct expenses – 30 per unit
 - Factory expenses – 500000 (40% fixed)
 - Administrative expenses – 350000 (50% fixed)
- Prepare a flexible budget showing marginal cost and total cost for 50% and 75% capacity.

SECTION – B

Answer **any three** questions. **Each** question carries **10** marks. **(3×10=30)**

8. What are the objectives of financial statement analysis ? Explain the different methods of financial statement analysis.
9. XYZ Ltd. has collected the following information for the preparation of cash flow statement for the year 2017.

| | |
|--|-----------|
| Net Profit | 5,00,000 |
| Dividend (including dividend tax) paid | 1,70,700 |
| Income tax paid during the year | 84,960 |
| Provision for income tax | 1,00,000 |
| Loss on sale of assets (net) | 800 |
| Book value of the assets sold | 3,700 |
| Depreciation charged to P & L A/c | 4,00,000 |
| Amortisation of capital grant | 120 |
| Profit on sale of investments | 2,000 |
| Carrying amount of investment sold | 5,55,300 |
| Interest on investments received | 50,120 |
| Interest expenses | 2,00,000 |
| Interest paid during the year | 2,10,400 |
| Increase in working capital-excluding | |
| Cash and Bank balance | 11,21,500 |
| Purchase of fixed assets | 2,91,200 |
| Investments in joint venture | 77,000 |
| Expenditure on construction work in progress | 6,94,800 |
| Proceeds from calls in Arrears | 40 |
| Receipt of Grant for capital projects | 240 |
| Proceeds from long term borrowings | 5,19,600 |
| Proceeds from short term borrowings | 4,11,500 |



| | |
|-------------------------------|----------|
| Opening cash and Bank balance | 1,00,060 |
| Closing cash and Bank balance | 1,39,760 |

You are required to prepare cash flow statement (by indirect method) for the year 2017 in Accordance with AS-3(raised).

10. The summarized balance sheet of ABC Ltd. for the year ending 31-3-2018 in given below.

| Liabilities | | Assets | | (Rs. lakhs) |
|------------------------|------------|------------------------|-----|-------------|
| Equity share capital | 140 | Fixed Assets (at cost) | 210 | |
| Reserves and surplus | 45 | Less : Depreciation | 25 | 185 |
| Profit and loss A/c | 20 | Stock | | 25 |
| Provision for taxation | 10 | Debtors | | 30 |
| Sundry creditors | 40 | Cash | | 15 |
| | 255 | | | 255 |

The following further particulars are also given below.

| | |
|----------------------|---------------|
| Sales | Rs. 120 lakhs |
| EBIT | 30 lakhs |
| Net profit after tax | 20 lakhs |

Calculate the following for the company and explain the significance of each in one or two sentences.

- Current ratio
 - Liquidity ratio
 - Profitability ratio
 - Profitability on funds employed
 - Debtors turn over
 - Stock turn over
 - Average collection period
 - Return on equity.
11. Cook Well Ltd. manufactures pressure cookers, the selling price of which is 300 per unit. Currently the capacity utilisation is 60% with sales turnover of 18 lakhs. The company proposes to reduce selling price by 20% but desires to maintain the same profit position by increasing the out put. Assuming that the increased out put could be made and sold, determine the level at which the company should operate to achieve the desired objective.
- The following further data is available :
- Variable cost per unit Rs. 60
 - Semi variable cost (including variable element of Rs. 10 per unit). Rs. 1,80,000
 - Fixed cost Rs. 3,00,000 will remain constant up to 80% level. Beyond this an additional amount of Rs. 60,000 will be incurred.



SECTION – C

12. **Compulsory.**

(1×15=15)

The following is the trial balance of Mamta Fashions Pvt. Ltd. as on 31st March 2018.

| Accounts Heads | Debt (Rs.) | Credit (Rs.) |
|---|------------------|------------------|
| Building | 3,60,800 | |
| Plant and Machinery | 4,95,000 | |
| Opening Inventory | 1,12,500 | |
| Debtors | 1,06,050 | |
| Land | 87,500 | |
| Cash in hand | 4,725 | |
| Cash at bank | 45,500 | |
| Bills receivable | 58,875 | |
| Purchases | 27,07,500 | |
| Wages | 86,970 | |
| General expenses | 10,252 | |
| Salaries | 90,338 | |
| Bad debts | 3,165 | |
| Interest on term loan | 27,000 | |
| Equity share capital | | 3,00,000 |
| 10% Preference share capital | | 1,00,000 |
| Secured term loan from Delhi Financial Corporation @ 12% p.a. | | 4,50,000 |
| P and L A/c balance as on 1 – 4 – 2017 | | 39,375 |
| Bills payable | | 55,500 |
| Creditors | | 93,800 |
| Sales | | 31,20,000 |
| General reserve as on 1 – 4 – 2017 | | 37,500 |
| Total | 41,96,175 | 41,96,175 |

- Value of inventory as on 31-3-2018 is Rs. 1,35,000
- Depreciation is to be provided at 10% on Building and 15% on Plant and machinery.
- Interest on term loan is due for 6 months.
- Doubtful debts are to be provided for Rs. 3,000
- Outstanding Wages Rs. 8,030
- Directors want to provide
 - 10% final dividend
 - Income tax Rs. 30,000
 - Reserve fund Rs. 25,000

Prepare income statement and balance sheet as on 31-3-2018 in vertical form.